



Citizens for Pennsylvania's Future  
610 N. Third St.  
Harrisburg, PA 17101-1113

March 16, 2016

Rosemary Chiavetta  
Secretary of the Commission  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

Re: PUC Docket No. M-2015-2518883

Dear Secretary Chiavetta:

Citizens for Pennsylvania's Future ("PennFuture") respectfully submits the following comments in response to the Public Utility Commission's ("Commission") *En Banc* Hearing on Alternative Ratemaking Methodologies.

Sincerely,

Robert Altenburg  
Director, Energy Center  
Citizens for Pennsylvania's Future

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b><i>En Banc</i> Hearing</b>	)	
<b>On Alternative Ratemaking</b>	)	
<b>Methodologies</b>	)	<b>Docket Number. M-2015-2518883</b>
	)	

**COMMENTS OF CITIZENS FOR PENNSYLVANIA’S FUTURE (“PENNFUTURE”)**

PennFuture thanks the Commission for holding an *En Banc* hearing and providing the opportunity for additional stakeholders to comment on the efficacy and appropriateness of alternative ratemaking methodologies, such as revenue decoupling, that remove disincentives for energy utilities to pursue aggressive energy conservation and efficiency initiatives. We appreciate Commissioner Powelson’s statement that we need to have a collaborative process to appropriately design an alternative ratemaking methodology that works for all. We also support PPL Electric’s comment that “If such a mechanism is properly designed and implemented, it will encourage utilities to better implement EE&C programs; it will be just and reasonable and in the public interest; and its benefits will outweigh its costs.”<sup>1</sup>

If Pennsylvania is to remain competitive and meet its climate goals, **we need to significantly increase our use of energy efficiency and clean renewable energy.** While we do so, we recognize that our regulated electric utilities require adequate revenue to maintain a safe and reliable distribution system. This will eventually require that Pennsylvania move toward an alternative ratemaking system that is more able to support clean distributed generation such as solar photovoltaic systems and increased deployment of energy efficiency measures.

The Act 129 energy efficiency program attempted to balance the interests of ensuring adequate utility revenue while increasing use of cost-effective energy efficiency measures by enacting an investment cap that limits initial utility spending to 2 percent of their 2006 sales.<sup>2</sup> Because of inflation, this is effectively a declining cap. As a result, our current EDC Phase III plans are not expected to achieve the reductions we saw in Phase I, despite the fact that our efficiency targets are nowhere near their cost-effective potential.<sup>3</sup> In PPL Electric’s testimony, they echoed the

---

<sup>1</sup> PPL Electric, Testimony before the PUC *En Banc* Hearing on Alternative Ratemaking Methodologies, 5, Mar. 3, 2016.

<sup>2</sup> Act 129 of 2008.

<sup>3</sup> SWE Market Potential Study, <http://www.puc.pa.gov/pcdocs/1345079.pdf>.

sentiment we have stated in prior comments that we need to increase spending in Act 129 to promote energy efficiency.<sup>4</sup>

For renewable generation, the Legislature balanced similar interests by limiting the size of net metered systems to 50kW for residential customers and either 3 or 5MW for commercial customers along with certain restrictions to virtual meter aggregation that also limits deployment. Along with these limits, the Legislature also provided a guarantee that customers receive the “full retail value” for the electricity they generate. At current rates of deployment, this program is sustainable, and any issues could be adequately addressed in a utility rate case. Still, the possibility that utility profitability could be impacted by significant growth in solar deployments creates an unnecessary adversarial situation.

Decoupling can be implemented in different ways to ensure utilities receive their necessary operating revenue independent of its sales volume. But, not all of the methods encourage energy efficiency and renewable energy equally. In particular, we are concerned about “Straight fixed variable rate design [that] shifts all short run fixed costs to the customer charge.”<sup>5</sup> Under this proposal, there would be little incentive for customers to implement energy efficiency measures in their homes and businesses because those measures would have less of an impact on their bill. As was stated by the Keystone Energy Efficiency Alliance (KEEA), “Of the other alternative rate-design mechanisms, there is no rate-design more antithetical to the stated goals of this docket, and to Pennsylvania ratepayers than straight fixed variable.”<sup>6</sup>

Last year, PPL Electric asked the Commission for such a fixed rate increase. At the time, PPL’s monthly fixed distribution rate was \$14.13 and the highest in the state. If PPL’s fixed rate increase was approved as requested, customers would have seen their monthly fixed rate payment go up to around \$20 a month, a 42 percent increase. PPL’s more than 1.4 million customers would have each paid \$60 more a year for electricity. Thanks to a settlement agreement, that rate increase did not happen but it put customers on alert, especially low income customers who already struggle with payments.

We suspect it was straight fixed variable rate design that the Office of Consumer Advocate (OCA) was considering when they expressed concerns about shifting the burden to low and moderate income families. We agree with Chairman Brown that we must minimize the impact on these customers. We also realize that there could be a potential harm to renters who do not have much control over the energy efficiency of their home. However, we believe a program could be designed that addresses these problems. The issue could be solved through a built in

---

<sup>4</sup> PPL at 2.

<sup>5</sup> Regulatory Assistance Project, Slide 32.

<sup>6</sup> Keystone Energy Efficiency Alliance Testimony, at 11.

safety net in the rate mechanism, the use of performance incentives, or separate programs as is already done with LIURP.

We also share the concerns expressed by several commentators that, without changes to the current system, there will be an increase in the number of utility rate cases. Interested parties who may wish to intervene in such cases often find the prospect expensive and technically complex to a degree that strains their resources. Frequent rate cases magnify this problem putting participation beyond the resources of many individuals and organizations. When evaluating options, we ask the Commission to consider these potential impacts.

Customers are using the grid in new ways, hence the need for new policies. While the grid has traditionally been effectively the only source of power, it is now being used as a backup for distributed generation systems. With the falling cost of solar systems and battery storage becoming more accessible to consumers, the grid will continue its transition to becoming an alternative source of power. In addition to distributed generation, energy efficiency has been proven to be cost effective and will continue to increase in use. We should use rate design so that financial incentives align with the goal of increasing efficiency and clean renewable generation.