



Real Possibilities in

Pennsylvania

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Comments of AARP Pennsylvania Before the Pennsylvania Public Utility Commission

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Alternative Ratemaking Methodologies – Docket No: M-2015-2518883

March 16, 2016

AARP Pennsylvania (AARP PA) submits these Comments in response to the Commission letter dated December 31, 2015, and the testimony submitted by a number of parties at the March 3, 2016, En Banc Hearing in the above-captioned Docket.

AARP PA supports the Commission's efforts to maximize the benefits of energy conservation to the people and the economy of Pennsylvania. AARP PA agrees that consumers are best served when they are able to obtain the energy that they actually need at a reasonable price, while avoiding the use of unnecessary energy through cost-effective conservation measures.

While the focus of the Commission's request for comments and the En Banc Hearing has been on the incentives and disincentives "for energy utilities to pursue aggressive energy conservation and efficiency initiatives," December 31, 2015 Letter at 1, AARP PA would respectfully urge the Commission to consider the incentives and disincentives for *consumers* to conserve energy. In this regard, AARP PA strongly urges the Commission to reject the

proposals by some utility commenters to address this issue through reliance on high fixed customer charges and so-called “straight fixed variable” rate design. Raising the unavoidable fixed customer charges of residential customers sends exactly the wrong signal to those customers because it reduces their ability to save money by reducing their usage.

In the most recent PPL and PECO base rate cases, AARP PA volunteers testified at the PUC public input hearings against the substantial proposed increases that both of those utilities had sought to implement in their residential customer charges. As stated by AARP PA member Gaylord Coston at the PPL public hearing in Harrisburg on June 2, 2015: “Customers need to have some control over their electric bills, but to the extent that they have to pay a larger and larger share of their bill through a high fixed customer charge, they have less control. Many ratepayers now diligently dedicate themselves to conserving home energy usage, trying to keep their energy bills more affordable. Why should they not receive the full economic benefit of their careful conservation efforts?” AARP PA was gratified by the Commission Orders in the PPL and PECO rate cases in which the Commission approved settlements by the parties that substantially reduced or eliminated the proposed increases to the residential fixed customer charges in both of those cases.

As noted above, AARP PA urges the Commission to consider the impact on consumers of any rate design changes that are intended to affect utility behavior with respect to energy conservation. Proposals to impose high unavoidable customer charges on residential customers might alleviate some utility concerns about reduced revenues due to conservation, but such proposals have a deleterious effect on the very customers who are being asked to conserve. Such proposals have a particularly harmful impact on low income and low usage customers who will be forced to pay higher bills even if they take steps to conserve energy. AARP PA therefore

urges the Commission to reject any efforts to impose higher fixed customer charges on residential customers at this time.

With respect to the primary focus of the Commission's En Banc Hearing – that is, the "decoupling" of utility sales and revenues as a means of encouraging greater utility participation in energy efficiency programs, AARP PA supports the position presented by Acting Consumer Advocate Tanya McCloskey in her written and oral testimony before the Commission. As noted by Ms. McCloskey, the question of whether or not to implement decoupling as part of Pennsylvania's energy efficiency regulatory framework was addressed by the General Assembly in Act 129 of 2008. Ms. McCloskey correctly testified that "In passing Act 129, the General Assembly squarely spoke to this issue and effectively rejected the decoupling approach. Specifically, while establishing automatic surcharges to recover the costs of our energy efficiency, demand response, and smart meter programs, the General Assembly declared that such cost recovery may not include 'decreased revenues of an electric distribution company due to reduced consumption or changes in energy demand.'" McCloskey Testimony of February 25, 2016 at 5, quoting 66 Pa. C.S. Sections 2806.1(k)(20 and 2807(f)(4). Under the express language of Act 129, therefore, it appears that the type of decoupling mechanism proposed by some of the commenters in this proceeding would be unlawful.

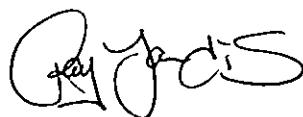
Importantly, however, the lack of decoupling has not prevented Pennsylvania from implementing a very successful energy efficiency agenda in which our electric utilities have met or exceeded the initial energy saving goals mandated by Act 129 as well as the goals established by the Commission in subsequent proceedings. Under Act 129, electric distribution companies are expressly required to meet those goals and are subject to severe monetary penalties if they fail to meet them. The utilities also must meet those goals within the budgetary limits

established by Act 129. At the same time, utilities are given the ability to increase rates through an automatic surcharge to cover the costs of these programs, without regard to whether such a rate increase would be justified on an overall cost of service basis. Moreover, while any revenues that might be lost as a result of conservation programs cannot be recovered as part of the automatic surcharge between rate cases, utilities can reflect such revenue losses on a prospective basis in base rate cases, which now permit the use of fully forecasted future test years.

The General Assembly has thus created a balanced and comprehensive set of carrots and sticks for our utilities to implement a successful series of energy efficiency programs that have benefitted consumers across the Commonwealth without the need to resort to decoupling or other types of alternative ratemaking that might undercut that balance. Again, as stated by Ms. McCloskey on behalf of the Office of Consumer Advocate: “Given the ratemaking methodologies we have in place and the success we have with Act 129, it is not clear how any form of revenue decoupling will further advance the goals that Pennsylvania is seeking to achieve.” McCloskey Testimony at 7.

AARP PA thanks the Commission for this opportunity to submit these Comments and respectfully urges the Commission to consider these Comments as it moves forward in this important proceeding.

Respectfully submitted,



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