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November 1, 2019

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

**Re: 2021 Total Resource Cost (TRC) Test;
Docket No. M-2019-3006868**

Dear Secretary Chiavetta:

Pursuant to the Pennsylvania Public Utility Commission's Tentative Order dated September 19, 2019 in the above-captioned proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Tori L. Giesler kbw

Tori L. Giesler

kbw
Enclosures

c: As Per Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

2021 Total Resource Cost (TRC) Test : Docket No. M-2019-3006868

**COMMENTS OF METROPOLITAN EDISON COMPANY,
PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER
COMPANY AND WEST PENN POWER COMPANY TO THE TOTAL RESOURCE
COST TENTATIVE ORDER**

Act 129 of 2008 requires electric distribution companies ("EDCs") to demonstrate that their energy efficiency and conservations plans are cost-effective using the Total Resource Cost ("TRC") Test.¹ The TRC Test is "a standard test that is met if, over the effective life of each plan not to exceed 15 years, the net present value of the avoided monetary cost of supplying electricity is greater than the net present value of the monetary cost of energy efficiency conservation measures."² On September 19, 2019, the Pennsylvania Public Utility Commission ("Commission") issued a Tentative Order ("Tentative TRC Order") seeking comments and reply comments on the proposed TRC Test for use during the Commission's proposed Phase IV Energy Efficiency and Conservation ("EE&C") Plan for Commonwealth EDCs to begin June 1, 2021. Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (collectively, the "Companies") offer the following comments in response.

I. Comments

The Companies appreciate the efforts of the Commission, Staff and Statewide Evaluator ("SWE") to update the TRC test, as well as the opportunity to provide input on the

¹ 66 Pa.C.S. § 2806.1(b)(1)(i)(I).

² 66 Pa.C.S § 2806.1(m).

specific issues and topics raised in the Tentative TRC Order. Accordingly, they offer the following comments for the consideration of the Commission, which generally raise suggested corrections, clarification or minor revisions. In addition, the Companies support the comments filed by the Energy Association of Pennsylvania in this matter.

Frequency of Review of the TRC Test

In Part A.2. of the Commission's Tentative TRC Order, the Commission “reserves the right to update or modify the 2021 TRC Test Order during Phase IV or to direct the SWE to develop guidance memos on such topics to promote consistency across EDCs and TRC Test results that are in line with the policy objectives of the Commonwealth.” Changing the 2021 TRC Test assumptions or methodologies mid-phase is expected to inappropriately lead to inconsistent TRC Test results versus those used in the market potential study and EDCs’ EE&C plans as designed. The effect of this result is the potential undermining of EDCs’ approved EE&C plans which would have been developed under Commission directives at the time the EE&C plans were approved. As such, the Companies recommend that the Commission maintain that the provisions of the 2021 TRC Test apply for the entirety of Phase IV consistent with Phase III. In the alternative, if the Commission desires different TRC Test results due to new issues that could arise that were not considered in the Phase IV TRC Test Order, the Companies propose that such results be presented in addition to those following the Commission directives in the Phase IV TRC Test Order.

Avoided Costs of Supplying Electricity

Initially, the Commission suggests in Part B.2.a.v., with respect to the conversion of natural gas costs into electricity costs, that “[h]eat rates of a gas turbine shall be used for on-peak periods and the heat rate of a combined cycle unit shall be used for off-peak periods. The proposed heat rate for on-peak shall be 7,649 BTU/kWh, and off-peak shall be 11,176 BTU/kWh.” While the

Companies agree with the methodology outlined, it is believed that the given values have been inadvertently transposed. Specifically, the proposed heat rate for on-peak should read 11,176 BTU/kWh, while off-peak should read 7,649 BTU/kWh.³

Further, the Commission proposes in Part B.6.ii that the 3-year average auction value be used in the first year that the BRA clearing pricing prices are not available. However, these auction values are nominal and representative of prior auction years, and are therefore inappropriate for use here. Instead, the 3-year historic average auction value should be escalated and inflated beginning in the first year, which would more appropriately reflect current conditions.

Finally, with respect to the Commission's suggestions as to the ACC in Part B, the Companies offer the following recommendations:

- Inflation should be added to the BLS escalation factor when applied to the average spark spread (*see* "Avoided AC" tab in the ACC). The TRC Order at Section B.5 instructs to generally add inflation to escalation. However, the calculator only applies escalation to the average spark spread.
- The zonal adjustment factor applied to the NYMEX futures should be escalated and inflated (*see* NG Futures tab in the ACC) so that the zonal adjustment factor is aligned with the real NYMEX and EIA forecasted values.
- The average annual values, which are calculated from monthly values, should be weighted by the number of days in each month (*see* "Outputs" tab in the ACC). The ACC currently calculates the average annual values as a simple average and does not take into account the number of days per month.
- The ACC does not calculate generation capacity avoided cost consistent with the Tentative Order. Auction values should be used and then incorporate the 3-year average for the first year that auction values are unavailable. Also, per the Companies' comments on the Tentative Order at Part B.6.ii above, the 3-year average should be escalated and inflated in the first year (*see* "Generation Capacity" tab in the ACC).

³ The Companies believe the values are correctly stated in the Avoided Cost Calculator ("ACC").

Demand Response - Measure Life

In the Tentative Order, the Commission proposes that for demand response (“DR”) programs where the utility pays some or all the cost of DR equipment,⁴ the measure life equivalent to the expected mechanical life of the equipment is appropriate. The Companies disagree, for several reasons.

First, unlike energy efficiency measures where there is certainty that the measure will generate savings for its expected life, there is no certainty the demand response measure will generate demand reductions for its expected life. Most demand response programs utilizing this type of equipment allows customers to override event participation, to opt out of the program, or involves customers re-enrolling into the program. These common program implementation practices, which support customer participation, result in uncertainty as to whether the demand response measure will generate demand reductions for its expected life. In fact, the Phase III SWE specifically noted that “it is inappropriate to calculate load reduction benefits from future years during which no agreement exists between the EDC and a customer for control of the equipment regardless of the anticipated mechanical life of the equipment.”

Second, as was the case with Phase II of Act 129 where the Commission did not establish demand response targets, there is no certainty the Commission will establish demand response targets for future phases of Act 129. In fact, while Met-Ed, Penelec and Penn Power implemented demand response programs in Phase I of Act 129 that included the installation of programmable thermostats or air conditioning cycling switches, no conservation service provider proposed to utilize these devices in response to a RFP issued by the Companies when designing their demand

⁴ “Examples of DR equipment include a Wi-Fi-connected “smart” thermostat, a water heater or air conditioner cycling switch, a battery, an electric vehicle charger that the EDC can control, etc.” Tentative Order, p. 50.

response programs for Phase III of Act 129. As such, these devices ceased to provide any demand reductions after Phase I of Act 129. While the Companies acknowledge there is potential for DR measures to generate demand reductions for longer than one year, it is inappropriate to assume they will generate reductions for their expected mechanical life for the reasons discussed above. Therefore, assuming a measure life equivalent to the length of Phase IV most reasonably balances the uncertainty with the potential that the devices will generate demand reductions for longer than a year.

II. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company appreciate the opportunity to provide comments on the Commission's Tentative Order regarding the 2021 Total Resource Cost Test. The Companies look forward to working with the Commission and the other parties on this matter.

Respectfully submitted,

Dated: November 1, 2019



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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).


Service by first class mail, as follows:

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Dated: November 1, 2019


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