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November 12, 2019

**VIA ELECTRONIC FILING**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> 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 Reply 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  
Enclosures

c: As Per Certificate of Service

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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

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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.<sup>1</sup> 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."<sup>2</sup> On September 19, 2019, the Pennsylvania Public Utility Commission ("Commission") issued a Tentative Order ("TRC Tentative 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") Plans 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 replies to comments made by various parties.<sup>3</sup>

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<sup>1</sup> 66 Pa.C.S. § 2806.l(b)(1)(i)(I).

<sup>2</sup> 66 Pa.C.S § 2806.l(m).

<sup>3</sup> Absence of a reply to any specific comment made by a party should not be interpreted as the Companies' agreement.

## **I. Reply Comments**

The Companies appreciate the efforts of the Commission and Statewide Evaluator (“SWE”) to update the TRC test, as well as the opportunity to provide input on the specific issues and topics raised in the TRC Tentative Order. Accordingly, they offer the following reply comments for the consideration of the Commission. In addition, the Companies support the reply comments filed by the Energy Association of Pennsylvania in this matter.

### **A. Inclusion of Alternative Revenue Streams in the TRC Test**

The Office of Small Business Advocate (“OSBA”) recommends that the TRC test should exclude alternative revenue streams, such as tax credits. This recommendation is at odds with long-standing standard industry practice.<sup>4</sup> The primary purpose of the TRC test is to evaluate the net benefits of energy efficiency measures to the region as a whole - that is, the utility and its ratepayers. Tax credits to program participants are a clear benefit to the region as a whole and consequently are commonly – and appropriately - included in the TRC test. OSBA further suggests that tax credits to program participants should be excluded from the TRC test because those credits are implicitly absorbed by the balance of taxpayers. This reasoning is a stretch and goes well beyond the purpose of the TRC test, which is limited to the utility and its ratepayers. It would be inappropriate for a Pennsylvania utility to discount a federal tax credit, for example, to one of its energy efficiency program participants due to a theoretical transfer of tax liability to the other 50 states. For these reasons, the OSBA’s recommendation to exclude tax credits should be rejected.

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<sup>4</sup> National Action Plan for Energy Efficiency (2008). Understanding Cost-Effectiveness of Energy Efficiency Programs: Best Practices, Technical Methods, and Emerging Issues for Policy-Makers. Energy and Environmental Economics, Inc. and Regulatory Assistance Project. Page 6-6.

## **B. Frequency of TRC Manual and PA Technical Reference Manual (“TRM”) Updates**

Citizens for Pennsylvania’s Future (“PennFuture”) commented on the frequency of both the TRC test and TRM updates, specifically suggesting that “[a]t a minimum, annual updates to the PA TRM should be required to keep consistent with rapid changes in the private marketplace” and “the current approach of updating the TRC Manual and the PA TRM every four or five years is inadequate to keep up with a rapidly changing home performance marketplace.”<sup>5</sup> PennFuture also contends that “[i]t is almost certain that new technologies will emerge in the marketplace before a Phase V is scheduled to be implemented in the future. By selecting a four- or five-year update cycle, the PA PUC is choosing to base its policy decisions upon outdated technology and potentially ignore new data collection systems related to building sciences.”<sup>6</sup>

The Companies first note that PennFuture’s comments relative to updating the TRM are misplaced as the Phase IV TRM update process has been separately addressed at Docket Number M-2019-3006867. Given the specific topic of this proceeding, the Companies will only address PennFuture’s remarks as they relate to the TRC test. Specifically, PennFuture’s recommendation to update the TRC annually should be rejected. 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, for the reasons cited in their original comments submitted on November 1, 2019.

## **C. Avoided Costs of Supplying Electricity/Vintage of Avoided Cost Forecasts**

The Pennsylvania Utility Law Project (“PULP”) “urges the Commission to modify the TRC Order such that it calls for the SWE to “annually consider whether there are indications that market conditions have varied sufficiently to warrant such an update or modification of the avoided

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<sup>5</sup> PennFuture Comments, p. 6.

<sup>6</sup> *Id.*

costs, and to inform the Commission if it determines that an update is warranted.”<sup>7</sup> The Companies disagree with this recommendation and fully support the Commission’s recommendation that “[f]or simplicity in compliance, EDCs will not be expected to update avoided costs mid-phase.”<sup>8</sup> Changing the 2021 TRC Test avoided costs mid-phase would not only complicate EDCs’ ability to comply, but would also inappropriately and unreasonably lead to inconsistent TRC test results versus those used in the market potential study and EDCs’ EE&C plans. To do so would undermine Commission-approved EE&C plans which were developed consistent with then-applicable directives, including the calculation of avoided costs at the time the EE&C plans were approved. As such, the provisions of the 2021 TRC test, including the avoided costs, should apply for the entirety of Phase IV.

Regarding the Avoided Cost Calculator tool proposed by the Commission, the Office of Consumer Advocate (“OCA”) recommends “that these completed and submitted spreadsheets should also be made available on the Commission Act 129 webpage for easy access”, noting that “the completed spreadsheets would allow for greater information about the savings achieved by the utilities and comparison amongst the utilities”.<sup>9</sup> Recognizing the significant complexities of the Avoided Cost Calculator tool, the Companies are concerned that placing the Avoided Cost Calculator tool on the webpage will result in incorrect use of the spreadsheets or inaccurate comparisons across EDCs. As such, the Companies recommend that any inquiries or analysis regarding the Avoided Cost Calculator tool and its results be handled by Commission Staff or the Phase IV SWE.

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<sup>7</sup> PULP Comments, p. 5.

<sup>8</sup> TRC Tentative Order, p. 14.

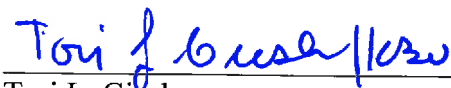
<sup>9</sup> OCA Comments, p. 5.

## II. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company appreciate the opportunity to provide reply 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 12, 2019



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PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**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).

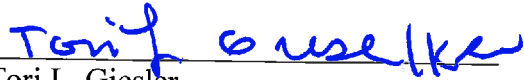
Service by first class mail, as follows:

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