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November 12, 2019

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

Re: 2021 Total Resource Cost (TRC) Test Tentative Order, Docket M-2019-3006868

Dear Secretary Chiavetta:

Enclosed for filing at the above-referenced docket, please find the reply comments of the Energy Association of Pennsylvania to the 2021 Total Resource Cost (TRC) Test Tentative Order.

Sincerely,

A handwritten signature in black ink that reads "Donna M.J. Clark".

Donna M.J. Clark
Vice President & General Counsel

Enclosure

CC: David Edinger, TUS, at dedinger@pa.gov
Louise Fink Smith, Esq., at finksmith@pa.gov

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2021 Total Resource Cost (TRC) Test : M-2019-3006868

**REPLY COMMENTS OF THE
ENERGY ASSOCIATION OF PENNSYLVANIA
TO THE 2021 TOTAL RESOURCE COST (TRC) TEST
TENTATIVE ORDER**

The Energy Association of Pennsylvania (“EAP” or “Association”) files these reply comments on behalf of its EDC members subject to the provisions of the Act 129 EE&C Program¹ in connection with the 2021 Total Resource Cost (TRC) Test Tentative Order² entered on September 11, 2019 by the Pennsylvania Public Utility Commission (“PUC” or “Commission”). The Tentative Order proposes a TRC Test which will be used in planning and implementing a potential Phase IV Act 129 Energy Efficiency and Conservation (“EE&C”) Program for certain Pennsylvania electric distribution companies (“EDCs”) and would begin on June 1, 2021.³ The TRC Test is “a standard test that is met if, over the effective life of each plan

¹ EAP EDC members subject to the Act 129 EE&C Program, i.e. Pennsylvania EDCs with 100,000 customers or more, are Duquesne Light Company, Metropolitan Edison Company, PECO Energy Company, Pennsylvania Electric Company, Pennsylvania Power Company, PPL Electric Utilities Corporation and West Penn Power Company.

² 2021 Total Resource Cost (TRC) Test, Docket No. M-2019-3006867, entered on September 11, 2019 (“Tentative Order”).

³ Act 129 of 2008 requires electric distribution companies with 100,000 or more customers to adopt an EE&C plan that, *inter alia*, is cost-effective pursuant to a TRC test established by the Commission. *See*, 66 Pa. C. S. §§ 2806.1 (b)(1)(ii), 2806.1 (b)(1)(i)(I) and 2806.1 (l).

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.” 66 Pa. C. S. § 2806.1 (m). EAP filed comments at this docket on November 1, 2019 which raised a number of concerns regarding the Commission’s proposal to require EDCs to nominate Phase IV Demand Response (“DR”) programs to PJM as Peak Shaving Adjustments (“PSA”) and to then value the resulting impact at 60% of the avoided cost of generation capacity for a program year based upon a preliminary analysis of Baltimore Gas and Electric (“BGE”) data.⁴

In addition to addressing stakeholder comments that provide input on the Commission proposal concerning the treatment of Phase IV DR programs, these reply comments note opposition to a number of general suggestions raised by stakeholders without attempting to address each and every specific comment filed. Failure to address any specific stakeholder comment here does not indicate agreement or disagreement on the part of the Association. EAP’s reply comments supplement those filed, if any, by its individual EDC members subject to the EE&C program requirements of Act 129.

I. REPLY COMMENTS

A. Commentators Agree That The 2021 TRC Test Should Neither Require EDCs to Nominate Potential Phase IV DR Programs to PJM as Peak Shaving Adjustments nor Adopt the Methodology Proposed to Monetize DR Impacts.

Apart from EAP and its EDC members obligated to file EE&C plans under Act 129, only the Office of Consumer Advocate (“OCA”) and the Keystone Energy Efficiency Alliance

⁴ See, Tentative Order at pp. 46 – 47. Note that BGE was the only PJM entity to nominate PSAs for the 2022/2023 BRA.

(“KEEA”) filed timely comments⁵ which addressed Section G (Demand Response) of the Tentative Order. OCA stated that, at this point, the lack of sufficient data did not support the Commission’s proposal to require EDCs to nominate Phase IV DR to PJM as PSAs and to then use 60% of the avoided cost of generation capacity for an Act 129 program year to calculate the benefits of any DR impact. OCA suggested that the Commission wait until PJM has analyzed the “hypothetical Pennsylvania data” supplied by the Phase III Statewide Evaluator (“SWE”) and further seek additional public comment based on that analysis prior to making a final determination on the proposal outlined in the Tentative Order. *See*, OCA Comments at pp. 8 – 9. KEEA noted that the use of BGE data as a proxy for monetizing benefits that may result from nominating DR programs to the PJM PSA Program is flawed and does not account for differences in key program factors, “including...demand profiles, energy supply mixes, and distribution system investments....” *See*, KEEA Comments at p. 4.

EAP believes that the positions of OCA and KEEA support a number of the concerns raised in its initial comments that establishing this new and untested PJM program as the only method for determining Phase IV DR cost-effectiveness is premature and not reasonably quantifiable. Moreover, both OCA and KEEA agree that relying upon BGE data to conclude that Pennsylvania EDCs should use 60% of the avoided cost of generation capacity for a program year to monetize DR impact is not supported by sufficient evidence or analysis.

⁵ Both IECPA and the Advanced Energy Management Alliance (“AEMA”) filed untimely comments to the Tentative Order which EAP reserves the right to address if the Commission determines to consider the suggestions of these stakeholders. With respect to section G of the Tentative Order, EAP notes that IECPA provided no comments whereas AEMA (which did not file a petition seeking permission to file late comments) provided extensive commentary raising a number of concerns similar to EAP and its EDC members subject to Act 129 obligations. EAP, however, rejects the hybrid solution outlined by AEMA and again urges the Commission to abandon its proposal to require EDCs to nominate potential Phase IV DR programs to PJM as Peak Shaving Adjustments.

Based on the comments of EAP, OCA and KEEA, as well as the concurrence of the affected EDCs, EAP respectfully urges the Commission to reconsider its proposal as set forth in Section G of the Tentative Order. As suggested by OCA, the Commission could choose to re-evaluate its proposal following the completion and release for further public comment of the PJM analysis of “hypothetical Pennsylvania data” referenced on page 46 of the Tentative Order. The Commission could also consider the voluntary pilot program approach suggested in EAP’s initial comments to determine whether the requirement to nominate Phase IV DR programs to the PJM PSA program would actually result in cost-effective programs without exposing EDCs to unnecessary compliance risk. Or, the Commission could determine, based on the comments filed to the Tentative Order, that the costs (and inherent risk) of requiring EDCs to nominate Phase IV DR program savings into PJM PSA programs does not, as a whole, benefit ratepayers as compared to other Act 129 program options. At a minimum, each of these suggestions or approaches underscore the need for additional consideration and input prior to directing EDCs to nominate Phase IV DR programs to PJM as PSA as the single methodology of determining cost-effectiveness in the next Act 129 phase.

B. EAP Supports the Commission’s Decision to Maintain its Position Regarding Price Suppression Effects and the Exclusion of Non-Quantifiable Societal Benefits in the Act 129 Phase IV TRC Test.

EAP notes that a number of commentators ask the Commission to reconsider both its position to maintain the current Act 129 stance on price suppression effects⁶ and to generally

⁶ The Commission noted the difficulty in quantifying and monetizing price suppression effects over a twenty-year horizon and concluded that, *inter alia*, based on the prior work of the Phase II SWE and extensive research conducted in other jurisdictions, it would not be a prudent use of ratepayer funds to conduct additional research in this area. Tentative Order at pp. 25 – 26. EAP agrees and notes that a considerable percentage of the SWE budget in each Act 129 phase (i.e., 24% in Phase III) is already dedicated to a variety of studies and the Commission’s reliance upon prior studies in both Pennsylvania and other jurisdictions is justified contrary to the suggestions of KEEA in its individual comments at pp. 2 – 4 or in its comments filed jointly with the PA Energy Efficiency for All Coalition (“PA-EEFA”) at p. 6.

exclude societal benefits⁷ from the Phase IV TRC test. In addition to suggesting the inclusion of the non-energy impacts of participant health benefits in the TRC calculation, some commentators opine that the benefits of energy-efficiency related economic development and job creation should also be a consideration in the Act 129 TRC test and/or the Commission should commence a broad re-examination of the Act 129 TRC test.⁸ EAP does not agree with these suggestions and perspectives and strongly supports the Commission reasoning and determinations set forth in the Tentative Order on these issues. *See*, Tentative Order at pp. 25 – 26 and at p. 36.

As recognized by the Commission throughout the Tentative Order, the 2021 TRC Test is being developed for a particularized use in a potential Phase IV of Act 129. The TRC test “is a critical measuring tool in determining the cost-effectiveness of an EDC’s EE&C plan. *Id.* at p. 4. Overall, it represents the “Commission’s continuing efforts to establish a comprehensive TRC Test, with the purpose of evaluating the EE&C programs pursuant to Act 129 during the potential Phase IV.” *Id.* at p. 51. TRC Test assumptions are “used exclusively for Act 129 related matters.” *Id.* at p. 8. The frequency and timing of the periodic review of the TRC Test are aligned with the planning for and the start of each successive phase of the Act 129 EE&C program. *Id.* Notably, “Pennsylvania has tailored its TRC test over time to evaluate EDC progress in meeting the requirements of Act 129, consistent with the policy objectives of the Commonwealth within the statutory directives of Act 129. *Id.* at p. 5 (Emphasis added.)

EAP believes that the Commission’s long-term approach to developing a TRC test that values reasonably quantifiable energy benefits achieved via Act 129 measures and the use of

⁷ *See*, Tentative Order at p. 36.

⁸ *See*, Joint Comments filed by the Building Performance Association, PennFuture, the Pennsylvania Chapter of the Sierra Club, the Clean Air Council, the Philadelphia Solar Energy Association and the NRDC at pp. 2 – 4.

ratepayer dollars is aligned with legislative policy objectives unique to Pennsylvania. Just as important, the Commission's focus on readily quantifiable energy benefits is fair and reasonable considering the obligations of EDCs subject to this statute and the consequences of failure to meet mandates. *See*, 66 Pa. C. S. § 2806.1 (f). It is critical in both developing and implementing Act 129 EE&C plans that EDCs can determine and calculate measure/program savings so as to realize the consumption savings needed to achieve compliance mandates. Similarly, it is equally as important that these programs deliver reasonably quantifiable and tangible energy benefits to ratepayers.⁹ EAP asks the Commission to reject commentators' suggestions with regard to reconsidering the impact of price suppression effects or societal benefits when finalizing the 2021 TRC Test.

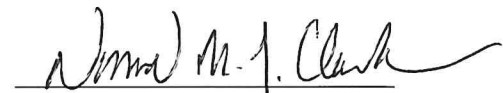
⁹ EAP agrees with KEEA that Act 129 does not require the consideration of health benefits and notes that the Commission has only included a discrete number of "other TRC benefits" where reasonably quantifiable such as water savings, fossil fuel savings and O&M savings. EAP does not agree with KEEA's assessment that other states methodologies for quantifying health benefits are reasonable or align with Act 129 policy objectives.

II. CONCLUSION

For all the reasons detailed above and in its initial comments, EAP requests that the Commission (1) reconsider its proposed methodology to calculate DR benefits as set forth in the Tentative Order and (2) reject, *inter alia*, the suggestions of commentators to include the price suppression effects of reduced demand and societal benefits in the 2021 TRC Test.

Respectfully Submitted:


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