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November 22, 2019

VIA ELECTRONIC FILING

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
2nd Floor, Room-N201
400 North Street
Harrisburg, PA 17120

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

Dear Secretary Chiavetta:

Enclosed please find Duquesne Light Company's Supplemental Reply Comments for filing in the above referenced proceeding. The Company is submitting these supplemental reply comments in accordance with the November 21, 2019 Secretarial Letter regarding late filed comments in this proceeding.

Upon receipt, if you have any questions regarding the information contained in this filing, please feel free to contact me or Audrey Waldock at 412-393-6334 or awaldock@duqlight.com.

Sincerely,

Lindsay A. Baxter
Manager, State Regulatory Strategy

Enclosure

cc (w/ Word version of enclosure.):
Louise Fink Smith (finksmith@pa.gov)
David Edinger (dedinger@pa.gov)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

SUPPLEMENTAL REPLY COMMENTS OF
DUQUESNE LIGHT COMPANY

I. INTRODUCTION

Duquesne Light Company ("Duquesne Light" or "Company") submits the following Supplemental Reply Comments specifically responding to Comments filed after the deadline, regarding the Tentative Order issued September 19, 2019, seeking input on the proposed 2021 Total Resource Cost ("TRC") Test. The Company filed Comments in this proceeding on November 1, 2019 and reply comments on November 12, 2019. The Company limited its response to those comments filed on time.[1] In a Secretarial Letter dated November 21, 2019, the Public Utility Commission ("PUC" or "Commission") accepted comments which were filed late by two entities: the Advanced Energy Management Alliance and the Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, the Philadelphia Area Industrial Energy Users Group, the PP&L Industrial Customer Alliance, the West Penn Power Industrial Intervenors, and the Pennsylvania Energy Consumer Alliance, collectively "the Industrials." The Company respectfully submits the following supplemental reply comments in response to the comments of the Industrials.

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[1] The following entities filed Comments by the November 1, 2019 deadline: Duquesne Light Company; Energy Association of Pennsylvania; Keystone Energy Efficiency Alliance; Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company; Office of Consumer Advocate; Office of Small Business Advocate; PECO; Pennsylvania Energy Efficiency for All Coalition; PPL Electric Utilities; and the Building Performance Association (submitted jointly with Clean Air Council, NRDC, Penn Future, Pennsylvania Chapter of the Sierra Club, and Philadelphia Solar Energy Association).

II. COMMENTS

Generally, the Company opposes several recommendations of the Industrials, as follows.

A. Cost-effectiveness should continue to be evaluated on a plan level.

The Industrials' comments[2] "request for the TRC Test to be evaluated at the measure-level and at the class-level," recommending removal of any measure or class should it be found to be non-cost-effective. Duquesne Light asserts these recommendations appear to be in conflict with Act 129 that requires "analysis of the cost and benefit of each Plan submitted"[3] and that Energy Efficiency and Conservation ("EE&C") Plans provide a "diverse cross section of alternatives for customers of all rate classes."[4] It is worth noting that these arguments have been raised previously, with the Commission rejecting them.[5] Absent new evidence indicating that changes are warranted, this suggestion should be rejected again.

Energy efficient product life-cycles are marked by high incremental costs that decrease as product volumes increase, manufacturing economies of scale are reached, and competitive markets develop. When first commercially viable, a given measure might not be cost-effective, but becomes cost-effective over time. Efficiency programs can stimulate early adoption of emerging, but commercially viable, technologies. This benefit would be lost under the Industrials' view where any non-cost-effective measure is summarily removed.

[2] Comments of the Industrials at 6.
[3] 66 Pa. C. S. § 2806.1(a)(3)
[4] 66 Pa. C. S. § 2806.1 (b)(1)(i)(I)
[5] *See* Order on TRC test for Phase II of Act 129, M-2012-2300653, entered May 25, 2011.

The Industrials also urge the Commission to follow statutory guidance and separate the evaluation of energy efficiency ("EE") and demand response ("DR") results. In both Phase I and Phase III,[6] EE and DR had separate measurement protocols and treatment of costs and benefits. The Industrials present no new evidence which would support changing this practice in a potential Phase IV.

It is common for any given project to include measures that may not be cost-effective by themselves, but the project as a whole is cost-effective, driving deeper, more comprehensive savings. The Industrials' approach to implement only the very best measures would lead to stranded energy efficiency potential, as the most lucrative projects are funded first, leaving those with longer payback periods uncompleted. By evaluating at the Plan level, the utility can bundle together projects with higher return on investments with those with longer payback periods, to develop a suite of projects, all of which result in energy savings that are cost-effective for utility ratepayers. Sound energy efficiency planning has long discouraged such "cream-skimming" or "cherry picking" practices as recommended by the Industrials. The Company strongly opposes this request.

Finally, the Company opposes the recommendation to apply the measure-level TRC screening to low-income measures.[7] The Company believes this is in conflict with the Act[8] for the same reasons cited above. Further, screening low-income projects individually risks eliminating this important source of energy efficiency improvements from benefitting the most vulnerable customers. In addition, low-income efficiency

[6] DR was not included in Phase II.
[7] Comments of the Industrials at 8.
[8] 66 Pa. C. S. § 2806.1(a)(3)

projects have the potential to reduce the incidence of high arrearages, defaults, and terminations, all of which increase the costs for other customers.

B. Targets should be maintained constant through the entire phase of the program.

The Industrials assert that "the TRC Test market price results should be updated annually using actual market conditions."[9] The Company opposes this recommendation, which would result in a constantly changing compliance target, adding uncertainty and complexity to calculation of the annual avoided cost and compliance target updates.

Similarly, the Industrials also recommend instituting a "true-up" of projected avoided electricity cost to actual avoided electricity cost during plan implementation, to determine if projects are still cost-effective.[10] The Company opposes such a change, which would increase uncertainty and complicate the calculation of annual avoided cost updates.

Specifically in regards to the avoided cost of supplying electricity the Company opposes the Industrials' comments against use of the pre-filing forecast for plan evaluation.[11] If the Industrials' recommendation for annual updates to avoided costs is adopted, in order to determine whether compliance has been achieved, phase compliance targets must also change annually. If the Commission is going to order EDCs to implement EE and DR programs, under threat of penalty, the targets should be static. The uncertainty and complexity of annual avoided cost updates would further serve to hobble energy efficiency regulation and implementation.

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[9] Comments of the Industrials at 5.
[10] Comments of the Industrials at 9.
[11] Comments of the Industrials at 10.

C. Use of a uniform discount rate is inaccurate and inappropriate.

The Industrials support the Commission's proposal to use a uniform discount rate that "reflects the preferences of the public at large" instead of the weighted average cost of capital ("WACC").[12] The Industrials further request that the Commission should establish discount rates for all EDCs "reflecting the interest rate the consumer could be paying if they had to finance an energy efficiency investment. . . ." This proposal is problematic for a number of reasons. For one, a utility's WACC is typically lower than a consumer's finance rates. Demand side management programs are considered long-term utility infrastructure investments; therefore, use of the utility WACC supports a more accurate and appropriate discount basis.

D. Commission review provides transparency to ensure administrative costs are prudent.

In regards to Section D. TRC Costs,[13] the Industrials assert that in a potential Phase IV, administrative and overhead costs should be limited. The Company is concerned that as fewer "lower hanging fruit" projects remain, such as simple lighting replacements, more complex projects will require more, and not less, administrative support. These projects also may result in deeper energy savings, providing greater benefit.

Administrative costs are already evaluated through the Commission's existing review and approval process. This process allows for prudent evaluation of costs without imposing an artificial limit on administrative costs that may prevent more complex, and more impactful, projects from being completed.

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[12] Comments of the Industrials at 7.
[13] Comments of the Industrials at 15.

III. CONCLUSION

Duquesne Light respectfully submits these supplemental reply comments to further inform the record on this matter. The Company is dedicated to providing effective and impactful energy efficiency programs and appreciates the opportunity to participate in this proceeding.

Respectfully submitted,

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