September 6, 2024

Submitted Via E-Filing

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

Re: Comments on the 2026 Technical Resource Cost (TRC) Test Tentative Order, Docket No. M-2024-3048998

Dear Secretary Chiavetta:

Keystone Energy Efficiency Alliance submits the following comments and recommendations regarding the Pennsylvania Public Utility Commission's (herein "Commission" or "PUC") 2026 Total Resource Cost Test (referred to herein as "TRC") Tentative Order .

Keystone Energy Efficiency Alliance ("KEEA") is Pennsylvania's trade association for the energy efficiency industry. With our sister organization the Energy Efficiency Alliance of New Jersey, we represent over 70 business members across Pennsylvania and New Jersey. Our mission is to champion efficiency as the foundation of a clean, just, and resilient energy economy.

The Commission's TRC plays a critical role in the planning and implementation of Act 129 by guiding Electric Distribution Companies ("EDCs") on how to assess the cost-effectiveness of energy efficiency and conservation ("EE&C") programs. The TRC is instrumental in ensuring that ratepayers receive greater benefits, such as reduced energy consumption and other related advantages, compared to the overall costs incurred by the EDCs' EE&C plans. As we move toward the Phase V implementation of Act 129, scheduled to begin on June 1, 2026, it is essential that the TRC framework is adapted to maximize the reach and effectiveness of these programs.

Our comments focus on optimizing the TRC to enhance access to energy efficiency programs, particularly for low-income households. By aligning Act 129 measures with other incentives and funding streams, such as those available through federal and state initiatives, we can significantly broaden the impact of these programs. Additionally, incorporating the avoided costs of electricity supply, recognizing the societal benefits of reduced energy usage, and carefully evaluating the implications of fuel switching are crucial steps. These considerations will ensure that the TRC not only supports the economic viability of EE&C plans but also advances equity and sustainability across all communities in Pennsylvania.

Strengthening Low-Income Energy Efficiency Programs

The Commission should enhance its approach to low-income energy efficiency programs by incorporating arrearage tracking and other predefined criteria, such as income verification and household energy burden, into program design and implementation. Low-income households often face significant barriers to participating in energy efficiency programs, including upfront costs and lack of awareness. By integrating arrearage management through existing means like the Customer Assistance Program ("CAP") with energy efficiency upgrades, Pennsylvania can not only reduce the financial strain on these households but also improve the overall effectiveness of the programs. California's Energy Savings Assistance Program ("ESAP") is a prime example, offering energy efficiency measures at no cost to low-income residents while simultaneously addressing arrearages. Similarly, Colorado's Low-Income Energy Assistance Program ("LEAP") provides targeted support, resulting in significant reductions in energy burdens and improved customer satisfaction.

KEEA is also encouraged to see the inclusion of avoided costs for low income programs into Phase V through avoided cost forecasts of the benefit of EDC's financial savings from their Act 129 low income EE programs. Accounting for these avoided costs into the TRC calculation will help the state address broader issues of energy equity, ensuring that vulnerable populations are not left behind in the transition to a more energy-efficient and sustainable future. These additions can ensure that low income residents benefit equitably from energy efficiency initiatives, which in turn enhances the overall success of Act 129 programs.

Additional Cost Test factors for All Programs, with a Focus on Low-Income Programs

The PUC should consider broadening the application of cost-effectiveness testing by incorporating elements of other cost test models across all energy efficiency programs, with a particular emphasis on low-income programs. Traditional tests like the Total Resource Cost test often undervalue the benefits of low-income energy efficiency programs by focusing primarily on direct energy savings without fully accounting for the broader utility and societal benefits. A more comprehensive assessment that includes benefits such as reduced arrearages, decreased

service disconnections, and improved customer satisfaction. In Massachusetts and Vermont, implementation of a Utility Cost Test in their energy efficiency programs, leading to more inclusive and effective initiatives that better capture the full range of benefits associated with energy efficiency measures.

In addition to considering non-energy benefits, Pennsylvania should focus on improving the overall performance of its building stock by funding measures that lead to greater improvements in Energy Utilization Intensity (EUI). This approach would incentivize deeper energy savings and encourage investments in more comprehensive retrofits..

By integrating these additional considerations into cost-effectiveness testing, Pennsylvania can ensure that its energy efficiency programs are equitable and accessible to all income groups, particularly those most in need. This expanded testing methodology will provide a more accurate evaluation of program impacts, especially in low-income communities, where traditional cost tests may not fully capture the value of avoided costs and non-energy benefits. Aligning the state's energy efficiency programs with its broader social and environmental goals will promote greater inclusivity and ensure that all residents benefit from Pennsylvania's investments in energy efficiency. Furthermore, it will create a stronger foundation for justifying program expansions and securing additional funding, ultimately leading to more robust and effective energy efficiency initiatives across the state.

Facilitating Data Sharing Between Utilities (and their Designated Program Managers) and State Agencies

Enhanced data sharing between utilities, the Pennsylvania Department of Environmental Protection ("DEP"), and the Department of Community and Economic Development ("DCED") is essential for improving the implementation and oversight of energy efficiency programs. Effective data sharing enables more granular tracking of program performance, allowing for better-targeted interventions and more accurate assessments of program impacts. New York's Reforming the Energy Vision ("REV") initiative serves as a successful model of how mandated data sharing can lead to significant improvements in energy efficiency outcomes. Under REV, utilities are required to share detailed program data with state agencies, which has facilitated better coordination and improved the effectiveness of energy efficiency initiatives. This has not only led to more efficient use of resources but also increased program transparency and accountability.

By adopting similar data-sharing practices in Pennsylvania, particularly for programs like the Low-Income Usage Reduction Program ("LIURP"), the state can achieve better program management and a deeper understanding of the real-world impacts of energy efficiency initiatives. This is not the only example of where cross departmentmental data sharing also

provides an opportunity for better coordination for the for both intra- and inter-utilities in relation to individual utility multiple programs, including LIURP, CAP, Low Income Home Energy Assistance program ("LIHEAP"), and Act 129, and more significantly across utilities who serve the same low-income household, including gas utility provider, the Weatherization Assistance Program ("WAP") provider and the Act 129 provider, can provide more coordinated services, which require better data sharing capacity.

Moreover, enhanced data sharing can support the integration of various funding streams, such as those from the Infrastructure Investment and Jobs Act ("IIJA") and the Inflation Reduction Act ("IRA"), ensuring that these federal funds are used effectively in conjunction with Act 129 program funding. This integrated approach will maximize the number of customer properties improved with energy efficiency measures and increase customer savings across the state. Furthermore, improved data sharing will enable more informed decision-making, allowing the PUC and other state agencies to adjust programs as needed to meet the state's energy efficiency and climate goals.

Societal and Health Impacts in Cost-Effectiveness Testing

The PUC should take proactive steps to include societal and health impacts in cost-effectiveness testing as measurable costs and benefits impact customers today and should be accounted for as additional benefits in the approved cost test methodology. States like Maryland have already taken the lead by moving towards a Social Cost Test, which incorporates the broader societal costs of carbon emissions. For instance, Maryland's approach to valuing the Social Cost of Carbon considers both the direct and indirect effects of carbon emissions, leading to a more accurate reflection of the true costs associated with energy production and consumption. States such as Vermont and Massachusetts have included the societal benefits derived from health improvements following weatherization from improved indoor air quality in their cost tests to more accurately reflect the total benefits from this work.

Incorporating societal and health impacts into the TRC Test would provide a more holistic view of the benefits of energy efficiency programs, particularly in reducing greenhouse gas emissions and improving public health. This approach would allow the PUC to better assess the long-term benefits of energy efficiency measures, beyond just the immediate energy savings. For example, reduced energy production can lead to improved air quality, which in turn can reduce healthcare costs and improve overall public health outcomes. This proactive approach would ensure that the benefits of energy efficiency are distributed more equitably across all communities, particularly those that have been historically underserved or disproportionately impacted by pollution.

Integrating Energy Efficiency into AEPS Compliance and Revenue-Sharing Mechanisms

Pennsylvania's Alternative Energy Portfolio Standard ("AEPS") allows demand side management/energy efficiency to earn Tier II credits, in recognition of its value to the overall energy system. However, relatively few efficiency projects have sought AEPS certification, possibly due to a lack of awareness that credit values substantially increased from lows of $0.25 to over $30 as of 2023, following the implementation of Act 114 of 2020.[1] Therefore, encouraging and facilitating utility and state energy efficiency programs to bid savings into the AEPS would provide additional revenue streams for utilities and energy service companies, incentivizing further investment in energy efficiency measures. Maryland's experience in integrating energy efficiency into its Renewable Portfolio Standard ("RPS") provides a compelling example of how such inclusion can enhance both program effectiveness and financial viability. In Maryland, energy efficiency is recognized as a critical component of the state's clean energy strategy, contributing to the overall reduction of greenhouse gas emissions while also lowering energy costs for consumers.

Pennsylvania should consider adopting a similar approach by explicitly encouraging Act 129, LIURP, WAP, and other energy efficiency programs to seek AEPS certification. This would align the state's energy efficiency efforts with its broader clean energy goals, ensuring that energy efficiency is recognized and rewarded as a key strategy for promoting sustainable energy use. Moreover, integrating energy efficiency into AEPS compliance would provide a stable and predictable revenue stream for energy efficiency programs, encouraging continued innovation and investment in this area – or even serve as a lasting funding source to address the sorts of non-energy barriers that disqualify a home for weatherization (leaky roofs, mold, etc.), such as the Whole Home Repair program has targeted. This approach would also help Pennsylvania meet its long-term energy goals, ensuring that the state remains competitive in the transition to a clean energy economy.

Discontinuing Incentives for Electric-to-Gas Fuel Switching

As proposed in the Technical Reference Manual, the PUC should discontinue incentives for electric-to-gas fuel switching within the Act 129 program, as this practice is increasingly misaligned with Pennsylvania's long-term energy goals. As the state and federal policies shift towards decarbonization and reducing greenhouse gas emissions, continuing to incentivize fuel switching from electric to gas would be counterproductive. The volatility of fossil fuel prices and the growing emphasis on renewable energy make electric-to-gas switching a less viable option for meeting the state's energy needs in the long term.

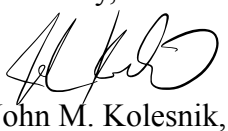
Discontinuing these incentives would allow Pennsylvania to refocus its energy policies on more sustainable and energy-efficient solutions, such as whole building solutions and focus on true

[1] PA PUC. *Alternative Energy Portfolio Standards Act of 2004: Compliance for Reporting Year 2022-23.* https://www.puc.pa.gov/media/2997/aeps-2023-report-final.pdf. Page 30.

electric saving. This shift would position the Act 129 program to promote a transition to a cleaner, more sustainable energy system while also fostering economic growth and job creation in the clean energy sector.

The Keystone Energy Efficiency Alliance appreciates this opportunity to comment, and we welcome any questions you may have on these recommendations.

Sincerely,



John M. Kolesnik, Esq
Policy Counsel
Keystone Energy Efficiency Alliance