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September 6, 2024

**VIA eFILE**

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:

The undersigned environmental justice, consumer, housing, business, and faith-based organizations (collectively herein, Energy Advocates) submit the following comments and recommendations regarding the Pennsylvania Public Utility Commission's (herein Commission or PUC) 2026 Total Resource Cost Test (TRC) Tentative Order (TO) (referred to herein as TRC TO).

The Commission's TRC is an important component of planning for Act 129 implementation, providing direction to electric distribution companies (EDCs) for how to calculate and attribute cost and energy savings for Act 129 energy efficiency programs.<sup>1</sup> The TRC is used to determine whether ratepayers receive more benefits (in reduced energy usage and other related benefits) than the total costs of the required EDCs' Energy Efficiency and Conservation (EE&C) Plans.<sup>2</sup> The

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<sup>1</sup> 66 Pa. C.S. § 2806.1.

<sup>2</sup> Act 129 requires EDCs with 100,000 or more customers to adopt an EE&C plan to reduce electric consumption, which is subject to approval by the Commission.

instant TRC TO will serve as a foundational component of the Phase V implementation of Act 129, which would begin June 1, 2026 if approved by the Commission.

Our comments are focused primarily on how the TRC can be adjusted or maximized to expand access to energy efficiency (EE) and weatherization services to economically vulnerable households. Specifically, our comments are responsive to discussion in the TRC TO related to low income programs, coordination of Act 129 measures with other incentives and funding streams, avoided costs of supplying electricity, societal benefits, and fuel switching.

### **Low Income Programs**

The Commission's TRC TO addresses low income programs, directly, in Section A (6) *Low-Income Programs*, and in Section B (12) *Reductions in Arrearages and Collection Costs*.<sup>3</sup> We support the Commission's proposal to modify avoided costs for low income programs by incorporating avoided cost forecasts of the benefit of the EDC's monetary savings from their low income EE programs. The Statewide Evaluator (SWE) for Act 129 conducted a study to quantify and monetize EDC cost savings by analyzing EDC arrearage, collections, and utility shut off data for Act 129 low income program participants.<sup>4</sup>

Resulting from this study, the Commission proposes to incorporate associated cost savings – the avoided costs from low income Act 129 programs - quantified in the study as benefits.

We support this proposal as it will result in an improved TRC ratio for low income programs. While low income programs are exempt from the TRC at the program level, this will help improve the TRC calculation at the portfolio level – helping improve the comprehensiveness of measures within the program. Including costs the EDC avoided by customers' reduced arrears, reduced disconnection and reconnection costs, and reduced collection costs help to show the economic benefit to utilities that effectively target deployment of Act 129 low income programming. This proposal recognizes a value stream that always existed but had not been quantified. Act 129 low income programs are mutually beneficial for customers and EDCs, and the Commission's proposed amendments to include savings from avoided collections and arrearage costs will help to more appropriately quantify and reflect that mutual benefit.

### **Coordination of Act 129 Measures with Other Incentives and Funding Streams**

The Commission's TRC TO addresses, in Section A (8) *Measures Supported By Both Act 129 Programs and Other Funding Streams* and in Section D (4) *Incentives from Outside of Act 129*,<sup>5</sup> how measures outside of Act 129 may be coordinated and applied in conjunction with Act 129 programming.

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<sup>3</sup> See TRC TO at 13, 33.

<sup>4</sup> See TRC Test TO at 34; Data included customer arrearages, disconnections, and collections actions.

<sup>5</sup> See TRC TO at 14, 49.

We support the Commission’s proposal to continue its current policy allowing EDCs to factor in non-Act 129 incentives that are “reasonably quantifiable by the EDC” to reduce the cost of the measure used in the TRC.<sup>6</sup>

Allowing non-Act 129 program incentives to reduce the measure cost included in the TRC calculation, without also reducing the measure savings, will help ensure utilities leverage (rather than compete with) other energy programs and funding streams and will incentivize delivery of comprehensive and coordinated efficiency services. The Commission’s preservation of this policy is particularly important with the impending implementation of federal Home Energy Rebate programs and other federal Inflation Reduction Act (IRA) Programs, which are poised to bring substantial new resources to support communities through the energy transition.<sup>7</sup>

Notwithstanding our support for this policy as it pertains to the TRC, we caution that it should not carry through to the calculation of energy savings for the purpose of meeting the Commission’s established energy savings targets, unless those targets fully account for the unprecedented potential for leveraged energy savings through the IRA. Indeed, the Commission must ensure that Act 129 program savings are not undermined by the over-attribution of deemed savings from leveraged measures.

Prior to release of a Phase V Tentative Implementation Order, we recommend that the Commission explore options to fairly account for shared savings in a manner that appropriately incentivizes coordination without detracting from the overall savings achieved through Act 129 programming.

Specifically, we recommend the Commission consider adopting a *negotiated attribution framework* for Phase V for the purposes of calculating energy savings attributable to an EDC’s required energy savings target.<sup>8</sup> Through a negotiated attribution framework, EDCs would achieve savings from programs that combine resources, provided the EDCs meet various conditions outlined prior to implementation. The goal would be to establish a simple, fair, and appropriately nuanced attribution system that aligns with the regulatory goals and mandates of each program. We note that IRA programs are generally aligned with and have similar goals as those enumerated under Act 129, though they are not necessarily the same goals. A carefully designed negotiated attribution framework could bring further alignment across programs to meet a broader set of overall goals – including the holistic delivery of complementary energy programs to those in need.

In developing a negotiated attribution framework, we recommend the Commission seek comment and input from stakeholders (including EDCs, consumer advocates, program administrators, contractors, and other state agencies and departments) prior to the release of its Phase V Tentative Implementation Order to help inform the factors for inclusion in a negotiated attribution

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<sup>6</sup> See TRC Test TO at 14, “Examples of reasonably quantifiable non-Act 129 incentives include energy efficiency rebate programs administered by the Pennsylvania Department of Environmental Protection and grants from the Alternative and Clean Energy Program jointly administered by the Pennsylvania Department of Community and Economic Development and the Pennsylvania Department of Environmental Protection.”

<sup>7</sup> *Id.*

<sup>8</sup> Northeast Energy Efficiency Partnership (NEEP), [Expanding the Energy Savings Pie: Attribution Frameworks to Align IRA Home Energy Rebates and State Programs](https://neep.org/sites/default/files/media-files/neep_attribution_frameworks_ira_final.pdf), at 19-22 (July 2024), [https://neep.org/sites/default/files/media-files/neep\\_attribution\\_frameworks\\_ira\\_final.pdf](https://neep.org/sites/default/files/media-files/neep_attribution_frameworks_ira_final.pdf).

framework – helping ensure the program will achieve the proper balance to appropriately leverage overall energy savings.

### **Societal Benefits**

In Section C (7), *Societal Benefits*, the Commission addresses how societal benefits are included or excluded from TRC Test calculations. While we support and commend the Commission’s inclusion of arrearages and collections costs in the TRC calculation, discussed above, we urge the Commission to go further to include additional societal benefits in the TRC.

The Commission proposes to continue omitting societal benefits such as greenhouse gas (GHG) emissions reductions, other environmental benefits, or any other non-energy benefits in Phase V. The Commission explains, “Where societal benefits are embedded in the cost of supplying energy, such as compliance with the AEPS Act or reduced arrearages and collection costs, those benefits are included in the TRC calculations.”<sup>9</sup>

The Commission specifically addresses Pennsylvania’s participation in the Regional Greenhouse Gas Initiative (RGGI), noting that should RGGI or a similar initiative be enacted through legislation, it would “revisit the position of societal benefits and their inclusion in cost effectiveness testing in Phase V of Act 129.”<sup>10</sup> We are concerned that the Commission seems to imply that any consideration of societal benefits within the TRC would rely solely on state legislation – to the exclusion of other state or federal policies, regulations, or federal legislation. With this reservation regarding RGGI, the Commission recognizes that societal benefits can be included in the TRC Test without amendment to Act 129. We aver that societal benefits can and should be included in the TRC now. Specifically, we assert that GHG emissions reductions in low income and environmental justice areas should be factored into the TRC, helping to foster targeted distribution of program funds to areas most in need of comprehensive efficiency services.<sup>11</sup>

Low income households can derive a direct benefit from decarbonization and electrification programs if they are effectively paired with weatherization and efficiency programming that, together, will reduce overall household energy burden and reduce emissions. Further, low income households are commonly more vulnerable to both the short term pollutants that result from electric generation and to the potential consequences of climate change, both of which are lessened by improved energy efficiency and electrification programming.<sup>12</sup> Absent inclusion of broader societal benefits, we recommend that the Commission quantify health and safety measures as an adder to cost-effectiveness testing.<sup>13</sup> Inclusion of key societal benefits in the TRC will help to

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<sup>9</sup> See TRC TO at 44

<sup>10</sup> See TRC TO at 44.

<sup>11</sup> See Northeast Energy Efficiency Partnership (NEEP), Turning Policy into Performance: Determining the Cost of Carbon (July 12, 2022), <https://neep.org/blog/turning-policy-performance-determining-cost-carbon>.

<sup>12</sup> PA Dept of Health, Public Health Impacts of Climate Change in PA (Nov. 2022), <https://www.pa.gov/content/dam/copapwp-pagov/en/health/documents/topics/documents/environmental-health/Public%20Health%20Impacts%20of%20Climate%20Change%20Threats%20in%20Pennsylvania.pdf>.

<sup>13</sup> See ACEEE, Cost-Effectiveness Tests: Overview of State Approaches to Account for Health and Environmental Benefits of Energy Efficiency, at 3 (State Approaches) (Dec. 2018):

ensure that Act 129 programs are able to deliver holistic health and safety benefits while reducing overall energy burden.

### **Avoided Costs of Supplying Electricity**

In Section B (6), *Allocation of Avoided Capacity Costs between Summer and Winter Peak*, the Commission addresses seasonal peak demand. The Commission proposes to expand the Act 129 peak demand definition to include both summer *and* winter peak.<sup>14</sup> We support the addition of winter peak demand as this could help ease the transition to the electrification of heat and hot water, creating a more cost-effective transition from deliverable fuel or other inefficient electric heat to installation of high efficiency air source heat pumps.

### **Fuel Switching**

In Section E (1) *ENERGY STAR Requirement*, the Commission addresses fuel switching from electric to gas furnaces. The Commission explains that, rather than following through with a plan to sunset ENERGY STAR gas furnace standards, the EPA recently revealed they are planning to update the standards. At the February Act 129 stakeholder meeting, the Commission discussed following the EPA's lead and also sunsetting this standard. The Commission changed course following the EPA's decision to update the standards, and in the TRC TO, proposes to still allow fuel switching from electric to gas, and direct the EDC's EE&C Plan to "state a proposed minimum standard and provide justification for the threshold."<sup>15</sup>

We oppose maintaining an option for fuel switching from electric to gas. Gas prices are increasingly volatile with the rapid expansion of gas exports, and switching from electric to gas furnaces increases greenhouse gas emissions and reduces indoor air quality.<sup>16</sup> Should the Commission decide to maintain this provision, we strongly urge the Commission to require EDCs to use the most recent version of the EPA's draft ENERGY STAR Program Requirements Product Specification for Furnaces<sup>17</sup> until the final version is available - at which time that will be automatically adopted as the standard. Absent that requirement, we are concerned that fuel switching low income households would not receive the most energy efficient, safe, and affordable

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"A number of states have incorporated health and environmental benefits in their cost-effectiveness tests to some extent. They vary in the types of benefits and values they include and the methods they use to estimate these benefits. Some monetize the value of health and environmental benefits based on jurisdiction-specific studies or estimates from other utilities or jurisdictions. Others substitute proxies for monetized values. Proxies can take the form of a percentage adder applied to monetized benefits, a savings multiplier (e.g., \$/MWh), a customer adder (\$/customer), or a measure multiplier (\$/measure)."

<sup>14</sup> See TRC TO at 21-23.

<sup>15</sup> See TRC TO at 51.

<sup>16</sup> T. Pistochini, M. Dichter, S. Chakraborty, N. Dichter, A. Aboud, Greenhouse Gas Emission Forecasts for Electrification of Space Heating in Residential Homes in the US, Energy Policy, v. 163 (2022) <https://doi.org/10.1016/j.enpol.2022.112813>.

Columbia University Mailman School of Public Health, Switching from Gas to Electric Stoves Cuts Indoor Air Pollution (July 22, 2024), <https://www.sciencedaily.com/releases/2024/07/240722155026.htm>.

<sup>17</sup> As of August 2024, the current version is Draft 1, Version 5.0, accessible at

<https://www.energystar.gov/sites/default/files/2024-04/ENERGY%20STAR%20Version%205.0%20Furnaces%20Draft%201%20Specification%20.pdf>

equipment. We recommend that, should fuel switching still be included, the EDC *must* prove that such a switch will be cost effective for the household and will improve energy savings.

**Conclusion**

We are grateful for the opportunity to offer comments on this important matter. We appreciate the Commission's consideration of our feedback and look forward to participating in upcoming Phase V Act 129 proceedings.

**Respectfully Submitted,**

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