



October 31, 2008

VIA FED-EX DELIVERY

James J. McNulty, Secretary
Pennsylvania Public Utilities Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, Pennsylvania 17120

PA PUC
SECRETARY'S BUREAU

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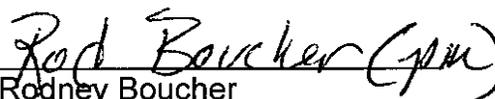
Re: **Energy Efficiency and Conservation Program and EDC Plans**
Docket No. M-2008-2069887

Dear Secretary McNulty:

Enclosed for filing in the above-captioned matter is an original and three (3) copies of the comments of EnergyConnect, Inc. EnergyConnect is a curtailment service provider that offers services to commercial property owners and industrial firms to participate in Demand Response programs.

Kindly contact me with your questions at the above address or at my local number below.

Very truly yours,


Rodney Boucher
CEO, EnergyConnect Group, Inc.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Energy Efficiency and Conservation Program)
and EDC Plans

DOCKET No. M-2008-2069887

COMMENTS OF ENERGYCONNECT, INC.

Pursuant to the request of the Pennsylvania Public Utility Commission ("PA PUC") that stakeholders offer input on likely procedural, technical, interpretive, and implementation issues on the amendments in 66Pa. C.S. § 2806.1(a) EnergyConnect hereby provides comments on the individual aspects of the energy efficiency and conservation (EEEC) program required under section 2806.1(a)(1)-(11).

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COMMUNICATIONS

All correspondence related to this proceeding should be addressed to:

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STATEMENT OF INTEREST

EnergyConnect, Inc (“EnergyConnect”) is a corporation organized pursuant to the laws of the State of Oregon with its corporate headquarters located at 5335 SW Meadows Road, Suite 325, Lake Oswego, OR 97035. EnergyConnect’s principal business is providing the means for commercial property owners and industrial firms to participate in Demand Response programs sponsored by RTOs/ISOs and by jurisdictional and non-jurisdictional utilities. EnergyConnect provides a number of services that make participation simple, less risky, and more cost-effective for large energy consumers including customer assistance and advice on the most effective means for altering business operations to maximize the value of its curtailable load.

EnergyConnect has customers in the PJM RTO and in the service territories of PECO, PPL, Penelec, Allegheny Power, Duquesne Light, Metropolitan Edison, and Pennsylvania Electric Company. Further, EnergyConnect’s customers have interests that will be directly affected by this Docket.

COMMENTS

Under HB 2200, the PAPUC is charged with imposing new requirements upon electric distribution companies (“EDCs”) that must achieve the goal of reducing energy consumption and demand, enhance default service procurement and expand alternative energy sources.

To initiate this process, the PA PUC requests that stakeholders comment on the following topics that are cited in Section 2806.1(a) (1)-(11):

- (1) Procedures for approval of the proposed energy efficiency plans submitted by the EDCs;**
- (2) Evaluation and monitoring process to verify data collection and quality assurance and results of each EDC plan;**

- (3) Analysis of the cost effectiveness and benefit of EDC proposed plan;**
- (4) Analysis of how the proposed plans will enable EDCs to achieve the requirements for reduction in consumption of energy;**
- (5) Standards to ensure that EDC proposed plans include a variety of energy efficiency and conservation measures and that such measures are provided equitably to all classes of customers;**
- (6) Procedures to make recommendations as to the additional measures that will enable EDCs to improve its plans and exceed reduction of consumption goals;**
- (7) Procedures to require that EDCs competitively bid all contracts with Conservation Service Providers;**
- (8) Procedures to review all proposed contracts prior to the execution of the contract with Conservation Service Providers to implement the Plan for reduction in Demand and consumption;**
- (9) Procedures to ensure compliance with requirements for reduction in consumption;**
- (10) A requirement for the participation of Conservation Service Providers in the implementation of all or part of a plan; and**
- (11) Cost recovery to ensure that approved measures are financed by the same customer class that receives the energy and conservation benefits.**

EnergyConnect welcomes the opportunity to offer comments and will limit comments to the subject matters that reflect our knowledge and expertise.

Participation of Conservation Service Providers

EnergyConnect would like the PAPUC to acknowledge that among alternative energy providers, curtailment service providers ("CSPs") or the providers of demand response can serve a crucial role in programs that are designed by the EDCs to meet energy conservation and demand reduction goals. Demand Response approaches to energy conservation complement energy efficiency efforts by

focusing on customer response to grid conditions, especially wholesale energy prices. The results of demand response to wholesale prices include efficiency improvements on both sides of the meter. On the grid side reduced losses during the highest loss and most expensive hours, reduced fuel use in the most inefficient, costly, and often older dirtier generating plants, reduced need for additional peaking generating plants, and reduced need for additional transmission facilities. The Commission should identify Demand Response Providers as key participants in the Pennsylvania programs.

Demand Response can create grid efficiencies directly for participating customers and indirectly for non-participating customers who are located elsewhere in the system's grid while simultaneously aiding customers with the management and reduction of energy consumption. In addition, Demand Response is assuming a greater role in the ancillary and capacity markets and is a proven reliability resource. Demand Response is able to sustain a service to customers over time, such as serving as a back up to customers who might fail to reduce consumption during reliability shortfalls. Finally, Demand Response can, within limits, service the same needs of the electric grid served by generating plants with equal or better quality than generating plants.

Today, most Pennsylvania electric customers are served by PJM. Competitive Demand Response Providers are already facilitating the reductions in demand mandated by HB 2200 without any added rate requirements or costs to other consumers. EnergyConnect urges that the Commission continue to support this market based solution. This effort is very effective with customers larger than 1MW in peak demand. We do not believe that it is in Pennsylvania's interest to direct utilities to contract for demand reductions with competitive suppliers which would have the undesirable affect of decreasing competition and replicating failed curtailable rate mechanisms through contractors instead of the EDCs. The Commission's goal should be to allow existing competitive processes to develop, facilitated by EDCs in the form of meter data access and reduced administrative barriers. The Commission should assess the following:

- How Competitive Demand Response Providers can help EDCs meet Demand Reduction Goals without the need for contracting directly with the EDC;
- How EDCs can facilitate Demand Response through improved meters, including easily available hourly meter data;

- How EDCs can facilitate customer aggregation into groups with sufficient size to permit competitive providers to profitably offer their services; and
- Which customer rate classes can best be serviced through energy efficiency based reductions; and
- How to achieve efficiency and conservation benefits through Competitive Demand Response Providers at no added cost.

The active involvement of Demand Response Providers is a key element in meeting “aggressive” energy efficiency goals and offering innovative changes to continuously improve customer interests and participation. The conservation goals that are proposed in the provisions of HB 2200 are utility-centric and as such have the potential to stifle existing market mechanisms that are already making progress toward the bill’s goals. We believe that the utility provided programs must effectively incorporate the availability and advantages of demand response provided by alternate parties in a competitive manner.

Competitive Bid Requirements

Regulators in regions served by rapidly evolving ISOs note that demand response has grown from its infancy to a fully competitive provider alongside incumbent EDCs, transmission, and generation. EnergyConnect believes that Pennsylvania is best served by limiting Competitive Bids for demand reduction services to rates classes with smaller peak demand customers.

The California Public Utilities Commission (“CPUC”) recognized the value of demand response, which through competition for customers, improves demand response programs and increases customer participation, concluding that, “demand aggregators may encourage innovative and less costly demand response programs”. The CPUC then directed that, “utilities cooperate with demand aggregators to improve their demand response programs” (CAISO Dkt. No. 06-11-049, at p.16). Going forward, the CPUC has supported and approved competitively solicited utility contracts with third parties to “augment existing demand response programs”, “unleash innovative and cost-effective

demand response technologies and activities”, (CAISO Dkt. No.D.06-11-049 at p.44), provide valuable experience with alternative ways of procuring and managing demand response programs, and increase reliance on demand response, an “environmentally sound,” dispatchable, low-cost energy resource. (Dkt. 07-05-029 at p.2). EnergyConnect encourages the Commission to consider this option in its reassessment of approaches to addressing the challenges of rising energy costs.

EnergyConnect also notes that Pennsylvania has a distinct advantage over California at this time. The PJM ISO has some of most advanced demand response programs in the nation. These include not just traditional reliability improving capacity programs, but efficiency improving price based programs that operate continuously. Tapping into these programs and coordinating EDC directives to help these programs work better will enhance the conservation and efficiency results sought by the State.

Analysis of the Cost-Effectiveness of EDC Proposed Plans

The active involvement of demand response providers is a key element in meeting aggressive demand response goals and offering innovative changes to continually improve customer interest in the participation of demand response programs. In order to satisfy local energy efficiency and regional greenhouse gas mandates set forth by Congress, EDCs across the nation are submitting applications to offer programs that are primarily utility run; thus failing to create a level playing field for third party providers or curtailment service providers. This practice discourages and impedes the development and sustainability of competitive curtailment service providers.

We fully support the HB2200 provisions which require third party provision of those services that EDCs include in rates. EnergyConnect suggests that cost effectiveness evaluations for demand reduction address the effectiveness of the market-based competition to provide these services to customers rather than assess the potential benefit of a utility contract with a provider. This is because, as explained above, significant progress toward demand reduction goals is already being made without any EDC cost or need for rate recovery. EnergyConnect notes that where market based competition is not viable, such as with Energy Efficiency measures and Demand Response for smaller customers EDC contracts with third party suppliers can be cost effective.

In the event that local utilities' applications to provide Demand Response programs and budgets for the next three years (Years 2009-2011) are consolidated by the Commission for ease of administration, each application should be subject to separate review and if necessary, adjudication. The information should be clearly unbundled by the utilities in order to manage useful comparative analyses of the cost effectiveness of utility provided programs and the Demand Response third party providers.

Issues for Consideration

EnergyConnect has commented on a limited number of the topics that were provided by the Commission hereinabove. The following issues are raised by, and are common to, the anticipated applications of the local EDCs and must be addressed by the Commission prior to the approval of any proposed program or budget. Specifically:

- Whether the utilities' proposed Demand Response programs are deficient with regard to the involvement of curtailment service providers or Demand Response providers;
- Whether the proposed EDC programs permit customers to enroll in more than one demand response program at a time, if appropriate; and
- Whether the EDC proposed Demand Response programs include appropriate baselines for settlement purposes;

Conclusion

EnergyConnect appreciates the opportunity to comment on the first phase of the Commission's Energy Efficiency and Conservation Program and EDC Plans. We look forward to participating in the Commission's *en banc* hearing that will include the examination of information on alternative energy resources, energy conservation and efficiency, new generation Demand Response tools and technology, and programs to assist customers.

Respectfully submitted

 (pin)

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