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December 8, 2008

Pennsylvania Public Utility Commission
ATTN: Secretary
PO Box 3265
Harrisburg, PA 17105

Re: Comments from Positive Energy on the Draft Implementation Plan for Act 129; Docket No M-2008-2069887

Dear Mr. Secretary:

Positive Energy submits the attached comments regarding the draft staff proposal and further questions as inputs for the Act 129 phase one implementation plan.

All comments reference the applicable staff proposal section for both Attachment A and B, respectively. The items in bold are the language from the Commission's questions and draft comments/plan, and Positive Energy's comments are presented in regular text.

Positive Energy is excited to continue to work with the Commission in this important endeavor.

Sincerely,

/signed/

Jeremy Kirsch
Vice President, Client Solutions
Positive Energy, Inc.

Assessing Attachment A:

2. Program Design:

- a) **“Statewide vs. EDC specific: Should the Commission encourage, by policy, a statewide approach to some programs that are likely to be effective across Pennsylvania? For example, should rebate programs be harmonized across the state? Should specific programs, such as Energy Audits, PJM load reduction programs, Home Performance With Energy Star, and Energy Star Homes be consistently available in all EDC service territories? If so, what programs should the EDCs implement consistently across the state?”**

Positive Energy Comment:

While it might seem to offer some economies and consistency to offer some programs statewide, this approach could create undue burden and complexity on the Commonwealth and the EDCs to jointly manage these programs. The argument can be made that if the Commonwealth sets statewide policies about which programs are available or even mandatory and these programs are ill-suited for a particular service-territory, then each EDC will carry the burden to achieve savings goals with possibly a sub-optimal set of mandatory programs with which to do so. Furthermore, if the Commonwealth is harmonizing mandatory programs across all service territories, then the Commonwealth would probably need to procure for the services and then provide these services to the EDCs. This could make for undue contracting complexities between 3rd-parties, the Commonwealth, and the EDCs. Lastly, taking lessons from New York State’s experience in harmonizing programs statewide through NYSERDA, there can be a cooperation and “ownership” challenge to overcome in getting state-driven programs (such as NYSERDA’s) and the EDCs to collaborate most-effectively.

For example, in New York State’s new portfolio model for their 15 x 15 program, where targets are being given to each EDC, and NYSERDA, each entity has full ownership over the programs they run, and how they tailor their portfolios to the specifics of each service territory. There are also incentives being put in place to ensure cooperation between NYSERDA and the EDCs for NYSERDA’s programs. Lastly, this model allows each EDC to procure for services without the potential complexities of involving the state.

An area where it appears the Commonwealth could (and has started to) effectively focus in terms of “harmonizing” programs is in providing minimum 3rd-party provider standards and then qualifying vendors for the EDCs to procure from. Secondly, providing initial plan guidance and approvals, periodic reviews, and “best-practices” for EDC program elements which are particularly effective will allow other EDCs to learn from their colleagues and potentially add those offerings and/or specific vendors to their portfolios. Lastly, taking some responsibility and cost burden to raise awareness within the Commonwealth through statewide, “harmonized” marketing and education campaigns, and then being able to help residential, commercial, and industrial customers connect with the appropriate EDC points of contact, can likely help in building momentum around the EDC’s programs across the entire Commonwealth.

In sum, in Positive Energy’s opinion, ensuring that the EDCs have real ownership for the design

and effectiveness of their individual efficiency portfolios demands that the Commonwealth play more of a supporting role, rather than a prescriptive role.

4. Evaluation, Measurement and Verification:

- d) **“In addition to the TRM for standard measures, should the Commission adopt a standard measure and evaluation protocol for determining the energy savings from the installation or adoption of non-standard or custom measures not addressed in the TRM? If so, what protocols should be adopted? Comments to date have included the following protocols: 1) International Performance and Measurement Verification Protocol; 2) ISO New England Protocol; and 3) DOE Energy Star Portfolio Manager.”**

Positive Energy Comment:

In addition to the aforementioned protocols there are another set of evaluation protocols which would likely be of great value to the Commission and the Commonwealth. These include the Large-Scale Data Analysis approach laid out in the National Action Plan for Energy Efficiency¹, and programs rooted in traditional experimental design and the scientific method. These types of approaches allow the Commission to measure actual savings, versus only being limited to approaches which utilize deemed savings. Many of the newer, more innovative, energy savings programs have started to leverage experimental design which measures a “test” group versus a “control” group. In California, and elsewhere, these approaches are being leveraged to meet energy savings goals, and properly incentivize EDCs to deploy programs which they might not have deployed in the past.

Additional specifics on this type of approach are detailed below.

The core tenets of experimental design drive this type of measurement approach and program design as follows:

- Comparison: This evaluation approach is designed to compare energy usage between a test population and a control population, both of which are typically drawn from the same pool of households (“target service area”).
- Randomization: Households are randomly assigned to the comparison groups (control, test A, test B, etc...) in order to limit the impact of heterogeneity in the target population.
- Replication: By measuring the impact across thousands of households and over different lengths of time the level and variability of the impact of the energy saving measure can be estimated with high levels of precision.

¹ See NAPEE Section 4.4: Large-Scale Data Analysis. This approach utilizes analysis of covariance using both a comparison group and time-series analysis.

- Blocking: Test and control populations can be arranged into groups in order to eliminate or attenuate the impact of “nuisance” factors.

Evaluation of several impact factors (such as energy consumption, program participation, customer engagement, etc...) is a straight-forward comparison of test with control. For energy consumption, one can compare aggregate billing data from the test population with the aggregate billing data from the control population over the same interval. This difference in energy consumption between the two groups can use an aggregated metric such as the mean or median, and calculate estimates of uncertainty given the variability in the underlying billing data. This comparison can also be made historically in order to validate that the test and control populations are statistically similar, and that any differences measured during the program period can be attributable to the savings program.

Unlike many measurement approaches, this approach is relatively unaffected by “nuisance” factors like rate changes, weather, or other efficiency programs. These “nuisance” factors apply equally to both the test AND control populations, thus the impact of the program is independent of these factors. The same is true for the non-energy consumption metrics: efficiency program participation rates may be impacted by other marketing programs, but marketing and other factors will cover both the test and control populations and therefore do not affect the measurement of the difference between the two groups.

In order to achieve the program’s goal there is a straight-forward measurement strategy: Measure the impact of the program in terms of efficiency savings in a given calendar year and take credit for the efficiency savings in that year.

There are no assumptions made regarding the full lifetime savings of the program other than that savings will continue throughout the deployment of the program. Likewise, any costs associated with the program are attributed to the program in the year they are incurred. There is no amortization of program costs beyond the program length, nor is there any claim of estimated or potential future efficiency savings beyond the duration of the program.

This measurement strategy allows for a clean impact analysis of the program as its own resource program, and as a result is easily understood as a component of a broader EE portfolio and how the program helps achieve the overall goals of the broader portfolio.

It is our recommendation for the Commission to allow (and encourage) the EDCs to run programs which can leverage this highly rigorous measurement and verification approach, and follow in the footsteps of several states around the country who are now starting to leverage these measurement approaches to help achieve their EE goals.

Assessing Appendix B:

E. Standards to Ensure that a Variety of Measures are Applied Equitably to all Customer Classes

Positive Energy Comment:

Positive Energy agrees that it is sound policy that the Commission ensure “each customer class be offered at least one EE and one DR program, but we [the Commission] will leave the initial mix and proportion of programs to the EDCs.”

We also believe that the Commission should ensure that within the various customer classes, such as residential customers, most, if not all, customers are able to benefit from programs. As a result, we recommend that the Commission encourage EDCs to run programs which can benefit most, if not all, customers within a customer class, in addition to more segment-specific programs within a customer class.

G. Procedures to Require Competitive Bidding and Approval of Contracts with CSPs

“The Act requires the Commission to establish procedures to require EDCs to competitively bid all contracts with conservation service providers. 66 Pa. C.S. § 2806.1(a)(7). The Act further requires the Commission to establish procedures to review all proposed contracts with conservation service providers prior to execution of the contract. 66 Pa. C.S. § 2806.1(a)(8). The Act gives the Commission power to order the modification of proposed contracts to ensure that plans meet consumption reduction requirements. *Id.* The Act also requires each EDC to include in its plan a contract with one or more CSPs selected by competitive bid to implement all or part of the plan as approved by the Commission.”

Positive Energy agrees that it is sound policy to encourage competition between conservation service providers (“CSPs”) wherever possible, and is supportive of at least one CSP as a part of all EDC portfolios. However, there are instances where ensuring this competition amongst EDCs will need to be managed most-effectively.

For example, if EDCs are looking to contract with several CSPs to achieve a certain percentage of their savings goals, “block bidding” is a technique which can be leveraged. This technique allows for CSPs to bid for certain “blocks” of MWh savings goals (such as for 1,000 MWh blocks of savings), and as a result, allows EDCs to procure for multiple types of services at the same time (using the same procurement process). If the Commission allows EDCs to utilize block bidding, EDCs will likely be able to craft their portfolios with relatively more ease than if they need to run separate procurements for each and every type of savings program. Conversely, if multiple bidding processes are required, the Commission could be encouraging EDCs to take the “path of least resistance” and deploy fewer programs, versus deploying an arguably richer EE portfolio.

Secondarily, sole source procurements from CSPs can be a valuable option. If it can be established that CSPs actually do not have competition for their services, then through sole sourcing the EDCs can save the time and cost of competitive procurements. The Commission could be involved in managing this process, requiring CSPs to prove that there is an argument

for sole source as a part of the CSP's registration/approval process with the Commonwealth.

For example, one area where the sole source technique could be valuable to the Commission and EDCs is with pilot/demonstration programs. Commissions across the country have been encouraging EDCs within their states to deploy pilot/demonstration programs as part of EE portfolios in order to properly incentivize EDCs to use innovative programs which could be less common or not as well-established, yet could help achieve tremendous energy savings. Pilot/demonstration programs are being used by EDCs in New York, Massachusetts, California, Minnesota, amongst other states.

J. EDC Cost Recovery

“Each plan must also include a proposed cost recovery tariff mechanism, in accordance with Section 1307 (relating to sliding scale or rates; adjustments), to fund all measures and to ensure full and current recovery of prudent and reasonable costs, including administrative costs, as approved by the Commission. 66 Pa. C.S. § 2806.1(b)(1)(i)(H). In addition, each plan must include an analysis of administrative costs. 66 Pa. C.S. § 2806.1(b)(1)(i)(K).”

In terms of program cost-recovery in the draft plan, there is no explicit mention of spending for marketing and education efforts. These program elements can be handled effectively in several different ways. For example, marketing and education costs can be handled on a program-by-program basis by each EDC within their specific portfolio plans. That would mean line items in each program's proposed cost models, which detail expenses for marketing and education for each program. This is generally how New York State has asked its EDCs to handle these program elements. Alternatively, marketing and education programs can be required and “bucketed” as their own line item within each EDC's portfolio. For example, each program would then be detailed without the marketing and education costs, and instead each EDC would detail a separate overall EE portfolio line-item for marketing and education costs, respectively. Maryland has asked that their EDCs budget specifically for programs for marketing and education. Lastly, a hybrid approach leveraging both of the aforementioned approaches can be deployed.

Moreover, stand-alone marketing and education programs are going to be extremely important in order for EDCs and the Commission to achieve the Act 129 goals, and there has not been any mention of a certain amount of money to be dedicated to these types of programs statewide. For example, Maryland's Commission has dedicated certain funds, in addition to the marketing and education for each individual EDC portfolio program, in order to ensure that marketing and education deficiencies are not the reason for not achieving savings goals.

Regardless of the approach taken, Positive Energy recommends that these elements be detailed in the implementation plan so that the EDCs can provide portfolio plans to achieve the required marketing and education program goals.