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Via Hand Delivery

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Bldg., 2nd Floor
400 North Street
Harrisburg, PA 17120

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

Dear Secretary McNulty:

Enclosed please find an original and fifteen copies of the written comments of United States Steel Corporation in the above-captioned matter. An electronic copy of these comments has been sent to the Commission's Act 129 e-mail account at ra-Act129@state.pa.us.

Very truly yours,

Daniel P. Delaney
PA Attorney I.D. 23955
Counsel for US Steel Corporation

Enclosures

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF UNITED STATES STEEL CORPORATION

United States Steel Corporation ("US Steel") participated in the Demand Side Management/Energy Efficiency Working Group ("DSR Group") organized by the Public Utility Commission ("Commission") as part of the Alternative Energy Portfolio Standards Act of 2004 implementation at Commission Dkt. M-00051865. As a member of the DSR Group, US Steel received a copy of the November 26, 2008 Secretarial Letter requesting comments on the Commission's implementation of Act 129 of 2008 ("Act 129"). US Steel provides these comments in response to the Working Group Draft Order ("Draft Order") accompanying the Secretarial Letter. As explained below, US Steel is a large industrial consumer of electricity and has an interest in the Commission's successful implementation of Act 129. Since US Steel already operates and maintains a successful energy efficiency and conservation effort in Pennsylvania, the Company has a particular interest in the Commission's direction to Electric Distribution Companies ("EDCs") on implementing the energy efficiency and conservation programs ("Programs") required by Section 2 of Act 129 (66 Pa. C.S. § 2806.1). Specifically, US Steel has an interest in the EDC programs' treatment of demand side management practices involving (1) load management or demand response practices or strategies that shift electric load from periods of high demand to

periods of low demand and (2) the customer's reuse of energy from exhaust gases or other manufacturing by-products that are used in the direct production of electricity at a customer's facility. US Steel's comments are related to the Draft Order's direction to EDCs for the design of these programs as they apply to the EDCs' industrial customers. The Commission's implementing order should direct EDCs to adopt programs that reflect actual industrial customer energy efficiency and conservation practices and incorporate tracking and evaluation measures that use existing data streams which are not burdensome on the industrial customers. The EDCs should also design their programs to be flexible and to accommodate industrial customers' existing efficiency and conservation measures.

I. INTRODUCTION

US Steel is headquartered in Pittsburgh, Pennsylvania, and is the largest steel producer based in the United States. US Steel manufactures a wide variety of steel products. US Steel's Mon Valley Works ("Mon Valley") is one of the largest consumers of energy in Pennsylvania, using the energy to convert coke, iron ore and other raw materials into steel and a variety of sheet steel products. Mon Valley is geographically divided into three operations, including the Clairton Coke Works ("Clairton"), the Edgar Thomson Steel Production Facility (Braddock, PA) and the Irvin Plant Steel Finishing Facility (Dravosburg, PA). Mon Valley has approximately 4,000 employees and is Pennsylvania's only remaining fully integrated steel production facility.

Mon Valley has been an industry leader in energy conservation and in industrial by-product recycling of coke oven and blast furnace gases. Coke is an essential input to the steel-making process and is produced by heating coal in coke ovens. To make

coke, coal is heated in the absence of oxygen to drive volatile matter from it. Coke oven gas is produced as a by-product of the process. Approximately 40% of the coke oven gas is used as a fuel in the coke oven. Clairton is a state-of-the-art coke plant. The Edgar Thomson Plant in Braddock is a steel-making facility which uses the blast furnace process to produce iron. Blast furnace gas is a combustible gas generated in a blast furnace when iron ore is reduced with coke to metallic iron. US Steel produces electricity at both the Clairton and Edgar Thomson Plants using a mixture of gases including coke oven gas, blast furnace gas and natural gas. These gases are consumed in boilers to produce steam which drives turbines to produce electricity for internal plant use, none of the generated electricity is resold. Approximately 35% of Mon Valley's electrical requirements are produced by on-site generation using these industrial by-products. US Steel meters all of the Mon Valley's internal generation. Mon Valley's purchase price of electricity has increased in recent years, which has affected its relative competitiveness with other steel production facilities. The Commission's successful implementation of Act 129 will permit US Steel to limit the competitive disadvantage of Mon Valley's increased energy costs while recognizing the facility's model energy conservation and recycling initiatives.

II. COMMENTS

Act 129 places significant responsibilities upon the Commission to coordinate and supervise the EDCs' preparation and filing of energy efficiency and conservation programs. The Commission's November 26, 2008 Secretarial Letter and draft implementation order appropriately list a number of issues concerning implementation for comment by interested parties. US Steel respectfully requests the Commission as

part of its implementation order to include general direction to the EDCs concerning the design of their plans. US Steel requests the Commission to include the following comments in its implementation order.

A. EDC Plans for Industrial Customers Should Be Flexible and Incorporate Actual Efficiency and Conservation Practices of Industrial Customers.

Section 2806.1(A)(5) requires that EDC programs include standards to ensure that each plan includes a variety of energy efficiency and conservation measures and provide the measures equitably to all classes of customers. US Steel submits that robust programs for industrial customers will measurably assist the EDC in accomplishing the energy demand and consumption reductions required by Act 129. US Steel requests the Commission to provide direction to the EDCs in its implementation order to file programs which provide flexibility to industrial customers and incorporates existing measures for energy efficiency and conservation which include existing practices of those customers.

The Commission has already considered the design of energy efficiency and conservation programs in its implementation of the Alternative Energy Portfolio Standards Act of 2004. The Commission's order Implementation of the Alternative Energy Portfolio Standards Act of 2004: Standards for the Participation of the Demand Side Management Resources, Commission Dkt. M-00051865 (Order entered October 3, 2005) ("AEPS Order"), provides an excellent model for the design of the EDC programs for industrial customers. That order contains the following principles to use in establishing rules for demand side management and energy efficiency measures:

- Market values for individual measures or measures installed as group program items.

- Easily understood rules with minimal transaction and administrative costs.
- Reliance upon existing state and federal protocols.
- Equitable opportunities for residential, commercial and industrial customers to benefit directly.

(Order at p. 4).

These rules can easily be transferred to the design of the EDC plans, particularly those with application to industrial customers.

The AEPS Order also provides valuable guidance in the design of flexible programs by EDCs for industrial customers. Pages 7-10 of that order describe the implementation of custom measures by large customers which would allow the customers to qualify for alternative energy credits. Custom measures include measures that could be considered too complex or unique to be spelled out in a catalog approach such as a specific EDC plan. US Steel submits that the EDCs should be directed to follow a similar approach to the one adopted in the AEPS Order for metered and custom measures in designing their energy efficiency and conservation program for industrial customers. An approach allowing custom proposals would allow larger customers to design unique plans for energy efficiency and conservation which would incorporate actual customer practices and procedures. Many of the general guidelines identified on pages 8-10 of the AEPS Order could be adopted in the EDC programs to provide flexibility in application while providing guidance to customers.

EDCs should be encouraged to file programs that permit a customer's existing practices and equipment to be recognized in the plan. Many industrial customers have proactively initiated energy efficiency and conservation programs which are consistent with the objectives of Act 129. Customers who have already adopted these measures

should be permitted to have them recognized in the plans adopted by the EDCs. Incorporating existing measures in the EDCs' plans will assist the EDCs in achieving the reductions in consumption and demand on the schedule identified in Act 129.

B. Industrial Customers Participating in RTO Demand Side Management Programs or Voluntarily Shifting Load to Non-Peak Periods Should Be Recognized in EDC Plans.

Industrial customers that participate in an RTO load response program or who voluntarily shift load to non-peak periods should be recognized in the energy efficiency and conservation programs filed by EDCs. For several years, Mon Valley has voluntarily scheduled its production to non-peak periods. Mon Valley's shifting of production to non-peak periods has benefited its electrical supplier by avoiding the purchase of high priced electricity in peak periods, benefited the environment by reducing emissions from electrical generation in those periods and avoided contribution to transmission congestion in those periods. Industrial customers participating in RTO programs or who voluntarily shift load to non-peak periods also assists in the reduction of the EDC's peak demand as required by Act 129. The industrial customer's compliance with an RTO program or its voluntary load shifting management practices or strategies should be included in energy efficiency or conservation programs filed by EDCs.

C. Act 129 Requires the EDC Plans to be Available to All Customers and to be Financed by the Same Customer Class That Will Receive the Energy and Conservation Benefits.

Section 2806.1 of Act 129 identifies several specific requirements in the energy efficiency and conservation programs that must be filed by EDCs. These requirements include standards to ensure that each plan includes a variety of energy efficiency and conservation measures that will apply equitable to all classes of customers (Section

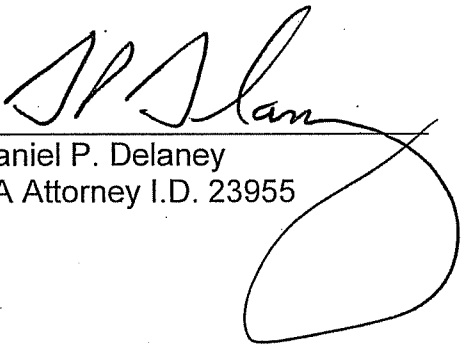
2806.1(A)(5)) and address cost recovery to ensure that measures approved are financed by the same customer class that will receive the direct energy and conservation benefits (Section 2806.1(A)(11)). The Draft Order appropriately addresses these requirements and those determinations should be carried over into the Commission's final implementation order.

For purposes of Act 129, the Draft Order interprets the term retail customer to include all customers who receive an EDC's distribution service regardless of their electric supply source. The Draft Order further indicates that it was the intent of the General Assembly that all customers contribute to the reduction of load. US Steel supports this conclusion and believes that it is well supported by Act 129. Significantly, the Act does not contain any language dividing an EDC's customers into those receiving default service and those receiving only distribution service. The lack of such a distinction supports the Draft Order's conclusion that the General Assembly intended that all EDC customers regardless of the type of service received should contribute to the reduction of the EDC's load and peak demand. Concerning the availability of programs for each customer class, the Draft Order on page 17 states that EDCs will be required to offer to each customer class at least one efficiency and one demand reduction program. This is a reasonable requirement which US Steel supports. However the programs for larger customers should include an opportunity for those customers to propose custom programs to the EDC which can incorporate the customers' existing successful efficiency and conservation programs. Appropriate criteria to evaluate such custom programs should be in the EDCs plan.

Concerning the requirement that efficiency and conservation measures approved must be financed by the same customer class that will receive the benefits, the Draft Order directs EDCs to include a class cost of service study with its plan for the purpose of allocating all costs expected to be incurred in the implementation of its efficiency and conservation plan. (Order at p. 28). US Steel supports this determination which should be included in the Commission's final order. Requiring the filing of class cost of service studies will allow the responsibility for costs to be appropriately allocated to the benefiting customers. The filing of such studies is a long standing Commission requirement and should impose no undue burden on the EDC.

US Steel appreciates the opportunity to provide these comments to the Staff and the Commission.

Respectfully submitted,



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