

**BEFORE THE
PENNSYLVANIA PUBLIC SERVICE COMMISSION**

Energy Efficiency and Conservation Program
and EDC Plans

Docket No. M-2008-2069887

Reply comments to working group discussion Docket No. 2008-2069887 from Sustainable Energy Fund Submitted December 19, 2008.

Recovery of Advertising Expenses

SEF requests the Commission incorporate specific language relating to advertising expenditures in the forth coming rules. A significant percentage of the expenses associated with utility based energy conservation programs are associated with marketing the program therefore language should be incorporated to only allow for cost-effective marketing of specific programs without allowing for enhancement of the utility's image at rate payers' expense. 66 Pa. C.S.A. § 1316 as a general rule prohibits the allowance of advertising as an operating expense during rate making with a few specific exceptions. The Pennsylvania General Assembly declared in ACT129 (2) "IT IS IN THE PUBLIC INTEREST TO ADOPT ENERGY EFFICIENCY AND CONSERVATION MEASURES..." and 66 Pa C.S. §2806.1 (B) (1) (H) "... TO ENSURE FULL AND CURRENT RECOVERY OF THE PRUDENT AND REASONABLE COSTS OF THE PLAN..."

It would be reasonable to conclude that advertising used to promote program specific energy conservation programs approved by the Commission would be prudent and allowable for recovery as part of an electric distribution company's Commission approved cost-effective energy efficiency and conservation plan. SEF recommends the following language be included in the Commissions proposed rule to allow for recovery of prudent program specific advertising.

Advertising expense recovered through energy conservation cost recovery shall be directly related to an approved conservation program, shall not mention a competing energy source, and shall not be company image enhancing. If an advertisement makes a specific claim of appliance efficiency it shall state those ratings in terms of full fuel cycle measurement of energy based on an EDC's previous year generation mix and include losses due to generation, transmission, and distribution. In determining whether an advertisement is "directly related to an approved conservation program", the Commission shall consider, but is not limited to whether the advertisement:

- (a) Identifies a specific problem;
- (b) States how to correct the problem; and
- (c) Provides direction concerning how to obtain help to alleviate the problem

With such a large percentage of the expected program expenses resulting from marketing assurances should be in place in the proposed rule to provide protection to rate payers that the recovered expenses are just and reasonable.

Goal interpretation

SEF requests the Commission reconsider its position in agreement with the DEP, PECO, and PPL that the correct interpretation of 66 Pa. C.S. §2806.1 (C) (1) is that of a savings approach as outline in Secretarial Letter dated November 26, 2008 in Docket No. M-2008-2069887 Appendix B subsection D Process to Analyze the Program and Each Plan will Enable EDC's to Meet Reduction Targets. SEF supports the position of TRF as submitted on November 3, 2008 and later testified to on November 19, 2008 in Docket No. M-2008-2069887.

SEF asserts that the language in ACT129 as well as the testimony filed by HB2200 sponsor Representative Camille "Bud" George, Chairman House Environmental and Energy Committee 19 November 2008 requires that EDC's reduce overall consumption by 1% from forecast.

"...Act 129 bolsters requirements for utilities to reduce overall and peak demand output..."

During consideration of HB2200 on Tuesday, February 12, 2008 Representative George stated on the floor of the Pennsylvania General Assembly "Under HB 2200, utilities would be required to reduce overall output by 2 ½ percent and peak demand, when energy prices are at their highest, by 4%.

66 Pa. §2806.1 (C) (1) BY MAY 31, 2011, TOTAL ANNUAL WEATHER-NORMAIIZED CONSUMPTION OF THE RETAIL CUSTOMERS OF EACH ELECTRIC DISTRIBUTION COMPANY SHALL BE REDUCED BY A MINIMUM OF 1%. THE 1% LOAD REDUCTION IN CONSUMPTION SHALL BE MEASURE AGAINST THE ELECTRIC DISTRIBUTION COMPANY'S EXPECTED LOAD AS FORECASTED BY THE COMMISSION FOR JUNE 1, 2009, THROUGH MAY 31, 2010, WITH PROVISIONS MADE FOR WEATHER ADJUSTMENTS AND EXTRAORDINARY LOADS THAT THE ELECTRIC DISTRIBUTION COMPANY MUST SERVE.

SEF believes the use of the word reduction combined with overall in both statements by Representative George means to diminish the output of the EDC therefore requiring a true reduction from the forecast as measured by year end electric sales.

Peak Demand Reduction

During the workshop on December 10, 2008 on Docket No. M-2008-2069887 there was discussion as to whether the demand reductions as required by 66 Pa. C.S. 2806.1 (D) represented real demand reductions or the capability to execute the reductions if needed. The position of "possessing the capability to reduce" harkens to the lost sales disincentive inherent in

utility administered energy efficiency and conservation programs. SEF believes the language of the ACT is specific and requires absolute reductions in peak demand.

66 Pa. C.S. 2801.6 (D) (1) BY MAY 31, 2013, THE WEATHER NORMALIZED DEMAND OF THE RETAIL CUSTOMERS OF EACH ELECTRIC DISTRIBUTION COMPANY SHALL BE REDUCED BY A MINIMUM OF 4.5% OF ANNUAL SYSTEM PEAK DEMAND IN THE 100 HOURS OF HIGHEST DEMAND...

Localized Energy Production

SEF believes the public interest is best served if the reduction goals of ACT129 are met through a combination of conservation, increased end-use appliance efficiency, and fuel substitution as well as elimination of losses due to generation, transmission, and or distribution when cost-effective (including environmental costs). The Commission's forth coming rules including TRC test should be energy source blind and include testing to ensure net use of fossil fuels is not increased as an unintended result of the market manipulations caused by the EDC sponsored incentives. This potential market manipulation would result in a long-term increase in the consumption of fossil fuel by electric generation suppliers and well as increased revenue for EDC's.

For example if a significant rebate was offered to persuade builders to install heat pumps the builders may switch from installing natural gas fired furnaces to electric heat pumps with resistive electric backup. A significant incentive for heat pumps could potentially pass the Total Resource Cost (TRC) test if compared to electric resistive heating. The unintended reality is that it would also impact installation of competing energy sources whether fossil fuel or renewable. Over the long-term EDC's would build load by shifting load from competing sources whether they be fossil fuel or renewable. In either case due to generation, transmission, and distribution inefficiencies in the electrical system the net result would be an increase in fossil fuel usage by electrical generators negatively impacting retail electric prices, the environment, and renewable energy markets.

Respectfully Submitted,



John Costlow

Sustainable Energy Fund
968 Postal Rd
Allentown, PA 18109

Telephone (610)264-4440