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**Pennsylvania Public Utility Commission Fuel Switching
Workgroup**

*Comments of the Keystone Energy Efficiency Alliance (KEEA)
Regarding Fuel Switching*

February 16, 2010

The Keystone Energy Efficiency Alliance (KEEA) is a nonprofit professional association of businesses and organizations in the state of Pennsylvania that champion affordable energy efficiency and sustainable energy solutions in Pennsylvania through advocacy, business development, education, and training. The Public Utility Commission is seeking comments from Working Group Participants on the value of fuel switching under the electric distribution companies' Energy Efficiency and Conservation Plans filed pursuant to Act 129 of 2008. We appreciate the opportunity to file comments.

KEEA membership does not have a straight forward response to whether fuel switching should be allowed under Act 129 utility conservation and efficiency plans. KEEA understands there may be limited circumstances where fuel switching can be cost effective, as well as beneficial to health and safety and should be encouraged. Yet, it is our opinion that the Commission should look beyond the current issue and set a broader gas conservation agenda before determining whether program wide fuel switching is warranted under Act 129. Without first mandating gas conservation programs,

simply allowing broad-based programmatic fuel switching does not provide for a level playing field between electricity and gas resources or necessarily yields the best results for all consumers. We also feel that replacing demand for one energy source (electricity) while building demand for another source (gas) defies the intent of ACT 129 which was to promote energy efficiency.

In and of itself, gas may be more efficient in some circumstances and could be considered on a customer by customer basis not a program by program basis. Case studies submitted to the Working Group show scenarios under different cost tests but the analysis does not take a comprehensive, forward-thinking look at the impacts of volatile, fluctuating energy markets over time. If the Commission does not develop gas conservation goals as a critical component of any decision on fuel switching, it is highly likely the gas industry will increase load under a pro-fuel switching outcome. This would be in direct contrast to what many policy makers across the nation are working towards: advancing conservation and efficiency for all fuel sources. Without gas conservation, Pennsylvania could remain tied to policies which ultimately increase demand instead of lower it as long as Act 129 is limited to electricity. Blanket assumptions allowing switching simply because it meets a cost test may lead to unintended consequences if market conditions change and gas becomes more expensive for Pennsylvanians.

The Public Utility Commission should consider deferring ruling on all but a limited number fuel switching options until gas conservation plans are ready for implementation. This action will help safeguard against policies that may ultimately favor greater consumption of gas. For example, it should not be assumed that projects like Marcellus Shale drilling will result in lower prices to Pennsylvania gas customers. It is unlikely much of that resource will be distributed locally. If any approval for fuel switching is allowed, it should be accompanied by an ongoing assessment of current costs or conditions in order to provide a hedge against volatility in gas prices and changing market conditions. Currently, electricity prices are high but there are no guarantees future electricity prices compared to gas will remain lower. Despite the detailed analysis done by the gas companies for the Working Group, no analysis looked at how volatility in these markets would impact the analysis.

In addition, although most would agree there are added environmental benefits to gas over our current electricity supply, the environment is probably better protected with traditional efficiency measures such as the installation of more efficient appliances and efficient lighting. If, by allowing fuel switching, fuel

switching actions supplant traditional measures, the Commission may be gambling that gas supply and prices remain constant over the life of the programs. There is no such gamble if an inefficient refrigerator is replaced with an efficient one.

Chairman Jim Cawley writes in a letter on October 16, 2009: “Unfortunately, many utility consumers who need help are still unaware of the programs available to help them restore or maintain utility service,” the PUC’s Oct. 16 letter said. “Just as we at the PUC will be reminding consumers who call us about the availability of such programs, we urge all utilities to increase their outreach efforts to make sure that all customers receive information about any program for which they may be eligible.” There are limited programs in the area of gas conservation for those other than low income customers. Given the choice, customers may choose to switch to gas service under a blanket pro-fuel switching program simply because they are unaware they can make their buildings more efficient through current and upcoming programs offered to electricity customers that may be more cost effective and beneficial than switching to gas. Proven conservation and efficiency measures should be the first course of action and have been calculated to work under the total resource cost test.

We believe the Commission has the authority to undertake gas conservation as determined by the Commonwealth Court case about ten years ago that involved the Industrial Energy Consumers of Pennsylvania. Generally, it was determined that as long as there is no cross-subsidization between customer classes, the authority rests with the Commission to enact demand side and conservation programs.

KEEA understands that any action lead by the Commission to tie gas conservation to fuel switching policies may go beyond the scope of what the Commission has asked the Working Group to address, but KEEA’s support for fuel switching initiatives is inextricably tied to support for the enactment of broad-based gas conservation programs except in a few notable exceptions. There are a few situations when switching to gas is so clearly cost effective for the customer that promoting the project through ACT 129 may be warranted. For example, replacing an inefficient base board electric heating systems with a high efficient gas heating system if the existing system is old, dangerous, or in dire need of repair.

In sum, KEEA believes Pennsylvania utility customers are best served if the underlying foundation of gas conservation is addressed before any ruling on whether wholesale acceptance/rejection of fuel switching is allowed under Act 129.

Respectfully submitted

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