

**FUEL SWITCHING WORKING GROUP
REPLY COMMENTS OF THE OCA
MARCH 12, 2010**

The Office of Consumer Advocate (OCA) appreciates the opportunity to submit these brief Reply Comments to the Fuel Switching Working Group. By way of background, at its January 6, 2010 meeting, the Fuel Switching Working Group formed a subcommittee that was charged with providing cost-benefit analyses for various fuel switching programs. On January 25, 2010, this subcommittee provided its analyses of these fuel switching programs and, on February 16, 2010, various participants in the Fuel Switching Working Group provided Comments with respect to the subcommittee's analyses. The OCA will not provide comments on the technical aspects of the analyses as other parties have addressed these matters in some detail in comments and through the working group process. The OCA will address some general principles with respect to fuel switching's role in Electric Distribution Companies' (EDCs) energy efficiency plans which have been raised through the working group discussion.

In the OCA's view, there may be instances where fuel switching of certain equipment from electric to natural gas or another fuel type could be justified as part of an overall energy efficiency initiative. The OCA supports the efforts of the Working Group to attempt to resolve issues regarding the proper analyses to be performed and the inputs for the analyses. The OCA submits that by determining the proper analytical framework, the Working Group's efforts can assist in determining cost-effective fuel switching measures and applications that can then be further considered for inclusion in an energy efficiency plan.

The OCA submits that fuel switching measures and applications, in the appropriate circumstances, should be available to EDCs and their stakeholders when considering the best means of achieving energy efficiency goals. The OCA submits, however, that just as no

other particular energy efficiency program has been mandated for implementation, fuel switching programs should not be mandated by the Commission. Indeed, such a mandate could lead to significant questions as it could require ratepayer dollars of an electric utility to subsidize or support another utility and its growth in load. Fuel switching from a customer's perspective also can present significant risks as changes in the respective price of the fuel is likely to change over time from the prices assumed in any analysis.

While the OCA does not support a mandate for the use of fuel switching program, the OCA agrees that in the proper circumstances, targeted fuel switching programs can potentially provide a benefit for the customer, a benefit in achieving energy efficiency goals, and a benefit for the ratepayers of the utility or utilities involved. It is critically important, however, that there is a proper identification of the situations where fuel switching would be in the public interest and in the consumer interest.

The OCA submits that EDCs should address fuel switching programs through their stakeholder processes along with all other programs when determining if there are improvements to their energy efficiency programs that can be implemented. These stakeholder processes should be inclusive, and should be used to identify those situations where the use of fuel switching is appropriate, cost-effective, and in the public and consumer interest. For example, a home with natural gas service available but using electric for hot water heating or space heating would present a situation where fuel switching should be considered. Additionally, if there is an inefficient electric heating system, financial incentives that allow the customer to make the choice of fuel type could be considered so long as the equipment meets appropriate efficiency standards and the measure passes the appropriate tests. The OCA would note that two EDCs, PECO Energy Company and PPL Electric Utilities, included some targeted

fuel switching programs within their Energy Efficiency and Conservation Plans under Act 129 that provide examples of such situations where fuel switching can be used in support of energy efficiency goals.

Also in this regard, the OCA supports the Comments of PULP that identified some unique situations where fuel switching, or the use of energy efficiency dollars to repair gas furnaces, could provide a significant benefit to the public and to the consumer. In particular, the OCA would highlight PULP's suggestion that fuel switching is appropriate for consideration where a customer's electric heating system is broken and an alternative fuel is available for heating that can provide a benefit over the repair or replacement of the existing electric heating system. Further, as stated by PULP, repair or replacement of a broken natural gas furnace could be appropriate under an EDC's energy efficiency program if the customer is using inefficient electric space heaters to replace the broken furnace. The OCA strongly supports PULP's suggestion that when a home has natural gas service available, but is using electric space heaters to heat the home or supplement an inefficient natural gas or oil furnace, the use energy efficiency dollars to repair or upgrade that furnace can provide an overall benefit.

The OCA welcomes this opportunity to provide further comment on the issues being raised in the Fuel Switching Working Group. If the Working Group continues to meet, the OCA would urge the working group to begin to examine the situations where the use of fuel switching as part of an energy efficiency plan may be in the public interest and the consumer interest. The OCA would also urge continued consideration of these measures through the stakeholder processes for each EDC that is to inform the continued development and implementation of the Energy Efficiency and Conservation Plans.