

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of Act 129 of 2008 – :
Total Resource Cost (TRC) Test : Docket No. M-2009-2108601
2011 Revisions :

COMMENTS OF DUQUESNE LIGHT COMPANY

I. Introduction

Act 129 of 2008, 66 Pa. C.S. §2806.1, directs the Commission to use a total resource cost (“TRC”) test to analyze the costs and benefits of the energy efficiency and conservation (“EE&C”) plans that certain electric distribution companies (“EDCs”) are required to file. The Pennsylvania TRC Test was adopted by Commission order at the above-referenced docket on June 23, 2009 (“2009 TRC Test Order”). On May 6, 2011, the Commission entered a Tentative Order (“Tentative Order”) seeking comments on further refinements for the PA TRC test for use through May 31, 2013 in compliance with Act 129. On May 17, 2011, the Commission issued a Secretarial Letter extending the comment period.

Duquesne Light Company (“Duquesne Light” or “Company”) submits the following comments in response to the Tentative Order and Secretarial Letter.

II. General Comments

Duquesne supports the Commission’s work on the TRC test, as it is a very important part of EE&C plan evaluation. Duquesne notes the Commission’s use of the TRC test at both the “plan” level and the “program” level throughout the Tentative Order, and supports the use of the TRC test at both levels. Duquesne believes it is important to weigh the benefits and costs for

each program in its EE&C plan, but understands that each *program* does not necessarily have to pass the TRC test, as Act 129 requires that the *plan* be cost effective by passing the TRC test. *See* 66 Pa. C.S. § 2806.1(b)(1)(i)(I). Duquesne notes the section number from the Tentative Order in each of its specific comments below.

III. Specific Comments

A. Demand Response

1. Application of TRC Test Calculation to DR Programs

The Commission proposes a resolution that EDCs continue to evaluate DR programs using the PA TRC test. Tentative Order at 7. Duquesne agrees with this resolution.

2. Treatment of DR Payments to CSPs and EDCs from PJM

The Commission proposes three resolutions in order to determine how PJM payments to CSPs are treated and whether these payments should be considered a cost or benefit in the TRC test. Tentative Order at 8-9. Duquesne agrees with proposed resolution (i), which is to exclude from TRC test calculations PJM payments to CSPs for DR market participation. Duquesne also agrees with proposed resolution (iii), which is to exclude from the TRC test PJM payments for capacity. Duquesne disagrees with proposed resolution (ii), which proposes to include PJM payments to EDCs for DR market participation as benefits for the purpose of the TRC test. Duquesne disagrees with proposed resolution (ii) because under the TRC test, payments to parties are not benefits, they are only costs. PJM payments are not applicable to incremental increases in available DR capacity resulting from Act 129 programs and must be excluded from Act 129 cost-effectiveness determination.

3. Treatment of DR Payments to CSPs and Participants from EDCs

Duquesne agrees with the Commission that payments made by EDCs directly to DR program participants or to DR CSPs be included as a cost in the calculation of the PA TRC test. Duquesne treated costs in this manner in its EE&C Plan.

4. Treatment of American Reinvestment and Recovery Act of 2009 (ARRA) Funds

Duquesne agrees with the Commission's proposed resolution on this topic.

5. Measure Life for DR Programs

Duquesne agrees with the Commission's proposed resolution on this topic.

B. Net-To-Gross

1. Net-To-Gross Research And Applications

The Commission proposes to direct the EDCs to develop and conduct Net-to-Gross ("NTG") studies. Duquesne has no objection to adoption of that resolution. However, specifically on page 18 of the Tentative Order, the Commission states that it proposes to direct EDCs to develop and conduct NTG studies that are funded out of the EDCs' Act 129 2% program budgets. The Commission concludes, "Since the NTG evaluations are part of the impact evaluation, it is consistent to fund the NTG studies from the same funding source as the current impact evaluation." Tentative Order at 19. Duquesne assumes the Commission is referring to the EE&C program budgets approved as part of the overall original EE&C plan. If so, Duquesne opposes these costs be paid from the EE&C budget. Duquesne's programs are underfunded as it is, and this treatment would further exacerbate this condition and the possibility of reaching the mandated targets. Therefore, Duquesne proposes that any NTG study cost should be recoverable, but not from within the 2% limited EE&C Plan budget.

For the period June 1, 2009 – May 31, 2013, the Commission does not propose to use the NTG research to adjust the gross verified energy savings that are used for compliance purposes

to determine whether an EDC met its mandated Act 129 reduction targets. Tentative Order at 18. Duquesne agrees with this treatment of the NTG research because it is possible that the NTG ratios would serve to discount claimed savings, which could in turn impact meeting the reduction targets.

C. Fuel Switching

1. TRC Inputs for Fuel Switching

Duquesne does not object to the Commission's proposal to adopt the fuel switching provisions as set out in the Fuel Switching Working Group Staff Report. Tentative Order at 19.

2. Fuel Switching Appliance Efficiency in a Fuel Switching Program

Duquesne agrees with the Commission's proposed resolution that where applicable in a fuel switching program, new equipment installed to replace electric equipment should be high efficiency equipment. Tentative Order at 20. The Commission takes this proposed resolution a step further in terms of fuel switching: "Act 129 encourages the most efficient use of electricity, and it would appear to be appropriate to encourage the most efficient use of natural gas or other fuels." *Id.* The Commission should not involve itself in either promoting or discouraging fuel switching. The only exception should be if a fuel switching program is offered by some joint electric and gas companies and approved by the Commission.

D. TRC Calculations

1. Database for Deemed Customer Costs or Incremental Measure Costs As Applicable

Duquesne agrees with the Commission's proposed resolution that EDCs continue to use filed incremental cost data through May 31, 2013, and use of the California PUC's Database for Energy Efficient Resources for variants not included in the EDCs' EE&C plans. Tentative Order

at 22. Duquesne believes this proposed resolution will have a beneficial impact and it is consistent with Duquesne's planning practices supporting its filed and approved EE&C Plan.

2. Basis of TRC Benefits – Reported Savings or Verified Savings; And Basis of TRC Costs – Actual Costs or Committed Costs

Duquesne agrees with the Commission's proposed resolution on this topic.

3. Definition of Incentives in TRC for Energy Efficiency Measures

Duquesne agrees with the Commission's proposed resolution on this topic.

4. Avoided Cost Calculations and Forecasts

Duquesne agrees with the Commission's proposed resolution on this topic.

5. Inclusion or Exclusion of Customer Avoided Operating and Maintenance Costs In the TRC Calculation

Duquesne agrees with the Commission's proposed resolution on this topic.

6. Avoided Costs In the Benefit/Cost Ratios In The Approved EE&C Plans And Avoided Costs Commencing June 1, 2013

Duquesne agrees with the Commission's proposed resolution that through May 31, 2013, EDCs should use the most current forecast of avoided costs when filing a new program or EE&C plan. Tentative Order at 29. Also, Duquesne agrees that there is no need to update avoided costs for program measures that have not been changed and agrees with the proposed resolution stating, "For program measures that have not been changed, regardless of methodology or data used by an EDC to calculate its original Commission-accepted portfolio TRC test, the avoided costs figures included in TRC calculations in previously approved EE&C/DR program plans need not be updated for the period June 1, 2009, to May 31, 2013, by present or future avoided cost figure revisions or updates." *Id.* Duquesne believes this is an excellent proposed resolution that will improve program cost-effectiveness.

E. TRC Reporting

1. Baseline Study Research

Duquesne concurs with the Energy Association's comment on this topic. Duquesne agrees with the Commission's proposed resolution that EDCs conduct baseline studies in consultation with the Statewide Evaluator; however, to the extent the costs of the baseline studies are beyond the current Statewide Evaluator contract, Duquesne suggests that those costs fall outside of the 2% EDC budget cap.

2. Frequency of Cost-Effectiveness Evaluations And Reporting Results and Timing of TRC Reports (e.g., When to Freeze Data And Inputs)

Duquesne agrees with the Commission's proposed resolution on this topic.

IV. Conclusion

For all of the reasons listed above, Duquesne Light recommends that the Commission proceed with the development of the TRC test consistent with Duquesne's comments. Duquesne Light Company thanks the Commission for the opportunity to comment on this very important matter, which is a key element in evaluating EDCs' EE&C Plans.

Respectfully Submitted,

Duquesne Light Company

Dated June 3, 2011

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