COMMONWEALTH OF PENNSYLVANIA

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June 3, 2011

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17101

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

Dear Secretary Chiavetta:

Enclosed for filing please find the Comments of the Office of Consumer Advocate in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625

Enclosure
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE

Pursuant to Section 333 of the Public Utility Code, 66 Pa. C.S. § 333, and in response to the Prehearing Conference Order: First Prehearing Order on Remand

I. INTRODUCTION

On May 6, 2011, the Pennsylvania Public Utility Commission (Commission) issued a Tentative Order seeking comments on proposed revisions to the Total Resource Cost (TRC) Test used to evaluate the costs and benefits of the energy efficiency and conservation plans (EE&C Plans) required under Act 129 of 2008, 66 Pa. C.S. § 2806.1. Through the Tentative Order, the Commission proposes refinements to the Pennsylvania TRC test for use through May 31, 2013 and beginning June 1, 2013. The refinements cover a number of different components of the TRC test, specifically as it concerns demand response programs, the net-to-gross adjustment, fuel switching programs, and various calculations and definitions. The Tentative Order also establishes some TRC Reporting requirements.

The OCA has reviewed the Commission's Tentative Order and in general, finds many of the proposed refinements to be a reasonable and helpful to the on-going review of the programs. Appropriate cost-effectiveness testing through a well developed TRC test will help

the Commission and all stakeholders to monitor the EE&C Plan and provide insight on potential program and portfolio improvements.

In reviewing the proposed modifications, the OCA identified one proposal regarding demand response programs that could negatively affect the TRC results for certain demand response programs. In particular, the Commission's definition of "measure life" for demand response programs may impact residential direct load control programs. The OCA discusses this concern below.

II. COMMENTS

A. Measure Life for DR Programs

Through this Tentative Order, the Commission recognized that the 2009 PA TRC Test Order did not provide direction for determining the measure life of Demand Response (DR) Programs such as direct load control programs. Direct load control programs are often used in the residential sector for such things as air conditioner cycling and water heater control. These programs allow the EDC to cycle the compressor of a residential customer's air conditioning unit or turn off an electric water heater for a period of time to provide demand response at times of system peak. These programs have been used for many years by the rural cooperatives in Pennsylvania and electric utilities in other states to control system peak demands. The OCA strongly supports these programs as the programs allow the residential customer to provide demand response during peak periods thus benefitting the system and the customer.

As the Commission notes, though, the 2009 PA TRC Test Order did not address the measure life to be used in evaluating this program. As a result, direct load control programs have not been evaluated on a consistent basis by EDCs who are considering such programs. The different analyses have produced greatly varying results as to whether such programs are cost

effective, perhaps leading to incorrect information about the value of residential direct load control in the energy efficiency portfolio.

The definition of "measure life" for use in calculating the TRC is critical to a proper analysis of direct load control programs. The Commission proposed that the definition of measure life could reflect either the "equipment life" or the "program life." The equipment life is the number of years that a measure is installed and operated until failure. Tentative Order at 14. The program life is defined as the number of years that a DR program is projected to operate. Id. The Commission proposes that the *lesser* of these two values be used in calculating the TRC. Id.

The OCA submits that for demand response programs such as direct load control, the "equipment life" reflecting the number of years that the measure is installed and operated (subject to the limit set in Act 129) should be used for the calculating the TRC for such programs. The equipment life reflects the fact that the equipment, once installed, will not likely be removed and will be available to the EDC over its entire life. The direct load control program is often somewhat expensive to deploy, but once deployed, it is available over a long period of time to provide on-going benefits to both the system and the customer.

The life of a particular program, however, could be far more limited. In fact, if using a literal definition of the life of the existing programs, the demand response program would be evaluated over only a one year period (or perhaps even the four summer month period) since that is the time frame for measuring compliance with the demand response goal of Act 129. The OCA has found that some analyses of a residential direct load control program are being done based on only the Summer 2012 benefits since that is the current program life. To use such a short time frame for anlaysis requires the expensive upfront deployment costs of long lived

equipment to be compared to a very short term benefit. The equipment, however, will remain in place and be available for the "next generation" of program and the one after that. It is not reasonable to evaluate a long term investment in demand response technology by looking at only short term program benefits. This process will skew the benefit/cost ratio analysis, perhaps resulting in the rejection of a program that has the ability to provide long term, sustainable peak demand reductions for the benefit of all customers.

As such, the OCA recommends that for demand response programs, the Commission define "measure life" in the TRC analysis to be the equipment life, *i.e.*, the number of years that a measure is installed and operated until failure. This approach will reflect the long term value of the DR resource better ensuring that beneficial programs are not left on the table due to an incomplete analysis.

III. CONCLUSION

The OCA appreciates this opportunity to offer comments on the proposed modifications to the TRC. The OCA looks forward to working with all stakeholders in the continuing implementation of the Energy Efficiency, Conservation and Demand Response Programs under Act 129.

Respectfully Submitted,

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