

Comments of the Pennsylvania Department of Environmental Protection

Regarding Draft Report on Conservation, Energy Efficiency, Demand Side Response and
Advanced Metering Infrastructure
Docket No. M-00061984

The Pennsylvania Department of Environmental Protection (“Department”) appreciates the Commission’s important effort in initiating its Investigative Order (“Order”) on September 28, 2006. The Department views this as an important step forward toward increasing consumer access to the benefits of demand resources. In addition, by widely discussing energy efficiency activities, conservation, demand response, and alternative ratemaking mechanisms, public awareness of these important issues is increased. The Department commends the Commission for taking this action and for providing an opportunity for stakeholder involvement.

The Commission staff compiled its report dated April 13, 2007 (“Report”) providing information distilled from working group meetings and from written comments submitted at various points in the stakeholder process. The Report presents a reasonable, accurate summary of the information that was provided. However, while stakeholders are directed only to address the accuracy of the topical summaries in the Report, the Department will also advocate certain outcomes from the Commission’s eventual deliberations. The Department does this out of uncertainty as to opportunities for substantive comments regarding the staff’s planned straw man recommendations to the Commission. Thus, the comments below seek to emphasize desirable outcomes.

I. Executive Summary

II. History and Scope of the Investigation

III. Summary of Information Collected

The Department views these sections as reasonably correct summaries and has no additional comments.

IV. General Findings Resulting from this Investigation

A. Energy Efficiency, Conservation and Demand Side Response Programs Can Be Cost-Effective Methods of Controlling the Amount of Money that Customers Pay for Electric and Natural Gas Utility Service.

The Report recognizes that pilot programs and studies have been conducted for many years with variable levels of success. The Department suggests that the report be adjusted to highlight energy efficiency (“EE”), conservation and demand side response (“DSR”) programs that have been successful elsewhere. The Department believes that this approach is consistent with the Order’s focus on identifying programs that work. This also provides clear focus on how implementation can be successful. The Department emphasizes that quick implementation of well-tested, high quality programs is feasible. More important, quick action is imperative as the benefits of DSR and EE programs are to reach consumers prior to the end of the rate caps.

B. Ratepayers may directly benefit through participation in DSR or conservation programs, and the utilization of energy efficiency technologies.

The Department urges the Commission to begin by adopting a set of proven, cost effective programs across the Commonwealth. These programs were clearly and thoroughly documented by the Pennsylvania Coalition for Demand Response, the Office of Consumer Advocate, and others. Persuasive information was also provided in the presentation of the American Council for an Energy Efficient Economy. The Department believes that such programs are best run on a coordinated, statewide basis as opposed to each utility choosing from among such programs without Commission guidance. Also, statewide coordination of standard programs avoids delayed implementation of such programs and consequently gets savings to consumers sooner. With rate caps expiring in only a few years, the Commission must dispense with unnecessary, duplicative pilot studies for programs that are already tested and well established. Specifically, pilot programs are simply not needed for EnergyStar programs.

To facilitate early success of programs in all service territories and for all rate classes, the Department encourages the Commission to require the development of best practices. It is clear that while similar target populations and results were sought in residential pilot programs operated by FirstEnergy, PECO and PPL, only PPL's program showed markedly positive results. In cases like this, the Department suggests that utility discretion in program design is inappropriate. The Commission should identify successes, determine whether best practices can be identified, and then require that any best practices be adopted. While it is not necessary that all utilities operate in lock step, it is necessary that only successful

practices be accepted. In addition, such standards should extend to every phase from program design, through implementation, and including administration, measurement and verification of results. Failing this proactive approach, the Commission may be faced with disputes regarding utility prudence of program oversight.

D. The Commission Should Refrain from Ordering EDCs to Deploy AMI System Wide For All Customer Classes.

The Department strongly supports the system-wide deployment of AMI, consistent with the Governor's proposed Energy Independence Strategy.¹ AMI will give customers the ability, independently and through links with demand response providers, to vastly enhance energy and cost savings. The Department does recommend that the Commission proceed carefully to ensure that technology and costs are appropriate. First, the Department suggests that the Commission require EDCs to demonstrate that AMI technology matches the needs of customers and demand response providers with regard to information and control options. Second, when considering customer rate increases relative to AMI deployment, the Commission should ensure that all benefits of AMI are identified. In testimony regarding PPL's recent AMI deployment (Docket No. R-00049255) Company witness Krall stated "...revenue requirements will be lower with AMR [AMI] than they would be without AMR over time." In other words, over time, cost savings exceed the costs of installing AMI. The Department is

¹ See amendments to Title 66 in SB 716 at 2807(e)(7):
<http://www.legis.state.pa.us/cfdocs/billinfo/billinfo.cfm?year=2007&sind=0&body=S&type=B&BN=0716>

convinced that customer rates need not reflect AMI costs except where specific, incremental requirements of DSR programs are involved.

E. Consumer Education is an Important Component of any Strategy Adopted by the Commission.

The Department supports consumer education and information as vital to the success of widely deployed DSR programs. To ensure the effectiveness of such efforts, the Department recommends that education program impacts be measured and evaluated. This approach will permit the Commission to adjust those efforts to produce better results. The Department also notes that the content and delivery of consumer education efforts cannot be locked in permanently. After consumers are better informed about the advantages of DSR participation, it will also be necessary to provide information about how to participate, for example, through advice on which programs are most appropriate and in selecting contractors to provide services.

The Department urges caution in mixing the DSR message with other programs. While DSR is a natural conclusion for a discussion about the end of the rate caps, it will also be important to support stand-alone campaigns specific to DSR issues.

V. Commission Authority and Jurisdiction

The Department has no comment on this section.

VI. Program Objectives and Goals

A. The Primary Objective of New Policies is Cost Savings for Retail Customers. Other Valid Objectives May Be Achieved.

The Department disagrees that health and environmental benefits are unquantifiable. The dangerous effects of ground level ozone are well established.² Requirements of control of ground level ozone are based on these finding. The Department does not attempt to monetize these results but argues these clear impacts justify the inclusion of the value of DSR in the Commission's considerations.

The Department also urges the Commission to carefully evaluate potential health impacts of how DSR programs are managed. Indoor air quality, in particular, should be a consideration.

B. The Commission Should Identify Quantifiable Goals As Part Of This Objective.

The Department observes that quantifiable goals are required in order to determine the scope of utility DSR efforts. In this context, the Department notes that Pennsylvania has not historically supported the extensive government supported DSR efforts seen in New York and parts of New England. This suggests that aggressive goals may be reasonable. The Department urges the Commission to establish electric DSR goals that address future load growth and natural gas DSR goals that address improving the level of appliance, HVAC and building efficiency.

² For example Air Quality Criteria for Ozone and Related Photochemical Oxidants, EPA 600/R-05/004aF, February 2006 provides an exhaustive discussion of how ozone affects human health and the likely extent of those impacts.

Goals must recognize that time will be required to bring programs on line so that benefits can begin to flow. However, while it is appropriate to ramp up goals over some time, the availability of the well-established programs cited above will make it possible to quickly begin the flow of benefits.

VII. Program Implementation

A. Program Administration.

Regardless of which entities administer programs, the Department urges the Commission to take an active role toward ensuring that high quality programs are implemented. Each Program implemented should be measured and evaluated for effectiveness. Ineffective programs should be replaced.

B. Timelines for Implementation and Plan Duration.

Implementation should begin as soon as technically and procedurally feasible. Implementation should begin prior to the conclusion of the rate caps. Many customers need help now and many more will need help as soon as the first bill arrives following the end of the rate caps. Accordingly, the Department urges the Commission to establish an aggressive schedule for review of any program plans that are ordered.

E. Program Evaluation.

The Report includes Duquesne's comment that, "DSR programs should not be implemented until evaluation methodology, baseline and formulas to measure the

effectiveness of program has been defined and approved.” Again, the Department urges the Commission to expedite the review and approval of any required information including the determination of how effectiveness will be measured. For well-established programs, especially where the Department of Energy or other states have performed extensive analysis, measurement should be a relatively easy matter. For programs that are unique to one utility’s service territory, a more protracted process may be in order. In addition, the Department strongly endorses program evaluation by independent parties.

VIII. Program Funding and Cost-recovery

A. EDCs and NDDCs Shall Be Able to Recover The Costs Associated With Commission Approved DSR, Energy Efficiency, And Conservation Programs.

The assurance of recovery for prudently managed programs is important to provide an incentive for utilities to move forward with program planning and implementation. However, the Commission must consider how the costs of ineffectively managed programs will be addressed. As pointed out above, the endorsement of best practices will provide some parameters for the prudent operation of well-established programs.

IX. Other Policy Recommendations

C. EDC Coordination with Regional Transmission Organizations DSR Programs.

D. EDC Coordination with Curtailment Service Providers.

Barriers to DSR activities need to be removed for all consumers. The Department agrees with the comments of PJM and supports a design in which customers have clear rights to their meter data and the unrestricted ability to share that information with third parties including CSPs.

The Department thanks the Commission for initiating this investigation and looks forward to continuing to work with the Commission, the staff and other stakeholders.