

Pennsylvania Coalition for Demand Resources

TO: ra-dsrwg@state.pa.us

FROM: Ben Adams, MaGrann Associates
Reuben Brown, The E Cubed Company LLC
Roger Clark, The Reinvestment Fund / Sustainable Development Fund
Mark Dyen, Conservation Services Group
Kathleen Greely, Pennsylvania Environmental Council
Barry Hinkel, Hinkel & Associates
Maureen Mulligan, Communications Consulting
Liz Robinson, Energy Coordinating Agency
Kevin Warren, Warren Energy Engineering

SUBJECT: Comments of the Pennsylvania Coalition for Demand Resources on the
04.13.07 Draft Report of the DSR Working Group
Docket M-00061984

DATE: April 30, 2007

COPIES: Karen Moury, Shane Rooney

Thank you for the opportunity to comment on the April 13, 2007 draft of the *Report on Conservation, Energy Efficiency, Demand Side Response and Advanced Metering Infrastructure*. These comments represent the work of a coalition of stakeholders in the DSR Working Group that we have named the Pennsylvania Coalition for Demand Resources (“PCDR”). PCDR filed comments on March 9, 2007 to the draft outline of the Working Group report and we continue to be committed to this proceeding.

The members of PCDR congratulate the Commission’s staff on preparing a draft report of the Working Group that fairly and accurately presents the many diverse views of the stakeholders in this proceeding. We would like to offer seven comments for consideration by the staff in preparing the final report.

1. The draft report should provide the Commission a recommended set of specific energy efficiency and conservation programs that can be implemented promptly.

In the Commission's Order initiating this investigation, the Commission clearly stated that it wanted recommendations about specific program designs that could be implemented in Pennsylvania:

We would like recommendations from the DSR Working Group on specific energy efficiency and conservation measures that can be implemented in a cost-effective manner for all customers.

Commission Investigation Order of September 28, 2006 (entered October 11, 2006, Docket No. M-00061984, page 5)

In its comments submitted to the Commission and the members of the Working Group on March 9, 2007, PCDR presented a list of programs for each customer class that has successfully been deployed around the country and that knowledgeable experts in the demand-side field considered to represent best practices. We carefully reviewed the materials made available to the Working Group by the various presenters and on the DSR website (www.puc.state.pa.us/electric/DSRWG_Subgroups.aspx) and we carefully selected five residential programs and five commercial and industrial programs that had been proven to be effective when used by utilities and others in other states. Appendix 1 to our March 9, 2007 comments was the ENERGY STAR Portfolio of Residential Programs and Appendix 2 was the Commercial and Industrial Energy Efficiency Incentive Programs.

We neither heard nor read any comments from any other stakeholder that took issue with this list of recommended programs.

To satisfy the Commission's explicit request for "specific energy efficiency and conservation measures that can be implemented in a cost-effective manner for all customers," PCDR recommends that these two sets of programs appearing in the appendices to the PCDR comments be mentioned in the final text of the Working Group Report in section III.B on page 6 (Summary of Information Collected / White Paper on Programs, Consumer Education and Metering) and that they be included as appendices to the final Report.

PCDR hopes the Commission's Order at the conclusion of this investigation includes a list of specific programs that the program administrator – be it a single statewide entity or the individual electric distribution companies ("EDCs") and natural gas distribution companies ("NGDCs") – is charged to deploy. Pennsylvania has been without meaningful demand side initiatives for far too long and it is important that the Commission's Order move the process forward quickly. These programs need to be deployed in the very near future if they are to offer any promise of helping customers when the rate caps come off of electricity rates.

PCDR strongly objects to the suggestion by PECO (cited in section IV.B.3 on page 13) that pilot programs are needed as a first step. The programs cited by PCDR have all been implemented successfully by other utilities and providers and their effectiveness has been solidly demonstrated. PCDR sees no need for pilot programs for such proven programs. We do support robust program evaluation to identify how programs can be improved over time. If after the initial set of proven

programs has been deployed, the program administrator wishes to design new programs, some pilot testing of the new designs would be appropriate, but PCDR does not see this happening for several years. The first priority should be on the prompt deployment of the proven programs. Please include these comments from PCDR on page 13 where the PECO comment is cited.

2. The draft report should accurately describe the number and scale of the existing Pennsylvania demand side programs.

PCDR believes that the starting point in this proceeding should be an analysis of how (and how much) Pennsylvania's utilities are deploying and using demand side resources today. The draft report references (on page 6) and the DSR website provides (www.puc.state.pa.us/electric/electric_dmndsideresp.aspx) tables of information about the demand side programs currently offered by Pennsylvania's EDCs and a staff-prepared summary table (www.puc.state.pa.us/electric/docs/DSR/DSR_Program_Overview.doc). Unfortunately, PCDR see three weaknesses in this section of the draft Report.

First, no information is provided for NGDCs, only for EDCs. The Commission and the public should be able to see what demand side programs the NGDCs have in place for their customers now. PCDR recommends that similar tables be completed for the NGDCs.

Second, the tables for EDC programs provide no information about the size and scale of these existing programs. Anyone reviewing the draft report or these tables has no idea about the budgets for these programs. PCDR recommends that the tables be amended to include information about the number of customers participating in each program and the annual budgets for each of the programs, expressed as dollars and as a percentage of utility annual revenues.

Third, the draft report (section III.A on page 6) references the tables, but makes no statement about the range and the scale of the programs that are available to customers today. This is a fundamental issue and the Report needs to do more than hope readers visit a web site and draw their own conclusions about the tables. PCDR recommends that the Report discuss in clear language the number of programs now offered by each utility for each customer class, as well as the number of participating customers and the program budgets expressed as dollars and as a percentage of utility annual revenues.

PCDR submits that these changes are needed in order for the Commission and the public to have an accurate sense of what type and scale of demand side programs and initiatives Pennsylvania's utilities are providing customers today. The reality is that energy efficiency, conservation and demand response are very largely undeveloped resources in Pennsylvania and the Working Group report needs to state that honestly and clearly.

3. The Report should present information about what scale of conservation and demand response is needed in order to affect energy prices.

In our second comment, we noted that one of the fundamental questions in this proceeding should be where are we now with respect to the recognition and use of demand side resources. We believe the next logical fundamental question should be where do we need and want to go now.

Section IV.C of the draft Report on page 13 is entitled “Ratepayers may indirectly benefit from programs due to their effect on wholesale energy prices.” PCDR strongly recommends, as we did in our March 9 comments, that the final Report should strive to quantify how much of a reduction in wholesale prices would be deemed meaningful. It is critical that the Report give the Commission a meaningful sense of scale for the level of demand reduction and sales reduction that would be needed for an impact on wholesale prices that the Commission would feel is worth the effort.

In its March 9 comments, PCDR wrote:

The Working Group should ask itself: what level of rate mitigation would the Commission consider a success? If the recommendations of the Working Group are implemented and we see customer bills decline by twenty five cents a year, will the Commission consider that a success? Or is the Commission looking to mitigate customer bills at a level far in excess of twenty five cents a year? Determining that will allow the Working Group to design the level of program activity (and program budget) required to support those goals.

PCDR suggests that the Report should note that the setting of a quantifiable goal is critical to the success of this undertaking. Setting a quantifiable goal (addressed in section VI.B on pages 19-20) must be the starting place for a Commission decision. The Commission should be informed about the scale of conservation and demand response that is needed to result in the price savings the Commission would consider meaningful.

4. The Report should clarify that regional flexibility on program design does not necessarily require program administration by the utilities.

The draft report appears to suggest that regional flexibility of program design can only be accomplished if the programs are administered by the utilities. For example, section IV.B.4 on page 13 of the draft report (Program Menus May Vary by Territory) makes the statement that “[t]here was consensus that EDCs should be given some flexibility in their program offerings.” Similarly, section VI.A (page 21) states that “PPL comments that EDCs should individually develop and manage their own portfolio of programs so that they can reflect the unique characteristics of their service territory.”

Beyond the curious note that NGDCs seem to be absent from this discussion, there is no consensus that utilities should be given some flexibility in their program offerings as there is no consensus that

utilities should be the ones to design, implement and manage the programs. We believe the wording in these two sections can be made more precise by separating the issue of program administrator from the issue of program design. We suggest that the point made in this section be rewritten as follows:

There was consensus that because of regional differences in climate, economic development and traditions, rigid adherence to identical state-wide programs may not be appropriate. Instead, it is important that the program administrator(s) have flexibility to customize programs to local conditions and circumstances.

5. The Report's AMI section should be renamed and should include PCDR's comments on AMI.

PCDR objects to the title of the AMI section - section IV.D on page 14 that proclaims "The Commission Should Refrain from Ordering EDCs to Deploy AMI System Wide For All Customers." We do not support this view so the title is claiming a consensus that does not exist. We suggest renaming the section to read "AMI Recommendations."

The discussion that follows fails to note the comments of PCDR. We would ask that the following paragraph be added to address the PCDR comments:

PCDR suggested the following key principles for AMI:

- The Commission and the DSR Working Group should prepare and the Commission should adopt generic AMI technical standards for information sharing, communication protocols, data architecture and other necessary and appropriate aspects of AMI. Among other things, the AMI technical standards should require two-way communication to allow for future programs that automatically cycle equipment and should require the capability of consumer-friendly display of current and past data on consumption, load and pricing.
- The Commission should also establish standards and procedures for the recovery of AMI costs. The utilities should file AMI plans and budgets for Commission review and approval. These plans need to report on current metering system and changes needed to bring current system up to the Commission's AMI standards. The AMI plans submitted by the utilities must quantify operational savings from AMI and clearly reflect that only the net, remaining AMI costs are proper to attribute to demand response. The Commission also needs to establish the appropriate time to recover AMI costs.

- To ensure that consumers have the ability to independently take actions to control their consumption or to review their consumption histories, the Commission should specifically recognize that consumers have the right to easily access, download, and share all of their metering data. These rights should be guaranteed without regard to metering infrastructure. Consumers should have a right to give permission to allow third-parties to access their information for purposes of providing demand side services to the consumer.

6. The Commission Staff's recommendations memo to the Commission should be shared with the members of the Working Group and the members should be allowed to file their own recommendations memos with the Commission.

On page 2, the draft Report states that the Commission staff "will be providing [the Commission with] separate policy recommendations on a range of issues." These recommendations will address issues where the Working Group was not able to reach consensus, which the draft Report describes as "many of the specific details on the objectives, management, and cost-recovery associated with new programs."

PCDR requests that this recommendation memo by Commission staff be made available to the Working Group members and that the members be given the opportunity to submit individual recommendation memos to the Commission. This would allow the Commission to be fully informed about the perspective of the stakeholders on the issues.

7. Other Edits

- On page 12, when the Pennsylvania Coalition for Demand Resources is first mentioned, would you please include the acronym (i.e. "(PCDR)") and then in a footnote list the members as follows:

PCDR's members include Communications Consulting, Conservation Services Group, E Cubed Company, the Energy Coordinating Agency of Philadelphia, Hinkle & Associates, MaGrann Associates, the Pennsylvania Environmental Council, The Reinvestment Fund and Warren Energy Engineering.

- On page 23, the reference to "PCBR" should be changed to "PCDR."
- On page 25, please add PCDR to the list of parties that support a SBC for recovery of demand side resource program costs.
- On page 26, the reference to "PCBR" should be changed to "PCDR."

- Page 27, please note in the report that PCDR opposes making DSR, energy efficiency and conservation a Tier 1 resource. Instead, we support creating a separate third tier under the AEPS for demand resources.