



**BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION**

**Re: Act 129 Energy Efficiency and Conservation Program Phase Two
Docket No. M-2012-2289411**

Comments of Pace Energy and Climate Center

April 17, 2012

Introduction

The Pace Energy and Climate Center (Pace) appreciates this opportunity to provide brief comments on Phase Two of Act 129.

Based at Pace Law School in White Plains, NY, Pace is a non-profit organization with a twenty-five year track record of analyzing and addressing environmental interests in the production and use of energy. Within this focus, we promote energy efficiency, renewable energy and clean distributed generation technologies—options that are cost effective means to reduce the negative climate, air, water, land and human health impacts from current patterns of electricity production and consumption. Using research, education, and negotiation, we work with individuals, institutions and governments involved in energy decision making. We participate in regulatory proceedings, engage policymakers, and work with a diverse community of business, labor, consumer and environmental stakeholders to support the advancement of cost-effective clean energy technologies.

Pace strongly supports the continuation and commitment to the programs initiated under Act 129—robust investment in energy efficiency and other demand side resources is an economic and environmental imperative, the public benefits of which were recognized when the legislation was signed into law. As policymakers in states across the country have demonstrated, ensuring utilities increase their investments in efficiency improves grid reliability, improves air and water quality, and increases the economic competitiveness of local economies. And while the first phase of Act 129 has been a positive beginning, Pennsylvania has only begun to scratch

the surface of its economic potential for cost-effective efficiency and demand response. The Optimal Study recently commissioned by PennFuture provides an excellent resource to inform the Commission as it considers improvements for Phase II of Act 129, and we urge staff to consult it as they weigh the future design of programs.¹

In addition our general support for a serious and long-term commitment to these valuable programs under Phase II of Act 129 implementation, we offer the following responses to some of the specific questions posed in the Secretarial Letter.

2. Length of second EE&C Program: We support the extension of the EE & C programs for a five-year period, which would provide the market certainty needed for both utilities tasked with meeting energy savings targets as well as the contractors completing the efficiency projects to plan for the future. In addition, we urge the Commission to build into that five year horizon annual evaluations of program performance in order to allow for Commission staff and program administrators to respond to changing market conditions while ensuring achievement of underlying targets.
3. Inclusion of a Demand Response (DR) Curtailment Program: We support PennFuture's comments regarding this issue, specifically their proposal to extend the current DR programs for 2012. The investment needed to establish and ramp up these programs represent a significant ratepayer investment—one that would be undermined if the programs stop this year and then have to be re-initiated in 2013. While there are clearly improvements needed to strengthen this component of the Act 129 portfolio, extending current DR offerings through the 2012 summer peak demand will ensure the nascent DR market will continue to grow. We also urge to Commission to explore possible changes to the program to better align them with the existing PJM market rules for DR. Doing so would add an additional revenue stream to support DR projects, thereby reducing the portion of funding required by Act 129 funds to implement them. The experience of Con Edison in New York provides a proven track record of how DR resources can provide an extremely cost-effective component of an overall reliability portfolio that is a wise use of ratepayer dollars.

Cost-effectiveness Screening for Programs

How regulators evaluate the cost-effectiveness of efficiency programs is a fundamental driver for the success or failure of energy efficiency resource standards. The Total Resource Cost (TRC) test is used in a number of states (including Pennsylvania) and is a valuable tool for determining cost effectiveness of these programs. A cost-effective portfolio, as determined by a *well-designed and correctly utilized* TRC, helps meet the overarching objective of providing customers with reliable energy services at the lowest total cost. Yet as states have policy mandates for programs that go broader and deeper, as well as overarching goals of cleaner air, reduced emissions, better public health and even job creation, it is important for regulators to be

¹ Optimal Energy, Inc., *Pennsylvania 2013 – 2018 Energy Efficiency Goals*, 2011.

open to adjusting the TRC to more comprehensively reflect benefits of efficiency programs from a societal perspective.

In an effort to ensure the full benefits of these efficiency investments are being captured, we urge the Commission to consider some core best practices being implemented in many other states, including exploring the use of a “societal test” to capture benefits of energy efficiency that more fully account for the avoided costs of building transmission lines and power plants, the savings to all ratepayers as reduced demand for electricity puts downward pressure on wholesale electricity prices, as well as the public health and climate benefits of using less energy. Traditional cost-benefit tests also do not quantify many of the positive impacts of innovative program offerings – things like behavioral programs, deep retrofits, and technology demonstrations for emerging products. The fact that some programs take longer to bear fruit or are harder to measure does not mean that they are not important investments – now and for the future. Both ACEEE and Optimal have published extensive resources on this topic worthy of consideration.

Conclusion

We commend the Commission for initiating its proceeding on Phase II of Act 129 at this time in order to ensure a smooth and well-informed transition. We look forward to continued participation in Act 129 and other energy efficiency-related proceedings at the Commission, and to working with the State to ensure Pennsylvania becomes a leader on clean energy.

Respectfully submitted on this 17th day of April, 2012.



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