

PENNSYLVANIA PUBLIC UTILITY COMMISSION
Harrisburg, Pennsylvania 17105-3265

Petition of Philadelphia Gas Works for Approval of Demand-Side Management Plan for FY 2016-2020, and Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, 52 Pa. Code § 62.4 – Request for Waivers

Public Meeting held June 30, 2016
2459362 - OSA
Docket No. P-2014-2459362

Issue 9

MOTION OF CHAIRMAN GLADYS M. BROWN

Before the Commission is the Petition of Philadelphia Gas Works (PGW or the Company) to implement a second phase of its Demand-Side Management (DSM) Plan for its fiscal years 2016 through 2020. A Recommended Decision was issued on March 8th and numerous Exceptions were filed thereto.

One issue, which Parties did not file exceptions to, is PGW's proposed modification to the Total Resource Cost Test (TRC). The Company proposes to add two new categories of economic benefits in its TRC tests. First, the Company proposes to add a demand reduction induced price effect (DRIPE). The DRIPE accounts for the price reduction effects that efficiency measures have on wholesale energy markets. PGW uses transparent and objective market indices to monetize the benefits realized by Pennsylvania customers in its DRIPE calculation. For instance, the Company uses the TETCo-M3 gas trading point to determine the basis for gas delivery to the Philadelphia area.

Second, the Company proposes to add an internalized cost of carbon to its benefit calculations in the TRC. PGW asserts that it will base this cost on likely future carbon prices, the social cost of carbon emissions, the health costs of NOx and SO2, and emissions avoided by reducing electric usage. Contrary to the DRIPE, the internalized cost of carbon will not be based on actual market indices, but rather, as the Company puts it; "...projections on the price of carbon that are likely to be incorporated in market costs for fuels."

I commend PGW for its progressive proposal. Nonetheless, I believe that prudence and Commission precedent dictate that the costs included in TRC calculations should be monetized based on objective price indicators that exist for Pennsylvania utility customers. Since Pennsylvania does not presently operate in a carbon trading or allowance program, if we allowed PGW to reflect an estimate for carbon costs in the present TRC, we, as a Commission, would have to guess what the monetized value of carbon is in the context of the Pennsylvania economy.

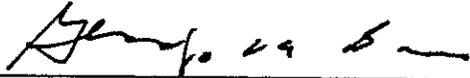
This Commission currently has no objective resource against which to benchmark carbon costs as they relate to Pennsylvania. Until such time that the Commonwealth creates such a

market, joins a regional carbon market, or if the federal government creates a national carbon market, any attempt by this Commission to assign costs to carbon would be speculative. Consequently, I propose that PGW retain its internalized cost of carbon calculations, separately track these benefits in its Phase II DSM, but ultimately not include these benefits in its TRC. If and when Pennsylvania enters into a system that monetizes carbon, PGW shall be permitted to include carbon reduction benefits in the Company's TRC calculation.

THEREFORE, I MOVE THAT:

1. The Total Resource Cost test of Philadelphia Gas Works' Demand-Side Management Plan II be modified consistent with this Motion.
2. The Office of Special Assistants prepare an Opinion and Order consistent with this Motion.

June 30, 2016
Date



Gladys M. Brown, Chairman