April 16, 2012

Ms. Rosemary Chiavetta
Pennsylvania Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265
Reference: Act 129 Energy Efficiency and Conservation Program Phase Two
Docket No. M-2012-2289411

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Dear Secretary Chiavetta:

The Energy Efficient Buildings Hub (EEB Hub) was established as an Energy-Regional Innovation Cluster (E-RIC) on February 1, 2011 with funding from the Department of Energy (DOE), the Economic Development Administration (EDA), the National Institute of Standards and Technology (NIST), the Small Business Administration (SBA), and the Commonwealth of Pennsylvania. The EEB Hub is headquartered at the Navy Yard in Philadelphia, one of the nation's largest and most dynamic redevelopment opportunities. As a multi-agency sponsored E-RIC, the EEB Hub has a unique dual mission of improving energy efficiency in buildings and promoting regional economic growth and job creation. Hub economic development efforts are focused on creating jobs in the Advanced Energy Retrofit (AER) sector in the Greater Philadelphia region and on the development of the Navy Yard as a global center for research, development, demonstration, and deployment in energy efficient buildings.

The EEB Hub appreciates the opportunity to provide comments in response to the above referenced Secretarial Letter. Our direct interest in Act 129 extension relates to our partnership with utilities on building energy data. We are engaged with a number of utilities in the GPIC region to improve market access to building energy data. Without accurate and accessible information about building energy consumption, likely pervasive market failures exist, in particular an underinvestment in energy efficiency through both weak demand and inadequate financing. Utilities hold critical missing data on building energy performance. The nexus between that data and 129 goals creates an opportunity to add value for all parties in a revision of 129 to improve data access.

- **Comment #1** *Costs associated with providing building energy consumption data to owners and/or for the purposes of benchmarking and disclosure programs should be made eligible for cost recovery from ratepayers*.

  The technical requirements of such data support is under discussion now between PECO and the EEB Hub, and among a number of utilities and the City of Philadelphia and its coalition partners (including the EEB Hub as technical adviser) related to a municipal disclosure ordinance under consideration by the City of Philadelphia. Under discussion is the participation of PECO and other utilities in automated download of consumption data to EPA's Portfolio Manager, which has emerged as the standard protocol for complying with benchmarking and disclosure programs. The EEB Hub is already assisting NYC in the data management and analysis of its benchmarking and auditing data and has committed to assisting Philadelphia.

- **Comment #2** *Reduction targets should be denominated by the resources available to meet those targets. EDCs should operate under a regulatory mandate that equalizes the number of MWh reduced per dollars of revenue available to meet that reduction. A (fixed) revenue cap should be set by the PUC (as done in Phase One) and, using a constant rate of dollars per MWh, the resulting revenues available to each EDC should be used to determine EDC-specific reduction targets.*

  Phase One restricted the total cost of an EDC EE&C Plan to 2% of 2006 revenues and imposed uniform reduction targets on EDCs. As noted in the Secretarial Letter, this means "the amount of funding available for each EDC EE&C plan varies, with some EDCs having significantly more dollars per megawatt hour (MWh) of expected reductions available than others." Imposing an equalized resource for EE&C across EDCs clarifies the regulatory intent of Act 129 and extracts the maximum aggregated reduction across the Commonwealth.

- **Comment #3** *To pursue deeper savings beyond those achieved in Phase One, EE&C Plans should move away from single-measure, prescriptive rebate programs and toward whole-building systems approaches in which multi-year plans allow commercial ratepayers to capture deeper longer-term savings.*

  Expert opinion is clear on the potential for systems integration to significantly outperform component-level EE investments (ACEEE Report U113 2011). A multi-year EE&C plan filed by building owners as a condition of Act 129 program eligibility would generate several benefits to the parties to Act 129: (a) deeper reductions could be achieved at lower program costs, (b) ratepayers could benefit from an energy "master plan" that would allow them to leverage scheduled equipment replacements and building improvements in concert with lighting and other investments to maximize EE&C over time, (c) the PUC and EDCs would have a forecast of future year reductions scheduled in the multiyear plan. In New York, NYSERDA's commercial and industrial programs are designed around system-based performance outcomes. In Vermont, nearly all incentives are custom-designed to maximize long-term savings per program dollar. In Massachusetts, projects include all measures that are cost effective when measured as a package.

- **Comment #4** *EDCs should receive assigned reduction credits toward Phase Two targets for the adoption of building codes and equipment standards by the Commonwealth and local governments.*

  Market transformation in the energy efficiency buildings sector arises from non-utility savings and incentives as well as utility programs. The New York State Energy Planning Board projects that one-third of electricity savings by 2015 will come from NYSERDA's EERS programs, one-third from other state agencies, and fully one-third from codes and standards. A number of states allow non-utility policies and programs to contribute toward EERS goals. (ACEEE Report U113 2011.) The California Public Utilities Commission has a methodology that allows CA utilities to receive credit toward EERS goals for their role in advancing state codes and standards: the Codes and Standards Enhancements or CASE. (CAC 2009.)

- **Comment #5** *Shareholder incentives should reward EDCs that exceed their Phase Two reduction targets. Above-target reductions achieved under the revenue cap should trigger* *bonuses to EDCs and above-target reductions achieved above the revenue cap that meet the TRC test should be eligible for automatic cost recovery.*

Many states have some form of shareholder incentives to encourage the attainment of increasing targets under energy efficient retrofits. In California, utilities receive 12% of net benefits if they exceed their savings goals and, in Connecticut, utilities earn up to 8% of program costs for exceeding goals. Act 129 is a set of mandated targets that are funded through a capped rate recovery mechanism rather than a decoupling mechanism. This means there is no incentive for EE&C after the targets are met. Shareholder incentives can provide such an incentive within the context of Act 129. Such incentives could also generate performance that could allow the PUC to better calibrate target and revenue formulas in future phases of Act 129.

Thank you for providing the opportunity to comment. If you have any questions about these comments, please contact me at .

With best regards,