June 25, 2012

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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

Dear Secretary Chiavetta:

Enclosed herewith please find the original and three (3) copies of the “Comments on Behalf of EnerNOC, Inc. in Response to the Act 129 Energy Efficiency and Conservation Program Phase Two Tentative Implementation Order” in the above-captioned proceeding. Please enter this into the docket and timestamp the additional two (2) copies.

Should you have any questions, please do not hesitate to contact me at (717) 237-6716.

Sincerely,

RHOADS & SINON LLP

By: ________________________________  
Scott H. DeBroff, Esq.  
Alicia R. Duke, Esq.  
Counsel for EnerNOC, Inc.

Enclosures

cc:   Megan Good at megagood@pa.gov  
      Kriss Brown at kribrown@pa.gov
COMMENTS ON BEHALF OF ENERNOC, INC. IN RESPONSE TO THE ACT 129 ENERGY EFFICIENCY AND CONSERVATION PROGRAM PHASE TWO TENTATIVE IMPLEMENTATION ORDER

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Dated: June 25, 2012

Counsel for EnerNOC, Inc.
AND NOW COMES, EnerNOC, Inc. ("EnerNOC") by and through its counsel, Scott H. DeBroff, Esquire and Alicia R. Duke, Esquire, of Rhoads & Sinon LLP, for the purpose of these "Comments" with respect to this proceeding before the Commonwealth of Pennsylvania Public Utility Commission ("PUC" or the "Commission") pursuant to 52 Pa. Code §§ 5.71-5.74. In support of this docket, EnerNOC avers the following:

1. EnerNOC is a leading provider of clean and intelligent energy management applications and services for the smart grid, which include comprehensive demand response and energy efficiency applications and services. EnerNOC manages a demand response (DR) portfolio of over 7,000 MW from over 4,000 commercial, institutional, and industrial end-use customers across more than 11,000 sites. EnerNOC actively participates in a range of capacity, energy, and ancillary services markets, and is an active Aggregator of Retail Customers (ARC) in the demand response programs of ISO New England, the New York ISO, ERCOT and PJM. In addition, EnerNOC partners with utilities both inside ISO/RTO regions and in traditionally...
regulated utility territories to provide cost-effective and reliable demand-side management services to utilities and their customers.

2. EnerNOC operates specifically in the Commonwealth of Pennsylvania as a Conservation Services Provider (CSP). As a CSP, EnerNOC provides commercial, industrial and institutional organizations with demand response and energy efficiency services. By letter dated July 2, 2009, the PUC approved EnerNOC’s Application to register as an Act 129 Conservation Services Provider.

3. EnerNOC has participated in the other related Act 129 proceedings before this Commission. EnerNOC participated as a party in all of the Energy Efficiency and Conservation (EE&C) Plan proceedings for each Pennsylvania investor owned utility.

4. On March 1, 2012, the Commission issued a Secretarial Letter seeking Comments on a number of important topics that are instrumental in designing and implementing any future phase of the EE&C Program.


6. On May 11, 2012, the Commission entered a Tentative Implementation Order seeking Comments on the evaluation of the EE&C Program, the proposed additional required incremental reductions in consumption and the proposals addressing the design and implementation of the next round of EE&C Programs.
7. EnerNOC would like to submit the following Comments in response to the issues presented in the Tentative Implementation Order.

8. EnerNOC’s counsel and parties to whom all correspondence and pleadings in this docket should be directed to are:

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Introduction

EnerNOC respectfully submits these Comments in response to the Commission’s Tentative Implementation Order in the above-referenced dockets. In its comments submitted to the Commission regarding the Act 129 Energy Efficiency and Conservation Program (EE&C) Phase Two Secretarial Letter, EnerNOC noted that another benefit to demand response programs that is not currently considered in the Pennsylvania TRC methodology is the avoided cost of new transmission and distribution (T&D) infrastructure. From our decades-long experience assisting utilities around the world to plan, develop and implement both demand response (DR) and energy efficiency (EE) programs, we have learned that the associated reductions in peak demand resulting from these programs also reduce the need to expand the T&D system. A portion of T&D investment is driven by the need to have enough capacity available to move electricity to where it is needed during peak times while maintaining a sufficient level of reliability. Additionally, geographic expansion of the system requires T&D investment, and that is often correlated to growth in peak demand.

EnerNOC reviewed the Act 129 EE&C plan filings from each of the Electric Distribution Companies (EDCs). In no instance did EnerNOC observe that the EDCs appropriately considered the benefits associated with avoided T&D investments for their TRC assessments of DR and EE program cost-effectiveness. EnerNOC believes that this was an incorrect interpretation of the PUC’s direction regarding the treatment of T&D costs for the TRC test. Further, exclusion of T&D avoided costs is inconsistent with common industry practice. As a result of excluding T&D avoided costs, EDCs have significantly undercounted the benefits associated with avoided T&D investments as a result of the Act 129 DR and EE programs. This
is particularly important for many DR programs which would have been more cost-effective had the EDCs included T&D benefits.

Application of T&D Avoided Costs in Other Jurisdictions

Table 1 provides several examples of the use of avoided T&D costs for the purposes of DR and EE program cost-effectiveness in other states. When compared to the avoided T&D figures cited in Appendix 1 of the recently-completed market potential study, it is clear that the EDCs have largely ignored the full benefits associated with many of their Act 129 programs, particularly DR programs. Only a few EDCs reported avoided T&D values in their Act 129 filings, and these values were typically averaged around $0.12/kW-year.

Table 1: Representative Avoided T&D Costs in Other Jurisdictions

<table>
<thead>
<tr>
<th>State/Utility</th>
<th>Avoided T&amp;D Cost ($/kW-year)</th>
<th>Source</th>
</tr>
</thead>
<tbody>
<tr>
<td>California/SCE</td>
<td>54.6</td>
<td>California Public Utilities Commission, Decision Adopting a Method for Estimating the Cost-Effectiveness of Demand Response Activities, December 2010 (Docket # R07-01-041) at p. 37.</td>
</tr>
<tr>
<td>California/SDG&amp;E</td>
<td>74.8</td>
<td>Id.</td>
</tr>
<tr>
<td>California/PG&amp;E</td>
<td>76.6</td>
<td>Id.</td>
</tr>
</tbody>
</table>


2 Only MetEd, Penn Power, West Penn, and Pennelec reported avoided T&D costs. The other EDCs did not include T&D avoided costs in their filings.
Cost-Effectiveness Results with T&D Benefits

Based on the data provided in Table 1, EnerNOC conducted an analysis of the cost-effectiveness of each EDC C&I DR program, assuming that $30/kW-year is added to the avoided costs to represent the avoided T&D costs. Table 2 summarizes the results of that assessment. As can be seen, by 2012, three of the four DR programs are clearly cost-effective.

Table 2: TRC Ratios with Avoided T&D Costs

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<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>PECO</td>
<td>DR Aggregator Contracts</td>
<td>0.00</td>
<td>1.42</td>
<td>1.10</td>
<td>1.24</td>
<td>1.28</td>
<td>1.32</td>
<td>1.37</td>
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<tr>
<td>PPL</td>
<td>Load Curtailment Program</td>
<td>0.00</td>
<td>0.00</td>
<td>0.0</td>
<td>3.18</td>
<td>3.12</td>
<td>3.06</td>
<td>3.01</td>
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<tr>
<td>Duquesne</td>
<td>Curtailable Load Program</td>
<td>0.00</td>
<td>4.40</td>
<td>5.35</td>
<td>5.84</td>
<td>5.83</td>
<td>5.82</td>
<td>5.81</td>
</tr>
<tr>
<td>West Penn</td>
<td>Customer Load Response</td>
<td>0.00</td>
<td>0.27</td>
<td>3.93</td>
<td>0.94</td>
<td>0.93</td>
<td>0.91</td>
<td>0.90</td>
</tr>
</tbody>
</table>

Conclusion

EnerNOC appreciates the opportunity to comment on Phase Two of the Energy Efficiency and Conservation Programs. The Commission should consider avoided T&D costs as a factor in assessing the cost-effectiveness of current Pennsylvania DR programs. Doing so will make already cost-effective programs even more so.

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3 There was insufficient data to reproduce the cost-effectiveness results for the FirstEnergy companies.
WHEREFORE, EnerNOC, Inc. respectfully requests that the Pennsylvania Public Utility Commission enter these Comments to the May 11, 2012 Tentative Implementation Order in this proceeding into the record. We look forward to participating in the process going forward and contributing our experience and expertise. Thank you again for the opportunity to comment on this important matter.

Respectfully submitted,

By: [Signature]

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DATED: JUNE 25, 2012

COUNSEL FOR ENERNOC, INC.
COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ACT 129 ENERGY EFFICIENCY
AND CONSERVATION PROGRAM
PHASE TWO

DOCKET NO. M-2012-2289411

CERTIFICATE OF SERVICE

I hereby certify that I have served the foregoing document “Comments on behalf of EnerNOC, Inc. in Response to the Act 129 Energy Efficiency and Conservation Program Phase Two Tentative Implementation Order” in hand to the Commission and electronically to Megan Good at megagood@pa.gov and Kriss Brown at kribrown@pa.gov.

Dated: June 25, 2012

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