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October 31, 2012

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PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

VIA FEDEX OVERNIGHT

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Implementation of the Alternative Energy Portfolio standards Act of 2004: Standards for the Participation of Demand Side Management Resources – Technical Reference Manual 2013 Update
Docket Nos. M-2012-2313373 and ~~M-2012-00051865~~ M-00051865

Dear Secretary Chiavetta:

Pursuant to the Commission's Order entered September 13, 2012, in the above-captioned proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Sincerely,

Kathy J Kolich

Kathy J. Kolich

Enclosure

cc: As Per Certificate of Service

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of the Alternative Energy	:	
Portfolio Standards Act of 2004:	:	**Docket Nos. M-2012-2313373**
Standards for the Participation of	:	**M-00051865**
Demand Side Management Resources –	:	
Technical Reference Manual 2013 Update	:	
	:	

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COMMENTS OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY

I. INTRODUCTION

On September 13, 2012, the Pennsylvania Public Utility Commission ("Commission") entered a Tentative Order in the above-referenced matter seeking comments to the proposed updates to the 2013 Technical Reference Manual ("TRM") that will be applied to electric distribution companies' ("EDCs") Phase II Energy Efficiency and Conservation ("EE&C") Plans from June 1, 2013 through May 31, 2014. The Commission directed that comments be submitted within thirty days of publication in the *Pennsylvania Bulletin*, and that reply comments be filed forty days thereafter. The Tentative Order was published in the *Pennsylvania Bulletin* on September 29, 2012.

Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power") and West Penn Power Company ("West Penn") (collectively, "the Companies") respectfully submit the following comments to the Commission's Tentative Order.

II. GENERAL COMMENTS

The Commission's TRM was initially adopted by the Commission in 2005 and was later expanded and updated to allow the Commission to fulfill the requirements of the EE&C provisions of Act 129 of 2008 ("Act 129"), P.L. 1592, 66 Pa.C.S. §§ 2806.1 and 2806.2. The TRM allows the Commission to determine the "deemed savings" likely to result from specific conservation and other measures contained in specific EE&C plans submitted by the EDCs. The TRM essentially sets the amount of energy savings that an EDC can claim for an energy reduction measure deployed in its service territory and implemented by its customers. In a specific order issued in 2009, the Commission indicated that the TRM would be updated annually.[1]

The Companies have a concern about the impact that the Commission's update to the 2013 TRM will have on the level of savings and the energy consumption reduction targets that could be achieved under their Phase II EE&C plans.[2] Specifically, the proposed 2013 TRM contains many significant reductions in "deemed" and "partially deemed" hours of usage or other parameters that inform energy savings estimations, when compared to the 2012 TRM. These reductions, if applied to the Phase II EE&C Plans that will be filed by the Companies in November 2012, will significantly impact the savings that may be counted from Phase II programs and measures. The Market Potential Study performed by the State Wide Evaluator ("SWE") (which formed the basis for the level of savings and the energy consumption reduction targets for Phase II) used savings assumptions primarily based on the 2012 TRM. When the

[1] *Implementation of the Alternative Energy Portfolio Standards Act of 2004: Standards for the Participation of Demand Side Management Resources – Technical Reference Manual Update,* Docket No. M-00051865 (Order entered June 1, 2009).

[2] In *Energy Efficiency and Conservation Programs,* Docket Nos. M-2012-2289411 and M-2008-2069887 (Implementation Order entered August 2, 2012) ("2012 Implementation Order")., the Commission established Phase II of the EE&C program, requiring EDCs to adopt and implement cost effective plans to reduce energy consumption throughout the Commonwealth, consistent with its Order. The 2012 Implementation Order determined the required consumption reduction targets for each EDC, as well as guidelines for implementing Phase II of the EE&C Program.

tentative 2013 TRM changes are made final, some of the 2012 TRM savings levels relied upon in the Market Potential Study will be obsolete – leaving the Phase II savings targets obsolete as well. As a result, unless the Market Potential Study is recreated with the updated values from a final 2013 TRM, it is unclear whether the "achievable potentials" from the Market Potential Study are still achievable under the 2013 TRM. Moreover, it is not known whether the 25% increase in acquisition costs from the models supporting the Market Potential Study will be adequate to accommodate the proposed changes in the 2013 TRM. At a minimum, the 2013 TRM changes will *significantly* erode the savings levels assumed in the Market Potential Study. Last, it is unclear whether the 25% increase in acquisition costs will be able to adequately compensate for other issues such as uncertainty in the market potential for various measures including the higher administrative costs associated with rural service territories, uncertainty in the necessary rebate levels and marketing efforts required to generate sufficient customer investments in energy efficiency given the Companies' relatively low retail rates, awareness and participation in EE&C programs to achieve required savings goals, and uncertainty associated with future updates, code changes, and macroeconomic factors.

Since the TRM and its savings reductions are relied on as the basis of program developers and modelers to achieve the energy consumption reduction benchmarks set by the Commission for Phase II, changes to the TRM that occur during the Phase II program years in effect will undermine the ability of the plans to achieve the benchmarks within the defined budgets. In other words, program budgets to achieve the expected savings will produce fewer savings during Phase II, than assumed when the goals and now the plans being developed to achieve those goals, and the true acquisition cost of the program will increase proportionally to the decrease in the savings due to the annual TRM updates. This decrease in savings and resulting increase in acquisition costs further reduces confidence in the ability of the plans to meet the goals within the approved budgets, as it causes increased reliance on programs and measures in the plan with lower acquisition costs, and limits the ability to pursue higher cost programs and measures to make up for the reduction in savings.[3]

The Companies recommend, to the extent that the Commission will continue the practice of making annual updates to the TRM that impact savings and thus compliance that the Commission direct the SWE to include with each recommended TRM annual update a quantitative estimate of the impact of each change on achievable goals and acquisition costs. This will inform the Commission and EDC of the impact of proposed TRM changes on their already existing plans. The estimation process can be performed by the SWE, and, for example, may be based on implementation trends and program summaries reported in the EDCs' annual and quarterly reports, coupled with changes in the per-unit savings from TRM updates. Based on these reports, the Commission would have a basis from at least one source of information for considering updates to Act 129 compliance targets. EDCs and other parties should continue to have ability to submit comments to inform the SWE's judgment or file petitions requesting changes to their plans as they deem appropriate, but this additional information would better inform the Commission and all parties of the costs and impacts of the proposed TRM changes on the EDC's EE&C Plans required by Act 129. In addition, it is critical that the EDCs have an opportunity to request modifications to their target goals, and their plans, if new TRM changes that impact savings are applied to their ongoing programs and measures. Without such an opportunity, the Commission would be denying the EDCs fundamental due process by subjecting the EDCs to mandatory penalties based on target goals that do not account for TRM updates.

[3] This does not even take into account the negative effect reduced savings can have in combination with TRC changes that reduce the costs avoided from customer implementation of a measure. Lower avoided costs can jeopardize the continued availability of a measure in the remaining Phase II period due to a deteriorated cost benefit ratio.

II. TECHNICAL COMMENTS

The Companies have discussed technical comments with the other EDCs in the Commonwealth as well as comments with the Energy Association. The Companies therefore limit their comments to a few points.

A. *Residential Lighting Coincidence Factor*

Efforts of the SWE have focused primarily on changes in the Hours of Use for CFLs as the dominant measure in EDCs' plans, with limited analysis or recommendations for a concurrent change in coincidence factors. The reference supporting the 5% coincidence factor in the 2013 TRM is unchanged since the TRM released in 2009. Other studies and Technical Reference Manuals support higher values. For example a KEMA 2005 CFL metering study from California supports a value of over 9% using Pennsylvania definitions (i.e., use between noon and 8PM on summer weekdays), and the Mid-Atlantic TRM recognizes 11%. As this recommendation has not been adequately vetted through the Program Evaluation Group ("PEG"), the Companies recommend the Commission provisionally adopt the 5% coincidence factor with the provision that this value understates peak load impacts and should be subject to future adjustment.

B. Commercial Lighting - Delta Watts

The TRM requires that the wattages from Appendix C are used unless the actual fixture wattages, as determined from cut-sheets, differ by more than 10% from the nearest matching Appendix C fixture (TRM §3.2.5 Page 192). The Companies recommend that the 10% threshold either be reduced (e.g., to 4%), or recast as 10% of the delta-watts. In cases where efficient T8 lamps replace relatively efficient T12 or standard T8 lamps, a 10% difference in the wattage of the efficient fixture may amount to a much larger difference in the savings. For example, suppose the baseline lamp is 34W while the efficient lamp is 26W, with the nearest matching entry in the Appendix C at 28W (a 7% difference not meeting the 10% threshold). Then an actual delta watts of 34W -26W=8W exists, while the TRM would require 34W-28W=6W, resulting in a 33% difference in savings. As rebates may be based on delta watts or annual savings, the current TRM protocol may work against the savings associated with ultra efficient lamp/ballasts, particularly for low-bay installations.

III. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company appreciate the opportunity to provide comments on the Commission's Tentative Order regarding the 2013 Technical Reference Manuel. The Companies look forward to working with the Commission and the other parties on this matter.

Respectfully submitted,

Dated: October 31, 2012

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Demand Side Management Resources –	:	
Technical Reference Manual 2013 Update	:	

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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