



May 15, 2015

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

Dear Secretary Chiavetta:

The Pennsylvania Department of Environmental Protection (DEP) appreciates the opportunity to provide reply comments on the Pennsylvania Public Utility Commission's Energy Efficiency and Conservation Program Tentative Order (M-2014-2424864). Please find DEP's reply comments enclosed.

If you have any questions, please feel free to contact Patrick McDonnell, Policy Director, by e-mail at [pmedonnell@pa.gov](mailto:pmedonnell@pa.gov) or by telephone at 717.783.8727.

Sincerely,

A handwritten signature in black ink, appearing to read "John Quigley", written in a cursive style.

John Quigley  
Acting Secretary

Enclosure

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May 15, 2015

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Energy Efficiency and Conservation Program  
Tentative Implementation Order  
M-2014-2424864

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**REPLY COMMENTS OF THE  
PENNSYLVANIA DEPARTMENT OF ENVIRONMENTAL PROTECTION**

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The Pennsylvania Department of Environmental Protection (DEP) appreciates the opportunity to provide reply comments on the Pennsylvania Public Utility Commission's (PUC) Energy Efficiency and Conservation Program Tentative Order (Order).

**1. The Targets Proposed in the Implementation Order Remain Low Given Historical Experience**

In its comments, DEP provided support for an increase in the targets proposed by the PUC in its Order. We find it noteworthy that commentators provided additional support for this position. Specifically, the Keystone Energy Efficiency Alliance (KEEA) "believes that achieving 1% per year is possible." (KEEA Comments, p. 5). In addition, KEEA states:

"During Phase I, EDCs [electric distribution companies] were able to meet savings targets for significantly less than both the SWE [statewide evaluator] and the EDCs themselves projected, and it appears that this will again be the case for most EDCs during Phase II. Therefore, it is reasonable to assume that this pattern of overachievement will hold for Phase III. KEEA encourages the Commission to set more aggressive savings targets to account for this likely overachievement." (KEEA Comments, p. 5).

In addition, Citizens for Pennsylvania's Future, the Clean Air Council, the Sierra Club, the Natural Resources Defense Council and the Environmental Defense Fund (collectively, Joint Commentators) state that the rollover of credits from Phase II to Phase III effectively reduces the energy efficiency targets which are derived solely from the potential studies without accounting for the potential rollover. The Joint Commentators note that "when roll-over credits are expected from a Phase II, such credits should be accounted for during the target setting procedure as reductions available in Phase III at zero cost thereby lowering average acquisition costs for the Phase." (Joint Commentators Comments p. 9).

Secretary

DEP agrees with KEEA and the Joint Commentators. Based on the program's history, it is likely that the potential for energy efficiency reductions has been calculated at a lower level than what is achievable. In addition, by allowing the EDCs to rollover excess Phase II savings into Phase III without including an estimate of that potential rollover in the target calculation, the Order has the practical effect of artificially lowering the target. DEP again urges the PUC to establish larger energy efficiency reduction targets based on the above information in addition to our comments as originally submitted.

## **2. The PUC Should Establish Annual Incremental Targets in Addition to the Cumulative Energy Efficiency Targets**

In the Order, the PUC proposes that each EDC should meet a cumulative energy efficiency target. In addition, the PUC requires each EDC to submit a plan that demonstrates achievement of 15 percent of the cumulative target for each program year during Phase III. However, these annual requirements would not be subject to enforcement if they are not achieved. Finally, the Order requires EDCs to replace the savings of any measure that expires before the end of Phase III.

Several commentators raised concerns with the lack of annual enforceable targets. For example, the Office of Consumer Advocate (OCA) points out the potential for measures to be turned on and off during Phase III, effectively encouraging the use of measures with a shorter measure life only at the end of Phase III (OCA Comments, p. 10). KEEA notes there seems to be confusion over how annual incremental savings are used to calculate progress toward the cumulative goal, but also states that the PUC should clarify that investments made early in Phase III should count toward the cumulative target. (KEEA Comments, pp. 5 & 6). Duquesne Light Company (Duquesne) also points out that the proposed accounting on a cumulative basis would discourage EDCs from implementing measures with a measure life less than the Phase period (Duquesne Comments, p. 11).

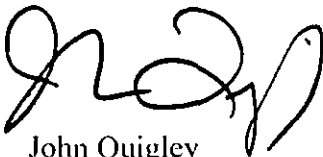
DEP is in agreement that it is necessary for the PUC to establish annual incremental targets in addition to the cumulative targets. The lack of annual targets combined with the requirement to replace any measures whose measure life has expired prior to the end of Phase III will incent EDCs to implement measures with a short measure life only at the end of the Phase. As with our comments above, these annual targets must account for the potential rollover of Phase II excess savings into Phase III. Specifically, the PUC should require EDCs to meet an annual incremental target of 15 percent of the cumulative target regardless of any Phase II rollover. Annual incremental targets should be subject to enforcement by the PUC under either Act 129 or as unreasonable service under the Public Utility Code so that the Commission can ensure that EDCs continue to implement programs throughout Phase III without turning off any of the benefits these programs deliver to ratepayers. The annual incremental savings achieved by the EDCs combined with the Phase II rollover would then be aggregated to show compliance with the cumulative target.

### 3. The PUC Should Expand the Role of Demand Response in Phase III

Numerous commentators also urged the PUC to consider changes to the Order to increase the role of demand response within Phase III. In particular, commentators urge that the proposed prohibition on dual enrollment in the PJM Emergency Program and Act 129 should be reversed. These Commentators note that if dual participation is prohibited “customers will almost certainly choose to participate in the PJM program instead of Act 129 Phase III.” (Demand Response Supporters Comments, p. 20). DEP believes that demand response has important environmental and consumer benefits and should be encouraged. It supports removal of the dual enrollment prohibition so long as safeguards are in place to ensure that there is no double counting and demand response is employed when economically efficient.

Thank you again for the opportunity to provide reply comments. DEP looks forward to working with the PUC on these critical issues.

Sincerely,



John Quigley  
Acting Secretary

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