

**PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PENNSYLVANIA 17105**

**Energy Efficiency and Conservation  
Program**

**Public Meeting: March 12, 2020  
3015228-TUS  
Docket No. M-2020-3015228**

**STATEMENT OF COMMISSIONER ANDREW G. PLACE**

Before us is the Act 129 Energy Efficiency & Conservation (EE&C) Program Phase IV Tentative Implementation Order (Tentative Order) for the five-year period June 1, 2021 through May 31, 2026. In this Tentative Order, the Commission provides initial guidance on a number of design elements and requirements for comment by interested parties. Consistent with this intent, I want to draw attention to a few matters for which I specifically request the parties provide additional comments.

Table 3 of the Tentative Order lists the assumptions with regard to proposed acquisition costs used to estimate plan savings potential. This assumption plays an important role in Electric Distribution Company (EDC) specific savings requirements, as it imposes constraints on savings potential as a result of the 2% cap on EE&C program budgets. The average acquisition cost proposed is \$271.01/MWh. Historically, the simple average of plan projected acquisition costs, versus actual acquisition costs have been approximately \$217/MWh vs. \$151/MWh in Phase II, and \$197/MWh vs. \$145/MWh in Phase III to date, respectively. Given these variations in magnitude from the proposed costs I welcome comment on the appropriateness of the proposed acquisition costs in Phase IV.

Another critical design component is how Phase III actual savings in excess of Phase III savings requirements should be treated. Last year, such excess Phase II program year savings could be credited to Phase III requirements. If this treatment were continued this year, assuming similar rates of savings were achieved in the last two planning years (PYs 11 and 12), as in the first three planning years (PYs 8, 9 and 10), four EDCs would already have achieved from 49%, to as high as 75%, in compliance with Phase IV proposed requirements, without any savings attributable to Phase IV activity. Given this potential outcome, I welcome comments on how to treat carryover savings activity from all or parts of Phase III to Phase IV, which ideally provides incentives to continue Phase III savings activity in PYs 11 and 12, while also providing incentives to meet and/or exceed Phase IV energy efficiency savings requirements.

Lastly, in prior EE&C phases, the Commission has not required EDCs to bid the peak demand reductions of their EE&C Plans into PJM's Forward Capacity Market (FCM), but allowed EDCs the flexibility to voluntarily bid them in. The Commission proposes in Phase IV that the EDCs be required to nominate at least a portion of the expected peak demand reductions of their EE&C Plan. The proceeds from resources that clear in the PJM FCM are to be used to reduce Act 129 surcharges and collections for customer classes from which the savings were acquired via the reconciliation of the over-under collections process. Any PJM deficiency charges for under-performance would be handled symmetrically with FCM proceeds and be borne by the relevant customer class. As a relatively new proposal, I welcome responsive

comments on this change, including, but not limited to, a discussion on impacts to free ridership, impacts on the potential for capacity costs to be shifted to other customer classes, and net cost impacts to the entire EDC zone.

I look forward to receiving the comments on the pertinent topics implicated in the Act 129 Energy Efficiency & Conservation Program Phase IV so that the Commission can render a comprehensive Final Implementation Order in this matter.

**DATE: March 12, 2020**

  
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**Andrew G. Place, Commissioner**