April 27, 2020

VIA E-File

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street, Filing Room
Harrisburg, PA 17120

RE: Act 129 Energy Efficiency and Conservation Program Phase IV
Docket No. M-2020-3015228

Joint Comments of the Pennsylvania Energy Efficiency for All Coalition

Dear Secretary Chiavetta,

Please find the **Joint Comments of ACTION Housing, Inc., Community Legal Services of Philadelphia, Inc., Green & Healthy Homes Initiative, Keystone Energy Efficiency Alliance, National Housing Trust, Natural Resources Defense Council, Pennsylvania Utility Law Project, and Regional Housing Legal Services (collectively, the Pennsylvania Energy Efficiency for All Coalition (PA-EEFA)**), which are submitted for filing in the above noted proceeding.

Please contact me or any of the undersigned coalition representatives with any questions.

Respectfully Submitted,

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BEFORE THEPENNSYLVANIA PUBLIC UTILITY COMMISSION

Act 129 Energy Efficiency and Conservation Program Phase IV	**:** **:**	**Docket No. M-2020-3015228**

JOINT COMMENTS OF

ACTION HOUSING, INC.

COMMUNITY LEGAL SERVICES OF PHILADELPHIA, INC.

GREEN & HEALTHY HOMES INITIATIVE

HOUSING ALLIANCE OF PENNSYLVANIA

KEYSTONE ENERGY EFFICIENCY ALLIANCE

NATIONAL HOUSING TRUST

NATURAL RESOURCES DEFENSE COUNCIL

PENNSYLVANIA UTILITY LAW PROJECT

REGIONAL HOUSING LEGAL SERVICES

(Collectively PA ENERGY EFFICIENCY FOR ALL COALITION or PA-EEFA)

April 27, 2020

I. INTRODUCTION

On March 12, 2020, the Pennsylvania Public Utility Commission ("Commission") issued a Tentative Implementation Order for the Phase IV Act 129 Energy Efficiency and Conservation Program. Notice of the Tentative Implementation Order was published in the Pennsylvania Bulletin on March 28, 2020.[1] Comments on the Tentative Order are due within 30 days of publication, with reply comments due 15 days thereafter.

These comments are submitted in response to the Tentative Implementation Order by the above-named organizations, collectively Pennsylvania Energy Efficiency for All Coalition ("PA-EEFA").[2] PA-EEFA is a partnership of Pennsylvania and national organizations that share a

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[1] 50 Pa.B. 1917

[2] Since 1985, **ACTION-Housing** has developed or assisted in the development of over 4,500 units of housing, both single family and multifamily, for the elderly, people with disabilities, the homeless, veterans, young people who have aged out of foster care and families and individuals with low incomes. We also currently provide programs for single-family home weatherization, in-home accessibility, mortgage and foreclosure assistance, youth aging out of the foster care system, and homeless families.

Community Legal Services (CLS) provides free civil legal assistance to low-income Philadelphians. CLS assists clients when they face the threat of losing their homes, incomes, health care, utility service, and even their families. CLS attorneys and other staff provide a full range of legal services, from individual representation to administrative advocacy to class action litigation, as well as community education and social work.

The **Housing Alliance of Pennsylvania** is a statewide coalition working to provide leadership and a common voice for policies, practices and resources to ensure that all Pennsylvanians, especially those with low incomes, have access to safe, decent and affordable homes.

The **Green & Healthy Homes Initiative** (GHHI) is the nation's leading voice in the efforts to advance energy efficiency and healthy housing, working in over 61 cities and over 20 states. In Pennsylvania, GHHI serves as an advisor to the State childhood lead poisoning prevention program and provides technical assistance to the cities of Pittsburgh and Philadelphia to align, braid and coordinate evidence-based healthy, safe and energy efficient housing intervention programs.

The **Keystone Energy Efficiency Alliance** (KEEA) is Pennsylvania's trade association for the energy efficiency industry. Our membership, comprised of seventy companies, ranges from small local firms to large multinational corporations and operates across the value chain of energy efficiency. We engage our membership and key policymakers in support of an industry that accounts for more than 71,000 Pennsylvania jobs. The policy we promote at the state and local level expands the market for energy efficiency.

The **National Housing Trust** protects and improves existing affordable rental homes so that low income individuals and families can live in quality neighborhoods with access to opportunities.

common goal of ensuring that low-income individuals have access to energy efficiency services to reduce their energy consumption. PA-EEFA previously provided comments to the Commission in Act 129 Phase III regarding the Tentative Implementation Order and in Public Comments regarding the EDCs filed Phase III Plans. While PA-EEFA, as a coalition, has historically been principally concerned with expanding access to energy efficiency and weatherization in multi-family housing for economically vulnerable households, the organizations that comprise PA-EEFA recognize the significant overlap between those interests and an overall focus on robust and effective programming for low-income tenants of single family and multifamily properties, as well as low-income homeowners. Improving the energy efficiency of low-income households not only provides direct economic benefits to vulnerable households, it also has the potential to materially improve participants' quality of life by addressing health and safety issues that may be present.

Comprehensive energy efficiency upgrades reduce customer assistance program (CAP) costs, save energy for economically vulnerable households, increase comfort, improve affordable housing stock, and routinely identify and resolve health and safety concerns. Lower income populations are also commonly more vulnerable to both the short-term pollutants that result from electric generation and to the potential consequences of climate change, both of which are lessened by improved energy efficiency programming. These important benefits have consistently been recognized by the Commission in its Orders establishing low-income program requirements for

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The **Natural Resources Defense Council** (NRDC) works to safeguard the earth—its people, its plants and animals, and the natural systems on which all life depends. We combine the power of more than three million members and online activists with the expertise of some 700 scientists, lawyers, and policy advocates across the globe to ensure the rights of all people to the air, the water, and the wild.

The **Pennsylvania Utility Law Project** (PULP) is a specialty legal services program in Pennsylvania whose mission is to ensure that low income consumers can connect to and maintain affordable utility services in Pennsylvania.

Regional Housing Legal Services (RHLS) is a nonprofit law firm with unique expertise in affordable, sustainable housing and its related components — community and economic development, utility matters and preservation of home ownership. RHLS provides innovative project and policy solutions that help create sustainable communities offering decent, safe and affordable housing for lower-income Pennsylvanians.

the Electric Distribution Companies ("EDC"). PA-EEFA thanks the Commission for the opportunity to provide these comments and appreciates the Commission's interest in continuing to strengthen Act 129 and the benefits it provides for low-income Pennsylvanians.

Between the initial drafting of the Phase IV Tentative Implementation Order and the April 27 filing of these comments, the devastating human and economic consequences of the COVID-19 pandemic have created near- and long-term effects that we are only beginning to comprehend. EDCs across the country have implemented difficult but appropriate decisions to suspend or minimize in-person program activities based on the need for social distancing to slow the spread of the virus, which will reduce their ability to serve customers and generate savings through their approved programs.

Hopefully, the EDCs are already deeply engaged in developing and enhancing technological solutions that will enable them to continue to provide information and support to customers to ease the burden of unaffordable energy. This is needed both for families that have long struggled, and those that newly find themselves in difficult circumstances due to the loss of health or employment. For example, in some jurisdictions, utilities are turning to virtual audits in lieu of in-person audits for retrofit programs. While these clearly cannot replace a comprehensive site visit by a qualified professional, the virtual audits may be able to identify – from a safe distance – specific actions and behaviors that families can take that can help them manage their energy costs. Virtual audits may also help contractors build a queue of prospective customers that can be served when social distancing restrictions are ended. Social messaging tools used by utilities in some jurisdictions could also provide a ready platform for providing customers with relevant messaging to help steer them towards savings.

Much more aggressive midstream programs and instant rebates for time-of-failure replacements of HVAC equipment, water heaters, and appliances could also help customers save energy without requiring additional contact beyond what would be needed to replace failed equipment with standard efficiency equipment. For instance, if a family's hot water heater fails, the contact that would occur between the distributor and installer, and then between the installer and the family would be the same regardless of whether standard or high efficiency equipment is installed. Some jurisdictions are also sponsoring enhanced virtual training opportunities for CSPs to support their continued viability as valued efficiency resources. MEEA respectfully urges the Commission to consider directing the EDCs to maximize the opportunities they provide to customers where this can be done without increasing exposure to the virus.

In addition to implementing these kinds of actions to support customers through the pandemic, PA-EEFA urges the Commission and the EDCs to consider the needs of Pennsylvania's vulnerable households on "the other side" of Covid-19. The rapid increase in unemployment has been unprecedented, and the demographics that form the basis of the SWE's analysis and the Commission's proposed Phase IV low-income carve-out will undoubtedly change. Many, many families who did not previously meet income qualification criteria for no cost Act 129 programming may now be eligible, and they will need support to adopt and implement energy efficiency measures that can help them manage their energy costs during the recovery. PA-EEFA urges the Commission to direct the EDCs to propose program portfolios that are designed to fully expend the available funds within the cost caps in order to maximize the benefits that customers receive, and to ensure that the low-income carve-out is of a sufficient magnitude to reach as many vulnerable families as possible.

II. COMMENTS

PA-EEFA provides the following comments in response to specific sections of the Act 129 Phase IV Tentative Implementation Order. The section titles and numbering mirror the Tentative Order, but for brevity only those sections that PA-EEFA addresses are included below. PA-EEFA reserves the right to provide observations and perspectives on additional sections in reply comments as appropriate.

A. Proposed Reductions in Electric Consumption

2. Proposed Reductions in Consumption

b Proposed Consumption Reduction Targets

Based on the SWE's determination of program achievable potential, the Commission proposes a five-year, Phase IV savings target for each EDC. The proposed targets are considerably less than the Phase III targets – 26% less on average – owing primarily to assumptions and conditions applied in development of the Potential Study by the SWE, at the Commission's direction. These are discussed further below under "Comprehensive Programs." The proposed savings targets, compared with the Phase III targets, are shown below in Figure 1:

Figure 1: Decrease in Portfolio Savings in Phase IV[3]

EDC	2016-2021 Act 129 **Ph III** Portfolio Savings (MWh)	2021-2026 Act 129 **Ph IV** Portfolio Savings (MWh)	Decrease Ph III to Ph IV
Duquesne Light	470,609	347,084	-26%
PECO	2,080,553	1,380,837	-34%
PPL	1,590,264	1,250,157	-21%
FE: Met-Ed	627,814	463,215	-26%
FE: Penelec	598,612	437,676	-27%
FE: Penn Power	170,182	128,909	-24%
FE: West Penn Power	585,807	504,951	-14%
Statewide	6,123,841	4,512,829	-26%

c Annual Consumption Reduction Targets

The Commission "proposes that the EDCs design their EE&C Plans to achieve at least 15 percent of their consumption reduction target in each program year."[4] PA-EEFA supports this proposal, as it will better ensure that programs remain available and stable throughout the five-year implementation period.

d Comprehensive Programs

In the Tentative Order the Commission presents its proposed energy savings targets for Phase IV, along with its rationale, based on the Statewide Evaluator's ("SWE") Pennsylvania Act 129 - Phase IV Energy Efficiency and Peak Demand Reduction Market Potential Study Report ("EEPDR Potential Study" or "Potential Study"). The Commission describes its belief that "more

[3] See Act 129 Energy Efficiency and Conservation Program Phase IV, Tentative Implementation Order, Docket No. M-2020-3015228, at 14 (order entered March 12, 2020) (herein Tentative Order); see also Act 129 Energy Efficiency and Conservation Program, Phase III, Final Implementation Order, Docket No. M-2014- 2424864, at 51 (herein Phase III Final Implementation Order).
[4] Tentative Order, p. 14.

comprehensive programs are beneficial to electric customers, therefore, for Phase IV, the EDCs should consider implementing a comprehensive mix of measures."[5] Implicit in the Commission's stated preference for comprehensive programs is the premise that longer-lived measures that address equipment and building shell savings opportunities should be appropriately prioritized by the EDCs. This direction was reflected in the SWE's determination of savings potential, as explained in the SWE's statement that "the Act 129 Potential reflects total portfolio savings the SWE team believed were appropriate, given the available budget. These generally reflected some increase in acquisition costs ($/MWh) compared to historical EDC spending. That increase has been primarily driven by the loss of residential lighting opportunities that were some of the least expensive savings. It also indicated levels that the SWE team believed would allow the EDCs to develop balanced plans that address all markets equitably. These levels would then also ensure a <u>comprehensive portfolio of measures with appropriate investments in some of the longer-lived, but more expensive, efficiency resources</u>."[6]

The Commission echoes its preference for longer-lived measures in its discussion of demand savings targets when it says "because EE measures typically have multiple years of useful life, their associated incremental annual peak demand reductions will continue to provide value beyond the year in which they are claimed as incremental annual peak demand reductions in EE&C programs. The Commission prefers the lasting peak demand reductions achieved by EE measures."[7]

PA-EEFA supports the Commission's direction towards more comprehensive EE

[5] Tentative Order, p.15.
[6] Pennsylvania Act 129 - Phase IV Energy Efficiency and Peak Demand Reduction Market Potential Study Report, Prepared for Pennsylvania Public Utility Commission by the Pennsylvania Statewide Evaluation Team, February 28, 2020, p. 8. (emphasis added). Note that "comprehensive" as used in this discussion, while not synonymous with "longer-lived," implicitly denotes a stronger reliance of longer-lived measures such as HVAC and water heating equipment and/or building shell improvements.
[7] Tentative Order, p. 34.

programming with an associated increase in longer-lived measures. As noted in the SWE's comments above, longer-lived measures may have higher costs per first-year kWh saved and thus appear to be more expensive – but the measures that are typically promoted through comprehensive programs can be more cost-effective on a life-cycle basis than shorter-lived measures.[8] Longer-lived measures provide savings that customers can rely on for years, thus reducing uncertainty associated with energy costs.

However, PA-EEFA is concerned that while the savings targets put forward in the Tentative Order are premised on more comprehensive portfolios and are thus less than they would otherwise be, the Commission only indicates a *preference* for comprehensive savings and does not impose a more binding directive. This is not reasonable given that the SWE based its estimates of savings potential on "more expensive efficiency resources." Lowering the bar for the annual savings targets without also *requiring* the EDCs to reflect longer-lived measures in their plans will reduce the benefits that customers receive by allowing the EDCs to continue to rely on lighting savings and other less costly, less comprehensive measures, thereby effectively reducing the lifecycle savings the EDCs are required to achieve within the available budgets, despite the Commission's good intentions.

PA-EEFA recommends the Commission adopt a more specific requirement for comprehensive programs in its Order. This could be done by establishing any of a number of parameter targets for the EDCs to meet:

- Establish target weighted average measure lifetimes for the entire portfolio, or separately for the residential and non-residential sectors, that would reflect the desired emphasis on comprehensive programs;

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[8] See, e.g. Alternative Michigan Energy Savings Goals to Promote Longer Term Savings and Address Small Utility Challenges, Michigan Public Service Commission (Sept. 2013), https://www.michigan.gov/documents/mpsc/final_phase1_report_600393_7.pdf

- Establish target weighted average measure lifetimes for a residential comprehensive program and a non-residential comprehensive program, along with minimum budget or savings requirements for each. For example, the Commission could establish a target that 20% of the residential sector budget should be devoted to a comprehensive program having a minimum 15-year average estimated useful measure life (“EUL”);
- Establish minimum savings or budget targets for specific energy efficiency end use categories that are associated with long-lived measures, such as building shell or HVAC improvements;
- Establish portfolio-level lifecycle savings targets in addition to annual savings targets developed in the Potential Study.

Establishing the metrics for any of these approaches would require input from the SWE, though the data are likely easily obtained through work already performed for the Potential Study. Any of these could provide greater assurances that the EDCs are, in fact, offering programs in Phase IV that are consistent with the Commission’s stated direction, and that are in the best interests of customers. Failing to establish explicit direction for the EDCs risks decreasing the comprehensive, long-lived benefits that customers obtain for their investments in utility energy efficiency programs by allowing the EDCs to meet their savings targets by simply promoting lighting and other lower-cost, non-comprehensive measures.

PA-EEFA also notes its position that the statutory budget caps, which limit the amount of cost-effective energy efficiency savings that the EDCs are able to provide to their customers, should be viewed not only as not-to-exceed amounts, but also as *target* budget amounts that EDCs should fully invest in Act 129 energy efficiency programs. To date, the Commission’s approach has been to estimate the amount of savings that can be obtained within budget limits and then establish savings requirements based on those estimates. The EDCs then develop proposed budgets to achieve the required savings. If the EDCs propose budgets that are less than the budget caps, they are not required to propose additional savings even when such savings could be achieved without exceeding the caps. This approach unreasonably limits the benefits that are provided to EDC customers.

An alternative approach that has the potential to deliver a greater amount of cost-effective savings to customers, and that PA-EEFA views as more in-line with the intent of the legislation, would be to establish the savings levels as minimums rather than targets, and to require the EDCs to propose programs that maximize the benefits delivered to customers by developing budgets that fully expend the available funds up to the budget caps. Similarly, if EDCs achieve their required savings in Phase IV before the five-year period has ended and without fully expending their approved budgets, PA-EEFA respectfully recommends the Commission direct the EDCs to continue implementing programs to achieve more savings, rather than suspend them. Customers would be best served if the Commission requires EDCs to maximize program benefits rather than allowing them simply to meet their savings requirements and call it a day.

3. Prescription of Low-Income Measures and Carve-Out

a Summary of SWE's EEPDR Potential Study Findings Regarding Low-Income Potential

As noted in the Tentative Order, the Commission directed the SWE to estimate savings potential in the low-income sector based on a "budget carve-out of about 13 percent of each EDC's specific budget, based on the EDCs' historical spending levels in the low-income sector."[9] This resulted in LI program potential savings for the different EDCs that ranged from "a low of 5.8% for PECO to a high of 9.4% for Penn Power."[10]

[9] Potential Study, p. 22.
[10] Tentative Order, p. 16.

b Commission Proposal

Based on the SWE's findings, the Commission proposes "to require each EDC to obtain a minimum of 5.8% of its total consumption reduction target from the low-income sector…from programs solely directed at low-income customers or low-income-verified participants in multifamily housing programs."[11] Unfortunately, this proposal does not reflect a consistent level of investment that each EDC should be expected to make in LI programs. For example, the SWE determined that Penn Power could achieve LI savings of 9.4% based on a 12.7% portfolio budget investment. Presumably it follows that Penn Power would need significantly less of its budget to meet the 5.8% LI savings proposed by the Commission since that is only a portion of Penn Power's low-income savings potential. This could mean that Penn Power could achieve its low-income savings requirement by investing only two-thirds of the historic average. Presumably, by fully investing the historic average of roughly 13%, Penn Power could provide a higher level of comprehensive savings for its low-income customers, closer or equal to the potential that the SWE determined could be reached at historic investment levels.

Further, while 5.8% of portfolio savings is a nominal increase from the 5.5% of portfolio savings required for low income programs in Phase III, it will not increase savings for low-income customers because the overall portfolio savings requirement in Phase IV is considerably less than it was in Phase III. In other words, the proposed low-income savings targets represent a slightly larger percentage of a significantly smaller total portfolio savings. In fact, the low-income savings carve-out in absolute terms will fall by an average 22% compared with Phase III – ranging from a decrease of 9% for West Penn Power to a 30% reduction for PECO. This is illustrated in Figure 2:

[11] Tentative Order, p. 17.

Figure 2: Decrease in Low-Income Savings in Phase IV[12]

EDC	2016-2021 **Ph III** 5.5% LI Savings Target	2021-2026 **Ph IV** 5.8% LI Savings Target	Decrease Ph III to Ph IV
Duquesne Light	25,884	20,131	-22%
PECO	114,430	80,089	-30%
PPL	87,465	72,509	-17%
FE: Met-Ed	34,530	26,866	-22%
FE: Penelec	32,924	25,385	-23%
FE: Penn Power	9,360	7,477	-20%
FE: West Penn Power	32,219	29,287	-9%
Statewide	336,812	261,744	-22%

The concern that PA-EEFA discussed with respect to A.2.d *Comprehensive Programs* also applies to the low-income carve-out. Significantly lower total portfolio savings targets lead to a much smaller low-income carve-out. The overall savings targets are based on the presumption of more comprehensive programming with more, higher-cost, longer-lived comprehensive measures, and it follows that the same presumption of higher cost, longer-lived, comprehensive savings should be applied to the low-income carve-out. Unfortunately, without a directive in the Order to achieve improvements in comprehensive program design, the EDCs in Phase IV are likely to achieve much smaller low-income savings than were achieved in Phase III. Respectfully, PA-EEFA views this as a serious flaw in the Tentative Order that could unintentionally harm low-income utility customers by dramatically reducing the savings opportunities that are made available to them.

PA-EEFA also has ongoing concerns about the equitable provision of energy efficiency services to affordable multifamily housing. The SWE determined the residential savings potential for the low-income multifamily sector, and included master-metered multifamily housing that is

[12] See Tentative Order, p.17; see also Phase III Final Implementation Order, p.63.

served on commercial rates in the potential.[13] Master-metered properties that provide affordable housing are critically important resources for low-income families, and PA-EEFA supports inclusion of savings from these properties toward the low-income carve-out, as this provides additional incentive for the EDCs to ensure that the properties are served by the programs. However, simply including master-metered properties in the pool that can count towards the low-income carve-out is likely not enough to ensure that these properties are served effectively and comprehensively. Master-metered low-income multifamily properties and those that have split metering, in which the living units are on individually metered residential accounts and the common areas are on commercial meters, need unique treatment by programs to ensure that they receive savings opportunities.

The Housing Alliance of Pennsylvania ("Alliance"), a PA-EEFA member and signatory to these comments, has prepared a report titled "Analysis of the Reach of the Act 129 Energy Efficiency and Conservation Program to Low-Income Multifamily Housing" which it filed in this proceeding. The report reviews multifamily participation in Phase III as reported by the EDCs. The Alliance found that there are inconsistencies and gaps in the data provided which make it difficult to get a clear picture of the extent to which these properties have been participants in Phase III programs. Consistent with the recommendations in the report, PA-EEFA urges the Commission to establish clear and sufficient reporting requirements for the EDC's multifamily programs so that the long-standing lack of information in this sector can be resolved.

PA-EEFA notes that the Tentative Order is silent with respect to the question of a direct-install requirement for the Phase IV low-income programs. In its Phase III Order, the Commission stated its belief that "low-income savings should primarily come from measures that are directly

[13] Per email communication with Statewide Evaluator, available upon request.

provided to low-income households,"[14] and ultimately concluded that, while "the SWE's EE Potential Study data was insufficient to justify establishing a direct-install requirement, we nonetheless feel that the intent of our proposal was accurate."[15] In reaching this conclusion, the Commission further directed "the EDCs to work with the SWE to determine exactly what data is necessary from the reporting of low-income direct-install measures and savings to capture this information at the service territory level, so analysis can be performed in the future."[16]

Because the Phase IV Tentative Order and the Potential Study do not reference the results of this analysis or further discuss a direct install requirement, it is not known whether the analysis was performed, or the extent to which the Commission deliberated about the merits of including a direct install requirement for the low-income programs in Phase IV. PA-EEFA continues to support a requirement that 3% of the savings within the low-income carve-out come from direct install measures – specifically "those directly-installed measures that will provide more of a whole-house and/or weatherization (e.g., insulation or air sealing) type of program emphasis."[17] PA-EEFA believes that a direct install requirement is needed for the EDCs to comply with the Commission's preference for comprehensive measures. However, alternative approaches to achieve the same desired outcome could include addition of the types of targets mentioned above with respect to overall portfolio savings, such as weighted average measure lifetimes or lifecycle savings.

Based on these observations, PA-EEFA respectfully recommends the Commission take the following actions:

- Increase LI carve-out to the full average 6.5% potential determined by the SWE;

[14] See Phase III Final Implementation Order, p.69.
[15] Phase III Final Implementation Order, p.70.
[16] Phase III Final Implementation Order, p. 69.
[17] Phase III Final Implementation Order, p.62.

- Require 46% (*equal to a 3% carve-out*) of the 6.5% carve-out to be met through direct-install measures; and
- Require 20% of the carve-out savings to be met through savings for low-income multifamily housing.

Considering the dramatically increased needs of Pennsylvania's families due to Covid-19, PA-EEFA also suggests the Commission direct EDCs to fully utilize available funds up to the full budget cap to increase the reach of the low-income efficiency programs.

Finally, and importantly, the Tentative Order "invites stakeholders to propose a different approach that would harmonize the management and spending of Act 129 low-income funds with Low Income Usage Reduction Program funds." PA-EEFA appreciates the Commission's interest in considering Act 129 and Low Income Usage Reduction Program ("LIURP") implementation holistically, and believes that there may be significant opportunities to achieve improvements along the lines of the Commission's invitation. However, PA-EEFA believes that such coordination must occur in a comprehensive manner and suggests that the pending rulemaking proceeding for LIURP may be a more useful place for initial engagement on these questions.[18] That said, there are steps that could be taken in the short term to streamline the administration of the low-income energy efficiency and usage reduction programs and improve customer experiences. This could include explicitly requiring EDCs to describe coordination efforts in their respective Energy Efficiency and Conservation Plans; requiring common application forms to facilitate cross program and inter-utility coordination; and encouraging the use of common LIURP and Act 129 contractors to improve the delivery of energy efficiency services to low income consumers. On this question, PA-EEFA supports the comments and recommendations of the

[18] See Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulation, Docket No. L-2016-2557886, Joint Comments of PA-EEFA, at 7-11 (filed Jan. 30, 2017).

Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania regarding coordination of LIURP, Act 129, and other statewide or local energy efficiency programs. We believe there are efficiencies to be gained through intentional coordination, while preserving the distinct and unique focus and purpose of each program, and encourage the Commission to take these steps to both strengthen and formalize program coordination in Phase IV.

4. Carve-Out for Government, Nonprofit and Institutional Entities

a Summary of SWE's EEPDR Potential Study Findings Regarding Government/ Nonprofit/Institutional Potential

At the Commission's direction, the SWE segmented the Government, Nonprofit, and Institutional ("GNI") sector into three subcategories, including "education – college/university, health – hospital, and institutional/public service building types for both large and small commercial and industrial (C&I) sectors."[19] Unfortunately, it is not clear in which category commercially-metered affordable housing was included, or the extent to which it was considered as a unique component of the GNI sector.

b Commission Proposal

Based on analysis by the SWE, the Commission determined that "the GNI sector is expected to produce a significant share in Phase IV consumption reductions at a comparable acquisition cost to the broader small and large C&I customer classes without a specific compliance target."[20] Unfortunately this seems much less likely to be true for the subset of affordable housing within the GNI sector. In its statement that "unlike the low-income sector, which would likely be underserved without a carve-out, we aver that the GNI sector can be adequately served by measures offered to other non-residential customers," the Commission recognizes that the low-income sector

[19] Tentative Order, p. 19.
[20] Tentative Order, p. 20.

faces greater barriers than the general customer base, yet the specific barriers faced by operators of affordable housing, and the need for specific direction to support EDC focus on this important sub-sector, are not addressed in the Tentative Order.

In consideration of the potential for a future multifamily carve-out within the GNI sector in the Phase III Order, the Commission required EDCs "to coordinate with the SWE to track and provide whatever data will be necessary for the SWE to perform an analysis on the multifamily potential at the service territory level in the future."[21] The SWE included the savings potential for all low-income multifamily housing within the residential sector. But as discussed previously, simply including this important subsector in the potential and allowing multifamily savings to be included towards the low-income carve-out is not sufficient to ensure that the needed efficiency services will be provided. PA-EEFA supports allowing savings from commercially-metered low-income multifamily housing to count towards the low-income carve-out, but urges the Commission to increase the magnitude of the low-income carve-out and establish a specific requirement that 20% of the low-income carve-out be achieved from low-income multifamily housing.

5. Accumulating Savings in Excess of Reduction Requirements

The Commission proposes that "the EDCs be allowed to count only those savings attained in Phase III in excess of their targets for application towards their Phase IV targets. These carryover savings may only be savings actually attained in Phase III."[22] PA-EEFA supports this proposal, and further urges the Commission not only to "*believe* that this approach will encourage EDCs to continue the full implementation of programs"[23] – but to *direct* the EDCs to continue the full implementation of programs so long as funds are available. Given the proposed savings targets are

[21] Phase III Final Implementation Order, p. 80.
[22] Tentative Order, p. 23.
[23] Tentative Order, p. 23.

premised on what the EDCs can reasonably be expected to achieve within the statutory cost limitations, and that the portfolios must be cost-effective, it is only reasonable that the EDCs should be expected to achieve additional savings where they are able to do so within the cost caps. It should not be discretionary for the EDCs but rather an expectation that they continue to implement programs so long as funds are available.

PA-EEFA similarly supports the Commission's position that low-income carryover savings only be applied to the Phase IV low-income carve-out if the savings were attained in Phase III and if they are in excess of the Phase III low-income carve-out requirements, with the caveat that here, too, the Commission should direct the EDCs to continue implementation of low-income programs so long as funds are available, even if the carve-out targets have been achieved.

B. Proposed Reductions in Peak Demand

2. Methodology Used to Set Peak Demand Reduction Targets

The Commission explains that it "prefers the lasting peak demand reductions achieved by EE measures" because "[c]oincident peak demand reductions from EE measures are longer lasting than DDR programming and will persist for years after Phase IV has ended."[24] The Commission notes that "coincident demand reductions from EE measures are available every day rather than just a small number of DR event days."[25] The Commission also notes that "coincident demand reductions from EE measures can be recognized in PJM's Forward Capacity Market (FCM)" and that "avoiding the need to establish a separate program type, such as with DDR, and the associated need to hire additional CSPs, allows for greater spending on more economical EE measures."[26] PA-EEFA agrees with the Commission on these points and supports its proposal to forego distinct

[24] Tentative Order, p. 34.
[25] Tentative Order, p. 34.
[26] Tentative Order, p. 35.

demand reduction programs in favor of increase EE programming.

The Commission also proposes that "EDCs nominate a portion of the peak demand reductions achieved by its EE portfolio as a capacity resource in PJM's forward capacity auctions" and that "the proceeds from bidding these demand resources can reduce the EE&C plan funding that must be collected via riders."[27] PA-EEFA has not performed analysis of the value that could be gained by bidding these demand resources, and thus does not take a position on whether the EDCs should be required to nominate them as proposed by the Commission. However, to the extent that proceeds are gained through this mechanism, PA-EEFA respectfully suggests that a better use of PJM proceeds would be to invest them in increasing the number of low-income customers that can be served by the EDCs programs, and to specifically use the proceeds to address health and safety needs of these customers that would otherwise preclude them from receiving the full complement of efficiency services that the EDCs can provide. Auction proceeds can increase the funds that are available to the EDCs to invest in their customers without increasing the amount they must collect to implement their programs, thus allowing more struggling families' homes to be made more affordable through energy efficiency.

I. EDC Cost Recovery

2. Application of Excess Phase III Budget

The Commission states that it "believes it would be more beneficial to all parties, including ratepayers, for the EDCs to be allowed to spend Phase III budgets to attain savings in excess of compliance targets, which could then be used in Phase IV for compliance, without a commensurate reduction in Phase IV budgets."[28] PA-EEFA supports this proposal, and suggests that it should be

[27] Tentative Order, p. 35.
[28] Tentative Order, p. 69.

expanded, as indicated above. Indeed, the Commission should not merely *allow* EDCs to continue to invest Phase III budgets after savings targets are achieved, it should explicitly *direct* the EDCs to continue to implement their programs so long as funds are available and customer demand is not saturated. However, PA-EEFA disagrees with the Commission's proposal to refund any unspent Phase III budgets to customers at the beginning of Phase IV. Rather, it is PA EEFA's position that, because the statutory cost caps unreasonably limit the amount of cost-effective savings that EDCs achieve, it is in the public's best interest for EDCs to maximize the savings they obtain using all available funds that are not in excess of the cost caps. The Commission proposes that EDCs can carryover savings from one phase to the next, and PA-EEFA believes that EDCs should similarly carry over budgets with the expectation that participation, and thus savings, should be maximized using the full amount of approved budgets within the cost cap, including funds that are carried over from Phase III.

Increasing the reach of the programs by utilizing any unspent Phase III funds in Phase IV will be especially important for families and small businesses that are hard hit by the economic collapse caused by the response to Covid-19. The number of families that meet income-eligibility criteria is no doubt increasing daily during this crisis, and PA-EEFA believes that it is incumbent on the Commission to employ all of the resources at its disposal to increase the energy efficiency of these families' homes so that their energy needs can be met more affordably. PA-EEFA further recommends that any funds carried over from Phase III should be available for addressing the health and safety needs of low- and moderate-income families where those needs would preclude the installation of comprehensive energy efficiency measures.

III. CONCLUSION

Act 129 provides cost-effective energy efficiency for Pennsylvania's utility customers, and PA-EEFA supports its continuation in Phase IV. PA-EEFA especially supports the provision of energy efficiency programs to low-income customers living in both single-family and multifamily housing. As discussed in these comments, PA-EEFA respectfully recommends that the Commission modify its draft Phase IV Order to reflect the following:

- Direct EDCs to propose program budgets that fully utilize funds up to the budget caps and to continue to implement programs within Phase IV so long as funds are available, even after savings minimums have been achieved;
- Establish clear and sufficient reporting requirements for the EDC's multifamily programs;
- Establish defined requirements for comprehensive, long-lived measures;
- Increase low-income carve-out to a minimum 6.5% of portfolio savings, with a requirement that 46% of the low-income carve-out be achieved through direct-installation of comprehensive, long-lived efficiency measures, and that 20% of the low-income carve-out be achieved through low-income multifamily efficiency measures;
- A provision to direct the EDCs to use PJM proceeds and excess Phase III budgets to expand availability of efficiency programs to low-income customers, including the use of such funds to address health and safety barriers that prevent greater efficiency from being installed in some homes.

Respectfully submitted,

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