April 28, 2020

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

Re: Docket # M-2020-3015228
COMMENTS FROM CERES ON THE TENTATIVE IMPLEMENTATION ORDER ON PHASE IV OF THE ENERGY EFFICIENCY AND CONSERVATION PROGRAMS UNDER ACT 129

Dear Secretary Chiavetta:

I am writing to you on behalf of Ceres – a nonprofit sustainability advocacy organization that works with companies and investors to build a more sustainable global economy, including many members and partners with significant operations and facilities in Pennsylvania.

Thank you to the Commission for its leadership in promoting the broad deployment of clean energy and energy efficiency across the state, which helps the Commonwealth of Pennsylvania achieve its climate goals. We appreciate the work of the Commission in developing the Phase IV Energy Efficiency and Peak Demand Reduction Market Potential Study Report and the Tentative Implementation Order for Act 129 programs.

Our member companies have operations across the commonwealth and believe the energy efficiency and conservation (EE&C) programs have been a success for the state thus far and will play a critical role in the state's recovery in the aftermath of COVID-19. It is important the final Implementation Order not only maintain these programs but identify ways to expand on them. Using energy efficiently, promoting economic growth and achieving the state's climate goals are essential as we learn from the current public health crisis and build back better.

Economic Recovery Benefits of EE&C Programs

The significant impacts of COVID-19 will require policies that will promote economic recovery. Energy efficiency not only will help the state combat climate change, but these programs have a proven track record of creating jobs and providing shovel-ready opportunities for local workers. In 2020, Pennsylvania started the year with over 70,000 jobs in energy efficiency. Most of these jobs were with small businesses who are now desperately trying to survive in the face of economic uncertainty. In March, the state lost 6.2% of its clean energy workforce, which accounted for over 6,000 lost jobs.[1] We expect even more job losses in April as on-site work in homes and businesses has declined significantly due to social distancing.

By continuing with a strong and robust EE&C program, the state will send a clear signal to energy efficiency businesses that it is committed to cost-effective energy savings and climate solutions. This economic certainty will be important as these businesses determine how best to manage their operations over the coming months. The economic benefits also extend to all customers—both residential consumers and businesses—who will realize savings on their energy bills. Residents spending more time at home can reap even greater benefits from efficiency efforts, while office spaces and commercial properties can utilize their often under-occupied status to enjoy significant savings from energy retrofits.

Act 129 has been a success. According to the Public Utilities Commission, every dollar invested in energy-saving programs returns $1.31 in benefits.[2] Commercial efficiency benefits will exceed $453 million for last year's programs.[3] These benefits reach all utility customers regardless of whether they directly participate in energy savings efforts.

Energy efficiency is Pennsylvania's least expensive energy option. Investing in energy efficiency keeps Pennsylvania's energy costs affordable, reliable, and stable. This will be crucial as businesses begin to reopen and are forced to make critical decisions on how to restart operations. Any reduction or under-investment in EE&C programs means that the state is forgoing its least expensive energy option, which will drive up utility rates. Efforts to lower costs will go a long way towards helping businesses come back online.

Recommendations for Strengthening the Implementation Order

We strongly believe that any recommendation to suspend or delay the implementation of Phase IV EE&C program requirements should be rejected. As previously discussed, EE&C programs have saved consumers money across the state and will be a crucial part to restarting our economy again. A suspension or delay of these programs will harm consumers who stand to benefit from these savings and will jeopardize thousands of jobs—a majority of which support small

1 E2 Report on "Clean Energy Employment Initial Impacts from the COVID-19 Economic Crisis, March 2020," April 14, 2020, https://e2.org/wp-content/uploads/2020/04/Clean-Energy-Jobs-Initial-COVID-19-Memo-Final.pdf.
2 "Act 129 Statewide Evaluator Annual Report: Program Year 9: June 1, 2014 – May 31, 2015," Presented to the Pennsylvania Public Utilities Commission, February 28, 2019, http://www.puc.pa.gov/Electric/pdf/Act129/Act129-SWE_AR_Y9_022819.pdf.
3 *Id.*

businesses. Without a clear signal that the state remains committed to EE&C programs, the state risks losing hundreds of millions of dollars of benefits for ratepayers.

The commonwealth should consider the following improvements to strengthen the EE&C programs:

1. As a response to the significant effects of the COVID-19 pandemic, the Commission should prioritize funding for EE&C projects in-progress or scheduled, and accelerate resources for projects in largely vacant government, school, and commercial facilities. The Governor's current "Stay at Home" order has made in-home and commercial energy audits a challenge to complete or has resulted in the cancellation of these services. It has also shut down current projects in facilities required to be closed under the Order. This has placed a significant strain on the ability of energy efficiency companies to operate.

Schools, universities and many public buildings are largely vacant and would benefit from the implementation of energy efficiency projects that would deliver near- and long-term energy savings. There are also a number of commercial facilities that will be vacant over the coming months, as well as ambulatory and outpatient hospital facilities that are currently closed. The Commission should direct the utilities to examine current and planned EE&C projects to prioritize those at currently closed facilities and encourage the use of funds for future projects at facilities likely to remain closed over the coming months so long as energy efficiency providers are compliant with CDC recommendations on social distancing and personal protective equipment.

Focusing on these projects will create and preserve energy efficiency jobs in the short term and better position the state to achieve its goals in the long term. It will also expedite completion of projects in unoccupied facilities since they will not be interfering with the normal course of business. In addition, the ratepayers of these largely vacant facilities are likely to appreciate opportunities for energy cost savings the most, as their financials will be most affected by their required vacancies.

2. The Commission should ensure that utilities continue to invest in EE&C programs after savings targets have been met as long as it is cost-effective. Utilities do not presently have a positive financial motivation to continue to invest in energy efficiency programs after required reductions in consumption are met, and face disincentives to further efficiency since such investments would erode electricity sales revenue.

The Market Potential Study Report shows that customers would benefit from such investments up to and even beyond the legislatively imposed 2% budget cap. Even within the 2% cap, there is a history of substantial unspent budgets and utilities do not have the appropriate incentives to focus on additional cost-effective savings. The Commission has already put in place policies intended to encourage utilities to invest in energy efficiency beyond the required reductions in consumption by allowing utilities to carry forward the full value of savings generated in one phase to the next. Encouraging utilities to continue to invest in programs after savings targets are met is in line with the Commission's reasoning.

3. The Commission should consider revisions to its savings carryover policy or other proposals that would be more effective in achieving additional savings and benefits for customers. The current savings carryover policy has demonstrated limited effectiveness in motivating utilities to maximize energy efficiency investment beyond the mandatory savings targets. This is evidenced by the underspending of available funding and the reporting of actual spending below the budget caps. Allowing savings carryover helps ensure that programs do not experience interruptions which is damaging for businesses utilizing and servicing these programs and customers planning projects that are time-dependent, but past experience shows utilities are not motivated to maximize energy efficiency investments beyond the mandatory savings targets. And the savings carryover ends up displacing savings from what otherwise would be new investments and more savings in the next phase. Therefore, that the current carryover policy is not effective. It is important to encourage performance above the targets while preventing carryover from displacing new investments. We recommend the Commission consider revisions or new proposals from stakeholders.

4. The proposed EE&C budgets should be adjusted for inflation in order to produce the intended levels of savings for customers. Act 129 budgets were established in 2009 based on energy efficiency costs from 2006. These budgets have not been adjusted for inflation. Inflation adjustments are crucial for ensuring the consistency of purchasing power of the budgets; otherwise, EE&C programs will not produce the intended level of savings or benefits expected under Act 129. An inflation adjustment to convert 2006 dollars to 2019 dollars would result in about $300 million of additional funding available for Phase IV programs, which then would be invested in additional cost-effective energy efficiency projects to benefit customers.

5. The utilities should invest 100% of their annual spending limits into EE&C programs so long as the investment is cost-effective. The Market Potential Study Report finds that energy efficiency investments up to and beyond the budget cap are cost-effective. By refunding excess spending under Phase III budgets to ratepayers rather than directing utilities to invest further in EE&C programs, the Commission is forgoing significant benefits to customers. Additional investment in cost-effective programs will result in additional net customer benefits. Net customer benefits from energy efficiency programs have been verified by all evaluation reports to date. We believe that excess budgets from Phase III should either be fully invested into EE&C programs or the Commission should consider the establishment of supplemental or pilot programs for these remaining funds.

6. The Commission should require the utilities to *implement* more comprehensive programs consistent with the Commission's reasoning and statements in the Tentative Order. In the Tentative Implementation Order, the Commission states that "more comprehensive programs are beneficial to electric customers," and, "EDCs should consider implementing a comprehensive mix of measures." (Tentative Order, p. 15) The Tentative Order also includes acquisition costs that are significantly higher than the actual acquisition costs from prior years, which was highlighted in the statement from Commissioner Place. We understand that the higher acquisition costs are due to two primary drivers: (1) changes in lighting programs and measures (i.e., residential lighting measures not being included and some commercial/industrial lighting measures being ramped down), and (2) the inclusion of a more comprehensive mix of measures in the Phase IV programs. If the Commission approves the much higher acquisition costs set forth in the Tentative Implementation Order–based on the presumption of greater comprehensiveness and consistent with the Commission's statements in the Order that comprehensive programs are beneficial to customers–then the Commission should also ensure that the comprehensive measures are actually installed through the programs and the lifetime savings due to the comprehensive measures are achieved through implementation.

Thank you for the opportunity to provide comment. Please do not hesitate to call on us if we can provide additional information and share our experience as this important public process progresses.

Sincerely,

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CC:

Commissioner Gladys Brown Dutrieuille, Chair
Commissioner David W. Sweet, Vice Chair
Commissioner Andrew G. Place
Commissioner John F. Coleman, Jr.
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