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May 12, 2020

VIA ELECTRONIC FILING

Ms. Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
2nd Floor, Room-N201
400 North Street
Harrisburg, PA 17120

Re: **Tentative Implementation Order**
M-2020-3015228

Dear Secretary Chiavetta:

Enclosed please find Duquesne Light Company's Reply Comments for filing in the above referenced proceeding.

Upon receipt, if you have any questions regarding the information contained in this filing, please feel free to contact me or Chris Johnson at 412-393-6496 or cljohnson@duqlight.com.

Sincerely,

Lindsay A. Baxter
Manager, State Regulatory Strategy

Enclosure

cc (w/ Word version of enclosure.):
Joseph Sherrick (josherrick@pa.gov)
Adam Young (adyoung@pa.gov)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Energy Efficiency and Conservation Program	**:**	**Docket No. M-2020-3015228**

REPLY COMMENTS OF
DUQUESNE LIGHT COMPANY

I. INTRODUCTION

Duquesne Light Company ("Duquesne Light" or "Company") submits the following Reply Comments regarding the *Tentative Implementation Order* issued March 12, 2020, seeking input on the proposed Phase IV of Act 129. The Company filed Comments in this proceeding on April 27, 2020 and submits these Reply Comments to inform the Public Utility Commission ("Commission") as to the Company's position on issues raised by other commenters and to further develop the record regarding this matter.

II. COMMENTS

Duquesne Light is committed to providing impactful, cost-effective energy efficiency programming to its customers. The public health crisis surrounding COVID-19, and the resulting economic impacts, make it more important than ever that these programs are available to customers in order to reduce energy usage and utility bills. However, now more than ever, these programs must be operated in a cost-effective manner.

Twenty-two entities filed original comments in this proceeding, covering a variety of issues. Duquesne Light has limited its Reply Comments to those items it finds most significant, with a particular focus on the ability to offer impactful programs cost-effectively.[1]

a. Implementation of Phase IV should not be delayed.

A number of commenters suggested the Commission delay Phase IV implementation.[2] The Company respectfully disagrees with this position. The Office of Consumer Advocate ("OCA"), in its Comments, suggests the Commission delay Phase IV and continue Phase III programming, with an annual target of 15% of Phase III goal, until Phase IV can be started.[3] Experience has shown that there is a cost associated with starting and stopping programs including disruption of contractor pools and technology supply chains. Further, customer confusion as well as reduced trust and confidence can result as program availability changes from previously advertised information. The Company asserts that delaying Phase IV is not in the best interest of customers.

Extending Phase III is not as simple as it may seem, and will increase program costs for customers without an associated increase in benefit. These costs will include the time and expense to renegotiate Phase III conservation service provider ("CSP") contracts, which expire May 31, 2021, assuming all Phase III contractors are willing and able to enter into extended contracts. The costs of such contracts are anticipated to increase, as extending these contracts would require updating costs and performance provisions established prior to the Phase III 2015 Energy Efficiency & Conservation ("EE&C") Plan filing. Similarly, electric distribution companies ("EDCs") will be required to amend the scope of work and

[1] The Company's silence on any issue should not be construed as agreement. Duquesne Light reserves all rights with respect to such issues in future proceedings.
[2] OCA at 5, IECPA at 2, Industrials at 2.
[3] OCA at 6.

budget for independent evaluation, measurement, and verification contractors. Such an extension will also require the Commission to extend the Statewide Evaluator ("SWE") contracted scopes of work and budgets. Additionally, Phase III surcharges are in-place only for the performance period ending May 31, 2021, and will need to be extended.

Further complications arise when proposed extended Phase III implementation activities attrite the energy efficiency potential identified in the *Phase IV Energy Efficiency and Peak Demand Reduction Market Potential Study Report* ("Potential Study").[4] To establish Phase IV EDC compliance targets, the reduced energy efficiency potential will need to be reassessed through an update to the Potential Study.

For all of these reasons, the Commission should reject recommendations to delay or suspend the Phase IV EE&C Program.

b. The Company disagrees that the potential study overstates low-income acquisition costs.

Duquesne Light disagrees with the OCA's assertion that the study overstates low-income acquisition costs.[5] The OCA states it is "concerned…that this consumption reduction target may be understated…acquisition costs in the EEPDR [Energy Efficiency and Peak Demand Reduction Market] Potential Study may be high, thus impacting the level of achievable savings…including low-income savings."[6] Duquesne Light does not share this concern. As described in its Comments[7], given its very low electric space and water heating end-use saturations, decades of both the Low-Income Usage Reduction Program (LIURP) and Act 129 low-income programs have largely subscribed achievable efficiency

[4] *Act 129 Phase IV Energy Efficiency and Peak Demand Reduction Market Potential Study Report*, dated February 28, 2020, Docket No. M-2020-3015229.
[5] OCA at 13.
[6] OCA at 13.
[7] Duquesne Light at 3.

potential. Duquesne Light has shown low-income acquisition rates are approximately four times the acquisition rates published in the Potential Study. In contrast to OCA's statements, Duquesne Light finds the Potential Study significantly understates low-income acquisition costs and significantly overstates low-income achievable potential.

c. The proposed requirement to bid energy efficiency demand reductions into PJM capacity markets should be made voluntary.

Duquesne Light finds it notable that six commenters representing diverse entities expressed opposition to the *Tentative Implementation Order's* proposed requirement that EDCs bid energy efficiency reductions into the PJM Capacity Market.[8] Duquesne Light agrees with OCA's concerns regarding the risk of capacity deficiency penalties accruing to program costs and potential program cost overruns.[9] Duquesne Light also agrees that the prospects of such penalties would cause it to adopt a conservative bidding strategy and the cost to prepare bids is not justified by the potential benefits. Duquesne Light joins OCA and "strongly recommends that the Commission eliminate this requirement."

d. Demand reductions for EE programs are not 1:1 with energy savings.

The Company wishes to express its agreement with the comments of the OCA suggesting that achieving 15% of the portfolio demand reduction may not align with achieving 15% of the portfolio's energy savings.[10] Imposing energy efficiency peak-period demand reduction compliance targets, concurrent with the imposition of energy consumption reduction compliance targets, will cause it to direct program spending to demand reduction measures in place of energy reduction measures, including those in hard-to-reach markets, such as the residential low-income sector. The Commission should allow

[8] Duquesne Light at 11, First Energy at 11, Industrials at 13, PECO at 12, Pennsylvania Energy Efficiency Providers at 1, OCA at 21.
[9] OCA at 20.
[10] OCA at 19.

EDCs to design programs to optimize energy and demand reductions, based on energy and capacity life-cycle benefits, and not impose competing compliance targets. Demand reduction is a byproduct of energy efficiency and should not drive energy efficiency program design.

e. The 50% incentive requirement should not be applied to low-income and other direct-install programs.

Duquesne Light agrees with OCA that requirements for 50% of program budgets to be applied to customer cash incentives should not be imposed on programs serving disadvantaged sectors, such as the residential low-income sector.[11] Cash incentives serve to offset the cost of incrementally higher-cost energy efficient end-uses. However, this model does not align with programs and measures for underserved hard-to-reach markets where direct-install measures are provided at no cost to participants, such as low-income residential and small commercial direct-install programs.

Further, Duquesne Light avers such a requirement is a legacy policy tied to outdated downstream program designs. The Potential Study shows that more than 40% of residential savings potential associated with "Whole Building" measures result primarily from behavioral changes (given very low space and water heating end-use saturations and the lack of ability to affect electric consumption reduction from building shell and weatherization measures). Behavioral programs overcome awareness and willingness barriers through education. The costs for such programs are not cash incentives; they are outreach media such as electronic platforms and printed material.

[11] OCA at 19.

An additional example is residential refrigeration efficiency measures. The potential study shows that "refrigeration" accounts for 14% of residential efficiency gain potential. However, a 50% cash incentive requirement misses the fact that key residential refrigeration measures are associated with refrigerator and freezer recycling programs where the majority of program cost is associated with marketing, uptake and enrollment, appliance transport, and recycling, not cash incentives.

Imposing a 50% incentive requirement broadly is not consistent with the basis for the compliance targets, established by the Commission's adoption of the *Energy Efficiency and Demand Reduction Potential Study.* The requirement is likewise in conflict with program designs that serve hard-to-reach markets and should be eliminated from the Implementation Order.

f. EDC reports are adequately detailed and further requirements are not needed.

Duquesne Light disagrees with recommendations of the Industrials and CAUSE-PA to require that costs be further delineated in EDC reports.[12] EDCs already provide adequate reporting granularity. Commission adopted and imposed annual reporting templates already track the following costs:

- Design & development
- Administration, Management and Technical Assistance
- Marketing
- Program delivery
- EDC evaluation costs
- SWE audit costs

Imposition of yet additional reporting metrics is unwarranted and will increase administrative burden and cost. In addition, the *Tentative Implementation Order* advances

[12] Industrials at 26 and CAUSE-PA at 23.

plans for a new compressed reporting schedule that does not align with unnecessary increases in reporting granularity.[13] The Commission should reject this recommendation.

g. EDC targets should not be enforced annually.

Duquesne Light disagrees with the assertion of the Environmental Stakeholders that EDC targets should be enforced annually, subject to penalty.[14] The Act specifies that the Commission shall evaluate the program every five years.[15] Evaluating a utility's performance by Phase, rather than annually, is a more accurate reflection of performance, as progress year-to-year can be influenced by many factors outside of the utility's control.

h. Previous phases of Act 129 have benefited all customer classes.

The Industrials assert that large commercial and industrial ("C&I") customers have not experienced significant benefits resulting from Act 129.[16] Duquesne Light notes that in various Phases of Act 129, C&I customers have seen significant benefits in rebate dollars received and kilowatt-hours saved. Duquesne Light's annual reports reflect large industrial customer participation in Act 129 programs resulted in 187,000 Megawatt-hours of verified energy savings and $9.4 million in cash incentives.[17] The associated life-cycle benefits of these programs alone are valued at approximately $140 million.

i. Response to Comments of CAUSE-PA

CAUSE-PA offered robust and detailed comments on several aspects of the proposed low-income program. The Company respectfully disagrees with a number of CAUSE-PA's recommendations, as outlined below.

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[13] *Tentative Implementation Order* at 49.
[14] Comments of Environmental Stakeholders at 21.
[15] 66 Pa. C.S. 28 § 2806.1 (C) (3)
[16] Comments of Industrials at 3.
[17] Duquesne Light's Act 129 Annual Reports for Program Years 4, 7, and 10.

- Duquesne Light opposes CAUSE-PA's suggestion that the low-income carve-out be increased to 6.5% of portfolio savings.[18] As fully discussed in the Company's Comments at 3 the proposed 5.8% target is not achievable due to low saturations of heating and hot water applications, combined with decades of programming through LIURP and previous Act 129 phases. A financial target as recommended by both OCA and Duquesne Light in their respective Comments represents a more appropriate goal that will allow EDCs flexibility to provide every opportunity they can for this hard-to-reach sector.
- Duquesne Light opposes the proposal of a mandate related to comprehensive programming.[19] Rather, comprehensive programming should be encouraged, as is done in the *Tentative Implementation Order.*
- The Commission should reject, as it did in Phase III, the unsupported assertion that a direct-installation minimum percentage will better serve the low-income sector.[20] Similarly, the Company opposes the suggestion that Home Energy Reports, energy efficiency kits, and other giveaways should not count towards the low-income savings target.[21] The savings associated with these measures can be counted using Commission-adopted measurement protocols. EDCs should be allowed to employ all measures at their disposal to achieve the imposed low-income savings mandates, using Commission-approved measurement and verification protocols.

[18] CAUSE-PA at 8.
[19] Comment of CAUSE-PA at 7.
[20] Comments of CAUSE-PA at 11.
[21] Comments of CAUSE-PA at 12.

- Duquesne Light uses a competitive process, which is open to community-based organizations (CBOs), to select the best qualified contractor. EDCs should not be compelled to use CBOs, as suggested by CAUSE-PA at 16 and Commission on Economic Opportunity at 3, if a more effective means for program delivery is available from the competitive market.
- The Company opposes the recommendation that Phase IV low-income targets be adjusted to account for Phase III-to-IV low-income carry-over.[22] Such an approach effectively eliminates carry-over, which removes any incentive for EDCs to implement programming beyond its target. Such a change would incentivize EDCs to delay measure implementation so that associated savings will count toward Phase IV mandates. This recommendation should be rejected.
- CAUSE-PA proposes that unspent Phase III budget be spent on health and safety measures in Phase IV.[23] Duquesne Light asserts health and safety measures are not energy efficiency resource measures, and thus funding them with EE&C Program funds is in conflict with Act 129. The Company implements its LIURP program to address health and safety issues. Moreover, it bears repeating that the Company does not retain any "unspent" dollars; any overcollections are automatically refunded to customers as part of the Company's annual reconciliation of EE&C revenues and expenses.
- CAUSE-PA writes "CAP [Customer Assistance Program] Customers and confirmed low-income customers should be excluded from EE&C Riders."[24] This

[22] Comments of CAUSE-PA at 17.
[23] Comments of CAUSE-PA at 25.
[24] Comments of CAUSE-PA at 26.

recommendation is in conflict with Act 129 enabling legislation that states: "(11) Cost Recovery to ensure that measures approved are financed by the same customer class that will receive the direct energy and conservation benefits."[25] To be compliant with the Act, if CAP customers and low-income customers are excluded from EE&C rider surcharges, they would be excluded from receiving energy and conservation program benefits.

III. CONCLUSION

Duquesne Light is dedicated to providing energy efficiency and conservation programs that are cost-effective and impactful. Under the current circumstances, it is more important than ever that these programs are available to support customers in reducing energy expenses, but it is also crucial that they are operated cost-effectively. The Company appreciates the opportunity to participate in this proceeding.

Respectfully submitted,

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Date: May 12, 2020

[25] 66 Pa. C.S. 28 § 2806.1 (A) (11)