|  |  |  |
| --- | --- | --- |
| PUC logo | COMMONWEALTH OF PENNSYLVANIA  PENNSYLVANIA PUBLIC UTILITY COMMISSION  P.O. BOX 3265, HARRISBURG, PA 17105-3265 | **IN REPLY PLEASE REFER TO OUR FILE**  M-2020-3015228 |

July 27, 2020

To: All Interested Parties

Re: Implementation of Act 129 of 2008—Phase IV

Energy Efficiency and Conservation Plan Template

Docket No. M-2020-3015228

The Pennsylvania Public Utility Commission (Commission) hereby issues, for comment, the proposed Phase IV Energy Efficiency and Conservation Plan (EE&C Plan) filing template. On June 18, 2020, the Commission adopted an *Implementation Order* which directed that the Phase IV EE&C Program would operate from June 1, 2021 through May 31, 2026, and prescribed further energy consumption and peak demand reduction targets.[[1]](#footnote-2) The June 18, 2020 *Implementation Order* directed the electric distribution companies (EDCs) to file Phase IV EE&C Plans by November 30, 2020.[[2]](#footnote-3) With this Secretarial Letter, the Commission continues its process of establishing guidelines for implementing the fourth phase of the Act 129 EE&C Program.

The EE&C Plan template for Phase III was developed pursuant to the Commission’s Phase III Implementation Order, entered on June 11, 2015, at Docket No. M-2014-2424864.[[3]](#footnote-4) With this Secretarial Letter, the Commission is proposing a revised EE&C Plan template that the EDCs with at least 100,000 customers will use in preparing and filing their Phase IV EE&C Plans.

We propose that each EDC post on its website a copy of its initial, proposed Phase IV EE&C Plan, due to the Commission no later than November 30, 2020. The Commission also proposes that each EDC maintain on its website an electronic copy of its most current, Commission-approved Phase IV EE&C Plan. In addition, we propose that all subsequent revised versions, both clean and redlined, should be posted, noting the date of Commission approval or, if not yet approved, a designation indicating that approval is pending before the Commission.

The Commission directs that all interested parties shall have until August 17, 2020, to file written comments on the proposed Phase IV EE&C Plan template, referencing Docket No. M-2020-3015228, to the Pennsylvania Public Utility Commission, Attention: Secretary, P.O. Box 3265, Harrisburg, PA 17105-3265. Comments may also be filed electronically, at the above-referenced docket, through the Commission’s e-File system.[[4]](#footnote-5) No reply comments will be accepted.

If there are any technical questions regarding the attached proposed Phase IV EE&C Plan template, please contact Charles Covage in the Commission’s Bureau of Technical Utility Services at [ccovage@pa.gov](mailto:ccovage@pa.gov), 717-783-3835. If there are any questions relating to legal or procedural issues regarding this proceeding, please contact Adam Young in the Commission’s Law Bureau at [adyoung@pa.gov](mailto:kribrown@pa.gov), 717-783-3968.

****

Sincerely,

Rosemary Chiavetta

Secretary

Attachment: EE&C Plan Template

cc: Kriss Brown, Deputy Chief Counsel

Adam Young, Assistant Counsel

Charles Covage, Bureau of Technical Utility Services

Joseph Sherrick, Bureau of Technical Utility Services

Darren Gill, Bureau of Technical Utility Services

**Template for Pennsylvania EDC Energy Efficiency and Conservation Plans**

To be submitted by EDCs by November 30, 2020

**Contents**

* Transmittal Letter
* Table of Contents
* Table of Acronyms
* Mapping of Program Years to Dates

1. Overview of Plan
2. Energy Efficiency and Conservation Portfolio/Program Summary Tables and Charts
3. Program Descriptions
4. Program Management and Implementation Strategies
5. Reporting and Tracking Systems
6. Quality Assurance and Evaluation, Measurement, and Verification
7. Cost Recovery Mechanism
8. Cost Effectiveness
9. Plan Compliance Information and Other Key Issues
10. Appendices

Note:

If any of your answers require you to disclose what you believe to be privileged or confidential information, not otherwise available to the public, you should designate at each point in the EE&C Plan that the answer requires you to disclose privileged and confidential information. Explain briefly why the information should be treated as confidential. You should then submit the information on documents stamped “CONFIDENTIAL” at the top in clear and conspicuous letters and submit one copy of the information under seal to the Secretary’s Office along with the EE&C Plan. In addition, an expunged copy of the filing should also be included with the EE&C Plan. If someone requests to examine the information, or if Commission staff believes that the proprietary claim is frivolous or otherwise not justified, the Secretary’s Bureau will issue a Secretarial Letter directing that the EDC file a petition for protective order pursuant to 52 Pa. Code § 5.423.

**Energy Efficiency and Conservation Plan**

**A. Transmittal Letter –** with reference to statutory and regulatory requirements and Electric Distribution Company (EDC) contact that PA PUC should contact for more information.

**B. Table of Contents –** including lists of tables and figures.

**C. Table of Acronyms –** include definitions of any acronyms used in the plan

**D. Mapping of Program Years to Dates –** show table identifying the start and end dates of all program years

| **Program Year** | **Start Date** | **End Date** |
| --- | --- | --- |
| PY13 | 6/1/2021 | 5/31/2022 |
| PY14 | 6/1/2022 | 5/31/2023 |
| PY15 | 6/1/2023 | 5/31/2024 |
| PY16 | 6/1/2024 | 5/31/2025 |
| PY17 | 6/1/2025 | 5/31/2026 |

# Overview of Plan

*(The objective of this section is to provide an overview of the entire plan)*

## Summary description of plan, plan objectives, and overall strategy to achieve energy efficiency and conservation goals.

## Summary description of process used to develop the EE&C plan and key assumptions[[5]](#footnote-6) used in preparing the plan.

## Summary tables of portfolio savings goals, budget and cost-effectiveness (see Tables 1, 2, 3 and 4). Introduce Table 2 with high-level overview of Act 129 accounting (incremental annual, meter level savings vs. system level savings, weather-normalization of savings estimates, etc.).

## Summary of program implementation schedule over five-year plan period (see Chart 1 Notes).

## Summary description of the EDC implementation strategy to acquire at least 15% of its consumption reduction and peak demand reduction target in each program year.

## Summary description of the programs or measure categories from which the EDC intends to nominate peak demand reductions (PDR) into PJM’s Forward Capacity Market (FCM) along with the projected MW totals to be bid by year.

## Summary description of the EDC implementation strategy to manage EE&C portfolios and engage customers and trade allies.

## Summary description of EDC’s data management, quality assurance and evaluation processes; include how EE&C plan, portfolios, and programs will be updated and refined based on evaluation results.

## Summary description of cost recovery mechanism.

# Energy Efficiency Portfolio/Program Summary Tables and Charts

*(The objective of this section is to provide a quantitative overview of the entire plan for the five-year period. The audience will be those who want to see the “numbers”, but not all the details.)*

## Residential, Commercial/Industrial Small, Commercial/Industrial Large and Government/ Nonprofit/Institutional Portfolio Summaries (see Table 5).[[6]](#footnote-7)

## Plan data: Costs, Cost-effectiveness and Savings by program, sector and portfolio (see Tables 1-5.

## Budget and Parity Analysis (see Table 6). As discussed in the Phase I Implementation Order, EDC total annual revenue is inclusive of collections on behalf of Electric Generation Suppliers.[[7]](#footnote-8) EDCs should use calendar year 2019 to compute the share of revenue and MWh sales by customer sector.

# Program Descriptions

*(The objective of this section is to provide detailed descriptions of each proposed program and the background on why particular programs were selected and how they form balanced/integrated portfolios. Note that a customer sector is not a program. Programs should not have more than one implementation CSP. If more than one implementation CSP is required, the definition of program is too broad.)*

## Discussion of criteria and process used for selection of programs:

### Describe portfolio objectives and metrics that define program success (*e.g.,* energy and demand savings, customers served, number of units installed).

### Describe how programs were constructed for each portfolio to provide market coverage sufficient to reach overall energy and demand savings goals. Describe analyses and/or research that were performed (*e.g.,* market, best-practices, market modeling).

### Describe how energy efficiency, combined heat and power, renewables, and other measures are included in the portfolio of programs as applicable.

### Describe how the EDC defines ‘comprehensive’ in the context of EE&C plan design and delivery and the comprehensive program(s) to be offered to the residential and non-residential rate classes. Describe the measure mix or delivery mechanism that qualify each program as comprehensive consistent with the requirements of the Phase IV Implementation Order.

## Residential Sector (as defined by EDC Tariff) Programs - include formatted descriptions of each program organized under the following headings:

* Program Title and Program years during which program will be implemented[[8]](#footnote-9)
* Objective(s)
* Target market – including market size to help frame participation estimates (e.g. number of households, electric sales etc.)
* Program description
* Implementation strategy (including expected changes that may occur in different program years)
* Program issues and risks and risk management strategy
* Anticipated costs to participating customers
* Ramp up strategy
* Marketing strategy
* Eligible measures and incentive strategy showing incremental cost assumptions, gross measure-level TRC ratio, and incentive levels (*e.g.,* $ per measure, $ per kWh or MW saved). See Table 7.
* Maximum deadlines for rebates including clear and reasonable rationale for the any timeframe longer than 180 days.
* Program start date with key schedule milestones
* Assumed Evaluation, Measurement, and Verification (EM&V) requirements required to document savings by the Commission’s statewide EE&C Plan Evaluator
* Administrative requirements – include internal and external staffing levels
* Savings targets and estimated participation – include tables with estimated total MWh/yr and MW goals per year and/or ranges per year and cumulative tables that document key assumptions of estimated savings ranges per measure as well as estimated participation. See Table 8.
* Estimated program budget (total) by year – include table with budget per year. The table should also show what percentage of the budget goes to incentive costs and what percentage goes to non-incentive costs.[[9]](#footnote-10) See Table 9.
* Estimated percentage of sector budget attributed to the program
* Cost-effectiveness – include gross and net TRC and net-to-gross (NTG) ratio[[10]](#footnote-11) for each program. For gross tables, NTGR should be 1. See Table 13.
* Bidding strategy for peak demand reductions into PJM’s FCM. Include a description of the strategy and approach of offering resources into the PJM capacity market. The description should include an estimated number of MW and a trajectory of that MW total over time.
* Other information deemed appropriate

### Low-Income Sector (as defined by 66 Pa. C.S. § 2806.1) Programs - include formatted descriptions of each program organized under the same headings as listed above for residential programs. As well, provide and detail all plans for achieving compliance with the June 18, 2020 Implementation Order. Specifically, provide details on how the plan will meet the proportionate number of measures requirement. Also include estimates of any applicable low-income carryover savings from Phase III, per the June 18, 2020 Implementation Order.[[11]](#footnote-12)

## Commercial/Industrial Small Sector (as defined by EDC Tariff) Programs - include formatted descriptions of each program organized under the same headings as listed above for residential programs. Additionally, include Tables 7, 8, 9, and 13.

## Commercial/Industrial Large Sector (as defined by EDC Tariff) Programs - include formatted descriptions of each program organized under the same headings as listed above for residential programs. Additionally, include Tables 7, 8, 9, and 13.

## Government/Nonprofit/Institutional Sector (as defined by 66 Pa. C.S. § 2806.1) Programs - include formatted descriptions of each program organized under the same headings as listed above for residential programs**.** Additionally, include Tables 7, 8, 9, and 13.

# Program Management and Implementation Strategies

*(The objective of this section is to provide detailed description of how EDC plans to manage and implement programs, including their approach to and use of Conservation Service Providers (CSPs).)*

## Overview of EDC Management and Implementation Strategies:

### Describe the types of services to be provided by EDC as well as consultants, trade allies, and CSPs. Indicate which organizations will provide which services and the basis for such allocation. Reference reporting and EM&V information from Sections 5 and 6 below.[[12]](#footnote-13)

### Describe how the risk categories of performance, technology, market and evaluation can affect the programs and any risk management strategies that will be employed to mitigate those risks.[[13]](#footnote-14)

### Describe how EDC plans to address human resource and contractor resource constraints to ensure that adequate personnel and contractors are available to implement the EE&C plan successfully.

### Describe “early warning systems” that will be utilized to indicate progress towards the goals and whether they are likely to be met. Describe EDC’s approach and process for shifting goals and funds, as needed, between programs and adding new measures/programs.

### Provide implementation schedules with milestones.

### Provide a brief overview of how stakeholders will be engaged throughout Phase IV.

## Executive management structure:

### Describe EDC structure for addressing portfolio strategy, planning, review of program metrics, internal and external communications, budgeting and financial management, program implementation, procurement, program tracking and reporting, and Quality Assurance/Quality Control (QA/QC). Include EDC organization chart for management team responsible for implementing EE&C plan.

### Describe approach to overseeing the performance of sub-contractors and implementers of programs and how they can be managed to achieve results, within budget, and ensure customer satisfaction.

### Describe basis for administrative budget.

## Conservation Service Providers (CSPs):

### List any selected CSPs, describe their qualifications and basis for selection (include contracts in Appendix).

### Describe the work and measures being performed by CSPs.

### Describe any pending RFPs to be issued for additional CSPs.

# Reporting and Tracking Systems[[14]](#footnote-15)

*(The objective of this section is to provide a detailed description of reporting and the critical data management and tracking systems that EDCs need in order to implement programs and which Commission, and its statewide EE&C Plan Evaluator, need to access.)*

## Indicate that the EDC will provide semiannual and annual reports as prescribed in the June 18, 2020 Implementation Order.

## Project Management Tracking Systems:

### Provide brief overview of the data tracking system for managing and reporting measure, project, program and portfolio activities, status and performance as well as EDC and CSP performance and expenditures.

### Describe the software format, data exchange format, and database structure you will use for tracking participant and savings data. Provide examples of data fields captured.

### Describe how CSPs will integrate with the tracking system and the procedures to ensure the upload and exchange of data from CSPs to the EDCs is sound.

### Indicate that the EDC will fulfill all quarterly and annual data requests issued by the Commission and its statewide evaluator. Describe the level of access and mechanism for access for Commission and statewide evaluator.

# Quality Assurance and Evaluation, Measurement and Verification

*(The objective of this section is to provide detailed description of how the EDC’s quality assurance/quality control, verification and internal evaluation process will be conducted and how this will integrate with the statewide evaluation activities)*

## Quality Assurance/Quality Control:

### Describe overall approach to quality assurance and quality control.

### Describe procedures for measure and project installation verification, quality assurance and control, and savings documentation.

### Describe process for collecting and addressing participating customer, contractor and trade ally feedback (*e.g.,* suggestions and complaints).

### Describe any planned market and process evaluations and how results will be used to improve programs.

### Describe strategy for coordinating with the EM&V contractor and statewide evaluator.

# Cost‑Recovery Mechanism

*(The objective of this section is to provide detailed descriptions and estimated values for cost recovery mechanism.)*

## Provide the amount of total annual revenues as of December 31, 2006 and provide a calculation of the total allowable EE&C costs based on 2% of that annual revenue amount.

## Description of plan in accordance with 66 Pa. C.S. §§ 1307 and 2806.1 to fund the energy efficiency and conservation measures, to include administrative costs.

## Provide data tables (see Tables 10, 11, and 12).

## Provide and describe tariffs and a Section 1307 cost recovery mechanism, pursuant to the requirements of the June 18, 2020 Implementation Order at 141, that will be specific to Phase IV Program costs. Provide all calculations and supporting cost documentation.

## Describe how the cost recovery mechanism will ensure that measures approved are financed by the same customer class that will receive the direct energy and conservation benefits.

## Describe how Phase IV costs will be accounted for separately from costs incurred in prior phases.

## Describe how proceeds from PJM FCM participation will be incorporated into the cost recovery mechanism.

# Cost Effectiveness

*(The objective of this section is to provide a detailed description of the cost-effectiveness criteria and analyses. It can refer to appendices with program data.)*

## Provide in table format the values contained in the Outputs tab of the Avoided Cost Calculator.[[15]](#footnote-16) Additionally, a completed copy of the Avoided Cost Calculator should be provided with the filing. Discuss any sensitivities or key considerations associated with the forecast of avoided costs.

## Confirm use of a 3% real discount rate (5% nominal discount rate) called for in the 2021 TRC Order.[[16]](#footnote-17)

## Explain and demonstrate how the proposed plan will be cost effective as defined by the Total Resource Cost Test (TRC) specified by the Commission.[[17]](#footnote-18)

## Provide TRC data tables on a gross and net TRC basis. See Table 13.

# Plan Compliance Information and Other Key Issues

*(The objective of this section is to have specific areas in EE&C plan where the Commission can review miscellaneous compliance items required in legislation and address key issues in EE&C plan, portfolio, and program design.)*

## Plan Compliance Issues.[[18]](#footnote-19)

### Describe how the plan provides a variety of energy efficiency and conservation measures and will provide the measures equitably to all classes of customers in accordance with the June 18, 2020 Implementation Order.

### Provide a statement delineating the manner in which the EE&C plan will achieve the requirements of the program under 66 Pa. C.S. §§ 2806.1(c) & (d).

### Provide a statement delineating the manner in which the EE&C plan will achieve the Low-Income requirements prescribed in the June 18, 2020 Implementation Order.

### Describe how the EDC will ensure that no more than two percent of funds available to implement the plan shall be allocated for experimental equipment or devices.

### Describe how the plan will be competitively neutral to all distribution customers even if they are receiving supply from an EGS.

## Other Key Issues:

### Describe how this EE&C plan will lead to long-term, sustainable energy efficiency savings in the EDC’s service territory and in Pennsylvania.

### Describe how this EE&C plan will leverage and utilize other financial resources, including funds from other public and private sector energy efficiency and solar energy programs.

### Describe how the EDC will address consumer education for its programs.

### Indicate that the EDC will provide a list of all eligible federal and state funding programs available to ratepayers for energy efficiency and conservation.

### Describe how the EDC will provide the public with information about the results from the programs.

# Appendices

1. Approved CSP contract(s).
2. Program by program projections of costs and acquisition cost ($/MWh and $/MW for each program and sector. Cost data should clearly separate incentive cost for non-incentive cost. See Example Tables 10, 11, and 12:

* Program Cost Elements
  + Incentives
  + Program Design
  + Administrative
  + EDC Program Delivery Costs
  + CSP Program Delivery Fees
  + Marketing
  + EM&V
  + Other (include a description)
* Cost effectiveness calculations by program and by program year, indicating benefits by category (see Example Table 13).

1. Calculation methods and assumptions. Describe methods used for estimating all program costs, including administrative, marketing, and incentives costs; include key assumptions. Describe assumptions and present all calculations, data and results in a consistent format. Reference Appendix D.

**The required table templates are embedded on the following pages. Double-click any table to open a Microsoft Excel version of the table templates.**

****

****

****





















1. *See Energy Efficiency and Conservation Program* Implementation Order, at Docket No. M-2020-3015228, entered June 18, 2020. <http://www.puc.state.pa.us/pcdocs/1666981.docx> [↑](#footnote-ref-2)
2. *Id.* at 89. [↑](#footnote-ref-3)
3. *See* *Energy Efficiency and Conservation Program* Implementation Order, at Docket No. M-2014-2424864, entered on July 21, 2015. <http://www.puc.pa.gov/pcdocs/1372426.doc> [↑](#footnote-ref-4)
4. More information regarding the Commission’s e-Filing process is available at <http://www.puc.pa.gov/efiling/default.aspx>. [↑](#footnote-ref-5)
5. Whenever assumptions are used, provide the basis for using that assumption. [↑](#footnote-ref-6)
6. A *project* is an activity or course of action involving one or multiple energy efficiency measures, at a single facility or site. A *program* is a group of projects, with similar characteristics and installed in similar applications. Programs should be organized around a common technology, end-use, or delivery mechanism. The *portfolio* consists of all the programs in the residential, commercial/industrial small, commercial/industrial large or government/nonprofit/institutional sectors. Residential sector programs include participants with a residential rate schedule. Commercial/Industrial Small sector programs include participants with a small C/I rate schedule. Commercial/Industrial Large sector programs include participants with large C/I rate schedule. Government/Nonprofit/Institutional includes customers in any rate schedule who are Federal, State, Municipal, and Local Governments, as well as school districts, institutions of higher learning, and non-profit entities. The applicable EE&C sector designation is based on a customer’s rate schedule not the size of the energy efficiency project or the type of building. [↑](#footnote-ref-7)
7. Per the January 16, 2009 Implementation Order, “*the Commission interprets ‘amounts paid to the [EDC] for generation, transmission, distribution and surcharges by retail customer,’ set forth as the definition of EDC total annual revenue in 66 Pa. C.S. § 2806.1(m), to include all amounts paid to the EDC for generation service, including generation revenues collected by an EDC for an EGS that uses consolidated billing*.” *See January 16, 2009 Implementation Order* at 35. [↑](#footnote-ref-8)
8. It is assumed that there are five program years, each starting June 1 and ending May 31st. The first program year (PY) is PY13 (June 1, 2021 to May 31, 2022) and the final program year is PY17 (June 1, 2025 to May 31, 2026). [↑](#footnote-ref-9)
9. Per the June 18, 2020 Implementation Order, at least 50% of EE&C plan spending should come from incentives and less than 50% should be attributed to non-incentive cost categories. This requirement is at the portfolio level, not the program or sector level. *See June 18, 2020 Implementation Order* at 126. [↑](#footnote-ref-10)
10. Per the June 18, 2020 Implementation Order, EDCs are required to provide NTG ratios in addition to standard TRC ratios, with language reiterating the speculative nature of NTG ratios. *See June 18, 2020 Implementation Order* at 107. [↑](#footnote-ref-11)
11. The June 18, 2020 Implementation Order disallowed the inclusion of low-income participation in standard, non-low-income-specific residential programs in the calculation of savings towards the low-income carve-out. *See June 18, 2020 Implementation Order* at 28. [↑](#footnote-ref-12)
12. Services to be offered by EDC or others may include marketing, customer recruiting, demonstration projects, audits and or installation of new efficiency measures, verification of installations and or baseline usage, response to customer concerns, program tracking and program evaluation. [↑](#footnote-ref-13)
13. Performance risk is the risk that, due to design or implementation flaws, the program does not deliver expected savings. Technology risk is the risk that technologies targeted by a program fail to deliver the savings expected. Market risk is the risk that customers, or other key market players (*e.g.,* contractors), choose not to participate in a program. Evaluation risk is the risk that independent EM&V will, based on different assumptions, conclude that savings fall short of what the implementers have estimated. [↑](#footnote-ref-14)
14. This Section may be modified if the Commission’s statewide EE&C Plan Evaluator develops further reporting and tracking systems that are approved by the Commission. [↑](#footnote-ref-15)
15. Available at <http://www.puc.state.pa.us/filing_resources/issues_laws_regulations/act_129_information/total_resource_cost_test.aspx> [↑](#footnote-ref-16)
16. *See 2021 Total Resource Cost (TRC) Test Order*, at Docket No. M-2019-3006868, entered December 19, 2019 at 21. [↑](#footnote-ref-17)
17. *Id.* at 17. [↑](#footnote-ref-18)
18. These sub-sections may reference other chapters of the plan as they may restate what was included elsewhere in the plan and are collected here only for convenience of review. [↑](#footnote-ref-19)