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February 18, 2021

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street, 2nd Floor
Harrisburg, PA 17120

RE: Petition of Duquesne Light Company for Approval of its Act 129 Phase IV Energy Efficiency and Conservation Plan
Docket No. M-2020-3020818

Dear Secretary Chiavetta:

Enclosed for filing please find a Joint Petition for Full Settlement in the above-captioned matter, including statements in support from all signatories. Copies of this filing have been served in accordance with the attached Certificate of Service.

Thank you, and please contact me if you have any questions or concerns.

Sincerely,

STEVENS & LEE

Michael A Gruin

Michael A. Gruin

cc: Certificate of Service
ALJs Hoyer and DeVoe

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for Approval of its Act 129 Phase IV Energy Efficiency and Conservation Plan	:	Docket No. M-2020-3020818

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the enclosed Joint Petition for Full Settlement have been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant):

VIA ELECTRONIC MAIL ONLY

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02/18/2021 SL1 1672977v1 107841.00021

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company For Approval of its Act 129 Phase IV Energy Efficiency and Conservation Plan Conservation Plan	: : : : : :	Docket No. M-2020-3020818

<u>JOINT PETITION FOR FULL SETTLEMENT</u>

TO THE HONORABLE MARK HOYER AND EMILY DEVOE, ADMINISTRATIVE LAW JUDGES:

I. INTRODUCTION

Duquesne Light Company ("Duquesne Light"), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Community Action Association of Pennsylvania ("CAAP"), and the Office of Consumer Advocate ("OCA"), parties to the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners"), hereby join in this Joint Petition for Full Settlement and respectfully request that the Pennsylvania Public Utility Commission ("Commission") approve the Settlement as set forth below. This Settlement has been agreed to or not opposed by all active parties to this proceeding.

As set forth fully below, the Joint Petitioners have agreed to a settlement of all issues raised by the parties to this proceeding. The Settlement provides for approval of Duquesne Light's Phase IV Energy Efficiency & Conservation ("EE&C") Plan with certain modifications and clarifications as agreed upon by the Joint Petitioners. In support of this Petition, the Joint Petitioners state the following:

II. BACKGROUND

1. Duquesne Light is a public utility as the term is defined under Section 102 of the Public Utility Code, 66 Pa.C.S. § 102, certificated by the Commission to provide electric service in the City of Pittsburgh and in Allegheny and Beaver Counties in Pennsylvania. Duquesne Light is also an electric distribution company ("EDC") and a default service provider as those terms are defined under Section 2803 of the Public Utility Code. 66 Pa.C.S. § 2803. Duquesne Light provides electric distribution service to approximately 600,000 customers.

2. On November 30, 2020, pursuant to Act 129 of 2008 ("Act 129"), Duquesne Light filed the above-captioned Petition with the Commission, requesting approval of its Phase IV Energy Efficiency and Conservation ("EE&C") Plan. Act 129, which became effective on October 15, 2008, created, *inter alia*, an energy efficiency and conservation program, codified in the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 2806.1 and 2806.2. This program required each EDC with at least 100,000 customers to adopt and implement a Commission-approved EE&C Plan. EE&C Plans are programs designed to achieve the Act 129 conservation and peak load reduction requirements, by specified dates, within the specified cost cap.

3. Duquesne Light's Phase IV Plan was filed pursuant to the Commission's *Energy Efficiency and Conservation Phase IV Implementation Order ("Phase IV Implementation Order").*[1] For Duquesne Light, the *Phase IV Implementation Order* adopted a consumption reduction target for the five-year Phase IV period of least 348,126 MWh, and a demand reduction target of 62 MW.[2]

4. Consistent with the requirements set forth in Act 129 and the Commission's *Phase IV Implementation Order*, Duquesne Light's Phase IV Plan covers the period from June 1,

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[1] *Energy Efficiency and Conservation Program*, Docket No. M-2020-3015228 (Order entered on June 18, 2020).
[2] *Phase IV Implementation Order*.

2021 through May 31, 2026 and (a) includes measures to achieve or exceed the required reductions and states the manner in which the consumption reductions will be achieved or exceeded; (b) complies with the designated expenditure cap of 2% of 2006 Annual Revenues over the five-year plan; (c) achieves a total cumulative energy reduction of at least 348,126 MWh by May 31, 2026, with at least 15% of the savings compliance target being achieved in each of the five program years; (d) achieves a minimum of 5.3% of the total required reductions from the low-income customer sector by May 31, 2026; (e) includes a proportionate number of energy efficiency measures for low income households as compared to those households' share of the total energy usage in the service territory; (f) offers at least one comprehensive program for residential customers and at least one comprehensive program for non-residential customers; (g) achieves peak demand reductions of at least 62 MW; (h) includes a contract with one conservation service provider ("CSP"); (i) includes an analysis of administrative costs of the plan; (j) includes a reconcilable adjustment clause tariff mechanism in accordance with 66 Pa.C.S. § 1307; and (k) demonstrates that the Phase IV Plan is cost-effective based on the Commission's Total Resource Cost Test ("TRC").

5. In conjunction with the filing of its Phase IV EE&C Plan, Duquesne Light filed the Direct Testimony of David Defide (Duquesne Light Statement No. 1) explaining the methodology employed to analyze, develop, and implement Duquesne Light's Phase IV plan; and the Direct Testimony of David Ogden (Duquesne Light Statement No. 2) detailing Duquesne Light's proposed cost recovery mechanism.

6. On December 11, 2020, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") filed its Petition to Intervene and Answer in this proceeding.

7. On December 21, 2020, the Office of Small Business Advocate ("OSBA") filed its Notice of Intervention and Public Statement in this proceeding. That same day, the Community Action Association of Pennsylvania ("CAAP") filed its Petition to Intervene in this proceeding.

8. This matter was assigned to Administrative Law Judges ("ALJ") Mark Hoyer and Emily DeVoe, and on December 30, 2020, a Prehearing Conference Order was issued in this proceeding. The Prehearing Conference Order scheduled a Prehearing Conference for January 6, 2021, and directed the parties to file prehearing conference memoranda on or before January 5, 2021.

9. On December 30, 2020, CAUSE-PA issued Set I Interrogatories and Requests for the Production of Documents to Duquesne Light.

10. On December 31, 2020, the Office of Consumer Advocate ("OCA") filed its Notice of Intervention and Public Statement in this proceeding. Also on December 31, 2020, OCA issued Set I of its Interrogatories to Duquesne Light.

11. On January 2, 2021, notice of Duquesne Light's Petition was published in the Pennsylvania Bulletin. The notice established a deadline of January 22, 2021 for the filing of comments on, and responsive pleadings to, the Company's Phase IV EE&C Plan.

12. The Prehearing Conference was held on January 6, 2021, and counsel for all of the active parties to the proceeding participated in the Conference. On January 7, 2021, ALJs Hoyer and DeVoe issued a Scheduling Order which granted the Petitions to Intervene that were filed prior to the Prehearing Conference and established a litigation schedule for the proceeding.

13. On January 9, 2021, CAUSE-PA, CAAP, OCA, and OSBA filed a Joint Expedited Motion for Extension of Procedural Schedule.

14. On January 11, 2021, the ALJs issued an Interim Order Directing Parties to Respond to Joint Expedited Motion and OALJ's Proposed Revised Schedule ("Interim Order").

15. On January 13, 2021, Duquesne Light, OCA, CAUSE-PA, and OSBA individually filed responses to the Interim Order.

16. On January 14, 2021, Chief Administrative Law Judge Charles E. Rainey issued an Order Denying the Joint Expedited Motion for Extension of Procedural Schedule and ordered that the proposed revised procedural schedule of the ALJs is to be followed in the proceeding.

17. On January 14, 2021, CAUSE-PA and OCA submitted Direct Testimony of their respective witnesses in the proceeding.

18. On January 20, 2021, Peoples Natural Gas Company LLC filed its Petition to Intervene in this proceeding.

19. On January 22, 2021, Energy Efficiency for All and Daikin U.S. Corporation filed Comments on the Company's Phase IV Plan.

20. On January 25, 2021, Duquesne Light and CAAP submitted Rebuttal Testimony of their respective witnesses in the proceeding.

21. On January 26, 2021, the ALJs issued an Interim Order Revising Litigation Schedule, Rescheduling Evidentiary Hearing, and Granting Petition to Intervene of Peoples Natural Gas Company LLC. *Inter alia*, this Interim Order established February 8, 2021, as the date for evidentiary hearing.

22. During the course of this proceeding, Duquesne Light provided responses to interrogatories and requests for production of documents propounded by multiple parties, in addition to providing additional information regarding its Phase IV EE&C Plan to the parties during informal discussions.

23. The parties were involved in a number of discussions over the course of the proceeding. As a result of those discussions and the efforts of the Joint Petitioners to examine the issues in this proceeding, a full settlement in principle was achieved by the Joint Petitioners, thereby negating the need for evidentiary hearings and briefs.

24. The parties informed ALJ Hoyer and ALJ DeVoe of the achievement of a full settlement on February 5, 2021. Also, on February 5, 2021, the parties filed a Joint Stipulation for Admission of Testimony and Exhibits for the proceeding ("Joint Stipulation").

25. On February 5, 2021, a Hearing Cancellation Notice was issued by ALJ Hoyer and ALJ DeVoe.

26. On February 8, 2021, ALJ Hoyer and ALJ DeVoe issued an Interim Order which suspended the litigation schedule and admitted into the record of this proceeding the testimonies and exhibits listed in the Joint Stipulation.

27. The Joint Petitioners have agreed to a Settlement with respect to all issues related to Duquesne Light's Phase IV EE&C Plan, and the Joint Petitioners are in full agreement that the Settlement is in the public interest and should be approved by the Commission without modification.

28. The Settlement Terms are set forth in the following Section III.

III. SETTLEMENT TERMS

29. The following terms of Settlement reflect a carefully balanced compromise of the interests of all of the Joint Petitioners in this proceeding. The Joint Petitioners agree that the Settlement, as a whole, provides a reasonable resolution of the issues raised by the various parties in the previously submitted Notices of Intervention, Petitions to Intervene, and Testimony, and that approval of the Settlement is in the public interest.

30. The Joint Petitioners respectfully request that Duquesne Light's revised Phase IV EE&C Plan be approved subject to the terms and conditions of this Settlement as specified below.

31. Duquesne Light shall modify its Phase IV Plan to allocate the projected costs and kWh savings for Low-Income Energy Efficiency Program ("LIEEP") and Low-Income Behavioral Energy Efficiency Program ("LI-BEEP") measure categories as follows:

	Phase IV Plan as Filed 11/30/20			***Phase IV Plan as Revised***		
Measure Category	**Est. kWh Savings**	**% of Sector Savings**	**Est. Cost**	**Est. kWh Savings**	**% of Sector Savings**	**Est. Cost**
Appliances	1,000,059	3.5%	$1,569,344	1,261,185	5.9%	$1,914,089
Space cooling & heating / water heating	440,489	1.5%	$1,457,443	770,856	3.6%	$2,468,256
Building Shell	595,895	2.1%	$1,090,379	957,677	4.5%	$1,662,280
EE Kits	1,083,612	3.8%	$684,109	1,625,418	7.7%	$891,239
Lighting	18,266,093	63.2%	$9,517,344	11,971,667	56.4%	$7,805,755
Audits			$245,145			$245,145
LI-BEEP	7,500,000	26.0%	$1,115,174	4,655,160	21.9%	$692,175
Total	28,886,149	100.0%	$15,678,939	21,241,964	100.0%	$15,678,939

32. Duquesne Light will track the numbers of, and reasons for, LIEEP jobs that do not move forward, separately tracked for low income single-family, master-metered multifamily, and individually-metered multifamily properties.

33. Duquesne Light will track the total number of LIEEP baseload and heating jobs, separated by the following segments: 1) low-income single family tenants; 2) low-income single family homeowners; 3) low-income master-metered multifamily tenants; and 4) low-income individually-metered multifamily tenants.

34. Duquesne Light will also track the average LIEEP job costs and energy savings.

35. Duquesne Light will provide the information specified in Paragraphs 32, 33, and 34, above, in its Income Eligible Advisory Group ("IEAG") working group meetings.

36. Duquesne Light will discuss opportunities with the IEAG for increased coordination with community-based organization ("CBOs"), and other weatherization, energy efficiency, or housing remediation assistance programs in DLC's service territory, and will consider in good faith the IEAG's recommendations.

37. Duquesne Light shall modify its Phase IV Plan to allocate the projected costs and kWh savings for non-low income residential program measure categories as follows:

	Phase IV Plan as Filed 11/30/20			***Phase IV Plan as Revised***		
Measure Category	**Est. kWh Savings**	**% of Sector Savings**	**Est. Cost**	**Est. kWh Savings**	**% of Sector Savings**	**Est. Cost**
Appliance Recycling	8,447,770	8.80%	$1,756,574	12,439,431	13.80%	$2,586,620
Downstream Rebates	23,698,780	24.67%	$5,619,083	23,698,780	26.3%	$5,619,083
Midstream Rebates	596,319	0.62%	$214,043	596,319	0.7%	$214,043
Upstream Rebates	13,605,083	14.16%	$3,761,058	13,605,083	15.1%	$3,761,058
R-BEEP	49,700,000	51.74%	$4,165,713	39,797,494	44.2%	$3,335,667
Total	96,047,953	100.00%	$15,516,471	90,137,107	100.0%	$15,516,471

38. Duquesne Light will invest a portion of the 2% of costs allocated for its Pilot Program to explore measures for the residential sector that are reasonably cost-effective, achievable, implementable, and allowable under applicable law and Commission directives. Duquesne Light will hold at least one stakeholder meeting in the first program year of Phase IV, and additional meeting(s) as warranted, to discuss potential new measures and associated budgets, which may include residential fuel-switching, for low income and non-low income residential customers. Duquesne Light shall identify measures to be implemented through the Pilot Program by the end of Program Year 14, and shall implement such measures at full scale before the end of Phase IV, to the extent such measures remain reasonably cost-effective, achievable, implementable, and allowable under applicable law and Commission directives.

39. Duquesne Light agrees that delivery year 2025/2026 shall be the first delivery year for which it may bid peak demand savings into the PJM Forward Capacity Market ("FCM").

40. Duquesne Light will only bid those nonresidential peak demand savings that, in its judgment, are among the lowest risk of yielding a PJM penalty. Duquesne Light currently anticipates that such peak demand savings will result from nonresidential interior lighting measures. Duquesne Light shall not bid residential peak demand savings into the FCM.

41. Duquesne Light will allocate proceeds and penalties associated with FCM as described in Section 7.7 of the Phase IV Plan.

42. Duquesne Light will include a FCM component in Rider 15A of its retail tariff as depicted in Exhibit DBO-1R to Duquesne Light Statement No. 2-R.

43. Duquesne Light shall separately track Phase III costs incurred after June 1, 2021, and shall report such costs as separate line items in its 1307(e) EEC surcharge reconciliations.

44. Duquesne Light shall separately track any proceeds and penalties associated with FCM participation, and shall report such proceeds/penalties as separate line items in its 1307(e) EEC surcharge reconciliations.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

45. This Settlement was achieved by the Joint Petitioners after an investigation of Duquesne Light's proposed Phase IV EE&C Plan, including informal and formal discovery and the submission of Direct Testimony and Rebuttal Testimony by a number of the Joint Petitioners.

46. Approval of this Settlement will avoid further administrative and possibly appellate proceedings in this case regarding the issues resolved herein, thereby avoid substantial additional costs to the Joint Petitioners, the Commission, and Duquesne Light's customers.

47. Duquesne Light, CAUSE-PA, CAAP, and the OCA are in full agreement and respectfully submit that expeditious Commission approval and adoption of the Settlement is in the best interests of all parties and Duquesne Light's customers.

48. The Joint Petitioners have submitted, along with this Settlement Petition, their respective Statements in Support, setting forth the basis upon which each believes the Settlement to be fair, just, and reasonable and therefore in the public interest. The Joint Petitioners' Statements in Support are attached hereto as Appendices "A" through "D".

V. CONDITIONS OF SETTLEMENT

49. This Settlement, proposed by the Joint Petitioners to settle the instant case, is made without any admission against, or prejudice to, any position which any Joint Petitioner might adopt during subsequent litigation, including further litigation of this case if this Joint Petition is rejected by the Commission or withdrawn by any of the Joint Petitioners as provided below.

50. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without any modification. If the Commission should disapprove the Settlement or modify the terms and conditions herein, then any Joint Petitioner may withdraw from this Settlement by providing written notice to the Commission's Secretary and all active parties within five (5) business days following entry of any Commission Order modifying the Settlement.

51. In the event that the Commission disapproves the Settlement, or any other Joint Petitioner elects to withdraw as provided above, the Joint Petitioners reserve their respective rights to fully litigate this case, including, but not limited to, presenting additional testimony, conducting cross-examination, and making legal arguments through submission of Briefs.

52. This Settlement and its terms and conditions may not be cited as precedent in any future proceedings, except to the extent required to implement this settlement.

53. The Commission's approval of the Settlement shall not be construed to represent approval of any Joint Petitioner's position on any issue, except to the extent required to effectuate the terms and agreements of the Settlement.

54. It is understood and agreed among the Joint Petitioners that the Settlement is the result of compromise, and does not necessarily represent the position(s) that would be advanced by any Joint Petitioner in these proceedings if they were fully litigated.

55. This Settlement is being presented only in the context of these proceedings in an effort to resolve the proceedings in a manner which is fair and reasonable. The Settlement is the product of compromise between and among the Joint Petitioners. This Settlement is presented without prejudice to any position that any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of this Settlement.

56. If the Commission adopts the Settlement without modification, the Joint Petitioners waive their individual rights to file Exceptions, requests for modification or clarification, and/or appeals with regard to the Settlement.

57. This Joint Petition may be executed in any number of counterparts, all of which taken together shall constitute one and the same instrument.

VI. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the Commission approve this Settlement including all terms and conditions thereof, without modification;

2. That Duquesne Light be permitted to implement its proposed Phase IV EE&C Plan, as modified by this Settlement; and

3. That the Commission enter an Order consistent with this Settlement.

Respectfully submitted,

For: Duquesne Light Company

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Timothy K. McHugh, Esquire
Stevens & Lee, P.C.
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Michael Zimmerman, Esquire
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Date: February 18, 2021

For: CAUSE-PA

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Elizabeth Marx, Esquire
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Date: February 17, 2021

For: Office of Consumer Advocate

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Date:_______________

For: Community Action Association of Pennsylvania

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Date: _________________

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Lauren Guerra

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Date: 2/18/2021

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Date:________________

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Forty Fort, PA 18704

Date: 2/17/2021

LIST OF APPENDICES

APPENDIX A

DUQUESNE LIGHT STATEMENT IN SUPPORT OF SETTLEMENT

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company For Approval of its Act 129 Phase IV Energy Efficiency and Conservation Plan Conservation Plan	: : : : : : :	Docket No. M-2020-3020818

STATEMENT OF DUQUESNE LIGHT COMPANY
IN SUPPORT OF JOINT PETITION FOR FULL SETTLEMENT

TO THE HONORABLE MARK HOYER AND EMILY DEVOE, ADMINISTRATIVE LAW JUDGES:

I. INTRODUCTION

Duquesne Light Company ("Duquesne Light" or "Company") hereby submits this Statement in Support of the Joint Petition for Full Settlement in the above-captioned proceeding (the "Settlement"), entered into by Duquesne Light, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Community Action Association of Pennsylvania ("CAAP"), and the Office of Consumer Advocate ("OCA"), parties to the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners").[1] Duquesne Light respectfully requests that the Pennsylvania Public Utility Commission ("Commission") approve the Settlement, including the terms and conditions thereof, without modification.

The Settlement, if approved, with resolve all of the issues raised by the parties to this proceeding. Given the diverse interests of the Joint Petitioners and the active role they have taken in this proceeding, the fact that they have fully resolved their respective issues in this proceeding, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest. During the course of this proceeding, Duquesne Light provided responses to numerous interrogatories and requests for production of documents propounded by multiple parties. Duquesne Light also provided additional information regarding its Phase IV EE&C Plan to the parties during informal discussions. The Settlement reflects a carefully balanced compromise of the interests of all of the Joint Petitioners in this proceeding. The Joint Petitioners unanimously agree that the Settlement resolves all of the issues raised by the various parties in the previously submitted Notices of Intervention, Petitions to Intervene, Comments, and Testimony, and that approval of the Settlement is in the public Interest. For the reasons set forth in the Joint Petition and the reasons set forth below, the Settlement is just and reasonable and should be approved without modification. In support thereof, Duquesne Light states as follows:

II. DUQUESNE LIGHT'S PHASE IV EE&C PLAN

On November 30, 2020, pursuant to Act 129 of 2008 ("Act 129"), Duquesne Light filed the above-captioned Petition with the Commission, requesting approval of its Phase IV Energy Efficiency and Conservation ("EE&C") Plan. Act 129, which became effective on October 15, 2008, created, inter alia, an energy efficiency and conservation program, codified in the Pennsylvania Public Utility Code, 66 Pa.C.S. §§ 2806.1 and 2806.2. This program required each EDC with at least 100,000 customers to adopt and implement a Commission-approved EE&C Plan. EE&C Plans are programs designed to achieve the Act 129 conservation and peak load reduction requirements, by specified dates, within the specified cost cap.

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[1] Peoples Natural Gas Company, LLC and the Office of Small Business Advocate have indicated that they do not oppose the Settlement.

Duquesne Light's Phase IV Plan was filed pursuant to the Commission's Energy Efficiency and Conservation Phase IV Implementation Order ("Phase IV Implementation Order"). For Duquesne Light, the *Phase IV Implementation Order* adopted a consumption reduction target for the five-year Phase IV period of least 348,126 MWh, and a demand reduction target of 62 MW.

Consistent with the requirements set forth in Act 129 and the Commission's *Phase IV Implementation Order*, Duquesne Light's Phase IV Plan covers the period from June 1, 2021 through May 31, 2026, and (a) includes measures to achieve or exceed the required reductions and states the manner in which the consumption reductions will be achieved or exceeded; (b) complies with the designated expenditure cap of 2% of 2006 Annual Revenues over the five-year plan; (c) achieves a total cumulative energy reduction of at least 348,126 MWh by May 31, 2026, with at least 15% of the savings compliance target being achieved in each of the five program years; (d) achieves a minimum of 5.3% of the total required reductions from the low-income customer sector by May 31, 2026; (e) includes a proportionate number of energy efficiency measures for low income households as compared to those households' share of the total energy usage in the service territory; (f) offers at least one comprehensive program for residential customers and at least one comprehensive program for non-residential customers; (g) achieves peak demand reductions of at least 62 MW; (h) includes a contract with one conservation service provider ("CSP"); (i) includes an analysis of administrative costs of the plan; (j) includes a reconcilable adjustment clause tariff mechanism in accordance with 66 Pa.C.S. § 1307; and (k) demonstrates that the Phase IV Plan is cost-effective based on the Commission's Total Resource Cost Test ("TRC").

A. Act 129 Conservation and Demand Reduction Requirements

The required elements of an EDC's EE&C Plan are set forth in Section 2806.1 and 2806.2 of the Public Utility Code, 66 Pa. C.S. §§ 2806.1 and 2806.2, as well as the Commission's *Phase IV Implementation Order*. The *Phase IV Implementation Order* provides, in pertinent part, that an EDC's filing for Commission approval of an EE&C Plan must provide information regarding the following:

- Compliance with the designated expenditure cap of 2% of the electric distribution company's revenue as of December 31, 2006." 66 Pa. C.S. § 2806.1(g). The Phase IV Implementation Order established Duquesne's Light annualized spending cap at $19,545,951.58, and the total five year program spending cap at $97,729,760.
- Achievement of a total cumulative energy reduction of at least 348,126 MWh by May 31, 2026, with at least 15% of the savings compliance target being achieved in each of the five program years.
- Achievement of a minimum of 5.3% of the total required reductions from the low-income customer sector by May 31, 2026;
- The inclusion of a proportionate number of energy efficiency measures for low income households as compared to those households' share of the total energy usage in the service territory;
- That the Plan offers at least one comprehensive program for residential customers and at least one comprehensive program for non-residential customers;
- That the Plan achieves peak demand reductions of at least 62 MW;

- That the Plan includes a contract with one conservation service provider ("CSP");
- That an analysis of administrative costs of the plan is included;
- That the Plan includes a reconcilable adjustment clause tariff mechanism in accordance with 66 Pa.C.S. § 1307; and
- That the Plan be cost-effective based on the Commission's Total Resource Cost Test ("TRC").

Duquesne Light's Phase IV EE&C Plan satisfies all of the requirements noted above, and the Plan contains all of the information required by the Commission's *Phase IV Implementation Order.*

1. <u>Overall Conservation Requirements</u>

The Commission's *Phase IV Implementation Order* determined the required consumption targets for each EDC and established guidelines for implementing Phase IV of the program. Pursuant to that Order, Duquesne Light is required to achieve a total cumulative energy reduction of at least 348,126 MWh by May 31, 2026, with at least 15% of the savings compliance target being achieved in each of the five program years. Duquesne Light's Phase IV Plan, as originally filed, proposed a portfolio of twelve programs designed to achieve an overall consumption reduction target of 383,733,096 kWh. No party raised any issue regarding the Plan's ability to achieve the consumption reduction target.

2. <u>Overall Demand Reduction Requirements</u>

The Commission's *Phase IV Implementation Order* required Duquesne Light to achieve additional incremental reductions in peak demand of 62 MW in Phase IV. The twelve programs in Duquesne Light's Phase IV EE&C Plan achieve a projected peak demand reduction of 68.66

MW. *See* Phase IV EE&C Plan, at p. 19 (Figure 4). No party raised any issue regarding the Plan's ability to achieve the demand reduction target.

3. <u>Low Income Program Requirements</u>

66 Pa.C.S. §§ 2806.1(b)(i)(G) provides that an EDC's conservation plan must include specific energy efficiency measures for households at or below that 150% of Federal poverty income guidelines, and the number of such measures must be proportionate to those households' share of the total energy usage in the service territory. The *Phase IV Implementation Order*, at p. 35, requires that a minimum of 5.3% of the required consumption reductions must come from low income customers. For Duquesne Light, the 5.3% low-income carve-out equates to 18,566 MWh of reductions. Duquesne Light's Phase IV EE&C Plan includes a number of programs that collectively are designed to obtain 18,566 MWh of energy savings from the low-income sector, which equals 5.3% of the overall Phase IV reduction. See Phase IV EE&C Plan at p. 112. Duquesne Light's Revised Phase IV EE&C Plan will reflect revisions to total low-income savings, and amounts allocated to individual measures, as set forth below in more detail. Duquesne's Phase IV Plan includes a proportionate number of energy efficiency measures for low-income households as compared to those households' share of the total energy usage in the service territory. The Company Phase IV EE&C Plan includes 329 measures, of which 30 are measures for the low-income sector, thereby providing this sector with a proportion of measures in excess of their share of the Company's total load. *See*, Phase IV EE&C Plan Section 3.2.2.

4. <u>Comprehensive Program Requirements</u>

The *Phase IV Implementation Order* requires that the EDCs include at least one comprehensive program for residential customers and at least one comprehensive program for non-residential customers in their Phase IV Plans. For the residential sector, Duquesne Light's

Phase IV EE&C Plan includes a Residential Low Income Energy Efficiency Program ("LIEEP") which is a "direct-install" program where walk-through and comprehensive audits are performed, energy efficiency education is provided, and energy efficient products and equipment are installed at no cost to income-qualified households. For the nonresidential sector, Duquesne Light's Phase IV EE&C Plan includes a Small Commercial Direct Install Program, which is a continuation of a successful program from Phases II and III which provides for direct installation of energy efficiency measures as small and medium C&I facilities to produce cost-effective, long term peak demand and energy savings. See pages 39-43 and 47-51 of Duquesne Light's Phase IV EE&C Plan for details regarding these comprehensive programs.

5. PJM Base Residual Auction Participation

As explained in Duquesne Light Statement No. 1, at pp. 22-23, Duquesne Light plans to offer a portion of the peak demand reductions from its Phase IV Plan into PJM's Forward Capacity Market from the portfolio of programs and measures that are eligible for PJM as provided in PJM Manuals 18 and 18B or their successors. Duquesne Light intends to nominate EE Resource demand reductions beginning with PJM's Base Residual Auction (BRA) for delivery year 2025/2026, which expected to occur in early 2023. Duquesne Light intends to create a single EE Resource modeled in PJM's Capacity Exchange system representing commercial (office, retail or healthcare) interior lighting with the intent of employing partially measured retrofit isolation and/or stipulated measurement and verification. The measure type will render reliable summer and winter demand reductions and employ proxy variables in combination with well-established algorithms and/or stipulated factors, to provide an accurate estimate of Nominated EE values. Duquesne Light will combine documented energy savings and demand reductions with modeled annual hourly load shapes to calculate demand reductions during summer and winter performance hours. Additional EE Resources will be considered and modeled using PJM's Capacity Exchange system depending upon actual program activity and need to add isolated retrofit, whole facility regression or calibrated simulation measured EE Resources for differing types of measure end-uses.

B. Cost Issues

1. Plan Cost Issues

Section 2906.1(g) of Act 129 requires that the total cost of any EE&C Plan cannot exceed two percent (2%) of the EDC's total annual revenues as of December 31, 2006, yielding a total five-year program spending cap for Duquesne Light of $97,729,760. These projected costs included incentives, program administration and portfolio administration costs, exclusive of Duquesne Light's share of costs for the Statewide Evaluator. See Section 7.1 of Duquesne Light's Phase IV EE&C Plan. See also Duquesne Light Statement 2.0, Exhibit DBO-3.

As provided in the table on Section 3.1.1 of the EE&C Phase IV Plan, residential energy efficiency programs comprise 32.5% of the plan cost, or $31,751,650. Small/Medium Commercial energy efficiency programs comprise 28.3% of the plan cost, or $27,669,963. Large Commercial energy efficiency programs comprise 27.3% of the plan cost, or $26,707,373. Finally, Large Industrial energy efficiency programs comprise 11.9% of the plan cost, or $11,600,775. Duquesne Light's Revised Phase IV EE&C Plan will reflect the same total projected costs, although with some revisions of amounts allocated to individual programs as set forth below in more detail.

2. Cost Effectiveness/Cost-Benefit Issues

Under Act 129, the Commission is required to use a Total Resource Cost ("TRC") test to analyze the costs and benefits of EDC energy efficiency and conservation plans. Act 129 defines the TRC as "a standard test that is met if, over the effective life of each plan not to exceed 15 years, the net present value of the avoided monetary cost of supplying electricity is greater than the net present value of the monetary cost of energy efficiency conservation measures." Under Act 129, each EDC must demonstrate that its Phase IV EE&C Plan is cost effective using the TRC test. Use of the TRC test was specified in a series of five (5) Commission TRC Orders, issued sequentially, each partially modifying its predecessor.

1. TRC Test Order, June 18, 2009 Docket No. M-2009-2108601
2. TRC Test Order, July 28, 2011, Docket No. M-2009-2108601
3. TRC Test Order, August 20, 2012, Docket No. M-2012-2300653, M-2009-2108601
4. TRC Test Order, June 11, 2015, Docket No. M-2015-2468992
5. TRC Test Order, December 19, 2019, Docket No. M-2019-3006868

Duquesne Light measured the cost effectiveness of its EE&C Phase IV Plan based on all of the applicable provisions of all of these TRC Test Orders. The results of the TRC are expressed as the net present value and benefit/cost ("B/C") ratio. Consistent with the aforementioned TRC Test Orders, a B/C ratio greater than one indicates that the program is beneficial to the utility and its ratepayers on a total resource cost basis. Duquesne Light's proposed EE&C Phase IV Plan had an overall B/C score of 1.31, and the Revised EE&C Plan that will be filed if this Settlement is approved will have an overall B/C score of 1.29. Accordingly, the Plan is cost effective as a whole. The cost effectiveness of each program measure is discussed in Section 8 of the Phase IV EE&C Plan.

No party disputed the overall cost-effectiveness of Duquesne Light's Plan.

3. Cost Allocation Issues

Act 129 requires that all approved EE&C measures be financed by the customer class that receives the direct energy and conservation benefit of such measures. *See* 66 Pa. C.S. § 2806.1(a)(11). Once an EDC has developed an estimate of its total EE&C costs, the EDC is required to allocate those costs to each of its customer classes that will benefit from the measures to which the costs relate. Those costs that can be clearly demonstrated to relate exclusively to measures that have been dedicated to a specific customer class should be assigned solely to that class. Those costs that relate to measures that are applicable to more than one class, or that can be shown to provide system-wide benefits, should be allocated using reasonable and generally acceptable cost of service principles as are commonly utilized in base rate proceedings. Administrative costs should also be allocated using reasonable and generally acceptable cost-of-service principles. *See Phase IV Implementation Order*, at p. 134.

As explained in Section 7.5 of the Phase IV EE&C Plan, Duquesne Light proposes to implement four surcharges to recover costs as close as reasonably possible to the customer class receiving the benefit. The costs are first defined for the three specific customer classes – residential, commercial and industrial. Commercial and Industrial ("C&I") customers were separated into Small and Medium C&I, Large Commercial, and Large Industrial customer segments because of the diversity in the size of C&I customers in the Company's service territory to allow for more reasonable cost recovery. Small and Medium C&I customers are those customers with monthly metered billing demand less than 300 kW. Large Commercial and Large

Industrial customers are those customers with monthly billing metered demand 300 kW or more. This segmentation of customers is appropriate because it aligns programs and program costs with the current tariff and with the tariff charges for distribution, transmission and default service supply. *See also* Duquesne Light Statement 2.0, at pp. 4-5.

No party raised any issues regarding Duquesne Light's proposed Cost Allocation.

4. Cost Recovery Issues

Act 129 allows all EDCs to recover, on a full and current basis from customers, through a reconcilable adjustment clause under 66 Pa. C.S. § 1307, all reasonable and prudent costs incurred in the provision or management of its energy efficiency plan. 66 Pa. C.S. § 2806.1(k)(1). Act 129 also requires that each EDC's plan include a proposed cost recovery tariff mechanism, in accordance with 66 Pa. C.S. § 1307 (relating to sliding scale of rates; adjustments), to fund all measures and to ensure a full and current recovery of prudent and reasonable costs, including administrative costs, as approved by the Commission. 66 Pa. C.S. § 2806.1(b)(1)(i)(H).

The *Phase IV Implementation Order* adopted a plan whereby Phase III and Phase IV surcharges will be combined into a single surcharge and tariff. Beginning on June 1, 2021, each EDC must reconcile its total actual recoverable EE&C Plan expenditures incurred through March 31, 2021, with its actual EE&C Plan revenues received through March 31, 2020. Furthermore, each EDC should include, as part of the calculation of the Phase IV rates to become effective June 1, 2021, as clearly identified separate line items, projections of the expenses to finalize any measures installed and commercially operable on or before May 31, 2021; expenses to finalize any contracts; and other Phase III administrative obligations. The Phase III rate that became effective June 1, 2020 will remain effective through May 31, 2021. The revenues and expenses of the remaining two months of Phase III (i.e.,April 2021 and May 2021); expenses to finalize any measures installed and commercially operable on or before May 31, 2021; expenses to finalize any contracts; and other Phase III administrative obligations should be included, as clearly identified separate line items, in the reconciliation for the period April 1, 2021 through March 31, 2022. The calculation of the annual surcharge must be set forth by each EDC in a supplement or supplements to the EDC's tariff to become effective June 1, 2021, be accompanied by a full and clear explanation as to their operation and applicability to each customer class. An EDC will not be permitted to recover, in the automatic adjustment clause, any EE&C Plan-related costs that have been claimed and permitted recovery in base rates. In accordance with the Phase IV Implementation Order, no interest will be charged on over or under recoveries.

In compliance with the *Phase IV Implementation Order*, Duquesne Light will combine the Phase III and Phase IV surcharges into a single surcharge and tariff. Duquesne Light is proposing to revise the Phase III Rider No. 15a, "Energy Efficiency and Conservation," to its tariff. The tariff sets forth the monthly surcharge rates by customer class to recover the program budgets. Since the proposed cost recovery method is different for residential, small/medium C&I and large C&I customer classes, a formula and description of the formula is defined for each customer class surcharge. Four surcharges are defined to recover costs as reasonably close as possible for each customer class and segment within the class, i.e., commercial or industrial customers. The formulas are in accordance with the provisions of a Section 1307 cost recovery surcharge and include reconciliation of over or under collections. Duquesne Light will not impose any interest on over or under collections, per the Phase IV Implementation Order.

The OCA raised an issue regarding how Duquesne Light will address costs associated with the close-out of EE&C Phase III following the beginning of Phase IV. That issue is addressed in the Settlement reached by the parties. No other party raised any issues regarding Duquesne Light's proposed Cost Recovery Mechanism.

C. CSP Issues

Duquesne Light's Phase IV Plan implements programs in an effective and economical manner by balancing utility resources with contracted resources. Conservation Service Providers and subcontractors with expertise and experience in program implementation and operations are deployed under agreements with Duquesne Light. Management responsibility for meeting goals still rests with Duquesne Light, working in concert with contractors and subcontractors as outlined in Figure 2 on page 13 of the Plan. Some CSPs will operate as turnkey delivery contractors, while others will provide specific program functions across multiple programs. Duquesne Light included an approved CSP contract template in the Phase IV Plan, at Appendix A and an executed CSP contract in Confidential Section 13 of the Plan.

No party raised any issues with the Company's proposals with respect to CSPs.

D. Implementation and Evaluation Issues

1. Implementation Issues

Section 4 of Duquesne's Phase IV Plan explains its program management and implementation strategies. In preparation for Phase IV, a series of stakeholder meetings were held to solicit input into the design of the Phase IV Plan. Participants included and invitations were extended to regulatory parties such as Office of Consumer Advocate, Office of Small Business Advocate, Duquesne Industrial Intervenors, Duquesne Light's Income Eligible Advisory Group ("IEAG"), lighting vendors, Conservation Service Providers, EM&V

contractors, natural gas distribution companies ("NGDCs"), KEEA, and CAUSE-PA. *See* Duquesne Light Statement No. 1, at p., 12. Moreover, during Phase IV, Duquesne Light plans to continue to work with NGDCs in conjunction with the Income Eligible Advisory Group to encourage participation in low- income programs. Duquesne Light and its non-residential CSP(s) also plan to hold additional meetings after plan approval to discuss the logistics around continued partnership with the NGDCs to increase awareness of CHP rebate opportunities under the Phase IV plan.

2. Quality Assurance Issues

A detailed description of Duquesne Light's Quality Assurance/Quality Control process and standards is provided in Section 6.1 of the Phase IV Plan. All CSPs under contract to implement Duquesne Light energy efficiency programs are required by contract statements of work to provide a Program Management Plan ("PMP"). The PMP presents the program rationale, assumptions, approach, processes, and other key material in an integrated form. Procedures are in place to ensure prospective projects receive appropriate and consistent review prior to approval and incentive payment processing. Residential incentive application processing is accomplished via fulfillment services provided by a fulfillment contractor. This comprises verification to ensure the customer is a Duquesne Light customer, the product information is correct, and the product is eligible under the program to receive incentives, and invoices corroborate product identification and are dated within the eligible program period. Commercial and industrial (C&I) project and customer incentive processing varies depending upon the type and size of the project.

No party raised any issues with Duquesne Light's Quality Assurance proposals.

3. Monitoring and Reporting Issues

Duquesne Light's Program Management and Reporting System (PMRS) provides information reported to the Commission's appointed Act 129 EE&C Statewide Evaluator (SWE). Program activity reports are provided in form and format specified by the SWE pursuant to SWE semiannual, annual and ad hoc data requests. See Phase IV Plan, Section 5.

No party raised any issues with Duquesne Light's Monitoring/Reporting proposals.

4. Evaluation Issues

The proposed Phase IV Plan includes procedures to measure, evaluate, and verify performance of the programs and the Plan as a whole. As explain in Section 6.1.2 of the Plan, projects and measure reported savings are verified pursuant to the Duquesne Light Evaluation Measurement and Verification (EM&V) Plan. The EM&V Plan ensures customer projects are verified according to a consistent and systematic process that is consistent with the Statewide Evaluator's (SWE) Audit Plan and Evaluator's Framework for Pennsylvania Act 129 Energy Efficiency and Conservation Programs (Audit Plan). The Duquesne Light EM&V Plan specifies sample plans as well as applicable verification rigor consistent with the Audit Plan and is vetted with, and approved by, the SWE.

No party raised any issues with respect to Duquesne Light's Evaluation proposals.

E. Other Issues

Section 9 of Duquesne Light's Phase IV EE&C Plan explains how the Plan meets all other applicable compliance requirements. Duquesne Light's Phase IV Plan allocates two percent of funds available to implement the Plan to experimental equipment or devices ("Pilot Program"). The Company's Phase IV Plan will be competitively neutral to all distribution customers even if they are receiving supply from an EGS. The Plan does not discriminate on the basis of generation supply nor does it provide additional opportunities based on the specifics of a customer's generation supply. In addition, the Plan explains how it will lead to long-term, sustainable energy efficiency savings in the EDC's service territory and in Pennsylvania, leverage and utilize other financial resources, how consumer education will be addressed, and how lists of all eligible federal and state funding programs will be made available to ratepayers for energy efficiency and conservation.

III. SETTLEMENT TERMS AND PLAN MODIFICATIONS

A. Low-Income Issues

CAUSE-PA and OCA both raised concerns with the effectiveness of the Low-Income Behavioral Energy Efficiency Program ("LI-BEEP"). OCA Witness Sherwood generally recommended that the Plan's residential portfolio reflect a lower reliance on behavioral programs (R-BEEP and LI-BEEP), on the grounds that (1) savings from behavioral measures (also referred to as Home Energy Reports, or HERs) might be lower than expected due to the impacts of COVID-19; and (2) behavioral measures yield "short-lived" savings realized over a maximum of two years. *See*, OCA St. 1, p. 14, line 7 – p. 3 15, line 2. CAUSE-PA witness Grevatt expressed similar concerns regarding LI-BEEP, and recommended that behavioral measures comprise no more than 5% of the Plan's low-income savings target. *See* CAUSE-PA St. 1, p. 25, Table 2. Ms. Sherwood did not propose a corresponding target for behavioral measures, beyond her general recommendation that behavioral measures be reduced. CAUSE-PA advocated for expanding the budgets for comprehensive building shell and heating, cooling and water heating measures. OCA witness Sherwood suggested that LI-BEEP funds may be better suited to be invested in LIEEP.

Duquesne Light noted concerns with the achievability and cost impacts of OCA and CAUSE-PA's recommendations. *See* Duquesne Light Statement 1R at pp. 7-12.

In response to the suggestions raised by OCA and CAUSE-PA, Duquesne Light agreed to modify its Phase IV Plan to allocate the projected costs and kWh savings for Low-Income Energy Efficiency Program ("LIEEP") and Low-Income Behavioral Energy Efficiency Program ("LI-BEEP") measure categories as follows:

	Phase IV Plan as Filed 11/30/20			***Phase IV Plan as Revised***		
Measure Category	**Est. kWh Savings**	**% of Sector Savings**	**Est. Cost**	**Est. kWh Savings**	**% of Sector Savings**	**Est. Cost**
Appliances	1,000,059	3.5%	$1,569,344	1,261,185	5.9%	$1,914,089
Space cooling & heating / water heating	440,489	1.5%	$1,457,443	770,856	3.6%	$2,468,256
Building Shell	595,895	2.1%	$1,090,379	957,677	4.5%	$1,662,280
EE Kits	1,083,612	3.8%	$684,109	1,625,418	7.7%	$891,239
Lighting	18,266,093	63.2%	$9,517,344	11,971,667	56.4%	$7,805,755
Audits			$245,145			$245,145
LI-BEEP	7,500,000	26.0%	$1,115,174	4,655,160	21.9%	$692,175
Total	28,886,149	100.0%	$15,678,939	21,241,964	100.0%	$15,678,939

Furthermore, Duquesne Light agreed to track information related to LIEEP projects. Specifically Duquesne Light will track the numbers of, and reasons for, LIEEP jobs that do not move forward, separately tracked for low income single-family, master-metered multifamily, and individually-metered multifamily properties. Duquesne Light will track the total number of LIEEP baseload and heating jobs, separated by the following segments: 1) low-income single-family tenants; 2) low-income single family homeowners; 3) low-income master-metered multifamily tenants; and 4) low-income individually-metered multifamily tenants. Duquesne Light will also track the average LIEEP job costs and energy savings. Duquesne Light will provide the information specified above it its Income Eligible Advisory Group ("IEAG") working group meetings. Duquesne Light also will discuss opportunities with the IEAG for increased coordination with CBOs, and other weatherization, energy efficiency, or housing remediation assistance programs in DLC's service territory, and will consider in good faith the IEAG's recommendations. *See* Settlement at ¶¶ 29-34.

Duquesne Light believes that each of these modifications to the low-income programs significantly address the concerns raised by the parties to the proceeding and are reasonable. In addition, these modifications address many of the low-income concerns noted in the Comments filed by Energy Efficiency for All Pennsylvania Coalition ("EEFA") regarding Duquesne Light's Phase IV EE&C Plan. EEFA's comments advocated for additional detail about Duquesne Light's marketing plans and coordination with stakeholders.[2] EEFA also advocated for increased reliance on building shell measures, appliance replacement and HVAC repairs or replacement.[3] The Settlement addresses both of those areas of concern. With respect to EEFA's request for additional details regarding marketing and coordination, Duquesne Light has provided that additional detail as part of the Settlement. Specifically, as part of the Settlement Duquesne Light has committed to gathering additional data regarding its Low-Income programs, sharing that data with the IEAG, discussing opportunities for increased coordination, and considering IEAG's recommendations in good faith. With respect to EEFA's request for an adjustment to the mix of measures of low-income customers, Duquesne Light has agreed to just such an adjustment, as reflected in the table above. Notably, the low-income advocates in this proceeding (CAUSE-PA and CAAP) were satisfied that these modifications regarding data gathering, information, sharing, coordination and consideration of recommendations will be

[2] See EEFA Comments, at p. 10
[3] See EEFA Comments, at p. 13, 18

beneficial to low-income customers, as evidenced by their full agreement to these terms as part of the Settlement.

B. Non Low-Income Residential Issues

OCA witness Stacy Sherwood concluded that Duquesne Light's EE&C Plan is reasonable and meets or exceeds all of the Commission's requirements for Phase IV EE&C Plans, and is cost-effective.[4] However, with respect to the balance of programs, she recommended a more comprehensive focus on long-lived, deep savings measures. In response to the suggestions raised by OCA regarding the Residential Behavioral Energy Efficiency Program (R-BEEP), Duquesne Light agreed to modify its Phase IV Plan to allocate the projected costs and kWh savings non-low-income residential measure categories as follows:

	Phase IV Plan as Filed 11/30/20			***Phase IV Plan as Revised***		
Measure Category	**Est. kWh Savings**	**% of Sector Savings**	**Est. Cost**	**Est. kWh Savings**	**% of Sector Savings**	**Est. Cost**
Appliance Recycling	8,447,770	8.80%	$1,756,574	12,439,431	13.80%	$2,586,620
Downstream Rebates	23,698,780	24.67%	$5,619,083	23,698,780	26.3%	$5,619,083
Midstream Rebates	596,319	0.62%	$214,043	596,319	0.7%	$214,043
Upstream Rebates	13,605,083	14.16%	$3,761,058	13,605,083	15.1%	$3,761,058
R-BEEP	49,700,000	51.74%	$4,165,713	39,797,494	44.2%	$3,335,667
Total	96,047,953	100.00%	$15,516,471	90,137,107	100.0%	$15,516,471

See Settlement, at ¶37. In addition, Duquesne Light agreed to invest a portion of the 2% of costs allocated for its Pilot Program to explore measures for the residential sector that are reasonably cost-effective, achievable, implementable, and allowable under applicable law and Commission directives. Duquesne Light will hold at least one stakeholder meeting in the first program year of Phase IV, and additional meeting(s) as warranted, to discuss potential new measures and

[4] See OCA Statement No. 1, at pp. 7-10

associated budgets, which may include residential fuel-switching, for low income and non-low income residential customers. Duquesne Light agreed to identify measures to be implemented through the Pilot Program by the end of Program Year 14, and implement such measures at full scale before the end of Phase IV, to the extent such measures remain reasonably cost-effective, achievable, implementable, and allowable under applicable law and Commission directives.[5] See Settlement, at ¶ 38.

Duquesne Light believes that each of these modifications to the non-low-income programs significantly address the concerns raised by the parties to the proceeding and are reasonable.

C. PJM Forward Capacity Market Bidding

With respect to Duquesne Light's plans to bid savings into PJM's Forward Capacity Market ("FCM"), OCA witness Sherwood recommended that Duquesne Light be required to file a separate plan for nominating demand reductions, including a "sensitivity analysis of the impact on the EEC Surcharge by ratepayer class if various levels of penalties are assessed," with the Commission for further stakeholder review and comment. OCA St. 1, p. 16, line 19 – p. 17. She also recommended that Duquesne Light specify the delivery year for the first PJM FCM nomination, and suggested that Duquesne Light should file a separate PJM FCM plan.

In response to the OCA's concerns, Duquesne Light has agreed to several commitments for its plan to bid savings in the PJM FCM. Duquesne Light agrees that delivery year 2025/2026 will be the first delivery year for which it may bid peak demand savings into the PJM Forward Capacity Market ("FCM"). *See* Settlement ¶ 37. Duquesne Light will only bid those nonresidential peak demand savings that, in its judgment, are among the lowest risk of yielding a PJM penalty. Duquesne Light currently anticipates that such peak demand savings will result

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from nonresidential interior lighting measures. Duquesne Light shall not bid residential peak demand savings into the FCM. *See* Settlement ¶ 38. Furthermore, Duquesne Light will allocate proceeds and penalties associated with FCM as described in Plan Section 7.7, and will include a FCM component in Rider 15A of its retail tariff as depicted in Exhibit DBO-1R to Duquesne Light Statement No. 2-R. *See* Settlement ¶¶ 39-40.

D. <u>EE&C Surcharge Issues</u>

In response to OCA's concerns with the tracking of Phase III costs incurred after June 1 2021, Duquesne Light agreed to separately track Phase III costs incurred after June 1, 2021, and report such costs as separate line items in its 1307(e) EEC surcharge reconciliations. Duquesne Light also will separately track any proceeds and penalties associated with FCM participation, and shall report such proceeds/penalties as separate line items in its 1307(e) EEC surcharge reconciliations. *See* Settlement ¶¶ 41-42.

E. <u>Impact of Settlement Modifications on Phase IV Plan Budget, Energy Consumption Reduction and Cost-Effectiveness.</u>

In conjunction with the filing of the Joint Settlement Petition, Duquesne Light is filing a revised Phase IV EE&C Plan which incorporates the revisions agreed to in the Settlement. The overall budgets are not affected by the Settlement. The budgets and energy reduction estimates of certain individual programs are modified, but the Revised Plan still will result in consumption reductions targets being met in a cost-effective manner. The tables in Paragraphs 29 and 35 of the Settlement Petition show the effect of the modifications to budgets and projected savings under the Plan. The overall TRC score of the Plan changed from 1.31 to 1.29 as a result of the Settlement modifications.

IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST

It is the Commission's policy to encourage settlements. 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case, and they also conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401. In order to accept a settlement, the Commission must review proposed settlements to determine whether the terms are in the public interest. *Pa. Pub. Util. Comm'n LBPS v. PPL Utilities Corporation*, M-2009-2058182 (Opinion and Order November 23, 2009); *Pa. Pub. Util. Comm'n v. Philadelphia Gas Works*, M-00031768 (Opinion and Order January 7, 2004); 52 Pa. Code § 69.1201; *Warner v. GTE North, Inc.*, Docket No. C-00902815 (Opinion and Order entered April 1, 1996); *Pa. Pub. Util. Comm'n v. CS Water and Sewer Associates*, 74 Pa. PUC 767 (1991).

For the reasons stated in the Settlement Petition and this Statement in Support, Duquesne Light respectfully submits that the Joint Petition for Full Settlement is just, reasonable, and in the public interest, and therefore should be approved without modification. Duquesne's Phase IV EE&C Plan meets all of the requirements of Act 129 and *the Commission's Phase IV Implementation Order*, and over the course of the five-year program, the Plan will achieve the required energy reduction and demand reduction results with a budget that meets the applicable spending cap. The modifications to the Plan made by this Settlement address legitimate concerns of the parties to this proceeding and will improve the overall performance of the Plan.

This Settlement resolves all issues raised during this complex proceeding and avoids the need for evidentiary hearings and briefs. For the reasons state above, and those set forth in the Settlement Petition, the resolution of this proceeding in accordance with the terms of the

Settlement in the public interest. As such, Duquesne Light believes that the Settlement should be approved and adopted by the Commission without modification.

Respectfully submitted,

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APPENDIX B

COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANA

STATEMENT IN SUPPORT OF SETTLEMENT

BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for Approval of its Act 129 Phase IV Energy Efficiency and Conservation Plan	: : :	Docket No. M-2020-3020818

STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA IN SUPPORT OF THE JOINT PETITION FOR FULL SETTLEMENT

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), a signatory party to the Joint Petition for Full Settlement ("Joint Petition" or "Settlement"), respectfully requests that the terms and conditions of the Joint Petition be approved by the Honorable Deputy Chief Administrative Law Judge Mark A. Hoyer and Honorable Administrative Law Judge Emily DeVoe (Collectively, "ALJs") and the Pennsylvania Public Utility Commission ("Commission") without modification.[1] For the reasons stated more fully below, CAUSE-PA believes that the terms and conditions of the Settlement are in the public interest, are consistent with the Commission's Phase IV Final Implementation Order,[2] and should be approved.

I. <u>INTRODUCTION</u>

CAUSE-PA intervened in this proceeding to ensure that the Act 129 Phase IV Energy Efficiency and Conservation Plan ("Plan") of Duquesne Light Company ("DLC" or "the Company") is appropriately designed to provide affordable and accessible energy efficiency measures for low income and other vulnerable customers consistent with the Commission's Phase

[1] On December 11, 2020, CAUSE-PA filed a Petition to Intervene and Answer in this proceeding.
[2] Act 129 Energy Efficiency and Conservation Program, M-2020-3015228, Final Implementation Order (June 18, 2020) (hereinafter, "Ph. IV Implementation Order").

IV Final Implementation Order.[3] For the reasons set forth below, the Settlement was arrived at through extensive, good faith negotiation by all parties. As a whole, the Settlement is in the public interest as it addresses issues of concern to CAUSE-PA, balances the interests of the parties, and fairly resolves a number of important issues in the proceeding. If approved, the Settlement will avoid substantial litigation and associated costs, and will eliminate the possibility of further appeals and the associated costs. As such, CAUSE-PA asserts that the Joint Petition for Full Settlement should be approved without modification.

II. BACKGROUND

CAUSE-PA adopts the background as set forth in Paragraphs 1 through 28 of the Joint Petition. By way of further background, CAUSE-PA submitted the expert testimony of Mr. Jim Grevatt in this proceeding. (CAUSE-PA St. 1).[4]

In Mr. Grevatt's Direct testimony, he explained that the Company proposed in its Plan that low income savings will be delivered through two programs: the Low Income Energy Efficiency Program ("LIEEP") and the Low Income Behavioral Energy Efficiency Program ("LI-BEEP"). (Id. at 16). Mr. Grevatt further explained that LIEEP is a board program which includes a variety of measures, while LI-BEEP is designed to rely on home energy reports to educate customers to take action to reduce their energy usage. (Id.)

Mr. Grevatt identified several issues regarding the DLC's proposed Plan. As Mr. Grevatt explained in his Direct testimony, the Company low income customers make up a very large portion of the Company's overall customer base. (CAUSE-PA St. 1 at 9). Mr. Grevatt concluded that, while a few of the proposed low income measures offer the potential for significant bill

[3] Id.
[4] CAUSE-PA St. 1, the Direct Testimony of Mr. Grevatt was submitted on January 14, 2021 in this matter.

savings, the Company's overall Plan in terms of low income savings was dominated by multifamily common area lighting measures, which do not provide direct bill savings to low income customers. (Id. at 4). Mr. Grevatt further explained that the Company's Plan proposed to obtain a significant percent of its low income savings from LI-BEEP – which only provides small, short-lived savings for participants. (Id.) Comparatively, the Company proposed to obtain only a very small percent of its low income savings from more durable measures, such as shell improvements, ductless mini-split heat pumps, and heat pump water heaters. (Id. at 4-5). Mr. Grevatt concluded that the Company's projections in its Plan were "far too low to achieve meaningful bill savings from the Company's low income customers." (Id. at 20: 5-6). As Mr. Grevatt explained, this was inconsistent with the Commission's Phase IV Final Implementation Order, and undermined the Commission's important and explicit goal to ensure that Phase IV programming delivers deeper, longer-lasting energy and bill savings for low income consumers. (CAUSE-PA St. 1 at 21-24).

Mr. Grevatt made several recommendations to improve the Company's proposed Plan, including reducing the proportion of common area lighting measures and increasing the proportion of more durable measures, such as building shell measures and appliance replacements. (Id. at 4-5). Overall, Mr. Grevatt recommended that the Company increase the Plan's emphasis on comprehensive energy efficiency measures for low income customers – i.e. measures that include a range of measures installed at the same time and that result in deep savings achieved across multiple end uses. (Id. at 18: 3-14).

III. CAUSE-PA SUPPORT FOR THE SETTLEMENT

The following terms of the Joint Petition address issues of concern raised by CAUSE-PA, as explained in Mr. Grevatt's testimony, and reflect a carefully balanced compromise of the varied interests of the parties in this proceeding. As such, CAUSE-PA urges ALJ Hoyer, ALJ DeVoe, and the Commission to approve the Settlement without modification.

1. Additional Focus on Durable, Comprehensive Measures

The Settlement provides that the Company will decrease the estimated cost of low income lighting measures in its Plan by more than $1.7 million, and will additionally decrease the estimated cost of LI-BEEP by more than $400,000. (Joint Petition at 7, ¶ 31). In turn, the Settlement increases the budgets for appliances by approximately $340,000; for space cooling & heating/ water heating by more than $1 million; for building shell measures by approximately $570,000; and for energy efficiency kits by more than $200,000. (Id.) In sum, the Settlement shifts approximately $2 million into more durable energy efficiency measures for low income customers.

CAUSE-PA asserts that these Settlement provisions represent a reasonable compromise that appropriately balances the interests at stake in this proceeding. As Mr. Grevatt explained in his Direct testimony, the Company proposed Plan only proposed to obtain a meager percent of its overall low income savings from durable, more comprehensive measures that would provide meaningful direct bills savings to low income customers. (CAUSE-PA St. 1 at 19-23). As discussed above, Mr. Grevatt recommended that the Company shift the relative percent of savings derived from lighting and LI-BEEP measures to measures that would result in more long-lived and increased direct bill savings for low income households. (Id. at 26). The Settlement fairly addresses Mr. Grevatt's concerns, in balance with the issues raised by the Company and other parties to this proceeding. Overall, the Settlement reallocates approximately $2 million dollars into more durable, comprehensive measures that will result in greater direct bill savings for low income customers. (See Joint Petition at 7, ¶ 31). For these reasons, CAUSE-PA asserts that the Settlement is in the public interest and should be approved without modification.

2. **Increased Data Tracking and Reporting of Low Income Energy Efficiency Measures**

The Settlement also provides that the Company will increase its tracking of LIEEP jobs. Specifically, the Settlement requires the Company to track the number of, and reasons for, LIEEP jobs that do not move forward, separately tracked for low income single-family, master-metered multifamily, and individually-metered multifamily properties. (Joint Petition at 7, ¶ 32). Moreover, the Settlement requires the Company to track the number of LIEEP baseload and heating jobs, separated by the following segments 1) low income single family tenants; 2) low income single family homeowners; 3) low income master-metered multifamily tenants; and 4) low income individually-metered multifamily tenants, as well as LIEEP job costs and energy savings. (Id. at 7, ¶ 33-34).

As a whole, these Settlement provisions improve DLC's tracking and reporting of LIEEP jobs and helps to ensure the Commission, the Company, interested parties, and stakeholders are provided additional data to evaluate the effectiveness and savings achieved through the Plan's low income measures. In particular, this additional data tracking will help in evaluating whether customers are able to benefit from LIEEP, regardless of if they are homeowners or tenants and regardless of meter type. As the Settlement requires the Company to provide the above-noted data through its Income Eligible Advisory Group (IEAG)'s working group meetings (Joint Petition at 7, ¶ 35), interested parties and stakeholders will be able to regularly review data on the progress of LIEEP jobs and ensure low income customers are able to appropriately access LIEEP.

3. **Increased Coordination with Community Based Organizations and Other Assistance Programs.**

The Settlement additionally requires the Company to discuss opportunities with the IEAG for increased coordination with community-based organizations (CBOs), as well as other weatherization, energy efficiency, or housing remediation assistance programs in DLC's service territory, and to consider in good faith the IEAG's recommendations. (Joint Petition at 8, ¶ 36).

As Mr. Grevatt explained in his Direct testimony, a substantial number of the Company's customers are low income, even before the outset of the COVID-19 pandemic. (CAUSE-PA St. 1 at 10-11). With continued spread of COVID-19, the economic repercussions throughout the Company's service territory has only continued to worsen. (Id.) To better assist low income customers who continue to profoundly struggle to achieve affordable bills, Mr. Grevatt recommended increased coordination and harmonization of the Company's Act 129 and LIURP programs. (Id. at 15-16). The Settlement provisions requiring increased coordination with CBOs and other assistance program helps to coordinate the energy efficiency measures and to streamline service and delivery of these measures to low income customers. (See id.)

4. Additional Terms

The Settlement provides that the Company will invest a portion of the 2% of costs allocated for its Pilot Program to explore measures for the residential sector that are reasonably cost-effective, achievable, implementable, and allowable under applicable law and Commission directives. (Joint Petition at 8, ¶ 38). The Settlement requires the Company will hold at least one stakeholder meeting in the first program year of Phase IV, and additional meeting(s) as warranted, to discuss potential new measures and associated budgets, which may include residential fuel-switching for low income and non-low income customers. (Id.) The Company is required to identify measures to be implemented through the Pilot Program by the End of Program Year 14 and to implement these measures at full scale before the end of Phase IV, to the extent that such measures remain reasonably cost-effective, achievable, implementable, and allowable under application law and Commission directives. (Id.)

CAUSE-PA asserts that this provision represents a reasonable compromise that appropriately balances the interest of the parties and stakeholders in this proceedings. As noted, above, Mr. Grevatt recommended that the Company provide for more comprehensive energy savings measures for its low income customers. (CAUSE-PA St. 1 at 7-8). While not requiring the Company to implement any specific pilot programs, the Settlement requires the Company to evaluate new measures for both low income and non-low income residential customers and implement appropriate measures in a timely fashion. This Settlement provision also helps to ensure that interested parties and stakeholders will be able to provide input related to these new measures. On balance, the Settlement represents an important first step towards the Company developing new measures that could increase customers energy efficiency and reduce customers overall bills.

IV. CONCLUSION

CAUSE-PA submits that the proposed Joint Petition for Full Settlement, which was achieved by the Joint Petitioners after an investigation of the Company's filing, is in the public interest and should be approved. Acceptance of the Settlement avoids the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would otherwise be a substantial cost to the Joint Petitioners and the Company's customers. Accordingly, CAUSE-PA respectfully requests that ALJ Hoyer, ALJ DeVoe, and the Commission approve the Settlement without modification.

Respectfully submitted,
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February 17, 2021

APPENDIX C

OFFICE OF CONSUMER ADVOCATE

STATEMENT IN SUPPORT OF SETTLEMENT

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company	:	
for Approval of its Act 129 Phase IV	:	Docket No. M-2020-3020818
Energy Efficiency and Conservation Plan	:	

STATEMENT
OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement of All Issues (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On October 15, 2008, Act 129 of 2008 (Act 129 or the Act) was signed into law by Governor Edward G. Rendell. Act 129 made numerous amendments to Chapter 28 of the Public Utility Code and required the seven major electric distribution companies (EDCs) to file energy efficiency and conservation plans (EE&C Plans), which occurred in the summer of 2009. The Phase I Plans expired on May 31, 2013. Phase II of the EE&C Plans began on June 1, 2013 and expired on May 31, 2016. Phase III of the EE&C Plans began on June 1, 2016 and will continue until May 31, 2021. The Commission has now established the requirements and process for Phase IV of the EE&C Plans to operate from June 1, 2021 through May 31, 2026. Energy Efficiency and Conservation Program, Docket No. M-2020-3015228 (June 18, 2020) (Phase IV Implementation Order). This proceeding concerns the Phase IV Plan filing of Duquesne Light Company (Duquesne or the Company).

The Phase IV Implementation Order directed that each EDC meet a consumption reduction target and a demand response target. Phase IV Implementation Order at 8. The Phase IV Implementation Order also established that 5.8% of the consumption reduction target must be met through the low-income customer sector programs. Phase IV Implementation Order at 35-37. The Total Resource Cost (TRC) test will continue to be used to evaluate each EDC's EE&C Plan. Phase IV Implementation Order at 104, citing 66 Pa. C.S. § 2806.1(a)(3).

Act 129 caps annual spending on the Plan at 2% of the EDC's total revenues for the calendar year 2006. 66 Pa. C.S. § 2806.1(g). The Act provides for full and current cost recovery of the Plan costs through an automatic adjustment rider, but it prohibits the recovery of lost revenues by the EDC through the automatic adjustment rider. 66 Pa. C.S. § 2806.1(k). The costs incurred are to be allocated to the classes that directly benefit from the program measures implemented, unless a system wide benefit can be shown.

Duquesne's filings were assigned to the Office of Administrative Law Judge and further assigned to Deputy Chief Administrative Law Judge Mark A. Hoyer and Administrative Law Judge Emily I. DeVoe. On December 31, 2020, the OCA filed its Notice of Intervention and Public Statement.

Pursuant to the Phase IV Implementation Order, it was anticipated that the filing would be published in the *Pennsylvania Bulletin* twenty (20) days after the November 30, 2020 filing, or on December 19, 2020. Publication in the *Pennsylvania Bulletin*, however, was delayed fourteen days until January 2, 2021. The notice established a deadline of January 22, 2021 for the filing of comments on and responsive pleadings to the Company's Phase IV EE&C Plan. On January 8, 2021, CAUSE-PA, CAAP, OCA, OSBA, the Commission on Economic Opportunity, the National Resources Defense Council, the Sustainable Energy Fund of Central Pennsylvania, and the Tenant

Union Representative Network filed a Joint Expedited Motion for Extension of Procedural Schedule (Joint Expedited Motion) to extend the procedural schedule to allow any additional potential intervenors to submit comments and/or responsive pleadings prior to the January 22, 2021 deadline. On January 19, 2021, a further Prehearing Conference was held to discuss the scheduling issues raised in the Joint Expedited Motion. As a result, a further revised procedural schedule was established. The parties filed testimony and participated in settlement discussions. On February 5, 2021, Duquesne notified the ALJs that the parties had reached a full settlement, filed a Joint Stipulation for Admission of Testimony and Exhibits and requested a cancelation of the evidentiary hearing scheduled for February 8, 2021. The OCA hereby submits this Statement in Support of the Joint Petition for Settlement.

The Settlement provides for approval of Duquesne's Phase IV EE&C Plan with certain modifications and clarifications related to issues raised by the OCA. The Settlement includes modifications to the residential behavioral programs, agreement that Duquesne will not bid residential peak demand savings into the FCM, and separate tracking of Phase III costs incurred after June 1, 2021. In addition to the issues raised by the OCA, the Settlement addresses issues raised by CAUSE-PA related to certain low-income programs. For the reasons discussed below, the OCA submits that the Settlement is in the public interest and should be adopted.

II. SETTLEMENT

A. Residential Programs **(Settlement at ¶ 37).**

Duquesne proposed a Residential Behavioral (R-BEEP) and Limited Income Behavioral (LI-BEEP) subprogram. OCA St. 1 at 13. The behavioral programs rely upon the issuance of Home Energy Reports (HERs) programs. Id. The programs offer electronic and mailed home energy reports to residential ratepayers which motivate customers to reduce energy consumption by comparing a home's energy usage to neighborhood usage and recommending energy savings measures and tips based on specific energy-usage patterns. Id. Annual participation in R-BEEP ranges from 165, 00 to 203,700 participants and is expected to result in an annual savings of 9,940 MWh. Id. The LI-BEEP program is estimated to have between 14,300 and 17,400 participants, which will result in an average annual energy savings of 1,500 MWh. The collective program cost is estimated to be $5.28 million throughout Phase IV. Id. at 14.

The OCA's witness, Stacy L. Sherwood,[1] expressed concerns that savings may be lower than expected due to the impacts of COVID-19 and limited ability for participants to lower their at-home usage since more people are working and taking classes from home. OCA St. 1 at 14. Ms. Sherwood testified that the Company's Plan relied too heavily on Home Energy Reports to achieve its energy target:

> I am concerned about the Company's reliance on HERs to achieve its energy target, as the savings achieved through HERs is short-lived and lasts a maximum of two years. The first-year savings recognized from the R-BEEP and LI-BEEP are equivalent to 46% of the residential portfolio's energy savings and 15% of the total Phase IV savings. The lifetime savings of this program will not be experienced beyond Phase IV, which means that residential ratepayers are investing in short-term savings rather than long-term measures, such as weatherization and HVAC. I am not opposed to HERs being included as part of the residential portfolio as they do generate savings, albeit short-lived, and they also serve as a marketing tool for a utility's other programs. However, I am opposed to this level of investment of ratepayers' funds in short-lived savings.

OCA St. 1 at 14. Ms. Sherwood recommended that Duquesne explore deeper savings programs to prudently invest ratepayers' funds to meet the Commission's recommendation that there be a

[1] Ms. Sherwood is an Economist at Exeter Associates, Inc. where she develops utility service assessments, provides bill and rate analysis, and assesses and evaluates the effectiveness of energy conservation and efficiency programs and smart meter implementation plans. She has worked with utilities, state energy offices, attorneys general offices, consumer advocates, and commission staffs and testified before various state public utility commissions since 2013. See OCA St. 1, Exh. A: Qualifications of Stacy L. Sherwood.

comprehensive focus on longer-lived deep savings measures. Id. at 14-15. Regarding the cost-effectiveness of the residential program, Ms. Sherwood stated that:

> [t]he Company should use funding allocated for the residential class to conduct research and pilot measures to expand the residential measure offerings by considering measures such as electric vehicle charging stations. As the program components mature, it is important for the portfolios to develop new offerings as a way to continue to garner participation, including from those that have previously participated in other programs.

OCA St. 1 at 10.

The Settlement addresses these concerns by reducing the Company's reliance on these programs. Settlement at ¶ 37. The Settlement provides that the Company will reduce the Residential Behavior kWh savings from 51.74% to 44.2%. Id. Additionally, Duquesne agrees to:

> [I]nvest a portion of the 2% of costs allocated for its Pilot Program to explore measures for the residential sector that are reasonably cost-effective, achievable, implementable, and allowable under applicable law and Commission directives.

Settlement at ¶ 38. Further, Duquesne agrees to:

> [I]dentify measures to be implemented through the Pilot Program by the end of Program Year 14 and to implement such measures at full scale before the end of Phase IV to the extent such measures remain reasonably cost-effective, achievable, implementable, and allowable under applicable law and Commission directives.

Settlement at ¶ 38.

These Settlement terms help to achieve the objective identified in the Commission's Phase IV Implementation Order that the EE&C Plans should maximize the lifetime savings per expenditure. The scaleback of the Home Energy Reports will help to ensure that Duquesne's resources are reasonably balanced between programs that provide assistance with longer-lived direct install measures to reduce consumption while still providing useful educational information to consumers as well as continuing the home energy reports. The OCA recommends a scaleback of the programs and supports the Settlement's scale back of the use of the Home Energy Reports as a component of a well-balanced portfolio. The Settlement strikes an appropriate balance between consumer education and tangible energy efficiency measures, and as such, the OCA submits that it serves the public interest.

B. PJM Forward Capacity Market **(Settlement at ¶ 40).**

Pursuant to the Commission's Phase IV Implementation Order, Duquesne proposes to nominate a portion of its non-residential peak demand reduction as a capacity resource into PJM's Forward Capacity Market (FCM). OCA St. 1 at 16. The Phase IV Implementation Order provided that the utilities should "carefully consider their nomination levels and adopt a conservative bidding strategy to limit the likelihood of deficiency charge or nominated resources not clearing." Phase IV Implementation Order at 138. Given the potential risk of a deficiency charge that would be charged to ratepayers, OCA witness Sherwood identified concerns regarding how underperformance on a peak demand nomination may impact ratepayers, as penalties would be recouped through the EEC Surcharge from the rate class where demand reductions were not realized. OCA St. 1 at 16. Until a penalty is assessed, the extent of the impact from a penalty is unclear. Id.

OCA witness Sherwood recommended that Duquesne develop a more detailed approach, including which measures will be bid in and how Duquesne will bid to shield ratepayers from realizing penalties. Id. Furthermore, Ms. Sherwood recommended that the Company identify how it will limit ratepayer exposure to penalties, which includes a sensitivity analysis of the impact on the EEC Surcharge by ratepayer class if various levels of penalties are assessed. OCA St. 1 at 16. Also, Ms. Sherwood recommended that Duquesne filed its PJM FCM plan with the Commission to allow for stakeholders to comment on the plan before Duquesne begins bidding into the FCM. Id. at 16-17.

The Settlement addresses the OCA's concerns because it contains provisions which limit risk to ratepayers. Settlement at ¶ 40. Specifically, Duquesne agrees to "only bid those nonresidential peak demand savings that, in its judgment, are among the lowest risk of yielding a PJM penalty. Duquesne Light currently anticipates that such peak demand savings will result from nonresidential interior lighting measures. Duquesne Light shall not bid residential peak demand savings into the FCM." Settlement at ¶ 40. The OCA submits that this term is in the public interest because it protects residential ratepayers from penalties.

C. Phase III Expenditures **(Settlement at ¶ 43).**

The Phase IV Implementation Order required that Phase III budgets be used to close out program delivery on June 1, 2021 and report measures installed and commercially operable before May 31, 2021. See OCA St. 1 at 6, Exh. SLS-1: DQL Phase IV Implementation Order Compliance Checklist. Duquesne's EE&C Plan did not discuss how it would address Phase III costs after June 1, 2021 used to close out Phase III. OCA St. 1 at 6. OCA witness Sherwood recommended that Duquesne file clarification on how it will treat Phase II expenses in accordance with this requirement. Id.

The Settlement addresses this concern by providing that "Duquesne Light shall separately track Phase III costs incurred after June 1, 2021, and shall report such costs as separate line items in its 1307(e) EEC surcharge reconciliations." Settlement at ¶ 43. The OCA submits that the separate tracking of Phase III costs incurred after June 1, 2021 is in the public interest as it ensures the appropriate use of the Phase III budget.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of Duquesne Light Company's EE&C proceedings represent a fair and reasonable resolution of the issues and claims arising in this matter. If approved, the proposed Settlement will benefit the Commission and all Parties by foregoing the additional costs of litigation and will provide consumers with a reasonable EE&C Plan. For the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and in the interest of Duquesne Light Company's customers, and therefore should be approved.

Respectfully Submitted,

/s/ Lauren E. Guerra

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DATE: February 18, 2021

APPENDIX D

COMMUNITY ACTION ASSOCIATION OF PENNSYLVANIA

STATEMENT IN SUPPORT OF SETTLEMENT

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Duquesne Light Company for Approval of its Act 129 Phase IV Energy Efficiency and Conservation Plan	: : :	M-2020-3020818

COMMUNITY ACTION ASSOCIATION OF PENNSYLVANIA'S STATEMENT IN SUPPORT OF SETTLEMENT

NOW COMES the Intervenor, the Community Action Association of Pennsylvania (CAAP) and files this Statement in Support of the settlement reached in the above-captioned matter stating as follows:

1. CAAP is a not-for-profit Pennsylvania corporation and a statewide association representing Pennsylvania's community action agencies that provide anti-poverty planning and community development activities for low-income communities and services to individuals and families.

2. CAAP has been directly involved in assuring that low-income persons' utility costs are contained through counseling, advice, payment assistance and energy conservation measures.

3. CAAP intervened in this proceeding to address, on behalf of its clients, the low-income component of the Company's Plan.

4. CAAP submitted the rebuttal testimony of Susan Moore (CAAP Statement No. 1-R).

5. Ms. Moore's testimony supported the recommendation of CAUSE-PA and addressed the need for more comprehensive, long-lasting measures to be provided to low-income ratepayers.

6. In the settlement, the Company has agreed to increase the number of comprehensive measures in the low-income portions of its plan.

7. CAAP believes that the settlement as it relates to measures available to low income customers will result in lower energy use and utility costs for those vulnerable customers. Further, those additional measures that promote conservation will benefit the public generally.

8. CAAP did not submit testimony relative to other issues presented in this case so this statement in support will not address those issues.

WHEREFORE, CAAP respectfully requests that the settlement be approved.

Respectfully submitted,

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