

**Testimony Before The
Pennsylvania House Consumer Affairs Committee
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**Presented by:
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Good afternoon and thank you Chairman Godshall, Chairman Daley, members of the committee, and staff, for the opportunity to testify this afternoon. My name is Greg Geller and I'm a Director of Regulatory and Government Affairs for EnerNOC. EnerNOC is a leading provider of energy intelligence software, or EIS, to enterprises and utilities. I appreciate the opportunity today to share some comments on the future of Act 129.

Energy is often one of the largest three or four cost drivers for businesses, governments, and institutions, yet it is rarely managed as closely as other expenses. Historically end-use customers—like schools, hospitals, factories, or commercial buildings—have had minimal insight into their energy bill, and what actions they can pursue to lower their bill.

EIS demystifies energy for end-use customers, enables them to understand what is driving their energy costs, and provides concrete recommendations for reducing their bill. This software makes businesses more competitive and governments and institutions more cost-efficient, and we are proud to have saved our customers over \$1 billion since our company's founding in 2001.

EnerNOC's EIS solutions for enterprises include applications that help organizations buy energy better, manage utility bills, optimize energy consumption, participate in demand response, and manage peak demand. EnerNOC has a long and

distinguished track record of serving customers in the Commonwealth of Pennsylvania. We provide EIS to nearly 2,000 customer sites including school districts, municipalities, local businesses, and national chains. Combined these customers have earned tens of millions of dollars in payments for

their participation in the PJM demand response program, which compensates customers for agreeing to reduce their energy consumption during periods of stress on the electric grid, including summer heat waves or like during last year's Polar Vortex. According to independent third party estimates, last year

Figure 1: EnerNOC's Presence in Pennsylvania



this PJM DR program saved all customers across the 13-state PJM footprint \$11.8 billion.¹ This averages out to several hundred dollars per household.

Our EIS solutions for utilities deliver demand-side resources and program implementation solutions to utilities, grid operators, and energy retailers worldwide, helping them achieve their demand-side program, resource adequacy, and customer relationship objectives. Our utility software platform can be deployed to increase customer engagement, achieve energy savings through behavioral energy efficiency, or run demand response programs. The software focuses on commercial & industrial customers. Through the Act 129 programs, we have partnered with Pennsylvania utilities on demand response and energy efficiency in Phase I, and aim to serve EDCs in the upcoming Phase III as well.

EnerNOC EIS is at the cutting edge of energy technology, and we now partner with SunPower and Tesla, leaders in the solar and storage fields, respectively. With EIS' capability to connect to a customer's tariff, customers can leverage EIS to understand and realize the full value of solar and storage deployments.

Comments on Act 129

Act 129 has delivered and will continue to deliver significant value to all Pennsylvania ratepayers. We support its continuation into Phase IV and beyond. As of 2014, Act 129 had achieved \$4.2 B in savings and cost just \$1.8 B, providing an average net benefit of several hundred dollars per residence and business. As others have testified, it has also created jobs, reduced emissions, and stimulated innovation. With some changes, Act 129 can also serve as a cost-effective platform for the Clean Power Plan.

The following three legislative changes would strengthen Act 129, increase net benefits to ratepayers, and facilitate compliance with the Clean Power Plan:

1. The first change would be to better align the bottom lines of Electric Distribution Companies with the bottom lines of their customers. To the extent that

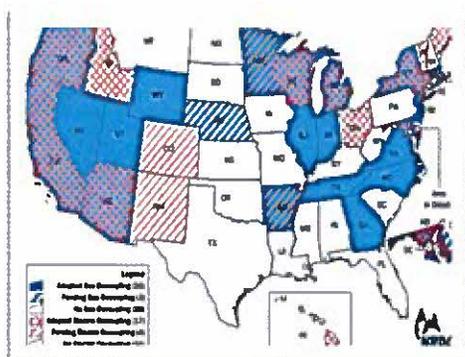


Figure 2: States with decoupling

Act 129 programs can achieve net benefits for customers, EDCs should share in that benefit. Unfortunately, the current construct is the exact opposite. While EDCs can recover the direct costs of the Act 129 programs, they are not able to recover the lost revenue that results from less energy being used. The less energy that is used, the less revenue there is for utilities. This can lead to utilities being unable to recover their fixed costs.

At a minimum, utilities should be indifferent to energy efficiency and demand response programs. As of September 2014, more than half of the states in the U.S., including nearly all of Pennsylvania's neighboring states, have either electric or gas

¹ Monitoring Analytics. Analysis of the 2013/2014 RPM Base Residual Auction. Page 52. September 20, 2010

decoupling policies.² Decoupling is a rate adjustment mechanism that separates an electric or gas utility's fixed cost recovery from the amount of electricity or gas it sells, which reduces the negative impact of less energy being sold. We'd recommend changes that go beyond making utilities indifferent, and instead provide incentives to utilities to the extent they meet energy efficiency and demand reduction targets and save customers money. This is necessary to put demand-side investments on a level playing field with traditional generation, transmission, and distribution investments, for which utilities earn a rate of return. According to the American Council for an Energy Efficient Economy, or ACEEE, about 25 states currently have, or are considering, some type of performance incentive.³ States with these incentives see greater investments in demand-side resources, and therefore, more savings to customers. We would gladly work with the Committee on designing these incentives so that they maximize value to ratepayers.

2. Similar to the first change, we would recommend that Act 129 be amended to allow utilities to earn a rate of return on deploying advanced energy analytics technology, such as software that engages customers in taking control over and reducing their energy use. Currently the Republican-sponsored energy package in the U.S. House of Representatives contains such a provision. If utilities can't earn a return on this technology, they will be less likely to deploy it relative to traditional infrastructure investments for which they can earn a return.
3. The final change would be to remove or increase the strict cap on energy efficiency and peak demand reduction spending. This cap is currently at 2% of the EDC's total annual revenue as of December 31, 2006. Having such a restrictive cap limits the net benefit to customers, as several cost-effective programs aren't funded. For instance, according to the Statewide Evaluation Team, higher demand reduction targets would have provided benefits well in excess of costs. However, the 2% cap means that lower targets will be implemented. Of the 24 states that are implementing energy efficiency resource standards, only four, including Pennsylvania, cap spending as a percentage of revenue.

The 2% cap will also limit a cost-effective compliance option for the Clean Power Plan, as the EPA has stated that they anticipate that "due to its low costs and potential in every state, demand-side EE will be a significant component of state plans under the Clean Power Plan." Recent studies have found that EE is two-to-three times cheaper than traditional power sources.⁴

Instead of placing a cap on spending as a percentage of a utility's annual revenue, the cap on spending should be the point where programs no longer deliver net benefits to ratepayers. At a minimum, the cap of 2% of 2006 revenues should be increased to 3% of 2015 revenues.

² <http://www.nrdc.org/energy/decoupling/>

³ <http://aceee.org/sector/state-policy/toolkit/utility-programs/performance-incentives>

⁴ <http://aceee.org/press/2014/03/new-report-finds-energy-efficiency-a>

In sum, Act 129 has delivered substantive benefits to the Commonwealth, and with some improvements to the statute, those benefits can be enhanced. This concludes my testimony. Thank you for your time and I look forward to your questions.