

Prepared Testimony of
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before the

The Pennsylvania House of Representatives
Consumer Protection, Technology and Utilities Committee

March 5, 2024



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Good afternoon, Chairman Matzie, Chairman Marshall, and members of the House Consumer Protection, Technology and Utilities Committee. I am Steve DeFrank, Chairman of the Pennsylvania Public Utility Commission (Commission or PUC). Also present with me is Joe Sherrick, Supervisor of the Policy and Planning Division within our Bureau of Technical Utility Services. On behalf of the Commission, I thank you for the invitation to testify on House Bill 491.

DISCUSSION

My testimony today will be brief as the legislation is pretty straight-forward. House Bill 491 amends Section 2806.1 of the Public Utility Code by adding a subsection that prohibits the Commission from disapproving an Electric Distribution Company's (EDC) Energy Efficiency & Conservation (EE&C) plan due to the inclusion of mechanical insulation even when its inclusion might detrimentally impact the overall cost effectiveness of the EDC's EE&C plan. The proposed bill also amends Section 2806.1(m) by adding the definition of "mechanical insulation" defined as insulation materials, facings and accessory products used for thermal requirements for mechanical piping and equipment, hot and cold applications, and heating, ventilation, and air conditioning applications. This definition would have no impact on the PUC's processes for approving EDC EE&C Plans under Section 2806.1 of the Code if no mechanical insulation measures are included. However, it could be harmful if such measures are included, as it would eliminate the discretion of the Commission to review the prudence of any mechanical insulation measures along with the associated ramifications of such measures on the overall EE&C plan.

It is important to note that the Commission has not prohibited the use of mechanical insulation as an Act 129 measure. In fact, mechanical insulation is included in the Act 129 Technical Reference Manual (TRM or manual). Examples include the following measures within the TRM.

Chilled Water Pipe Insulation - The measure documents the energy savings resulting from adding mechanical insulation to chilled water piping in heating,

ventilation, and air conditioning systems in nonresidential facilities with electric chilled water systems.

Domestic Hot Water Pipe Insulation - The measure documents the energy savings resulting from adding mechanical insulation to domestic hot water piping in nonresidential facilities with electric hot water systems.

The manual sets standards that are used to measure and verify applicable Energy Efficiency and Demand Side Management savings that are used by EDCs to meet their Act 129 consumption and peak demand reduction targets.

Mechanical insulation measures were approved in April 2022, as interim measure protocols, which were incorporated into the Act 129 2021 TRM by reference. Since mechanical insulation is included in the TRM, it is a measure that can already be offered in the EE&C plan of an EDC. However, to date, no EDC has requested inclusion of mechanical insulation as a measure in its EE&C plans. As such, the proposed bill has minimal impact on EDC EE&C plans or the PUC's processes for approving these plans since it does not require EDCs to include mechanical insulation in their submitted EE&C plan.

However, the goal of the Commission is to promote EE&C plans that are cost-effective and reduce electric energy consumption. Effectively, HB 491 prohibits the Commission from disapproving an EDC's EE&C Plan if the plan includes mechanical insulation, even if that measure or the entire EE&C Plan is not cost-effective using the legislatively required and Commission approved total resource cost (TRC) test.

While the Commission is not required to analyze the costs and benefits of each individual component of an EE&C Plan that is submitted by an EDC, it is required to examine the proposed EE&C plan as a whole and determine whether the plan overall is cost-effective based on the TRC test approved by the Commission.

The proposed bill seems counterintuitive to the purpose of an EE&C Plan, which requires an EDC to adopt and implement a cost-effective portfolio of energy efficiency and conservation measures that will reduce electric energy demand and consumption within an EDC's service territory. However, it should be noted that if mechanical insulation is included in an EDC's EE&C plan, this bill limits the Commission's discretion in reviewing the efficacy and cost-effectiveness of this particular measure in relation to the goals of the EE&C program. If the included mechanical insulation measure is not demonstrated to be cost-effective, in and of itself, it may impact the overall efficacy of the EE&C Plan when reviewed in accordance with the PUC's total resource cost test. The Commission continues to support a review process which ensures energy efficiency and conservation measures incorporated within an EE&C plan do not significantly harm the overall cost-effectiveness of the submitted EE&C plan when reviewed in accordance with the PUC's TRC test.

CONCLUSION

Overall, the Commission is proud of the work it has completed to date to facilitate a robust energy landscape in the Commonwealth. This includes the work associated with administering Act 129. The Commission thanks the Committee for the opportunity to testify. It is our intent to work cooperatively and constructively with the General Assembly as you deliberate this legislation and any further changes associated with Act 129 or other energy-related topics.

Thank you again for the opportunity to share our thoughts on this legislation. I am happy to answer any questions you may have.