Summary

Pennsylvania Act 129 of 2008 requires each of the seven major electric distribution companies to procure cost-effective energy efficiency and to develop energy efficiency and conservation plans to reduce electricity consumption by a minimum 1% by May 31, 2011, increasing to a total of 3% by May 31, 2013, and to reduce peak demand by 4.5% by May 31, 2013. In July 2009, the electric distribution companies submitted energy efficiency plans to the Public Utility Commission (PUC), which has oversight responsibilities in the implementation of Act 129. The PUC had 120 days to approve, reject, or modify the plans.

Taken together, the four-year plan adds up to one of the largest new efficiency programs in the nation, with a total budget of approximately $1 billion.

This is a night-and-day change from the previous state of affairs, where according to the Energy Information Administration, Pennsylvania utilities spent $4.6 million on energy efficiency in 2008, saving 2,715 MWh. As utilities begin to offer efficiency programs under Act 129, spending on energy efficiency in the state will increase. Electric utilities' program budgets filed with the state total $96.9 million.

Customer Energy Efficiency Programs

Pennsylvania will have gone from virtually no efficiency programs at all to a major, multi-sector portfolio within three years. This is one of the fastest expansions of any state in the country.

In accordance with Act 129 of 2008, each electric distribution company filed an energy efficiency and conservation ("EEC") plan with the PUC in July 2009. Plans submitted by each company explain how energy reductions are to be met, including a contract with a conservation service provider, and provide for energy efficiency measures for low-income households. The PUC may approve, reject, or modify the plans. Electric distribution companies also filed a smart meter technology procurement and installation plan for approval with the PUC.

According to the Energy Information Administration, Pennsylvania utilities reported efficiency program savings of 2,715 MWh in 2008, less than 0.01% of total retail sales. This number should improve dramatically as the state ramps up its energy efficiency efforts.

Energy Efficiency Program Funding

Before Act 129, Pennsylvania had Four Sustainable Energy Funds that had been created as a result of individual settlements with the state's five major distribution utilities to promote both renewable energy and energy efficiency. In 2007, approximately $6.5 million was distributed in the form of loans and $2 million was provided in grants from all SEFs. West Penn Power SEF is the only fund still collecting funds through distribution and transmission rates, currently at $0.001/kWh.

Under the new legislation, the electric distribution companies' energy efficiency and conservation plans propose a cost-recovery tariff mechanism to fund the energy efficiency and conservation measures and to ensure recovery of reasonable costs. The utilities can also recover the costs through a reconcilable adjustment mechanism. This will bring in over $200 million per year by 2011.

According to the Energy Information Administration, Pennsylvania utilities spent $4.6 million on energy efficiency in 2008. As utilities begin to offer efficiency programs in accordance with Act 129, spending on energy efficiency in the state is increasing. The sum of the electric efficiency program budgets filed by utilities with the Commission for the first program year is $96.9 million.

Energy Efficiency Resource Standards

Act 129, passed in October 2008, established an energy efficiency resource standard in Pennsylvania. Each electric distribution company with at least 100,000 customers must reduce energy consumption by a minimum 1% by May 31, 2011, increasing to 3% by May 31, 2013. Peak demand must be reduced by 4.5% by May 31, 2013. Ten percent of both consumption and peak demand reductions are to come from federal, state, and local government, including municipalities, school districts, institutions of higher education and nonprofit entities. The PUC must also set targets for the period beyond 2013.

Failure to achieve the reductions required (load and/or peak demand) subject the EDC to a civil penalty of not less than $1M and not to exceed $20M.

Prior to the 2008 legislation, in 2004, the legislature adopted the Alternative Energy Portfolio Standards (AEPS) Act. Under the law, renewable energy must account for 8% of the power sold in the state after 15 years of implementation. In addition, “tier 2” “advanced energy resources” must account for an additional 10% of power sold in 15 years. “Tier 2” resources include energy efficiency, hydropower, waste coal, and municipal solid waste generation. However, there was already enough waste coal generation in the state to meet the tier 2 targets for many years and no energy efficiency investments were made.