

# Act 129 of 2008

## Overview and Implementation

MADRI Steering Committee Meeting  
March 5, 2009

---

Kim Pizzingrilli, Commissioner  
[kpizzin@state.pa.us](mailto:kpizzin@state.pa.us)  
717.772.0692

Shane Rooney, Counsel  
[srooney@state.pa.us](mailto:srooney@state.pa.us)  
717.787.2871

Pennsylvania Public Utility Commission  
Harrisburg, PA 17105-3265  
[www.puc.state.pa.us](http://www.puc.state.pa.us)



# Act 129

---

- Legislative History
- Implementation Schedule
- Energy Consumption Reduction Objective
- Peak Demand Reduction Objective
- Standards for Implementation
- Penalties
- Smart Metering Mandate
- Time Based Rate Mandate



# Act 129 of 2008

---

- Act 129 addresses two primary areas:
  - utility procurement of “default” generation for customers who do not switch to competitive suppliers; and Public interest will be served by adoption of energy efficiency and conservation measures.
  - utility requirements to implement energy efficiency and demand response programs.



# Legislative History

---

- Act 129 was signed into law October 15, 2008.  
(effective November 14, 2008)
- Declaration of Policy:
  - Health, safety and prosperity of Pennsylvania are dependent on having adequate, reliable, affordable and environmentally sustainable electric service.
  - Public interest will be served by adoption of energy efficiency and conservation measures.
  - Public interest will be served by expanding the use of alternative energy.



# Implementation Timeline

---

- January 15, 2009: Commission identifies implementation timeline, standards of plan review, and resolves other issues. (Docket No. M-2008-2069887)
- February 5, 2009: Commission establishes standards for registration of “conservation service providers.” (Docket No. M-2008-2074154)
- February 20, 2009: Commission seeks comments on Technical Reference Manual (Docket No. M-2008-2069887)
- March 2009: Commission will establish conservation and peak demand reduction baselines. Commission RFP for statewide program evaluator to be issued.



# Implementation Timeline - continued

---

- July 1, 2009: EDCs file energy efficiency and conservation plan. Commission has 120 day review window.
- August 14, 2009: EDCs file smart meter procurement plan.
- January 1, 2010 (or end of rate cap): EDCs file Time of Use and Real Time Price Plan.



# Energy Consumption Reduction Mandate

---

- EDCs with 100,000 or more customers must reduce consumption 1% by May 31, 2011, and 3% by May 31, 2013.
- Reduction based on what consumption would have been in 2011 and 2013, forecasted from a June 1, 2009 through May 31, 2010 baseline.
- Reductions are weather normalized with a provision for “extraordinary load” adjustment.
- Commission may set additional reductions targets after 2013, if programs have been cost effective.



## Peak Demand Reduction Mandate

---

- All EDCs with 100,000 or more customers must reduce peak demand during the 100 hours of highest use by 4.5% by May 31, 2013.
  
- Reduction will be measured from June 1, 2007 through May 31, 2008 baseline, which will be approved by PUC in March 2009. Specifically, the 100 hours of highest demand from June through September 2007 will be the baseline.
  
- Reduction is weather normalized.
  
- Commission may set additional reductions targets after 2013, if programs have proven to be cost effective.





## Key Standards Governing Implementation

---

- Data must be Monitored and Verified – The Commission will hire an independent evaluator to review program data on an annual basis.
- The Commission will update its existing EE/DSR Technical Reference Manual, based on the Vermont EE Manual, to set “deemed savings” for a variety of measures.
- Plans must be Cost-Effective – Commission will base its cost-effectiveness test on the current California Total Resource Cost test.
- EDCs must use some non-utility affiliated CSPs in implementing program measures. All contracts for services with CSPs must be competitively bid.



## Key Standards Governing Implementation - Continued

---

- ❑ Measures must be available to all customer classes.
- ❑ At least 10% of reductions must be obtained from federal, state and local government facilities' load.
- ❑ EDC costs to be recovered through automatic adjustment clause.
- ❑ Annual program budgets are limited to 2% of EDCs' 2006 total annual revenues.



# Penalties for Non-Compliance

---

- EDCs “shall” be assessed a penalty of \$1 million to \$20 million for failure to achieve consumption and peak demand reduction targets.
- Penalty is not recoverable from ratepayers.
- If failure occurs, program design and implementation responsibility will be transferred to the Commission.



# Smart Metering Mandate

---

- All EDCs with 100,000 or more customers must file a smart metering procurement and implementation plan with the Commission by August 14, 2009.
- “Smart meter” is bidirectional and records usage at least hourly.
- At a minimum, smart meters must be provided upon customer request (if customer pays), in all new building construction in the service territory, and to all other customers within 15 years.
- EDCs may fully recover reasonable costs.
- Direct access to meters and data will be provided to third parties with customer consent.



# Time Based Rates Mandate

---

- By January 1, 2010, all EDCs with at least 100,000 customers will submit a time based rate plan to the Commission.
- Must offer one “time of use” or “real time” price offering available to customers with smart meters.
- “Real time” is defined as at least hourly, while “time of use” is defined as being at least two intervals but less frequent than hourly.
- Customer participation is optional.



# Other Provisions of Act 129

---

- Legal standard for default service procurement is changed from acquiring energy at “prevailing market prices” to on a “least cost basis” over the long term.
- The Pennsylvania RPS has been amended by expanding the pool of Tier I resources to include more low-impact hydropower and wood-pulp burning facilities.
- Imposes affirmative duty on EDC to attempt recovery of costs incurred by ratepayers due to wholesale market misconduct.
- DEP will undertake a study of carbon sequestration potential in PA.



# For more information

---

- Commission webpage on Act 129 implementation is maintained at:

[www.puc.state.pa.us/electric/Act\\_129\\_info.aspx](http://www.puc.state.pa.us/electric/Act_129_info.aspx)