

Prepared Testimony of
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before the

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

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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.

TESTIMONY OF: James Cassidy

**HB 491, Expanding the Use of Mechanical Insulation in Energy Efficiency and Conservation Programs
Public Hearing**

The House Consumer Protection, Technology & Utilities Committee

Good Morning House Consumer Protection, Technology & Utilities Committee Chairman Matzie and Minority Chair Marshall, and the members of the Committee. Thank you for the opportunity to testify before you this morning regarding HB 491, Expanding the Use of Mechanical Insulation in Energy Efficiency and Conservation Programs, which would incentivize the energy efficient installation of mechanical insulation for commercial and industrial projects. This hearing is critical for the proper review of PA Rep. Young's important legislation and I respectfully request the Committee's strong support of it.

I am here today as a Business Manager of Insulators Local 2, chartered on December 10, 1904, we have thrived in Southwestern Pennsylvania and beyond with our dedication to the community by education of leadership, preserving its rich historical significance, and growing with technology toward the future.

HB 491 would expand the use of mechanical insulation for existing energy efficiency and conservation programs under Act 129 of 2008. Mechanical insulation is used to insulate equipment or processes unlike building insulation, which is used in walls and roofs. Insulating and jacketing specific mechanical systems results in reduced energy use, reduced energy cost, enhances performance and provides added safety benefits.

Act 129 of 2008, requires electric distribution companies to complete an energy efficiency and conservation plan. This plan must be approved by the Public Utility Commission (PUC). As part of that process, the PUC approves cost-effective plans in reducing energy consumption. Mechanical insulation is a currently recognized interim measure protocol and incorporated into the Technical Resource Manual (TRM).

This legislation would expand upon that development by ensuring that all uses of mechanical insulation would be approved for Act 129 programs. This will eliminate the need to wait for the TRM to be fully reopened. Further, this would permanently ensure that mechanical insulation qualifies under Act 129 and avoids the need for the periodic review by the PUC.

From a workforce perspective, our Insulation Industry International Apprentice and Training Fund, finances the training department for the International Association of Heat and Frost Insulators and Allied Workers Union and its signatory contractors. These efforts work in conjunction with the insulation industry's Joint Apprenticeship Training Committee (J.A.T.C.) labor-management group, which works to provide the best-trained insulation workers with the skills necessary to meet industry needs now and in the future. Our workforce training includes: OSHA 10- and 30-hour safety training courses, asbestos removal and mediation, lead removal and mediation, firestop, energy audits, CPR and first aid training courses, and professional code of conduct program.

The International Association of Heat and Frost Insulators and Allied Workers Professional Craftsman Code of Conduct (PCCC) is a program to promote jobsite excellence and customer satisfaction. The goal of the PCCC is a job built on time, under budget, and built right the first time. The "Quality Control Craftsman" (QCC) has the full responsibility for communicating the PCCC to all members and employers, and insuring both are fully meeting their responsibility to our PCCC. The PCCC instills in our members and employers pride in their craftsmanship and accomplishments. This is truly the hallmark of my members' work.

We know that properly installed mechanical insulation saves money, improves lives and protects the environment. This isn't "the latest thing" to us as cost efficient, energy friendly insulation has been our lifeblood for our entire existence since 1903. Per the American Society of Heating, Refrigerating and Air-Conditioning Engineers, Inc. (ASHRAE), properly installed mechanical insulation provides long-term energy efficiency, emission reduction, cost savings and safety benefits. ASHRAE has stated that insulation can reduce the number of tons of greenhouse gas emissions into the atmosphere, prevent loss of energy, control condensation, protect occupant safety and public health wellness, and regulate surface temperature.

The National Insulation Association, the approximately 350-member trade association representing the mechanical and specialty insulation industry since 1953, estimates that maintenance of insulation at industrial facilities alone can generate more than \$3.6 billion in energy savings per year, and reduce 83 billion pounds of carbon dioxide.

With new construction, a properly designed and installed insulation system provides an excellent return on investment and quick payback through cost savings. With insulation's energy-saving qualities, a properly designed and installed insulation system immediately reduces the need for energy and results in significant savings. Our members and affiliated insulator contractors are well-prepared to create a sustainable environment in buildings and facilities through insulation.

With growing awareness about the advantages offered by mechanical insulation in recent years and per the U.S. Department of Labor's Bureau of Labor Statistics, overall employment of insulation workers is projected to grow 3 percent from 2020 to 2030 due to the need to make new and existing buildings and systems more energy efficient, which will ultimately drive the demand for mechanical insulation workers. Per the Bureau, roughly 6,000 openings for insulation workers are projected each year over the next ten years. In Pennsylvania, employment opportunities continue to rise in the construction industry; especially in warehousing and utilities, which all need proper mechanical insulation systems.

This legislation is a timely and I would be happy to further discuss this legislation or the importance of mechanical insulation. I look forward to the continued dialogue on this important legislation and please call upon me be a resource to you and your Committee.

Thank you, House Consumer Protection, Technology & Utilities Committee Chairman Matzie and Minority Chair Marshall, and the members of the Committee, for the opportunity to testify on this important legislative issue affecting Pennsylvania's construction industry.