

**PECO ENERGY COMPANY
STATEMENT NO. 1**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION
ENERGY EFFICIENCY AND CONSERVATION
PROGRAM

DOCKET NO. M-2009-2093215

DIRECT TESTIMONY
SUPPORTING PECO'S PETITION FOR APPROVAL OF
ITS PHASE II EE&C PLAN

WITNESS: FRANK J. JIRUSKA

SUBJECT: OVERVIEW OF PECO'S PHASE II
ENERGY EFFICIENCY AND
CONSERVATION PLAN

DATED: NOVEMBER 1, 2012

TABLE OF CONTENTS

I. INTRODUCTION AND PURPOSE OF TESTIMONY 1

**II. BACKGROUND OF PECO’S OBLIGATION TO ACHIEVE ENERGY
CONSUMPTION REDUCTIONS UNDER ACT 129..... 4**

III. OVERVIEW OF PECO’S PHASE II PLAN 8

IV. CONCLUSION 17

1 I became PECO's Vice President for Customer and Marketing Services in 2002. In
2 this position, I was responsible for managing PECO's call centers, its billing and
3 collection efforts, its meter reading, and large-account services.

4 Since 2003, I have been Director of PECO's Energy and Marketing Services
5 department. I am responsible for PECO's energy efficiency, conservation and
6 demand-side response programs, PECO's marketing efforts across all of its customer
7 segments, and customer service for PECO's large commercial and industrial
8 customers. I manage the customer testing and education aspects of PECO's "Smart
9 Ideas" suite of energy efficiency programs. In addition, I was responsible for the
10 development and execution of PECO's Act 129 Energy Efficiency and Conservation
11 Plan ("Phase I Plan") and have the same responsibility for the development of the
12 Company's Phase II Plan.

13 **3. Q. Mr. Jiruska, have you submitted testimony previously before the Pennsylvania**
14 **Public Utility Commission (the "Commission")?**

15 A. Yes. Most recently, I submitted testimony in support of PECO's Petition for an
16 Evidentiary Hearing on the consumption reduction target established for the Phase II
17 period.¹ In addition, I submitted testimony in PECO's most recent electric base rate
18 proceeding² and in Company proceedings related to PECO's Phase I Plan,³ Dynamic

¹ *Petition of PECO Energy Company for an Evidentiary Hearing on the Energy Efficiency Benchmarks established for the Period June 1, 2013 through May 31, 2016*, Docket No. P-2012-2320334.

² *Pennsylvania Public Utility Commission v. PECO Energy Company – Electric Division*, Docket No. R-2010-2161575.

³ *Petition of PECO Energy Company for Approval of its Act 129 Energy Efficiency and Conservation Plan and Expedited Approval of its Compact Fluorescent Lamp Program*, Docket No. M-2009-2093215.

1 Pricing and Customer Acceptance Plan,⁴ Residential Real-Time Pricing Program⁵ and
2 the Company's first Default Service Program and Rate Mitigation Plan.⁶

3 **4. Q. What is the purpose of your direct testimony?**

4 A. The purpose of my testimony is to provide an overview of PECO's Phase II Energy
5 Efficiency and Conservation Plan ("Phase II Plan" or "Plan"). First, I describe
6 PECO's obligations to achieve energy consumption reductions under Act 129⁷ and
7 the Commission's August 3, 2012 Implementation Order.⁸ Second, I briefly discuss
8 each of the thirteen energy efficiency programs that comprise the Phase II Plan, as
9 well as the process the Company used to select those programs.

10 **5. Q. Please explain how PECO's filing is organized.**

11 A. PECO's filing contains the following documents and testimony:

- 12 i. PECO's Petition for Approval of its Phase II Energy Efficiency and
13 Conservation Plan;
- 14 ii. my Direct Testimony, providing an overview of the Plan;
- 15 iii. the Direct Testimony of Toben E. Galvin, Associate Director in the Energy
16 Practice of Navigant Consulting, Inc. ("Navigant"), discussing the
17 development of the Phase II Plan;

⁴ *Petition of PECO Energy Company for Approval of its Initial Dynamic Pricing and Customer Acceptance Plan*, Docket No. M-2009-2123944.

⁵ *Petition of PECO Energy Company for Approval of Phase I of its Residential Real-Time Pricing Program*, Docket No. P-2008-2032333.

⁶ *Petition of PECO Energy Company for Expedited Approval of its Default Service Program and Rate Mitigation Plan*, Docket No. P-2008-2062739.

⁷ 66 Pa.C.S. § 2806.1 et seq.

⁸ *Energy Efficiency and Conservation Program*, Docket Nos. M-2012-2289411 and M-2008-2069887, at 24 (Order entered Aug. 3, 2012) ("Phase II Implementation Order").

- 1 iv. the Direct Testimony of Richard A. Schlesinger, PECO’s Manager of Retail
2 Rates, discussing the Plan’s cost recovery mechanism and tariff; and
- 3 v. PECO’s Phase II Plan, filed in the template format approved by the
4 Commission.⁹

5 **II. BACKGROUND OF PECO’S OBLIGATION TO ACHIEVE ENERGY**
6 **CONSUMPTION REDUCTIONS UNDER ACT 129**

7 **6. Q. Please describe Act 129’s energy efficiency and peak demand reduction**
8 **requirements.**

9 A. Act 129 directed electric distribution companies (“EDCs”) with greater than 100,000
10 customers to file with the Commission, by July 1, 2009, an energy efficiency and
11 conservation plan (“Phase I EE&C Program”).¹⁰ The EE&C plans were to reduce
12 retail energy consumption by a minimum of 1% by May 31, 2011 and a minimum of
13 3% by May 31, 2013. These reductions were to be measured against the EDC’s
14 forecasted customer consumption for the period June 1, 2009 through May 31, 2010.
15 For PECO, this 2009/2010 baseline is 39,385,000 megawatt-hours (“MWh”).

16 Act 129 further required that each EDC with at least 100,000 customers reduce the
17 average system peak demand for its retail customers in the 100 hours of highest
18 demand by a minimum of 4.5% no later than May 31, 2013. For the Phase I EE&C
19 Program, this demand reduction was to be measured against the EDC’s average peak

⁹ *Phase II Implementation of Act 129 of 2008 Energy Efficiency and Conservation Plan Template*, Docket No. M-2012-2289411.

¹⁰ 66 Pa.C.S. § 2806.1(b).

1 demand for the 100 hours of highest demand over the period of June 1, 2007 through
2 September 30, 2007.¹¹

3 In addition to these overall targets, the Act mandated that energy savings be derived
4 from certain designated customer segments during Phase I. Specifically, a minimum
5 of 10% of an EDC's consumption reductions had to be obtained from the
6 governmental, institutional and non-profit ("GIN-P") sector.¹² In addition, each
7 EDC's Phase I plan was to include specific energy efficiency programs for
8 households with income at or below 150% of the Federal Poverty Income Guidelines
9 ("low-income sector") that are proportionate to such households' share of the total
10 energy usage in the EDC's service territory.¹³ Finally, an EDC's plan had to pass a
11 "total resource cost" or "TRC" test, which is a test that establishes whether the
12 avoided cost of supplying electricity is greater than the cost of a plan's energy
13 efficiency and conservation measures.¹⁴

14 Pursuant to the Act, EDCs are entitled to full and current cost recovery of prudent and
15 reasonable costs, including administrative costs, but annual plan expenditures were
16 limited to 2% of the EDC's total annual revenue as of December 31, 2006.¹⁵ For
17 PECO, this annual spending cap is approximately \$85.5 million.

¹¹ See Implementation Order, *Energy Efficiency and Conservation Program*, Docket No. M-2008-2069887, at 20-21 (Order entered Jan. 16, 2009) ("*Phase I Implementation Order*").

¹² 66 Pa.C.S. § 2806.1(b)(1)(i)(B).

¹³ *Id.* at § 2806.1(b)(1)(i)(G).

¹⁴ 66 Pa.C.S. § 2806.1(b)(1)(i)(I); 2012 PA Total Resource Cost (TRC) Test, Docket No. M-2012-2300653 (Order entered August 30, 2012).

¹⁵ 66 Pa.C.S. §§ 2806.1(g), (h).

1 7. Q. Did PECO submit an EE&C plan in accordance with Act 129?

2 A. Yes. On July 1, 2009, PECO filed its Phase I Plan with the Commission pursuant to
3 Act 129 and various related Commission orders. PECO's Phase I Plan includes a
4 comprehensive portfolio of energy efficiency and demand reduction measures. The
5 Commission approved PECO's Phase I Plan, with modifications, on October 28,
6 2009, and further revisions were adopted in various subsequent orders.¹⁶

7 8. Q. Please describe the Commission's obligations under Act 129 with respect to a
8 possible Phase II EE&C Program.

9 A. Act 129 requires the Commission to evaluate the costs and benefits of the Phase I
10 EE&C Program by November 30, 2013. If the benefits of the Phase I EE&C Program
11 are found to exceed its costs, Act 129 requires the Commission to adopt additional
12 required incremental reductions in consumption and additional incremental
13 requirements for a reduction in peak demand.¹⁷

14 9. Q. Did the Commission adopt additional required incremental reductions in
15 consumption for a second EE&C Program term?

16 A. Yes. On August 3, 2012, the Commission entered the *Phase II Implementation*
17 *Order*, tentatively adopting EDC-specific targets for reducing energy consumption for

¹⁶ See, e.g., *Petition of PECO Energy Company for Approval of its Act 129 Energy Efficiency and Conservation Plan and Expedited Approval of its Compact Fluorescent Lamp Program*, Docket No. M-2009-2093215 (Order entered Feb. 17, 2010); *Petition of PECO Energy Company for Approval of its Act 129 Energy Efficiency and Conservation Plan and Expedited Approval of its Compact Fluorescent Lamp Program*, Docket No. M-2009-2093215 (Order entered Jan. 27, 2011).

¹⁷ 66 Pa.C.S. § 2806.1(c)(3), (d)(2).

1 the next EE&C Program term (June 1, 2013-May 31, 2016).¹⁸ PECO's Phase II
2 consumption reduction target was set at 2.9% of its expected sales for the June 1,
3 2009 through May 31, 2010 period.¹⁹ The Commission directed EDCs to continue to
4 comply with the statutory requirements established for Phase I, namely that: (1) 10%
5 of overall consumption reductions come from the GIN-P sector; and (2) a plan's
6 portfolio include a proportionate number of low-income measures.²⁰ In addition, the
7 Commission adopted a new requirement -- that EDCs obtain a minimum of 4.5% of
8 their consumption reductions from the low-income sector.²¹

9 **10. Q. Why were the targets in the *Phase II Implementation Order* tentative?**

10 A. In the Order, the Commission stated that the targets would become final for any EDC
11 that did not petition the Commission for an evidentiary hearing by August 20, 2012.
12 The Commission further explained that timely Petitions would be assigned to the
13 Office of Administrative Law Judge for expedited hearings with certification of the
14 record to the Commission by no later than November 2, 2012.²²

¹⁸ *Phase II Implementation Order*, p. 24.

¹⁹ *Id.* at 23-24.

²⁰ *Id.* at 45, 54.

²¹ *Id.* at 54.

²² *Id.* at 30-31.

1 11. Q. Did PECO file a Petition for Evidentiary Hearing regarding the Company's
2 Phase II consumption reduction target?

3 A. Yes, PECO filed a timely Petition and the matter was assigned to Administrative Law
4 Judge Elizabeth H. Barnes.²³ Direct and rebuttal testimony was served in that
5 proceeding and an evidentiary hearing was held on October 3, 2012. Briefing was
6 completed on October 30, 2012 and the record must be certified to the Commission
7 by November 2, 2012.

8 12. Q. Is PECO's Phase II Plan designed to meet the tentative 2.9% target established
9 in the *Phase II Implementation Order*?

10 A. Yes, the Company's proposed Plan is designed to satisfy the target tentatively
11 adopted in the *Phase II Implementation Order*. However, should the final target
12 change as a result of the separate evidentiary proceedings at Docket No. P-2012-
13 2320334, the Company reserves the right to modify the Plan accordingly.

14 III. OVERVIEW OF PECO'S PHASE II PLAN

15 13. Q. Mr. Jiruska, before providing an overview of the programs in PECO's Phase II
16 Plan, please briefly explain how PECO decided to include these specific
17 programs.

18 A. As will be explained in more detail by Mr. Galvin, PECO, with the assistance of
19 Navigant, conducted an extensive development process to identify and design the
20 programs that should be included in its Phase II Plan. First, PECO conducted

²³ Docket No. P-2012-2320334.

1 research on a broad array of possible measures, including a review of relevant written
2 materials, forecasts of savings and costs, and discussions with current and potential
3 conservation service providers (“CSPs”) and evaluators. Second, PECO developed a
4 library of potential measures and reviewed and updated key metrics, such as
5 estimated savings, to make sure they were consistent with the most recent Technical
6 Reference Manual. Third, PECO reviewed lessons learned from the experience
7 gained under its Phase I Plan and market research to better understand the
8 opportunities and constraints of its service territory. Finally, PECO conducted
9 iterative portfolio modeling of possible programs, participation levels and costs.
10 With input from CSPs and other industry professionals, PECO produced a final
11 model for the Phase II Plan.

12 **14. Q. Why did PECO select Navigant to assist the Company with Phase II Plan**
13 **development?**

14 A. Navigant is PECO’s current measurement and verification vendor for the Company’s
15 Phase I EE&C Plan. Therefore, Navigant has already acquired substantial knowledge
16 regarding the Company’s existing EE&C programs and key evaluation tools such as
17 the Technical Reference Manual. For these reasons, PECO determined that Navigant
18 was the most appropriate partner for the Phase II Plan development process.

19 **15. Q. Has PECO shared its Phase II Plan with stakeholders?**

20 A. Yes. As recently as September of this year, PECO shared the proposed Phase II
21 programs with its stakeholder group and solicited comments. PECO’s stakeholder
22 group includes the Office of Consumer Advocate, Office of Small Business

1 Advocate, Department of Environmental Protection, The Reinvestment Fund, and
2 Delaware Valley Regional Planning Commission.

3 **16. Q. Please provide an overview of the energy efficiency programs in the Plan.**

4 A. PECO's Plan includes thirteen energy efficiency programs that will not only meet Act
5 129 and Commission requirements, but also provide meaningful energy savings
6 opportunities to all customer classes. The Plan builds on the Company's successes
7 during Phase I, where PECO projects a total savings of over 1.2 million MWhs. Six
8 of the Phase II programs are already key components of PECO's Phase I EE&C Plan.
9 One of the programs being carried over to Phase II, the PECO Smart Home Rebates
10 Program, will now include measures from the Phase I Residential Lighting Program.
11 Both the rebate and lighting programs were very productive during Phase I, providing
12 incentives towards the sale of over 7 million CFLs and to more than 300,000
13 customers purchasing appliances and HVAC equipment. In addition to continuing
14 successful existing programs, new programs, such as the PECO Smart Multi-Family
15 Solutions Program and PECO Smart Energy Saver Program, will create new savings
16 and educational opportunities for important segments of the population.²⁴

17 **17. Q. Please describe PECO's residential programs.**

18 A. PECO has seven energy efficiency programs that are exclusively for residential
19 customers.²⁵ I will begin by discussing the **PECO Smart Home Rebates Program.**

²⁴ See, e.g., *Phase II Implementation Order*, pp. 49-50 (encouraging "special emphasis" for multi-family housing).

²⁵ An additional program, the PECO Smart Multi-Family Solutions Program, targets both residential customers and commercial and industrial customers. This program is described on page 16 of my testimony.

1 This program is designed to increase the penetration of ENERGY STAR appliances
2 and other high-efficiency measures in residential customers' homes. It provides
3 rebates to customers to help defray the cost of purchasing high-efficiency models of
4 common home equipment, and therefore gives them an incentive to choose this
5 equipment over standard efficiency appliances. We project that this program will
6 produce a total of 280,860 MWh in energy savings over the course of the Phase II
7 Plan (PY 2013-2015). The budget for the program is approximately \$53.5 million.

8 **18. Q. Please describe the next residential program in the Phase II Plan.**

9 A. The next program is the **PECO Smart House Call Program**. The purpose of this
10 program is to help residential customers, particularly those in electric heated homes,
11 improve the energy efficiency of their homes and the savings they can achieve on
12 their energy bills. Participants in this program pay for a home energy performance
13 audit. As part of the audit, a CSP installs energy savings measures such as faucet
14 aerators, low-flow showerheads, heater blankets and CFLs. Participants also receive
15 rebates to help them purchase additional energy efficiency measures identified
16 through the audit. We project that this program will produce 14,611 MWh in energy
17 savings over the course of the Plan. The budget for the program is approximately
18 \$16.0 million.

19 **19. Q. What is the next residential program?**

20 A. Next in the portfolio is the **PECO Smart Builder Rebates Program**. This program
21 provides financial incentives to builders who incorporate energy efficiency designs,
22 measures and equipment in new homes. It offers rebate packages to builders based

1 on the number of measures they install. We project that this program will produce
2 409 MWh in energy savings over the course of the Plan. The budget for the program
3 is approximately \$1.7 million.

4 **20. Q. Please describe the next residential program.**

5 A. The next program is the **PECO Smart Appliance Recycling Program**. This
6 program is designed to induce residential customers to dispose of working, old and
7 inefficient refrigerators and freezers, and to ensure that they are disposed of safely
8 and in an environmentally responsible manner. Under the program, a participating
9 customer has its old appliance picked up by a CSP. After the unit has been removed,
10 the CSP mails a rebate check to the customer. We project that this program will
11 produce 40,885 MWh in energy savings over the course of the Plan. The budget for
12 the program is approximately \$7.2 million.

13 **21. Q. Does the Plan contain any programs directed to low-income customers?**

14 A. Yes, the Plan includes the **PECO Low-Income Energy Efficiency Program**
15 **(“LEEP”)**. The purpose of LEEP is to educate income-eligible customers on how to
16 make their homes more energy efficient and thereby reduce their energy bills, and to
17 provide and install energy efficient measures for these customers. The program is
18 modeled after PECO’s LIURP Program, but is separate from and in addition to
19 PECO’s existing LIURP expenditures. LEEP provides home energy audits to
20 participants, and direct installation of needed energy efficiency measures, at no
21 charge to the participants. We project that this program will produce 49,364 MWh in

1 energy savings over the course of the Plan. The budget for the program is
2 approximately \$23.8 million.

3 Consistent with the *Phase II Implementation Order*, LEEP targets customers with
4 household incomes at or below 150% of the Federal Poverty Income Guidelines
5 (“FPIG”). However, the program also has the flexibility to include customers with
6 incomes up to 200% of the FPIG. We included this flexibility in LEEP so that
7 customers eligible for assistance through the American Recovery and Reinvestment
8 Act of 2009, which provides benefits to households at or below 200% of the FPIG,
9 would be able to utilize PECO’s program as well.

10 **22. Q. Does this program meet the Commission’s requirement that EDCs obtain a**
11 **minimum of 4.5% of their consumption reductions from the low-income sector?**

12 A. Yes. The Company is projecting that 4.5% of Phase II consumption reductions will
13 be generated by the low-income sector.

14 **23. Q. Please describe the next residential program.**

15 A. The **PECO Smart Energy Saver Program** is a new program designed to educate
16 and engage students and their families to take actions that can reduce their home
17 energy use and increase its efficiency. The program consists of an energy-based class
18 room curriculum in which students will be instructed on energy saving approaches
19 that can be implemented in their homes. Students will be provided a “take home” kit
20 designed to raise awareness about how individual actions and low-cost measures can
21 create significant reductions in electricity and water consumption. The take-home kit

1 will include a range of low-cost, easy to install energy efficiency measures and
2 educational materials. We project that this program will produce 2,873 MWh in
3 energy savings over the course of the Plan. The budget for the program is
4 approximately \$1.6 million.

5 **24. Q. Please describe the final residential energy efficiency program.**

6 A. The final residential program is the **PECO Smart Usage Profile Program**. This new
7 program is designed to increase awareness of energy using behaviors and promote
8 real and lasting behavior change to more energy efficient behaviors. PECO
9 customers will receive regular home energy use reports that show their electric
10 consumption relative to similar households and make recommendations for ways to
11 use energy more efficiently. We project that this program will produce 50,800 MWh
12 in energy savings over the course of the Plan. The budget for the program is
13 approximately \$3.0 million.

14 **25. Q. Please describe PECO's energy efficiency programs for commercial and**
15 **industrial ("C&I") customers.**

16 A. Certainly. PECO's Phase II Plan includes seven energy efficiency programs for C&I
17 customers. I will begin with the **PECO Smart Equipment Incentives Program**
18 **(C&I)**. It is designed to encourage C&I customers to improve the energy efficiency
19 of their business facilities by providing them with financial incentives to install high-
20 efficiency equipment – either specific types of equipment for fixed incentives or
21 custom equipment for incentives based on the energy savings of the custom measure.

1 We project that this program will produce 270,870 MWh in energy savings over the
2 course of the Plan. The budget for the program is approximately \$42.1 million.

3 **26. Q. What is the next C&I program?**

4 A. The **PECO Smart Construction Incentives Program** is designed to encourage
5 energy efficiency in the design of new commercial and industrial buildings and
6 buildings that are being reconstructed for commercial and industrial use. Program
7 incentives are available to providers of design and construction services and to
8 facility owners. In addition, as part of the program, training and design assistance is
9 provided to architects, engineers, designers, builders and contractors. We project that
10 this program will produce 78,871 MWh in energy savings over the course of the Plan.
11 The budget for the program is approximately \$12.3 million.

12 **27. Q. Please describe the next C&I program.**

13 A. The **PECO Smart Business Solutions Program** is designed to encourage and assist
14 small, nonresidential customers to improve the energy efficiency of their existing
15 facilities through turn-key installation and rapid project completion. This new
16 program includes lighting, refrigeration, and water heating measures that are typically
17 low-cost with reliable, prescriptive energy savings and costs per unit. We project that
18 this program will produce 43,867 MWh in energy savings over the course of the Plan.
19 The budget for the program is approximately \$8.4 million.

1 28. Q. What is the next C&I program?

2 A. The **PECO Smart Multi-Family Solutions Program** targets both residential and
3 C&I customers. It is designed to increase awareness of energy savings opportunities
4 in multi-family buildings and assist multi-family residents and building
5 owners/managers to act on those opportunities. This new program includes retrofit
6 and replacement projects in both master-metered common areas and individually-
7 metered units of multi-family facilities. We project that this program will produce
8 21,256 MWh in energy savings over the course of the Plan. The budget for the
9 program is approximately \$9.8 million.

10 29. Q. What is the next C&I program?

11 A. The **PECO Smart On-Site Program** is designed to assist customers interested in
12 acting on opportunities to install combined heat and power technologies. This new
13 program offers custom incentives paid on a fixed per kWh basis (up to a set amount)
14 based on the projects first year energy savings. We project that this program will
15 produce 135,002 MWh in energy savings over the course of the Plan. The budget for
16 the program is approximately \$14.9 million.

17 30. Q. Does the Plan contain any programs directed to the GIN-P sector?

18 A. Yes, the **PECO Smart Equipment Incentives Program (GIN-P)**. This program
19 provides educational, financial and technical assistance to government and non-profit
20 entities to encourage the installation of energy efficient equipment and technology in
21 public buildings, and in the use and upgrading of street and traffic lights. It includes

1 fixed and custom measure rebates to help these entities reduce the cost of installing
2 energy efficiency measures. Investment grade audits of government buildings may
3 also qualify for partial reimbursement. We project that this program will produce
4 103,748 MWh in energy savings over the course of the Plan. The budget for the
5 program is approximately \$24.4 million.

6 **31. Q. Does this program meet the Act's requirement that a minimum of 10% of an**
7 **EDC's consumption reductions must come from the GIN-P sector?**

8 A. Yes. The Company is projecting that, at a minimum 10% of Phase II consumption
9 reductions will be generated by the GIN-P sector.

10 IV. CONCLUSION

11 **32. Q. Please summarize your testimony.**

12 A. Building on the success of Phase I, PECO has developed a Phase II Plan that
13 complies with Act 129 and the *Phase II Implementation Order*. The Plan's robust
14 portfolio of programs will achieve the Company's 2.9% savings target and provide
15 meaningful savings opportunities for all customer classes. For these reasons, PECO
16 urges the Commission to approve the Phase II Plan.

17 **33. Q. Does this conclude your direct testimony?**

18 A. Yes.