COMMONWEALTH OF PENNSYLVANIA

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December 21, 2012

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17105-3265

Re: Petition of PECO Energy Company for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan
Docket No. M-2012-2333992

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Comments in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Sincerely,

Jennedy S. Johnson

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Assistant Consumer Advocate
PA Attorney I.D. # 203098

Enclosures
cc: Hon. Dennis J. Buckley, ALJ
Certificate of Service
163002

CERTIFICATE OF SERVICE

Petition of PECO Energy Company	:	
For Approval of its Act 129 Phase II	:	Docket No. M-2012-2333992
Energy Efficiency and Conservation Plan	:	

I hereby certify that I have this day served a true copy of the foregoing, the Office of Consumer Advocate's Comments, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 21st day of December 2012.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PECO Energy Company For Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan	: : :	Docket No. M-2012-2333992

COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE

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Dated: December 21, 2012

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I. INTRODUCTION

The Office of Consumer Advocate (OCA) is filing these Comments in accordance with the Notice in the *Pennsylvania Bulletin* published December 1, 2012. 42 Pa.B. 7371. This filing is in response to the Petition of PECO Energy Company (PECO or Company) for Approval of its Act 129 Phase II Energy Efficiency and Conservation (EE&C) Plan. On December 21, 2012, the OCA served the written testimony of its witness Christina Mudd[1] on Administrative Law Judge Dennis J. Buckley and the parties to the evidentiary portion of this proceeding. Hearings are scheduled for January 8 and 9, 2013 where this testimony will be moved into the record. The OCA requests that these Comments be read and considered in conjunction with the testimony of Ms. Mudd.

A. Background

On November 14, 2008, Act 129 of 2008 (Act 129) became effective. Act 129 contained a requirement for the Pennsylvania Public Utility Commission (Commission) to implement an Energy Efficiency and Conservation Program for Electric Distribution Companies (EDCs) with more than 100,000 customers. See 66 Pa.C.S. § 2806.1 *et seq*. The seven largest EDCs—PECO Energy Company (PECO), PPL Electric Utilities, Inc. (PPL), the FirstEnergy Companies (Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company), and Duquesne Light Company filed their Phase I EE&C Plans in the summer of 2009. These Phase I Plans expire on May 31, 2013.

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1 Ms. Mudd is a Senior Analyst with Exeter Associates, Inc. Ms. Mudd holds a Bachelor of Science degree from James Madison University and a Master of Arts degree in International Affairs from Johns Hopkins University. Ms. Mudd's areas of concentration for her Master's degree were economics and energy policy. Since 1998, Ms. Mudd has worked in positions either for private consulting firms or the State of Maryland in which her work has involved the areas of distributed energy, renewable energy, energy efficiency and environmental policy. With Exeter, Ms. Mudd focuses her work on electricity regulation, energy efficiency, renewable energy, and climate change. Under a contract with the National Association of Regulatory Utility Commissioners (NARUC), Ms. Mudd has served as the Executive Director for the National Council on Electricity Policy.

On August 3, 2012, the Commission entered its Phase II Implementation Order, tentatively adopting EDC-specific targets for reducing energy consumption for the next EE&C Program term (June 1, 2013-May 31, 2016). Energy Efficiency and Conservation Program, Docket Nos. M-2012-2289411 and M-2008-2069887 (Order entered August 3, 2012) (Phase II Implementation Order). As part of that Order, each EDC was given an EDC-specific Phase II consumption reduction target. PECO's Phase II target was set at 2.9% of its expected sales for the June 1, 2009 through May 31, 2010 period.[2] Phase II Implementation Order at 4. The Commission also directed that: (1) 10% of overall consumption reductions come from the Government/ Institutional/ Non-Profit sector; (2) a plan's portfolio of measures include a proportionate number of low-income measures, and (3) EDCs obtain a minimum of 4.5% of their consumption reductions from the low-income sector. Id. at 45-57. As in Phase I, the total resource cost (TRC) test will continue to be used to evaluate each EDC's Plan. Id. at 78-83.

Act 129 caps annual spending on the Plan at 2% of the EDC's total revenues for calendar year 2006. 66 Pa.C.S. § 2806.1(g); see gen'ly Phase II Implementation Order at 100-119. The Act provides for full and current cost recovery of the Plan costs through an automatic adjustment rider, but prohibits the recovery of lost revenues by the EDC. 66 Pa.C.S. § 2806.1(b)(1)(H). The costs incurred are to be allocated to the classes that directly benefit from the measures implemented, unless a system wide benefit can be shown.

The Phase II Implementation Order also details the Plan approval process. According to the Order, the EDCs were to file their proposed Plans by November 1, 2012, and

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2 As was its right under the Phase II Implementation Order, PECO filed a Petition for Evidentiary Hearing regarding the Company's Phase II consumption reduction targets. See Docket No. 2012-2320334. Direct and rebuttal testimony, evidentiary hearings, and briefing occurred and the record was certified to the Commission on November 2, 2012. The Commission entered an Order on December 5, 2012 denying the Company's Petition and upholding the standards and requirements set forth in the August 3, 2012 Phase II Implementation Order.

the Commission was to publish the Plans in the *Pennsylvania Bulletin* within 20 days of filing.[3] An answer along with comments and recommendations is to be filed within 20 days of publication. The Plans would be referred to the Office of Administrative Law Judge (ALJ) and be scheduled for hearings to be completed no later than the 65th day after the Plan is filed. The Commission will approve or reject all or part of the plan at Public Meeting within 120 days of the EDC's filing. Phase II Implementation Order at 61-62. PECO's Plan was filed on November 1st and the Commission Order is due in this matter by February 28, 2013. On November 30th, ALJ Dennis J. Buckley held a prehearing conference. At that conference, the Parties agreed to file a Joint Petition for a modification of the schedule provided in the Phase II Implementation Order while still maintaining the original ALJ certification and Commission Order dates. The Joint Petition was filed on December 5, 2012. On December 14, 2012, the Commission approved the Joint Petition and set the procedural schedule for the proceeding.

The OCA provides the following Comments on PECO's Plan in accordance with the Commission's Phase II Implementation Order.

B. The Stakeholder Process

Building upon the success of its stakeholder process, PECO has held numerous meetings with stakeholders (all of which the OCA attended) regarding the winding down of Phase I and its proposals for Phase II. The OCA wishes to again commend PECO on its stakeholder process. The OCA has found the PECO stakeholder process to be well attended by a diverse group of stakeholders and collaborative in nature. In the OCA's view, the stakeholder process conducted by PECO has been robust, encourages a two-way dialogue and allows for a

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3 Due to Hurricane Sandy, the Commission issued a Secretarial Letter extending the Plan submission filing date to November 15, 2012 and the Commission Order date to March 15, 2012. PECO filed its Plan on November 1st and all other EDCs filed on November 15th. The Plans were published in the *Pennsylvania Bulletin* on December 1, 2012. 42 Pa.B. 7371.

better informed process for both stakeholders and the Company. PECO's staff, in particular, showed a dedication to achieving a Plan that reflected its collaboration with the stakeholders. As was the case in Phase I, there will be much work to be done once a Phase II Plan is approved, and PECO's active stakeholder process will be a valuable tool to assist in the continued improvement of the Company's Phase II Plan.

C. Legal Standards

A number of standards are considered by the Commission in determining whether the EDC's EE&C Plan should be approved. 66 Pa.C.S. § 2806.1(a). Most of these standards deal with the evaluation and modification of the Plan and were previously implemented as part of Phase I. See 66 Pa.C.S. §§ 2806.1(a)(2) (monitoring and verifying data collection), 2806.1(a)(4) (evaluating how Plans will meet or achieve consumption reduction goals), 2806.1(a)(6) (amending and modifying Plans), 2806.1(a)(7). Other, more general standards, must also be achieved as part of each EDC's Plan. For example, Act 129 states that each Plan must include a variety of energy efficiency and conservation measures and that such measures must be provided equitably to all classes of customers. 66 Pa.C.S. § 2806.1(a)(5). Further, cost recovery must be structured in such a manner to ensure that approved measures are financed by the same customer class that will receive the direct benefits of those measures. Id. at § 2806.1(a)(11).

Act 129 also specifically requires each EDC to demonstrate, *inter alia*, that its Plan is both cost effective using the TRC test and provides a diverse cross section of alternatives for customers of all rate classes. See 66 Pa.C.S. § 2806.1(b)(1)(i)(I). In the Act, a TRC test is defined as:

> [A] standard test that is met if, over the effective life of each plan not to exceed 15 years, the net present value of the avoided monetary cost of supplying electricity

is greater than the net present value of the monetary cost of energy efficiency conservation measures.

66 Pa.C.S. § 2806.1(m). The TRC will continue to be used to evaluate each EDC's Phase II Plan. Phase II Implementation Order at 78-83. The revised TRC test for the Phase II Plans was adopted by the Commission at its August 30, 2013 Public Meeting. 2012 PA Total Resource Cost (TRC) Test, Docket No. M-2012-2300653 (Order entered August 30, 2012).

Finally, as was discussed above, in its Phase II Implementation Order, the Commission directed that each Company's Plan be developed to include a series of specific carve-outs. The carve-outs are as follows: (1) 10% of overall consumption reductions must come from the Government/ Institutional/ Non-Profit sector; (2) a Plan's portfolio of measures must include a proportionate number of low-income measures, and (3) EDCs must obtain a minimum of 4.5% of their consumption reductions from the low-income sector. Id. at 45-57.

The OCA submits that, in addition to reviewing the Company's proposed Plan for its potential to achieve the 2.9% consumption reduction target, PECO's Plan must also be reviewed to ensure that it is designed to meet all of aforementioned goals and targets in a cost-effective manner. The OCA will review the Company's Plan to ensure that it comports with these standards.

D. Summary of PECO's Plan

On November 1, 2012, in compliance with the requirements of Act 129 and the Commission's Phase II Implementation Order, PECO filed its Petition and EE&C Plan with the Pennsylvania Public Utility Commission. The Phase II Plan is designed to reduce total energy consumption between June 1, 2013 and May 31, 2016 by 2.9% of PECO's sales for the June 1, 2009 through May 31, 2010 period. Petition at 4. To achieve this goal, the Company proposes a Plan consisting of thirteen energy efficiency programs, six of which are components of its Phase

I Plan and seven of which are new programs. Petition at 8-10. Specifically, the Company has proposed the following seven programs for its residential class: (1) PECO Smart Appliance Recycling Program, (2) PECO Smart Home Rebates, (3) PECO Smart House Call, (4) PECO Smart Builder Rebates, (5) PECO Low-Income Energy Efficiency Program (LEEP), (6) PECO Smart Energy Saver Program, and (7) PECO Smart Usage Profile. Id.

PECO's portfolio of programs is designed to provide customer benefits while also meeting the energy saving goals set forth in the Act within the designated expenditure cap of two percent (2%) of 2006 annual revenues (approximately $85.5 million) for each of year of the three year plan. PECO St. 1 at 5. The Plan has budgeted expenditures totaling $256.4 million which are broken down by class as follows: Residential- $131.1 million; Small Commercial and Industrial (SC&I)- $53.4 million; Large Commercial and Industrial (LC&I)- $70.1 million; and Municipal Lighting (ML)- $1.8 million. See PECO St. 3 at 6-7, Exh. RAS-2.

PECO will recover its costs through an Energy Efficiency and Conservation Program Charge (EEPC) that will be imposed under Section 1307 and will be both reconcilable and non-bypassable. PECO St. 3 at 4-6. The EEPC will be a separate line item on the customer's distribution bill. Id. A separate recovery charge will be established for each customer class, corresponding to the costs of the programs that target that class, and will include the costs of the EE&C Plan, the Statewide Evaluator (SWE) costs, and the Gross Receipts Tax (GRT). PECO St. 3, Exh. RAS-3. Initially, the EEPC rates for each class are projected to be as follows:

Class	**Projected Rate***
Residential	$0.00351/kWh
Commercial	$0.00245/kWh
Industrial	$0.78938/KW
Municipal Lighting	$0.00355/kWh

*Rate Information taken from PECO St. No. 3, Exh. RAS-3

Phase I costs will be tracked and reconciled separately from Phase II costs and revenues. PECO St. 3 at 4-5. Recovery charges will be levelized during the cost recovery period with the costs incurred and recovered reconciled on an annual basis and a true-up of actual Plan costs at the end of the recovery period. Id. at 5.

As is discussed in the testimony of OCA witness Mudd, the OCA reviewed the Company's proposed costs to be included within the EEPC Rider. The OCA also examined the Companies' proposed cost allocation. Ms. Mudd sets forth her findings and recommendations on these issues in OCA Statement 1.

II. SPECIFIC COMMENTS ON THE PLAN AND PROGRAMS

A. PECO Smart Builder Rebates Program

PECO Smart Builder Rebates Program is intended to accelerate the adoption of energy efficiency in the design and construction of new single-family homes. Pet. at 8. To achieve this goal, PECO proposes to educate architects, builders and buyers about the benefits of ENERGY STAR® Homes certification and to offer an incentive of $400 for achieving the certification. Plan at 47, 50. PECO would also pay a "performance bonus" for the first year of $0.10 per kWH of savings as verified for each home. Id. This program has a TRC of only 0.2, the lowest of any of the Company's proposed Phase II programs and comprises 2% of the Residential Budget. Plan at 52-53.

The OCA is concerned about the effectiveness of this program, as well as its very low TRC. Ms. Mudd sets forth her findings and recommendations on these issues in OCA Statement 1.

B. PECO Smart House Call Program

According to the Company, PECO's Smart House Call Program is aimed to help customers gain a better understanding of their home energy use and achieve savings while also improving the comfort of their home. Pet. at 8. While the program has several components, the program is based around two types of energy audits that will be provided at discounted rates. Plan at 37. The first is a Comprehensive Energy Audit utilizing diagnostic testing (such as blower door and combustion safety) used to identify and quantify energy efficiency opportunities. Plan at 38. This Audit is restricted to PECO residential electric heating customers and will be available at a customer cost of up to $250 (with low-cost measures such as CFLs or pipe insulation being installed at no additional charge). The second is an Energy Assessment consisting of a general walk through that is designed to identify common opportunities for energy efficiency improvements, especially through low-cost measures. Id. This Assessment will be available to all PECO residential electric customers regardless of their primary heating source at a cost of up to $100 (with low cost measures being installed at no additional cost). Id. This program makes up 14% of the Residential budget and has a TRC of 0.67. Plan at 45-46.

Ms. Mudd discusses the positive aspects of this program in her testimony and makes recommendation therein to allow the program to be of even more benefit to a wider array of PECO customers.

C. Multi-Family Housing Solutions Program

PECO's Multi-Family Housing Solutions Program is available to both residential and Commercial and Industrial (C&I) customers. Pet. at 9. The Program targets multi-family property owners as well as individual accounts in multi-family properties and focuses on replacing existing equipment and providing direct installation of low-cost measures such as

CFLs, advanced power strips and low-flow showerheads and faucet aerators. Id. at 9-10. Although classified in PECO's EE&C Plan as a C&I program, the residential component actually comprises more than half ($5.022 million) of the program's $9.8 million budget. Plan at 113. This program makes up 4% of the Residential budget with a TRC of 1.1. for the residential portion of the program. Id. at 114.

Master-metered multi-family homes are considered to be part of the C&I class. Therefore, only those customers with individual meters can be properly accounted for under the Company's Residential budget. There are two types of individually metered residential customers—those who own their residences or apartments and those who are renters. In her testimony, Ms. Mudd discusses the programs that are already available to multi-family residential customers who own their residences. Ms. Mudd also recommends changes to the program to better address multi-family, individually-metered renters.

D. Low Income Program Requirements

In its Phase II Implementation Order, the Commission required that EDCs' Phase II Plans, *inter alia*, contain a proportionate number of low income measures and that EDCs obtain a minimum of 4.5% of their consumption reductions from the low income sector. Phase II Implementation Order at 45-57. In response to this requirement, PECO proposed a Low-Income Energy Efficiency Program (LEEP). Pet. at 8-9. Through LEEP, the Company will educate income-eligible customers on how to make their homes more energy efficient, and thereby reduce their energy bills. Id. According to PECO, LEEP builds upon the LIURP objective of making bills more affordable. Plan at 54-55. The program has four components: 1) in-home audits and education with direct installation of measures (at no cost to customers); 2) increased number of CFLs installed for LIURP; 3) distribution of CFLs at low-income community events;

and 4) replacement of old, inefficient working refrigerators with new ENERGY STAR® units. Plan. Id. The LEEP program makes up 21% of the Residential Budget and has a TRC of 1.51. Id. at 59-60.

OCA witness Mudd will discuss in her testimony whether the proposed low income expenditures and savings are consistent with the Phase II Implementation Order consumption reduction targets; whether the low income programs are reasonably designed to be cost-effective and to meet the consumption reduction targets; and whether additional opportunities for coordination and best practices exist to improve upon the Companies' proposed low income programs. Ms. Mudd will also examine the Companies' proposal to count the low income savings achieved from the participation of the low income customer population in other non-low income residential programs towards the 4.5% low income consumption reduction target and whether that proposal is reasonably designed to measure actual low income customer involvement in non-low income residential programs.

E. Direct Load Control Program

On December 19, 2012, PECO filed the Supplemental Direct Testimony of its witness Frank J. Jiruska addressing the benefits and cost-effectiveness of the Company's mass market Direct Load Control (DLC) program. The OCA has consistently supported the continuation of the Company's cost-effective residential DLC program. This is in large part due to the fact that once the EDC installs the DLC switch on the customer's premises and a communication system to control that switch, those infrastructure costs are sunk whether the switch is used or not. The demand savings, on the other hand, can be achieved only when the switch is activated as part of a program. To put it another way, demand response programs, once implemented, should be sustained so that the continuing savings made possible by the initial investment in the programs can be realized.

The OCA agrees with PECO that its DLC program demonstrates significant benefits to its customers as it has a Total Resource Cost (TRC) of 2.38. See, PECO St. 1-S at 3. The OCA supports the Company's efforts to continue the DLC program during Phase II in a manner that does not require the Company to reduce its established energy efficiency targets. The OCA looks forward to working with the Company and the other stakeholders to determine how the DLC program can be implemented within the framework and budget of PECO's Phase II Plan.

III. CONCLUSION

The OCA appreciates this opportunity to provide Comments and the testimony of its expert witness on this important topic. The OCA respectfully requests that the ALJ and the Commission review the testimony of OCA witness Mudd on these important issues and adopt any recommendations or modifications to PECO's Phase II plan that she makes therein.

Respectfully Submitted,

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