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December 21, 2012

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Bldg., 2nd Fl.
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 for electronic filing are Comverge, Inc.'s Comments in the above-referenced matter. Copies have been served in accordance with the attached Certificate of Service.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Jeffrey J. Norton'.

Jeffrey J. Norton

JJN/jls
Enclosure

cc: Hon. Dennis J. Buckley (w/enc)
Certificate of Service (w/enc)

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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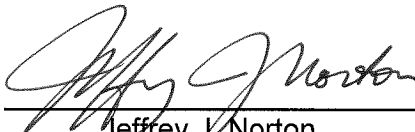
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Jeffrey J. Norton

Date: December 21, 2012

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PECO ENERGY :
COMPANY'S FOR APPROVAL OF : Docket No. M-2012-2333992
ITS ACT 129 PHASE II ENERGY :
EFFICIENCY AND CONSERVATION :
PLAN :

**COMMENTS OF COMVERGE, INC.
TO PECO ENERGY COMPANY'S ACT 129 PHASE II
ENERGY EFFICIENCY AND CONSERVATION PROGRAM**

I. Introduction

Comverge, Inc. ("Comverge") hereby offers its Comments in above-captioned docket to PECO Energy Company's ("PECO" or "Company") Act 129 Phase II Energy Efficiency and Conservation ("EE&C") Plan ("Phase II Plan" or "Plan").

On November 1, 2012, PECO filed with the Pennsylvania Public Utility Commission ("PUC" or "Commission") its Phase II Plan, pursuant to Act 129 of 2008, 66 Pa. C.S. § 2806.1 ("Act 129) and the PUC's Implementation Order entered on August 3, 2012, at Docket Nos. M-2008-2069887 and M-2012-2289411. On December 19, 2012, Comverge filed its Petition to Intervene in this proceeding.

Comverge is one of the nation's leading providers of energy management products and services. Comverge has been an active Conservation Service Provider ("CSP") in Pennsylvania¹

¹ Comverge is registered as a CSP on the PUC's Registry of CSPs. *Petition of Comverge, Inc.*, Docket No. A-2009-2113604, Secretarial Letter dated Nov. 3, 2011 approving application to re-register as a Conservation Service Provider. Comverge's wholly owned subsidiary, Enerwise Global Technologies, is also registered as a CSP. *Petition of Enerwise Global Technologies, Inc.*, Docket No. A-2012-2297625, Secretarial Letter

and has served several electric distribution companies (“EDCs”) who are in the Act 129 Phase II Programs. Comverge has provided complex energy management programs and related services to small business, large commercial, and industrial customers throughout Pennsylvania, including those customers in the PECO’s service territory. Comverge has a unique business model, and extensive experience in providing energy management solution services to all types of customers.

In this proceeding, Comverge generally supports the Company’s Phase II Plan and specifically promotes the development of behind-the-meter cogeneration with combined heat and power (“CHP”) technologies as a supported energy efficient and conservation measure to provide stability in reliability planning, capture significant benefits, and avoid waste at little added cost.

II. Comverge’s Support of CHP in PECO’s Phase II Plan

In its Phase II Plan, PECO’s Smart On-Site Program sets forth the Company’s interest in developing CHP technologies in its service territory.² In its Petition for Approval of its Phase II Plan, PECO states that the PECO Smart On-Site Program is designed to encourage installation of CHP projects that “maximize operational savings and minimize operational and maintenance costs. It offers incentives to customers who install CHP technologies to reduce facility energy

dated April 11, 2012 approving the company’s application to register as a Conservation Service Provider.

² PECO’s Phase II Plan refers to cogeneration CHP on pages 147-154; *see also*, PECO St. No. 1 (Jiruska) at 16, and PECO St. No. 2 (Galvin) at 12. The Program cost by rate Class is set forth in Exhibit RAS-2.

use.”³ For all of the reasons PECO has outlined in their Phase II Plan and testimony, Comverge supports PECO’s Smart On-Site Program and its design for CHP.

In addition, Comverge provides the following points and suggestions to support the development of CHP technologies in the PECO service territory:

1. CHP systems have a higher degree of certainty in the hours of operation, energy costs and savings over their lifetime. For example, the CHP hours of operation can be continuous, thereby allowing the estimated costs to be easier to define and manage. Other referenced custom measures can be more impacted by weather, occupancy levels, project load and non-energy benefits. With CHP, any upfront capital investment can be recouped quicker with the savings from the generation of on-site electricity.
2. Although CHP technologies can utilize a variety of fuels, most CHP systems utilize natural gas. With the availability and abundance of low-cost natural gas throughout the Marcellus Shale⁴ and Utica Shale regions, the implementation of distributed generation with gas makes financial, economic and environmental sense.
3. CHP distributed on-site generation of electricity reduces transmission and distribution losses, reduced grid congestion, improves reliability, reduces base-load (presumably coal-fired) generation requirements, reduces capacity requirements and provides enhanced national security by becoming less dependent on foreign oil. Since CHP is more

³ *Petition of PECO Energy Company for Approval of its Phase II Energy Efficiency and Conservation Plan* at 10.

⁴ “*Challenges Facing Combined Heat and Power Today: A State-by-State Assessment*,” by Anna Chittum and Nate Kaufman, September 2011, American Council for an Energy-Efficient Economy, Report Number IE111, at 64.
See: <http://www.uschpa.org/files/public/ie111.pdf>

efficient, less fuel is required to produce a given energy output than with separate heat and power. Higher efficiency translates into: lower operating costs, reduced emissions of all pollutants, increased reliability and power quality, reduced grid congestion and avoided distribution losses.⁵

4. To mitigate the risks of variable energy costs associated with the implementation of CHP, the contractual parties can enter into long-term power purchase agreements to lock in the costs.
5. PECO should also fully consider the societal impacts and benefits of reducing the carbon footprint and implementing CHP projects which help minimize externalities including NOx (nitrous oxide), SOx (sulfur oxides) and or VOC (volatile organic compounds) emissions.⁶
6. PECO should further consider the other non-energy benefits of implementing CHP which include comfort, health and safety, aesthetics, financial savings, water savings, sustainable job creation and economic development.⁷

⁵ For more information regarding the benefits of CHP technologies and the differentiation between generation efficiency and on-site efficiency, see: <http://www.epa.gov/chp/basic/efficiency.html>.

⁶ Id. at 8-10.

⁷ Id. at 9.

III. PECO's Smart On-Site Program and CHP

The PECO Smart On-Site Program ("the Program") will be rolled out to the public during PY 2013 and will operate through PY 2015. In its Phase II Plan, PECO sets forth its Smart On-Site program objectives:

1. Increase consumers' awareness and understanding of CHP technologies and opportunities in their facilities.
2. Assist customers interested in acting on opportunities to install various types of CHP systems.
3. Overcome financial barriers to allow customers to integrate CHP technologies into their facilities energy systems.
4. Make a significant contribution to attainment of PECO's energy savings goals.
5. Demonstrate PECO's commitment to and confidence in innovative energy savings technologies.
6. Strengthen customer trust in PECO as their partner in saving energy.⁸

For the Program, PECO's target customer market includes all existing commercial and industrial accounts, including government, public, and non-profit facilities. The Company's focus for the Program is customers installing any type of CHP technology that helps offset facility demand. The Program offers incentives to customers who install CHP technologies to reduce facility energy use.⁹ CHP technologies generate electric and thermal energy from a single fuel source, e.g., natural gas. Customers with steady base load electricity

⁸ PECO's Phase II Plan, at 147.

⁹ Id.

usage coupled with steady thermal demand can realize significant efficiencies and savings by incorporating CHP. The Program will be designed to ensure participating customers install economic CHP projects that maximize operational savings and minimize operational and maintenance costs.¹⁰ The Program incentives are paid on a declining tiered incentive rate by installed capacity with a bonus performance payment. The performance payment is paid on a fixed per kWh basis based on actual energy savings after a one-year monitoring period.¹¹

In its Program, PECO points out that several other sources of technical and financial assistance are available to commercial and industrial energy users to enable energy efficiency improvements. PECO highlights specifically the United States Clean Heat and Power Association as an applicable collaborative resource to entities that utilize CHP and who work to develop sound clean energy policy and market place solutions.¹²

PECO's Phase II Plan also sets forth measures that demonstrate the Programs proposed per-unit gross annual deemed savings, costs and potential incentives.¹³ The Program will record energy savings and peak load reductions from the incentive applications processed. The Program encourages installation of CHP projects that maximize operational savings and minimize operational and maintenance costs. It offers incentives to customers who install CHP technologies to reduce facility energy use.

The Program offers custom incentives paid on a fixed per kWh basis (up to a set amount) based on the projects' first year energy savings. PECO projects that the Program will produce

¹⁰ Id.

¹¹ Id.

¹² Id. at 149.

¹³ Id. at 151.

135,002 MWh in energy savings over the course of the Plan. The budget for the program is approximately \$14.9 million.¹⁴ Comverge's unique offering of a CHP cogeneration operation strategy can assist PECO in meeting its respective Act 129 goals. Comverge can help PECO and the regulators integrate the three programs of load management and energy efficiency and distributed generation into a cohesive model for customers. Comverge can elucidate a business strategy through energy and load optimization to fill this void. Comverge is working to actively pursue cogeneration as it is truly a distributed generation solution and an energy efficiency solution.

Comverge supports the use of CHP as a cost effective, energy efficient energy use that supports the goals and objectives of Act 129. The targets set for PECO will impact PECO's energy efficiency and conservation program, which in turn will have a material effect on the use of cogeneration CHP energy efficiency and conservation programs in the PECO service territory and other energy management programs in the Commonwealth. Comverge is directly interested in developing cogeneration CHP energy efficiency conservation programs and other energy measures to help meet the Act 129 targets in the PECO service territory. Comverge believes that the Commission should continue such efforts and program elements without delay. The development of CHP technologies is in the public interest since the CHP technologies and opportunities will make a significant contribution to attainment of PECO's energy savings goals under Act 129 by providing innovative ways to be energy efficient and conserve energy.

¹⁴ PECO St. No. 1 (Jiruska) at 16.

IV. Conclusion

Comverge appreciates the opportunity to offer comments to PECO's Act 129 Phase II Plan, and looks forward to working cooperatively with all interested stakeholders in this proceeding.

Comverge supports the use of CHP as a cost effective, energy efficient energy use that supports the goals and objectives of Act 129. Comverge believes CHP should have an important role in PECO's Phase II Plan, and supports PECO's Smart On-Site Program and its design for CHP.

Respectfully submitted,



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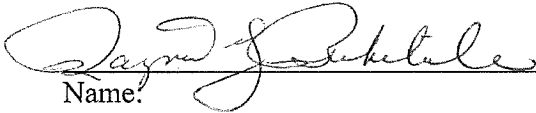
Date: December 21, 2012

Attorneys for Comverge, Inc.

VERIFICATION

I, RAYMOND G BERKEBILE hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect to be able to prove the facts. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to falsification to authorities.

Date: DECEMBER 20, 2012


Name: _____

Company: CONVERGE

Title: DIRECTOR OF PROFESSIONAL
ENGINEERING