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 Docket No. P-

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ANSWER OF CITIZENS FOR PENNSYLVANIA'S FUTURE (PENNFUTURE) IN RESPONSE TO THE PETITION OF PECO ENERGY COMPANY FOR APPROVAL TO AMEND ITS ACT 129 PHASE II ENERGY EFFICIENCY AND CONSERVATION PLAN TO CONTINUE ITS MASS MARKET DIRECT LOAD CONTROL PROGRAM FROM JUNE 1, 2013 TO MAY 31, 2014

I INTRODUCTION

Act 129 of 2008 amended the Pennsylvania Public Utility Code by requiring Pennsylvania electric distribution companies ("EDC") to file energy efficiency and conservation ("EE&C") plans by July 1, 2009 containing the plan elements specified in that section (Phase I). Act 129 also requires the Pennsylvania Public Utility Commission ("Commission"), by November 30, 2013, to evaluate the costs and benefits of the Phase I Program and, if the benefits of the Program are found to exceed their costs, to adopt "additional required incremental reductions in consumption" and "additional incremental requirements for reduction in peak demand."

The Commission retained a Statewide Evaluator ("SWE") to conduct market potential and baseline studies in order to comply with the requirements for cost-benefit analyses imposed by Act 129. Based on those studies and the Commission's interpretation of the program cost imposed by Act 129, the SWE concluded that "instituting a second phase of Act 129 electric energy efficiency programs will be cost-effective for Pennsylvania ratepayers." *Phase II*

Implementation Order, pp. 11-12. On or about August 3, 2012, the Commission entered its Implementation Order establishing EDC's specific consumption reduction targets for Phase II of Act 129.

On or about August 20, 2012, PECO filed a Petition seeking an evidentiary hearing. On October 3, 2012 an Evidentiary Hearing was held in this matter. Evidence was presented by Duquesne Light Company, the Statewide Evaluator, PennFuture, PECO Energy Company, Clean Air Council and the Sierra Club. PennFuture submitted the testimony of Glenn Reed.

On or about November 1, 2012, PECO, pursuant to the requirements of Act 129 of 2008, 66 Pa. C.S. §2806.1, petitioned the Commission for approval of PECO's Phase II Energy Efficiency and Conservation Plan ("Petition"). A hearing was held on that matter on January 9, 2013. Thereafter, on or about February 28, 2013, the Commission entered an Order granting in part, and denying, in part, PECO's Petition. On or about March 15, 2013, PECO requested the Commission's approval to amend its Phase II Energy Efficiency and Conservation Plan ("Phase II Plan") to include direct load control ("DLC") measures for residential and small commercial customers from June 1, 2013 to May 31, 2014. PECO requested that the Commission, on an expedited basis, amend its February 28, 2013 Order approving the Phase II Plan and: (1) find that the proposed Mass Market DLC Program is cost-effective; (2) find that the Phase II Plan, as amended to include the Mass Market DLC Program from June 1, 2013 to May 31, 2014, satisfies the requirements of 66 Pa.C.S. §2806.1(b)(1) and the *Phase II Implementation Order*, including those provisions mandating the implementation of programs designed to achieve the 2.9% energy savings target established for PECO and the savings carve-outs for the governmental, institutional and non-profit and low-income sections; and (3) find that the proposed Mass Market DLC Program is an approved component of the Phase II Plan, and, as such, its associated costs are recoverable under PECO's Phase II Energy Efficiency & Conservation Program Charge. Citizens for Pennsylvania's Future ("PennFuture") submits the following Answer in response to PECO's Petition.

II PROPOSED AMENDMENTS TO PECO'S PHASE II PLAN

A. PennFuture supports continuation of Direct Load Control Program

1. PennFuture supports PECO's Petition to amend its Phase II Energy Efficiency and Conservation Plan ("Phase II Plan") to include direct load control ("DLC") measures for residential and small commercial customers (collectively, the "DLC Program") from June 2, 2013 to May 31, 2014.

2. Throughout the Phase II proceedings, PennFuture supported the continuation of demand response programs; however, not at the expense of lowering Phase II energy savings targets.[1]

3. PennFuture believes that PECO's proposed DLC Program will provide a net benefit to PECO customers. Demand response programs help ensure electric system reliability by reducing system emergencies and black-outs. Both transmission and generation capacity are sized to meet peak demand, therefore reductions can avoid or delay investments in costly new power plants and power lines. Reducing peak demand lowers costs for all consumers on energy, capacity, and transmission and distribution.

4. In Phase I of Act 129, PECO installed over 100,000 load control devices on participating customer's central air conditioning units as part of the DLC Program. During times of peak demand, PECO would remotely activate the controls to cycle air conditioners on and off on residential customers and control the temperature setting on commercial units to reduce energy consumption. According to PECO's Petition, the DLC Program delivered approximately 99 megawatts ("MW") of demand savings during Phase I.

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[1] Joint Demand Response Comments in response to the Commission's Act 129 Energy Efficiency & Conservation Program Phase II Tentative Implementation Order, Docket No. M-2012-2289411 (Filed June 25, 2012); PennFuture Comments in response to the Act 129 Energy Efficiency & Conservation Phase II Secretarial Letter, Docket No. M-2012-2289411 (Filed April 17, 2012); and Direct Testimony of Glenn Reed at Answer to Question 13.

5. Not continuing the DLC Program would be detrimental to PECO customers. First, the costs of the load control devices installed in Phase I have already been paid for by PECO customers. The load control devices only provide demand savings if PECO activates them as part of the DLC Program. If the DLC Program is not continued in Phase II, then the cost of the devices will become sunk. DLC Programs have high upfront costs but continue provided benefits when they are deployed each year over the life of the equipment. Continuing the DLC Program over the useful life of the devices will help ensure a net-benefit to customers. Further, if the DLC Program is not continued, customers may request for the devices to be removed. This will create additional unnecessary costs without any benefit to customers. Finally, not extending the DLC Program will create customer confusion and dissatisfaction, which may make it more difficult for PECO to recruit customers for any future DLC programs. Allowing for a one year continuation of the DLC Program is critical to avoiding a disruption in the marketplace.

6. The Commission affirms this opinion in its Phase II Energy Efficiency and Conservation Program Implementation Order ("*Implementation Order*"), stating:

> "The Commission, however, does recognize that the EDCs and residential electric customers in particular have made significant strides in the implementation of residential curtailment measures, such as direct load control programs. Therefore, to minimize customer confusion or adverse customer reaction, EDCs may continue, under the Act 129 EE&C Program, residential demand response curtailment measures, such as direct load control programs, that will be cost effective if continued." *Id.* at 42.

7. Based on the benefits of extending the DLC Program, PennFuture supports PECO's Petition.

B. <u>PECO has met Commission requirements to continue DLC Program</u>

8. PennFuture submits that PECO has met the requirements set forth by the Commission to continue its DLC Program in Phase II. On page 25 of Docket No. P-2012-2320334 ("*Benchmark Order*"), the Commission states, "PECO shall not allocate Phase II funds for DR programs, including its Mass Market DLC Program, unless it can show that it can fund

such programs while meeting the 2.9% EE reduction target and show that the programs are cost-effective."[2] PECO appears to have met these requirements.

9. First, PECO's witness, Frank Jiruska, presented evidence in his supplemental testimony filed on December 19, 2012 that the DLC Program is cost-effective with a total resource cost (TRC) test score of 2.38. Secondly, PECO's proposed amendment to its Phase II Plan details that it can continue the DLC Program without jeopardizing its ability to meet its 2.9% savings target. PECO achieves this by making minor adjustments to incentive levels and adding in measures omitted from the Phase II Plan that are included in the 2013 Technical Reference Manual.

C. <u>Proposed modifications to DLC Program will increase cost effectiveness</u>

10. PennFuture supports PECO's proposed modifications to the DLC Program in Phase II.

11. PECO's proposal to dispatch the DLC Program resources only if the day-ahead peak load forecast is 95% or more of the forecasted 2013 system peak is a more cost-effective approach than dispatching resources during the forecasted top 100 hours of system demand.

12. As PennFuture detailed in its April 17, 2012 Comments in response to the Act 129 Phase II Secretarial Letter, the Phase I requirement for EDCs to obtain a 4.5% peak demand reduction over the top 100 hours was an inefficient use of ratepayer dollars. The top 100 hours requirement lead to EDCs dispatching demand response resources when it is was not cost-effective to do so because the grid was not constrained. This practice reduced the cost-effectiveness of demand response in Phase I.

13. PennFuture previously recommended the Commission move to a model similar to what PECO is proposing for future demand response programs. PennFuture recommended employing a model similar to that used by Con Edison where curtailment events are based on a predetermined peak demand threshold. Con Edison forecasts its summer peak in the late summer

[2] *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 (Final Order entered December 6, 2012).

to early fall of the previous year. Then planned curtailment events are called if the day ahead forecast is 96% (or greater) of that forecasted summer peak demand.[3]

14. The Statewide Evaluator's ("SWE") recent presentation on its Demand Response Study also supports movement away from the top 100 hours. The SWE indicated that preliminary results of its study show that calling demand response events during a smaller subset of hours when electricity prices are higher will increase the cost effectiveness of programs.[4]

15. For these reasons, PennFuture supports PECO's proposed modifications to its DLC Program.

III. CONCLUSION

For the foregoing reasons, PennFuture supports PECO's proposed amendments to its Phase II Plan to include a one-year extension of its DLC Program.

Respectfully Submitted,

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[3] http://www.coned.com/energyefficiency/demand_response.asp

[4] Statewide Evaluation Team, *Update of Demand Response Study*, Presented at the Pennsylvania Public Utility Commission Demand Response Stakeholders Meeting, 02/21/2013. Available at: www.puc.state.pa.us/Electric/pdf/Act129/SWE-DR_Stakeholders_Presentation022113.pdf

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Petition of PECO for an	)	
Evidentiary Hearing on the Energy	)	Docket No. M-2012-2333992
Efficiency Benchmarks Established for the	)	
Period of June 1, 2012 through May 31, 2016	)	

CERTIFICATE OF SERVICE

I hereby certify that I have this 10th day of April, 2013 served a true and accurate copy of the foregoing **ANSWER OF CITIZENS FOR PENNSYLVANIA'S FUTURE (PENNFUTURE) IN RESPONSE TO THE PETITION OF PECO ENERGY COMPANY FOR APPROVAL TO AMEND ITS ACT 129 PHASE II ENERGY EFFICIENCY AND CONSERVATION PLAN TO CONTINUE ITS MASS MARKET DIRECT LOAD CONTROL PROGRAM FROM JUNE 1, 2013 TO MAY 31, 2014** upon the parties listed below via electronic service, and further certify that a hard copy was deposited in the United State mail, postage prepaid, and addressed to:

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