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April 15, 2013

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 is Converge, Inc.'s Answer in Support of PECO's Petition, 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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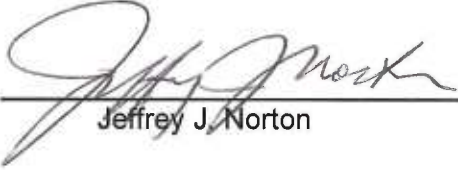
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Jeffrey J. Norton

Date: April 15, 2013

**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 :

**ANSWER OF COMVERGE, INC. IN SUPPORT OF PECO ENERGY COMPANY'S
PETITION FOR APPROVAL TO AMEND ITS ACT 129 PHASE II ENERGY
EFFICIENCY AND CONSERVATION PLAN**

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Date: April 15, 2013

Attorneys for Comverge, Inc.

Comverge, Inc. (“Comverge”)¹ hereby files this Answer in support of PECO’s Petition to Amend its Act 129 Phase II Energy Efficiency and Conservation Plan (“Phase II Plan”) in order to include in its Phase II Plan direct load control (“DLC”) measures for residential and small commercial customers (collectively, “Mass Market DLC Program or “DLC Program”) for the period from June 1, 2013 to May 31, 2015.

I. SUMMARY OF COMVERGE’S POSITION

In its Opinion and Order dated February 28, 2013 (“the Phase II Plan Order”), the Commission repeated an invitation to PECO that it previously made in other Phase II Orders by stating the following:

“Consistent with the *Phase II Implementation Order* and the *PECO Phase II Benchmark Order*, we will address the continuation of DR programs in the context of Act 129 following the completion of the SWE’s DR study. However, we note that in the PECO Phase II Benchmark Order, we invited PECO to present evidence that it could fund cost-effective DR programs as part of Phase II budget and still meet its 2.9% Phase II energy reduction target.” *Phase II Benchmark Order* at 25; *Phase II Plan Order* at 34.

PECO now proposes a way to do just that, and Comverge fully supports PECO’s proposal. PECO has explained that it can fund cost-effective and valuable demand response (“DR”) programs under the Phase II budget while still enabling PECO to meet the 2.9% energy

¹ Comverge is a leading provider of energy management products and services to various customers. Comverge is registered as a Conservation Service Provider (“CSP”) on the Commission’s Registry of CSPs. *See Petition of Comverge, Inc.*, Docket No. A-2009-2113604, Secretarial Letter dated Nov. 3, 2011. Comverge has been active in providing complex energy management programs, demand response (“DR” or “demand reduction”) measures and related services to electric distribution companies (“EDCs”) and to residential, small and large commercial, and industrial customers throughout Pennsylvania, including in PECO’s service territory.

reduction target.² PECO has demonstrated that it will adjust the initial incentive levels for selected measures by reducing the overall Phase II Plan cost by approximately \$10 million without affecting customer participation or savings. The reallocation of funding provides PECO with enough resources to fund the Mass Market DLC Program while not harming its other EE&C measures. Continuing the valuable DLC program in this way is eminently reasonable because demand response programs provide numerous benefits including ensuring reliability and lowering costs for consumers as well as utilities. In fact, the proposed PECO DLC Program is prudent and cost-effective, captures significant benefits and avoids waste.

Moreover, in its Phase II Plan Order of February 28, 2013, the Commission recognized that DLC provides value when it stated, “While demand reduction targets have not been established for Phase II, the Commission recognizes 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.” *Phase II Plan Order* at 32. The Commission also noted the OCA support as follows:

“The OCA submits that it has consistently supported the continuation of PECO’s residential Mass Market DLC program because the infrastructure costs have already been incurred. The OCA avers that, once implemented, DR should be sustained so that the continuing savings made possible by the initial investment in the program can be realized. OCA M.B. at 21. The OCA notes that PECO’s DLC program has a TRC of 2.38 which demonstrates significant benefits to its customers. *Id.* (citing PECO St. 1-S at 3).” *Phase II Plan Order* at 34.

² Specifically, PECO submitted testimony demonstrating the cost-effectiveness of its DLC Program. See PECO St. No. 1-S & PECO Exhibits FJJ-1 – FJJ-4. Now in its Petition, PECO has identified five programs where incentive levels can be modified without affecting customer participation or savings. The incentive changes reduce the overall Phase II Plan cost by approximately \$10 million, which PECO believes is sufficient to fund the Mass Market DLC Program until May 31, 2014. In addition, the DLC Program has a TLC test score of 2.38. See PECO’s Petition to Amend its Phase II Plan at 10-11 and Exhibit 2 to the Petition.

Comverge acknowledges that the Commission has repeatedly expressed reluctance to approve the continuation of PECO's DR Program in Phase II until the Statewide Evaluator ("SWE") completes its DR study. This is likely because of certain concerns about funding a program that is not proven to be cost-effective. While Comverge completely understands and appreciates this concern, the Commission need not await the SWE study results.³ PECO's analysis has consistently shown that its DR programs can be adequately funded in Phase II without jeopardizing its ability to meet its 2.9% energy savings target. The Commission can grant PECO's Petition to Amend pending the SWE completed results.

Accordingly, Comverge recommends that the Commission adopt PECO's proposals, which seek (a) to find that the Mass Market DLC Program is cost-effective; and (b) to amend the Phase II Plan to include the Mass Market DLC Program from June 1, 2013 to May 31, 2014 as satisfying the requirements of 66 Pa. C.S. § 2806.1(b)(1) and the *Phase II Implementation Order*; and (c) to find that the 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 EEPC.

II. PROCEDURAL HISTORY

It is undisputed that PECO's Phase I Plan contained a successful and cost-effective Mass Market DLC Program. Initially, the Commission excluded demand reduction targets and corresponding required DR programs from the EDCs' Phase II EE&C Plans. The Commission explained that DR programs must be proven to be cost-effective before it will set additional

³ The Commission has indicated that the results of the SWE's study will become available in April 2013. See Docket No. M-2012-2289411 (Secretarial Letter dated January 14, 2013); *Phase II Order* at 34.

targets. *Phase II Implementation Order* at 32. Although the Commission had previously directed the SWE to complete a study to determine the cost-effectiveness of DR, the results of the study were not available when the Phase II Implementation Order was issued. Therefore, the Commission did not determine whether additional peak demand reduction targets would be appropriate. *Id.* at 32-33.

On November 1, 2012, PECO petitioned the Commission for approval of its Phase II Plan but PECO did not include any DR programs. PECO's Phase II Plan includes thirteen energy efficiency programs, categorized into residential programs and commercial/industrial programs and designed to meet the 2.9% consumption reduction target. The Phase II Plan costs are to be recovered through the Energy Efficiency & Conservation Program Charge ("EEPC") mechanism approved under PECO's Phase I Plan. On December, 19, 2012, Comverge timely filed a Petition to Intervene in this proceeding and Comverge's Petition to Intervene was granted by the Fourth Prehearing Order, dated December 27, 2012. On January 24, 2013, PECO filed a revised Phase II Plan. On January 28, 2013, the record in that proceeding was certified to the Commission.

On February 28, 2013, the Commission approved the revised Phase II Plan, with certain modifications. The Phase II Plan Order invited PECO to "present evidence that it could fund cost-effective DR programs as part of a Phase II and still meet its 2.9% Phase II energy reduction target." *Phase II Plan Order*, p. 34.

III. ARGUMENT

Comverge recommends that the Commission adopt PECO's proposal to allocate Act 129 funds to continue and expand DR and DLC programs; such an allocation will provide stability in reliability planning, capture significant benefits, assist ratepayers and avoid waste.

A. PECO's Mass Market DLC Program and its Benefits

PECO's Petition to Amend its Phase II Plan to continue its Mass Market DLC Program from June 1, 2013 to May 31, 2014, incorporated two direct load control programs into the Mass Market DLC Program portfolio: (1) the PECO Smart A/C Saver-Residential Program; and (2) the PECO Smart A/C Saver-Commercial Program.

Comverge submits that the Commission should continue DLC efforts and program elements without delay. The development of DLC technologies is in the public interest since the DLC 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. Moreover, the load control devices have already been installed and paid for in Phase I. Not extending the DLC Program will create customer confusion, increased cost (for removal), adverse reaction and overall dissatisfaction with the Act 129 Program.⁴

There are many benefits of DR programs to participants as well as non-participants across PECO's service territory. The benefits include the following:

- Ability to better manage outages or to reduce energy or capacity market prices (with smart thermostats)
- Improve post-outage power restoration and distribution-level reliability
- Peak demand reductions can lead to lower wholesale market/clearing prices

B. There is Adequate Funding For The Mass Market DLC Program

PECO states in its Petition that, following further review, PECO believes that it can extend the Mass Market DLC Program while continuing to meet its savings target. Comverge

⁴ See *Phase II Implementation Order* at 42.

agrees, and supports PECO's position to allocate sufficient Act 129 funds for the proposed Mass Market DLC Program to enhance the success of the Act 129 program.

In particular, PECO identified five programs where the initial incentive levels for selected measures can be adjusted while remaining within the originally-approved rebate ranges without affecting customer participation or savings. The incentive adjustments would reduce the overall Phase II Plan cost by approximately \$10 million, which is sufficient to fund the extended Mass Market DLC Program.⁵ The estimated costs for the DLC Program would be recovered through PECO's EEPC. It is Comverge's understanding that PECO's distribution customers will not bear any incremental EEPC charges as a result of the DLC Program.

In its Petition, PECO is proposing certain changes to its proposed methodology and incentive levels. Also, while updating the Plan, PECO identified a few inadvertent measure errors and omissions that were corrected. Comverge does not oppose these changes and agrees that PECO can adjust the measures in order to adequately implement the Mass Market DLC Program without affecting customer participation or savings.

C. The Mass Market DLC Program Is Cost-Effective

Although the Commission has stated that it will address the continuation of DR Programs in the context of Act 129 following the completion of the SWE's Study, the Commission's *Phase II Implementation Order* (p. 42) and the *Benchmark Order* (p. 25) authorizes PECO to continue DR measures under Act 129 as long as those measures are cost-effective. By submitting testimony in its Phase II proceeding, PECO has clearly demonstrated that it can fund the Mass

⁵ PECO summarizes the proposed incentive program changes in Exhibits 1 and 2 to its Petition

Market DLC Program as cost effective.⁶ PECO's DLC Program is cost effective with a TRC test score of 2.38.⁷ To date, no one has disputed this evidence or the favorable TRC test score. OCA has expressly supported PECO's Mass Market DLC Program.⁸ In its Petition to Amend its Phase II Plan, PECO further proposes to dispatch the DLC Program resources only if the day-ahead peak load forecast is 95% or more of the forecasted 2013 system peak in order to be more cost-effective than dispatching resources during the forecasted top 100 hours of system demand.⁹ The SWE supports this approach in a recent DR update to the Commission.¹⁰

Comverge encourages the Commission to grant PECO's Petition to Amend its Phase II Plan to continue its Mass Market Direct Load Control Program pending the completion of the SWE Study results. PECO's proposed changes to its Phase II Plan clearly detail that it can continue the DLC Program while meeting its 2.9% savings target by making minor adjustments to incentive levels and adding measures omitted from the initial Phase II Plan. PECO and its customers would be wasting assets and savings efforts if this Program were not continued and expanded in Phase II.

⁶ See PECO St. No. 1-S & PECO Exhibits FJJ-1 – FJJ-4.

⁷ PECO Petition at 7, citing previous Frank Jiruska's Supplemental Testimony, PECO St. No. 1-S.

⁸ See OCA St. No 1 at 20.

⁹ See PECO's Petition's Exhibit 2 at 70-73 and 162-165.

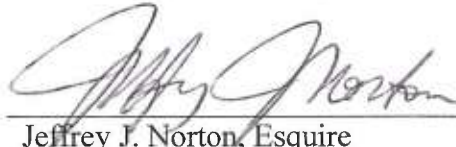
¹⁰ SWE's Update of Demand Response Study to the Commission on February 21, 2013; See: http://www.puc.state.pa.us/Electric/pdf/Act129/SWE-DR_Stakeholders_Presentation022113.pdf.

IV. CONCLUSION

Comverge respectfully requests that the Commission grant PECO's Petition to Amend its February 28, 2013 Order approving the Phase II Plan, and:

- 1) find that the proposed PECO 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*;
- 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 ("EEPC").

Respectfully submitted,



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Date: April 15, 2013

Attorneys for Comverge, Inc.

VERIFICATION

I, Frank Lacey, hereby declare that I am the Vice President, Regulatory and Market Strategy for Comverge, Inc., and hereby verify that I am authorized to make this Verification and state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and further, that I expect Comverge, Inc. to be able to prove the same in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to falsification to authorities.



Date: April 15, 2013

Frank Lacey
Vice President
Regulatory and Market Strategy
Comverge, Inc.