

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PECO ENERGY :
COMPANY FOR APPROVAL OF ITS :
ACT 129 PHASE II ENERGY : **DOCKET NO. M-2012-2333992**
EFFICIENCY AND CONSERVATION : **DOCKET NO. P-2014-**
PLAN :

**PETITION OF PECO ENERGY COMPANY
FOR APPROVAL OF AMENDMENTS TO ITS ACT 129 PHASE II ENERGY
EFFICIENCY AND CONSERVATION PLAN**

I. INTRODUCTION

This Petition is filed by PECO Energy Company (“PECO” or the “Company”) pursuant to 52 Pa. Code § 5.41 and the Pennsylvania Public Utility Commission’s (the “Commission’s”) Final Orders entered August 3, 2012, at Docket Nos. M-2008-2069887 and M-2012-2289411 (the “*Phase II Implementation Order*”)¹ and December 6, 2012, at Docket No. P-2012-2320334 (the “*Benchmark Order*”).² PECO is filing this Petition to obtain Commission approval for amendments to PECO’s Phase II Energy Efficiency and Conservation (“EE&C”) Plan (“Phase II Plan” or “Plan”).

As a result of developments since Plan commencement on June 1, 2013, PECO is proposing several changes to improve the overall Plan, including continuation of its Mass Market Direct Load Control (“DLC”) Program for residential and small business customers through the remainder of the Phase II Plan period (i.e., through May 31, 2016) in light of its Total Resource

¹ *Energy Efficiency and Conservation Program*, Docket Nos. M-2008-2069887 and M-2012-2289411 (Final Order entered August 3, 2012).

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).

Cost (“TRC”) ratio of 2.5 and customer interest, as well as avoidance of stranding of program investment made during the Phase I Plan. The developments which have led to PECO’s proposed improvements include:

- Savings adjustments arising from the Commission’s updating of the Technical Reference Manual (“TRM”);
- Completion of contract negotiations with Conservation Service Providers (“CSPs”) resulting in lower contract costs than previously estimated; and
- Banked savings from PECO’s Phase I EE&C Plan totaling 245 gigawatt-hours (“GWh”) instead of 91 GWh as originally projected.
- Successful deployment of the Mass Market DLC Program in Plan Year 2013, with a TRC of 3.2.
- Adjustments to the Smart Home Rebates program for the anticipated portion of compact fluorescent light (“CFL”) measures purchased and installed in small commercial buildings;
- Adjustments to the Smart Usage Profile Program to reflect savings accruing only in Plan Year 2015 due to savings decay of a one-year measure life; and
- New projections of the mix of measures from various CSPs, resulting in revised participation estimates across multiple programs.

As a result of these developments, PECO requests that the Commission approve amendments to its Phase II Plan, as described herein, to adjust several Plan measures and also to extend PECO’s Mass Market DLC Program through May 31, 2016.³ Upon implementation of the amendments, PECO’s Plan is projected to continue to achieve energy savings at 105% of the Commission’s required target at an increased TRC ratio of 1.54.

In support of this Petition, PECO states as follows:

³ A summary of the proposed amendments to PECO’s Plan (the “Amendment Summary”) is attached as Exhibit A to this Petition. A copy of the Plan as amended (the “Amended Plan”) is attached as Exhibit B and Exhibit C in “redline” form, showing each proposed amendment.

II. BACKGROUND

A. Act 129 Requirements And Phase I Of The Energy Efficiency And Conservation Program

1. PECO is a corporation organized and existing under the laws of the Commonwealth of Pennsylvania with its principal office in Philadelphia, Pennsylvania. PECO provides electric delivery service to approximately 1.6 million customers and natural gas delivery service to approximately 497,000 customers in Pennsylvania.

2. On October 15, 2008, then Governor Edward G. Rendell signed Act 129 of 2008 (“Act 129”) into law. Act 129 added Section 2806.1 to the Pennsylvania Public Utility Code and required Pennsylvania electric distribution companies (“EDCs”) to file EE&C plans by July 1, 2009 containing the plan elements specified in Section 2806.1(b) (“Phase I EE&C Program”).⁴ 66 Pa.C.S. § 2806.1(b). Additionally, Sections 2806.1(c) and (d) required that EDCs’ Phase I EE&C plans be designed: (1) to reduce retail energy consumption by a minimum of 1% by May 31, 2011 and a minimum of 3% by May 31, 2013; and (2) to reduce peak demand, measured by reference to the 100 highest hours of demand, by a minimum of 4.5% no later than May 31, 2013. 66 Pa.C.S. § 2806.1(c) and (d).

3. The filing requirements set forth in Section 2806.1(b) for EE&C plans included provisions mandating that energy savings be derived from certain customer segments during Phase I and that specific energy efficiency programs should be developed for low-income households proportionate to such households’ share of the total energy usage in the EDC’s service territory. *Id.* at § 2806.1(b)(1)(i)(G). Finally, an EDC’s plan was required to pass a TRC test to establish that the cost of electricity that would be avoided by implementing energy

⁴ 66 Pa.C.S. § 2806.1(l) exempts EDCs with fewer than 100,000 customers from this requirement.

efficiency and conservation measures was greater than the cost to implement those measures. 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).

4. Pursuant to 66 Pa.C.S. § 2806.1(k), EDCs are entitled to full and current cost recovery of prudent and reasonable costs incurred in the provision or management of an EE&C plan. However, total annual expenditures for EE&C plans are limited to 2% of the EDC's total annual revenue as of December 31, 2006. 66 Pa.C.S. §§ 2806.1(g), (h).

5. In compliance with Section 2806.1 and the Commission's Order entered January 15, 2009 at Docket No. M-2008-2069887, which initially implemented the terms of that section, PECO prepared and submitted its EE&C plan for the Phase I EE&C Program on July 1, 2009. The Commission subsequently approved PECO's Phase I Plan, with modifications, on October 28, 2009, and further revisions were adopted in various subsequent orders.⁵ PECO's approved Phase I Plan contained energy efficiency programs and demand reduction programs, such as the Mass Market DLC Program.

B. Phase II Of The Energy Efficiency And Conservation Program

6. Act 129 required the Commission, by November 30, 2013, to evaluate the costs and benefits of the Phase I EE&C Program and, if the benefits of the Program were found to exceed its costs, to adopt "additional required incremental reductions in consumption" and "additional incremental requirements for reduction in peak demand." 66 Pa.C.S. §§ 2806.1(c)(3), (d)(2).

⁵ 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 February 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 January 27, 2011).

7. On August 3, 2012, the Commission entered the *Phase II Implementation Order*, tentatively adopting EDC-specific energy consumption reductions targets for the Phase II EE&C Program (June 1, 2013-May 31, 2016). *Phase II Implementation Order*, p. 24. PECO's Phase II consumption reduction target was tentatively set at 2.9% of its expected sales for the June 1, 2009 through May 31, 2010 period. *Id.* at 23-24. The Commission also directed EDCs to continue to comply with requirements regarding consumption reduction requirements for low income households and customers in the government, non-profit and institutional sector ("GNI").

8. On January 24, 2013, PECO filed a revised Phase II Plan addressing a variety of issues raised by parties in the Phase II Plan proceeding. On January 28, 2013, the record in that proceeding was certified to the Commission. A Commission Order approving the revised Phase II Plan, with certain modifications, was entered on February 28, 2013 (the "*Phase II Plan Order*").⁶

9. On March 15, 2013, PECO filed a Petition to amend its Phase II Plan to continue its Mass Market DLC Program from June 1, 2013 to May 31, 2014, with certain proposed changes to the Program's dispatch methodology and incentive level. The Company also proposed to modify the incentive levels for certain Phase II Plan measures while remaining within the originally-approved rebate ranges to fund the continued Program and correct some inadvertent errors and omissions. None of the proposed modifications affected the overall Phase II Plan costs or savings projections.

10. On May 9, 2013, the Commission issued an Order approving the addition of the Mass Market DLC Program to the Company's Phase II Plan, as well as the Company's other

⁶ Final Order, *Petition Of PECO Energy Company For Approval Of Its Phase II Energy Efficiency And Conservation Plan*, Docket No. M-2009-2093215 (Order entered February 28, 2013).

proposed modifications (the “*DLC Approval Order*”).⁷ The Commission found that the Mass Market DLC Program was cost-effective and that the Company could fund the Program with Act 129 funds and still meet its 2.9% consumption reduction target for Phase II. *DLC Approval Order*, pp. 14, 16.

III. AMENDMENTS TO PECO’S PHASE II PLAN

11. As detailed in the Amended Plan, PECO’s Phase II Plan is currently projected to produce overall savings at 105% of its projected target. The Plan is also satisfying specific targets for low income customers and the GNI customer sectors. *See* Amended Plan, pp. 1-2.

12. To build on the ongoing success of the Phase II Plan, including PECO’s Mass Market DLC Program, PECO is proposing certain modifications to further enhance the performance of its balanced portfolio of measures. The proposed modifications, which are shown in detail in the Amended Plan and summarized in Exhibit A, include the following:

- Changes to the Low-Income Energy Efficiency program to increase customer participation in both Refrigerator Recycling and Replacement programs and increase CFL use through additional community events;
- Changes to Smart Equipment and Smart Construction Incentives for GNI and commercial and industrial customers due to increased participation associated with more aggressive outreach and marketing plans;
- Expansion of the Smart Energy Saver program due to an increased interest in participation from schools;
- Adjustments to projected energy savings for several measures to incorporate updated Evaluation, Measurement and Verification calculations consistent with the Commission’s latest TRM, as well as updated incremental costs and net-to-gross estimates;

⁷ Opinion and Order, *Petition Of PECO Energy Company For Approval Of Its Phase II Energy Efficiency And Conservation Plan*, Docket No. M-2009-2093215 (Order entered May 9, 2013).

- Revised participation estimates by measure to include an additional seven months of actual data (from June 1, 2013) and reflect more recent CSP participation projections;
- Adjustments to incentive levels in light of Phase II Plan experience to date, within the same rebate range originally approved by the Commission; and
- Consolidation of similar measures by technology type instead of model numbers to reduce customer confusion and increase Plan flexibility to respond to market changes and emerging technology (e.g., combine multiple wattages of CFLs into one measure, “CFL Screw-In Bulbs”).

13. Under the Amended Plan, PECO’s Mass Market DLC Program (which includes both the PECO Smart AC Saver – Residential Program and the PECO Smart AC Saver – Commercial Program), will be extended through May 31, 2016 to allow customers to continue to enjoy significant benefits. Continuation of the Mass Market DLC Program is based, in part, on that program achieving a TRC of 3.2 during Plan Year 2013. The design of the Mass Market DLC Program is the same as that approved by the Commission in the *DLC Approval Order* and implemented during Plan Year 2013.

14. The Mass Market DLC Program has an estimated two-year cost of \$20.4 million, with a TRC of 2.5. The program delivery, equipment, and incentive level cost increases to continue the Mass Market DLC Program through May 31, 2016 are driven by the need to enroll new customers to replace customer who discontinue participation and anticipated CSP contract renegotiations. Because the Mass Market DLC Program is primarily a residential program with a small commercial component, residential customers will pay more (i.e., \$19.3 of the \$20.4 million) for the extension of the program through the end of the Phase II period.

15. As shown in the Amended Plan, PECO has combined the PECO Smart AC Saver – Residential Program and the PECO Smart AC Saver – Commercial Program for purposes of

calculating the TRC given the common administration of the Program across these customer groups. The new TRC of 2.5 is also consistent with the projected TRC of 2.3 considered by the Commission in the *DLC Approval Order* and reflects actual costs incurred to date and projected expenditures to enroll new customers to replace those who decide not to continue in the Program. Exhibit A includes data for both the residential and commercial AC Saver programs, which shows that the net benefits of the Mass Market DLC Program are positive for both residential and commercial customers.

16. The amended Phase II Plan presents a refined portfolio of measures that will allow PECO to continue to achieve 105% of its Phase II Plan overall energy savings target, as well as comply with the savings carve-out targets for the low income and GNI sectors, and will reduce overall spending by almost \$1 million. In addition, PECO will be able to operate the Mass Market DLC Program within the Company's Phase II Plan spending cap.

IV. COST RECOVERY

17. PECO proposes to recover the costs of its Amended Plan through its Energy Efficiency & Conservation Program Charge ("EEPC") in the same manner approved by the Commission in the *Phase II Plan Order*. Any cost adjustments resulting from the Plan adjustments detailed in the Amended Plan will be allocated to residential and commercial customer classes based on the customer class benefiting from the adjusted Plan. The total cost of PECO's Amended Plan will remain within the 2% limitation of EE&C plan costs as required by Act 129. See 66 Pa. C.S. §2806.1(g).

V. REQUEST FOR EXPEDITED CONSIDERATION

18. Under the Commission's procedures for amendments to an EE&C plan, participating parties have 30 days to file comments, an answer or both in response to proposed

amendments and the Company and all other parties will then have 20 days to file replies.⁸ To ensure that the Mass Market DLC program is in place for the 2014-2015 Plan Year and to obtain the benefits of the other proposed amendments to the Plan, the Company requests that the Commission grant this Petition by April 23, 2014, and therefore proposes an expedited schedule for this proceeding:

February 28, 2014	Filing of the Petition
March 19, 2014	Other Parties' Comments Due
March 31, 2014	Reply Comments Due
April 23, 2014	Commission Order

VI. NOTICE

19. PECO is serving copies of this filing on the OCA, the Office of Small Business Advocate, the Commission's Bureau of Investigation and Enforcement, and all parties to the Company's Phase II Plan proceeding.

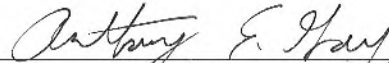
20. Should the Commission conclude that further notice of this filing is appropriate, PECO will provide such additional notice as directed by the Commission.

⁸ See Final Order, *Energy Efficiency and Conservation Program*, Docket No. M-2008-2069887 (Order June 10, 2011), p. 20.

VII. CONCLUSION

Based upon the foregoing, PECO respectfully requests that the Commission, on an expedited basis, grant this Petition and enter an Order approving the modifications to PECO's Phase II Plan as shown in the Amended Plan.

Respectfully submitted,



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Counsel for PECO Energy Company

VERIFICATION

I, Kathleen A. Lentini, hereby declare that I am the Director of Energy and Marketing of PECO Energy Company; that, as such, I am authorized to make this verification on its behalf; that the facts set forth in the foregoing Petition are true and correct to the best of my knowledge, information and belief; and that I make this verification subject to the penalties of 18 Pa.C.S. § 4904 pertaining to false statements to authorities.

Kathleen A. Lentini

Date: 2/28/2014