

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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March 19, 2014

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,

A handwritten signature in black ink, appearing to read "Aron J. Beatty".

Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625

Enclosures

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

163003

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE

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Dated: March 19, 2014

COMMENTS

On February 28, 2014, PECO Energy Company (PECO or Company) filed a Petition for Approval of Amendments to its Act 129 Phase II Energy Efficiency and Conservation (EE&C) Plan. The Company requested that an expedited Comment and Reply Comment schedule be established in order to ensure that the changes proposed could be implemented in time for the upcoming summer. On March 7, 2014, the Commission issued a Secretarial Letter approving an expedited Comment and Reply Comment period. The Office of Consumer Advocate files these timely Comments in accordance with the approved expedited schedule.

In its Petition, the Company states that developments since its Phase II plan commenced on June 1, 2013 call for certain modifications to its approved EE&C plan. Petition at 1. Specifically, the Company has proposed amendments that include 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. As currently approved, the Company's EE&C plan calls for the termination of PECO's DLC program on May 31, 2014. The OCA supports PECO's filing and requests that the Commission approve the Petition expeditiously in order to ensure that the benefits of the DLC program accrue to the participants in the program and the market as a whole.

In support of its Petition, the Company notes that the DLC program achieved a Total Resource Cost (TRC) ratio of 3.2 during the 2013 Plan Year. Petition at 7. For the proposed 2014-2015 period, the DLC Program has an estimated two-year cost of \$20.4 million

with a TRC of 2.5. Petition at 7. The Company further notes that the DLC program has generated strong customer interest. In Phase I, PECO recruited over 79,000 residential customers and installed over 92,000 load control devices. Petition, Exhibit B at 70. PECO has maintained steady participation and estimates that approximately 75,000 customers will participate through Planning Year 2015. Petition, Exhibit B at 72.

PECO further explained in its Petition that the DLC program should be extended to prevent the stranding of program investment made during its Phase I EE&C plan. Petition at 2. The Company lists several areas of cost savings that permit continuation of the programs and warrant Commission approval of the proposed amendments. Petition at 6-7.

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 ongoing savings made possible by the initial investment in the programs can be realized. Wholesale electricity prices can escalate quickly when usage spikes in the summer and the market can benefit greatly through reductions of power usage during these high cost periods. The proposed continuation of the DLC program will allow PECO to reduce consumption during these critical peak periods from June through September.

The Company has proposed an increased budget for the DLC program in 2014 and 2015. While PECO estimated that the program delivery and equipment costs of the program would increase, the TRC would continue to show strong benefits in the program with a TRC of

2.5 (for both Residential and Small Commercial programs combined). Petition at 7. Overall, however, the Company's proposed Phase II modifications will reduce overall spending by almost \$1 million. Petition at 8.

The Commission previously approved the current Phase II DLC program through May 31, 2014, finding that the annual benefits of continuing the DLC program outweighed the costs of the incentives and the administrative costs. Petition of PECO Energy Company for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan, Docket No. M-2012-2333992 (May 9 Order at 14). The Commission further found that the Phase II DLC Program was cost effective, while PECO still met all other required benchmarks. May 9 Order at 14. The OCA submits that the Company's proposal to extend the DLC program for the duration of Phase II is reasonable at this time. PECO's DLC program has been shown to have significant benefits to its customers as it has achieved a Total Resource Cost (TRC) ratio of 3.2 during Plan Year 2013. Petition at 7. As advocated in the Phase II proceeding, 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 supports the Company's efforts to maintain its residential DLC program through the remainder of its Phase II EE&C plan. The Company has expended considerable resources and ratepayer funds to establish a valuable DLC infrastructure. The proposed modifications to the approved Phase II plan will ensure that the DLC infrastructure continues to provide benefits to those ratepayers who directly participate, as well as system benefits as a whole. The PECO plan is designed to ensure that its energy efficiency obligations are maintained, and should be approved.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'A. Beatty', is written over a horizontal line.

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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 19th day of March 2014.

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