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April 15, 2015

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

RE: Petition of PECO Energy Company For Approval of its Electric Long Term Infrastructure Improvement Plan and to Establish a Distribution System Improvement Charge for its Electric Operations; Docket No. P-2015-2471423


Dear Secretary Chiavetta:

Attached please find for filing with the Pennsylvania Public Utility Commission the Petition to Intervene and Answer of the Philadelphia Area Industrial Energy Users Group ("PAIEUG") in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to this proceeding are being duly served with a copy of this document.

Sincerely,

McNEES WALLACE & NURICK LLC

By 
Charis Mincavage

Counsel to the Philadelphia Area Industrial Energy Users Group

Enclosure

c: Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

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Charis Mincavage

Counsel to the Philadelphia Area Industrial
Energy Users Group

Dated this 15th day of April, 2015, in Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PECO Energy Company :
For Approval Of Its Electric Long Term :
Infrastructure Improvement Plan and To : Docket No. P-2015-2471423
Establish A Distribution System Improvement :
Charge for Its Electric Operations :

**PETITION TO INTERVENE AND ANSWER
OF THE PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP**

Pursuant to Sections 5.71 through 5.74 of the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Regulations, 52 Pa. Code §§ 5.71 - 5.74, the Philadelphia Area Industrial Energy Users Group ("PAIEUG") hereby files this Petition to Intervene in the above-captioned proceeding. In addition, pursuant to Section 5.61(a) of the Commission's Regulations, 52 Pa. Code § 5.61(a), PAIEUG hereby files this Answer¹ in response to the above-captioned Petition ("Petition") of PECO Energy Company ("PECO" or "Company").

On March 27, 2015, PECO petitioned the Commission to establish a Distribution System Improvement Charge ("DSIC") for its electric operations. Through the DSIC, PECO proposes to recover "a return on and a return of capitalized costs related to eligible property constructed or installed to rehabilitate, improve and replace portions of its electric distribution system." Petition, p. 1. PECO's Petition was filed pursuant to the Commission's Final Implementation Order entered August 2, 2012, at Docket No. M-2012-2293611 ("Implementation Order"). The Implementation Order set forth the Commission's procedures for complying with the requirements of Act 11 of 2012 ("Act 11"), which provides electric distribution companies

¹ Alternatively, PAIEUG's filing should be treated by the Commission as a Complaint against PECO's proposal pursuant to Section 5.22 of the Commission's Regulations. See 52 Pa. Code § 5.22.

("EDCs") with legislative authority to petition for a DSIC. In accordance with Act 11, the Implementation Order permitted EDCs to petition the Commission for a DSIC beginning January 1, 2013. See Implementation Order, p. 22.

Specifically, PECO's Petition proposes to apply the DSIC to all eligible property set forth in the Company's Modified Petition for Approval of its Long-Term Infrastructure Improvement Plan ("LTIIP"), which the Company filed simultaneously with the DSIC on March 27, 2015.² According to PECO, the net original cost of DSIC-eligible property actually placed into service during the prior quarter will be grossed up for applicable taxes and multiplied by the allowed rate of return. PECO Statement No. 2, p. 5. PECO proposes to calculate its DSIC using the ROE approved by the Commission in its pending base rate case at Docket No. R-2015-2468981, which was also filed with the Commission on March 27, 2015. The Company also seeks to apply its actual capital structure and cost of debt as published in the Commission's most recent Quarterly Earnings report at the time of calculation for each DSIC adjustment. See id. Finally, PECO plans to use quarterly revenues based on one-fourth of projected annual revenues to calculate the DSIC rate. See id. Although PECO estimates that the initial DSIC will be set at 0.00%, the Company requests permission to implement the DSIC tariff effective January 1, 2016. Petition, p. 7.

PECO's proposed DSIC would impose a surcharge on all of the Company's customers, including customers taking service at transmission voltage.³ It is therefore imperative that PECO's DSIC be just and reasonable and consistent with Act 11, the Implementation Order, and

² Because PECO filed its LTIIP simultaneously with its DSIC request, PAIEUG will not be commenting on the LTIIP, but rather, utilizing this pleading for setting forth initial concerns related to the DSIC and underlying LTIIP.

³ As discussed in the Answer below, PECO's proposal to apply the DSIC to transmission voltage customers fails to comply with the Implementation Order.

all applicable statutes and regulations. As set forth below, PECO's DSIC is neither just nor reasonable, and is not consistent with Act 11.

In support of its Petition to Intervene and Answer, PAIEUG asserts as follows:

I. PETITION TO INTERVENE

1. PAIEUG is an ad hoc group of energy-intensive customers receiving electric service from PECO under Rates HT and PD. PAIEUG members use substantial volumes of electricity in their manufacturing and operational processes, and these electric costs are a significant element of their respective costs of operation. Any modification to PECO's electric rates may impact PAIEUG members' cost of operations.

2. For purposes of this proceeding, PAIEUG includes the members listed in Attachment A hereto. As necessary, PAIEUG will update Attachment A during the course of this proceeding as needed to reflect any changes in its membership.

3. PAIEUG members are concerned with issues regarding the terms and conditions of their electricity service and are monitoring PECO's proposed DSIC. The Commission's final disposition of this proceeding will directly affect the rates applicable to PAIEUG members. As some of PECO's largest customers, PAIEUG members are in a unique position to comment to the Commission on the customer impact of PECO's filings and their consequences for Large C&I customers.

4. PAIEUG members thus have an interest in this proceeding that is not represented by any other party of record; consequently, PAIEUG satisfies the standards for intervention under Section 5.72 of the Commission's Regulations, 52 Pa. Code § 5.72.

5. The names and address of PAIEUG's attorneys are:

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6. PAIEUG requests that the names and address of its attorneys be added to the Commission's and all parties' service lists. All correspondence in this proceeding from the Commission should be directed to the attention of Charis Mincavage at the address listed above.

7. Therefore, consistent with 52 Pa. Code § 5.72(a), PAIEUG has a significant interest in this proceeding that is not represented by any other party of record. Accordingly, PAIEUG should be granted intervenor status in this proceeding.

II. ANSWER

8. Based on a preliminary analysis, certain aspects of PECO's proposed DSIC require modification and/or further investigation. For example, the Company's Petition and supporting documentation demonstrate PECO's intention to apply DSIC charges to transmission voltage customers. This proposal is inappropriate from a cost causation standpoint and directly contradictory to express provisions in the Implementation Order. Similarly, PAIEUG reserves the right to investigate PECO's definition of "distribution revenues" to determine whether non-distribution revenues have been appropriately excluded from any DSIC calculation.

9. In the Implementation Order, the Commission determined that the DSIC must be applied equally across all customer classes, but further stated that "[w]ith regard to the issue of

applying a DSIC surcharge to EDC customers receiving service at transmission voltage, we are in general agreement with EAP and other commenters that a DSIC surcharge should not be applied to such customers." Implementation Order, p. 46. The Commission further clarified the appropriate treatment of transmission voltage customers as follows:

With regard to the issue of applying a DSIC surcharge to EDC customers receiving service at transmission voltages, we are in general agreement with EAP and other commenters that a DSIC surcharge should not be applied to such customers. We are aware, however, that the difference between distribution voltage and transmission voltage varies by EDC. DSIC surcharges are to be applied to any customers served from higher voltage facilities which are included within the EDC's distribution plant for ratemaking purposes. We expect each EDC proposing a DSIC to address this issue in its tariff.

Id. (Emphasis added.) Despite clear guidance from the Commission, PECO proposes to apply the DSIC to all rate schedules, including Rate Schedule HT. See Petition, Exhibit No. 5, p. 2. Moreover, contrary to the Commission's directives, PECO did not address the treatment of transmission voltage customers in the proposed tariff. See generally, Petition, Exhibit No. 2.

10. PAIEUG opposes the Company's proposal to apply the DSIC to transmission voltage customers taking service on Rate Schedule HT. As acknowledged by the Commission, customers taking service at transmission voltage rates should be included under the DSIC charge only if facilities serving such customers are considered distribution plant for ratemaking purposes. Implementation Order, p. 46. The Commission declined to explicitly prohibit any application of a DSIC to transmission voltage customers solely because some EDCs may define transmission voltage customers broadly enough to include customers also taking service from distribution plant. See id. This is not the case in PECO's service territory, as many customer accounts of Rate Schedule HT take service exclusively at transmission voltage, defined by PECO

as no less than 69 kV.⁴ Accordingly, PECO should modify its proposal to exclude transmission voltage customers from any DSIC charges.

11. PAIEUG is also concerned with the Company's calculation of the 5% cap on costs recovered through the DSIC. Act 11 limits costs recovered through a DSIC to 5% of an EDC's distribution rates, including applicable riders. 66 Pa. C.S. § 1358. PECO's DSIC filing avers that the Company included applicable riders, but omits a detailed account of the riders included as distribution revenue. See PECO Statement No. 2, p. 8. PAIEUG recognizes that certain riders may be reasonably categorized as distribution revenues, but questions whether revenues associated with all of the riders in PECO's tariff are properly included as distribution revenues. For example, the revenues collected through PECO's Energy Efficiency Program Charge ("EEPC") are administered by the EDC, but applied to fund programs for reducing customer consumption of generation service and alleviating congestion of the transmission system. See 66 Pa. C.S. §§ 2806.1(c)-(d). Thus, the EEPC activities are not "distribution service." The revenues associated with other riders may also be subject to exclusion from DSIC revenues. PAIEUG intends to investigate PECO's calculation of distribution revenues, including the proper treatment of revenues collected through the Company's various riders.⁵

⁴ Per the Cost of Service Study filed with the base rate case at Docket No. R-2015-2468981, PECO classifies facilities operating at 69 kV or higher as transmission plant. See Pennsylvania Public Utility Commission v. PECO Energy Company; Docket No. R-2015-2468981, PECO Energy Company Statement No. 6, Direct Testimony of Alan B. Cohn, (March 27, 2015), p. 10. Facilities operating at voltages between 13 kV and 34 kV are eligible for Rate HT but are separately classified within PECO's distribution assets as primary distribution high tension plant. See id.

⁵ PAIEUG acknowledges that the Commission recently entered an Order in which the Commission declined to distinguish base distribution revenues from other riders collected by distribution utilities for purposes of calculating the DSIC proposed by PPL Electric Utilities Corporation ("PPL"). See Petition of PPL Electric Utilities Corporation for Approval of a Distribution System Improvement Charge, Opinion and Order, Docket No. P-2012-2325034 (April 9, 2015), p. 62. As this Order remains subject to timely Petitions for Reconsideration and/or appeals, PAIEUG reserves all rights to address such issues in this proceeding.

12. In addition to the issues identified above, PAIEUG reserves the right to raise and address additional issues of concern during the course of the proceeding based on further review of the Petition, issues identified via discovery, and issues raised by other parties.

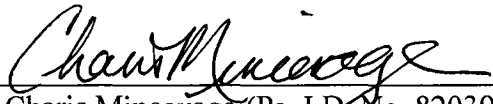
III. CONCLUSION

WHEREFORE, for the reasons stated above, the Philadelphia Area Industrial Energy Users Group respectfully requests that the Pennsylvania Public Utility Commission:

- (a) Open an investigation into whether PECO's proposed Distribution System Improvement Charge is just, reasonable, and consistent with Act 11;
- (b) Grant this Petition to Intervene, providing the Philadelphia Area Industrial Energy Users Group with full-party status in this proceeding, and
- (c) Provide other such relief as it deems necessary.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

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Counsel to the Philadelphia Area Industrial Energy
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Dated: April 15, 2015

APPENDIX A

PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP

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Building Owners & Managers Association of Philadelphia
Drexel University
GlaxoSmithKline
Jefferson Health System
Kimberly-Clark Corporation
Merck & Co., Inc.
Philadelphia College of Osteopathic Medicine
Saint Joseph's University
Temple University
Villanova University