

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17105**

**Pennsylvania Public Utility
Commission, et al v. PECO
Energy Company – Electric
Division.**

**Public Meeting: December 17, 2015
2468981-OSA
Docket R-2015-2468981 et al.**

STATEMENT OF COMMISSIONER ANDREW PLACE

Before us is PECO Energy Company's (PECO Company) 2015 base rate case filing, including the proposed Tariff Electric-Pa. P.U.C. No. 5 to become effective May 26, 2015, containing proposed changes to rates, designed to produce an increase in PECO's annual distribution revenue of approximately \$190.0 million, or 15.6% above existing distribution revenues, as well as the Joint Petition for Settlement of Rate Investigation (Settlement) which proposes a lesser rate increase of approximately \$127.0 million or 10.9% above existing distribution revenues which is a 2.9% net increase in PECO's total annual operating revenues from its service customers.

The parties are to be commended for reaching a just and reasonable settlement, which I support as a reasonable resolution of the litigated issues of the parties. One issue to highlight is the resolution of PECO's proposed Capacity Reservation Rider, or CRR. PECO's CRR seeks to require customers larger than 100kw, with onsite generation, to pay for substantive amounts of distribution capacity to be held in reserve in case it is needed by these customers in the event the customer's generation is offline. In implementing this objective, PECO proposed to impose a CRR reservation fee that was based on a percent of the customer's generation capacity¹, plus a reservation fee that was based on 40% of any residual load not covered by the customer's generation.

Under the settlement, interested parties were able to resolve many of the concerns with PECO's proposed Rider. Specifically, existing customers were able to maintain their service under the existing Auxiliary Service Rider.² Additionally, the Settlement clarified that, for new customers:

- Storage or batteries are not to be used in calculating the magnitude of the customer's generation demand,³
- Customers are not guaranteed service beyond their reserved distribution demand quantities,
- Parasitic load is to be netted from the generation demand,
- Redundant generation used for back-up of other generation onsite units need not be used to calculate the CRR generation demand.
- Batteries and other storage resources can be used to reduce the customers distribution demand
- Load shedding during outage events can be used to reduce the amount of reserved distribution demand quantities

¹ The percentage ranged from 40% to 60%, depending on the size and character of the customers load and generation.

² Existing customers are customers whose generation is online prior to January 1, 2016.

³ PECO did not define demand in the Settlement, nor is it defined in the proposed tariff. PECO is encouraged to provide a definition of demand as it is to be used in the calculation of rates. As an example, if demand is to be defined as peak usage during a 30 minute interval, it should clarify that point.

- Penalties, revised CRR demand levels, service interruption and other customer capital contribution options are agreed to in the event the customer fails to shed load in accordance with customer averments regarding distribution demand amounts.

I support all of these settlement provisions. Going forward, PECO has pledged to gather more information regarding the distribution system costs for customer taking service at transmission voltage levels or close to a PECO-owned substation, as well as the usage patterns for all distributed generation on PECO's system including intermittent renewable generation, and make such data available to the parties.

This data should shed further light on what costs these customers impose on the distribution system. However, I would like to emphasize that, going forward, we also need to be cognizant of what benefits can be derived from on-system distributed generation – not just the costs. As an example, distributed generation can play a key role in supporting system stability during periods of shortage if back-up generation can actually feed energy into the distribution system. Similarly, distributed generation, like solar, can help feed energy into the distribution grid, or provide ancillary services from smart inverters during on-peak summer periods, thus reducing losses, and potentially debottlenecking certain distribution segments. Of course, the opposite can be true also if too much energy is loaded onto the system at one point. In summary, it is important not to discourage distributed generation that enhances system reliability and efficiency

Moreover, it is important that PECO not discourage distributed generation that can enhance overall system efficiency and utilization. To that end, PECO is encouraged to evaluate not just overall distribution demand for these customers, but coincident or on-peak demand. As an example, PECO's recent investment in smart meters could be well utilized to enhance system optimization. As such, I encourage rate designs that capably incent increasingly efficient distributed technologies and enhance overall distribution system utilization and reliability.

DATE: December 17, 2015



Andrew G. Place, Commissioner