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January 4, 2016

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 Act 129 Phase III Energy Efficiency and Conservation Plan; Docket No. M-2015-2515691

Dear Secretary Chiavetta:

Please find enclosed 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. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By

A handwritten signature in black ink, appearing to read 'A. Bakare', is written over a horizontal line. Below the signature, the name 'Adeolu A. Bakare' is printed in a standard font.

Adeolu A. Bakare

Counsel to the Philadelphia Area Industrial Energy Users Group

/leh

Enclosures

c: Administrative Law Judge Angela T. Jones (via e-mail and First Class Mail)
Administrative Law Judge Darlene Davis Heep (via e-mail and First Class Mail)
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 52 Pa. Code Section 1.54 (relating to service by a participant).

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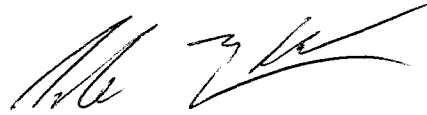
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Certificate of Service
Docket No. M-2015-2515691
Page 2

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Adeolu A. Bakare

Counsel to the Philadelphia Area Industrial Energy
Users Group

Dated this 4th day of January, 2016, at Harrisburg, Pennsylvania

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PECO Energy Company :
For Approval of its Act 129 Phase III : Docket No. M-2015-2515691
Energy Efficiency and Conservation Plan :

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

TO THE HONORABLE, THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

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

On November 30, 2015, PECO petitioned the Commission for approval of the Company's Phase III Energy Efficiency & Conservation ("EE&C") Plan ("Phase III Plan"). PECO's Petition for Approval of its Phase III Plan ("Petition") outlines PECO's proposal to address the requirements of Act 129 and the PUC's Phase III Implementation Order entered on June 19, 2015, at Docket No. M-2014-2424864 ("Implementation Order") through Energy Efficiency ("EE") programs designed to achieve an overall 5.0% consumption reduction and a 161 MW demand reduction for Residential; Small Commercial and Industrial ("C&I"); Large C&I; and Municipal customers. *See* Petition, pp. 5-6.

The proposed Phase III Plan portfolio includes five EE programs and three Demand Response ("DR") programs, of which three programs target PECO's largest Industrial customers:

the Large C&I EE Program; the Combined Heat and Power ("CHP") EE Program; and the Large C&I DR Program. *See id.* at 10-12.

As with the Phase II EE&C Plan, PECO proposes to recover all costs through a fully reconcilable, non-bypassable charge under Section 1307 of the Public Utility Code. *See id.* at 13-14. The total proposed charges for the Large C&I customer class are \$153,826,491, or approximately 36% of total costs for PECO's Phase III Plan. *See* Petition, Exhibit RAS-2.

For the proposed non-bypassable charge, or Phase III EE&C Program Charge ("EEPC"), PECO intends to establish separate recovery charges for each customer class in proportion to the cost of the programs targeting that class. *See id.* at 14. For multi-class programs, PECO proposes to allocate costs using reasonable and generally accepted cost-of-service principles. *See id.* Additionally, although the costs will be collected through a single charge, PECO proposes to track Phase II EEPC costs separately from Phase III EEPC costs. *See id.* at 15. As a result, PECO's Phase III Plan costs and program measures may impact the rates and services of PECO's largest customers. It is therefore imperative that PECO implement its Phase III EE&C Plan in a just and reasonable manner, consistent with Act 129, the Implementation Order, and all applicable statutes and regulations.

In support of its Petition to Intervene and Answer, PAIEUG asserts the following:

I. PETITION TO INTERVENE

1. PAIEUG is an *ad hoc* group of energy-intensive customers receiving electric service from PECO under Rate HT. PAIEUG members consume substantial amounts 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. The names and address of PAIEUG's attorneys are:

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

4. PAIEUG members are concerned with issues regarding the terms and conditions of their electricity service, and, as a result, have been actively involved in numerous PECO proceedings, including fully participating in the adjudication of PECO's Phase I EE&C Plan, PECO's Phase II EE&C Plan, and regularly attending PECO's EE&C Plan stakeholder meetings. The Commission's final disposition of PECO's Phase III Plan may also directly affect the rates that the Company imposes on PAIEUG members for service.

5. 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.

II. ANSWER

6. Certain aspects of PECO's Phase III Plan may require monitoring and further investigation. The cost of PECO's Phase III Plan and potential rate impact upon PECO's Large C&I customers concerns PAIEUG members. Additionally, the Large C&I program measures, and related costs thereto, may substantially affect PAIEUG members. Further, PECO's proposal

to transition towards Phase III by combining the reconciliation EEPC for Phase II and the program charge EEPC for Phase III must be reviewed to confirm that the combined charge remains consistent with the Company's commitment to separately track Phase II and Phase III expenses and revenues. Finally, various structural matters, including uncertainty regarding PJM Interconnection, L.L.C. ("PJM") DR programs and implementation of potential legislative changes to Act 129, concern PAIEUG members.

7. Over the five-year Phase III Plan period, PECO expects its total Phase III Plan expenditures to be approximately \$260.7 million for all EE programming and approximately \$41.8 million for all DR programming. *See* PECO Energy Company Statement No. 2, pp. 5, 13. As proposed, PECO's Phase III Plan would allocate approximately \$55.1 million (21%) of total budgeted expenses for EE programming and approximately \$27.1 million (65%) of total budgeted expenses for DR programming to Large C&I customers, resulting in a projected EEPC of \$0.60 per kW Peak Load Contribution ("PLC") for the initial Program Year beginning June 1, 2016 and ending on May 31, 2017.¹ *See id.* at 10, 15; *see also* Petition, Exhibit RAS-3. PAIEUG intends to further analyze PECO's proposal and participate in any adjudication to ensure that the proposed Phase III Plan does not impose undue rate increases upon Industrial customers.

8. Further, PAIEUG members may be substantially affected by proposed programs directed towards Large C&I customers. As some of the Company's largest customers, PAIEUG members are in a unique position to comment to the Commission on the impact that the Phase III Plan may have on PECO's Large C&I rates and services, particularly as this relates to new

¹ For Large C&I customers, the EEPC for the initial Program Year ending May 31, 2017 includes a reconciliation credit of \$0.26/kW for PECO's Phase II EE&C Plan. Additionally, the onset of PECO's DR Program on June 1, 2017 may add additional expenses not reflected in the initial Phase III Program Year. Accordingly, PAIEUG anticipates a significant increase to the EEPC for Large C&I customers once the second Program Year begins on June 1, 2017.

programs such as the proposed Large C&I EE Program, the CHP EE Program, and the Large C&I DR Program. *See id.* at 10-12; *see also* PECO Energy Company Statement No. 2, pp. 10-15. Each of the EE&C program measures applicable to Industrial customers should be examined for cost-effectiveness.

9. Additionally, PECO's Transition Plan for the Phase III EEPC must be reviewed to determine potential impacts to PAIEUG Members. Effective June 1, 2016, PECO proposes to implement a single EEPC surcharge reflecting: (1) reconciliation of Phase II revenue and expenses through March 31, 2016; (2) projected costs to finalize Phase II program measures completed between April 1, 2016, and May 31, 2016; and (3) projected Phase III revenue and expenses for the period June 1, 2016, through May 31, 2017. *See* PECO Statement No. 4, pp. 11-12. Importantly, PECO's Phase III Plan omits any explanation as to PECO's procedures regarding programs originally scheduled for installation on or before May 31, 2016, but delayed or waitlisted. PECO's Transition Plan must be further analyzed to determine that Phase II and Phase III costs are appropriately assigned and recovered.

10. Furthermore, key aspects of Phase III warrant further investigation. First, PAIEUG stresses that if the U.S. Supreme Court issues a ruling that results in elimination of all PJM Interconnection, L.L.C. ("PJM") DR programs, and the state assumes primary responsibility for managing DR initiatives under Act 129, then the Commission must hold an expeditious and comprehensive stakeholder process to ensure that the Commonwealth can effectively and efficiently replace PJM's programs. In addition, if SB 805 passes in the Pennsylvania General Assembly, then PECO must be able to adjust its Phase III Plan to permit Large C&I customers to opt-out of the Company's Plan. PECO must also structure its Phase III Plan to recognize and comply with PJM market rules. Specifically, as Phase III of Act 129 now requires all Electric Distribution Companies ("EDCs") to rebid all Conservation Service Provider ("CSP") contracts,

the Company must comply with the PJM Tariff's requirement that EDCs have only one PJM Curtailment Service Provider to manage economic load response events.² Finally, PECO's rate setting and reconciliation process must be public, prompt and uniform in order to guarantee that costs are allocated fairly among customers with little uncertainty as to what the customer charges will be.

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

² The PJM Curtailment Service Provider designation is distinct from the Act 129 "CSP" designation. Many PJM Curtailment Service Providers are not Act 129 CSPs.

III. CONCLUSION

WHEREFORE, the Philadelphia Area Industrial Energy Users Group respectfully requests that the Pennsylvania Public Utility Commission grant this Petition to Intervene and Answer, provide PAIEUG with full-party status in this proceeding, and allow such other relief as it deems necessary.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Energy Users Group

Dated: January 4, 2016

APPENDIX A

PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP

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Boeing Company, The
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

