|  |  |
| --- | --- |
| **PENNSYLVANIA**  **PUBLIC UTILITY COMMISSION**  **Harrisburg, PA 17105-3265** | |
| Public Meeting held May 19, 2016 | |
| Commissioners Present:    Gladys M. Brown, Chairman  Andrew G. Place, Vice Chairman  John F. Coleman, Jr.  Robert F. Powelson | |
| Petition of PECO Energy Company for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan | M-2015-2515691 |

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition are: (1) the Revised Act 129 Phase III Energy Efficiency and Conservation (EE&C) Plan (Revised Plan) and (2) a revised Phase III Energy Efficiency and Conservation Program Charge (EEPC) tariff, filed by PECO Energy Company (PECO or the Company) on March 31, 2016. PECO filed its Revised Plan and its revised EEPC tariff pursuant to the Commission’s Opinion and Order entered on March 17, 2016 (*March 2016 Order*), in the above-captioned proceeding. For the reasons discussed herein, we will approve PECO’s Revised Plan and the cost allocation methodology described in the revised EEPC tariff.

# Procedural History[[1]](#footnote-1)

On November 30, 2015, PECO filed a Petition (Petition) for approval of its Act 129 Phase III Energy Efficiency and Conservation Plan (Plan). On February 17, 2016, a Joint Petition for Settlement (Settlement) was filed by PECO, the Office of Consumer Advocate, the Office of Small Business Advocate, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, Nest Labs, Inc., EnerNOC, Inc., and the Philadelphia Area Industrial Energy Users Group (collectively, Joint Petitioners).

On February 19, 2016, Administrative Law Judges (ALJs) Angela Jones and Darlene Heep certified the record to the Commission for consideration and disposition.

In the *March 2016 Order,* the Commission granted, in part, and denied, in part, PECO’s Petition and the Settlement, subject to the condition that no Party to the Settlement exercised the right to withdraw therefrom. *March 2016 Order* at 35-36. None of the Joint Petitioners withdrew from the Settlement. Accordingly, the following directives from the *March 2016 Order* are applicable:

4. That, if no Party elects to withdraw from the Joint Petition for Settlement, PECO Energy Company’s Phase III Energy Efficiency and Conservation Plan, as modified by the Joint Petition for Settlement, is approved, in part, and rejected, in part, consistent with this Opinion and Order.

a. That PECO Energy Company shall file with this Commission, and serve on all Parties to this proceeding, a revised Phase III Energy Efficiency and Conservation Plan consistent with the modifications directed in this Opinion and Order, within sixty (60) days of the entry date of this Opinion and Order.

b. That PECO Energy Company is directed to include in its compliance tariff a detailed description of the allocation methodology that will be used to assign costs to the various customer classes.

c. That PECO Energy Company shall submit its proposed Conservation Service Provider request for proposal process within thirty (30) days of the entry date of this Opinion and Order, consistent with the directive in this Opinion and Order.

d. That PECO Energy Company is permitted to implement any portion of its Phase III Energy Efficiency and Conservation Plan that was approved without modification by this Opinion and Order.

*Id*. at 37.

On March 18, 2016, PECO filed “Procedure for Awarding Contracts to PA Act 129 Conservation Service Providers,” consistent with the above directive in our *March 2016 Order*. By Secretarial Letter issued April 13, 2016, the Commission approved PECO’s filing, finding that it complied with the criteria set forth in *Phase III Implementation Order*, Docket No. M-2014-2424864 (Order entered June 19, 2015) (*Phase III Implementation Order)* at 121.

As previously noted, PECO filed its Revised Plan and revised EEPC tariff on March 31, 2016.

**Discussion**

PECO’s Revised Plan and EEPC tariff were filed to address the specific directives issued by the Commission in the *March 2016 Order* and to implement the modifications to the Company’s Plan as directed therein. A discussion of the issues in question and the modifications contained in PECO’s Revised Plan follows.

**Phase III Conservation and Demand Reduction Requirements: Low-income Program Requirements**

In our *March 2016 Order*, we stated the following regarding modifications to PECO’s low-income program requirements:

The total energy usage attributable to low-income customers in the PECO service territory is 8.8%.  [*Phase III Implementation Order*] at 63. Upon our review, it appears that PECO’s EE&C Plan includes sufficient low-income measures to meet the 8.8% requirement. However, PECO failed to address this low-income requirement in its Plan. Therefore, we direct PECO to clearly delineate the proportionate number of low-income measures in the revised Plan it must submit as a result of this Opinion and Order.

*March 2016 Order* at 23.

In its Revised Plan, PECO states that its Plan significantly exceeds the Company’s obligation to provide measures proportionate to the low-income customer sector’s share of total energy usage. PECO indicates that 43.5% of the Plan’s measures are targeted to low-income customers, specifically, that 111 measures of the total 255 measures in the Plan are for low-income customers. Revised Plan at 48. Based upon our review of PECO’s Revised Plan, we find that the Company exceeds the applicable Phase III requirements. As we noted in the *March 2016 Order*, the total energy usage attributable to low-income customers in the PECO service territory is 8.8%.  *March 2016 Order* at 63. PECO’s Revised Plan, which includes 111 measures for low-income customers, representing 43.5% of the Plan’s measures, exceeds the required 8.8%.

**Plan Cost Issues: Rebate Application Deadlines**

In our *March 2016 Order*, we stated the following regarding rebate application deadlines:

The *Phase III Implementation Order* required EDCs to include rebate deadlines in their Phase III EE&C Plans. Although the Commission believes that EDCs and their stakeholders are in the best position to determine the appropriate deadlines, the Commission suggested that 180 days be the maximum deadline. *Phase III Implementation Order* at 142. While PECO’s Plan generally references deadlines for rebates, it does not contain rebate deadlines or language specifying that the maximum deadline for rebates is 180 days. *See* Plan at 75. Accordingly, we direct PECO to include such language addressing the Company’s rebate deadlines in the revised Plan it must submit as a result of this Opinion and Order.

*March 2016 Order* at 27.

In its Revised Plan, PECO states that its rebate structure will address customer financial barriers to implementing energy efficiency projects. PECO explains that commercial custom projects will provide enhanced incentives for difficult to fund projects to minimize lost energy saving opportunities, and it will also provide incentives for customers which encourage participation in demand response events. PECO indicates that it has established a maximum time period of 180 calendar days for the submission of incentive applications for eligible measures, and the 180 calendar day period starts on the in-service date of a particular eligible measure. Revised Plan at 8. Based on the language PECO submitted in its Revised Plan, we find that PECO has complied with the directive in our *March 2016 Order*.

**Plan Cost Issues: Cost Effectiveness/Cost-Benefit Issues**

In our *March 2016 Order*, we stated that PECO’s Plan included both a net TRC ratio and a gross TRC ratio for each program; however, we noted that PECO did not include language regarding the speculative nature of net TRC ratio estimates as directed in our *Phase III Implementation Order*. Accordingly, we directed PECO to include such language in its Revised Plan. *March 2016 Order* at 28. We find that PECO has complied with this directive, as its Revised Plan states that “[a]ll net TRCs in the Plan are estimates and are speculative in nature.” Revised Plan at Appendix C, Table C-6.

**Plan Cost Issues: Cost Allocation Issues**

In the *March 2016 Order*, we found that PECO’s Plan addressed how the Company will allocate costs relating to measures that apply to more than one class or that provide system-wide benefits; however, we concluded that PECO’s proposed tariff did not provide a description of this methodology. Accordingly, to ensure that the allocation methodology was clearly defined in PECO’s EEPC tariff, we directed the Company, upon submission of its compliance filing, to include a detailed description of the allocation methodology it will use to allocate those costs that relate to measures that are applicable to more than one class or that can be shown to provide system-wide benefits. *March 2016 Order* at 29.

Our review of PECO’s revised tariff shows that PECO has added language to address how the Company will allocate those costs that relate to measures that are applicable to more than one class or that can be shown to provide system-wide benefits. The revised tariff states costs that relate to measures that are applicable to more than one rate class or that are shown to provide system-wide benefits will be allocated to each class based on the ratio of class-specific, projected program costs to the total projected program costs. This filing is consistent with PECO’s Revised Plan, at 118, and the testimony submitted by the Company. *See* PECO St. 4 at 8.

**Conclusion**

Consistent with the foregoing discussion, we shall approve PECO’s Revised Plan and the cost allocation methodology described in PECO’s EEPC tariff, filed in compliance with the *March 2016 Order*; **THEREFORE,**

**IT IS ORDERED:**

1. That the Revised Act 129 Phase III Energy Efficiency and Conservation Plan filed by PECO Energy Company on March 31, 2016, is approved, consistent with this Opinion and Order.

2. That PECO Energy Company is permitted to implement its Revised Act 129 Phase III Energy Efficiency and Conservation Plan as filed on March 31, 2016, consistent with this Opinion and Order.

3. That the cost allocation methodology described in PECO Energy Company’s revised Phase III Energy Efficiency and Conservation Program Charge EEPC tariff is approved, consistent with this Opinion and Order.

4. That PECO Energy Company is permitted to file its compliance tariff on ten days-notice to implement its Revised Act 129 Phase III Energy Efficiency and Conservation Plan as filed on March 31, 2016, consistent with this Opinion and Order.

**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: May 19, 2016

ORDER ENTERED: May 19, 2016

1. For a more detailed explanation of the procedural history or background information in this proceeding, please refer to the *March 2016 Order*. [↑](#footnote-ref-1)