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| PUC logo | COMMONWEALTH OF PENNSYLVANIAPENNSYLVANIA PUBLIC UTILITY COMMISSIONP.O. BOX 3265, HARRISBURG, PA 17105-3265 | **IN REPLY PLEASE REFER TO OUR FILE** M-2015-2515691 |

January 9, 2020

Mr. Jack Garfinkle

PECO Energy Company
Legal Department

2301 Market Street / S23-1

Philadelphia, PA 19103

**Re:** **PECO Energy Company – Phase III Energy Efficiency and Conservation Plan Petition for Minor Modification**

**Docket No. M-2015-2515691**

Dear Mr. Garfinkle:

 On December 17, 2019, PECO Energy Company (PECO or Company) filed a *PECO Energy Company – Phase III Energy Efficiency and Conservation Plan Petition for Minor Modification**Docket No. M-2015-2515691*(Petition). The Petition seeks approval of minor changes to the programs contained in its Act 129 Phase III Energy Efficiency and Conservation Plan (EE&C Plan) through the Commission’s expedited process set forth in its June 10, 2011 Final Order at Docket No. M-2008-2069887 (Expedited Process Order). PECO served the Petition on all parties of record. For the reasons discussed below, the Bureau of Technical Utility Services (Staff) will grant PECO’s Petition.

 Comments were due by January 2, 2020. No comments were filed.

 In the Expedited Process Order, the Commission delegated its authority to review and approve minor EE&C Plan changes to Staff, with assistance from staff of the Law Bureau.[[1]](#footnote-1) The Expedited Process Order directs Staff to issue a Secretarial Letter approving, denying, or transferring to the Office of Administrative Law Judge for hearings, some or all of a petition’s proposed minor plan changes. With this Secretarial Letter, Staff is approving PECO’s Petition.

**Residential Demand Response Program**

In its Petition, PECO proposes to transfer $6.4 million to its Residential Demand Response (DR) Program, called the Smart AC Saver Program. Specifically, PECO proposes to transfer the $6.4 million from the $10 million research and development (R&D) budget allocated to the residential customer class. The residential R&D budget is $10 million, and the Company has spent approximately $500,000 of that budget to date.

PECO asserts that the Company’s total budget for the Residential DR Program is $13.7 million, and it is authorized to offer each residential participating unit in the Smart AC Saver Program up to $120 per year or $30 per month. PECO selected a Phase III incentive level of $40 per year or $10 per month, which was a reduction from the Phase II incentive level. The Company anticipated that the lower Phase III incentive would reduce the level of customer participation in the program; however, since the beginning of the Phase III Plan, the 2019 enrollment of approximately 62,000 residential participating units remains well above the estimate of approximately 44,000 residential participating units used when developing the Phase III Plan.

While PECO was able to pay the $40 per year incentive for each residential participating unit, the continuing customer participation above projected levels resulted in PECO exceeding its total approved budget for the Residential DR Program in 2019 by $1.7 million. Furthermore, PECO projects that it will require an additional $4.7 million to continue the Smart AC Saver Program until the end of Phase III using the current incentive amounts. The $6.4 million addition reflects approximately $5.6 million in customer incentives, $400,000 in non-incentive direct program costs (PECO and conservation service provider labor), and an unexpected cost contingency of $400,000. With this addition, the new total Residential DR Program budget for the Phase III Program would be $20.1 million.

PECO asserts that it does not anticipate detrimental impacts to its residential portfolio of programs as a result of transferring funds out of the residential R&D budget. R&D funds are for market research in response to emerging technologies and market transformations. The Company may decide to integrate an emerging technology or other market transformation into an existing program to remedy program challenges or enhance program performance.

Because the funding transfer is based upon a greater than anticipated level of customer participation and is entirely within the residential customer class, PECO asserts that it is consistent with two of the Commission’s criteria in the Expedited Process Order.

**Conclusion**

In view of the above, Staff has determined that the *PECO Energy Company – Phase III Energy Efficiency and Conservation Plan Petition for Minor Modification*, filed on December 17, 2019, at Docket No. M-2015-2515691, satisfies the requirements of Act 129 and the prior related Orders of the Commission. Staff finds that the minor changes proposed in the Petition should help PECO meet or exceed the energy consumption and demand reduction requirements of Act 129 in a cost-effective manner. Therefore, Staff finds that the December 17, 2019, minor changes submitted by PECO are approved. PECO is directed to file with the Secretary a revised plan, consistent with this Secretarial Letter, within 30 days of the date of this Letter and post the same on its website.

 As directed in the Commission’s Expedited Process Order, petitions for appeal from this Staff action must be filed within ten (10) days after service of this Secretarial Letter in accordance with 52 Pa. Code § 5.44.[[2]](#footnote-2)



 Sincerely,

 Rosemary Chiavetta

 Secretary

cc: Chairman Brown Dutrieuille

 Vice Chairman Sweet

 Commissioner Place

 Commissioner Coleman

 Commissioner Yanora

Parties of Record

 Paul Diskin, TUS

 Darren Gill, TUS

 Joseph Sherrick, TUS

 Cornelia Schneck, TUS

 Kriss Brown, LAW

 Kathryn Sophy, OSA

1. In the Expedited Process Order, the Commission delegated its authority to staff of the Bureau of Conservation, Economics and Energy Planning, with assistance from staff of the Bureau of Fixed Utility Services and the Law Bureau. *See*, Expedited Process Order at 22. In a Final Procedural Order entered on August 11, 2011, at Docket No. M-2008-2071852, the Commission transferred the staff and functions of the Bureaus of Fixed Utility Services and Conservation, Economics and Energy Planning to the Bureau of Technical Utility Services. *See Implementation of Act 129 of 2008 Organization of Bureaus and Offices*, Final Procedural Order at 4. [↑](#footnote-ref-1)
2. Expedited Process Order at 19. [↑](#footnote-ref-2)