

**Legal Department**

Exelon Business Services Company  
2301 Market Street/523-1  
P.O. Box 8699  
Philadelphia, PA 19101-8699

Telephone 215.841.4000  
Fax 215.568.3389  
www.exeloncorp.com

Business Services  
Company

August 8, 2011

**VIA FEDERAL EXPRESS**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
P.O. Box 3265  
Harrisburg, PA 17105-3265

## RECEIVED

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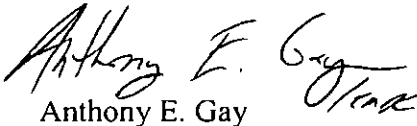
**Re: Petition Of PECO Energy Company For Approval Of Its Act 129 Energy Efficiency  
And Conservation Plan And Expedited Approval Of Its Compact Fluorescent Lamp  
Program; Docket No. M-2009-2093215**

Dear Secretary Chiavetta:

Enclosed for filing are an original and three copies of the **Reply Comments of PECO Energy Company** in the above-captioned matter. Pursuant to 52 Pa. Code § 1.11(a)(2), the enclosed Reply Comments shall be deemed filed on August 8, 2011, which is the date it was deposited with Federal Express as shown on the Federal Express delivery receipt.

As evidenced by the attached Certificate of Service, copies of the Reply Comments are being served on all parties of record. Also enclosed is an additional copy of the Reply Comments, which we request be date-stamped as evidence of filing and returned to us in the stamped, pre-addressed envelope provided.

Very truly yours,

  
Anthony E. Gay

c: Per Certificate of Service

BEFORE THE  
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PETITION OF PECO ENERGY :  
COMPANY FOR APPROVAL OF ITS :  
ACT 129 ENERGY EFFICIENCY AND :  
CONSERVATION PLAN AND : DOCKET NO. M-2009-2093215  
EXPEDITED APPROVAL OF ITS :  
COMPACT FLUORESCENT LAMP :  
PROGRAM :

**REPLY COMMENTS OF PECO ENERGY COMPANY REGARDING  
ITS PETITION FOR APPROVAL OF MINOR CHANGES TO ITS ACT 129 EE&C  
PLAN PURSUANT TO THE COMMISSION'S EXPEDITED REVIEW PROCESS**

On July 15, 2011, PECO Energy Company ("PECO" or the "Company") petitioned the Pennsylvania Public Utility Commission (the "Commission") for approval of minor changes to the Company's Act 129 Energy Efficiency and Conservation Plan ("EE&C Plan" or "Plan"). PECO filed the Petition pursuant to the Commission's expedited review process, which was established in its June 10, 2011 Final Order at Docket No. M-2008-2069887 (the "*Expedited Process Order*"). Under the expedited review process, parties have the opportunity to file comments and reply comments regarding PECO's Petition. PECO hereby replies to the comments submitted by The Reinvestment Fund ("TRF"), the Keystone Energy Efficiency Alliance ("KEEA") and the City of Philadelphia (the "City").

**I. INTRODUCTION**

The Commission established the expedited review process for minor EE&C Plan changes in order to "address potential inefficiencies and missed opportunities that may arise due to the time and expense of a fully litigated proceeding" and to "increase the ability of EDCs' EE&C Plans to meet [Act 129's] mandated goals in a cost-effective manner." *Expedited Process Order*, pp. 3, 5. The minor changes proposed in PECO's Petition are intended to make timely and

prudent mid-course adjustments to its Smart Ideas Portfolio of energy efficiency programs. In particular, PECO's adjustments are intended to: (1) allow PECO to continue to meet its compliance targets; (2) keep a diverse array of measures "in market" and available to customers through May 31, 2013; and (3) manage spending to remain within PECO's approved budget.

Consistent with the *Expedited Process Order*, and in keeping with PECO's standard practice, the Company met with interested stakeholders on several occasions to share the details of its proposed minor changes before filing the Petition. As evidenced by the limited number of comments filed in this proceeding, there are very few parties who have concerns with PECO's proposals. Even TRF agrees that the changes proposed in the Petition are consistent with the Commission's definition of "minor change" in the *Expedited Process Order*. See TRF Comments, p. 2.

Two concerns were raised by commenting parties: (1) the information provided by the Company to support its proposal was not sufficiently detailed; and (2) the proposed changes signal a premature end to programs and savings opportunities for customers. As explained below, PECO believes that its Petition and accompanying exhibits provide appropriate support for its proposals and are consistent with both the letter and the spirit of the *Expedited Process Order*. Further, an express purpose of these minor adjustments is to ensure that the Company can continue to offer diverse and meaningful energy savings opportunities to all customer classes through May 31, 2013. Indeed, PECO's proposed minor changes will avoid the need for more drastic adjustments in the future and allow the momentum of the EE&C Plan to continue for the full EE&C Plan period.

## II. REPLY TO TRF COMMENTS

TRF expressed general support for the Company's minor adjustments, but also contended that: (1) the Company did not provide adequate documentation to support its proposals, particularly for the elimination of measures from the Smart Home Rebates Program; (2) the Company did not sufficiently explain its proposal to establish a waitlist for certain incentives which, in the eyes of TRF, could be a *de facto* termination of the associated programs; and (3) PECO's changes will lead to an abrupt shut down of programs resulting in a loss of good will with customers and vendors. None of these contentions has merit.

### A. PECO Provided Sufficient Documentation To Support Its Minor Changes

Consistent with the *Expedited Process Order*, the Company explained in the Petition how the proposed minor changes would affect the existing EE&C Plan on a variety of levels. The overall objectives were described on a Portfolio basis, and the changes themselves were described on a program basis. An Appendix was provided to clearly identify every measure subject to a minor change, indicate why the change was minor, and provide the Company's reasoning for making the change. In addition, the Company filed the affected pages of the Plan, a redlined version of those pages, and posted a complete redlined version of its Plan on the Company's website. The Company firmly believes that this constitutes "sufficient documentation" for minor changes and certainly goes beyond mere "checkmarks" as TRF alleges.

To require a greater level of detail and documentation would create the very inefficiencies and missed opportunities that the Commission sought to address by the *Expedited Process Order*. The value of these mid-course adjustments is achieved only if the Company can implement them in an efficient manner. It is important to note that the level of detail requested

by TRF (*i.e.*, measure-specific analysis and justification) goes well beyond what was required in the fully litigated proceeding for PECO's original EE&C Plan. In that proceeding, the Commission did not require the Company to provide documentation to independently justify each measure. Instead, the focus was properly on the individual programs being proposed for each customer class and the entire portfolio of programs. The evidentiary burden for an expedited proceeding involving only minor changes should not rise to the level of a fully litigated proceeding and certainly should not exceed it.

Regarding the minor changes to the Smart Home Rebates Program, including the elimination of some measures, the Company explained in its Petition that the Program is underperforming. In particular, the Program is projected to exceed its budget and has not been generating energy savings commensurate with budget expenditures. As of June 30, 2011, 63% of the Program budget was spent to achieve just 37% of the energy savings goal. *See* Petition, p. 7.

In order to address these issues and allow the Company to meet compliance targets and keep a comprehensive mix of measures active through May 13, 2013, the Company identified several measures that should be eliminated or modified. *Id.* The changes are presented on a measure-by-measure basis in the Appendix. Thus, the Company's Petition identifies why adjustments to the Smart Home Rebates Program are needed, what minor changes are proposed, and how those minor changes will affect the Program. No additional support is required by the *Expedited Process Order*.

TRF suggests that PECO should have explained why each measure elimination is appropriate "instead of an EE&C Plan change in budget, participation numbers or energy savings goals." TRF Comments, p. 3. While PECO is not proposing to change any approved budgets as

part of this filing, program performance and program contributions to meeting statutory targets for the entire Portfolio were some of the key considerations in developing the minor changes for this Program. The measure-by-measure analysis and budget hypotheticals that TRF recommends would add unnecessary complexity to the process and are simply beyond the scope of what is required by the *Expedited Process Order* for minor plan changes or even for a fully litigated EE&C proceeding.

**B. PECO's Proposed Incentive Waitlists Are Appropriate Administrative Tools To Manage Energy Savings And Customer Participation**

In its comments, TRF expressed concern about PECO's proposal to establish waitlists for the Smart Equipment Incentives Program (Commercial/Industrial, Governmental/Institutional/Non-Profit) and Smart Construction Incentives Program and requested additional explanation. *See* TRF Comments, p. 4. PECO appreciates the opportunity to clarify the purpose and mechanics of its proposal.

The waitlist will serve as an administrative tool to better manage the energy savings generated by each Program and provide transparency to customers regarding incentive availability. *See* Petition, p. 8. These Programs *will remain open*, and the Company will continue to process and pay incentives on the projects that are already in the pipeline or are submitted during the notification period described below.

Following Commission approval, PECO will educate customers about the waitlist and will modify its incentive application to indicate that a waitlist has been established. *Id.* at 8-9. Customers will be given at least 30 days advance notice after Commission approval in order to allow them to submit new projects before the waitlist is implemented. All projects submitted during this notification period will be honored and paid in accordance with current policies. After the notification period, all new projects will be placed on a waitlist. Each project will receive a

sequential rank based on the order in which it was received and customers will be notified of their status by mail. Each Program will maintain its own separate waitlist.

The Company projects that it will meet existing savings targets for these Programs. If, for any reason, additional savings are needed for a particular Program, the Company will begin to process applications in rank order from the appropriate waitlist. The careful management of saving contributions is beneficial to both the Company and customers because it allows the Company to spend only what is necessary to achieve savings targets. Several commercial and industrial stakeholders have expressed a preference that the Company return EE&C Plan surcharge funds if it is able to achieve compliance under budget.

**C. PECO's Minor Changes Will Enable A Broad Array Of Measures To Remain Available For All Customer Classes**

TRF points to PECO's early success in achieving energy savings and asserts that PECO's minor changes will "effectively shut down its program far in advance of the May 2013 deadline." TRF Comments, p. 4. As PECO explained in its Petition and during meetings with stakeholders, the exact opposite is true. PECO specifically analyzed the early success of its energy efficiency programs and developed savings projections for the Portfolio through May 31, 2013. Based on these projections, the Company identified minor changes intended to allow PECO to continue to meet its compliance targets while keeping a diverse array of measures available to customers through May 31, 2013. *See* Petition, p. 1. Ensuring that all customers have meaningful savings opportunities through the end of the Plan period was a driving force behind these minor changes. If the EE&C Plan continued without any adjustments, the risk of certain programs being disrupted or shut down early due to budget or energy savings issues would be much greater.

### III. REPLY TO KEEA COMMENTS

KEEA makes three main assertions in its comments: (1) the Company has not provided adequate documentation for certain minor changes, such as those involving roof insulation and appliances; (2) PECO's minor changes are "shrinking" programs and signaling to customers that programs are ending at a time where stability is needed; and (3) the Commission should defer action on PECO's Petition until "its investigation into the future of Act 129 is concluded." The first two issues are addressed in Sections II.A and II.C, respectively.

KEEA's request for a deferral should be rejected because it would prevent PECO, or any other electric distribution company, from making *any* mid-course EE&C Plan improvements. Under 66 Pa. C.S. § 2806.1(c) and (d), the Commission must evaluate the costs and benefits of Act 129's demand and consumption reductions by November 30, 2013. If the benefits exceed the costs, then additional incremental reductions will be required. Thus, the Commission's "investigation" may not be completed until PECO's current EE&C Plan period has ended.

In any event, the possibility of future regulatory changes is not sufficient justification for keeping PECO's EE&C Plan stagnant. The Commission has acknowledged the importance of and need for mid-course EE&C Plan changes by establishing specific change approval processes. Further, and as explained in PECO's Petition, the adjustments the Company is proposing will keep the Plan momentum going through May 31, 2013 by enabling a variety of measures to remain available for all customer classes. Without these adjustments, for example, the Company projects that the budget for the Smart Home Rebates Program will be depleted by March of 2012 -- requiring the Company to shut the Program down. PECO's proposed minor changes are needed to provide the "stability and consistency" that KEEA urges is necessary for the development and growth of the energy efficiency market in Pennsylvania.



#### **IV. REPLY TO CITY COMMENTS**

The City expressed support for PECO's proposed minor changes, with the exception of the proposed elimination of retro-commissioning. The City contends that retro-commissioning should be retained as long as it is paired with measurement, verification and monitoring. City Comments, p. 3. Accordingly, the Company has decided to offer retro-commissioning as a custom measure going forward. PECO has discussed its decision with the City and the City has authorized the Company to represent that, with this modification of its Petition, it fully supports PECO's proposed changes.

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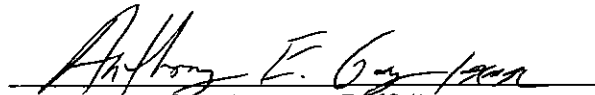
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## V. CONCLUSION

Based upon the Petition, including the attached exhibits, and the foregoing reply comments, PECO respectfully requests that Commission Staff grant this Petition and enter a Secretarial Letter approving the Company's proposed minor EE&C Plan changes.

Respectfully submitted,



Anthony E. Gay (Pa. No. 74624)  
Exelon Business Services Company  
2301 Market Street  
P.O. Box 8699  
Philadelphia, PA 19101-8699  
Phone: 215.841.4635  
Fax: 215.568.3389  
[anthony.gay@exeloncorp.com](mailto:anthony.gay@exeloncorp.com)

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Thomas P. Gadsden (Pa. No. 28478)  
Catherine G. Vasudevan (Pa. No. 210254)  
Morgan, Lewis & Bockius LLP  
1701 Market Street  
Philadelphia, PA 19103-2921  
Phone: 215.963.5952  
Fax: 215.963.5001  
[tgadsden@morganlewis.com](mailto:tgadsden@morganlewis.com)  
[cvasudevan@morganlewis.com](mailto:cvasudevan@morganlewis.com)

August 8, 2011

*Counsel for PECO Energy Company*

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PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>PETITION OF PECO ENERGY</b>	:	
<b>COMPANY FOR APPROVAL OF ITS</b>	:	
<b>ACT 129 ENERGY EFFICIENCY AND</b>	:	<b>DOCKET NO. M-2009-2093215</b>
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<b>EXPEDITED APPROVAL OF ITS</b>	:	
<b>COMPACT FLUORESCENT LAMP</b>	:	
<b>PROGRAM</b>	:	

**CERTIFICATE OF SERVICE**

I hereby certify that I have this date served true and correct copies of the **Reply Comments of PECO Energy Company** upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant):

**VIA FIRST CLASS AND ELECTRONIC MAIL**

Darren Gill  
Greg Shawley  
Scott Gebhardt  
Kriss Brown  
Bureau of Conservation, Economics &  
Energy Planning  
Pennsylvania Public Utility Commission  
2<sup>nd</sup> Floor, M West  
Commonwealth Keystone Building  
400 North Street  
Harrisburg , PA 17120  
[dgill@state.pa.us](mailto:dgill@state.pa.us)  
[gshawley@state.pa.us](mailto:gshawley@state.pa.us)  
[sgebhardt@state.pa.us](mailto:sgebhardt@state.pa.us)  
[kribrown@state.pa.us](mailto:kribrown@state.pa.us)

Tanya J. McCloskey  
Jennedy S. Johnson  
Office of Consumer Advocate  
555 Walnut Street  
5th Floor, Forum Place  
Harrisburg, PA 17101-1923  
[tmccloskey@paoca.org](mailto:tmccloskey@paoca.org)  
[jjohnson@paoca.org](mailto:jjohnson@paoca.org)  
[jhorner@paoca.org](mailto:jhorner@paoca.org)

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**PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU**

Daniel G. Asmus  
Office of Small Business Advocate  
Suite 1102, Commerce Building  
300 North Second Street  
Harrisburg, PA 17101  
[dasmus@state.pa.us](mailto:dasmus@state.pa.us)

Richard A. Kanaskie  
Carrie B. Wright  
Office of Trial Staff  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
P.O. Box 3265  
400 North Street, 2nd Floor West  
Harrisburg, PA 17105-3265  
[rkanaskie@state.pa.us](mailto:rkanaskie@state.pa.us)  
[carwright@state.pa.us](mailto:carwright@state.pa.us)

Harry S. Geller  
Julie George  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101-1414  
[hgellerpulp@palegalaid.net](mailto:hgellerpulp@palegalaid.net)  
[jgeorgepulp@palegalaid.net](mailto:jgeorgepulp@palegalaid.net)

Daniel Clearfield  
Eckert Seamans Cherin & Mellot, LLC  
213 Market Street, 8th Floor  
P.O. Box 1248  
Harrisburg, PA 17108-1248  
[dclearfield@eckertseamans.com](mailto:dclearfield@eckertseamans.com)

*Counsel for Pennsylvania Communities Organizing  
for Change*

*Counsel for Direct Energy Business, LLC*

Brian Glass  
John Baillie  
PennFuture  
1500 Walnut Street, Suite 502  
Philadelphia, PA 19102  
[lawstaff@pennfuture.org](mailto:lawstaff@pennfuture.org)  
[baillie@pennfuture.org](mailto:baillie@pennfuture.org)

Charis Mincavage  
McNees Wallace & Nurick LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
[cmincavage@mwn.com](mailto:cmincavage@mwn.com)

*Counsel for PennFuture*

*Counsel for the Philadelphia Area Industrial  
Energy Users Group*

J. Barry Davis  
Scott J. Schwarz  
City of Philadelphia Law Department  
1515 Arch Street, 16<sup>th</sup> Floor  
Philadelphia, PA 19102  
[j.barry.davis@phila.gov](mailto:j.barry.davis@phila.gov)  
[scott.schwarz@phila.gov](mailto:scott.schwarz@phila.gov)

Roger E. Clark  
The Reinvestment Fund  
718 Arch Street, Suite 300 North  
Philadelphia, PA 19106-1591  
[roger.clark@trfund.com](mailto:roger.clark@trfund.com)

*Counsel for TRF*

*Counsel for City of Philadelphia*

Thu B. Tran  
Philip A. Bertocci  
Jonathan M. Stein  
Community Legal Services  
1424 Chestnut Street  
Philadelphia, PA 19102-2505  
[ttran@clsphila.org](mailto:ttran@clsphila.org)  
[pbertocci@clsphila.org](mailto:pbertocci@clsphila.org)  
[jstein@clsphila.org](mailto:jstein@clsphila.org)

*Counsel for Tenant Union Representative Network  
and Action Alliance of Senior Citizens of Greater  
Philadelphia*

Scott H. DeBroff  
Alicia R. Petersen  
Rhoads & Sinon LLP  
One South Market Square, 12th Floor  
P.O. Box 1146  
Harrisburg, PA 17108-1146  
[sdebross@rhoads-sinon.com](mailto:sdebross@rhoads-sinon.com)  
[apetersen@rhoads-sinon.com](mailto:apetersen@rhoads-sinon.com)

*Counsel for EnerNOC, Inc.*

Kurt E. Klapkowski  
Commonwealth of Pennsylvania  
Department of Environmental Protection  
RCSOB, 9th Floor  
400 Market Street  
Harrisburg, PA 17101-2301  
[kklapkowsk@state.pa.us](mailto:kklapkowsk@state.pa.us)

*Counsel for Pennsylvania Department of  
Environmental Protection*

Christopher A. Lewis  
Christopher R. Sharp  
Blank Rome, LLP  
One Logan Square  
Philadelphia, PA 19103  
[Lewis@blankrome.com](mailto:Lewis@blankrome.com)  
[Sharp@blankrome.com](mailto:Sharp@blankrome.com)

*Counsel for Field Diagnostic Services, Inc.*

Nia Wilson  
Office of Representative Mark B. Cohen  
House Human Services Committee  
330 Irvis Office Building  
Harrisburg, PA 17120-2202  
[nwilson@pahouse.net](mailto:nwilson@pahouse.net)

*Counsel for State Representative  
Mark B. Cohen*

Divesh Gupta  
Senior Counsel  
Constellation Energy  
111 Market Place, Suite 500  
Baltimore, Maryland 21202  
[divesh.gupta@constellation.com](mailto:divesh.gupta@constellation.com)

*Counsel for Constellation NewEnergy, Inc.*

Robert Graff  
Manager, Office of Energy and Climate Change  
Initiatives  
Delaware Valley Regional Planning Commission  
190 N. Independence Mall West, 8<sup>th</sup> Floor  
Philadelphia, PA 19106-1520  
[rgraff@dvrpc.org](mailto:rgraff@dvrpc.org)

Rick Sauer  
Executive Director  
Philadelphia Association of Community  
Development Corporations  
1315 Walnut Street  
Suite 1600  
Philadelphia, PA 19107  
[rsauer@pacdc.org](mailto:rsauer@pacdc.org)

Libby Dodson  
Division Chief, Energy Promotion  
DEP-OETD  
Rachel Carson State Office Building  
400 Market Street, 15<sup>th</sup> Floor  
Harrisburg, PA 17101-2301  
[libdodson@state.pa.us](mailto:libdodson@state.pa.us)

Dick Spellman  
Tom Londos  
Caroline Guidry  
Salil Gogte  
Skip Moss  
GDS Associates, Inc.  
1850 Parkway Place  
Suite 800  
Marietta, GA 30067  
[Dick.Spellman@gdsassociates.com](mailto:Dick.Spellman@gdsassociates.com)  
[Tom.Londos@gdsassociates.com](mailto:Tom.Londos@gdsassociates.com)  
[Caroline.Guidry@gdsassociates.com](mailto:Caroline.Guidry@gdsassociates.com)  
[sgogte@nexant.com](mailto:sgogte@nexant.com)  
[SkipMoss@aol.com](mailto:SkipMoss@aol.com)

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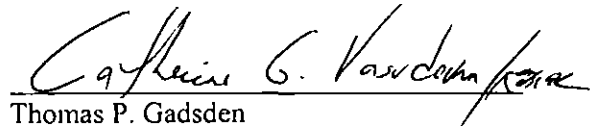
Tom Newton  
Vice President  
Keystone Energy Efficiency Alliance  
1924 Arch Street  
Philadelphia, PA 19103

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Date: August 8, 2011



Thomas P. Gadsden  
Catherine G. Vasudevan  
Morgan, Lewis & Bockius, LLP  
1701 Market Street  
Philadelphia, PA 19103  
Tel: 215.963.5234  
Fax: 215.963.5001  
[tgadsden@morganlewis.com](mailto:tgadsden@morganlewis.com)  
[cvasudevan@morganlewis.com](mailto:cvasudevan@morganlewis.com)

Anthony E. Gay, Esquire  
Exelon Business Services Company  
2301 Market Street  
P.O. Box 8699  
Philadelphia, PA 19101-8699  
Tel: 215.841.4635  
Fax: 215.568.3389  
[anthony.gay@exeloncorp.com](mailto:anthony.gay@exeloncorp.com)

*Counsel for PECO Energy Company*

ORIGIN ID: REDA (215) 963-5317  
MAILROOM  
MORGAN LEWIS & BOCKIUS LLP  
1701 MARKET STREET

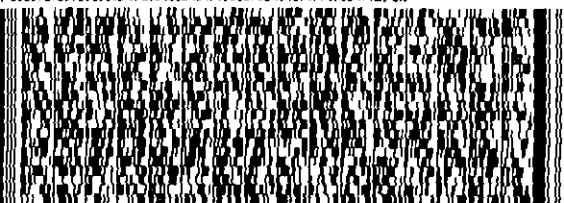
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ROSEMARY CHIAVETTA, SECRETARY  
PA PUBLIC UTILITY COMMISSION  
400 NORTH STREET  
COMMONWEALTH KEYSTONE BUILDING  
HARRISBURG PA 17120

REF: 72113-001515-1296



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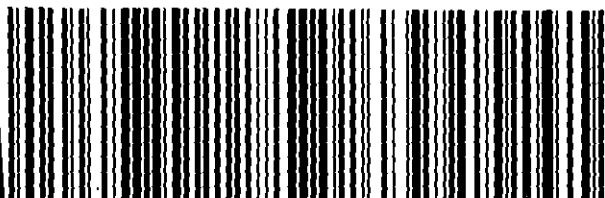
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