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March 14, 2013

M-2009-2112952

Ms. Kathy J. Kolich, Esquire

FirstEnergy Service Company

76 South Main Street

Akron, OH 44308

**Re:** **Petition of Pennsylvania Electric Company for Expedited Approval of Proposed Minor EE&C Plan Changes Pursuant To the Commission’s Expedited Review Process**

**Docket No. M-2009-2112952**

Dear Ms. Kolich:

On February 13, 2013, Pennsylvania Electric Company (Penelec) filed a *Petition of Pennsylvania Electric Company’s Request for Expedited Approval of Proposed Minor EE&C Plan Changes Pursuant to the June 10, 2011 Final Order in Docket No. M-2008-2069887* (Petition). The Petition seeks approval of minor changes to the programs contained in its amended Act 129 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). Penelec served the Petition on all parties of record. For the reasons discussed below, Staff will grant Penelec’s Petition.

Comments were due by March 1, 2013. The Office of Consumer Advocate (OCA) filed comments. Reply comments were due by March 11, 2013. No reply comments were filed.

In its Expedited Process Order, the Commission delegated its authority to review and approve minor EE&C Plan changes, as defined below, to staff of the Bureau of Technical Utility Services (Staff), with assistance from staff of the Law Bureau.[[1]](#footnote-1) The Commission defined minor plan changes as follows:

* 1. The elimination of a measure that is underperforming, no longer viable for reasons of cost-effectiveness, savings or market penetration or has met its approved budgeted funding, participation level or amount of savings;
  2. The transfer of funds from one measure or program to another measure or program within the same customer class; and
  3. Adding a measure or changing the conditions of a measure, such as its eligibility requirements, technical description, rebate structure or amount, projected savings, estimated incremental costs, projected number of participants, or other conditions so long as the change does not increase the overall costs to that customer class.[[2]](#footnote-2)

In its Petition, Penelec proposes changes to its Large Commercial/Industrial Equipment Program, PJM Demand Response Program - Large, Residential Energy Efficient HVAC Equipment Program, and Behavioral Modification and Education Program. Specifically, Penelec proposes the expansion of the Large Commercial/Industrial Equipment Program by increasing the Program’s budget by $859,503, to a total budget of $8,431,665. Penelec proposes to transfer these additional funds from another Large Commercial/Industrial program. In particular, Penelec proposes to decrease the funding for the PJM Demand Response Program by $859,503 and transfer those funds to the Large Commercial/Industrial Equipment Program.[[3]](#footnote-3)

Penelec also proposes the expansion of the Residential Energy Efficient HVAC Equipment Program by increasing the Program’s budget by $179,900, to a total budget of $1,844,271. Penelec proposes to transfer these additional funds from another Residential program. Specifically, Penelec proposes to decrease the funding for the Behavioral Modification and Education Program by $179,900 and transfer those funds to the Residential Energy Efficient HVAC Equipment Program.[[4]](#footnote-4)

Penelec asserts that these proposed changes meet the definition of minor plan changes as delineated in the Expedited Process Order. In particular, Penelec asserts that the proposed changes involve the transfer of funds from two programs to two other programs within the same customer class, namely the Large Commercial/Industrial Customer Class and the Residential Customer Class.[[5]](#footnote-5)

In support of the proposed changes, Penelec asserts the following based on its experience to date:

* The Large Commercial/Industrial Equipment Program has proven to be popular and Penelec has identified 34 customer projects representing approximately 15,000 Megawatt hours (MWh) of energy savings that it will pursue upon approval of the budget transfer. Additionally, the program has exceeded Penelec’s projections and has nearly exhausted its approved budget. The proposed budget increase will allow the program to exceed its May 31, 2013 program energy savings target.
* The vast majority of the activity of the PJM Demand Response Program - Large occurred during the summer of 2012 and Penelec does not anticipate any further significant activity through this program prior to the expiration of Penelec’s EE&C Plan on May 31, 2013. Additionally, this program is projected to be under budget in excess of $859,503 on May 31, 2013.
* The Residential Energy Efficient HVAC Equipment Program has exceeded Penelec’s projections and is projected to exhaust its approved program budget in March 2013. The proposed increase in budget will allow the program to continue through May 31, 2013, and to exceed its May 31, 2013 program energy savings target.
* The Behavioral Modification and Education Program is projected to be under budget in excess of $179,900 on May 31, 2013.
* The changes will have no effect on the remainder of Penelec’s current EE&C Plan or the Residential and Large Commercial/Industrial rates reflected in Penelec’s Rider EEC-C.
* The changes will have negligible impact on the cost-effectiveness of the programs.
* The changes will allow Penelec to continue program operations and will best position Penelec to achieve its May 31, 2013 energy savings targets.[[6]](#footnote-6)

The OCA submits that Penelec’s proposed changes meet the definition in the Expedited Process Order because they seek to transfer funds from one program to another within the same customer class. The OCA avers that transferring funds from under-performing programs to programs with nearly exhausted or exhausted budgets is a more efficient use of ratepayer funds.[[7]](#footnote-7)

It is permissible for electric distribution companies to seek approval under the expedited review process for the transfer of funds from one measure or program to another measure or program within a customer class as long as the change does not increase the overall costs to that particular customer class.[[8]](#footnote-8) Staff finds that the changes proposed by Penelec in the instant Petition meet the definition of minor EE&C plan changes established in the Expedited Process Order. In addition, Staff agrees with the OCA that transferring funds from under-performing programs to programs with nearly exhausted or exhausted budgets is a more efficient use of ratepayer funds. Staff, therefore, approves Penelec’s proposal to increase the budget for its Large Commercial/Industrial Equipment Program by $859,503, to a total budget of $8,431,665. Staff also approves the reduction in funding of the PJM Demand Response Program by $859,903 and the transfer of that amount to the Large Commercial/Industrial Equipment Program.

Staff also approves Penelec’s proposal to increase the budget for its Residential Energy Efficient HVAC Equipment Program by $179,900, to a total budget of $1,844,271. Staff approves the reduction in funding of the Behavioral Modification and Education Program by $179,900 and the transfer of that amount to the Residential Energy Efficient HVAC Equipment Program.

Staff recognizes, based on its analysis of Penelec’s EE&C Plan and the documentation provided with this filing, that the changes proposed herein do not significantly alter the overall cost-effectiveness of Penelec’s portfolio of programs or have an impact on the Plan’s budget. As such, Staff approves the changes Penelec proposed in the instant Petition.

In view of the above, the Staff has determined that the *Petition of Pennsylvania Power Company’s Request for Expedited Approval of Proposed Minor EE&C Plan Changes Pursuant to the June 10, 2011 Final Order in Docket No. M-2008-2069887*, filed on February 13, 2012, at Docket No. M-2009-2112952, 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 enable Penelec to meet or exceed the energy consumption and demand reduction requirements of Act 129 in a cost-effective manner. Therefore, Staff grants Penelec’s Petition. Pennsylvania Electric Company 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.[[9]](#footnote-9)



Sincerely,

Rosemary Chiavetta

Secretary

cc: Chairman Powelson

Vice Chairman Coleman

Commissioner Gardner

Commissioner Cawley

Commissioner Witmer

Parties of Record

Paul Diskin, TUS

Darren Gill, TUS

Megan Good, TUS

Kriss Brown, LAW

Cheryl Walker Davis, OSA

Jonathan Nase, 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. 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 the functions of Bureau of Fixed Utility Services and the Bureau of 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 20. [↑](#footnote-ref-2)
3. Petition at 4 and 5. [↑](#footnote-ref-3)
4. *Id*. at 5 and 6. [↑](#footnote-ref-4)
5. *Id*. at 4. [↑](#footnote-ref-5)
6. *Id*. at 4-6. [↑](#footnote-ref-6)
7. OCA Comments at 3. [↑](#footnote-ref-7)
8. Expedited Process Order at 20. [↑](#footnote-ref-8)
9. Expedited Process Order at 19. [↑](#footnote-ref-9)