

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PETITION OF PECO ENERGY COMPANY
FOR APPROVAL OF ITS
MARKET RATE TRANSITION ENERGY EFFICIENCY
PACKAGE**

DOCKET NO. P- _____

DIRECT TESTIMONY

WITNESS: RICHARD A. SCHLESINGER

**SUBJECT: TARIFF PROVISIONS FOR (1) RECOVERING THE
COSTS OF PECO ENERGY COMPANY'S ENERGY
EFFICIENCY PROGRAMS; AND (2) ESTABLISHING
A RESIDENTIAL DIRECT LOAD CONTROL
PROGRAM**

DATED: SEPTEMBER 10, 2008

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1 choice for all of PECO's two million electric and natural gas distribution customers.
2 In 2000, I transferred to the Company's Customer and Marketing Services
3 Department and served as e-Commerce Manager and then as Project Manager,
4 overseeing the implementation of various Business/Information Technology systems.
5 In 2004, I returned to the Regulatory and External Affairs Department, where I hold
6 my current position of Principal Rate Administrator.

7 **5. Q. Have you previously submitted testimony in a regulatory proceeding?**

8 A. Yes, I testified before the Pennsylvania Public Utility Commission concerning
9 PECO's 2005 Competitive Transition Charge Reconciliation Statement and PECO's
10 2005 Universal Services Fund Charge Reconciliation Statement. I also submitted
11 testimony in support of PECO's Petition for approval of its Phase I Residential Real-
12 Time Pricing Program at Docket No. P-2008-2032333.

13 **6. Q. What is the purpose of your direct testimony?**

14 A. The purpose of my direct testimony is to sponsor two tariff provisions. The first tariff
15 provision will establish an adjustment clause to recover the costs of PECO's new
16 residential Market Rate Transition Energy Efficiency Package ("EEP") programs by
17 means of an EEP Cost Recovery Charge. The second tariff provision sets forth the
18 availability and other program terms for the Residential Direct Load Control
19 ("RDLC") Program, which is one of the EEP programs.

1 7. Q. Please briefly describe the energy efficiency programs for which PECO is
2 seeking cost recovery.

3 A. As discussed in detail in the testimony Mr. Frank Jiruska, PECO's Director of Energy
4 and Marketing Services (PECO Statement No. 1), PECO will offer three new energy
5 efficiency and demand response programs for residential customers for which it will
6 seek cost recovery. These programs are: (1) the Compact Fluorescent Lamp ("CFL")
7 Discount Program; (2) the Enhanced On-Line Energy Audit; and (3) the RDLC
8 Program. While the first two programs do not require specific rates or terms of
9 service to be set forth in PECO's electric service tariff, PECO proposes to recover the
10 costs of these programs through the EEP Cost Recovery Charge because they create
11 benefits for all residential customers. Meanwhile, the third program, the RDLC
12 program, is a new service that PECO will offer through a separate provision of its
13 electric service tariff. PECO also proposes to recover the costs of this program
14 through the EEP Cost Recovery Charge.

15 **II. COST RECOVERY FOR ENERGY EFFICIENCY PROGRAMS**

16 8. Q. What are the residential EEP costs that PECO seeks to recover?

17 A. The EEP costs PECO seeks to recover include all of the costs of designing,
18 developing, and building the necessary information technology (IT) infrastructure and
19 communications pathways to implement these programs, program outreach and
20 promotion costs, program administration costs and the costs of this proceeding, and
21 the incentives that will be offered to customers to participate in the programs. In
22 addition, the CFL Program will generate a cost to PECO because replacing
23 incandescent bulbs with compact fluorescent lamps will reduce customer usage and,

1 as a consequence, reduce PECO's electric distribution revenue. PECO proposes to
2 recover this cost and the other enumerated costs of the CFL Program through the EEP
3 Cost Recovery Charge.

4 **9. Q. Will PECO's new EEP programs generate any credits that will offset, in part,**
5 **the costs of these programs?**

6 A. Yes. The customer load participating in the RDLC Program will be "Interruptible
7 Load for Reliability" under the PJM Interconnection, LLC's ("PJM") Reliability
8 Pricing Model ("RPM"). Consequently, under PJM's applicable RPM rules, PECO
9 will receive a payment from PJM in the form of a credit on its PJM bill for each
10 kilowatt of on-peak demand that is subject to interruption under the RDLC Program.
11 PECO proposes to use these credits to offset the costs of the new EEP programs.

12 **10. Q. What are PECO's current estimates of the costs of these programs?**

13 A. These estimated costs are discussed in Mr. Jiruska's direct testimony and are shown
14 on PECO Exhibits FJJ-1 and FJJ-4 through FJJ-7, which Mr. Jiruska is sponsoring.

15 **11. Q. How does PECO propose to recover the costs Mr. Jiruska has identified?**

16 A. The new EEP programs provide benefits to all residential customers, whether they
17 purchase their generation supply from PECO or from an alternative Electric
18 Generation Supplier (EGS). Therefore, PECO proposes to recover these costs from
19 all residential customers through the EEP Cost Recovery Charge, which would be a
20 fully reconcilable, non-bypassable charge established under Section 1307 of the
21 Public Utility Code. The charge would be included in PECO's residential distribution

1 rates, not shown as a separate line item on customers' bills, and would not be
2 included in PECO's "Price to Compare."

3 **12. Q. Please explain how the EEP Cost Recovery Charge will work.**

4 A. PECO Exhibit RAS-1, which accompanies my testimony, is the proposed tariff
5 supplement containing the terms of the EEP Cost Recovery Charge. As stated in the
6 proposed tariff supplement, the charge will be recalculated once per year, will be filed
7 with the Commission on February 1 of each year, and will become effective on April
8 1 of each year. Each annual charge will be based upon an estimate of expenditures to
9 be made in the year that charge is in effect. Capital costs, if any, will be amortized
10 over the useful lives of the underlying assets with interest at 6% on the unrecovered
11 balance. If PECO files a base rate case before the costs are fully recovered, the
12 remaining unrecovered balance will be included in PECO's rate base in that
13 proceeding and, upon the effectiveness of those base rates, the unrecovered balance
14 will be removed from the EEP Cost Recovery Charge.

15 In addition, credits received from PJM for RDLC load will be reflected in the
16 calculation of the charge and, in that way, the credits will be flowed through to
17 customers. The charge will also include applicable Pennsylvania gross receipts tax.

18 Finally, there will also be an annual reconciliation of actual costs and revenues. Any
19 over or under-collection, plus interest at 6%, will be reflected in the calculation of the
20 charge filed each year. The reconciliation will be for a 12-month period and an
21 illustration of the reconciliation is provided in PECO Exhibit RAS-2. The first charge
22 will be filed on the first of the month after Commission approval with an effective
23 date 60 days later. If PECO incurs recoverable costs before the effective date, it plans

1 to defer those costs until they are included in the following years filing and accrue
2 interest at 6% until recovered.

3 **13. Q. How will the EEP Cost Recovery Charge be reflected on customers' bills?**

4 A. The EEP Cost Recovery Charge will be stated in cents per kilowatt-hour and will be
5 applied to the bill of each residential customer on a per kilowatt-hour basis by
6 including it in the variable distribution charges. This is the same approach employed
7 for PECO's Universal Service Fund Charge, which is also included in PECO's
8 distribution rates.

9 **III. THE RESIDENTIAL DIRECT LOAD CONTROL TARIFF RIDER**

10 **14. Q. Please explain the RDLC tariff rider.**

11 A. PECO Exhibit RAS-1, which was introduced earlier in my testimony, also contains
12 the proposed RDLC rider, which describes the availability criteria, program
13 provisions, installation requirements, and retail credits that apply to participants in the
14 RDLC program. The RDLC rider establishes a voluntary rate available to residential
15 customers with electric central air conditioning systems. Customers electing service
16 under this rider receive a retail billing credit in exchange for allowing PECO to
17 directly control their air conditioning systems' compressor(s) so that the air
18 conditioning load can be interrupted during peak periods, within the limitations set
19 forth in the RDLC rider. A further description of the RDLC rider and the benefits it
20 is expected to create for participating customers is provided in Mr. Jiruska's direct
21 testimony.

1 15. Q. Please explain the information that is being provided in PECO Exhibit RAS-3.

2 A. PECO Exhibit RAS-3 contains PECO's responses to the filing requirements set forth
3 at 52 Pa. Code Section 53.52, which specify the information that has to be submitted
4 with a proposed tariff change.

5 16. Q. Does this conclude your direct testimony?

6 A. Yes.