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November 13, 2012

**VIA HAND DELIVERY**

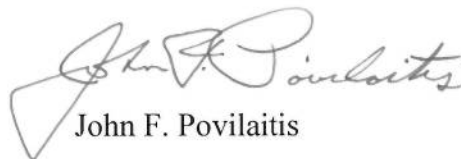
Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

Re: Joint Petition for Consolidation of Proceedings and Approval of Energy Efficiency and Conservations Plans Phase II of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company Plan and West Penn Power Company; Docket Nos. P-\_\_\_\_\_, P-\_\_\_\_\_, P-\_\_\_\_\_, and P-\_\_\_\_\_.

Dear Secretary Chiavetta:

On behalf of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company (the "Companies"), enclosed for filing is the Joint Petition of the Companies, their respective Phase II Energy Efficiency and Conservation Plans and supporting testimony in the form of Statement Nos. 1 through 3 in support of this filing. In addition, a disk of these materials is being supplied to your office. Please contact me if you have any questions regarding the forgoing matters. Copies have been served as indicated in the attached certificate of service.

Very truly yours,

  
John F. Povilaitis

JFP/kra  
Enclosure

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Joint Petition for Consolidation of</b>	:	
<b>Proceedings and Approval of Energy</b>	:	<b>Docket No. P-</b> _____
<b>Efficiency and Conservations Plans Phase</b>	:	<b>P-</b> _____
<b>II of Metropolitan Edison Company,</b>	:	<b>P-</b> _____
<b>Pennsylvania Electric Company,</b>	:	<b>P-</b> _____
<b>Pennsylvania Power Company Plan and</b>	:	
<b>West Penn Power Company</b>	:	

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the foregoing document upon the parties, listed below, in accordance with the requirements of § 1.54 (relating to service by a party).


**Via First Class Mail**

Johnnie H. Simms, Director  
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300 North Second Street, Suite 1102  
Harrisburg, PA 17101

Date: November 13, 2012

  
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John F. Povilaitis, Esq.

**BEFORE THE  
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<b>Joint Petition for Consolidation of</b>	:	
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<b>Pennsylvania Power Company Plan and</b>	:	
<b>West Penn Power Company</b>	:	

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**JOINT PETITION OF METROPOLITAN EDISON COMPANY,  
PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER  
COMPANY AND WEST PENN POWER COMPANY**

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**Dated: November 13, 2012**

**Counsel for:**  
**Metropolitan Edison Company,**  
**Pennsylvania Electric Company,**  
**Pennsylvania Power Company and**  
**West Penn Power Company**

Pursuant to Act 129 of 2008 (“Act 129”), P.L. 1592, 66 Pa.C.S. §§ 2806.1 and 2806.2, Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”) Pennsylvania Power Company (“Penn Power”), and West Penn Power Company (“West Penn”) (collectively, the “Companies”) hereby file this Joint Petition with the Pennsylvania Public Utility Commission (“Commission”) requesting approval of their respective Phase II Energy Efficiency and Conservation (“EE&C”) Plans (“Proposed Plans”). This filing is being made pursuant to the August 3, 2012 Implementation Order of the Commission issued in Docket Nos. M-2012-2289411 and M-2008-2069887.<sup>1</sup> The Proposed Plans include a suite of programs that are designed to meet the additional consumption reduction targets adopted by the Commission’s 2012 Implementation Order during the period from June 1, 2013 through May 31, 2016 (“Phase II Period”), using the Commission’s assumptions related to acquisition costs discussed in the Order. The Companies, however, consider these assumptions to be suspect, thus creating a risk level for achievement that is unacceptable. Therefore, they have requested revisions in their Phase II Period goals – a request that is currently pending before the Commission.<sup>2</sup> Notwithstanding, the Proposed Plans represent the Companies’ best efforts to design plans that achieve the goals based on the acquisition costs and budget for administrative and incentive costs set by the Commission. For the reasons set forth below, the Companies respectfully request that the Commission approve the Proposed Plans and authorize the Companies to implement proposed tariff riders for cost recovery purposes, as described herein.

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<sup>1</sup> *Energy Efficiency and Conservation Programs*, Docket Nos. M-2012-2289411 and M-2008-2069887 (Implementation Order entered August 3, 2012) (“2012 Implementation Order”).

<sup>2</sup> *Petition of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company For an Evidentiary Hearing on the Energy Efficiency Benchmarks Established for the Period June 1, 2013 through May 31, 2016*, Docket Nos. P-2012-2320450, P-2012-2320468, P-2012-2320480, and P-2012-2320484.

Further, pursuant to 52 Pa. Code Section 5.81, the Companies hereby request a consolidated review of the Proposed Plans on the grounds that they present common questions of law and fact and a consolidated review of these plans will avoid unnecessary costs and delay.

**I. INTRODUCTION**

1. Met-Ed is a wholly owned subsidiary of FirstEnergy Corp. that provides service to approximately 553,000 electric utility customers in eastern Pennsylvania. Penelec is a wholly owned subsidiary of FirstEnergy Corp. that provides service to approximately 590,000 electric utility customers in central and western Pennsylvania. Penn Power is a wholly owned subsidiary of Ohio Edison Company, which, in turn, is a wholly owned subsidiary of FirstEnergy Corp. Penn Power provides service to approximately 161,000 electric utility customers in western Pennsylvania. West Penn is a wholly owned subsidiary of Allegheny Energy, Inc., which, in turn, is a wholly owned subsidiary of FirstEnergy Corp. West Penn provides service to approximately 718,000 electric utility customers in western Pennsylvania.

2. Each Company is a “public utility” and an “electric distribution company” (“EDC”) as those terms are defined under the Public Utility Code, 66 Pa. C.S. §§102 and 2803, respectively.

3. The Companies’ attorneys are:

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The Companies' attorneys are authorized to receive all notices and communications regarding this Petition. Should the Commission permit only one attorney to be the attorney of record for the Companies, Kathy J. Kolich should be so designated.

4. On October 15, 2008, then Governor Rendell signed House Bill 2200 into law as Act 129. Act 129 became effective on November 14, 2008 and imposed new requirements on Pennsylvania's EDCs in the areas of EE&C, smart meters, procurement and alternative energy sources.

5. Among other things, Act 129 created an EE&C Program.<sup>3</sup> Act 129 requires an EDC with at least 100,000 customers to adopt and implement a plan, approved by the Commission, to reduce energy demand and consumption within its service territory.

6. On January 15, 2009, the Commission adopted an Implementation Order establishing standards for Phase I of Act 129's EE&C Program.<sup>4</sup> The 2009 Implementation Order required that the Companies file Phase I EE&C Plans on July 1, 2009. The 2009

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<sup>3</sup> 66 Pa.C.S. §§ 2806.1 and 2806.2.

<sup>4</sup> *Energy Efficiency and Conservation Programs*, Docket No. M-2008-2069887 (Implementation Order entered January 16, 2009) ("2009 Implementation Order").

Implementation Order also provided details and specific directives and guidance on Act 129 and the procedures for submitting, reviewing and approving the EDC Phase I EE&C Plans.<sup>5</sup>

7. On May 7, 2009, the Commission issued a Secretarial Letter which was developed in accordance with the Commission's 2009 Implementation Order and provided an EE&C template to be used by each EDC in preparing and filing their respective Phase I EE&C Plans with the Commission.<sup>6</sup>

8. On July 1, 2009, the Companies filed their Phase I EE&C Plans pursuant to Act 129 and the Commission's 2009 Implementation Order.

9. The Commission initially approved Met-Ed, Penelec, and Penn Power's Phase I EE&C Plans, with modifications, on October 28, 2009<sup>7</sup>, and further revisions were approved in various subsequent orders.<sup>8</sup>

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<sup>5</sup> In addition to adopting the 2009 Implementation Order, the Commission also adopted orders implementing specific and essential components of the EE&C Program, to include the establishment of a total resource cost ("TRC") test, updates to the Technical Reference Manual ("TRM"), and the establishment of a statewide evaluator ("SWE").

<sup>6</sup> The Commission has also issued Secretarial Letters and Orders seeking input from interested parties on other issues including: procedures for registering and approving conservation service providers and contracts, consumption forecasts and peak demand reduction targets; modification of the existing Technical Reference Manual for use in evaluating energy efficiency and conservation plans; and modification of the California Total Resource Cost test for ranking and prioritizing energy efficiency and conservation programs under Pennsylvania-specific criteria.

<sup>7</sup> *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company for Consolidation of Proceedings and Approval of Energy Efficiency and Conservation Plans*, Docket Nos. M-2009-2092222, M-2009-2112952, and M-2009-2112956 (Order entered October 28, 2009).

<sup>8</sup> See e.g., *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company for Consolidation of Proceedings and Approval of Energy Efficiency and Conservation Plans*, Docket Nos. M-2009-2092222, M-2009-2112952, and M-2009-2112956 (Order entered January 28, 2010); *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company for Consolidation of Proceedings and Approval of Energy Efficiency and Conservation Plans*, Docket Nos. M-2009-2092222, M-2009-2112952, and M-2009-2112956 (Order entered February 26 2010).

10. The Commission initially approved West Penn's Phase I EE&C Plan, with modifications, on October 23, 2009<sup>9</sup>, and further revisions were approved in various subsequent orders.<sup>10</sup>

11. Met-Ed, Penelec, and Penn Power submitted Amended Phase I EE&C Plans to the Commission. The Commission approved those Amended Plans.<sup>11</sup>

12. West Penn filed two Amended Phase I EE&C Plans with the Commission. The Commission approved both Amended Plans.<sup>12</sup>

13. Pursuant to Act 129, the Commission is also charged with the responsibility to evaluate the costs and benefits of the EE&C programs by November 30, 2013, and every five years thereafter.<sup>13</sup> The Commission must adopt, under Act 129, additional incremental reductions in consumption if the benefits of the EE&C program exceed its costs.<sup>14</sup>

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<sup>9</sup> *Petition of West Penn Power Company d/b/a Allegheny Power for Approval of its Energy Efficiency and Conservation Plan, Approval of Recovery of its Costs through a Reconcilable Adjustment Clause and Approval of Matters Relating to the Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093218 (Order entered October 23, 2009).

<sup>10</sup> See e.g., *Petition of West Penn Power Company d/b/a Allegheny Power for Approval of its Energy Efficiency and Conservation Plan, Approval of Recovery of its Costs through a Reconcilable Adjustment Clause and Approval of Matters Relating to the Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093218 (Order entered March 1, 2010); *Petition of West Penn Power Company d/b/a Allegheny Power for Approval of its Energy Efficiency and Conservation Plan, Approval of Recovery of its Costs through a Reconcilable Adjustment Clause and Approval of Matters Relating to the Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093218 (Order entered June 23, 2010).

<sup>11</sup> See e.g., *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company for Consolidation of Proceedings and Approval of Energy Efficiency and Conservation Plans (Joint Petition for Expedited Approval of Amendments to the Residential HVAC Program and Governmental & Institutional Components of the C&I Equipment Programs)*, Docket Nos. M-2009-2092222, M-2009-2112952, and M-2009-2112956 (Order entered March 18, 2012); *Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company Request For Proposal Process For Energy Efficiency And Demand Response Consulting Services*, Docket No. M-2009-2092222, M-2009-2112952, and M-2009-2112956 (Order entered January 12, 2012).

<sup>12</sup> See e.g., *Petition of West Penn Power Company d/b/a Allegheny Power for Approval of its Energy Efficiency and Conservation Plan, Approval of Recovery of its Costs through a Reconcilable Adjustment Clause and Approval of Matters Relating to the Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093218 (Order entered January 13, 2011); *Petition of West Penn Power Company d/b/a Allegheny Power for Approval of its Energy Efficiency and Conservation Plan, Approval of Recovery of its Costs through a Reconcilable Adjustment Clause and Approval of Matters Relating to the Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093218 (Order entered May 10, 2012).

<sup>13</sup> 66 Pa.C.S. § 2806.1(c)(3).

<sup>14</sup> *Id.*



14. Earlier this year the Commission began the process of evaluating the costs and benefits of the EE&C programs and establishing additional incremental reductions in consumption, provided the benefits exceeded the costs. In its 2012 Implementation Order, the Commission established Phase II of the EE&C program, requiring EDCs to adopt and implement cost effective plans to reduce energy consumption throughout the Commonwealth, consistent with its Order. The 2012 Implementation Order determined the required consumption reduction targets for each EDC, as well as guidelines for implementing Phase II of the EE&C Program.<sup>15</sup>

15. In the 2012 Implementation Order, the Commission gave EDCs until August 20, 2012, to accept the Commission's proposed consumption reduction benchmarks, or to file a petition for an evidentiary hearing; otherwise the energy efficiency benchmarks would be deemed accepted.<sup>16</sup>

16. On August 20, 2012, the Companies jointly filed a Petition for an Evidentiary Hearing as well as a Petition for Reconsideration. The Commission denied the Companies' Petition for Reconsideration.<sup>17</sup> However, the Companies' Joint Petition for Evidentiary Hearing is still awaiting a decision from the Commission.<sup>18</sup>

17. On September 26, 2009, the Commission issued a Secretarial Letter which was developed in accordance with the Commission's 2012 Implementation Order and provided an EE&C template to be used by each EDC in preparing and filing their respective Proposed Plans

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<sup>15</sup> In addition to adopting the 2012 Implementation Order, the Commission also adopted an order regarding the 2013 TRC test on August 30, 2012 at Docket No. M-2012-2300653. The Commission has also established a timeline to adopt Orders regarding the 2013 TRM and the conservation service providers ("CSP") registry. 2012 Implementation Order at 67 and 76.

<sup>16</sup> 2012 Implementation Order at 120.

<sup>17</sup> *Energy Efficiency and Conservation Program*, Docket No. M-2012-2289411 (Reconsideration Order entered September 27, 2012).

<sup>18</sup> Briefs have been submitted and the record of this proceeding was certified to the Commission by ALJ Barnes on November 2, 2012.

with the Commission.<sup>19</sup> The template provides a standardized format for an EDC to present and file all the information required by Act 129 and the Commission's 2012 Implementation Order relating to an EDC's Phase II EE&C plan.

18. This Joint Petition sets forth the Proposed Plans for each of the Companies and, as such, identifies and describes the Companies' programs to be implemented in order to attempt to achieve the additional consumption reduction targets adopted by the Commission's 2012 Implementation Order. A copy of Met-Ed's Phase II Energy Efficiency and Conservation Plan is attached to this Petition as Attachment A; Penelec's, as Attachment B; Penn Power's, as Attachment C; and West Penn's, as Attachment D. The plans also include tariff supplements that would establish the Phase II Energy Efficiency and Conservation Charge Rider ("Phase II EE&C-C Rider") that would be utilized to recover the costs associated with the Companies' Proposed Plans. Modifications to the currently approved EEC-C Riders are also being requested in this filing that would extend the collection period for six months through December 31, 2013.

19. In support of the Proposed Plans, attached and marked as indicated are the following three statements of Direct Testimony:

- **Met-Ed/Penelec/Penn Power/West Penn Statement No. 1, Direct Testimony of John C. Dargie** (Summary of the Companies and their Proposed Plans)
- **Met-Ed/Penelec/Penn Power/West Penn Statement No. 2, Direct Testimony of Edward C. Miller** (Describes and discusses the specific development of the Proposed Plans and programs in detail)

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<sup>19</sup> The Commission has also issued Secretarial Letters and Orders seeking input from interested parties on other issues including: updating the Technical Reference Manual for use in evaluating the Proposed Plans; on bill financing; and to review the SWE Demand Response Study results to fully assess the costs and benefits of the current peak demand reduction programs.

- **Met-Ed/Penelec/Penn Power/West Penn Statement No. 3, Direct Testimony of Kevin Siedt** (Summary of the Companies’ proposals to recover the costs associated with developing and implementing the Proposed Plans through new tariff riders for each of the Companies, as well as continuing the existing Phase I Energy Efficiency and Conservation Charge Rider (“Phase I EE&C-C Rider”) for Met-Ed, Penelec and Penn Power.

20. For the reasons that follow, the Companies respectfully request that the Commission approve their Proposed Plans, authorize Met-Ed, Penelec and Penn Power to extend their Phase I EEC-C Riders for six months and authorize the Companies to implement their Phase II EE&C-C Riders.

**II. LEGAL REQUIREMENTS**

**A. Additional Incremental Reductions in Consumption**

21. In its 2012 Implementation Order, the Commission required EDCs to file a Phase II EE&C plan that will operate from June 1, 2013, through May 31, 2016. At the end of the three-year program, EDCs are required to have met specific reduction targets. The reduction targets were to be based off of the EDC’s respective 2009/2010 load forecasts.<sup>20</sup> The percentage reduction targets, as well as their three-year cumulative MWh figures, as applicable to the Companies and as determined by the Commission, appear below:

<b>EDC</b>	<b>3 Year % of 2009/10 Forecast Reductions</b>	<b>3 Year MWh value of 2009/10 Forecast Reductions<sup>21</sup></b>
Met-Ed	2.3	337,753
Penelec	2.2	318,813
Penn Power	2.0	95,502
West Penn	1.6	337,533

<sup>20</sup> 2012 Implementation Order at 23.

<sup>21</sup> *Id.* at 24.

22. The Commission also required that each EDC’s Phase II EE&C plan achieve at least 25% of its overall reduction target in each program year.<sup>22</sup>

**B. Spending**

23. Act 129 allows EDCs to recover all prudent and reasonable costs relating to the provision or management of their Phase II EE&C plans, but limits such costs to an amount not to exceed two percent of the EDC’s total annual revenue as of December 31, 2006, excluding Low-Income Usage Reduction Programs established under 52 Pa. Code § 58.<sup>23</sup>

24. Total annual revenues are defined as “[a]mounts paid to the electric distribution company for generation, transmission, distribution and surcharges by retail customers.”<sup>24</sup> The Companies total annual revenues for calendar year 2006 were:

<b>EDC</b>	<b>Total Annual Revenues as of December 31, 2006</b>
Met-Ed	\$1,243,344,716
Penelec	\$1,148,737,096
Penn Power	\$332,989,436
West Penn	\$1,178,130,105

25. The Commission interprets the two percent limitation provision of the Act, to be an annual amount, rather than an amount for the full proposed three-year period of Phase II.<sup>25</sup>

26. The Companies’ expenditure level caps are listed below:

<b>EDC</b>	<b>2% of Annual Revenue Amount</b>	<b>Total Allowable Plan Costs from June 1, 2013 to May 31, 2016 (2% of Annual Revenue Amount)</b>
Met-Ed	\$24,866,894	\$74,600,683
Penelec	\$22,974,742	\$68,924,226
Penn Power	\$6,659,789	\$19,979,366
West Penn	\$23,562,602	\$70,687,806

<sup>22</sup> *Id.* at 28.

<sup>23</sup> 66 Pa. C.S. § 2806.1(g).

<sup>24</sup> 66 Pa.C.S. § 2806.1(m).

<sup>25</sup> 2012 Implementation Order at 103.

### **C. Other Legal Requirements**

27. In addition, consistent with the Act's requirements, the Companies' Proposed Plans must: (i) provide a Section 1307 cost recovery mechanism<sup>26</sup>; (ii) assign and allocate the costs associated with the EE&C measures to the same customer class that will receive the direct energy and conservation benefits from these measures<sup>27</sup>; (iii) bifurcate all Phase I EE&C costs from Phase II EE&C costs<sup>28</sup>; (iv) provide that a minimum of ten percent of all consumption reduction requirements will come from units of federal, state and local governments, including municipalities, school districts, institutions of higher education and non-profit entities<sup>29</sup>; (v) include specific energy efficiency measures for households at or below 150% of the federal poverty income guidelines, in proportion to that sector's share of the total energy usage in the EDC's service territory<sup>30</sup>; (vi) obtain a minimum of 4.5% of their total consumption reduction requirements from the low-income sector<sup>31</sup>; and (vii) contain at least one comprehensive measure for residential and small commercial rate classes.<sup>32</sup>

28. Although not required, EDCs are encouraged to give special emphasis and consideration to multifamily housing within the government/educational/nonprofit sector in their EE&C plans.<sup>33</sup>

## **III. PHASE II ENERGY EFFICIENCY AND CONSERVATION PLANS**

### **A. Overview of the Plans:**

29. FirstEnergy has coordinated EE&C development efforts across its four Pennsylvania operating companies' service territories in order to achieve cost efficiencies and

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<sup>26</sup> 66 Pa.C.S. § 2806.1(k) and 2012 Implementation Order at 118.

<sup>27</sup> 66 Pa.C.S. §2806.1(a)(11) and 2012 Implementation Order at 110.

<sup>28</sup> 2012 Implementation Order at 114-115.

<sup>29</sup> 66 Pa. C.S. §2806.1(b)(1)(i)(B) and 2012 Implementation Order at 45.

<sup>30</sup> 2012 Implementation Order at 54.

<sup>31</sup> *Id.*

<sup>32</sup> *Id.* at 88.

<sup>33</sup> 2012 Implementation Order at 51.

offer a consistent set of EE&C programs to the customers served by these four companies. The coordinated efforts of FirstEnergy have resulted in a comprehensive set of measures that have been grouped into programs that represent the Companies' best efforts to achieve the additional consumption reduction targets adopted by the Commission's 2012 Implementation Order, under the acquisition cost assumptions made by the Commission and within the mandated spending limitations.

30. In developing the Proposed Plans, the Companies relied on their experience in managing the existing suite of programs already approved by the Commission for Phase I. The Companies also: (i) identified potential measures through peer review and benchmarking of other utilities and affiliates; (ii) received input from stakeholders, consultants and vendors; (iii) reviewed the Commission's Tentative Order regarding the 2013 proposed technical resource manual ("TRM"), the Commission's Order regarding the 2013 total resource cost ("TRC") test, the 2012 TRM, and the Statewide Evaluator's ("SWE's) Market Potential Study; and (iv) performed the 2013 TRC Test. Based on these reviews, analyses and evaluation, the Companies established their Proposed Plans within the mandated spending limitations of Act 129.

31. The Proposed Plans were designed to achieve a balance of costs and end results, keeping in mind each Company's Implementation Order targets, while developing a portfolio that provides implementation flexibility.

32. The Companies' Proposed Plans are designed to:

- Assist each of the Companies in obtaining the required reductions in consumption prescribed by the Commission's 2012 Implementation Order;
- Assist each of the Companies in obtaining at least 25% of the consumption reduction targets each year of the Phase II Period;

- Obtain a minimum of 10% consumption reductions from units of federal, state and local government;
- Offer both residential and small commercial customers comprehensive programs/measures;
- Obtain a minimum of four-and-a-half percent (4.5%) of their consumption reduction requirements from the low-income sector through the combination of direct low-income customer participation in the Low-Income program and the proportion of low-income customer participation in the residential sector programs;
- Include specific energy efficiency measures for households at or below 150% of the federal poverty income guidelines (“FPIG”), in proportion to that sector’s share of the total energy usage in their respective service territories by including measures that are at least proportional to low-income sector energy usage in the program targeted directly to low-income customers;
- Offer a proportionate number of measures to low-income customers;
- Give special emphasis and consideration to multifamily housing; and
- Offer a well-reasoned and balanced set of measures that are tailored to usage and to the potential for savings and reductions for each customer class by offering each customer class at least one energy efficiency program.

33. The Companies’ Proposed Plans describe how the Companies will achieve the required reductions in consumption, within the cost limitations and assumptions prescribed by the Commission’s 2012 Implementation Order, and explain how quality assurance and performance will be measured, verified and evaluated.

34. The Proposed Plans include cost estimates to develop and implement programs and measures, and, pursuant to 66 Pa.C.S. §1307, a tariff rider cost recovery mechanism is proposed to ensure full and current recovery of the costs of the plans. A budget showing total planned expenditures by program and customer class is also included in each of the Companies' Proposed Plans.

35. The savings generated and evaluated through the Companies' Proposed Plans are based upon the requirements and guidance set forth in the *2012 PA Total Resource Cost (TRC) Test*, *2009 PA Total Resource Cost Test*, Docket Nos. M-2012-2300653 and M-2009-2108601 (Order entered August 30, 2012). The results of the TRC test, as applied to the Proposed Plans, are presented in Appendices D1 and D2 of the Companies' respective Plans and are expressed as both a net present value and a benefit-cost ratio. Each of the Plans pass the TRC test.

**B. Description of the Proposed Plans:**

36. The Companies have designed a suite of programs for all major customer segments. The programs offered by the Companies in Phase II are an expansion of the successful elements currently included in the Existing Plans, which were approved by the Commission. These programs (which are described in greater detail in each Company's Proposed Plan and summarized in Companies' Witness Miller's testimony) are as follows:

Residential programs:

- Appliance Turn-In Program
- Energy Efficient Products Program
- Home Performance Program
- Low Income Program

Small Commercial and Industrial programs:

- C&I Energy Efficient Equipment Program
- C&I Energy Efficient Buildings Program



Large Commercial and Industrial programs:

- C&I Energy Efficient Equipment Program
- C&I Energy Efficient Buildings Program

Government and Non-Profit Program:

- Governmental & Institutional Program

37. The specific program designs listed above cover each of the five market segments: (i) residential (including low income); (ii) small commercial and industrial; (iii) large commercial and industrial; (iv) street lighting; and (v) government (including federal, state, and local government or municipalities/school districts/institutions of higher learning and non-profit entities). The Proposed Plans leverage the existing programs and include a mix of expanded and new services that take maximum advantage of current opportunities, volume cost efficiencies and a variety of delivery channels that are anticipated to result in significant levels of customer participation. All of the program designs are presented in detail in Section 3 of the Companies' Proposed Plans attached hereto.

**C. Energy Efficiency and Conservation Charge Rider:**

38. The Companies are proposing to recover on a full and current basis from customers, through a reconcilable adjustment clause under 66 Pa. C.S. § 1307, all reasonable and prudent costs incurred in the development, provision and management of their Proposed Plans.<sup>34</sup>

39. The cost recovery mechanism proposed by each of the Companies will ensure that approved measures are financed by the customer class that receives the direct energy and conservation benefit of the measures.<sup>35</sup> Further, the Companies' plans include cost estimates for implementation of all measures.

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<sup>34</sup> 66 Pa.C.S. § 2806.1(k).

<sup>35</sup> 66 Pa.C.S. § 2806.1(b)(1)(i)(F).

40. The proposed cost-recovery tariff mechanism included in the Companies' Proposed Plans, and in accordance with 66 Pa.C.S. § 1307, will ensure full and current cost recovery of prudent and reasonable costs to fund all Phase II program measures, as well as administrative costs, and all other costs necessary for compliance with the Act, as approved by the Commission.<sup>36</sup>

41. The Companies will use a separate reconciliation mechanism to account for the recovery of all of the Phase I costs accumulated through May 31, 2013. The current Energy Efficiency and Conservation Rider in place is being modified herein to provide for the EE&C-C charge to continue to be billed to customers until all of the approved Phase I costs have been fully and timely recovered. Upon Commission approval of this Rider, the Companies request that it become effective on ten days notice.

42. The total costs of the Companies' Proposed Plans for the 36-month Phase II Period to be recovered will not exceed 2% of the Companies' total annual revenue as of December 31, 2006 on a comparable 36-month period. The Low-Income Usage Reduction Programs established under 52 Pa. Code § 58 will be excluded from this calculation,<sup>37</sup> along with all costs associated with the Statewide Evaluator ("SWE").<sup>38</sup>

43. A careful and more-detailed estimate of the costs relating to the Companies' Proposed Plans are set forth in each Company's plan attached hereto as Attachments A-D. The reasonable and prudent costs include expense items relating to all program elements, equipment and facilities, as well as all related administrative costs. The budgets in the Proposed Plans include costs for the on-going administration and operation of the plans, as well as the incremental costs incurred to design, create, and obtain Commission approval for these plans.

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<sup>36</sup> 66 Pa.C.S. § 2806.1(b)(1)(i)(H).

<sup>37</sup> 66 Pa. C.S. § 2806.1(g).

<sup>38</sup> 2012 Implementation Order at 71.

44. In this Joint Petition, as part of the Proposed Plans, the Companies are seeking approval to establish an Energy Efficiency and Conservation Charge Phase II Rider as a mechanism to recover the costs associated with developing and implementing the Proposed Plans. The proposed tariff riders are attached to each Company's plan in Section F.

45. Pursuant to the tariff rider, Phase II Energy Efficiency and Conservation Charge ("EE&C-C") rates are expressed as a price per kilowatt-hour ("kWh"), except for the industrial customer class that is expressed on an individual basis using the Customer's Peak Load Contribution kilowatt ("PLC kW") basis and will be billed on that basis throughout the Phase II Period. Some of the highlights of the rider include:

- The Phase II EE&C-C rates shall be calculated and stated separately for each customer class according to the provisions of the rider;
- The Phase II EE&C-C rates shall be effective June 1, 2013 and continue until cost recovery is complete;
- The Phase II EE&C-C rates shall change annually for purposes of reconciliation (each year will have a computational period from June 1 to May 31), unless revised on an interim basis subject to Commission approval;
- The Companies may request Commission approval of interim revisions to the Phase II EE&C-C rates to become effective thirty days from the date of filing, if it is determined that not changing the Phase II EE&C-C rate would result in material over- or under-collection of recoverable costs incurred or expected to be incurred for a particular rate class during the Phase II EE&C-C Computational Period;

- The Companies shall file an annual report of collections under the rider within thirty days following the conclusion of each Phase II EE&C-C reconciliation year (12-month period ending May 31 each year during the duration of the Proposed riders); and
- Application of the Phase II EE&C-C rates shall be subject to annual review and audit by the Commission.

46. Following Commission approval, the Companies request that the Commission authorize the Companies to implement the proposed tariff riders for each Company to become effective on June 1, 2013, and to incorporate the respective riders into the retail electric service tariffs of Met-Ed, Penelec, Penn Power, and West Penn.

47. Met-Ed, Penelec and Penn Power also request that the Commission authorize them to modify and to continue their EE&C-C Riders (which were approved with their Existing Plans) to allow for complete recovery of all Phase I costs, and to continue to maintain the respective existing EE&C-C Riders into the retail electric service tariffs of Met-Ed, Penelec, Penn Power, and West Penn.

48. Any revenue received from the Companies' successful bidding of energy efficiency resources into the PJM capacity market will be allocated to the customer class that provided the savings for the energy efficiency resources and will be used to offset that customer class' rider charge.

#### **D. Implementation**

49. The Companies are committed to designing and implementing robust processes, organizations and systems that endeavor to achieve the energy savings and demand reduction goals established in Act 129 and the Commission's 2012 Implementation Order. The Companies intend to use a two-fold approach to ensure the quality of their Phase II EE&C programs during implementation by:

- Developing processes to clearly detail the steps to meet Phase II EE&C goals while complying with applicable requirements; and,
- Devising and implementing control points at various stages of these processes to establish and maintain quality.

50. The Companies will leverage the existing program implementation processes that were developed for the Phase I programs to the extent possible to support timely program transition and implementation to Phase II. The Companies will use one or more Conservation Service Providers ("CSPs") to transition and implement the various programs identified in the Proposed Plans. These CSP(s) will be responsible for the transition and start-up of new programs and measures, which will include, at a minimum, the identification of appropriate staffing skills and levels and the hiring of the same, and the development of website(s), promotional strategies, and processes ensuring quality and other controls supporting successful program transition and implementation.

51. The Companies will not begin offering incentives and rebates to customers until Commission approval of their Proposed Plans and will ensure that the rebates apply to only those measures installed and commercially operable after May 31, 2013.

**E. Procedural Timeline:**

52. In accordance with Act 129 and the Commission’s November 1, 2012 Secretarial Letter, the Companies anticipate the following procedural timeline to address the Proposed Plans:

Met-Ed, Penelec, Penn Power, and West Penn file Energy Efficiency and Conservation Plans	On November 13, 2012
Plans published in <i>PA Bulletin</i> and on Commission website	20 days after filing of plans or December 1, 2012
Answers (Comments, Recommendations) of Interested Parties	20 days after published in <i>PA Bulletin</i> or December 21, 2012
Evidentiary Hearing conducted by Administrative Law Judge	65 days after filing of plan or January 21, 2013
Main Briefs due	10 days after the close of the evidentiary hearing
Reply Briefs/Voluntary Revisions to Plans (if applicable)	10 days after Main Briefs are filed
Commission Order approving EE&C Plans and cost recovery tariff filings	120 days after filing of plans or March 14, 2013 <sup>39</sup>
Implementation of Met-Ed, Penelec, Penn Power, and West Penn Energy Efficiency and Conservation Plans	June 1, 2013

**F. Public Interest:**

53. The Proposed Plans are: (i) in the public interest; (ii) in compliance with the requirements of Act 129; and (iii) in compliance with all of the Commission’s applicable Act 129 Orders, including the Commission’s 2012 Implementation Order, the TRC Order and the 2013 Proposed TRM. The Companies’ Proposed Plans provide a suite of programs that are targeted to every customer segment in the Companies’ respective service territories. The programs provide customers with multiple levels of information ranging from generic information about saving energy in general to customized information about services that will

<sup>39</sup> Although the Companies have filed their Proposed Plans before November 15, 2012, the Companies extend the Commission’s statutory deadline to act on their Proposed Plans to March 14, 2013.

help them make energy efficiency changes in their own homes and facilities. Moreover, these programs are a part of a comprehensive statewide initiative designed to help achieve energy consumption reductions required by Act 129 and the Commission's 2012 Implementation Order within the cost cap established by the Act.

## **II. CONCLUSION**

**WHEREFORE**, the Companies respectfully request that the Commission issue an order approving the attached Phase II Energy Efficiency and Conservation Plans of Met-Ed, Penelec, Penn Power, and West Penn, and authorizing Met-Ed, Penelec, Penn Power, and West Penn to implement the Phase II Energy Efficiency and Conservation Charge Rider by filing a tariff supplement, to be effective for service rendered on and after June 1, 2013. Also, the Companies respectfully request that the Commission issue an order approving the attached modified Energy Efficiency and Conservation Charge Rider currently in place in Met-Ed, Penelec, and Penn Power's Commission-approved respective tariffs.

Respectfully submitted,

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