COMMONWEALTH OF PENNSYLVANIA

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April 15, 2013

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

Re: Petition of PECO Energy Company for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan
Docket No. M-2012-2333992

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Comments in Support of PECO Energy Company's Petition Seeking Permission to Continue Operation of its Direct Load Control Program in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Sincerely,

Aron J. Beatty
Assistant Consumer Advocate
PA Attorney I.D. # 86625

Enclosures
cc: Hon. Dennis J. Buckley, ALJ
Certificate of Service
163002

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PECO Energy Company For Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan	: : :	Docket No. M-2012-2333992

COMMENTS OF THE OFFICE OF CONSUMER ADVOCATE

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Dated: April 15, 2013

I. INTRODUCTION

On March 15, 2013, PECO Energy Company (PECO or Company) filed a Petition seeking to amend its recently approved Act 129 Phase II Energy Efficiency and Conservation (EE&C) Plan. The Company has proposed to make certain modifications to its EE&C Plan in order to allow for the continuation of PECO's Mass Market Direct Load Control (DLC) program from June 1, 2013 through May 31, 2014. The Office of Consumer Advocate (OCA) supports PECO's request and urges the Commission to approve the Petition expeditiously.

The OCA has consistently supported the continuation of the Company's cost-effective residential DLC program. This is in large part due to the fact that once the EDC installs the DLC switch on the customer's premises and a communication system to control that switch, those infrastructure costs are sunk whether the switch is used or not. The demand savings, on the other hand, can be achieved only when the switch is activated as part of a program. To put it another way, demand response programs, once implemented, should be sustained so that the continuing savings made possible by the initial investment in the programs can be realized. These savings, the OCA submits, are significant. The Company noted in its Petition that:

> During the initial implementation of the DLC Program as part of the Company's Phase I Plan, PECO recruited over 86,000 customers and installed over 100,000 load control devices. The DLC Program delivered a significant contribution, i.e., as much as 99 MWs, towards PECO's demand response target in Phase I.

Petition at 9.

The OCA agrees with PECO that its DLC program "has been a successful and cost-effective component of the Company's Phase I Energy Efficiency and Conservation Plan" that ends on May 31, 2013. See, Petition at 2. PECO's DLC program has been shown to have significant benefits to its customers as it has a Total Resource Cost (TRC) ratio of 2.38. See, PECO St. 1-S at 3, Petition at 7. As the Company correctly notes, the OCA has supported the continuation of the DLC Program into the Phase II period. Id. As advocated in the Phase II proceeding, the OCA supports the Company's efforts to continue the DLC program during Phase II in a manner that does not require the Company to reduce its established energy efficiency targets. See, OCA St. 1 at 20-21.

The OCA recommended that the Company work with its stakeholders to determine how the DLC program can be implemented within the framework and budget of PECO's Phase II Plan. The OCA's witness in the Company's Phase II proceeding testified in support of the existing DLC program. OCA witness Christina Mudd testified:

> I agree with PECO that its DLC program demonstrates significant benefits to its customers as it has a TRC of 2.38. (PECO St. 1-S at 3). Given that the program has such significant customer benefits, I encourage PECO to work with the stakeholders to identify ways to continue this program within its current budget and consumption reduction targets.

OCA St. 1 at 20. OCA witness Mudd further identified areas in which costs could be reduced and applied toward the DLC program. OCA St. 1 at 10-20.

PECO and its stakeholders have now found a path to continue the DLC program, meet the Phase II energy efficiency targets, and stay within the budget amount. This approach will provide significant benefits and should be approved.

II. ANSWER

In their pending Petition for Modifications, the Company specifically requests that the Commission amend its February 28, 2013 Order approving its Phase II EE&C Plan, finding specifically that the proposed Mass Market DLC Program is both cost effective and meets the requirements of Act 129 within the 2.9% energy savings target established for the

Company. Petition at 2. In addition, the Company seeks a finding that the DLC program as proposed is an approved part of its Phase II EE&C Plan and therefore its costs are recoverable within the PECO EE&C Program Charge. Id.

The OCA supports the Company's Petition. Of critical importance, the Company's Petition seeks to build on the success of the initial DLC program while at the same time maintaining its commitment to meet its Commission-established 2.9% energy savings target within the allotted budget. The Company has proposed several key modifications that it submits will not significantly impact the energy efficiency goals of the Company while at the same time reducing costs sufficiently to allow its redesigned DLC program to continue.

As to the DLC program, the Company has proposed to modify the hours in which it dispatches its demand response resources in order to achieve more targeted benefits. Under the initial program, demand response resources were dispatched in an effort to meet the top 100 hours of system demand. Petition at 10. In its current proposal, PECO will dispatch demand response resources if the day-ahead peak load forecast is 95% or more of the forecasted 2013 system peak. Id. As proposed, the number of dispatchable hours will be reduced from the Phase I EE&C program, resulting in a lessened impact on consumers. The Company has also proposed an annual incentive of $80 to reflect this change.

The OCA supports these targeted modifications to the DLC program. The Company estimates that, with these changes, the program will cost approximately $10 million. Petition at 10. As the Company notes (Petition at 10, Footnote 9), the SWE has reviewed the "Top 100 Hours" utilized in Phase I and recognized that more targeted efforts may provide better results. The OCA submits that, given the cost effectiveness of the DLC program and it's TRC of

2.38, and the Company's efforts to target a more cost-effective subset of hours for use in the DLC program, that the DLC program as modified should be approved.

In addition to the reduction in dispatchable hours and a commensurate reduction in the customer DLC rebate, the Company has proposed to modify the rebate levels of a five programs. Petition at 11. The Company states in its Petition that it engaged in discussion with their Conservation Service Providers and Navigant to reach appropriate rebate levels that will not impact participation levels and will allow the Company to meet their energy savings goals. Petition at 8, 11. These limited modifications to rebate levels for certain measures will reduce the Phase II budget by approximately $10 million, allowing for the funding of the Phase II DLC program as modified. Id. This approach is consistent with the approach supported by the OCA in the Phase II proceeding. See, OCA St. 1 at 10-20.

The OCA submits that the proposed modifications are reasonable and should be approved. These modifications represent a reallocation – not a reduction – in funding of EE&C programs with known benefit and should be approved.

III. CONCLUSION

The OCA strongly supports the Company's efforts to maintain its DLC program through its Phase II EE&C plan. The Company has expended considerable resources and ratepayer funds to establish a valuable DLC infrastructure. The proposed modifications to the approved Phase II plan will ensure that the DLC infrastructure continues to provide benefits to those ratepayers who directly participate, as well as system benefits as a whole. The PECO plan is designed to ensure that its energy efficiency obligations are maintained, and should be approved.

Respectfully Submitted,

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CERTIFICATE OF SERVICE

Petition of PECO Energy Company	:	
For Approval of its Act 129 Phase II	:	Docket No. M-2012-2333992
Energy Efficiency and Conservation Plan	:	

I hereby certify that I have this day served a true copy of the foregoing, the Office of Consumer Advocate's Comments in Support of PECO Energy Company's Petition Seeking Permission to Continue Operation of Its Direct Load Control Program, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 15th day of April 2013.

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