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March 19, 2014

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: Petition of PECO Energy Company for Approval
Of its Act 129 Phase II Energy Efficiency and
Conservation Plan; Docket Nos. M-2012-2333992; P-2014-

Dear Secretary Chiavetta:

Enclosed for electronic filing is Comverge, Inc.'s Answer in Support of the Petition of PECO for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan, in the above-referenced matter. Copies have been served in accordance with the attached Certificate of Service.

Sincerely,



Sarah C. Stoner

SCS/jls

Enclosure

cc: Hon. Dennis J. Buckley w/enc.
Certificate of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing document has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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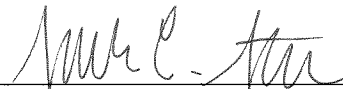
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Date: March 19, 2014



Sarah C. Stoner

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PECO ENERGY :
COMPANY FOR APPROVAL OF ITS : Docket No. M-2012-2333992
ACT 129 PHASE II ENERGY :
EFFICIENCY AND CONSERVATION : P-2014-
PLAN :

**ANSWER OF COMVERGE, INC. IN SUPPORT OF THE PETITION OF PECO
ENERGY COMPANY FOR APPROVAL OF ITS ACT 129 PHASE II
ENERGY EFFICIENCY AND CONSERVATION PLAN**

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Date: March 19, 2014

Attorneys for Comverge, Inc.

Comverge, Inc. (“Comverge”)¹ hereby files this Answer in support of PECO’s Petition to Amend its Act 129 Phase II Energy Efficiency and Conservation Plan (“Phase II Plan”) in order to include in its Phase II Plan the continuation of its Mass Market Direct Load Control (“DLC”) measures for residential and small commercial customers (collectively, “Mass Market DLC Program” or “DLC Program”) for the remainder of the Phase II Plan period (through May 31, 2016).

I. SUMMARY OF COMVERGE’S POSITION

In its Opinion and Order dated May 9, 2013, the Commission approved the addition of the PECO Mass Market DLC Program to the Company’s Phase II Plan, as well as PECO’s other proposed modifications (“the DLC Approval Order”).² The Commission found that the Mass Market DLC Program was cost-effective and that PECO could fund the Program with Act 129 Funds and still meet its 2.9% consumption reduction target for Phase II.³

To continue this success, PECO now proposes to improve its Phase II Plan and Comverge fully supports PECO's proposed amendments. In its proposed changes to the Phase II Plan, PECO provides a summary of comparisons of PECO’s proposed program budget, incentive costs, projected energy savings, projected peak demand reduction, net benefits and Total Resource Cost (“TRC”) cost/benefit ratio to current levels under PECO’s Phase II Plan approved by the Commission on May 9, 2013. Specifically, Comverge supports the improved

¹ Comverge is a leading provider of energy management products and services to various customers. Comverge is registered as a Conservation Service Provider (“CSP”) on the Commission’s Registry of CSPs. *See Petition of Comverge, Inc.*, Docket No. A-2009-2113604, Secretarial Letter dated Nov. 3, 2011. Comverge has been active in providing complex energy management programs, demand response (“DR” or “demand reduction”) measures and related services to electric distribution companies (“EDCs”) and to residential, small and large commercial, and industrial customers throughout Pennsylvania, including in PECO’s service territory.

² Opinion and Order, *Petition Of PECO Energy Company For Approval Of Its Phase II Energy Efficiency And Conservation Plan*, Docket No. M-2009-2093215 (Order entered May 9, 2013) (“DLC Approval Order”).

amendments to PECO’s Phase II Plan regarding the PECO Smart AC Saver - Residential Program and PECO Smart AC Saver – Commercial Program. A summary of the proposed modifications follow:

PECO Smart AC Saver (Residential)

Measure Level Change Highlights:

- Increased program budget for PY 2014 and PY 2015.
 - PECO estimates that the program delivery, equipment, and incentive level costs for PY 2014 and PY 2015 for the Smart AC Saver programs will increase (even though savings remain the same) given the need to enroll new customers to replace those who decide not to continue, as well as due to anticipated re-negotiated contracts with the CSP service providers in PY 2014 and PY 2015.
 - Benefit-cost analysis for the Smart AC Saver Residential and Commercial program are combined, thereby providing only a single TRC result for both programs.

PECO Smart AC Saver (Residential) Program Level Changes	March '13	February '14	% Difference
Total PY 2013 - PY 2015 Program Budget	\$9,358,804	\$28,651,944	206%
Total PY 2013 - PY 2015 MWh Savings	0	0	-
Total PY 2013 - PY 2015 Peak MW Reduction	78.0	78.0	-
TRC	3.0	2.5 ^[1]	148%

[1] Smart AC Saver is primarily a residential program with a small commercial component. Net Benefits and TRC represents benefits and costs from the combined, residential and commercial, program.

³ DLC Approval Order at 14, 16.

PECO Smart AC Saver (Commercial)

Measure Level Change Highlights:

- Allocation of additional budget so the program may continue through PY 2014 and PY 2015
 - PECO estimates that the program delivery, equipment, and incentive level costs for PY 2014 and PY2015 for the Smart AC Saver programs will increase (even though savings remain the same) given the need to enroll new customers to replace those who decide not to continue, as well as due to anticipated re-negotiated contracts with the CSP service providers in PY 2014 and PY 2015.
 - Benefit-cost analysis for the Smart AC Saver Residential and Commercial program are combined for the February'14 plan version, thereby providing only a single TRC result for both programs.

PECO Smart AC Saver (Commercial) Program Level Changes	March '13	February '14	% Difference
Total PY 2013 - PY 2015 Program Budget	\$531,221	\$1,620,329	205%
Total PY 2013 - PY 2015 MWh Savings	0	0	-
Total PY 2013 - PY 2015 Peak MW Reduction	2.6	2.6	-
TRC	1.0	2.5 ^[1]	148%

[1] Smart AC Saver is primarily a residential program with a small commercial component. Net Benefits and TRC represents benefits and costs from the combined, residential and commercial, program.

PECO has explained that as a result of these proposed amendments to adjust several Plan measures and to extend PECO’s Mass Market DLC Program through May 31, 2016, its Plan is projected to continue to achieve energy savings at 105% of the Commission’s required target at an increased TRC ratio of 1.54.⁴ PECO’s Mass Market DLC Program includes both the PECO Smart AC Saver-Residential Program (the primary component) and the PECO Smart AC Saver-Commercial Program. In the Amended Plan, PECO has combined the two Programs for the purpose of calculating the TRC given the common administration of the Program across these customer groups.

With these Phase II Plan amendments, PECO can fund cost-effective and valuable demand response (“DR”) programs under the Phase II budget while still enabling PECO to meet

⁴ PECO Petition at 2.

the 105% energy reduction target and will reduce overall spending by almost \$1 million. PECO has demonstrated that it will be able to operate the Mass Market DLC Program within the Company's Phase II plan spending cap.

Continuing the valuable DLC program is eminently reasonable because demand response programs provide numerous benefits including ensuring reliability and lowering costs for consumers as well as utilities. In fact, the proposed PECO DLC Program is prudent and cost-effective, captures significant benefits and avoids waste and stranding assets.

In the *PECO Phase II Order*⁵, the Commission found, *inter alia*, that PECO's Phase II Plan met the overall conservation requirements of the *Phase II Implementation Order*.⁶ The Commission also addressed the applicable requirements of Act 129, 66 Pa. C.S. § 2806.1,⁷ and determined that PECO's proposed Phase II Plan should be approved, subject to specific modifications. In the May 9, 2013 DLC Approval Order, the Commission stated that it reviewed the proposed changes to PECO's Phase II Plan and found that "they do not alter our determination that the Revised Phase II Plan complies with the *Phase II Implementation Order* and the applicable requirements of Act 129."⁸

In its *DLC Approval Order*, the Commission pointed out that the OCA, Comverge and PennFuture all support the approval of PECO's DLC Petition.⁹ In its Comments, the OCA stated

⁵ Final Order, *Petition of PECO Energy Company For Approval Of Its Phase II Energy Efficiency And Conservation Plan*, Docket No. M-2009-2093215 (Order entered February 28, 2013) ("PECO Phase II Order").

⁶ *Energy Efficiency and Conservation Program*, Docket Nos. M-2008-2069887 and M-2012-2289411 (Final Order entered August 3, 2012) ("Phase II Implementation Order").

⁷ In particular, the Commission found that the Phase II Plan met the Act 129 requirements for: (1) a variety of programs equitably distributed; (2) ten percent of energy reductions from government, institutional and non-profit customers; and (3) specific energy efficiency measures for low-income households.

⁸ DLC Approval Order at 15-16.

⁹ DLC Approval Order at 12.

that it has consistently supported the continuation of PECO's cost-effective DLC Program.¹⁰ The OCA explained that once an EDC installs a 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. Therefore, the OCA recommended that demand response programs, once implemented, should be sustained so that the continued savings made possible by the initial investment can be realized. The OCA stated that it agrees with PECO that its DLC Program "has been a successful and cost-effective component [of PECO's Phase I Plan]."¹¹ The OCA also supported the proposed modifications to the Phase II version of the DLC Program as well as PECO's proposal to modify the rebate levels for the five programs in order to allow for the funding of the Phase II DLC Program.¹²

PennFuture joined Comverge in pointing out that if the DLC Program is not continued, PECO may incur the extra costs to remove the load control equipment. PennFuture also agreed that not extending the DLC Program will create customer confusion, adverse customer reaction and overall dissatisfaction with the Act 129 Program.¹³ PennFuture also cited the benefits of DR programs to both DLC Program participants as well non-participating customers across PECO's service territory. Among the benefits presented by Comverge and PennFuture are improved system reliability, the ability to reduce energy and capacity market prices, and the ability to reduce investments in new generation and distribution facilities.¹⁴

¹⁰ Comments of the Office of Consumer Advocate, *Petition of PECO Energy Company's For Approval Of Its Act 129 Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2012-2333992 at 1 (filed April 15, 2013) ("OCA Comments").

¹¹ *Id.*

¹² *Id.* at 3-4.

¹³ Answer of Citizens for Pennsylvania's Future (PennFuture), *Petition of PECO Energy Company For Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2012-2333992 at 4 (filed April 10, 2013).

¹⁴ *Id.* at 3.

PECO's analysis has consistently shown that its DR programs can be adequately funded in Phase II without jeopardizing its ability to meet its energy savings target. PECO proposes to recover the costs of its Amended Plan through its Energy Efficiency & Conservation Program Charge ("EEPC") in the same manner approved by the Commission in the *Phase II Plan Order*.¹⁵

The arguments presented by OCA, Comverge and PennFuture last year still hold today. Accordingly, Comverge recommends that the Commission adopt PECO's proposals, which seek to: (1) amend the Phase II Plan to include the Mass Market DLC Program for residential and small business customers through the remainder of the Phase II (i.e., through May 31, 2016) as satisfying the requirements of 66 Pa. C.S. § 2806.1(b)(1) and the *Phase II Implementation Order*; and (2) find that the Mass Market DLC Program is an approved component of the Phase II Plan, and as such, its associated costs are recoverable under PECO's Phase II EEPC.

II. PROCEDURAL HISTORY

On February 28, 2013, the Commission approved the revised Phase II Plan, with certain modifications. The Phase II Plan Order invited PECO to "present evidence that it could fund cost-effective DR programs as part of a Phase II and still meet its 2.9% Phase II energy reduction target."¹⁶ On March 15, 2013, PECO filed a Petition to amend its Phase II Plan to continue its Mass Market DLC Program with certain proposed changes. On May 9, 2013, the Commission issued an Order approving the addition of the Mass Market DLC Program to PECO's Phase II Plan, as well as PECO's other proposed modifications (the "*DLC Approval Order*").

¹⁵ PECO Petition at 8.

¹⁶ Phase II Plan Order at 34.

III. ARGUMENT

Comverge recommends that the Commission adopt PECO's proposal to allocate Act 129 funds to continue and expand DR and DLC programs; such an allocation will provide stability in reliability planning, capture significant benefits, assist ratepayers and avoid waste and stranded assets.

A. PECO's Mass Market DLC Program and its Benefits

PECO's Petition to Amend its Phase II Plan to continue its Mass Market DLC Program through May 31, 2016, incorporated two direct load control programs into the Mass Market DLC Program portfolio: (1) the PECO Smart A/C Saver-Residential Program; and (2) the PECO Smart A/C Saver-Commercial Program.

Comverge submits that the Commission should continue DLC efforts and program elements without delay. The continued deployment and operations of DLC technologies is in the public interest since the DLC technologies and opportunities will make a significant contribution to attainment of PECO's energy savings goals under Act 129 by providing innovative ways to be energy efficient and conserve energy. Moreover, the load control devices have already been installed and paid for in Phase I. Not extending the DLC Program will create customer confusion, increased cost (for removal), adverse reaction and overall dissatisfaction with the Act 129 Program.¹⁷

There are many benefits of DR programs to participants as well as non-participants across PECO's service territory. The benefits include the following:

- Reduced energy and capacity market prices (with smart thermostats and direct load control units)
- Improved grid stability and reliability during periods of high demand

¹⁷ See Phase II Implementation Order at 42.

- Reduced costs as a result of delayed investments in generation
- Reduced costs as a result of delayed investment in transmission and distribution networks

B. There is Adequate Funding For The Mass Market DLC Program

PECO states in its Petition that, following further review, PECO believes that it can extend the Mass Market DLC Program while continuing to meet its savings target. Comverge agrees, and supports PECO's position to allocate sufficient Act 129 funds for the proposed Mass Market DLC Program to enhance the success of the Act 129 program.

In its Petition, PECO is proposing certain changes to the DLC Program. Specifically, PECO proposes to modify the PECO Smart AC Saver Residential and Commercial program so that they are combined for purposes of benefit-cost analysis. Thus, only a single TRC result would be provided for both programs. Comverge does not oppose these changes and agrees that PECO can adjust the measures in order to adequately implement the Mass Market DLC Program without affecting customer participation or savings.

C. The Mass Market DLC Program Is Cost-Effective

As demonstrated in PECO's Phase II Plan, the Mass Market DLC Program produces net benefits for both residential and commercial AC Saver programs. The combined residential and commercial AC Saver programs have a TRC of 2.2 for Program Year 2013, representing net benefits of \$38,805, 297.¹⁸ PECO's DLC Program has an estimated two-year cost of \$20.4 million, with a TRC of 2.5. As PECO states in its Petition, "the program delivery, equipment, and incentive level costs for PY 2014 and PY 2015 for the Smart AC Saver programs will increase (even though savings remain the same) given the need to enroll new customers to replace those who decide not to continue, as well as due to anticipated re-negotiated contracts

¹⁸ PECO Petition, Exhibit B at 73, 175.

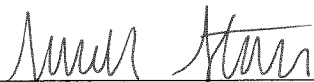
with the CSP service providers in PY 2014 and PY 2015.”¹⁹ Thus, these programs will remain cost effective through the study period.

Comverge encourages the Commission to grant PECO’s Petition to Amend its Phase II Plan to continue its Mass Market Direct Load Control Program through May 2016. PECO’s proposed changes to its Phase II Plan clearly detail that it can continue the DLC Program while meeting its 105% savings target by making minor adjustments to incentive levels and adding measures omitted from the initial Phase II Plan. PECO and its customers would be wasting assets and savings efforts if this Program were not continued and expanded in Phase II.

IV. CONCLUSION

Comverge respectfully requests that the Commission grant PECO’s Petition to Amend its Phase II Plan as proposed.

Respectfully submitted,



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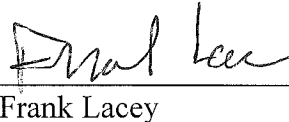
Attorneys for Comverge, Inc.

¹⁹ PECO Petition, Exhibit A.

VERIFICATION

I, Frank Lacey, hereby declare that I am the Vice President, Regulatory and Market Strategy for Comverge, Inc., and hereby verify that I am authorized to make this Verification and state that the facts above set forth are true and correct to the best of my knowledge, information and belief, and further, that I expect Comverge, Inc. to be able to prove the same in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to falsification to authorities.

Date: March 19, 2014



Frank Lacey
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