

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Pennsylvania Public Utility Commission

v.

PECO Energy Company – Electric Division

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R-2015-2468981

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JUN 20 2015

PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

**PREHEARING MEMORANDUM OF
ENVIRONMENTAL DEFENSE FUND**

Now comes Environmental Defense Fund (EDF or Petitioner), by counsel, John Finnigan, Michael Panfil, and Heather Langeland, and hereby submits this Prehearing Memorandum in the above captioned matter.

I. HISTORY OF THE PROCEEDING

A Prehearing Conference Order (Prehearing Order) for the instant proceeding was previously issued in this case. EDF submits this Prehearing Conference Memorandum in compliance with the Prehearing Order.

II. ANTICIPATED ISSUES AND SUB-ISSUES

The Petitioner, on behalf of its members and the public interest, has an interest in several issues, as described more fully below.

Distribution Grid Planning

The utility seeks recovery for distribution system investments. The utility has summarized the amount and type of investments, and the corresponding rate increase it seeks. However, the utility has not submitted very little information regarding the prudence of these investments. The utility is entitled to recover the costs for these investments only if the

investments were prudent and the Commission determines that it is just and reasonable that the utility should recover these costs. The Petitioner will investigate the prudence of these investments through discovery.

In many cases, a utility must decide whether to increase the capacity of a distribution facility such as a circuit or substation. Rather than simply upgrading the facility's capacity, Petitioner submits that the utility should analyze whether it would be more cost-effective to implement distributed energy resources (such as energy efficiency, demand response, renewable energy or storage) in lieu of the capacity upgrade. Petitioner will investigate whether the utility performed such analysis prior to investing in capacity upgrades. Petitioner will also investigate how the utility values distributed energy resources, because a proper cost/benefit analysis requires that the utility consider the full costs and benefits associated with implementing these resources.

Volt/VAR Optimization

Petitioner submits that Volt/VAR Optimization is a cost-effective technology which not only improves reliability and resiliency but also lowers energy usage and peak demand. This process can be implemented using different types of technology which, in turn, has different levels of effectiveness. Petitioner submits that the utility should have a plan for implementing Volt/VAR Optimization to the full extent it is cost-effective to do so. Prudent operation of the distribution grid demands no less.

To this end, Petitioner will investigate the manner in which the utility implements Volt/VAR Optimization and the technology used by the utility; the circuits where the process has been implemented; the amount of energy savings and peak demand reductions experienced from Volt/VAR Optimization; the utility's plan for implementing this technology on additional

circuits; and the cost/benefit analysis which the utility uses to decide whether to implement this technology.

Dynamic Pricing

Petitioner will also investigate the utility's plan for implementing dynamic pricing options in retail rates. Petitioner submits that it is important for the utility and competitive suppliers to provide dynamic pricing offerings for customers because this enables customers to reduce their energy usage and save money. One of the key reasons for installing smart meters is to enable customers to use dynamic pricing. If dynamic pricing rates are not available, then customers will be paying for the smart meters but losing an opportunity to receive one of the significant benefits which smart meters provide. Petitioner submits that the utility's prudence obligation includes a requirement to offer dynamic pricing options for all customers. Petitioner will also investigate the reasonableness of the utility's dynamic pricing rate designs and how the utility educates customers about these rate options.

Environmental and Performance Metrics

Metrics play an important role in the utility's management of the distribution grid. This requires the utility to thoughtfully identify the objectives it seeks to attain regarding such areas as reliability, resiliency, environmental performance, customer satisfaction and customer service. The utility should be required to establish a set of metrics and to report the metrics on a regular basis. Such reporting enables the Commission and other stakeholders to monitor how well the utility is performing its obligation to prudently operate the distribution grid. Metrics are an essential element of a utility's prudence obligation and it would not be just and reasonable for the utility to recover its distribution investments unless the utility implements metrics which enable others to monitor how well the utility is performing its duties to render safe, adequate,

reliable and clean energy service at a reasonable cost. Moreover, metrics may enable the utility to record different steps it is taking to implement clean energy policies (such as Volt/VAR Optimization) which will reduce its energy usage and peak demand, and which may be used for the state to comply with the requirements of the U.S. EPA's Clean Power Plan. Petitioner will investigate what metrics the utility uses for its internal reporting; what metrics the utility (and/or its affiliates) have used in reporting to the U.S. Department of Energy regarding the implementation of federal stimulus funding to support smart grid deployments; and what metrics the utility should adopt for reporting to the Commission and stakeholders on a going-forward basis.

Access to Energy Usage Data

The utility has a prudence obligation to maximize the customer benefits from its smart grid deployment. As discussed above, this includes an obligation to make dynamic pricing options available to customers. As a corollary, the utility must provide customers and third parties with access to customer energy usage data. This will enable customers to monitor their energy usage and will also enable competitive energy suppliers to provide dynamic pricing options for customers. Petitioner will investigate the protocols used by the utility to provide data access and will make recommendations for certain best practices for the utility to follow in this area.

Performance Incentives

Petitioner submits that the Commission should adopt performance incentives to encourage the utility to reach certain objectives which the Commission deems important. These performance objectives would reward the utility for achieving superior performance in managing the distribution system. The performance incentives go hand-in-hand with the environmental

and performance metrics discussed earlier. The metrics measure the utility's performance and the performance incentives motivate the utility to meet and exceed the objectives identified in the metrics. Petitioner proposes to use this case to investigate possible performance incentives for the utility and to open a dialogue among the utility, Commission and other stakeholders regarding the use of performance incentives on a going-forward basis.

EDF reserves the right to raise additional issues as they may come to light through the discovery and review process.

III. PROPOSED WITNESSES

Dick Munson – environmental and performance metrics; access to energy usage data

Ronny Sandoval – distribution grid planning; Volt/VAR optimization;

All of these witnesses are EDF employees. EDF's headquarters office is located at 257 Park Avenue South, 17th Floor, New York, New York, 10010. EDF also intends to participate in *this proceeding through the submission of discovery, the cross-examination of other parties' witnesses, participation in settlement negotiations as they occur, and the submission of briefs, exceptions and reply exceptions, as necessary.*

IV. PROPOSED SCHEDULE AND DISCOVERY RULES

EDF will follow the procedural schedule submitted by the Company with the ALJ's additions as proposed in the Prehearing Order.


V. SERVICE OF DOCUMENTS

EDF requests that all parties serve copies of discovery requests and responses to discovery requests electronically on counsel listed below.

VI. POSSIBILITY OF SETTLEMENT

EDF is willing to participate in discussions with the other parties to amicably resolve the issues in this proceeding.


Respectfully submitted,


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Counsel for Environmental Defense Fund

Date: June 22, 2015

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the foregoing document upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), via email and first class mail, upon the persons listed below:

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Heather M. Langeland / by J.F.
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Date: June 22, 2015

