



100 Pine Street • PO Box 1166 • Harrisburg, PA 17108-1166
Tel: 717.232.8000 • Fax: 717.237.5300

Adeolu A. Bakare
Direct Dial: 717.237.5290
Direct Fax: 717.260.1744
abakare@mcneeslaw.com

June 21, 2016

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

VIA ELECTRONIC FILING

RE: Petition of PECO Energy Company for: (1) Approval of its Microgrid Integrated Technology Pilot Plan and (2) Issuance of a Declaratory Order Regarding the Recovery of Microgrid Costs; Docket No. P-2016-2546452

Application for Construction of Microgrid Distributed Energy Resources Fueled by Natural Gas; Docket No. A-2016-2546450

Dear Secretary Chiavetta:

Attached for filing with the Pennsylvania Public Utility Commission is the Prehearing Memorandum of the Philadelphia Area Industrial Energy Users Group ("PAIEUG"), in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with a copy of this document. Thank you.

Sincerely,

McNEES WALLACE & NURICK LLC

By

A handwritten signature in black ink, appearing to read 'Adeolu A. Bakare', written over a horizontal line.

Adeolu A. Bakare

Counsel to the Philadelphia Area Industrial Energy Users Group

Enclosures

c: Administrative Law Judge Eranda Vero (via E-Mail and First-Class Mail)
Administrative Law Judge Cynthia W. Fordham (via E-Mail and First-Class Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of Section 1.54 (relating to service by a participant).

VIA E-MAIL AND FIRST CLASS MAIL

Romulo L. Diaz Jr, Esq.
Michael S. Swerling, Esq.
Exelon Business Services Company
2301 Market Street
Philadelphia, PA 19103
romulo.diaz@exeloncorp.com
jack.garfinkle@exeloncorp.com
michael.swerling@exeloncorp.com

Thomas P. Gadsden, Esq.
Kenneth M. Kulak, Esq.
Brooke E. McGlinn, Esq.
Morgan Lewis and Bockius LLP
1701 Market Street
Philadelphia, PA 19103
thomas.gadsden@morganlewis.com
ken.kulak@morganlewis.com
brooke.mcglinn@morganlewis.com

Tanya J. McCloskey, Esq.
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101
tmccloskey@paoca.org

Elizabeth R. Triscari, Esq.
Office of Small Business Advocate
Commerce Building, Suite 202
300 North Second Street
Harrisburg, PA 17101
etriscari@pa.gov

Phillip C Kirchner, Esq.
Bureau of Investigation and Enforcement
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
P.O. Box 3265
Harrisburg, PA 17105-3265
phikirchne@pa.gov

J. Barry Davis, Esq.
City of Philadelphia Law Department
One Parkway Building
1515 Arch Street, 16th Floor
Philadelphia, PA 19102-1595
j.barry.davis@phila.gov

Todd S. Stewart, Esquire
Hawke McKeon & Sniscak, LLP
100 North Tenth Street
Harrisburg, PA 17101
tsstewart@hmslegal.com

Robert W. Ballenger, Esq.
Community Legal Services, Inc.
1424 Chestnut Street
Philadelphia, PA 19102
rballenger@clsphila.org

George Jugovic, Jr., Esq
Citizens for Pennsylvania's Future
200 First Avenue, Suite 200
Pittsburgh, PA 15222
jugovic@pennfuture.org

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Donald R. Wagner, Esq.
Linda R. Evers, Esq.
Michael A. Gruin, Esq.
Stevens & Lee
111 N. Sixth Street
Reading, PA 19601
drw@stevenslee.com
lre@stevenslee.com
mag@stevenslee.com

Gary A. Jeffries, Esq.
Senior Counsel
Dominion Retail, Inc.
501 Martindale Street, Suite 400
Pittsburgh, PA 15212
gary.a.jeffries@dom.com

Charles T. Joyce, Esq.
Spear Wilderman, P.C.
230 South Broad Street, Suite 1400
Philadelphia, PA 19102
ctjoyce@spearwilderman.com

Joseph Otis Minott, Esq.
Logan Welde, Esq.
Benjamin Z. Hartung, Esq.
Clean Air Council
135 S. 19th Street, Suite 300
Philadelphia, PA 19103
joe_minott@cleanair.org
lwelde@cleanair.org
bhartung@cleanair.org
email only

Arthur Z. Schwartz, Esq.
Advocates for Justice and Reform Now, PC
c/o Schwartz, Lichten & Bright
225 Broadway, Suite 1902
New York, NY 10007
districtleader@msn.com

Elizabeth R. Marx, Esquire
Patrick M. Cicero, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17102
emarxpulp@palegalaid.net
pulp@palegalaid.net

Jacob J. Schlesinger, Esq.
Keyes, Fox & Wiedman LLP
1400 16th Street
16 Market Square, Suite 400
Denver, CO 80202
jschlesinger@kfwlaw.com

Mark C. Szybist, Esq.
Natural Resources Defense Council
1152 15th Street, NW, Suite 300
Washington, DC 20005
mszybist@nrdc.org

David R. Wooley, Esq.
Keyes, Fox & Wiedman LLP
436 14th Street, Suite 1305
Oakland, CA 94612
dwooley@kfwlaw.com

Daniel Clearfield, Esq.
Deanne M. O'Dell, Esq.
Sarah C. Stoner, Esq.
Eckert Seamans
213 Market Street, 8th Floor
Harrisburg, PA 17101
dclearfield@eckertseamans.com
dodell@eckertseamans.com
sstoner@eckertseamans.com

John Finnigan, Esq.
Environmental Defense Fund
128 Winding Brook Lane
Terrace Park, OH 45174
jfinnigan@edf.org

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Leonard E. Lucas, III, Esq.
Senior Assistant General Counsel
General Service Administration
801 Broadway, Suite 113
Nashville, TN 37203
leonard.lucas@gsa.gov

Michael Panfil, Esq.
Environmental Defense Fund
1875 Connecticut Avenue, N.W.
Washington, DC 20009
mpanfil@edf.org

Kathleen Barksdale, Esq.
Julie Holvik, Esq.
Assistant Regional Counsel
General Services Administration
The Strawbridge Building, Suite 9088
20 North Eighth Street
Philadelphia, PA 19107
kathleen.barksdale@gsa.gov



Adeolu A. Bakare

Counsel to the Philadelphia Area Industrial
Energy Users Group

Dated this 21st day of June, 2016, in Harrisburg, Pennsylvania.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PECO Energy Company for:	:	
(1) Approval of its Microgrid Integrated Technology	:	P-2016-2546452
Pilot Plan and (2) Issuance of a Declaratory Order	:	
Regarding the Recovery of Microgrid Costs	:	
Application for Construction of	:	
Microgrid Distributed Energy Resources	:	A-2016-2546450
Fueled by Natural Gas	:	

**PREHEARING MEMORANDUM OF THE
PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP**

As requested by Administrative Law Judges ("ALJs") Cynthia W. Fordham and Eranda Vero in the Prehearing Conference Order dated June 10, 2016, the Philadelphia Area Industrial Energy Users Group ("PAIEUG") hereby submits this Prehearing Memorandum.

I. HISTORY OF THE PROCEEDING

On May 18, 2016, PECO filed for Commission approval of a Petition for: (1) Approval of its Microgrid Technology Pilot Plan; (2) Issuance of a Declaratory Order Regarding the Recovery of Microgrid Costs ("Petition"), as well as an Application for Construction of Microgrid Distributed Energy Resources Fueled by Natural Gas ("Application"). Petition and Application, p. 1.

On June 4, 2016, Notice of the Petition and Application was published in the *Pennsylvania Bulletin*. The Notice established a deadline of June 20, 2016, for formal protests and petitions to intervene. Additionally, on June 10, 2016, the ALJs issued the aforementioned Prehearing Conference Order, scheduling a telephonic prehearing conference for June 22, 2016.

Consistent with the *Pennsylvania Bulletin* Notice, PAIEUG filed a Petition to Intervene and Protest in this proceeding on June 20, 2016. A description of PAIEUG is set forth in Paragraph 1 of PAIEUG's Petition to Intervene. PAIEUG's Petition to Intervene is outstanding and awaits disposition by the ALJs.

II. ANTICIPATED ISSUES AND SUB-ISSUES

PAIEUG is concerned with issues regarding the terms and conditions of its members' electricity service and, therefore, intends to address the below issues related to PECO's Petition and Application.

PAIEUG has concerns with the costs to be recovered from customers to support PECO's Microgrid Pilot Plan. As set forth in the Petition and Application, PECO intends to construct a microgrid system entirely within Concord Township, but recover the associated costs from all customers, including the Large Commercial and Industrial ("C&I") customers comprising PAIEUG's membership. PECO projects to spend approximately \$15.3 million for necessary system upgrades to support the microgrid, which the Company proposes to recover through its Distribution System Improvement Charge ("DSIC"). *See* Petition and Application, p. 15. PECO also projects to spend approximately \$19.6 million to construct and install the DERs, which the Company anticipates recovering through a future base distribution rate case. *See id.* at 16. In total, the proposed Microgrid Pilot Plan will add approximately \$35 million of costs to PECO's distribution rates and riders. PAIEUG is concerned with the impact of these additional costs upon its members. *See id.* at 16.

PAIEUG is also concerned that PECO's proposal to recover the Microgrid Pilot Plan costs through its distribution rates may be prohibited by the Electricity Generation Customer Choice and Competition Act. In particular, PECO's cost recovery proposal appears to be

inconsistent with Section 2804(3) of the Public Utility Code, which requires Electric Distribution Companies to unbundle generation costs from distribution rates. 66 Pa. C.S. § 2804(3).

Additionally, PAIEUG is initially opposed to PECO's proposal to allocate costs of the Microgrid Pilot Plan to all customers. Following an initial review, the benefits to all customers remain unclear and potentially inconsistent with cost-of-service ratemaking principles.

PAIEUG anticipates pursuing these issues during this proceeding and reserves the right to raise further issues as necessary and appropriate during the course of this proceeding and to respond to all matters raised by other parties.

III. PROPOSED WITNESSES

PAIEUG is in the process of evaluating whether it will sponsor testimony in this proceeding. In the event that PAIEUG decides to sponsor testimony, it will immediately inform the parties and the ALJs of any intended witnesses and topics of testimony. In addition to potentially submitting testimony, PAIEUG intends to participate in this proceeding through the submission of discovery, cross-examination of other parties' witnesses, and the submission of briefs, exceptions and reply exceptions, if necessary.

IV. PROPOSED SCHEDULE AND DISCOVERY RULES


PAIEUG will cooperate with the ALJs and the parties at the Prehearing Conference to develop an appropriate procedural schedule and discovery rules in accordance with the Commission's regulations and any directives issued by the ALJs.

V. SETTLEMENT

As noted above, PAIEUG is willing to participate in discussions with the other parties to amicably resolve the issues in this proceeding.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

Charis Mincavage (I.D. No. 82039)
Adeolu A. Bakare (I.D. No. 208541)
Alessandra L. Hylander (I.D. No. 320967)
McNEES WALLACE & NURICK LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Phone: (717) 232-8000
Fax: (717) 237-5300
cmincavage@mcneeslaw.com
abakare@mcneeslaw.com
ahylander@mcneeslaw.com

Counsel to the Philadelphia Area Industrial
Energy Users Group

Dated: June 21, 2016