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November 21, 2012

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 Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan; Docket No. M-2012-2333992

Dear Secretary Chiavetta:

Please find enclosed for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") the Petition to Intervene and Answer 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 duly 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

/lmc

Enclosures

c: Chief Administrative Law Judge Charles E. Rainey, Jr. (via e-mail and First Class Mail)
Certificate of Service

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served 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.)

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PETITION OF PECO ENERGY :
COMPANY FOR APPROVAL OF ITS :
ACT 129 PHASE II ENERGY : DOCKET NO. M-2012-2333992
EFFICIENCY AND CONSERVATION :
PLAN :

**PETITION TO INTERVENE AND ANSWER
OF THE PHILADELPHIA AREA INDUSTRIAL
ENERGY USERS GROUP**

TO THE HONORABLE, THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

Pursuant to Sections 5.71 through 5.74 of the Pennsylvania Public Utility Commission's ("PUC" or "Commission") Regulations, 52 Pa. Code §§ 5.71 - 5.74, the Philadelphia Area Industrial Energy Users Group ("PAIEUG") hereby files this Petition to Intervene in the above-captioned proceeding. In addition, pursuant to Section 5.61(a) of the Commission's Regulations, 52 Pa. Code § 5.61(a), PAIEUG hereby files this Answer in response to the above-captioned filing of PECO Energy Company ("PECO" or "Company").

On November 1, 2012, PECO petitioned the Commission for approval of the Company's Phase II Energy Efficiency & Conservation ("EE&C") Plan ("Phase II Plan"). PECO's Petition for Approval of its Phase II Plan ("Petition") outlines PECO's proposal to address the requirements of Act 129 and the PUC's Phase II Implementation Order entered August 3, 2012, at Docket Nos. M-2008-2069887 and M-2012-2289411 ("Implementation Order") through energy efficiency programs designed to achieve an overall 2.9% consumption reduction for

residential, government, institutional, non-profit, commercial, and industrial customers.¹ *See* Petition, p. 2. The Phase II Plan follows PECO's currently effective Phase I EE&C Plan, which was approved by the Commission on October 28, 2009, and will expire on May 31, 2013.

The proposed Phase II Plan portfolio includes thirteen energy efficiency programs,² of which five programs target PECO's largest industrial customers: the Commercial & Industrial ("C&I") Smart Equipment Incentives Program; the Smart Multi-Family Solutions Program; the Smart Construction Incentives Program; the Government, Institutional, and Non-Profit ("GIN-P") Smart Equipment Incentives Program; and the Smart On-Site Program. *See id.* at 9-10.

As with the Phase I EE&C Plan, PECO proposes to recover all costs through a fully reconcilable, non-bypassable charge under Section 1307 of the Public Utility Code. *See id.* at 12. The total proposed charges for the large commercial and industrial ("Large C&I") customer class are \$75,244,077, or approximately 29.3% of total costs for PECO's Phase II Plan. *See* Petition, Exhibit RAS-3.

For the proposed non-bypassable charge, or Phase II EE&C Program Charge ("EEPC"), PECO intends to establish separate recovery charges for each customer class in proportion to the cost of the programs targeting that class and the appropriate allocation of multi-class programs. *Id.* at 12. Additionally, PECO proposes to track Phase I EEPC costs separately from Phase II EEPC costs. *Id.* at 13. PECO also proposes to apply Phase II Plan funding incentives for

¹ In addition to the above-referenced Petition, PECO has also filed a Petition for Evidentiary Hearing requesting modification of the 2.9% consumption reduction target established for its Phase II EE&C Plan. *See Petition of PECO Energy for an Evidentiary Hearing on the Energy Efficiency Benchmarks Established for the Period June 1, 2013 through May 31, 2016*, Docket No. P-2012-2320334 ("Benchmark Proceeding"). PAIEUG also intervened in the proceeding and hereby reserves the right to address any modifications to PECO's proposed Phase II EE&C Plan resulting from the Commission's disposition of the Benchmark Proceeding.

² Consistent with the Implementation Order, PECO's Petition does not propose to implement any demand response programs during Phase II.

customers completing delayed or waitlisted projects from the Phase I EE&C Plan. *Id.* at 13. As a result, PECO's Phase II Plan costs and program measures may impact the rates and services of PECO's largest customers. It is therefore imperative that PECO implement its Phase II EE&C Plan in a just and reasonable manner, consistent with Act 129, the Implementation Order, and all applicable statutes and regulations.

In support of its Petition to Intervene and Answer, PAIEUG asserts the following:

I. PETITION TO INTERVENE

1. PAIEUG is an *ad hoc* group of energy-intensive customers receiving electric service from PECO under Rates HT and PD. PAIEUG members consume substantial amounts of electricity in their manufacturing and operational processes, and these electric costs are a significant element of their respective costs of operation. Any modification to PECO's electric rates may impact PAIEUG members' cost of operations.

2. The names and address of PAIEUG's attorneys are:

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3. For purposes of this proceeding, PAIEUG includes the members listed in Appendix A hereto. As necessary, PAIEUG will update Appendix A during the course of this proceeding, as needed, to reflect any changes in its membership.

4. PAIEUG members are concerned with issues regarding the terms and conditions of their electricity service and, as a result, have been actively involved in numerous PECO proceedings, including fully participating in the adjudication of PECO's Phase I EE&C Plan and

regularly attending PECO's EE&C Plan stakeholder meetings. The Commission's final disposition of PECO's Phase II Plan may also directly affect the rates that the Company imposes on PAIEUG members for service.

5. PAIEUG members thus have an interest in this proceeding that is not represented by any other party of record; consequently, PAIEUG satisfies the standards for intervention under Section 5.72 of the Commission's Regulations, 52 Pa. Code § 5.72.

II. ANSWER

6. Certain aspects of PECO's Phase II Plan may require monitoring and further investigation. The cost of PECO's Phase II Plan and potential rate impact upon PECO's Large C&I customers concerns PAIEUG members. Additionally, the Large C&I program measures, and related costs thereto, may substantially affect PAIEUG members. PECO's request to apply Phase II Plan funding for delayed or waitlisted program-eligible measures may further impact PAIEUG members. Finally, PECO's EEPC must be examined to confirm that PECO appropriately segregates Phase I and Phase II EE&C Plan costs.

7. PECO expects to spend 100% of its spending cap for the Phase II Plan, representing total expenditures of \$256.4 million over the three-year Phase II Plan period. PECO Stmt. No. 2, p. 16. As proposed, PECO's Phase II Plan would allocate approximately \$75 million (29.3%) of total budgeted expenses to Large C&I customers, resulting in a projected EEPC of \$0.78938/kW. *See* Petition, Exhibit RAS-3. PAIEUG intends to further analyze PECO's proposal and participate in any adjudication to ensure that the proposed Phase II Plan does not impose undue rate increases upon industrial customers.

8. Further, PAIEUG members may be substantially affected by proposed programs directed towards Large C&I customers. As some of the Company's largest customers, PAIEUG members are in a unique position to comment to the Commission on the impact that the Phase II

Plan may have on PECO's Large C&I rates and services, particularly as this relates to new programs such as the proposed Smart On-Site Program or the Smart Multi-Family Solutions Program. *See* Petition, p. 10; PECO Stmt. No. 2, p. 12. PAIEUG will also monitor PECO's continuation of the C&I Smart Equipment Incentive Program and Smart Construction Incentives Program. *See* Petition, pp. 9-10. Each of the EE&C program measures applicable to industrial customers should be examined for cost-effectiveness.

9. Additionally, PECO's proposal to apply Phase II Plan funds to delayed or waitlisted program-eligible measures may impact PAIEUG members. Petition, p. 13. PECO's proposal to authorize Phase II Plan incentive expenditures for program-eligible measures completed during the Phase I EE&C Plan period must be further analyzed to determine that costs of incentive payments associated with delayed or waitlisted measures are appropriately assigned and recovered.

10. PECO's proposed EEPC also warrants further investigation. While PECO proposes to retain the same general cost recovery methods utilized throughout the Phase I EE&C Plan, customers will experience billing modifications under the proposed Phase II Plan. Petition, p. 11. Pursuant to the Implementation Order, PECO's proposed EEPC will clearly identify and separately track Phase I and Phase II costs and revenues. Petition, p. 3. For the initial seven months of the Phase II EE&C Plan, however, PECO intends to "net" the Phase I overcollections or undercollections with the Phase II EEPC charges. PECO Stmt. No. 3, p. 11. This process must be closely examined to ensure that the netting process complies with the Implementation Order.

11. In addition to the issues identified above, PAIEUG reserves the right to raise and address additional issues of concern during the course of the proceeding based on further review of the Petition, issues identified via discovery, and issues raised by other parties.

III. CONCLUSION

WHEREFORE, the Philadelphia Area Industrial Energy Users Group respectfully requests that the Pennsylvania Public Utility Commission grant this Petition to Intervene, provide PAIEUG with full-party status in this proceeding, and allow such other relief as it deems necessary.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By 

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Counsel to the Philadelphia Area Industrial
Energy Users Group

Dated: November 21, 2012

APPENDIX A

PHILADELPHIA AREA INDUSTRIAL ENERGY USERS GROUP

Air Liquide Industrial U.S. LP
Boeing Company, The
Drexel University
GlaxoSmithKline
Jefferson Health System
Kimberly-Clark Corporation
Merck & Co., Inc.
Philadelphia College of Osteopathic Medicine
Saint Joseph's University
Sunoco, Inc.
Temple University
United States Steel Corporation
Villanova University

