

**PECO ENERGY COMPANY  
STATEMENT NO. 1**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ENERGY EFFICIENCY AND CONSERVATION PROGRAM

DOCKET NO. M-2020-3020830

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DIRECT TESTIMONY  
SUPPORTING PECO'S PETITION FOR APPROVAL  
OF ITS PHASE IV EE&C PLAN

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WITNESS: DOREEN L. MASALTA

SUBJECT: OVERVIEW OF PECO'S FILING, ACT 129  
AND PHASE IV OBLIGATIONS, AND  
OVERVIEW OF PECO'S PHASE IV PLAN

DATED: NOVEMBER 30, 2020

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1 **DIRECT TESTIMONY**  
2 **OF**  
3 **DOREEN L. MASALTA**

4 **I. INTRODUCTION AND PURPOSE OF TESTIMONY**

5 **1. Q. Please state your full name, professional position, and business address.**

6 A. My name is Doreen L. Masalta. I am the Director of Energy and Marketing Services  
7 for PECO Energy Company (“PECO” or “Company”). My business address is PECO  
8 Energy Company, 2301 Market Street, Philadelphia, Pennsylvania 19103.

9 **2. Q. What are your duties and responsibilities in this position?**

10 A. I have responsibility for the suite of energy efficiency programs offered by PECO to  
11 its residential, commercial, and industrial customers. My team provides the  
12 marketing and promotions for these programs to encourage all customers to reduce  
13 their energy usage and save money on their bills. I am also responsible for  
14 maintaining positive relationships with the largest existing customers across PECO’s  
15 service territory and working to recruit and sustain new business through creative and  
16 progressive economic development strategies.

17 **3. Q. Please describe your educational background and professional experience.**

18 A. I have a Bachelor of Arts in Organizational Dynamics from Immaculata University. I  
19 joined PECO in 1998 as a project lead in the Vegetation Management Department  
20 after owning and operating a private tree contracting business and working for a  
21 private utility line vegetation clearance company for several years. In 2000, I became  
22 a program manager. Beginning in 2002, I had responsibility for the Vegetation

1 Management Programs at both PECO and one of the Company’s utility affiliates,  
2 Commonwealth Edison Company. In 2007, I was named Director of PECO’s Project,  
3 Contract & Vegetation Management Department. In late 2009, I became the Director  
4 of Operations in the Bucks & Montgomery County Regions and then transitioned in  
5 2013 to the City of Philadelphia and PECO Underground. Finally, in 2019, I was  
6 promoted to my current position of Director of Energy and Marketing Services.

7 **4. Q. What is the purpose of your testimony?**

8 A. The purpose of my testimony is to: (1) summarize PECO’s Phase IV Energy  
9 Efficiency and Conservation Plan (“Phase IV Plan” or “Plan”) filing; (2) describe  
10 PECO’s obligations to achieve consumption and peak demand reductions under Act  
11 129, the Pennsylvania Public Utility Commission’s (“Commission”) prior  
12 implementation orders, and the Commission’s Phase IV Implementation Order;<sup>1</sup> and,  
13 (3) provide an overview of PECO’s Phase IV Plan.

14 **II. OVERVIEW OF PECO’S FILING**

15 **5. Q. Please explain how PECO’s filing is organized.**

16 A. PECO’s filing is comprised of the following documents and testimony:  
  
17 i. PECO’s Petition for Approval of its Phase IV Energy Efficiency and  
18 Conservation Plan;  
  
19 ii. my Direct Testimony;  
  
20 iii. the Direct Testimony of Nicholas DeDominicis, PECO’s Manager of  
21 Evaluation, Measurement and Verification, describing PECO’s market-based

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<sup>1</sup> Implementation Order, *Energy Efficiency and Conservation Program*, Docket No. M-2020-3015228 (Order entered June 18, 2020) (“Phase IV Implementation Order”).

1 Plan design process, the programs comprising the Plan, and expected research  
2 and development efforts during Phase IV;

- 3 iv. the Direct Testimony of William R. Supple, Managing Consultant in the  
4 Energy, Sustainability and Infrastructure Practice at Guidehouse, Inc.,  
5 summarizing PECO's Phase IV projected energy and demand savings, program  
6 expenditures, and Total Resource Cost ("TRC") net benefits
- 7 v. the Direct Testimony of Richard A. Schlesinger, PECO's Manager of Retail  
8 Rates, discussing the Plan's cost recovery mechanism and tariff; and,
- 9 vi. PECO's Phase IV Plan, filed in the template format approved by the  
10 Commission.<sup>2</sup>

11 **III. BACKGROUND OF PECO'S OBLIGATIONS TO ACHIEVE ENERGY**  
12 **CONSUMPTION AND PEAK DEMAND REDUCTIONS**  
13 **UNDER ACT 129**

14 **6. Q. Please describe Act 129's consumption reduction and peak demand reduction**  
15 **requirements.**

16 A. Act 129 directed electric distribution companies ("EDCs") with greater than 100,000  
17 customers to file with the Commission, by July 1, 2009, an energy efficiency and  
18 conservation plan ("Phase I EE&C Program").<sup>3</sup> The EE&C plans were to reduce  
19 retail energy consumption by at least 1% by May 31, 2011 and at least 3% by May  
20 31, 2013. These reductions were to be measured against the EDC's forecasted  
21 customer consumption for the period June 1, 2009 through May 31, 2010. For PECO,  
22 this 2009/2010 baseline is 39,385,000 megawatt-hours ("MWh").

23 Act 129 also required that each EDC with at least 100,000 customers reduce the  
24 average system peak demand for its retail customers in the 100 hours of highest

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<sup>2</sup> *Implementation of Act 129 of 2008 – Phase IV Energy Efficiency and Conservation Plan Template*, Docket No. M-2020-3015228 (Issued September 9, 2020).

<sup>3</sup> 66 Pa.C.S. § 2806.1(b).

1 demand by a minimum of 4.5% no later than May 31, 2013. For the Phase I EE&C  
2 Program, this demand reduction was to be measured against the EDC's average peak  
3 demand for the 100 hours of highest demand over the period of June 1, 2007 through  
4 September 30, 2007.<sup>4</sup>

5 In addition to these overall targets, the Act mandated that energy savings be obtained  
6 from certain designated customer segments during Phase I. Specifically, a minimum  
7 of 10% of an EDC's consumption reduction target had to be obtained from the  
8 governmental, educational, and non-profit sector.<sup>5</sup> In addition, each EDC's Phase I  
9 plan was to include specific energy efficiency programs for households with income  
10 at or below 150% of the Federal Poverty Income Guidelines ("FPIG") that are  
11 proportionate to such households' share of the total energy usage in the EDC's  
12 service territory.<sup>6</sup> Finally, an EDC's plan had to pass a "total resource cost" or  
13 "TRC" test, which is a test that establishes whether the avoided cost of supplying  
14 electricity is greater than the cost of a plan's energy efficiency and conservation  
15 measures.<sup>7</sup>

16 Pursuant to Act 129, EDCs are entitled to full and current cost recovery of prudent  
17 and reasonable costs, including administrative costs, but annual plan expenditures

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<sup>4</sup> See Implementation Order, *Energy Efficiency and Conservation Program*, Docket No. M-2008-2069887, at 20-21 (Order entered January 16, 2009) ("*Phase I Implementation Order*").

<sup>5</sup> 66 Pa.C.S. § 2806.1(b)(1)(i)(B).

<sup>6</sup> *Id.* § 2806.1(b)(1)(i)(G).

<sup>7</sup> *Id.* § 2806.1(b)(1)(i)(I); 2016 Total Resource Cost (TRC) Test, Docket No. M-2015-2468992 (Order entered June 22, 2015).

1           were limited to 2% of the EDC’s total annual revenue as of December 31, 2006.<sup>8</sup> For  
2           PECO, this annual spending amount is approximately \$85.5 million.

3 **7. Q. Did Act 129 contemplate future EE&C programs beyond the Phase I EE&C**  
4 **Program?**

5           A. Yes. Act 129 provides that by November 30, 2013, and every five years thereafter,  
6           the Commission must assess the cost-effectiveness of the EE&C Program and adopt  
7           additional incremental consumption reduction targets if the EE&C Program’s benefits  
8           exceed its costs. As for peak demand reduction programs, the Act directed the  
9           Commission to complete a cost benefit analysis by November 30, 2013 and, if the  
10          benefits exceed the costs, establish additional incremental requirements for reduction  
11          in peak demand.<sup>9</sup> The Commission has issued implementation orders for a Phase II,<sup>10</sup>  
12          Phase III,<sup>11</sup> and Phase IV<sup>12</sup> of the EE&C program. Phase III of the EE&C program is  
13          ongoing and will be complete on May 31, 2021.

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<sup>8</sup> *Id.* § 2806.1(g), (k).

<sup>9</sup> *Id.* § 2806.1(c)(3), (d)(2).

<sup>10</sup> Implementation Order, *Energy Efficiency and Conservation Program*, Docket No. M-2012-2289411 (Order entered August 3, 2012).

<sup>11</sup> Implementation Order, *Energy Efficiency and Conservation Program*, Docket No. M-2014-2424864 (Order entered June 19, 2015).

<sup>12</sup> *Phase IV Implementation Order.*

1 **8. Q. Has PECO met its compliance obligations for the completed phases of the EE&C**  
2 **program?**

3 A. Yes. The Commission approved PECO's Phase I Plan on October 28, 2009,<sup>13</sup> and the  
4 Company met its Phase I consumption reduction target, consumption reduction carve-  
5 outs, and peak demand reduction target. The Commission approved PECO's Phase II  
6 Plan on February 28, 2013, and the Company's addition of a voluntary demand  
7 response program to the Phase II Plan was approved on May 9, 2013.<sup>14</sup> PECO met its  
8 Phase II consumption reduction target and carve-outs. The Commission approved  
9 PECO's Phase III Plan on May 19, 2016,<sup>15</sup> and the Company is expecting to meet its  
10 Phase III targets by the end of the phase (May 31, 2021).

11 **9. Q. What targets did the Commission set for the reduction of consumption and peak**  
12 **demand for Phase IV?**

13 A. In its Phase IV Implementation Order, the Commission established both consumption  
14 reduction and peak demand reduction targets for a five-year plan period of June 1,  
15 2021, through May 31, 2026. PECO's total Phase IV MWh consumption reduction  
16 target is 1,380,837 MWh. The Company's total Phase IV peak demand reduction  
17 target is 256 MW and must be achieved exclusively with energy efficiency measures.

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<sup>13</sup> See *Petition of PECO Energy Company for Approval of its Act 129 Energy Efficiency and Conservation Plan and Expedited Approval of its Compact Fluorescent Lamp Program*, Docket No. M-2009-2093215 (Order entered October 28, 2009). Further revisions to PECO's Phase I Plan were adopted in various subsequent orders in the same docket.

<sup>14</sup> See *Petition of PECO Energy Company for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2012-2333992.

<sup>15</sup> See *Petition of PECO Energy Company for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan*, Docket No. M-2015-2515691 (Order entered May 19, 2016). Further revisions to PECO's Phase III Plan were adopted in various subsequent orders in the same docket.



1 The Commission also established a savings carve-out for customers at or below 150%  
2 of the FPIG. Under this carve-out, PECO must obtain 80,089 MWh of consumption  
3 reductions from programs solely directed at low-income customers or low-income-  
4 verified participants in multifamily housing programs.

5 The Phase IV Implementation Order also included a number of plan design  
6 requirements: (1) plans must be designed to achieve at least 15% of the MWh  
7 consumption reduction target and peak demand reduction target each program year;  
8 (2) plans must include at least one comprehensive program for residential customers  
9 and one comprehensive program for non-residential customers; (3) plans must  
10 allocate at least 50% of all spending to incentives, with less than 50% allocated to  
11 non-incentive categories; and (4) EDCs must describe their strategy to nominate a  
12 portion of the projected peak demand reductions into PJM's forward capacity  
13 markets.

#### 14 IV. OVERVIEW OF PECO'S PHASE IV PLAN

15 **10. Q. Please describe the Company's approach to developing the Phase IV Plan.**

16 A. As discussed in detail by Mr. DeDominicis, PECO employed a market-based  
17 approach to design its Phase IV Plan. Instead of internally developing a detailed  
18 design for each program, the Company established high-level program design  
19 requirements and invited conservation service providers ("CSPs") to submit program  
20 design bids reflecting their expertise and experience. Selected CSPs will be  
21 responsible for managing program implementation and achieving the required  
22 consumption and peak demand reductions within the program budget.

1 The Company believes that the market-based approach has resulted in programs that  
2 are well positioned to meet PECO's Phase IV obligations and to provide meaningful  
3 opportunities for customers to save energy and money. There was rigorous  
4 competition among CSPs to design each program, and the winning "prime" CSPs had  
5 to demonstrate their ability to employ market-leading strategies to meet the  
6 Company's requirements and to proactively engage with customers through a variety  
7 of delivery channels. In addition, because prime CSPs will be responsible for  
8 administering an entire program, they will, in collaboration with PECO, have the  
9 flexibility to directly adjust program offerings based on performance and market  
10 response. For example, PECO and the CSP may agree that it is appropriate to adjust  
11 incentive values within approved Plan ranges, modify marketing strategies or even  
12 change subcontractors in order to ensure that the necessary consumption and peak  
13 demand reductions are achieved. Finally, as discussed by Mr. DeDominicis, the  
14 performance-based compensation structure for CSPs provides further assurance that  
15 each program will meet expectations.

16 **11. Q. Please describe the Phase IV Plan.**

17 A. PECO's Phase IV Plan has a five-year term (June 1, 2021, through May 31, 2026)  
18 and five programs: (1) Residential (excluding low-income); (2) Income-Eligible; (3)  
19 Residential Home Energy Reports; (4) Income-Eligible Home Energy Reports; and  
20 (5) Non-Residential. PECO's goal is to achieve compliance targets with a  
21 comprehensive set of energy solutions offering the broadest measure mix possible

1 across all electric end-uses and with processes that make participation easy for both  
2 customers and market actors.

3 **12. Q. Has the Company reached out to stakeholders about its Phase IV Plan?**

4 A. Yes. On November 12, 2020, PECO met with a number of key stakeholders to  
5 provide an overview of the Phase IV Plan design process and the Phase IV programs.

6 **13. Q. How is PECO preparing for the potential impact of disruptive events, like the  
7 COVID-19 pandemic, on the delivery and implementation of the Phase IV  
8 programs?**

9 A. As a result of the COVID-19 pandemic, the Company has become more agile in  
10 responding to changing events. PECO worked very closely with its Phase III CSPs to  
11 develop innovative alternatives to in-person activities, such as virtual energy  
12 assessments, in order to keep customers and vendors safe. In Phase IV, the Company  
13 will work with prime CSPs to monitor evolving conditions and ensure that programs  
14 provide safe and appropriate savings opportunities for customers.

15 **V. CONCLUSION**

16 **14. Q. Does this conclude your direct testimony?**

17 A. Yes, it does.

18