BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

ENERGY EFFICIENCY AND CONSERVATION PROGRAM

DOCKET NO. M-2020-3020830

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

WITNESS: NICHOLAS DEDOMINICIS

SUBJECT: PECO’S MARKET-BASED PLAN DESIGN PROCESS, PECO’S PHASE IV PROGRAMS, RESEARCH AND DEVELOPMENT EFFORTS

DATED: NOVEMBER 30, 2020
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DIRECT TESTIMONY
OF
NICHOLAS DEDOMINICIS

I. INTRODUCTION AND PURPOSE OF TESTIMONY

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

A. My name is Nicholas DeDominicis. I am the Manager of Evaluation, Measurement and Verification (“EM&V”) for PECO Energy Company (“PECO” or the “Company”). My business address is PECO Energy Company, 2301 Market Street, Philadelphia, Pennsylvania 19103.

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

A. I am responsible for strategic planning, plan design, and EM&V as they relate to PECO’s Act 129 Energy Efficiency and Conservation (“EE&C”) initiatives. In particular, I develop market-based programs and service offerings to meet PECO’s Act 129 obligations and lead the Company’s EM&V of plan implementation to ensure both compliance and continuous improvement. I also represent PECO in interactions with the Pennsylvania Public Utility Commission’s (“Commission’s”) Statewide Evaluator (“SWE”), Commission working groups and stakeholders concerning the Company’s EE&C programming.

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

A. I received a Bachelor of Science degree in nuclear engineering from the University of Massachusetts. Since 1988, I have been involved in the design and implementation of demand side management (“DSM”) programming for businesses and utilities. For
example, from 2000-2003, as Vice President of Energy Conservation and Load Management for the New Hampshire Electric Cooperative, I managed a team of over 25 individuals to develop and implement successful DSM programming. Immediately before joining PECO in 2010, I was the Director of Energy Strategies and Solutions for Clean Energy Exchange, a clean energy consulting company. In that role, I led efforts to develop new market-based products and service offerings and create strategic partnerships with governmental entities, service providers, manufacturers, and equipment suppliers.

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

   A. The purpose of my direct testimony is to: (1) describe the market-based process used to determine the details of the Company’s proposed energy efficiency (“EE”) programs in its Phase IV EE&C Plan (“Phase IV Plan” or “Plan”); (2) describe the EE programs and how they will meet the requirements of Act 129 and the Commission’s Phase IV Implementation Order;¹ and (3) discuss the expected research and development efforts during Phase IV.

II. **PECO’S MARKET-BASED PLAN DESIGN PROCESS**

5. **Q. Please describe the key differences in how PECO developed its Phase IV Plan as compared to its Phase III Plan.**

   A. In Phase III, the Company established the design of each program and then sought bids from conservation service providers (“CSPs”) to implement all or a portion of

each PECO-designed program. In Phase IV, the Company established high-level requirements for each program in the Phase IV Plan and then solicited and assessed bids from experienced CSPs for program designs that were consistent with those requirements. PECO’s Phase IV process is intended to harness the power and creativity of the marketplace to meet the Company’s mandated EE savings and peak demand reductions (“PDRs”) and support programs that offer customers meaningful opportunities to save energy and money.

6. **Q.** How did the Company develop its Phase IV program requirements?

A. First, the Company used the results of the SWE’s Energy Efficiency and Peak Demand Reduction (“EEPDR”) Potential Study, which served as the basis for the EE and PDR targets in the Phase IV Implementation Order, to divide EE saving and PDRs between the residential, low-income, and commercial and industrial (“C&I”) sectors. The SWE performed electric distribution company (“EDC”)-specific studies which presented the technical, economic, and achievable potential over ten years and program potential over five years beginning June 1, 2021 for each of those customer sectors.

PECO then determined the appropriate division of the Company’s mandated EE savings and PDRs between its five Phase IV programs: (1) Residential (excluding low-income); (2) Income-Eligible; (3) Residential Home Energy Reports; (4) Income-Eligible Home Energy Reports; and (5) Non-Residential. As part of that process, PECO determined what portion of the assigned residential and residential low-income EE savings and PDRs could reasonably come from behavioral programs by analyzing Phase III behavioral program data and reviewing the most recent Technical Reference...
Manual (“TRM”). To account for program implementation risks, the Company multiplied the EE savings and PDRs assigned to each program by 105%.

After the EE savings and PDRs were assigned to each program, the Company relied upon the SWE’s acquisition cost findings in the EEPDR to establish the budget for each program.

7. Q. Did the Company develop additional program design requirements?

A. Yes. Consistent with the Commission’s requirement in the Phase IV Implementation Order, each program must be designed to achieve a minimum of 15% of its total EE savings and PDRs each year. In addition, the non-behavioral programs must: (1) allow customers to access all applicable measures in the TRM; and (2) engage a variety of market players (e.g., trade allies).

8. Q. How did the Company solicit and assess bids for Phase IV programs?

A. The Company issued requests for proposals (“RFPs”) for different program groupings in a manner consistent with the Company’s Commission-approved Phase IV RFP process. Bidders were instructed to propose program designs (including measures, rebates, trade ally engagement, etc.) that met each of the Company’s high-level program requirements and to identify any sub-contractors they would employ. Bidders were also asked to propose a “pay for performance” contract pricing structure whereby the CSP’s compensation would be based on the achievement of verified EE

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2 PECO’s Phase IV RFP process was approved by Secretarial Letter issued August 27, 2020 at Docket No. M-2020-3020830.
savings. Program design submissions were made on specialized workbooks
developed by Guidehouse, our outside consultant, to ensure that each CSP provided
an appropriate level of information.

The Company carefully reviewed each bid in accordance with its Phase IV RFP
process and selected the winning bidders. The Company’s Phase IV Plan reflects the
program designs proposed by the winning CSPs.

9. Q. **What are the benefits of using the market-based plan design process that you
have described?**

A. There are numerous benefits to the Company’s approach:

*Incorporates diverse market expertise.* By letting CSPs design programs to meet the
Company’s key requirements, PECO’s Phase IV Plan reflects the expertise and
experience of multiple market actors in the EE space.

*Provides greater flexibility to respond to market changes.* By having a single CSP
manage an entire program instead of certain portions of a program, the CSP can take
a flexible and market-responsive approach to achieving the required EE savings and
PDRs. If, for example, a certain component of the program is underperforming, the
CSP and PECO can agree to promptly increase incentive levels, employ a new
marketing strategy, or even shift emphasis to other program components to stay on
track.
Incentivizes innovative and cost-effective CSP activity. Because CSPs are compensated based on their ability to drive EE savings, they are incentivized to design innovative, achievable and cost-effective programs. The flexibility provided to CSPs will further promote creative responses to challenges that occur during program implementation.

Engages an array of market actors to drive a positive customer experience. By requiring CSPs to engage a variety of market actors during program implementation, PECO is ensuring that customers have access to comprehensive savings opportunities. The CSP compensation structure also incentivizes CSPs to carefully monitor subcontractor performance to ensure a positive customer experience.

10. Q. Will the Company be engaging CSPs to implement other elements of the Phase IV Plan that are not specific to a particular program?

A. Yes. Separate from the program-specific process I described above, the Company will be using its Phase IV RFP process to engage CSPs for a variety of other Phase IV Plan matters, such as EM&V.

III. PECO’S EE PROGRAMS

11. Q. Please provide an overview of the EE programs in PECO’s Phase IV Plan.

A. The Company is proposing five EE programs: (1) Residential (excluding low-income); (2) Residential Home Energy Reports; (3) Income-Eligible; (4) Income-Eligible Home Energy Reports; and (5) Non-Residential. As I previously explained, the Company identified the key requirements for each program and then CSPs were
given the opportunity to compete with one another and propose the design details for each program. Each winning program design is consistent with the requirements I previously described.

12. **Q.** What programs will be offered to residential customers?

A. The **Residential Program** is designed to offer customers opportunities to save energy across all their electric end-uses and to make participation in the program a pleasant experience. The Program has multiple objectives, including incentives for purchases of efficient lighting, appliances, HVAC upgrades, energy saving devices, and other energy savings technologies. The Program will offer appliance recycling services to remove old, inefficient refrigerators, freezers, and window AC units. Additionally, the Program will include a new construction component that will drive the construction of energy-efficient homes and demonstrate their value to the marketplace. Finally, the Program will have offerings for the customer premises and common areas of multifamily buildings (both individually-metered and master-metered).

PECO will also offer a **Residential Home Energy Reports ("HER") Program** that involves regularly delivering direct mail or digital HERs that motivate customers to act through contextualized energy-usage information, personal and neighborhood comparisons, and energy savings recommendations. The Program is designed to influence participant behaviors and influence energy management in their homes.
13. Q. What programs will be offered to low-income customers?

A. The **Income-Eligible Program** is available to customers with a household income at or below 150% of the Federal Poverty Income Guidelines (“FPIG”). The Program builds upon the Company’s successful Phase III low-income program. The foundational element of the Income-Eligible Program is a direct install whole home solution, which provides in-home audits and education as well as the direct installation of EE measures at no charge to the participant. The Program also includes appliance recycling services to remove old, inefficient refrigerators, freezers, and window AC units. Finally, the Program will provide opportunities for income-eligible families living in multifamily buildings, including measures for the customer premise and common areas.

The Phase IV Plan also includes an **Income-Eligible HER Program** that is similar to the Residential HER Program described above but targeted only to customers in the low-income sector.

Taken together, the programs offered to low-income customers are designed to exceed the requirement that PECO obtain 5.8% (80,089 MWh) of the Company’s overall energy savings target from customers with a household income of 150% or less of the FPIG.

14. Q. Please describe the Non-Residential Program.

A. PECO Plan’s includes a single, comprehensive program for both large and small C&I customers. The **Non-Residential Program** will provide customers with easy access
to technical support and rebates through multiple engagement options and offer comprehensive EE solutions by providing rebates for a wide range of energy conservation measures. The Program includes a prescriptive component containing measures in the TRM and a custom component that can capture the interactive effects of multiple TRM measures. Both components are available for retrofit and new construction and will employ a market-driven approach in which customers are free to choose where they buy the EE measures and who installs them.

15. **Q.** Does the Company’s Plan provide at least one comprehensive program for residential customers and one for non-residential customers as required by the Phase IV Implementation Order?

   **A.** Yes. The Residential, Income-Eligible, and Non-Residential Programs each provide customers with comprehensive opportunities to save energy across all electric end-uses.

16. **Q.** Is the Company’s Plan designed to achieve at least 15% of the required EE savings and PDRs each program year as required by the Phase IV Implementation Order?

   **A.** Yes. The Plan is designed to achieve over 15% of the total EE savings and PDR targets in each of the five program years (PY 13-17) as illustrated in Tables 2 and 3 of the Plan.
17. Q. Is the Company’s Plan designed to allocate at least 50% of all spending to incentives, with less than 50% allocated to non-incentive categories, as required by the Phase IV Implementation Order?

A. Yes. As shown in Figure 6 of the Plan, over 50% of all spending has been allocated to incentives in each of the five program years (PY 13-17).

18. Q. Does the Plan address the Phase IV Implementation Order requirement that EDCs describe their strategy to nominate a portion of the projected PDRs into PJM’s forward capacity markets (“FCM”)?

A. Yes. PECO will nominate up to 50 MW of peak demand reductions from its portfolio of EE programs into the PJM forward capacity market in the later years of Phase IV. PECO will issue an RFP to select an experienced vendor to review the performance of the Phase IV portfolio and bid into PJM’s FCM.

IV. RESEARCH AND DEVELOPMENT EFFORTS

19. Q. Is PECO taking any steps to stay current with emerging technologies and implementation strategies during Plan implementation?

A. Yes. The Company expects that over the course of the Phase IV Plan, new technologies and market engagement strategies will emerge. PECO has therefore dedicated 5% of its annual Phase IV Plan budget towards “Research and Development” to: (1) investigate and possibly pilot new and promising technologies; and (2) perform market research to identify and respond to market transformations over the course of the five-year Plan term. In accordance with Act 129, the Company
will not use more than 2% of its Plan budget to investigate and/or pilot experimental
equipment or devices.\textsuperscript{3}

\textbf{V. CONCLUSION}

\textbf{20. Q.} Does this conclude your direct testimony?

\textbf{A.} Yes.

\textsuperscript{3} See 66 Pa.C.S. § 2806.1(b)(1)(iii).