

**PECO ENERGY COMPANY
STATEMENT NO. 2**

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**

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I. INTRODUCTION AND PURPOSE OF TESTIMONY

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

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

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

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

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

20 A. I received a Bachelor of Science degree in nuclear engineering from the University of
21 Massachusetts. Since 1988, I have been involved in the design and implementation
22 of demand side management (“DSM”) programming for businesses and utilities. For

1 example, from 2000-2003, as Vice President of Energy Conservation and Load
2 Management for the New Hampshire Electric Cooperative, I managed a team of over
3 25 individuals to develop and implement successful DSM programming.
4 Immediately before joining PECO in 2010, I was the Director of Energy Strategies
5 and Solutions for Clean Energy Exchange, a clean energy consulting company. In
6 that role, I led efforts to develop new market-based products and service offerings and
7 create strategic partnerships with governmental entities, service providers,
8 manufacturers, and equipment suppliers.

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

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

16 **II. PECO'S MARKET-BASED PLAN DESIGN PROCESS**

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

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

¹ Implementation Order, *Energy Efficiency and Conservation Program*, Docket No. M-2020-3015228 (Order entered June 18, 2020) ("Phase IV Implementation Order").

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

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

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

17 PECO then determined the appropriate division of the Company's mandated EE
18 savings and PDRs between its five Phase IV programs: (1) Residential (excluding
19 low-income); (2) Income-Eligible; (3) Residential Home Energy Reports; (4) Income-
20 Eligible Home Energy Reports; and (5) Non-Residential. As part of that process,
21 PECO determined what portion of the assigned residential and residential low-income
22 EE savings and PDRs could reasonably come from behavioral programs by analyzing
23 Phase III behavioral program data and reviewing the most recent Technical Reference

1 Manual (“TRM”). To account for program implementation risks, the Company
2 multiplied the EE savings and PDRs assigned to each program by 105%.

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

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

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

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

13 A. The Company issued requests for proposals (“RFPs”) for different program groupings
14 in a manner consistent with the Company’s Commission-approved Phase IV RFP
15 process.² Bidders were instructed to propose program designs (including measures,
16 rebates, trade ally engagement, etc.) that met each of the Company’s high-level
17 program requirements and to identify any sub-contractors they would employ.

18 Bidders were also asked to propose a “pay for performance” contract pricing structure
19 whereby the CSP’s compensation would be based on the achievement of verified EE

² PECO’s Phase IV RFP process was approved by Secretarial Letter issued August 27, 2020 at Docket No. M-2020-3020830.

1 savings. Program design submissions were made on specialized workbooks
2 developed by Guidehouse, our outside consultant, to ensure that each CSP provided
3 an appropriate level of information.

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

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

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

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

13 *Provides greater flexibility to respond to market changes.* By having a single CSP
14 manage an entire program instead of certain portions of a program, the CSP can take
15 a flexible and market-responsive approach to achieving the required EE savings and
16 PDRs. If, for example, a certain component of the program is underperforming, the
17 CSP and PECO can agree to promptly increase incentive levels, employ a new
18 marketing strategy, or even shift emphasis to other program components to stay on
19 track.

1 *Incentivizes innovative and cost-effective CSP activity.* Because CSPs are
2 compensated based on their ability to drive EE savings, they are incentivized to
3 design innovative, achievable and cost-effective programs. The flexibility provided
4 to CSPs will further promote creative responses to challenges that occur during
5 program implementation.

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

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

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

16 **III. PECO'S EE PROGRAMS**

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

18 A. The Company is proposing five EE programs: (1) Residential (excluding low-
19 income); (2) Residential Home Energy Reports; (3) Income-Eligible; (4) Income-
20 Eligible Home Energy Reports; and (5) Non-Residential. As I previously explained,
21 the Company identified the key requirements for each program and then CSPs were

1 given the opportunity to compete with one another and propose the design details for
2 each program. Each winning program design is consistent with the requirements I
3 previously described.

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

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

16 PECO will also offer a **Residential Home Energy Reports (“HER”) Program** that
17 involves regularly delivering direct mail or digital HERs that motivate customers to
18 act through contextualized energy-usage information, personal and neighborhood
19 comparisons, and energy savings recommendations. The Program is designed to
20 influence participant behaviors and influence energy management in their homes.

1 13. Q. What programs will be offered to low-income customers?

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

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

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

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

20 A. PECO Plan’s includes a single, comprehensive program for both large and small C&I
21 customers. The **Non-Residential Program** will provide customers with easy access

1 to technical support and rebates through multiple engagement options and offer
2 comprehensive EE solutions by providing rebates for a wide range of energy
3 conservation measures. The Program includes a prescriptive component containing
4 measures in the TRM and a custom component that can capture the interactive effects
5 of multiple TRM measures. Both components are available for retrofit and new
6 construction and will employ a market-driven approach in which customers are free
7 to choose where they buy the EE measures and who installs them.

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

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

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

17 A. Yes. The Plan is designed to achieve over 15% of the total EE savings and PDR
18 targets in each of the five program years (PY 13-17) as illustrated in Tables 2 and 3 of
19 the Plan.

1 17. Q. Is the Company’s Plan designed to allocate at least 50% of all spending to
2 incentives, with less than 50% allocated to non-incentive categories, as required
3 by the Phase IV Implementation Order?

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

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

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

13 **IV. RESEARCH AND DEVELOPMENT EFFORTS**

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

16 A. Yes. The Company expects that over the course of the Phase IV Plan, new
17 technologies and market engagement strategies will emerge. PECO has therefore
18 dedicated 5% of its annual Phase IV Plan budget towards “Research and
19 Development” to: (1) investigate and possibly pilot new and promising technologies;
20 and (2) perform market research to identify and respond to market transformations
21 over the course of the five-year Plan term. In accordance with Act 129, the Company

1 will not use more than 2% of its Plan budget to investigate and/or pilot experimental
2 equipment or devices.³

3 **V. CONCLUSION**

4 **20. Q. Does this conclude your direct testimony?**

5 A. Yes.

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³ See 66 Pa.C.S. § 2806.1(b)(1)(iii).