

5/16-108.6(g). ComEd’s proposal provides bill credits to residential retail customers with AMI meters who temporarily reduce their electric load during peak usage periods specified by the Company (“Curtailed Period”). ComEd Ex. 1.0 Rev. at 8. The bill credits will be fully funded through ComEd’s bidding of resources in PJM Interconnection LLC (“PJM”) markets. *Id.* at 8-9.

II. ComEd’s Proposal Does Not Maximize Customer Participation

A. Pre-Enrollment

ComEd’s Rider PTR provides that to participate in the PTR program, a “customer must elect service ... during the period beginning October 1 and extending through the following April 30.” ComEd Ex. 3.1 at 2nd Rev. Sheet No. 352. ComEd asks that it be given discretion for customers who seek to enroll between May 1 and September 30 of each year. *Id.* In other words, under its proposal, ComEd asks that it not be required to enroll otherwise eligible customers in months during which Curtailed Periods might be called. ComEd Ex. 3.0 at 2.

The PUA requires that “[t]he rules and procedures for consumers to opt-in to the peak time rebate program shall include electronic sign-up, be designed to maximize participation, and be included on the utility’s website.” 220 ILCS 5/16-108.6(g). The PUA also requires that the peak time rebate program be offered “to all residential retail customers with smart meters.” *Id.* ComEd’s proposal falls short of the requirements to offer PTR to all customers with a smart meter and to maximize PTR program participation. *See* CUB/City Ex. 2.0 Rev. at 7.

ComEd’s proposal to retain the choice to not enroll customers during summer months is motivated by a concern about confusing customers who may curtail their usage after hearing of Curtailed Periods through “word of mouth” or mass media alerts, but who may not actually be registered participants. ComEd Ex. 2.0 at 6. Instead of allowing enrollment throughout the

entire year, ComEd seeks discretion from the Commission to try a pre-enrollment process after conducting research into whether and how such a process might cause confusion. *Id.* Thus, ComEd's immediate plan is not to pilot a pre-enrollment process but rather to conduct a series of focus groups and other research activities to determine whether and how a pre-enrollment process could confuse customers. CUB/City Ex. 1.2 (ComEd Response to CUB 2.03(c)).

As CUB/City witness Ms. Devens testified, ComEd's proposal is problematic because customers may not be able to sign up for the PTR program during the time of year when "they are most likely thinking about their electric usage." CUB/City Ex. 1.0 Rev. at 8. The summer months, including those months between May 1st and September 30th, are when many customers use air conditioning the most and when interest in ways to lower electricity bills is at its peak. *Id.* at 8, 12. Because ComEd's proposed window for program enrollment, lessens the number of months during which customers can enroll (and does so during the months when customer awareness and desire to lower electricity bills is disproportionately high), the Company's proposal does not maximize customer participation. *Id.* at 8. Accordingly, ComEd's proposal violates the PUA's requirement that any "rules and procedures for consumers to opt-in to the peak time rebate program shall ... be designed to maximize participation." 220 ILCS 5/16-108.6(g).

In addition, the PUA requires that ComEd offer the PTR program to all residential retail customers with smart meters. *Id.* "All residential retail customers with smart meters" includes those customers who may receive a smart meter just before, or during, the summer months of any particular year. Any ComEd residential retail customer with a smart meter should be able to enroll in the program, regardless of which month of the year that customer contacts the utility or receives the smart meter. CUB/City Ex. 1.0 Rev. at 12.

To maximize participation, Ms. Devens proposed a mandatory pre-enrollment process whereby eligible customers could sign up for ComEd's PTR program year-round. *Id.* at 8. Ms. Devens understood that, because of PJM rules, those customers who sign up between May and October of any particular year would not be able to receive rebates until the next program year. *Id.* The Company estimates that between 7,500 and 9,000 customers will participate in the PTR program for the initial 2015/2016 PJM Planning Year. CUB/City Ex. 1.2 (ComEd Response to CUB 4.06(a)). Under ComEd's proposal, thousands of those customers could be prevented from enrolling in PTR if they contact the utility in the months during which electricity usage and awareness is highest.

By allowing customers to enroll in the PTR program at any time of the year, ComEd can maximize customer participation as required by the PUA and increase the benefits to all ComEd customers that flow from a successful PTR program. Reducing energy usage at peak times not only reduces electricity costs for individual participants, it also reduces electricity costs for residential customers as an aggregate class by reducing the demand for peak-load generation. CUB/City Ex. 2.0 Rev. at 4. Moreover, reductions in peak load generation reduce greenhouse gas emissions, delivering environmental and societal benefits to all of ComEd's customers. *Id.* Maximizing participation in a PTR program could also increase participation in other programs that have net societal benefits. The no-risk rebate proposal designed by the Company could serve as a stepping stone for customers to participate in other demand response programs that have an even greater impact on reducing the price of electricity but may involve more customer financial risk. These programs include those like ComEd's Residential Real-Time Pricing program ("RRTP") or yet-to-be offered products from alternative suppliers. *Id.* at 4-5.

The Company's concern that mass media alerts could motivate non-registered customers to reduce their usage is premature, since the Company is unlikely to use mainstream marketing channels until a high proportion of customers have received smart meters. Tr. at 190; CUB/City Ex. 1.0 Rev. at 12-13. In fact, a pre-enrollment process itself would not cause confusion if a customer was properly informed of when she will begin receiving rebates. CUB/City Ex. 1.0 Rev. at 13. In order to avoid any possible confusion, Ms. Devens offered ways to word the pre-enrollment process (e.g. calling it an "application") and pair process with other educational opportunities such as Air Conditioning Cycling and RRTP programs. *Id.* at 15, 17. As was shown in the Company's RRTP program and its AMI Pilot, proper messaging requires customer service representatives with a high level of technical knowledge that enables them to maximize customer participation in the various Company demand response programs. *Id.* at 18.

ComEd's tariffs implementing other demand response programs, such as Rider CLR and Rider VLR, do not limit the months during which customers can enroll. *See* Tr. at 182, 185. In fact, when implementing Rider VLR, ComEd has received requests from customers to enroll during the months when ComEd does not make an enrollment push. *Id.* at 187. This demand to enroll in Rider VLR at all times of the year is likely to be similar for Rider PTR, and might be especially high during summer months of high electricity bills and usage. PJM does not require that ComEd limit the months in which the Company enrolls customers for any of the Company's demand response programs. *Id.* at 191-192.

ComEd witness Mr. Eber claims that his opinion that a summer enrollment process might cause confusion was based on his experience administering demand response programs, yet he admits that his concern "is not based on similar experience or case examples" or empirical evidence. Tr. at 187; CUB Cross Ex. 3 (ComEd Response to CUB 5.03); Tr. at 189.

Nevertheless, he criticizes Ms. Devens' pre-enrollment proposal because it has "no basis ... other than her personal opinion" and it is not "informed by actual research and empirical results." ComEd Ex. 6.0 at 6. The Company's proposal is similarly uninformed by actual research or results, and given the PUA's requirement to maximize participation, the Commission should not allow ComEd to turn away customers who seek to enroll in the PTR program when demand for it is greatest.

In fact, Mr. Eber admits that ComEd's proposal to turn customers away during the months in which awareness of electricity bills is high may itself cause the confusion or disgruntlement that the Company seeks to avoid. Tr. at 189-190; 192-193. Nevertheless, ComEd does not seek to research whether the disjointed enrollment process included in Rider PTR causes customer confusion, even though the Company believes such study is required for a year-round enrollment process. *Id.* at 194. The reason ComEd is concerned with disgruntled or confused customers is that such dissatisfaction could lead to lower customer participation, either through fewer participants or a more limited response. *Id.* at 195. Yet, Mr. Eber admits that refusing to enroll customers during summer months may also result in fewer PTR program participants. *Id.* Thus, in addition to lacking evidentiary support, ComEd's design to possibly refuse enrollment during summer months can actually harm the PTR program.

CUB/City supports ComEd's proposal to further research a pre-enrollment process, but the "actual piloting of the pre-enrollment process need not be contingent on the outcome of the research ComEd conducts." *See* CUB/City Ex. 1.0 Rev. at 13. The pre-enrollment process should be offered as soon as the Company begins offering the program to any customer, in June of 2014. *Id.* ComEd's concern regarding confusion is misplaced, since even a customer who enrolls during the winter will be told that they can receive rebates only by participating in the

program at a future date in time. *Id.* at 14. Thus, the allegedly confusing message of future participation is not unique to enrollment during summer months. Therefore, the Commission should order ComEd to make the following revisions to the language contained in the Prerequisites of Service Section of Rider PTR contained in ComEd Exhibit 3.1, 2nd Revised Sheet Number 352:

Such residential retail customer must elect service hereunder by notifying the Company ~~during the period beginning October 1 and extending through the following April 30~~ for service hereunder beginning with the first ~~subsequent~~ PJM Planning Year for which the Company can register the customer with PJM. Such notification may be made via the electronic enrollment process available on the Company's internet site or by other communication channels, including but not limited to telephone. ~~For residential retail customers that provide notification to the Company during the period beginning May 1 and extending through September 30 to elect service hereunder, the Company may, at its discretion, allow such residential retail customers to commence service hereunder at the start of the first subsequent PJM Planning Year beginning after such September 30.~~

B. Number of Curtailment Periods

The number and duration of Curtailment Periods called by ComEd under its proposed Rider PTR will be a function of the compensation received from PJM, the expected level of curtailment and the rebate amount. Petition at 4. Any difference between the rebates paid to participants and compensation received from PJM is carried over by the Company into subsequent program years. *Id.*

Staff witness Dr. Kennedy proposes to limit the number of Curtailment Periods to two or three per year. Staff Ex. 1.0 at 7. If revenues collected from PJM capacity auctions are not exhausted by the rebates paid for the two or three Curtailment Periods, Dr. Kennedy proposes that ComEd distribute remaining funds to participants on a savings-weighted basis instead of calling additional PTR Curtailment Periods. *Id.* Dr. Kennedy advances this proposal because he believes it aligns revenues with credits and reinforces behavior change without “uneconomically

discouraging consumption through a payment much greater than the cost saved by the Company.” *Id.*

CUB/City witness Ms. Devens testified that the benefits that result from offering additional PTR Curtailment Periods go beyond a simple cost forgone by the Company, instead they include providing customers with more opportunities to participate, preparing customers for years when PJM may call more emergency events, and lowering electricity prices for all customers by reducing demand for electricity at peak times. CUB/City Ex. 2.0 Rev. at 4. Customers should have more opportunities to participate and save money under a robust program rather than having only the minimum number of Curtailment Periods that the Company believes is adequate to reinforce behavior change. *Id.* ComEd witness Mr. Eber confirmed that “it’s going to take some awareness, maybe three or four events a year to get customers accustomed to participating in these types of events.” Tr. at 176. Given that the program is only in its design phase, the Commission should err on the side of providing more opportunities for participation rather than providing fewer opportunities. CUB/City Ex. 2.0 Rev. at 4. Although each event incurs incremental costs, these “should be very, very low marginal costs.” Tr. at 177. Importantly, ComEd did not set the number of Curtailment Periods at two to three because the Company found that number of events to be optimal from a program design perspective, but rather because ComEd concluded that the revenues available through the first available PJM capacity auction would be inadequate to fund more events. ComEd Ex. 2.0 at 8.

Moreover, Dr. Kennedy’s proposal to cap the number of Curtailment Periods would harm customers. From a customer education perspective, Dr. Kennedy’s proposal would inhibit customers from understanding how their usage reductions translated into credits, since those customers would actually receive more than \$1.00 per kilowatt hour of reduced usage under

Staff's proposal. CUB/City Ex. 2.0 Rev. at 5-6. ComEd's PTR program should be offered in a way that is clear and simple for consumers to understand, like ComEd's \$1.00 per kilowatt hour proposal, in order to maximize customer participation. *Id.* at 6. Uncertainty over the amount of the rebate under Staff's proposal could anger, confuse, or discourage repeat customers from participating if they receive \$1.00 per kilowatt hour in certain years and more money in other years, incorrectly raising the customers' expectations of future rebate amounts. *Id.* at 5-6.

Additionally, Dr. Kennedy's proposal could limit the overall benefits achieved from ComEd's PTR program, since placing an artificial cap on the number of Curtailment Periods would reduce aggregate peak load reduction and forego the broad economic impact of lowering electricity prices for all of ComEd's customers. *Id.* at 6-7. Finally, Dr. Kennedy's proposal could hamper the consumer response to future events called by PJM, since customers may become accustomed to reducing usage for a maximum of three events per season. *Id.* at 7. Thus, participants may be unprepared to respond to more than three events in subsequent seasons, leading to an increased risk that the Company will incur financial penalties from PJM for failing to curtail usage when required. *Id.*

III. ComEd's Proposal Is Competitively Neutral

The PTR program must be "designed to provide, in a competitively neutral manner, rebates to those residential retail customers that curtail their use of electricity during specific periods that are identified as peak usage periods." 220 ILCS 5/16-108.6(g). In addition, the tariff must offer the program to "all residential retail customers with smart meters." *Id.*

"Competitively neutral" is not defined within the PUA, but all witnesses appear to agree with the Company's definition of the term, which is of a program applying to "all customers, regardless of their electric supplier." ComEd Ex. 1.0 at 9-10. Illinois Competitive Energy Association

(“ICEA”) witness Ms. Frederick appears to agree that, in order for a PTR program to be competitively neutral, it must be provided to all customers regardless of their electricity supplier. ICEA Ex. 1.0 at 5. Nevertheless, Ms. Frederick recommends that the Commission withhold approval of ComEd’s PTR program. *Id.* at 9. Instead, the Commission should find that ComEd’s Rider PTR is designed to provide rebates in a competitively neutral manner and should approve the Company’s proposal.

A. The PTR Program Will Be Available to All Customers Regardless of Supplier

The PTR program will be available to all residential customers “on a competitively neutral basis, meaning the customer may be receiving electric power and energy supply from ComEd or a Retail Electric Supplier.” Petition at 3-4. Rider PTR establishes this neutrality by making the rider available “to any residential retail customer” who has an operational smart meter. ComEd Ex. 3.1 at 2nd Rev. Sheet No. 351. The Commission has found that all residential electric delivery service customers, including customers who are supplied by alternative suppliers, are “retail customers” under the PUA. Final Order at 11, ICC Docket No. 11-0434 (Apr. 4, 2012). Therefore, Rider PTR properly makes the program available to all of ComEd’s delivery service customers in a competitively neutral manner.

ComEd will also remove customers from the PTR program if they participate in another demand response program offered by the Company, or a hypothetical demand response program offered by an alternative supplier, in order to avoid double-counting issues with credits for demand reductions. ComEd Ex. 1.0 at 10. ICEA does not appear to claim that this necessary step to avoid double-counting is fatal to the competitive neutrality of Rider PTR. ComEd’s tariffs thus properly make the PTR program available to all ComEd electric delivery service customers, regardless of their electricity supplier. Therefore, Rider PTR is designed to operate in

a competitively neutral manner and should be approved by the Commission. *See* CUB/City Ex. 2.0 Rev. at 5.

B. The PTR Program is Properly Funded

The PUA requires that “[t]he total amount of rebates shall be the amount of compensation the utility obtains through markets or programs at the applicable regional transmission organization.” 220 ILCS 5/16-108.6(g). In addition, the PUA requires that ComEd “shall make all reasonable attempts to secure funding for the peak time rebate program through markets or programs at the applicable regional transmission organization.” 220 ILCS 5/16-108.6(g).

In order to receive the funding that the PUA requires the Company to “make all reasonable attempts to secure,” the Commission should approve the proposed PTR program before March 1, 2013. Such approval would allow the Company to maximize the market revenues available for the 2016/2017 PJM Planning Year by participating in the PJM Base Auction in May of 2013. *See* ComEd Ex. 3.0 at 4. Thus, ICEA’s proposals to further delay approval of ComEd’s PTR program should be rejected by the Commission. Delaying approval of the program would reduce the amount of market revenues likely to be collected to fund the rebate program, hampering the Company’s ability to attempt to secure funding through PJM.

For non-rebate program costs, ComEd proposes to recover those costs from all residential customers through their delivery service charges. ComEd Ex. 1.0 at 15. Ms. Frederick claims that ComEd’s proposal ignores the statutory directive of the PUA. ICEA Ex. 1.0 at 13 (citing provision that Company must “make all reasonable attempts to secure funding for the peak time rebate program through markets or programs at the applicable regional transmission organization.”). However, Ms. Frederick’s interpretation of the law ignores the directive directly preceding the cited provision, namely, that “[t]he total amount of rebates shall be the amount of

compensation the utility obtains through markets or programs at the applicable regional transmission organization.” 220 ILCS 5/16-108.6(g). This provision seems to require ComEd to spend any compensation received from PJM auctions as rebates under the PTR program, since the “total amount of rebates” is required to be equal to the amount of compensation received from PJM. Therefore, the PUA appears to prohibit ComEd from spending auction revenue on non-rebate costs.

Nevertheless, under ComEd’s proposal, Ms. Frederick speculates that alternative suppliers “will be unable to compete with ComEd and would not, therefore, choose to deploy a demand response product.” ICEA Ex. 1.0 at 15. However, in claiming that no alternative supplier would choose to deploy a demand response product, Ms. Frederick did not perform or rely upon any studies or data. CUB/City Ex. 2.1 Rev. at 1 (ICEA Response to CUB 2.20). Indeed, there appear to be a variety of ways that alternative suppliers can fund demand response programs, since Ms. Frederick admits that alternative suppliers “may directly attribute the costs and fees [of a demand response program] to a customer others may pool customers to lower fees or others may waive fees if customers sign up for additional products or services.” *Id.* at 3 (ICEA Response to CUB 2.15). Ms. Frederick provides no reason why alternative suppliers cannot fund their demand response programs through market-based revenues or from non-participating alternative supply customers.

Moreover, all ComEd delivery service customers, including those who take supply from an alternative supplier, will benefit from the PTR program. *See* CUB/City Ex. 2.0 Rev. at 12. While she is not aware of any ARES currently offering or planning to offer a demand response program for residential customers, Ms. Devens points out that a ComEd PTR program could “serve as a stepping stone for customers to transition from the PTR program to an ARES

administered demand response program” since it would provide those customers with experience in a demand response program by reinforcing the behavior change and providing the general education required. *Id.* at 12-13. ICEA’s proposal would impede the Company’s ability to make reasonable attempts to secure rebate funding from market revenues and ignores the statutory directive to spend market revenues entirely on rebate costs; the Commission should approve ComEd’s PTR program design by March 1, 2013, as ComEd has requested.

IV. ComEd’s Proposal is Sufficiently Detailed

A. Customer Base Load Methodology

The Company has committed to “filing a petition with the Commission seeking approval of ComEd’s proposed CBL methodology prior to using it to determine the CBLs for PTR participants.” Petition at 4. Under the Company’s proposed timeline, ComEd would use CBLs for PTR participants at no time before 2016, when the first rebates are proposed for participating customers. By virtue of the Company’s proposal to file the methodology with the Commission prior to its use, any alternative supplier who wishes to design their own demand response product will be aware of ComEd’s proposed CBL methodology before it is ever used to provide a rebate to a participant. Acknowledging the Company’s authority to adopt a different methodology in the future, Staff witness Dr. Kennedy proposed that ComEd file its baseline methodology in this proceeding with Rider PTR. Staff Ex. 1.0 at 3. If the Commission requires the Company to adopt Dr. Kennedy’s proposal, the Commission should make clear that the Company is allowed to revisit the CBL methodology in the future as new data comes available. *See* CUB/City Ex. 2.0 Rev. at 8.

B. Annual Report

The PUA requires that the Commission monitor the performance of progress under Rider PTR and order termination or modification of the program if it does not result in net benefits to ComEd's residential customers within at least four years. 220 ILCS 5/16-108.6(g). In addition, ComEd's proposed Rider PTR requires the Company to submit a report to the ICC each September 1st that provides an evaluation of the implementation, operation, and administration of Rider PTR. ComEd Ex. 3.1 at 2nd Rev. Sheet No. 355. Staff witness Dr. Kennedy recommended that Rider PTR also require ComEd to file its annual report with Staff's Accounting and Policy departments. Staff Ex. 1.0 at 8. Such report should also be filed in ICC Docket 12-0484 so that it is available to all parties. CUB/City Ex. 2.0 Rev. at 8. Thus, the Commission should require ComEd to include the following language after the second sentence under the Miscellaneous General Provisions of Rider PTR contained in ComEd Exhibit 3.1:

Copies of such report shall also be filed in ICC Docket No. 12-0484.

IV. Conclusion

The Commission should approve the Company's proposal for Rider PTR with the modifications recommended by CUB/City herein.

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