

**ECKERT
SEAMANS**
ATTORNEYS AT LAW

Eckert Seamans Cherin & Mellott, LLC
213 Market Street
8th Floor
Harrisburg, PA 17101

TEL 717 237 6000
FAX 717 237 6019
www.eckertseamans.com

Deanne M. O'Dell
717.255.3744
dodell@eckertseamans.com

August 4, 2016

Via Email and First Class Mail

Hon. Cynthia W. Fordham
Hon. Eranda Vero
Commonwealth of Pennsylvania
Public Utility Commission
801 Market Street, Suite 4063
Philadelphia, PA 19107

Re: Petition of PECO Energy Company for: (1) Approval of its Microgrid Integrated Technology Pilot Plan and (2) Issuance of a Declaratory Order Regarding the Recovery of Microgrid Costs; Docket No. P-2016-2546452; and

Application for Construction of Microgrid Distributed Energy Resources Fueled by Natural Gas; Docket No. A-2016-2546450

Dear Judges Fordham and Vero:

On behalf of the Retail Energy Supply Association ("RESA") enclosed please find the Direct Testimony of Matthew White with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww

cc: Cert. of Service w/enc.

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of RESA's Direct Testimony upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email and/or First Class Mail

Romulo L. Diaz, Jr., Esquire
Michael S. Swerling, Esquire
PECO Energy Company
2301 Market Street
P.O. Box 8699
Philadelphia, PA 19101-8699
romulo.diaz@exeloncorp.com
michael.swerling@exeloncorp.com

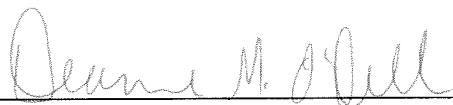
Thomas P. Gadsden, Esquire
Kenneth M. Kulak, Esquire
Brooke E. McGlinn, Esquire
Morgan, Lewis & Bockius
1701 Market Street
Philadelphia, PA 19103
tgadsden@morganlewis.com
kkulak@morganlewis.com
bmcglinn@morganlewis.com

Charis Mincavage, Esquire
Adeolu A. Bakare, Esquire
Alessandra L. Hylander, Esquire
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
cmincavage@mcneeslaw.com
abakare@mcneeslaw.com
ahylander@mcneeslaw.com

Elizabeth Rose Triscari, Esquire
Office of Small Business Advocate
300 North Second Street, Suite 202,
Harrisburg, PA 17101
etriscaripa.gov

Phillip C. Kirchner, Esquire
Pennsylvania Public Utility Commission
Bureau of Investigation and Enforcement
P.O. Box 265
Harrisburg, PA 17105-3265
phikirchne@pa.gov

Darryl Lawrence, Esquire
Aron J. Beatty, Esquire
Lauren M. Burge, Esquire
Office of Consumer Advocate
555 Walnut Street, 5th Floor, Forum Place
Harrisburg, PA 17101-1923
DLawrence@paoca.org
ABeatty@paoca.org
LBurge@paoca.org


Deanne M. O'Dell, Esq.

Dated: August 4, 2016

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PECO Energy Company	:	
For: (1) Approval of its Microgrid	:	
Integrated Technology Pilot Plan and	:	Docket No. P-2016-2546452
(2) for Issuance of a Declaratory Order	:	
Regarding the Recovery of Microgrid	:	
Costs	:	
	:	
Application for Construction of	:	Docket No. A-2016-2546450
Microgrid Distributed Energy	:	
Resources Fueled by Natural Gas	:	

DIRECT TESTIMONY

OF

MATTHEW WHITE

On Behalf of

Retail Energy Supply Association

Topics Addressed:

Effects of Utility Owned DER on Private Investment
Effects of Utility Owned DER on Retail Competition

August 4, 2016

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MW-1	PECO Response to I&E Discovery, Set I, No. 4
MW-2	PECO Response to OCA Discovery, Set I, No. 34
MW-3	PECO Response to OCA Discovery, Set I, No. 8

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1 **I. INTRODUCTION AND BACKGROUND**

2 **Q. PLEASE STATE YOUR NAME AND TITLE.**

3 A. My name is Matthew White. I am employed by Interstate Gas Supply, Inc. (“IGS” or
4 “IGS Energy”) as General Counsel, Legislative and Regulatory Affairs. My business
5 address is 6100 Emerald Parkway, Dublin, Ohio 43016.

6 **Q. PLEASE DESCRIBE YOUR EDUCATIONAL BACKGROUND AND WORK
7 HISTORY.**

8 A. I have a Juris Doctor (J.D.) and Masters in Business Administration (M.B.A.) from the
9 College of William & Mary. I also have a Bachelor of Arts (B.A.) from Ohio University.
10 I started my career in energy working at the law firm of Chester, Wilcox & Saxbe as an
11 energy and utilities lawyer. At Chester Wilcox I participated in numerous regulatory
12 proceedings relating to utility matters, including natural gas and electric rate cases and
13 electric power siting cases. I also have worked on power and gas sales transactions. At
14 the beginning of 2011, I was hired into IGS Energy’s rotation program where I spent the
15 next 16 months working in various departments throughout the company, including the
16 electric and gas supply and risk departments, learning IGS’ entire business. In 2012, I
17 began full-time as an attorney in IGS’ regulatory affairs department. In 2014, I was
18 promoted to Manager, Legal and Regulatory Affairs at IGS. In 2015, I was promoted to
19 my current position, General Counsel, Regulatory and Legislative Affairs. In my current
20 position I oversee the regulatory and legislative activities for IGS Energy throughout the
21 country. My team is responsible for electric and natural gas litigation for IGS Energy,
22 including electric and natural gas rate cases and other proceedings that relate to energy.

1 **Q. HAVE YOU SUBMITTED TESTIMONY AT ANY REGULATORY BODIES**
2 **BEFORE?**

3 A. Yes. I have submitted written testimony in the following Pennsylvania Public Utility
4 Commission cases: (1) Columbia Gas Annual Gas Cost Rate Proceeding at Docket No.
5 R-2015-2469665; (2) Columbia Gas Base Rate Proceeding at R-2015-2468056; (3)
6 FirstEnergy Default Service Proceeding at P-2015-2511333, et. al; (4) PPL Electric
7 Utilities Corporation Default Service Proceeding at P-2016-2526627; (5) PECO Energy
8 Company Default Service Proceeding at P-2015-2534980; and, (6) Duquesne Light
9 Company Default Service Proceeding at P-2016-2543140. I have also submitted cases in
10 the following matters before the Public Utilities Commission of Ohio: Case Nos. 12-
11 1685-GA-AIR, 13-2385-EL-SSO, 12-426-EL-SSO, 14-841-EL-SSO, 15-50-GA-RDR,
12 14-1051-EL-UNC, 14-1693-EL-RDR and 14-1693-EL-RDR. Additionally, I have
13 submitted testimony in Michigan Public Service Commission Case Nos. U-17131, No. U-
14 17332 and U-17882; Kentucky Public Service Commission Case No. 2013-00167 and
15 14-1297-EL-SSO; Illinois Commerce Commission Case No. 14-0312; and, Maryland
16 Public Service Commission Case No. 9221.

17 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING IN THIS PROCEEDING?**

18 A. My testimony is submitted on behalf of the Retail Energy Supply Association
19 (“RESA”).¹

¹ The comments expressed in this filing represent the position of the Retail Energy Supply Association (RESA) as an organization but may not represent the views of any particular member of the Association. Founded in 1990, RESA is a broad and diverse group of more than twenty retail energy suppliers dedicated to promoting efficient, sustainable and customer-oriented competitive retail energy markets. RESA members operate throughout the United States delivering value-added electricity and natural gas service at retail to residential, commercial and industrial energy customers. More information on RESA can be found at www.resausa.org.

1 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

2 A. The purpose of my testimony is to recommend that the Commission reject PECO Energy
3 Company’s (“PECO”) request for approval of its Microgrid Integrated Technology Pilot
4 Plan (“Microgrid Pilot”). As I will explain in my testimony, allowing PECO to recover
5 costs from all ratepayers to deploy a Microgrid Pilot, which includes costs to deploy
6 distributed energy resources (“DER”), will push private investment in DER out of the
7 market and hinder the development of DER in Pennsylvania over the long run. Further,
8 approval of PECO’s Microgrid Pilot would contravene Pennsylvania’s longstanding
9 policy of unbundling electric distribution and generation service. Deployment of DER,
10 and similar technologies, is not a natural monopoly function. There are many private
11 non-utility companies participating in the DER market. To the extent that the
12 Commission wishes to incent investment in DER and microgrids, it should do so through
13 competitively neutral incentives, rather than favoring one market participant (the utility)
14 over all others.

15 **II. PECO’S MICROGRID PILOT PROPOSAL**

16 **Q. PLEASE DESCRIBE PECO’S PROPOSED MICROGRID.**

17 A. PECO proposes to construct, own and operate a microgrid in approximately 388 acres in
18 Concord Township. (PECO St. 1 at 10-16). The Microgrid Pilot will consist of two
19 integrated microgrids that will be capable of supplying power to three government
20 facilities and twenty-seven public accommodations with a typical aggregate peak load of
21 8.6 MW. (PECO St. 1 at 16). As part of the project, PECO proposes to: (1) implement
22 distribution system improvements; and, (2) establish distributed energy resources that
23 will generate energy to supply the area when the main utility grid is unavailable (i.e.
24 “island mode”). (PECO St. 1 at 19-20). The DER technologies will include natural gas

1 reciprocating engines, ground-mounted solar photovoltaic (“PV”) installations, two
2 batteries and four dual-port EV charging stations. (PECO St. 1 at 12, 20).

3 **Q. DOES PECO PROPOSE TO OWN THE DERS?**

4 A. Yes. PECO proposes to procure the DER component of the Microgrid Pilot through an
5 RFP but will ultimately own the DERs. (PECO St. 1 at 25). In testimony, PECO
6 mentions its partnership with the Philadelphia Industrial Development Corporation
7 (“PIDC”) regarding an independent campus electric system at The Navy Yard (PECO St.
8 1 at 8-9), as an example of a similar project. However, this project is in its initial stages,
9 is funded by a grant from the U.S. Department of Energy and *will not* result in PECO
10 owning or operating any electric generation at the Navy Yard.² Therefore, PECO’s
11 proposal here to own the generation is novel in Pennsylvania.

12 **Q. HOW DOES PECO PROPOSE TO RECOVER THE COSTS OF THE DER**
13 **DEPLOYED DURING ITS MICROGRID PILOT?**

14 A. PECO proposes to fully recover all costs related to the Microgrid Pilot from distribution
15 customers. The estimated \$15.3 million cost to repair, improve or replace property that is
16 part of the Company’s distribution system would be recovered from distribution
17 customers through PECO’s existing Distribution System Improvement Charge (“DSIC”).
18 The remaining estimated \$19.6 million in costs associated with the DER project
19 development would be recovered from all customers in a future electric distribution rate
20 case. (PECO St. 3 at 8).

² RESA Exh. MW-1, PECO Response to I&E Discovery, Set I, No. 4.

1 **Q. WHAT ARE THE SPECIFIC COSTS PECO IS PROPOSING TO RECOVER?**

2 A. As described by PECO Witness Cohn, the annual revenue requirement associated with
3 these assets will include four components: (1) a pre-tax return on, and a return of,
4 PECO's net investment in the microgrid that reflects the effect of deferred taxes to
5 account for tax-book timing differences; (2) operating and maintenance expense,
6 including the fuel needed to support DERs during island mode; (3) the flow-through of
7 state income tax benefits; and (4) a credit for the revenues PECO receives from selling
8 the microgrid's energy output into PJM markets. (PECO St. 3 at 8-10).

9 **Q. WHY DOES PECO VIEW THIS PROPOSED RECOVERY OF COSTS FROM**
10 **ALL CUSTOMERS APPROPRIATE?**

11 A. According to PECO, the purpose of the microgrid DERs to enhance reliability and
12 resiliency of PECO's distribution system and not to provide generation service to
13 customers. (PECO St. 1 at 25). PECO, therefore, views the ownership of the microgrid
14 DERS as "consistent with PECO's ownership of other distribution-related equipment."
15 (PECO St. 1 at 25).

16 **Q. DOES PECO RECOGNIZE THAT ONLY THE CUSTOMERS WITHIN THE**
17 **SERVICE TERRITORY OF THE MICROGRID BENEFIT FROM THE**
18 **GENERATION PROVIDED BY THE DERS IN ISLAND MODE?**

19 A. Yes. PECO acknowledges that when the microgrid is in island mode it is providing
20 service only to the customers in Concord Township. (PECO St. 3 at 3).

21 **Q. DESPITE THIS, WHY DOES PECO POSIT THAT RECOVERY FOR THIS**
22 **MICROGRID FROM ALL DISTRIBUTION CUSTOMERS SHOULD BE**
23 **APPROVED?**

24 A. According to PECO Witness Cohn, the Microgrid Pilot will generate new microgrid
25 development and performance information that will be highly useful in the future
26 deployment of microgrids. (PECO St. 3 at 3).

1 **Q. DO YOU AGREE WITH PECO'S VIEW THAT IT IS APPROPRIATE FOR ALL**
2 **DISTRIBUTION CUSTOMERS TO PAY FOR THE GENERATION-RELATED**
3 **COSTS OF THE PROPOSED MICROGRID PILOT?**

4 A. No. The costs associated with the DERs are clearly generation related costs, not
5 distribution costs. Therefore, including these DER generation related costs as
6 distribution costs is not appropriate. Moreover, when operating in island mode, the
7 reliability and resiliency is limited to the connected customers and not all PECO
8 customers broadly. While the costs associated with distribution upgrades (which benefit
9 all customers) is appropriately allocated more broadly, spreading the costs of the
10 customer-specific, generation-related Microgrid Pilot to all customers is not reasonable.

11 **III. EFFECTS OF UTILITY OWNED DER ON PRIVATE INVESTMENT**

12 **Q. DO RESA MEMBERS DEVELOP DER PROJECTS?**

13 A. Yes. IGS Energy, through its affiliated companies, develop and operate DER projects
14 throughout the country including solar and combined heat and power development. Also,
15 I am generally aware through publicly available information that other RESA members
16 develop DER projects as well.

17 **Q. WILL ALLOWING PECO TO OWN DER RESOURCES HAVE ANTI-**
18 **COMPETITIVE EFFECTS ON OTHER DEVELOPERS SEEKING TO DEPLOY**
19 **DER IN PENNSYLVANIA?**

20 A. Yes. If an electric distribution utility is allowed to recover generation-related costs
21 associated with DERs that will only be used to serve a subset of customers in its rate
22 base, it can essentially build generation with very limited risk to its shareholders.
23 Moreover, a utility DER project leads to inefficient costs and risk allocation which leads
24 to inefficient investment decisions.

25 As noted above, PECO will seek full cost recovery of its proposed Microgrid
26 Pilot, plus a rate of return on its capital deployed for the project. Conversely, private

1 developers of DER must risk its own capital without authorized cost recovery or a return
2 from ratepayers. The investment decision for a DER developer that does not have a
3 guaranteed way to receive cost recovery is much different than for a utility. Specifically,
4 for private DER development, the decision to invest in DER is based on the desires of the
5 customer who wishes to receive the DER benefits and the economics to the private DER
6 developer of providing that option. Importantly, the private DER developer cannot
7 depend on a subsidy from all ratepayers to fund their research and development and to
8 ensure a return on investment. Further, only those customers wishing to receive the DER
9 benefits are at risk for bearing the costs of over-runs, on-going O&M costs and DER
10 performance issues.

11 Conversely, if a utility is guaranteed full cost recovery from ratepayers, the utility
12 will be much more likely to build DER, even if the economics do not make sense,
13 because the utility DER is assured of receiving full cost recovery, including a return of,
14 and the opportunity to earn a return on investment, from ratepayers. In addition, by
15 spreading the costs of the DER on all customers, the utility DER project puts all
16 customers at risk for bearing the costs over-runs, on-going O&M costs, and DER
17 performance.

18 **Q. DOES SUBSIDIZED UTILITY OWNED DER PUSH OTHER PRIVATE**
19 **DEVELOPMENT OF DER OUT OF THE MARKET?**

20 A. Yes. Ultimately there is a finite amount of customer demand for DER projects. If the
21 utility is allowed to meet that demand with ratepayer subsidized projects, private project
22 development will suffer. This is problematic because in order to develop a robust market
23 for DER one must attract multiple developers into the state competing to serve customers
24 in the most economically efficient manner possible. If these developers know that much

1 of that customer demand will be ceded to the monopoly distribution utility, they will be
2 dis-incentivized to enter the market.

3 **Q. DOES UTILITY OWNED DER LESSEN THE INCENTIVE TO KEEP DOWN**
4 **PROJECT COSTS?**

5 A. Yes. As I note previously, the calculus to invest for a private entity is much different than
6 that of a distribution utility that receives guaranteed cost recovery from ratepayers. A
7 private entity must keep costs low, and size projects that are designed to be the most
8 economically efficient, because they know this will be the only way they earn a profit on
9 their investment. On the other hand, a utility has less incentive to keep costs down,
10 because absent a disallowance (which is uncommon) the utility is guaranteed to recover
11 its full project costs recovered from ratepayers. An incentive to over-build is also created
12 because the utility's only opportunity to earn a return on the project is based on the size
13 of the capital investment. Thus, the larger the project, the more the utility has an
14 opportunity to earn.

15 **Q. WHAT OTHER ANTI-COMPETITIVE EFFECTS EXIST BY ALLOWING A**
16 **UTILITY TO RECOVER THE COSTS ASSOCIATED WITH DERS IN ITS**
17 **RATE BASE?**

18 A. DER developers must work with the utility before and during DER construction to ensure
19 interconnection into the electric grid. Often the utility plays a prominent role in
20 determining the costs to interconnect into the distribution system and these costs can be
21 substantial. When an EDC is acting as a competitor of private DER developers, as well
22 as the gatekeeper to interconnection, it has an incentive to make it more difficult for
23 private developers (i.e. competitors) to move forward with projects. Conversely, the
24 utility would have incentive to favor its own projects. It would be unwise, and put the

1 utility in an unfair competitive advantage, if PECO were allowed to serve as both the
2 gate-keeper and competitor in a market for DER.

3 **Q. WHY DO YOU DISAGREE WITH PECO THAT ITS PROPOSAL IS**
4 **CONNECTED WITH ENHANCING ITS DISTRIBUTION SYSTEM AND,**
5 **THEREFORE, PROPERLY RECOVERED THROUGH RATE BASE?**

6 A. According to PECO Witness Patterer, “the primary function of the microgrid DERs is to
7 enhance reliability and resiliency of PECO’s distribution system, not to provide
8 generation service to customers.” (PECO St. 1 at 25). DER development, however, is
9 not a natural extension of the traditional role of utilities to justify a utility using its
10 distribution monopoly status to recover costs through rate base. Nor does the utility have
11 any type of “monopoly” on DER development. There are many DER developers, that
12 can, and do, develop DER projects. Monopolies are generally illegal, and only by grant of
13 state or federal governing bodies can monopoly status be granted to a specific industry. I
14 am unaware of any statute that has been enacted by the Pennsylvania legislature that
15 would allow PECO to leverage its distribution monopoly rate base to enter into the
16 competitive market for DER development.

17 **Q. WOULD PECO’S PROPOSAL CONTRAVENE THE POLICIES OF**
18 **UNBUNDLING?**

19 A. Yes. PECO has proposed to recover approximately \$19.6 million of DER development
20 costs in its next distribution rate case with the remaining project costs to be recovered
21 through PECO’s DSIC. (PECO St. 3 at 8). PECO’s two integrated microgrids would
22 include DERs with a typical aggregate peak load of 8.6 MW of electric generation.
23 (PECO St. 1 at 16). I have been informed by counsel that the General Assembly also
24 declared that “[t]he generation of electricity will no longer be regulated as a public utility

1 function. . .”³ In furtherance of this goal, the Pennsylvania legislature wisely chose to
2 unbundle electric generation, distribution and transmission service such that all of these
3 costs are recovered separately on a stand-alone basis.⁴ PECO is now proposing to
4 recover generation costs through distribution rates which would contravene the principles
5 of unbundling and deregulation of generation in Pennsylvania.

6 **Q. GIVEN THAT EDCS IN PENNSYLVANIA ARE NOT PERMITTED TO**
7 **UTILIZE RATE BASE RECOVERY FOR LARGE CENTRALIZED**
8 **GENERATION, IS IT REASONABLE FOR EDCS TO UTILIZE THEIR RATE**
9 **BASE TO RECOVER COSTS FOR SMALLER DER PROJECTS?**

10 A. No. Pennsylvania has wisely adopted the policy of making electric generation a
11 competitive service. To that end, EDCs in Pennsylvania do not receive cost recovery of
12 large centralized generation which can take hundreds of millions, if not billions, of
13 dollars to build. It would be counter-intuitive to now decide that EDCs can receive cost
14 recovery for much smaller DER projects, when there is a competitive market full of
15 private developers capable of developing DER projects with their own capital.
16 Competitive generation markets have proven to work for Pennsylvania, driving down
17 electric costs for all customers. The Commission should build on this success by
18 fostering the continued development of a competitive and privately funded DER market.
19 Allowing PECO to receive cost recovery for DER projects will create a slippery slope
20 that threatens to harm the robust development of DER in Pennsylvania and undermine the
21 benefits of a competitive generation market.

³ 66 Pa. C.S. §§ 2802(14); 2806(a).

⁴ 66 Pa. C.S. § 2806(3).

1 **Q. IS PRIVATE OWNERSHIP A BETTER MODEL FOR DER DEVELOPMENT?**

2 A. Yes. While PECO Witness Caldwell also testifies that utility involvement in microgrid
3 development is a way to address challenges non-utilities may face (PECO St. 2 at 6),
4 energy efficiency and demand response are best delivered by competitive retail suppliers
5 offering market-based solutions rather than through regulated distribution companies.
6 Private ownership has key advantages over an EDC owned and operated model,
7 including: (1) eliminating ratepayer risk, because private investors bear the risks of their
8 investment decisions; (2) preventing cross-subsidization of behind-the-meter utility
9 investments by various EDC ratepayer classes, including low-income customers; (3)
10 allowing customers to work with third- parties to deploy technology in an innovative and
11 customizable manner; (4) promoting robust competition in order to speed technological
12 progress and drive down prices; and (5) limiting the exercise of vertical market power by
13 the EDCs. The Microgrid Pilot would require ratepayers to bear the risk of PECO's
14 investment decision and threatens to stymie the investment of private investment dollars
15 in Pennsylvania to develop new technologies like microgrids. Innovation is largely
16 driven by competitive companies investing shareholder dollars and putting their own
17 capital at risk. PECO's proposal threatens to negatively impact this potential investment
18 in innovation because private companies cannot compete with a traditional utility that is
19 guaranteed cost recovery for microgrid projects.

20 **Q. DOES UTILITY DER REMOVE OR ELIMINATE THE DEMAND FOR DER**
21 **WITHIN THE ISLAND?**

22 A. Yes. Customers receiving DER in the island have no incentive to explore alternative or
23 competitive options. This means that customers will lose the opportunity for benefits of
24 having their own DERs. DERs will give many consumers the ability to directly manage

1 their energy consumption and energy production, and allow them to reduce their use or
2 substitute their own production of energy in response to high delivered energy prices.
3 Efficient end-use technologies, dispatchable DERs and storage technologies allow
4 customers to reduce their maximum connected load. These options make customers more
5 price-sensitive, or in economic terms, increase the elasticity of customer demand. By
6 substituting private investment in DERs for utility investment in DER, customers are
7 inhibited from actively managing their own energy consumption and production.

8 **Q. ARE THERE OTHER WAYS BEYOND USING THE UTILITY TO INCENT DER**
9 **IF THE COMMISSION WISHES TO PROMOTE DER DEVELOPMENT?**

10 A. Yes. I do recognize PECO Witness Caldwell's discussion about the growing value of
11 DERs including: (1) protection of facilities for which an uninterrupted supply of
12 electricity is critical; (2) concerns about impact of severe outages on the ability of
13 customers to continue to receive essential services; (3) growing concerns about
14 cybersecurity; and, (4) environmental stability. (PECO St. 2 at 3-6). However, for all the
15 reasons I discussed previously, innovation is largely driven by competitive companies
16 investing shareholder dollars and putting their own capital at risk. The Navy Yard
17 project is a good example of this. It is funded primarily by a \$1.2 million grant from the
18 U.S. Department of Energy with cost-sharing by GE Grid Solutions and the Philadelphia
19 Industrial Development Corporation.⁵ Sharing costs among public funding opportunities
20 through state, federal or local grants, private DER companies and the customers who will
21 utilize the DER technologies is the best way to drive innovation. This is particularly true
22 with microgrids where changes in technology are driving down deployment costs. If the

⁵ RESA Exh. MW-1.

1 Commission determines that some form of incentive funding is appropriate for these
2 projects, it must be done in a competitively neutral manner that allows all project
3 developers willing to take risks with their own capital to be eligible to receive incentives
4 for building DER. Further, customers desiring DER and willing to pay for the DER
5 technology should be the only ones asked to pay for the costs and potential risks of their
6 decision. Applying state incentives to private developers, with appropriate risk sharing,
7 provides the DER developer the right incentives to minimize cost and maximize
8 performance and reliability.

9 **Q. DOES PECO PROPOSE TO PLACE ANY SHAREHOLDER DOLLARS AT RISK**
10 **WITH ITS MICROGRID PILOT?**

11 A. No. Importantly, a utility could elect to utilize shareholder dollars (rather than ratepayer
12 dollars) to invest in DER either through an unregulated affiliate or some other cost
13 sharing mechanism. While using an unregulated affiliate would present other concerning
14 issues from a competitive market standpoint,⁶ PECO has not proposed such structure nor
15 has it offered any proposal to shift even a portion of the cost responsibility and risk to its
16 shareholders.

⁶ These include, but are not limited to: (1) ensuring equal treatment by the utility toward its unregulated affiliate and competitive DER providers; (2) assuring that the utility affiliate does not receive an unfair competitive marketing advantage by using the names or service marks of the utility; and, (3) ensuring that the revenue flow from the unregulated utility to the parent is appropriately separated

1 IV. **EFFECTS OF UTILITY OWNED DER ON RETAIL COMPETITION**

2 **Q. HOW WILL PECO'S CONSTRUCTION OF THE PILOT MICROGRID AFFECT**
3 **THE ABILITY OF SUPPLIERS TO SELL ELECTRIC GENERATION**
4 **PRODUCTS AND SERVICES TO RETAIL CUSTOMERS IN PECO'S SERVICE**
5 **TERRITORY?**

6 A. PECO Witness Patterer claims that the operation of the microgrid in island mode will not
7 interfere with the relationship between the EGS and its customer. During island mode,
8 electricity will be provided by the DERs to customers within the footprint. (PECO St. 1
9 at 22). However, PECO claims it will record the energy delivered to the customers and
10 each customer will continue to be billed by their EGS for generation delivered by the
11 DERs during island operation in the same manner as the customers billed by its EGS for
12 generation delivered during grid-connected mode. (PECO St. 1 at 23). PECO also
13 asserts that upon request by an EGS serving customers within the microgrid footprint,
14 PECO will provide meter information to the EGS so that the EGS can provide a credit to
15 its customers for energy consumed during island mode.⁷

16 **Q. DO YOU AGREE THAT, BASED UPON THIS DESCRIPTION, THERE WILL**
17 **BE NO IMPACT ON EGSS AS A RESULT OF PECO'S PROPOSED**
18 **MICROGRID?**

19 A. No. PECO's provisioning of generation during island mode would negatively impact
20 EGSs. PECO's focus is on the commodity and does not take into consideration that one
21 of the major benefits of competition is that it encourages the development of innovative
22 products and services that add value to customers beyond the electric commodity. EGSs
23 are starting to develop these products which can offer even more sophisticated electric
24 products and services including electricity bundled with energy efficiency, demand

⁷ RESA Exh. MW-2, PECO Response to OCA Discovery, Set I, No. 34.

1 response, direct load control, smart thermostats, distributed solar generation and other
2 forms of on-site generation, battery storage technology, products bundled with loyalty
3 rewards and products bundled with home protection, to name a few. These value added
4 products and services not only add value to customers, but many of these products enable
5 customers to use electricity more efficiently, reduce customer's energy costs and enhance
6 electric reliability on the grid. As competitive markets and technology evolve, customers
7 will start seeing electricity as more than just the commodity, but rather a package of
8 products and services that include the electric commodity. Customers within the service
9 territory of the microgrid, however, would not have the incentive to seek energy
10 efficiency and demand response products from the competitive market because they are
11 included within the island.⁸ This, in turn, discourages EGSs from developing these
12 products. It also results in making consumers more likely to perceive that these energy
13 offerings are available only from the traditional monopoly provider which reinforces the
14 historical EDC-customer monopoly relationship. This would allow EDC distributed
15 energy plans to "crowd out" similar competitive market offerings that may be made by
16 EGSs. Also of note is that during island mode, the customers within the microgrid
17 service territory will have no access to retail choice as they are required to receive
18 generation from the utility owned DERs.

19 In addition, EGSs often enter into long term contracts to serve their customers,
20 requiring them to buy in advance the estimated power needed to serve a customer. If an
21 EGS customer's load is reduced because power is being supplied through the utility

⁸ While this may be true for a private DER project as well, the point here is that this a DER project using generation assets owned by the utility and being funded through rate base. Because of that, this consequence is anticompetitive and provides the utility an unfair competitive advantage.

1 DERs, EGSs will have to bear the cost of power they have already procured for
2 customers.

3 **Q. ARE THERE OTHER POTENTIAL NEGATIVE IMPACTS ON EGS RETAIL**
4 **RELATIONSHIPS?**

5 A. Yes. According to PECO, there are twenty-nine non-residential customers sited within
6 the Concord Township microgrid.⁹ EGS contracts with these commercial customers
7 (particularly larger customers) may include any number of provisions that could be
8 negatively impacted by PECO's proposed Microgrid Pilot. PECO also proposes that upon
9 request by an EGS serving customers within the microgrid footprint, PECO will provide
10 meter information to the EGS so that the EGS can provide a credit to its customers for
11 energy consumed during island mode. However, the process to implement this proposal
12 is not established and, therefore, there is no way to assure that the EGS will receive the
13 same level of net revenues it would absent the islanding. Moreover, the more
14 cumbersome the process is, the more difficult for an EGS to establish a positive working
15 relationship with its customer.

16 **V. CONCLUSION**

17 **Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY?**

18 A. Yes.

19

⁹ RESA Exh. MW-3, PECO Response to OCA Discovery, Set I, No. 8.

RESA Exh. MW-1

Pennsylvania Public Utility Commission

v.

PECO Energy Company

Docket No.: P-2016-2546452

Docket No.: A-2016-2546450

**Responses of PECO Energy Company
To the Interrogatories of the Bureau of Investigation & Enforcement
Set I**

I&E-I-4:

Reference PECO's collaborative with PIDC, GE Grid Solutions, Lawrence Berkley National Lab and others on the U.S. Department of Energy Microgrid Development and System Design project at The Navy Yard described in PECO Statement No. 1, page 10.

- A. Please provide a detailed explanation of PECO's role in the project;
- B. What entity finances the project?
- C. Does PECO conduct any electric generation at the Navy Yard facility?

RESPONSE:

- A. The Navy Yard project is in its initial stages. PECO's anticipated role will be to provide expertise and support to coordinate learning and activities regarding interconnection requirements and relay coordination for islanding, resynchronization and microgrid protection.
- B. The project is funded primarily by a \$1.2 million grant from the U.S. Department of Energy, with cost-sharing by GE Grid Solutions and PIDC.
- C. PECO does not own or operate any electric generation at the Navy Yard.

Responsible Witness: William J. Patterer

RESA Exh. MW-2

Pennsylvania Public Utility Commission

v.

PECO Energy Company

Docket No.: P-2016-2546452

Docket No.: A-2016-2546450

**Responses of PECO Energy Company
To the Interrogatories of the Office of Consumer Advocate
Set I**

OCA-I-34:

Please describe whether the Electric Generation Suppliers (EGS) will provide a credit to PECO or PECO customers for the energy delivered by the DERs and billed to customers by the EGS during the projected 28 hours of island mode operation.

Response:

The proposed cost recovery mechanism for the operation and maintenance (“O&M”) costs for generation, incurred during microgrid island mode operation, does not include a credit by EGSs to PECO or PECO customers. Upon request by an EGS serving customers within the microgrid footprint, PECO will provide meter information to the EGS so that the EGS can provide a credit to its customers for energy consumed during island mode.

Responsible Witness: William J. Patterer

RESA Exh. MW-3

Pennsylvania Public Utility Commission

v.

PECO Energy Company

Docket No.: P-2016-2546452

Docket No.: A-2016-2546450

**Responses of PECO Energy Company
To the Interrogatories of the Office of Consumer Advocate
Set I**

OCA-I-8:

Provide a list of the non-residential customers sited within the Concord Township microgrid.

Response:

The following list sets forth all of the non-residential customers sited within the Concord Township microgrid:

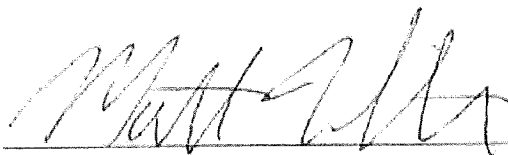
Acme Markets Store #7794
Motel Limited Inc. Best Western Hotel
Target T-1196
Petsmart Inc.
Staples Inc.
Dress Barn
Home Depot
Outback Steakhouse
Marshalls of Ma, Inc. TI Maxx
Bertucci's Pizzeria
Concordville Hotel Corp.
CVS Pharmacy
Medical Billing & Mana.
Automotive Economical Ser.
Sky Zone Glen Mills
Dever Architects – Up. Bldg.
Dever Architects – Down. Bldg.
Color Me & Others
Children's Hospital of Pennsylvania
Crozer Endoscopy Center (Brinton Lake)
Concord Fire
Staybridge Suites
Crozer Surgery Centre (Plaza)

Costco
Concordville Township Building
Boy's Youth Club
WAWA
Maris Grove
Concord Sewage

Responsible Witness: William J. Patterer

VERIFICATION

I, Matthew White, hereby state that: (1) I am the General Counsel Regulatory and Legislative Affairs for IGS Energy; (2) that I am authorized to submit testimony on behalf of the Retail Energy Supply Association; and, (3) I am authorized to make this verification on its behalf, and that the facts set forth in the attached testimony are true and correct to the best of my knowledge, information and belief. I understand that the statements herein are made subject to the penalties of 18 Pa.C .S. § 4904 (relating to unsworn falsification to authorities).

A handwritten signature in black ink, appearing to read "Matt White", is written over a horizontal line.

Dated: August 4, 2016

Matt White
General Counsel Regulatory and Legislative Affairs
IGS Energy