SUSTAINABLE ENERGY FUND

On-Bill Repayment

Model for Pennsylvania

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EAP Comments 2/19/2013

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This document contains an On-Bill Repayment Pilot program.

The Sustainable Energy Fund would like to thank the Commission and the Commission Staff for the opportunity to submit this model for a scalable On-Bill Repayment program for the Commonwealth of Pennsylvania.

In this era of globalization, an important factor in the success of any business is the effectiveness or efficiency with which it consumes its inputs or resources. This holds true for energy resources just as it does for human and material resources. In order to increase energy productivity, businesses must replace outdated or aging production equipment with newer more efficient equipment or retrofit facilities. These facility retrofits can include changes to heating, cooling and illumination. To replace this equipment or retrofit these buildings often means investing significant capital today for projects that will return the investment over the next 3 to 8 years.

Pennsylvania has increased the realization rate of energy efficiency projects over the last couple of years through utility-based Energy Efficiency and Conservation programs. To increase the energy efficiency uptake rates, these programs in general provide incentives in the form of rebates to a subset of customers and socialize the cost of the rebates plus administrative costs across all ratepayers. The model has limitations in that: (a) it leaves a remaining investment net of the rebate for the customer; (b) it recovers costs from the entire rate class not just those directly benefiting from the program; and, (c) it tends to favor measures with low capital costs and short paybacks. Often these low capital cost short payback measures are not the best measures from a technical or economic perspective simply the cheapest upfront.

In contrast, the On-Bill Repayment model recommended by Sustainable Energy Fund seeks to (a) cover 100% of the upfront costs; (b) recapture program costs directly from program participants; (c) lower participants overall utility bills; and, (d) pay for program and capital costs from utility bill reductions. It is Sustainable Energy Fund's belief that such a model would not just increase energy productivity, but also encourage the implementation of deeper energy efficiency measures and measures with higher upfront costs but lower lifecycle costs. For the EDC's in Pennsylvania to be successful in Phase II of Act 129 they must search for deeper efficiency measures as CFLs and other low cost measures have become more commonplace.

The On-Bill Repayment model consists of five entities: (1) Energy User; (2) Contractor; (3) On-Bill Administrator; (4) EDC/LDC; and, (5) Capital Pool Participants.

(1) Energy Users are EDC and/or LDC customers.

(2) Contractor is an energy efficiency contractor registered with the Attorney General's Office as a contractor and approved by the On-Bill Administrator to participate in the program.

(3) On-Bill Administrator is the managing organization responsible to act as a conduit for capital from the capital pool to projects and subsequently recover the distributed capital from project owners for repayment to capital pool participants. The On-Bill Administrator also acts as a single source for applications, credit approval and contractor qualification. Additionally, the On-Bill Administrator

Comment [A1]: EAP believes that any OBR program offered by an EDC under Act 129 must comply with legislative prescriptions and mandates set forth in the statute wherein the EDCs have developed plans pursuant to the statute and approved by the Commission in order to meet specific mandated reductions in energy usage and demand in a cost-effective manner as mandated by the Commission-sanctioned Total Resource Cost Test.

Given the cap on spending under Act 129 and the requirement to offer a variety of EE&C measures equitably to all classes, EAP believes the General Assembly was not looking for grant programs but rather expected that the participants would have a financial stake in the project.

Whether the measures have low capital cost, or high capital cost, it must meet the TRC Test in order to be included in the EE&C Plan. Further the statute requires final plans provide a variety of programs/measures which customers can choose from so as to encourage broad participation in energy efficiency.

Comment [A2]: As with any Act 129 program, EDCs expect full cost recovery of expenses associated with the programs. Any loss of principal must be borne by capital pool participants.

The OBR model proposed by SEF seeks to cover financing of 100% of the participant cost for an Act 129 EE&C measure. EAP contends that any risk that the participant will not repay the loan or advance should not be borne by the EDC and its ratepayers.

In order to fully evaluate the SEF model under the TRC Test, it will be necessary to first determine all administrative and implementation costs.

An effective use of an OBR program would augment direct install programs in the small commercial sector and thereby assist the EDCs in meeting its Act 129 mandates within the statutory construct, i.e., Keystone Help. While the proposed SEF model may arguably encourage energy efficiency, it would not adhere to the requirements set out by the General Assembly in Act 129 nor assist EDCs in meeting their statutory mandates.

provides valuable oversight of contactors in reviewing quoted savings for reasonableness and inspecting a portion (5%-15%) of installations to ensure they deliver quoted savings.

(4)EDC/LDC is the local Electric or Gas Distribution Utility.

(5) Capital Pool Participants provide the cash necessary to fund approved energy efficiency projects.

The utilization of an On-Bill Administrator enables the program to be consistent across the Commonwealth regardless of the utility providing electric distribution service. This consistency means a small business with locations in Erie and Philadelphia can leverage the same program with the same process. In addition, the program has the potential to reach scale more quickly.

For almost a century, utilities have successfully aggregated and leveraged the promise of customer payments into low capital rates for infrastructure investments. By pooling demand for capital across all utilities through a single administrator, the program will aggregate payments from many ratepayers across the Commonwealth's diverse demographic in search of the same competitive rates. The use of a pool of capital providers enables the program after reaching scale to be competitive. Just as ratepayers having the ability to access a pool of Energy Generation Suppliers creates a natural competition that provides ratepayers with least cost electric rates over time, utilizing a capital pool will create competition by capital sources and provide ratepayers least cost access to capital over time.

The On-Bill Administrator, EDC/LDC and Capital Pool Providers are compensated for their participation in the program. The On-Bill Administrator receives a portion of the origination fee and interest rate spread between the rate paid by the energy user and the rate received by the Capital Pool Participant. Capital Pool Participants receive compensation in the form of interest and a portion of the origination fee. The EDCs/LDCs would receive compensation for billing, collection and payment through a coordination fee similar to that implemented for EGS's of approximately $2.35.

Pilot Program

The purpose of the pilot program is to:

(1) Better understand the potential uptake rate of a full-scale program and its corresponding capital requirements;

(2) Uncover potential hidden costs and administrative issues;

(3) Prove or disprove that the barrier to small commercial and industrial participation in Act129 programs is access to capital; and,

(4) Develop the data necessary for future support by capital providers of sufficient magnitude in order to supply any potential unmet need in Pennsylvania.

The pilot program is limited to small commercial and industrial customers including for profit entities as well as low-income master metered dwellings, schools, non-profits and governmental entities.

Comment [A3]: The proposal advances the On Bill Administrator as qualifying applications, including the review of quoted savings for reasonableness to ensure verified savings. Recognizing the current time and expense devoted to EM&V under Act 129, EAP questions the need for having an OBR Administrator duplicate EM&V processes.
PA EDCs have adopted evaluation, measurement and verification plans, consistent with the Audit Plan and Evaluation Framework for Pennsylvania Act 129 Energy Efficiency and Conservation Programs adopted by the Commission 12-1-2009 (Audit Plan). This frame work includes use and application ... [1]

Comment [A4]: Act 129 does not cover gas distribution utilities and this suggestion overly complicates the model under any pilot to advance OBR.

Comment [A5]: Need to identify the availability and criteria for participation in the capital pool from the perspective of participants.

Comment [A6]: Need to distinguish if SEF model contemplates a statewide pilot or a pilot within a single EDC territory. A statewide pilot under the SEF model would need to address nuances and differences in each utility's billing system, management and financial governance. Whe ... [2]

Comment [A7]: The likelihood of customer payments has very little to do with how investors view the risk associated with investment in regulated public utilities. In fact, electric ratepayers who are protected from termination might be viewed as a greater risk than customers of ot ... [3]

Comment [A8]: Whether or not the On Bill Administrator or Capital Pool Participants will offer a single rate to all customers cannot be determined.

Comment [A9]: EAP believes that in order to offer this program under Act 129 the On Bill Administrator should be regarded as a Conservation Service Provider (CSP) and should comply with those provisions of Act 129. Any costs attributed to the On Bill Administrator, to the Capital Pool Particip ... [4]

Comment [A10]: During the January 16, 2013 Working Group meeting, Mr. Costlow attributed this figure to PPL Electric's tariff. Attachment 1 addresses what this represents and, also, that this amount and approach are unlikely to permit EDCs to recover their costs.

Comment [A11]: As recommended at the Stakeholder meeting, the metrics to determine the success of the pilot needs to be established and agreed to by stakeholder before the pilot begins. The mechanism chosen for the recovery of pilot costs must anticipate the need to recover hid ... [5]

Comment [A12]: Limits of the pilot program must be identified and must include specific customer segments, amount of capital to be advanced and a timeframe for the pilot followed by a pilot evaluation and report prepared by an independent third party.

Energy users and contractors are readily available throughout Pennsylvania to participate in the program. Sustainable Energy Fund believes there are existing third parties that could fulfill the role of the On-Bill Administrator and Capital Pool Participant(s) for both the pilot and a continuous program. If there are no third parties willing to engage in the pilot program at a reasonable rate, Sustainable Energy Fund is prepared to act as either the On-Bill Administrator or the Capital Pool Participant (or both) in an effort to see On-Bill Repayment in the Commonwealth. In absence of a third-party capital provider Sustainable Energy Fund is willing, contingent on Board approval, to provide up to 2 million dollars in capital towards the program. The only remaining elements to implement an On-Bill Repayment program in Pennsylvania are a willing EDC or LDC and approval by the Commission.

During the pilot, twenty-five basis points would be added to the origination fee to be used by the EDC/LDC towards recovery of costs to modify their billing software. In addition, Sustainable Energy Fund recommends that if at the end of the pilot the entire cost of the modifications to the billing software are not recovered through the basis point adder, that the EDC/LDC would be able to recover the remainder of the costs during their next rate case or through a 1307 recovery mechanism.

Attached are two straw man tariffs and a cross-functional flow chart of the various parties.

Comment [A13]: The On Bill Administrator should be selected as a CSP and should be an entity distinct from any Capital Pool Participant.

Comment [A14]: At 25 basis points it would take $400,000,000 in loans to cover the estimated $1 million cost of IT infrastructure required to implement on bill repayment at each EDC. Stated another way. At an average loan of $10,000 an EDC would need 40,000 small C&I customers to participate to recover costs as proposed by the SEF model.

Comment [A15]: Utility billing modifications that are necessary to support the program as proposed would be significant capital investments and would be socialized among ratepayers. However, the costs could not be recovered through a 1307 mechanism unless specifically authorized to do so by statute. With regard to recovery through base rates, a fundamental concern would be if the pilot was not successful, the billing modifications would no longer be of value to customers and might, as a consequence, be excluded from rate base. Accordingly, pre-approval by the Commission of an amount and a mechanism is appropriate.

ENERGY SAVINGS ADVANCE RIDER

A. PURPOSE

Provide customers the opportunity to receive an Advance to be used to implement energy efficiency improvements to reduce their energy consumption, thereby decreasing utility bill charges. The savings that result from the reduced energy and distribution charges are used to repay the Advance.

B. APPLICABILITY

The Energy Savings Advance rider applies to Small Commercial and Industrial Customers including schools, institutional, nonprofit and governmental entities.

C. CUSTOMER ELIGIBILITY

(1) Energy Saving Advances less than $35,000:

(a) Utility account current for previous 12 months;

(b) No disconnection or termination of service in past 24 months; and,

(c) A customer for at least the last 24 months.

(2) Energy Saving Advances $35,000 or greater:

(a) Utility account current for previous 12 months;

(b) No disconnection or termination of service in past 24 months;

(c) A customer for at least the last 24 months; and,

(d) Lender Approval.

(3) New Utility Customer:

(a) If less than $35,000: a customer of another Pennsylvania jurisdictional utility or cooperative for at least the past 24 months with no disconnection or termination of service for non-payment in past 24 months and current account for preceding 12 months OR lender approval;

(b) If $35,000 or greater: a customer of another Pennsylvania jurisdictional utility or cooperative for at least the past 24 months with no disconnection or termination of service for non-payment in past 24 months and current account for preceding 12 months AND lender approval.

D. PROJECT ELIGIBILITY

(1) Act 129 EE&C Rebates

(a) Any project in which the customer has applied for a prescriptive rebate under the Act129 Energy Conservation and Efficiency Plan; or

Comment [A16]: Further discussion of the Tariff Model versus the loan model is warranted.
At this point, EAP offers comments to the specifics in the proposed tariff model and reserves the right to offer further amendments and suggestions as discussions proceed in the WG.

Comment [A17]: This term needs to be defined - presume this to be a cash payment equal to the full estimated cost of a "Project" which meets the criteria established in Section D.

Comment [A18]: This needs to include more specificity as to rate schedules and the specific criteria to be applied to determine whether an entity is a school, institution, nonprofit, or governmental entity.

Comment [A19]: Presumably this should specify "no disconnection or termination of service **for non-payment".**

Comment [A20]: Specify whether this applies only for a single premise and account or whether it can also apply across an account or premise change and whether Lender/Capital Pool Participant approval is part of the Rider.
Both of these require a release of private customer information which must be authorized by the customer. While such authorization can be included in the application, it is a significant event and should be separately addressed here.

Comment [A21]: Release of payment history from another will require a second customer authorization.

Comment [A22]: Clarify whether the reference to the term "lender" means the On Bill Administrator or the Capital Pool Participant. Clarify whether approval includes a determination of credit worthiness based on accepted lending criteria.

Comment [A23]: Clarify whether the reference to the term "lender" means the On Bill Administrator or the Capital Pool Participant. Clarify whether approval include a determination of credit worthiness based on accepted lending criteria.

(b) Any project in which the customer has applied for a custom rebate under the Act129 Energy Conservation and Efficiency Plan if program had funding available; or

(c) Any project for which rebates are no longer available since they are either fully subscribed or wait listed.

(d) Note: Rebates would be assigned towards principle repayment.

(2) Building Envelope Measures. Single or multiple Building Envelope improvements that increase the building's overall performance by a minimum of 10% over IECC 2006 code or 25% over the building's current performance.

(3) Specific Energy Efficiency Measures

(a) Lighting. Lighting efficiency measures that decrease electrical consumption due to lighting by a minimum of 25%.

(b) Heating, Ventilation and Air Conditioning. HVAC measures such as duct insulation and sealing or other HVAC measures that decrease overall energy consumption by a minimum of 20%.

(c) Industrial Methods. Methods such as building automation controls, flue gas heat recovery, motor efficiency upgrades, variable frequency drives, compressed air system improvements and others that decrease energy consumption by a minimum of 15%.

E. TERMS

(1) Minimum Energy Savings Advance $1,000.

(2) Energy Saving Advances less than $35,000 AND Building Envelope, Lighting or HVAC Measures Installed:

(a) Interest Rate X % *(Note: Target 6 to 8%, with 4% spread above capital pool participant rate)*

(b) 1.25% Origination Fee.

(c) Repayment term not to exceed 8 years, life of the equipment or 20% positive projected project cash flow.

(d) Building owner signs declaration to notify future owner/tenant of any remaining balance on the meter and ESAP may file UCC-1.

(d) In the event of termination of service prior to end of ESA repayment, remaining balance follows the meter to the new customer.

(3) Energy Saving Advances less than $35,000 AND OTHER THAN Building Envelope, Lighting or HVAC Measures Installed:

(a) Interest Rate X % *(Note: Target 6 to 8%, with 4% spread above capital pool participant rate).*

Comment [A24]: Approved measures would need to be consistent with the EDCs Act 129 program. At the stakeholder meeting, participants were including items like ventilation improvements, for which there are no Act 129 savings. It may be more appropriate to limit eligible projects to those which have been approved.

Comment [A25]: If administered as stated, funding could flow to projects with relatively low TRCs. Furthermore, as noted above, it is not clear that such projects involving no ratepayer funding could be counted under Act 129.

Comment [A26]: Such projects are not likely to exhibit a TRC of greater than 1. Accordingly they would not qualify for Act 129 incentives.

Comment [A27]: Ventilation has no payback under Act 129.

Comment [A28]: The standard threshold used in Act 129 is TRC not energy saved as it only accounts for one of several variables in evaluating a project.

Comment [A29]: Clarify whether fee goes to the OB Administrator or the Capital Pool Participant. Since there is no credit check and it has been suggested that default is low, paperwork is minimal, and there are no billing costs, it is unclear how a 1.25% origination fee for the On Bill Administrator is justified.

Comment [A30]: Unclear of what is meant by "20% positive projected project cash flow". Also unclear whether the repayment term is "8 years **or** the equipment life", EAP suggests "8 years **or** the equipment life, **whichever is shorter**".

Comment [A31]: While a legal analysis has not yet been performed, EDCs are concerned that existing law may not permit utilities to terminate for a prior customers unpaid charges.

Comment [A32]: Same comment as immediately above. Any risk of loss associated with failure to pay advance/loan must be borne by Capital Pool Participants.

(b) 1.25% Origination Fee added to loan principle

(c) Repayment term not to exceed 8 years, life of the equipment or 20% positive projected project cash flow.

(d) Balloon Advance payment due immediately upon termination of service.

(4) Energy Saving Advances $35,000 or greater:

(a) Interest Rate 6 to 9%.

(b) Maximum 1.25% Origination Fee.

(c) Repayment not to exceed 7 years.

(d) Balloon Advance payment due immediately upon termination of service.

F. APPLICATION OF PAYMENTS

(1) The Company shall apply payments received from the customer first to charges for electric energy. The remainder of the payment shall be applied to the Energy Savings Advance up to the amount of the monthly payment.

(2) Payments which are insufficient to pay for both the balance due for the prior billing period and for the current billing period are applied first to the unpaid balance of the prior billing period including the past due Energy Savings Advance payment, then the remainder is applied to the current billing period in the sequence stated in item (1) above.

G. TERMINATION FOR NONPAYMENT OF ENERGY SAVINGS ADVANCE

(1) The Company, at its discretion, may terminate electric service, upon notice to the customer when appropriate for nonpayment of an undisputed delinquent ENERGY SAVINGS ADVANCE amount.

Comment [A33]: Same comments as above. Any risk of loss associated with failure to pay advance/loan must be borne by Capital Pool Participants.
Obligation to collect a defaulted loan must be on the On Bill Administrator or Capital Pool Participant.
Utility risk must be limited to costs of implementing and administering the program.

Comment [A34]: Same comments as above. Any risk of loss associated with failure to pay advance/loan must be borne by Capital Pool Participants.
Obligation to collect a defaulted loan must be on the On Bill Administrator or Capital Pool Participant.
Utility risk must be limited to costs of implementing and administering the program.

Comment [A35]: Prior to discussing the application of funds, a section is required to define how the On-Bill Administrator will determine loan repayment amount to be billed to the customer and how that amount would be noticed to both the customer and to the EDC.

Comment [A36]: The term "electric energy" must include all of the bill components (transmission, and generation) and must be applicable to budget billing and charges for generation supply from an EGS which appear on the EDC bill.
Any penalties imposed by the On Bill Administrator or Capital Pool Participant for failure to make a payment towards the advance or obligation of the customer and any risk of loss must be borne solely by the On Bill Administrator and Capital Pool Participant.

Comment [A37]: Any and all payments must be applied to the electric service portion of the customer's bill first and this priority carries forward to future months and applies to the balance catch-up. The method proposed in the SEF model increases EDC uncollectable amounts and places risks and costs on the EDC and its customers. See Attachment 2 for an example.

Comment [A38]: Utilities do not believe that it is clear that, under existing law, they have the right to terminate service for failure to pay non-basic charges.

ESA PROGRAM ADMINISTRATOR COORDINATION TARIFF

A. APPLICATION

The tariff provisions apply to the Energy Savings Advance Program Administrator (ESAPA).

B. Commencement of EDC/ ESAPA Coordination

(1) ESAPA must complete registration with the Company.

(2) The Company shall complete the processing of the registration for Coordination Services within ten (10) business days after the date of service of the registration. The Company shall approve the registration unless grounds for rejecting registration, as defined below, exist.

(3) The Company may reject any registration for Coordination Services on any of the following grounds:

(a) the ESAPA has undisputed outstanding debts to the Company arising from its previous receipt of Coordination Services from the Company under this Tariff; or

(b) the ESAPA has failed to submit a completed registration within thirty (30) calendar days after the date of registration of written notice of registration deficiency.

(4) Upon successful registration for Coordination of Services, the Company will assign the ESAPA a provider identification number to be used in subsequent electronic information exchange between the ESAPA and Company. This number shall be consistent with the ESAPA's Dunn & Bradstreet Business number.

(4) Coordination Services shall commence within fifteen (15) days after the Company's acceptance of an ESAPA's registration for Coordination Services.

C. COORDINATION OBLIGATIONS

(1) The Company shall provide all Coordination Services, as provided herein, necessary for the ESAPA to extend credit and disburse funds to serve retail customers within the Company's service territory.

(2)The ESAPA must maintain in good standing with the Pennsylvania Public Utility Commission.

(3)The ESPA must make all necessary arrangements for obtaining the capital to supply Advances in a amount sufficient to meet its program Commitments.

(4) The ESAPA and the Company shall supply to each other all data including customer payment history or other information reasonably required by the E ESAPA or Company in connection with the provision of Coordination Services, in a thorough and timely manner.

(5) An ESAPA and the Company must be equipped with the following communications capabilities:

Comment [A39]: Further discussion of the Tariff Model versus the loan model is warranted. At this point, EAP offers comments to the specifics in the proposed tariff model and reserves the right to offer further amendments and suggestions as discussions proceed in the WG.

Comment [A40]: Clarify if the ESAPA is the On-Bill Administrator referenced above in the SEF model.

Comment [A41]: EAP would understand that the On Bill Administrator would be chosen in a method which complies with the Conservation Service Provider under Act 129 and would be subject to approval by the Commission.

Comment [A42]: Needs to be defined.

Comment [A43]: Add:"(c) the ESAPA has failed to comply with payment and billing requirements specified in the Tariff.

Comment [A44]: It is appropriate to include a period of Electronic Data Interchange (EDI) testing at the ESAPA's expense in order that the ESAPA can demonstrate that it (or its EDI provider) is competent in all required transactions.

Comment [A45]: Unclear as to what the ESAPA is to maintain. Clarify financial requirements of security/bond.

Comment [A46]: Phrase "other information reasonable required" is unacceptably vague. Specifics regarding Information exchange must be properly identified in this document.

(a) Internet electronic mail, including the ability to receive CSV and ASCII file attachments;

(b) Internet browser capable of access to the Company web-site and file uploads and downloads; and,

(c) Internet EDI peer-to-peer communication with push and pull capability.

(6) The Company shall make available to an ESAPA, on a daily basis, the following information regarding that ESPA's Customer in electronic files available on the Company's website: (a) EDC Account Number; (b) Billing Route; (c) Customer Name; (d) Service Address; (e) Service City; (f) Service State; (g) Service Postal Code; (h) Mailing Address; (i) Mailing City; (j) Mailing State; (k) Mailing Postal Code; (l) Telephone; (m) Rate Class; (n) Annual kWh; (o) Whether Customer is on budget billing; and (p) Whether the Customer is on special a payment agreement.

D. BILLING, COLLECTION and PAYMENT

(1) The Company will bill the ESAPA customer for the payment due. The Company will submit an invoice to the ESAPA of $2.35 for each ESA participant billed. This charge is to bill the customer, collect the customer payment and remit payment to ESAPA.

(2) The invoice may be transmitted to the ESAPA by any reasonable method requested by the ESAPA. An ESAPA small make payment for Charges incurred on or before the due date shown on the bill. The due date shall be determined by the Company and shall not be less than fifteen (15) days from the date of transmittal of the bill.

(3) Payments to ESAPA s will occur electronically twenty (20) days after consolidated EDC bills are issued and will continue throughout the billing cycle. If the 20th day falls on a weekend or bank holiday, payments will occur on the next business day. Only payments collected will be remitted to the ESAPA. The Company will notify the ESAPA of any of its customers who failed to pay a portion or all of the ESA payment.

(4) The Company is authorized to conduct collection activities and, if necessary, terminate its service delivery. The Company is required to notify the ESAPA when it has begun collection activity and if service is terminated.

Comment [A47]: This must be consistent with the supplier tariffs currently in place. EDCs would not want to change supplier tariffs for this mechanism. Clarify necessity and whether the ESAPA has the obligation to securely maintain information.

Comment [A48]: Clarify how this model contemplates on-bill repayment for customers that select supplier consolidated billing and how these customers may participate.

Comment [A49]: Language is required to describe how the payment amount is calculated and by whom.

Comment [A50]: As noted earlier, this charge is not appropriate for the purpose for which it is proposed to be used.

Comment [A51]: Suggest that, more appropriately, this should be a "mutually agreeable" method.

Comment [A52]: As noted elsewhere, utilities do not believe that they are authorized, under existing law, to terminate service for a failure to pay non-basic charges. In addition, all risk of loan default including collection must be borne by the On Bill Administrator or Capital Pool Participant.

EDCs believe that in the instance that service is terminated for failure to pay amounts billed for basic service, the EDC should have no responsibility for negotiating repayment of outstanding financed amounts and should not engage in collection activity for that loaned amount.

Page 2: [1] Comment [A3] **Author**

The proposal advances the On Bill Administrator as qualifying applications, including the review of quoted savings for reasonableness to ensure verified savings. Recognizing the current time and expense devoted to EM&V under Act 129, EAP questions the need for having an OBR Administrator duplicate EM&V processes.

PA EDCs have adopted evaluation, measurement and verification plans, consistent with the Audit Plan and Evaluation Framework for Pennsylvania Act 129 Energy Efficiency and Conservation Programs adopted by the Commission 12-1-2009 (Audit Plan). This frame work includes use and application of the PA Technical Reference Manual for applied "deemed" measure savings, partially deemed measure savings as well as all applicable algorithms and input variables. Why would the On Bill Administrator duplicate efforts of the SWE and the EDC EM&V consultants to determine whether a project could generate particular cost savings.

Measurement protocols required to support financing of energy efficiency projects were originally developed by the National Association of Energy Services Companies Professionals (NAESCO). These were later promulgated as the International Performance Measurement and Verification Protocols (IPMVP) by the Lawrence Livermore Berkeley National Laboratory. IPMVP Options A-D are incorporated into the Audit Plan and EDC EM&V Plans. The proposed program fails to address how it would measure savings to ensure "reasonableness" and omits any mention of the IPMVP Protocols promulgated specifically to support EE project financing. The proposal lacks linkage to long-established industry standards and serves to demonstrate specific lack of requisite competencies, and would apepar to replace EDC responsibility to demonstrate cost-effective savings under Act 129.

This list of duties seems to be consistent with the duties typically performed by a Conservation Service Provider (CSP) under Act 129. EAP further observes that Act 129 contemplates CSPs being engaged through a competitive bid process. While, as noted above, EDCs are concerned whether an OBR program could be included under Act 129, if the program is found to be appropriately included undr Act 129 and an EDC chooses to include such a program in a future EE&C plan, then the competitive bidding process should apply to choose an administrator in order to ensure compliance with the law.

Page 2: [2] Comment [A6] **Author**

Need to distinguish if SEF model contemplates a statewide pilot or a pilot within a single EDC territory. A statewide pilot under the SEF model would need to address nuances and differences in each utility's billing system, management and financial governance. Whether or not a pilot can be expanded must be based on achievability of identifiable metrics.

Page 2: [3] Comment [A7] **Author**

The likelihood of customer payments has very little to do with how investors view the risk associated with investment in regulated public utilities. In fact, electric ratepayers who are protected from termination might be viewed as a greater risk than customers of other businesses. To the extent that investors view utility investments as less risky, it is because of a regulatory compact that permits utilities to recover their costs, including the opportunity to provide an appropriate return on investment, through rates that may in fact place the burden associated with uncollectible amounts on paying customers.

Page 2: [4] Comment [A9] **Author**

EAP believes that in order to offer this program under Act 129 the On Bill Administrator should be regarded as a Conservation Service Provider (CSP) and should comply with those provisions of Act 129. Any costs attributed to the On Bill Administrator, to the Capital Pool Participants and all costs incurred by EDCs to implement this measure must be used to calculate cost effectiveness under the TRC Test.

Act 129 clearly contemplates each EDC filing its own plan that includes, as noted above, CSPs acquired through competitive bid. Although EAP has not conducted a full legal analysis, it believes that a single statewide administrator may be difficult under Act 129.

Page 2: [5] Comment [A11] **Author**

As recommended at the Stakeholder meeting, the metrics to determine the success of the pilot needs to be established and agreed to by stakeholder before the pilot begins. The mechanism chosen for the recovery of pilot costs must anticipate the need to recover hidden or unanticipated costs that are incurred in the conduct of the pilot. EAP suggests identification of the data necessary to gain support from Capital Pool Participants, agreement upon the methodology to collect the data, followed by the data collection during the pilot.

Attachment 1

Coordination Fee

Summary

The proposed On-Bill Repayment Model developed by SEF and dated December 17, 2012 includes, on page 2, reference to a "coordination fee similar to that implemented for EGSs of approximately $2.35." During the January 16, 2013 Working Group meeting, Mr. Costlow of the SEF stated that this amount was "rounded" from the figure of $2.34 quoted in PPL Electric Utilities Corporation's ("PPL Electric's" or "the Company's") tariff. The purposes of this attachment are to (1) clarify that the $2.34 amount is a credit available to retail customers and not a fee charged to Electric Generation Suppliers (EGSs); (2) establish that this amount is not representative of the costs associated with system changes necessary to implement on-bill refinancing; and (3) describe the modifications that would be required to accommodate on-bill refinancing.

(1) The $2.34 figure is found in PPL Electric's retail electric tariff (Tariff Electric Pa. P.U.C. No. 201). It is the "Billing and Collections Credit" that is applied to customers' distribution charges in the event that they are taking supply from an EGS who is providing an EGS Consolidated Bill.

The Billing and Collections Credit is applied to customers' distribution charges in the event that the customers are taking service from an EGS who is providing a bill that includes the charges of both PPL Electric and the EGS. In this billing option, it is presumed that the EGS is including in its price the cost of preparing and rendering a bill and of collecting amounts due. Because PPL Electric's distribution rates already reflect the revenue required to perform billing and collections, the credit is provided to reflect the fact that customers in this circumstance are not being provided billing and collection service by PPL Electric and, therefore, should not have to pay for the service.

PPL Electric proposed a revision of the $2.34 figure in the context of the Company's request for an increase in base rates. Pursuant to the Commission's final Order in that proceeding, the $2.34 amount is now $2.68. That figure reflects an allocation of customer service expenses reflective of the activities associated with preparing bills for customers, rendering bills to customers, and collecting from customers amounts due. The amount does not include any capital related to the billing system.

By way of further clarification, PPL Electric does not charge EGSs for Electronic Data Interchange (EDI), for including EGS charges on an EDC consolidated bill, or for collection and remittance of amounts owed by customers to EGSs. Costs that the Company incurs in performing these services are recovered from all distribution customers through their distribution charge.

(2) The Company's existing facility for transacting EDI with EGSs only permits transactions with a single EGS at a time. As a consequence, if that facility were used for on-bill repayment transactions, then the customer would be precluded from taking competitive generation supply and would remain a default service customer.

Consistent with the Commission's rules establishing that EDCs only transact billing data with a single EGS, PPL Electric's existing facility for transacting EDI with EGSs only accommodates billing transactions with a single EGS during each billing period. As a consequence, if that facility were used for on-bill repayment transactions, as is proposed in the On-Bill Repayment Model, then the customer would be precluded from taking competitive generation supply and would remain a default service customer. Accordingly, in order to implement the proposal wherein the EDC renders a bill that consolidates the distribution charge, the repayment charge, and accommodates competitive generation supply (i.e., permits a generation charge to be applied by an EGS), the Company would essentially need to;

- Replicate its existing EDI capability for a second set of transactions (likely to include enrollment transactions and confirmations, billing transactions and confirmations, transactions reporting on partial payments, and remittance transactions).
- Create new accounts to record and track repayments.
- Establish new fields in CSS to record information associated to customers' participation and make those fields available to Customer Service Representatives.

The Company estimates based on this conceptual plan, an order-of-magnitude estimate of about $1,000,000 to make the necessary modifications. At this conceptual stage, in the absence of a specific set of programming requirements, the real cost could be as much as double this estimate. It is also estimated that the minimum implementation time would be 12 to 15 months. If the earliest possible in-service date were to be achieved, then significant other modifications to the billing system to support retail market enhancements would need to be delayed. A more orderly and less disruptive approach would be to allow these modifications to be included in budgets and workplans for 2014.

(3) Because of its high implementation cost, the proposed approach is not a desirable approach for a pilot in that significant costs would be incurred with no assurance that the pilot outcome would support a full implementation. Even if there would be an implementation, the final approach might be sufficiently different that pilot expenditures might not be relevant to the final model. Accordingly, the Company offers several different and less costly approaches that might be pursued.

As noted above (see Item (2)), the system modifications necessary to implement the proposed model, even as a pilot, are significant. Because the pilot would be done to prove or disprove the concept, there is a distinct likelihood that, at its conclusion, the pilot might suggest either a different implementation or no implementation at all. In either case, some or all of the expense and time invested in the pilot will have been for naught. Accordingly, it may be appropriate to look for simpler and lower cost approaches to test concepts. PPL Electric offers the following for further consideration:

1. EDC Consolidated Bill with the Administrator as an EGS
   If the Administrator is also a licensed EGS (or works with a licensed EGS), the Administrator would be able to use the existing EDI capability to provide multiple charge lines (loan repayment separate from generation and transmission) for PPL Electric to include in an EDC Consolidated Bill that it would render to customers. This approach would require that the customer not be a default service customer, but would not require system modifications. The Company would, however, have to obtain PUC approval to permit an EGS, for the purposes of this specific pilot, to submit a charge line not related to commodity service. A special Purchase of Receivables Discount would also likely have to be used to reflect this non-standard product.

2. Dual Billing with the Administrator as an EGS
   If the Administrator is also a licensed EGS (or works with a licensed EGS) the Administrator would be able to use the existing Dual Bill functionality to render its own bill to the customer for generation, transmission, and loan repayment. This approach would require that the customer not be a default service customer, but would not require system modifications, PUC approvals, or Purchase of Receivables considerations.

3. Third Party Biller Model
   PPL Electric has instituted a form of EDC Consolidated Billing which could permit the Administrator to render a consolidated bill (distribution, transmission, generation, and loan repayment). This model also exists and is created by customers themselves in those instances where customers have redirected their bills to a third party such as PayTrust. This approach would permit the customer to take supply from either an EGS or the default service provider.

PPL Electric Utilities Corporation
March 1, 2013

ATTACHMENT 2

Simple Example Payback

Loan Amount - $2,400
Loan Term - 1 Year

With Financing	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Total**
Electric Bill	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$21,600
Financing Charge	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$200	$2,400
Total Bill	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$2,000	$24,000
Customer Payment	$2,000	$1,800	$1,800	$1,600	$1,600	$2,000	$1,600	$1,600	$1,600	$1,800	$1,500	$1,500	$20,400
PPL Payment	$1,800	$1,800	$1,600	$1,600	$1,400	$1,800	$1,600	$1,400	$1,600	$1,600	$1,500	$1,300	$19,000
Financing Payment	$200	$0	$200	$0	$200	$200	$0	$200	$0	$200		$200	$1,400
PPL Uncollectible													**-$2,600**
Financing Uncollectible													**-$1,000**

Same Customer Without Financing	**Jan**	**Feb**	**Mar**	**Apr**	**May**	**June**	**July**	**Aug**	**Sep**	**Oct**	**Nov**	**Dec**	**Total**
Electric Bill	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$21,600
Financing Charge	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0	$0
Total Bill	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$1,800	$21,600
Customer Payment	$1,800	$1,800	$1,800	$1,600	$1,600	$1,800	$1,600	$1,600	$1,600	$1,800	$1,500	$1,500	$20,000
PPL Payment	$1,800	$1,800	$1,800	$1,600	$1,600	$1,800	$1,600	$1,600	$1,600	$1,800	$1,500	$1,500	$20,000
PPL Uncollectible													**-$1,600**

PPL EU would still have an uncollectinble as a result of this customer, but it is minimized by not havin the financing component. In essence, the rate payer becomes the lien for the finance company.