

PENNSYLVANIA PUBLIC UTILITY COMMISSION

**ACT 129 FUEL SWITCHING WORKING GROUP
REPLY COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION**

By orders adopted in October 2009 approving the Energy Efficiency and Conservation Plans of the electric distribution companies, the Commission directed staff to convene the Fuel Switching Working Group to identify, research, and address issues related to the use of fuel switching or fuel substitution programs (i.e. replacing an electric appliance with a natural gas appliance). The Fuel Switching Working Group is to submit recommendations to the Commission by March 31, 2010.

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) has actively participated in all of the proceedings instituted by the Public Utility Commission (“PUC” of the “Commission”) to implement Act 129 of 2008 (“Act 129” or the “Act”), including the Fuel Switching Working Group. After participating in the Fuel Switching Working Group (the “Working Group”) and reviewing other parties’ comments, PPL Electric appreciates the opportunity to offer the following reply comments:

The Company believes very strongly that fuel switching, just like any other energy efficiency measure, should be VOLUNTARY for Electric Distribution Companies (“EDC”) as part of their Act 129 Energy Efficiency and Conservation (“EE&C”) Plans. Therefore, fuel switching should not be prohibited nor should it be mandatory.

Act 129 and the Commission’s implementation orders do not mandate the inclusion of any specific measure (CFLs, renewable energy, appliance recycling, T8 lighting, high efficiency motors, etc.) in an EDC’s EE&C Plan. Each EDC included a mix of energy efficiency measures in its EE&C Plan to provide the best opportunity for success, compliance, customer acceptance and satisfaction, and to best balance the objectives of Act 129 including, program cost, energy reduction targets, peak load reduction targets, allocation of cost and savings among customer sectors, and cost-effectiveness. In fact, after careful evaluation during the development of its EE&C Plan, the Company included limited fuel switching for its customers who are on the RTS rate.

Certainly, there are stakeholders who prefer a different mix or a different emphasis on specific measures. However, the EDC ultimately has the challenge and accountability to determine the ideal balance and to comply with the Act. If the EDC offers a mix of measures that is not accepted by its customers, does not provide cost-effective savings, or does not use the limited (capped) program funding effectively, then compliance is at risk and the EDC will have to adjust the mix of measures, delete measures, or add measures to improve the likelihood of compliance.

During the Working Group meetings, the Working Group agreed that any fuel switching measure, if permitted by the Commission, should be “fuel neutral” and, therefore, should include natural gas, oil, propane, or other fuels. However, none of the sub-groups’ recommendations or examples (such as cost-benefit analyses) addressed any fuel other than natural gas. To avoid any potential anti-trust issues and to maximize options for customers, including those without access to natural gas, it is important for the Working Group’s recommendations be expanded to be “fuel neutral.”

As a matter of policy, the Company believes that Pennsylvania natural gas distribution companies should have mandatory reduction targets, similar to Act 129, to help gas customers reduce consumption. Otherwise, the Company is concerned that fuel switching merely “pushes the problem from electricity to gas”.

The Company also strongly believes that EDCs should be permitted to continue to offer incentives for high-efficiency heat pumps, heat pump water heaters, and any other high efficiency electric measure that has an oil/gas/propane equivalent. Incentives for high efficiency electric equipment are critical to ensure compliance with Act 129 targets and do not encourage conversion from gas/oil/propane. The Company does not and will not promote conversion from oil/gas/propane equipment-- that decision is the customer’s. However, once a customer has decided to install a heat pump (in new construction, as a replacement for an old heat pump, to upgrade a heat pump, or to switch from another type of heater/air conditioner), the Company’s Act 129 incentives are intended to encourage the customer to install a higher efficiency heat pump than the customer would have installed in the absence of the Company’s incentives.

The Company also feels strongly that it should not be forced to recommend other fuel sources or fuel providers to its customers. That choice should be made solely by the customer without input from the Company. The Company values customer satisfaction significantly and is very concerned that incentives for fuel switching will be viewed by customers as an endorsement of that fuel, fuel provider, or product. If customers are not satisfied with that fuel, fuel provider, or product, or if the price of that product significantly increases relative to electricity, then customer satisfaction could decline.

Respectfully submitted,

Peter Cleff
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