

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Investigation of Conservation, Energy	:	Docket No. M-00061984
Efficiency Activities, and Demand Side	:	
Response by Energy Utilities and	:	
Ratemaking Mechanisms to Promote	:	
Such Efforts	:	

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**Comments of  
PPL Electric Utilities Corporation  
On Draft Report**

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**I. Introduction**

On April 13, 2007, Pennsylvania Public Utility Commission (“PUC” or the “Commission”) staff working with the Demand Side Response Working Group (“DSRWG” or “Working Group”) issued, via e-mail, a draft report of the DSRWG. The draft was issued to the DSRWG members for the purpose of soliciting comments to assure that the report fairly characterizes the discussions of the Working Group. Members were asked to refrain, in their comments, from debating the issues. It was requested that written comments on the report be submitted not later than April 30.

The DSRWG was originally formed in 2001 and was reconvened by Commission order dated September 28, 2006. In that order, the Commission directed the Working Group to conduct an investigation into reasonable, cost-effective programs that Electric Distribution Companies (“EDCs”), Electric Generation Suppliers (“EGSs”), energy services providers, and other stakeholders can implement to help retail electric customers conserve energy or use it more efficiently.

This investigation is also to include an analysis of advanced metering infrastructure that may be necessary or desirable, and appropriate ratemaking mechanisms that may remove barriers to the development of energy efficiency, conservation and demand side response.

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) has been an active member of the DSRWG since its inception. At the outset, it is important to emphasize that PPL Electric believes that the draft report fairly and accurately captures the discussions of the Working Group. The Company does offer comments intended to clarify a limited number of statements in the Report. To facilitate review by the Commission and other stakeholders, the Company’s comments follow the organization of the draft outline.

## **II. Comments**

### **I. Executive Summary**

No comments.

### **II. History and Scope of Investigation**

Footnote 3 on page 5 lists parties that provided comments to the report outline. PPL Electric did provide comments which are referenced elsewhere in the report; however, PPL Electric is not listed in footnote 3 and should be.

### **III. Summary of Information Collected**

No comments.

### **IV. Findings Resulting from this Investigation**

In Section E, titled “Consumer Education is an Important Component of any Strategy Adopted by the Commission”, PPL Electric believes that the level of consensus associated with the items listed in Subsection 2, “Comments”,

needs to be clarified. The initial item in the bulleted list is characterized as a “consensus” finding and, from its participation in the Working Group, PPL Electric believes that to be a fair characterization. The next item is phrased as “potential issue areas for the education” and lists four areas that were provided by PPL Electric in a white paper submitted to the Consumer Education Subgroup. While the Company would hope that its opinions and suggestions have been embraced by a majority of Working Group participants, the Company is not aware of a consensus around its comments and believes it is probably more correct to characterize these areas as PPL Electric’s suggestion. The next four items (items three through six) and the last four items in the bulleted list describe activities that “should” be undertaken or that “should” be conducted in a certain manner. There is, however, no characterization as to whether these represent a consensus, the belief of an individual party, or a staff position. PPL Electric believes, from the perspective of its participation in the activities of the Working Group, that these are simply suggestions that have been made by a number of parties as opposed to a consensus reached by the Working Group.

The Company also believes that the final bulleted item requires additional clarification. This item currently reads, “The cost for low-income consumers should be limited.” Because this statement appears in a section that addresses issues related to consumer education, the Company presumes that it is the cost of *consumer education* that should be limited. The Company does not recall this issue being discussed in Working Group meetings, nor does the Company believe that it can be characterized as a consensus

position. PPL Electric believes that, from a practical perspective, it would be unnecessarily complex to require EDCs to construct separate universal service charges that exclude consumer education for low-income customers, but include the recovery of those costs from other customers. Such an approach would not only require the creation and reconciliation of two separate charges, but would also require EDCs to track income levels of all customers in order to determine an individual customer's eligibility for the low-income universal service charge. Accordingly, the Company recommends that this final bulleted item be dropped from the report.

**V. Commission Authority and Jurisdiction**

No comments.

**VI. Program Objectives and Goals**

Section VI.A of the Report states, "The primary objective of new policies is cost savings for retail customers." PPL Electric is concerned that this, as stated, is an oversimplification that could lead to confusion and inefficiency. The term "cost savings" only has meaning in a relative sense and it seems unlikely that many customers will be able to more than offset future price increases such that their electric bills will be below the levels that result from today's capped rates. However, without modification, this statement could lead to the expectation that energy efficiency, conservation, and demand side response programs will have exactly that effect. While the Company believes that the Objective's focus on the electric bills of retail customers is appropriate, the reference to "cost savings" should be replaced. PPL Electric recommends that this statement be revised to read, "The primary objective of new policies is

to provide information and tools that permit retail customers to control their electricity usage and electricity bills.”

PPL Electric is similarly concerned that the statement “[t]he Commission should identify quantifiable goals as part of this objective” is also an oversimplification that could result in confusion. As noted in this section of the report, “[p]arties offered a wide range of comments” and “[t]here was a significant difference of opinion over how to quantify objectives, and the appropriate time frame for measuring reductions.” The Company believes that an important initial step could be an acknowledgement that some form of quantification is appropriate, but that it should be applied first and foremost to the public policy decisions that will set into motion individual programs. Those programs will have their own set of quantifiable expectations based on the nature of the program, but consistent with the nature of the program, these may be different from the public policy expectations. Accordingly, PPL Electric recommends that this statement be revised to read, “The Commission should identify quantifiable goals against which to measure the effect of its policies on electricity load and electricity sales.”

## **VII. Program Implementation Issues**

In Section D titled “Program design”, the Report lists three findings related to the design of programs with the characterization that, “[w]hile not every party addressed this issue, there seemed to be support” for the three findings. PPL Electric believes that this characterization be revised to read, “While not every party addressed this issue, commentators offered the following suggestions.”

Also, the Company wishes to clarify that its support, reported under Subheading 3, for having programs available to all customer classes does not mean that all programs should be available to all customer classes, nor does it mean that programs must be provided by EDCs. The Company believes that programs are best offered by EGSs, curtailment services providers, and other energy services providers. The Company believes that if the market for energy efficiency, conservation, and demand side response programs is sufficiently served by unregulated entities, there should be no need for EDCs to offer programs. The Company acknowledges, however, it may be necessary for EDCs to invest in certain infrastructure (including billing, metering, and communication systems) to facilitate such program offerings.

#### **VIII. Program Funding and Cost-Recovery**

PPL Electric believes that the heading of Section A should be modified to read, “EDCs and NGDCs shall be able to recover, *on a full and current basis*, the costs associated with Commission approved DSR, energy efficiency, and conservation programs”. (Additions italicized)

Section C states, “There is not a consensus on the role of revenue decoupling.” PPL Electric believes, through its participation in both the Working Group and in the Revenue Decoupling Subgroup, that there was a consensus among participants that the absence of revenue decoupling will create a disincentive for EDCs and NGDCs whose distribution rates include volumetric charges to develop and promote energy efficiency and conservation. Such programs, if successful, will result in an undercollection of revenue requirements. PPL Electric also believes that there was a consensus

among participants that instituting revenue decoupling and removing the disincentive, alone, would not necessarily cause EDCs and NGDCs to develop and promote programs.

**IX. Other Policy Recommendations**

No comments.

**III. Conclusion**

As stated above, PPL Electric believes that the draft report fairly and accurately captures the work of the Working Group. In these comments, PPL Electric has indicated a limited number of revisions that the Company believes will clarify the extent to which parties reached agreement on certain issues. With those revisions, the Company believes that the Report will provide an appropriate foundation from which staff can develop a tentative order for Commission consideration. PPL Electric appreciates this opportunity to help develop the DSRWG's recommendations and looks forward to continued participation.

Dated: April 30, 2007  
at Allentown, Pennsylvania