

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities	:	
Corporation for Approval of an Energy	:	Docket No. M-2009-2093216
Efficiency and Conservation Plan	:	

**Petition of PPL Electric Utilities Corporation for Approval of an
Energy Efficiency and Conservation Plan**

Pursuant to Act 129 of 2008 ("Act 129"), P.L. 1592, 66 Pa. C.S. §§ 2806.1 and 2806.2, PPL Electric Utilities Corporation ("PPL Electric" or the "Company") hereby files this Petition seeking approval of an Energy Efficiency and Conservation Plan ("EE&C Plan" or "Plan"). This filing is being made pursuant to the Implementation Order of the Pennsylvania Public Utility Commission (the "Commission") issued in Docket No. M-2008-2069887.¹ The EE&C Plan includes a broad portfolio of energy efficiency programs, conservation practices and peak load reductions, renewable technologies, and energy education initiatives. These integrated programs are designed to meet the goals established by Sections 2806.1 and 2806.2 of Act 129. For the reasons set forth below, PPL Electric respectfully requests that the Commission approve the EE&C Plan as described herein and the appended attachments.

I. INTRODUCTION

1. PPL Electric provides electric distribution, transmission and provider of last resort services to approximately 1.4 million customers in a certificated service territory that spans approximately 10,000 square miles in all or portions of 29 counties in eastern and central

¹ *Energy Efficiency and Conservation Program Implementation Order*, Docket No. M-2008-2069887, entered on January 16, 2009 ("Implementation Order"), Reconsideration Order entered May 2, 2009.

Pennsylvania. PPL Electric is a “public utility” and an “electric distribution company” as those terms are defined under the Public Utility Code, 66 Pa. C.S. §§ 102 and 2803.

2. PPL Electric’s attorneys are:

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PPL Electric’s attorneys are authorized to receive all notices and communications regarding this Petition.

3. Prior to the enactment of Act 129, PPL Electric implemented several programs to promote energy efficiency, encourage conservation and make customers more aware of their electricity use and options. For example, the Company has offered rebates to help customers offset the cost of home energy audits; provided a 20 percent discount for customer purchases of energy efficient products on-line; offered a program that helps small businesses upgrade to

energy efficient lighting under which the Company pays 20 percent of the cost, up to \$2,000; offered up to \$10,000 in grants to encourage construction of buildings that meet the Leadership in Energy and Environmental Design ("LEED") standards; conducted a demonstration program with Lutron Electronics of Lehigh County and more than 50 school districts to improve lighting efficiency in classrooms and gymnasiums; sponsored an energy-efficiency school program that reached more than 6,000 students in grades 5 to 7, and distributed more than 160,000 compact fluorescent light bulbs to its customers in 2007 and 2008.

4. Governor Edward Rendell signed Act 129 into law on October 15, 2008, and it became effective on November 14, 2008. Act 129, inter alia, created an energy efficiency and conservation program. This program requires each electric distribution company ("EDC") with at least 100,000 customers to adopt a plan, approved by the Commission, to reduce its customers' electric consumption by at least one percent (1%) of expected consumption for June 1, 2009 through May 31, 2010, adjusted for weather and extraordinary loads. This one percent (1%) reduction is to be accomplished by May 31, 2011. By May 31, 2013, customers' total annual weather normalized consumption is to be reduced by a minimum of three percent (3%). Also, by May 31, 2013, customers' peak demand is to be reduced by a minimum of four and a half percent (4.5%) of the EDC's annual system peak demand in the 100 hours of highest demand, measured against the EDC's peak demand during the period of June 1, 2007 through May 31, 2008. By November 30, 2013, the Commission will assess the cost-effectiveness of the program and establish additional incremental reductions in electric consumption and peak demand if the benefits of the program exceed its costs.

5. In order to fulfill its obligations under Act 129, the Commission issued several orders and Secretarial Letters. Of particular importance is the Implementation Order, which established the standards that each Plan must meet and provided guidance on the procedures to be followed for submittal, review and approval of all aspects of each EDC's Plan under Act 129. Also, the Commission established a template for EE&C Plans by Secretarial Letter dated May 7, 2009 at Docket No. M-2008-2069887.

6. For the reasons that follow, PPL Electric respectfully requests that the Commission approve its proposed EE&C Plan.

II. LEGAL REQUIREMENTS

7. The required elements of an EDC's Plan are set forth in Sections 2806.1 and 2806.2 of the Public Utility Code, 66 Pa. C.S. §§ 2806.1 and 2806.2, as well as the Commission's Implementation Order. The Implementation Order provides, in pertinent part, that an EDC's filing for Commission approval of an EE&C Plan must provide information regarding the following:

- a. A detailed plan addressing each of the requirements in 66 Pa.C.S. § 2806.1(b)(1)(i);
- b. Sufficient supporting documentation and/or verified statements or testimony;
- c. Approved contract(s) with one or more conservation service providers ("CSPs");
- d. Description of the work and measures being performed by CSPs and by the EDC along with a justification for the allocation;
- e. A budget showing total planned expenditures by program and customer class;
- f. A Section 1307 cost recovery mechanism;
- g. The Commission approved consumption forecast for the period of June 1, 2009 through May 31, 2010;
- h. A weather adjustment calculation;

- i. The Commission-approved average of the EDC's 100 highest peak hours during the period of June 1, 2007 through September 30, 2007; and
- j. A description of the EDC's method for monitoring and verifying plan results.

See Implementation Order, at pp. 10-12.

In addition, consistent with the Act's requirements, the EDC's Plan must: (1) assign and allocate the costs associated with the EE&C measures to the same customer class that will receive the direct energy and conservation benefits from these measures (66 Pa. C.S. § 2806.1(a)(11)); (2) provide that a minimum of ten percent (10%) of all consumption reduction requirements will come from units of federal, state and local governments, including municipalities, school districts, institutions of higher education and non-profit entities (66 Pa. C.S. § 2806.1(b)(1)(i)(B)); and (3) contain specific measures for households at or below one hundred fifty percent (150%) of the federal poverty income guidelines. (66 Pa. C.S. § 2806.1(b)(1)(i)(G)).

III. PPL ELECTRIC'S PROPOSED EE&C PLAN

A. OVERVIEW OF THE EE&C PLAN

8. The EE&C Plan, as more fully described below and in Exhibit 1, includes a broad portfolio of energy efficiency, conservation practices and peak load reductions, and energy education initiatives. PPL Electric's portfolio of programs is designed to provide customer benefits and to meet the energy saving and peak load reduction goals set forth in Act 129. The Plan includes a range of energy efficiency and demand response programs that include every customer segment in PPL Electric's service territory. These programs are the key components of a comprehensive electric energy efficiency initiative designed to achieve the required 1,146,000 MWh of reduced energy consumption and 297 MW of peak demand reductions.

9. PPL Electric's EE&C Plan is attached hereto and marked as "Exhibit 1." The proposed Plan addresses each of the requirements in 66 Pa.C.S. § 2806.1(b)(1)(i), as well as the filing requirements contained in the Commission's Implementation Order, and follow the template provided in the May 7, 2009 Secretarial Letter at Docket No. M-2008-2069887. The Plan is divided into the following nine sections: (1) Overview of Plan; (2) Energy-Efficiency Portfolio/Program Summary Tables and Charts; (3) Program Descriptions; (4) Program Management and Implementation Strategies; (5) Reporting and Tracking Systems; (6) Quality Assurance and Evaluation, Measurement and Verification; (7) Cost-Recovery Mechanism; (8) Cost-Effectiveness; and (9) Plan Compliance Information and Other Key Issues.

10. In support of the proposed Plan, attached and marked as indicated are the following four (4) statements of Direct Testimony:

- a. Statement No. 1 - The Direct Testimony of Peter D. Cleff, Manager – Energy Efficiency Program, addressing the objectives, philosophy and process PPL Electric applied in preparing the EE&C Plan;
- b. Statement No. 2 - The Direct Testimony of Dr. M. Hossein Haeri, Principal, The Cadmus Group, addressing the Company's performance requirements; how the Plan was developed; how the Plan will meet identified performance requirements; and how the Plan complies with Act 129 and the Commission's Implementation Order;
- c. Statement No. 3 - The Direct Testimony of Douglas A. Krall, Manager – Regulatory Strategy, addressing the time of use programs PPL Electric is proposing in its EE&C Plan; and
- d. Statement No. 4 - The Direct Testimony of Joseph M. Kleha, Manager – Regulatory Compliance and Rates, addressing cost development, cost allocation and cost recovery issues.

11. Included as Appendix F to the Plan is the proposed pro forma tariff for the Act 129 Compliance Rider, which is designed to fully recover all applicable EE&C-related costs. The Act 129 Compliance Rider is fully reconcilable and will be applied on a non-bypassable

basis to charges for electricity supplied to customers who receive distribution service from the Company.

B. PLAN DEVELOPMENT PROCESS

12. At the outset, PPL Electric realized that developing a complete EE&C Plan would require sophisticated expertise and a significant commitment of resources. For this reason, the Company assigned a full-time project manager and created an in-house team with representatives from all affected areas of the Company. In addition, PPL Electric, after extensive research and a competitive bid procurement process, retained the Cadmus Group, a nationally recognized environmental and energy consulting firm, to assist in the development and preparation of the Plan. The Cadmus Energy Services Group provides evaluation services of energy efficiency and demand response programs to clients across North America. Cadmus has performed a large number of comprehensive studies of demand-side management opportunities. Its demand-side management planning and assessment services use state-of-the-art techniques and advanced software tools expressly designed for analysis and forecasting of energy-efficiency and demand-response options.

13. The requirements of Act 129 formed the basis for development of the Plan. The first step in the process was to carefully review Act 129 to determine the broad requirements, energy savings and peak load reduction targets, and allowable annual expenditures for PPL Electric. The Company used energy consumption forecasts (and associated reduction targets) and average historical peak loads (and associated reduction targets) approved by the Commission to determine the specific level of load and peak demand reductions. Actual total annual revenue for the twelve months ended December 31, 2006 was used to determine the two percent (2%) expenditure cap established by Act 129.

14. These targets established the parameters for constructing a portfolio of programs targeting different customer classes. Program concepts were developed for each sector based on a review of best program practices and the lessons learned in evaluations of utility-sponsored or publicly-funded energy efficiency programs. The programs were formulated in a manner to satisfy the equity requirements of Act 129 by ensuring that program options would be available to all customer classes and market segments. The process for development of the plan consisted of four basic elements: (1) establishing a set of guiding principles; (2) assessing energy efficiency and conservation resource potentials; (3) developing the portfolio; and (4) providing broad opportunities for stakeholders to participate and contribute to the development of the Plan.

15. Throughout the preparation of this plan, PPL Electric pursued opportunities to solicit input from and inform stakeholders of the Company's progress. The Company maintained communications with a wide range of interested parties, including other investor-owned utilities, consumer advocates, environmental advocates, non-utility parties, governmental and non-governmental organizations, potential trade allies and CSPs. A detailed description of the stakeholder process is contained in Section 1.2.1.5 of the EE&C Plan.

16. To the extent feasible, the Company has sought to incorporate stakeholders' points of view in its final Plan. Stakeholder participation resulted in the development of a more creative and more robust portfolio. PPL Electric anticipates that this collaborative process will increase the likelihood of success in implementing the portfolio. Although it was not possible to include every recommendation received through the stakeholder process, the Company endeavored to address stakeholder concerns where practicable. Moreover, this stakeholder process should assist the parties' and the Commission's review of the Plan and serve to expedite

approval of the Plan, thereby allowing more time to prepare for implementation and expanding the opportunities for consumer savings.

17. PPL Electric plans to continue to solicit formal and informal input from stakeholders periodically throughout the Plan implementation period in order to further improve programs and customer participation.

C. DESCRIPTION OF THE EE&C PLAN

18. PPL Electric's primary objective is to deliver a portfolio of cost effective programs that will meet customers' needs, fulfill the Company's Plan objectives, as defined in Section 1.1.2 of the EE&C Plan, and achieve the results required by Act 129.

19. PPL Electric's portfolio reflects a strategic approach that is targeted, yet flexible enough to adjust and expand, as warranted, to meet changing market conditions and progress toward Plan goals. Further, the portfolio offered by PPL Electric focuses on depth and sustainability of savings by offering customers a logical continuum of actions coupled with increasingly valuable incentives for cost-effective efficiency strategies. It will allow customers to make use of existing technical analyses, focus on organizational priorities, and employ a phased implementation approach. The portfolio builds on customer, trade ally, and stakeholder relationships through training, education, hardware, marketing strategies, and customer support. PPL Electric's proposed portfolio will capitalize on energy efficiency initiatives advanced by other organizations in the state, as well as PPL Electric's existing programs, market knowledge, and community presence to efficiently meet program goals and target market sectors. Further, it will support the local economy by reducing customer energy costs, utilizing local labor whenever practical and by promoting the adoption and use of high quality equipment.

20. The proposed Plan, as noted above, describes a comprehensive portfolio of energy efficiency, conservation practices and peak load reductions, renewable technologies and energy

education initiatives. Specifically, the proposed portfolio consists of the following fourteen (14) programs:

1. Efficient Equipment Incentive Program
2. Residential Energy Assessment & Weatherization
3. Compact Fluorescent Lighting Campaign
4. Appliance Recycling Program
5. ENERGY STAR® New Homes Program
6. Renewable Energy Program
7. Direct Load Control Program
8. Time of Use Rates
9. Energy-efficiency Behavior & Education
10. Low-income WRAP
11. Low-income E-Power Wise
12. Commercial and Industrial Custom Incentive Program
13. HVAC Tune-Up Program
14. Load Curtailment Program

All of the Company's programs are voluntary and, subject to the budget limitations for each program, a customer can elect to participate in any program for which he or she is eligible.

21. A full description of each of the fourteen programs is set forth in Section 3 of the EE&C Plan. These programs include a range of energy-efficiency and demand response programs targeted to every customer segment in PPL Electric's service territory. In compliance with the Secretarial Letter dated May 7, 2009 at Docket No. M-2008-2069887, PPL Electric has differentiated its programs according to the customer classes defined in the EE&C Plan template. EE&C Plan § 3.1.2. PPL Electric defines residential customers as those customers served under Rate Schedules RS, RTS and RTD. PPL Electric defines large commercial and industrial customers as those customers served at primary and transmission voltage levels (Rate Schedules LP-4, LP-5, LP-6, IS-T, LPEP, ISA, PR-1, and PR-2). Small commercial and industrial

customers include all non-residential accounts served at secondary voltage levels (i.e., any Rate Schedule that is not “large commercial and industrial” and not “residential”). However, PPL Electric’s programs are defined according to delivery strategies, the nature of customers’ businesses, types of facilities, and types of energy-using equipment, rather than by the PPL Electric rate schedule for that customer. In other words, where programs offer customer benefits across multiple classes, and where similar implementation, marketing, and administrative strategies may be utilized to capture functional efficiencies, those programs will be offered to all appropriate customer classes. However, PPL Electric will document, track and report on its program results and progress toward goals by the customer classes identified in its Plan.

22. These programs are designed to meet the goals established by Sections 2806.1 and 2806.2 of Act 129, as interpreted by the Commission in the Implementation Order. *See* Implementation Order, p. 2. These programs are designed as a portfolio of options which, once implemented, will offer PPL Electric’s customers a wide-ranging set of programmatic choices, incentive options, and information and educational opportunities.

23. PPL Electric’s portfolio of programs is designed to provide customer benefits and to meet the energy saving and peak load reduction goals set forth in Act 129 within the designated expenditure cap of two percent (2%) of 2006 annual revenues for each year of the four-year plan, which equates to approximately \$246 million. *See* EE&C Plan §§ 1.1.2, 3.1.1.1. Specifically, PPL Electric’s Plan includes measures and programs to achieve PPL Electric’s calculated electricity consumption and peak load reduction targets of:

- a. 1% energy savings by 2011, which is 382,000 MWh or 44 average MW;
- b. 3% energy savings by 2013, which is 1,146,000 MWh or 132 average MW;
and
- c. 4.5% peak load reduction by 2013, which is 297 MW.

24. PPL Electric calculates that approximately six percent (6%) of its total load comes from low-income customers and, therefore, has designed its Act 129 programs to achieve approximately six percent (6%) of its energy consumption and peak load reductions from the low-income sector. EE&C Plan § 9.1.3. Additional multi-sector programs, including both efficiency and demand reduction programs, are available and will be promoted to low-income customers and will produce energy and demand savings in that sector. To meet the energy and demand reduction set aside for the low-income sector, PPL Electric will leverage its existing delivery infrastructure, implement new grassroots social marketing efforts targeted to low-income communities and community groups, reach out to new low-income market partners to develop and implement co-marketing strategies, and expand its low-income WRAP program to reach new customers and increase measure installation.

25. PPL Electric's proposed Plan includes programs to achieve ten percent (10%) of total Plan reductions from institutional facilities, such as local governments, school districts, colleges, and nonprofit organizations. EE&C Plan § 9.1.2. It also offers at least one energy efficiency and one demand response program to every customer class. Further, it seeks to leverage economies of scale and other efficiencies by offering programs across multiple customer sectors as appropriate.

26. The proposed Plan includes procedures to measure, evaluate, and verify performance of the programs and the Plan as a whole. It also outlines a process for annual, independent evaluation of the results and the cost-effectiveness of the Plan using the Standards for the Participation of Demand Side Management Resources—Technical Reference Manual at Docket No. M-00051865 ("TRM"), wherever applicable. *See* EE&C Plan § 3.1.2.

27. PPL Electric's proposed Plan is cost-effective, based on a Total Resource Cost Test ("TRC") criterion, and allocates the cost of measures to the same customer class that receives the benefit of those measures. EE&C Plan § 8. Further, as discussed below, PPL Electric proposes a reconcilable mechanism for recovery of all applicable costs.

28. PPL Electric's programs are designed to provide a cohesive structure intended to support residential (including low-income), commercial and industrial, and government and non-profit sector customers through a logical continuum of energy efficiency actions, starting with facility review and analysis and ending with implementation, verification, and evaluation. EE&C Plan § 3.1.1.1. Marketing and education functions, customer care and quality assurance, program tracking, and evaluation, monitoring, and verification will be common features of all programs. The entire Plan is supported by financial incentives and a delivery approach focused on providing customers with the support they need to achieve their energy efficiency objectives. Implementation activities range from simple, common energy efficiency and demand response measures that can be installed with minimal oversight or administrative burdens to more complex measures that are vetted through a technical analysis and may (but are not required to) be part of a facility-wide energy management strategy.

D. CONSIDERING THE ROLE OF UNCERTAINTY IN THE EE&C PLAN

29. As fully discussed in Section 1.2.1.4. of the EE&C Plan, it strives to exceed the reduction targets by approximately ten percent (10%) to provide a reasonable margin for uncertainty. However, PPL Electric notes that there are several uncertainties associated with its ability to achieve these targets within the constraints of the Act's requirements. The major uncertainties fall into the following categories: (1) the state of the economy and customer willingness and ability to implement energy-efficiency measures; (2) the limited time to develop the infrastructure to promptly implement programs in time to meet the reduction targets by the

required dates; (3) the cost and logistics associated with peak load reductions; and (4) general market uncertainty associated with expected customer participation levels.

30. Although the Plan has been designed to address these uncertainties, the ability to meet the projected targets ultimately is a function of consumers' ability and willingness to participate in specific programs. To address the state of the economy and customers' ability to make investments in energy efficiency, PPL Electric has included generous incentive levels for customers and will educate customers about additional funding sources that may be available to help offset the customer's investment. Further, PPL Electric has designed its programs to rely on existing market delivery mechanisms to identify and implement energy-efficiency products and services. In addition, PPL Electric requests Commission approval to allow retroactive eligibility for those customers who install, or commit to install, qualifying equipment and services for applicable programs between July 1, 2009 and Commission approval of the Plan.

31. To address the ability for PPL Electric, CSPs and trade allies to deliver programs quickly enough, PPL Electric has begun to develop the infrastructure necessary to have the systems and processes in place by November 2009. PPL Electric also has started to work with trade allies to assess and expedite, if necessary, the availability of trained and qualified personnel to deliver services, especially in the early years of the Plan.

32. To address the cost and logistics for obtaining peak load reductions during design of its demand response programs, PPL Electric identified potentially significant uncertainties associated with the cost, total number of participants/MWs, total number of hours each participant is willing to interrupt, and the length of CSP and customer contracts needed to achieve this peak load reduction target. PPL Electric expects to obtain additional information on

these issues in August and September 2009 when it receives bids for firm demand response reductions (Direct Load Control and Load Curtailment Programs).

33. To address the market uncertainty associated with expected customer participation levels, the proposed portfolio was developed by balancing the competing objectives of the Plan under multiple constraints imposed by Act 129. To achieve this balance, a large number of assumptions had to be made regarding measure performance, measure costs and market conditions. Any shortfall in technical measure performance, unforeseen costs and changes in the macro-economic and structural conditions affecting consumers' willingness to invest in energy efficient equipment could have an adverse effect on the portfolio's performance.

34. PPL Electric will adopt protocols to effectively monitor progress toward meeting the Plan goals, to detect problems quickly, and take corrective action, and to continually and quickly adjust the Plan prospectively over time. However, the proposed Plan's ability to meet the projected targets is ultimately a function of consumers' ability and willingness to participate in programs.

E. COST RECOVERY MECHANISM AND FUNDING

35. Section 2806.1(g) of Act 129 requires that the total cost of any EE&C Plan can not exceed two percent (2%) of the EDC's total annual revenues as of December 31, 2006. PPL Electric's total annual revenues for calendar year 2006 were approximately \$3 billion (\$3,075,068,824). Accordingly, the two percent (2%) cost cap established by Act 129 is approximately \$61.5 million (\$61,501,376). In the Implementation Order, the Commission concluded that this limitation on the "total cost of any plan" should be interpreted as an annual amount, rather than an amount for the full term of the Plan.

36. Although the two percent (2%) cost cap will be calculated on an annual basis, PPL Electric believes that it should be applied on a total EE&C Plan basis. Because the EE&C

Plans will be implemented by program year (with each program year beginning June 1 and ending May 31), the initial Act 129 program will have a total duration of four program years. Multiplying PPL Electric's annual cost cap of \$61.5 million per year by four program years produces a total spending cap for the Company's EE&C Plan of \$246 million. EE&C Plan §§ 1.7, 7.1.

37. PPL Electric will spend most of the \$246 million to implement its EE&C Plan. However, this total cost also will include the costs that PPL Electric incurred to develop its EE&C Plan. EE&C Plan §§ 1.7, 7.2. In the Implementation Order, the Commission found that FDCs should be permitted to recover the incremental cost incurred to design, create, and obtain Commission approval of a plan. In addition, in an order entered on May 28, 2009 at Docket No. P-2009-2091818, the Commission granted PPL Electric's request to defer such plan development costs on its balance sheet as a regulatory asset. The Company proposes to amortize and recover those deferred costs ratably over the 42-month life of its initial EE&C Plan (*i.e.*, December 1, 2009 through May 31, 2013). The amortization of those costs will be included within the \$246 million spending cap. *Id.*

38. The Company proposes to separately calculate the applicable EE&C costs for each of the three major customer classes on its system, *i.e.*, (1) residential, (2) small commercial and industrial, and (3) large commercial and industrial. EE&C Plan §§ 1.7, 7.4. These costs will vary in each program year of the EE&C Plan. In some program years, they may be greater than the annual two percent (2%) cost cap; in other program years, they may be less than the cap. However, over the four program years, the total costs of the EE&C Plan for all customer classes will not exceed \$246 million. *Id.*

39. Although costs will vary year-to-year, PPL Electric proposes to recover those costs on a levelized basis. EE&C Plan §§ 1.7, 7.4. Annual budget amounts for each customer class will be developed on a levelized basis for the four years of the Company's proposed EE&C Plan. On a total system basis, that levelization will equate to an EE&C Plan budget in program year one of approximately \$30 million and EE&C Plan budgets in program years two through four of approximately \$72 million per year. *Id.* These budget amounts will be adjusted to include the annual costs that PPL Electric will incur to pay for the statewide Act 129 evaluator. Section 2806.1(h) of Act 129 provides that the Commission can recover such program implementation costs from EDCs, and it follows that EDCs can recover those costs from customers. However, the costs for the statewide Act 129 evaluator should not be included under the Company's two percent (2%) cost cap. In establishing that cost cap, Section 2806.1(g) specifically characterizes the cap as a limitation on the "total costs of any plan required under this section." Because the costs of the statewide Act 129 evaluator are not the costs of PPL Electric's EE&C Plan, they are not subject to the limitation set forth in Section 2806.1(g).

40. In addition to the annual reconciliation, PPL Electric proposes to make "mid-course" corrections in the cost recovery mechanism, subject to Commission review and approval, to reflect major changes to any of its EE&C programs. EE&C Plan §§ 1.7, 7.4. Finally, at the end of the four-year EE&C Plan, the Company will reconcile, subject to Commission review and approval, total revenue collected to its total expenditures for the four-year EE&C Plan.

41. PPL Electric is not proposing an expiration date for the cost recovery mechanism. First, the mechanism will be needed to refund any over collection or recover any under collection existing at the end of the four-year EE&C Plan. EE&C Plan §§ 1.7, 7.4. Second, the Company may be able to reduce the overall costs of its EE&C Plan by entering into contracts with CSPs

that extend beyond May 31, 2013. If that approach is approved by the Commission, the cost recovery mechanism will be needed to collect the costs incurred during the latter years of those contracts.

F. IMPLEMENTATION SCHEDULE AND STRATEGY

42. The proposed EE&C Plan includes a four-year implementation schedule. EE&C Plan § 1.4. The Plan also includes a detailed budget, which includes milestones and anticipated delivery dates for each program. PPL Electric's implementation strategy is based on several key features that the Company has identified as critical to achieving the objectives of the proposed Plan. EE&C Plan § 1.1.3. The first feature is continuous customer support, guidance and follow up to encourage customers to choose energy efficiency and conservation options and to adopt energy efficient practices. The second feature is the flexibility to allow customers to use their own resources and combine incentives from multiple programs or from other sources to create the best solution for any facility or system. The third feature is precision marketing that blends PPL Electric's in-house resources with the external expertise of program CSPs and trade allies to match specific program outreach to the unique needs of various customer classes and market segments. The final feature is to engage trade allies, community-based organizations, and other local market participants through outreach, training, and potential co-marketing to ensure that they are aware of PPL Electric's programs, are able to articulate program features and benefits to potential customers, and can support customers in their decision to take energy efficiency and demand reduction actions.

43. PPL Electric's implementation strategy will rely on a broad range of contractors, partners, trade allies, community agencies, and other entities engaged in energy efficiency to promote, deliver, and support the effective deployment of the portfolio of programs. EE&C Plan § 1.5. PPL Electric expects to utilize CSPs to deliver services in support of its EE&C programs,

with some CSPs operating as turnkey program delivery contractors, and others providing specific program functions across multiple programs.

44. In addition, many of PPL Electric's programs will depend on trade allies and other market partners to engage customers, promote programs, evaluate projects, and install energy efficient equipment. EE&C Plan § 1.5. The Company's objective is to find the optimal balance of costs, customer value, customer choice, quality of service, and energy and capacity savings, while leveraging contact with customers through the Company's own staff.

IV. REQUEST FOR SPECIFIC FINDINGS

45. To the extent necessary, PPL Electric requests that the Commission make the following specific findings: (1) approval to apply the cost cap on a total EE&C Plan basis and a waiver from applying the cost cap on a strictly annual basis. As explained above, Section 2806.1(g) of Act 129 requires that the total cost of any EE&C Plan can not exceed two percent (2%) of the EDC's total annual revenues as of December 31, 2006. See EE&C Plan §§ 1.7, 7.1. PPL Electric's two percent (2%) cost cap is approximately \$61.5 million. *Id.* In the Implementation Order, the Commission concluded that this limitation on the "total cost of any plan" should be interpreted as an annual amount, rather than an amount for the full term of the Plan. PPL Electric has calculated the two percent (2%) cost cap on an annual basis, but requests permission to apply this amount for the total four-year duration of the EE&C Plan. Specifically, PPL Electric requests permission to utilize the total spending cap for the Company's EE&C Plan of \$246 million (\$61.5 million multiplied by four years), rather than being required to comply with a cap of \$61.5 million per year; (2) allow retroactive eligibility for those customers who install, or commit to install, qualifying equipment and services for applicable programs between

July 1, 2009 and Commission approval of the Plan; and (3) allow PPL Electric to enter into contracts with CSPs that extend beyond May 31, 2013.

V. PROPOSED SCHEDULE

46. Consistent with the deadlines established in Act 129 and the Implementation Order, the Company understands that the following schedule will govern this proceeding:

July 1	PPL Electric files Act 129 Plan
July 18	Notice of filing is published in the Pa. Bulletin
July 27	Prehearing Conference
July 27-August 7	Period for Public Input Hearing
August 7	Other parties file comments to the Plan
August 17-18	Evidentiary Hearings
September 3	Certification of Record

VI. CUSTOMER NOTICE

47. The Company will provide notice of this filing as set forth below. First, PPL Electric has served copies of the filing on the Pennsylvania Office of Consumer Advocate, Pennsylvania Office of Small Business Advocate, and the Commission's Office of Trial Staff. Second, the Company will send notice of filing to participants in the stakeholder process described above. Third, on the date of filing this petition, the Company will issue a press release to major newspapers, radio and television stations serving its service area. Fourth, PPL Electric will publish a notice describing the EE&C Plan and comment procedures in major newspapers serving its service territory. That notice will inform customers about this filing, explain where to obtain copies, and describe certain procedural deadlines. Fifth, the filing will be posted on PPL Electric's Act 129 web site at www.pplact129.com. Sixth, the Company understands that the

Commission will publish notice of this filing in the *Pennsylvania Bulletin*. PPL Electric believes that these various communications initiatives will provide all interested parties with full notice of the Company's proposals and an opportunity to participate in the Commission proceeding addressing those proposals. However, if the Commission concludes that additional notice would be appropriate, the Company will provide such additional notice as the Commission may direct.

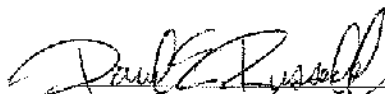
VII. THE PROPOSED EE&C PLAN IS IN THE PUBLIC INTEREST

48. PPL Electric believes that the proposed EE&C Plan is in the public interest and in compliance with the requirements of Act 129 and all of the Commission's applicable Act 129 Orders. The EE&C Plan includes a broad range of cost effective energy efficiency and demand response programs that are targeted to every customer segment in PPL Electric's electric service territory. Moreover, these programs are the key components of a comprehensive electric energy efficiency initiative designed to achieve energy consumption and peak demand reductions required by Act 129 within the cost cap established by the Act. PPL Electric's energy efficiency programs provide a cohesive structure intended to support residential, low-income, commercial and industrial, and government and non-profit sector customers through a logical continuum of energy efficiency actions, starting with facility review and analysis and ending with implementation, verification, and evaluation. Marketing and education functions, customer care and quality assurance, and program tracking, evaluation, monitoring, and verification will be common features of all programs in the EE&C Plan. Furthermore, the programs are supported by financial incentives and a delivery approach focused on providing customers with the support they need to achieve their efficiency objectives.

VIII. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission approve the EE&C Plan, as set forth in this petition and the attachments hereto. PPL Electric additionally requests that the Commission enter its final order approving the EE&C Plan on or before October 29, 2009.

Respectfully submitted,



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Date: July 1, 2009

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