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November 4, 2010

BY E-FILE

Rosemary Chiavetta
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: Petition of PPL Electric Utilities Corporation for Approval of Changes to its Act 129 Energy Efficiency and Conservation Plan - Docket No. M-2009-2093216

Dear Secretary Chiavetta:

Enclosed for filing is the original Reply of PPL Electric Utilities Corporation in the above-referenced proceeding.

Copies have been provided to the persons as indicted on the certificate of service.

Respectfully Submitted,



Andrew S. Tubbs

AST/jl
Enclosures
cc: Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

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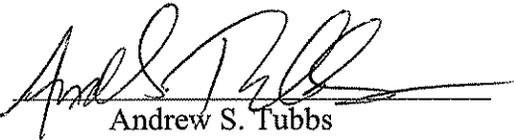
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Date: November 4, 2010


Andrew S. Tubbs

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities
Corporation for Approval of Changes to its
Act 129 Energy Efficiency and
Conservation Plan

Docket No. M-2009-2093216

REPLY OF PPL ELECTRIC UTILITIES CORPORATION

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), by and through its attorneys, in accordance with the procedural schedule set forth in the Pennsylvania Public Utility Commission’s (the “Commission”) June 24, 2010 Secretarial Letter at Docket No. M-2008-2069887, hereby submits its reply to the recommendations and comments filed in response to PPL Electric’s *Petition for Approval of Changes to its Act 129 Energy Efficiency and Conservation Plan* (“Petition”) filed on September 15, 2010, at Docket No. M-2009-2093216. In support thereof, PPL Electric states as follows:

I. BACKGROUND

On July 1, 2009, PPL Electric filed its Energy Efficiency and Conservation Plan (“EE&C Plan”) with the Commission pursuant to Act 129 and various related Commission orders. The PPL Electric EE&C Plan proceeding was docketed by the Commission at Docket No. M-2009-2093216. The Commission approved PPL Electric’s EE&C Plan, with modifications, on October 26, 2009, in *Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093216 (Order Entered October 26, 2009) (“*EE&C Order*”).¹ PPL Electric’s EE&C Plan includes a broad portfolio of energy

¹ The EE&C Plan was further revised by *Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093216 (Order Entered February 17, 2010).

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 EE&C 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 1,146,000 MWh of reduced energy consumption and 297 MW of peak demand reductions required by Act 129.

In approving PPL Electric's EE&C Plan, the Commission established a process for the Company to follow to request modifications to its approved plan. Further, the Commission clarified the types of modifications that require prior Commission approval. Specifically, the Commission stated that, "[w]ith respect to changes to the plan, we find that an EDC cannot shift program funds within a customer class, or between customer classes without prior Commission approval." *EE&C Order* at 92. This finding is consistent with the Commission's statement that, "...PPL is the Party that bears the risk of penalties in the event of non-compliance with the mandates of Act 129. We will not micro-manage the Company's compliance efforts." *EE&C Order* at p. 88.

Pursuant to the Commission's *EE&C Order*, PPL Electric identified two proposed modifications to its currently effective EE&C Plan which require prior Commission approval. As more fully explained in the Company's Petition, PPL Electric requests Commission approval to modify two aspects of its EE&C Plan: (1) a change to its Compact Fluorescent Lighting Program ("CFL Program"); and (2) a change to the classification of direct and common costs. These modifications were identified by the Company through the operation of its EE&C Plan during the past year.

Consistent with the Commission's directives, on September 15, 2010, pursuant to Section 5.41 of the Commission's Rules of Administrative Practice and Procedure, 52 Pa. Code § 5.41, and consistent with the Commission's annual reporting requirements in its June 24, 2010 Secretarial Letter at Docket No. M-2008-2069887 ("Secretarial Letter"), PPL Electric requested to modify its EE&C Plan previously approved by the Commission in the above-captioned proceeding. In addition, consistent with the Commission's orders, the Company filed its Act 129 EE&C Program Year 1 Annual Report ("PY1 Annual Report").

On October 5, 2010, the Office of Small Business Advocate ("OSBA") filed an Answer to PPL Electric's Petition. On October 15, 2010, comments were filed by the UGI Distribution Companies² and the Pennsylvania Communities Organizing for Change ("PCOC").³ The PP&L Industrial Customer Alliance ("PPLICA") filed a letter on October 15, 2010, indicating that it would not be filing any comments. Subsequently, on October 19, 2010, PPLICA filed comments.

PPL Electric hereby addresses the issues raised by each entity in the following section.

II. REPLY OF PPL ELECTRIC

A. PP&L Industrial Customer Alliance

PPLICA filed two items in response to PPL Electric's Petition. The first was an October 15, 2010 letter ("PPLICA Letter") stating that PPLICA strongly encourages the Commission to

² The UGI Distribution Companies consist of UGI Utilities, Inc. - Gas Division, UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc.

³ On October 18, 2010, PCOC filed a petition to intervene and comments in the above-captioned proceeding and explained that its October 15, 2010 filings were rejected by the e-filing system and, therefore, it was resubmitting the pleadings in accordance with instructions received from the Commission's Secretary's Bureau. PPL Electric is concurrently filing a separate answer to the petition to intervene filed by PCOC. Although PCOC is not a party in this docket, PPL Electric, in this pleading, shall respond to PCOC's comments due to the compressed procedural nature of this proceeding. However, the Company reserves the right to object to PCOC's intervention, and by responding to PCOC's comments, PPL Electric does not waive any of its rights to object to PCOC's intervention.

vigilantly review all of the Company's proposed changes to its cost allocation method related to the classification of "Direct Program Costs" and "Common Costs," as well as the resulting interclass cost shifting and rate impacts associated with these changes in order to ensure that the resulting rates are just, reasonable and not unduly discriminatory. The PPLICA Letter, however, does not raise any concerns with PPL Electric's proposal, and no response is required to the PPLICA Letter, because PPL Electric has fully supported its proposal in its Petition. The second item was the October 19, 2010 Comments of the PP&L Industrial Customer Alliance ("PPLICA Comments") generally questioning PPL Electric's interpretation of its requirements under the *EE&C Order* with regard to revisions to the EE&C Plan. In particular, PPLICA objects to increasing the expected peak load reductions in the Load Curtailment Program from 100 MW to 150 MW. PPL Electric will respond fully to PPLICA Comments below.

1. Changes to the EE&C Plan

As stated above, the Commission held in the *EE&C Order* that, "...PPL is the Party that bears the risk of penalties in the event of non-compliance with the mandates of Act 129. We will not micro-manage the Company's compliance efforts." *EE&C Order* at p. 88. In addition, the Commission noted that:

With respect to changes to the plan, we find that an EDC cannot shift program funds within a customer class, or between customer classes without prior Commission approval. Doing so would constitute a modification of the EDC's approved plan. The General Assembly authorized the Commission, not the EDC, to make decisions in regard to modifying an approved Act 129 Plan.

EE&C Order at p. 92. Moreover, in describing the required contents of EDC's petition to modify an approved plan the Commission stated that:

The EDC's petition should explain the specific reasons supporting its requested modifications to its approved plan, i.e., the shifting of funds between programs or customer classes, the discontinuation of a program, etc.

EE&C Order at p. 93. Consistent with this, the Commission also stated that PPL Electric "may not shift EE&C Plan program funds within a customer class, or between customer classes, without prior Commission approval." *EE&C Order* at Ordering Para. No. 34. Language similar to that quoted above was also included in other EE&C plan orders.⁴

Contrary to PPLICA's assertion, while the Commission noted that mid-course changes to the EE&C Plan require approval, it limited the required approvals to certain categories, as illustrated in the quoted items above and in the relevant ordering paragraph. Therefore, according to the *EE&C Order*, and as applicable here, PPL Electric would need Commission approval to (i) shift EE&C Plan program funds within a customer class and (2) shift EE&C Plan program funds between customer classes. Additionally, the Commission contemplated that the discontinuation of a program requires approval. *See EE&C Order* at p. 93. However, PPL Electric has not proposed to discontinue a Commission-approved program; therefore, that

⁴ *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company for Consolidation of Proceedings and Approval of Energy Efficiency and Conservation Plans*, Docket Nos. M-2009-2092222, M-2009-2112952 and M-2009-2112956 (Order Entered February 26, 2010) at p. 17 ("Even though we approved the evaluation provisions in the Revised Plans, we agreed with the OSBA that the Revised Plans must be modified to acknowledge that an EDC cannot shift program funds within a customer class, or between customer classes, without prior Commission approval."); *Joint Petition of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company for Consolidation of Proceedings and Approval of Energy Efficiency and Conservation Plans*, Docket Nos. M-2009-2092222, M-2009-2112952 and M-2009-2112956 (Order Entered October 28, 2009) at p. 126 ("Regarding the DEP's concerns about plan adjustments outside the annual review process, we find that an EDC cannot shift program funds within a customer class, or between customer classes without prior Commission approval. Doing so would constitute a modification of the EDC's approved plan."); *Petition of West Penn Power Company d/b/a Allegheny Power for Approval of its Energy Efficiency and Conservation Plan, Approval of Recovery of its Costs through a Reconcilable Adjustment Clause and Approval of Matters Relating to the Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093218 (Order Entered October 23, 2009) at p. 98 ("Regarding DEP's concerns about plan adjustments outside the annual review process, an EDC cannot shift program funds within a customer class, or between customer classes without prior Commission approval. Doing so would constitute a modification of the EDC's approved plan."); *Petition of PECO Energy Company for Approval of its Act 129 Energy Efficiency and Conservation Plan and Expedited Approval of its Compact Fluorescent Lamp Program*, Docket No. M-2009-2093215 (Order Entered October 28, 2009) at p. 42 ("We find that an EDC cannot shift program funds within a customer class, or between customer classes without prior Commission approval. Doing so would constitute a modification of the EDC's approved plan.").

category is not applicable in this proceeding. Consistent with the Commission's *EE&C Order*, PPL Electric identified two proposed modifications to its currently effective EE&C Plan that fit within the categories outlined by the Commission in the *EE&C Order*. These two proposed modifications are the subject of the Company's Petition.

The assertion by PPLICA that any change to the EE&C Plan requires Commission approval is illogical because, if that were the case, then the Commission in Ordering Paragraph No. 34 and the discussion regarding shifting program funds (*EE&C Order* at pp. 92-93) would be unnecessary. Instead of clarifying what changes required Commission approval, the order approving the EE&C Plan would just have said all changes need approval. However, the Commission did not choose that course of action and, instead, specified what modifications require Commission approval. Moreover, the Commission's willingness to list the changes that must be addressed in a petition to modify an Act 129 plan supports the premise that the Commission intended to limit the types of modifications that require Commission approval. If the Commission had intended to require every modification to be approved, then the *EE&C Order's* discussion of the required contents of a petition to modify a plan would have simply said that a petition should contain specific reasons for every modification. However, the Commission chose to list the items it expected to be discussed in a petition to modify an Act 129 plan, consistent with the categories of modifications that require Commission approval discussed in the *EE&C Order*.

Furthermore, it would be unreasonable for an EDC to need Commission approval for every small change to an Act 129 plan, which is why the Commission limited the types of modifications that need approval. As noted above, the PPL Electric bears the risk of penalties in the event of non-compliance with the mandates of Act 129. To require that every change be

approved by the Commission would hinder PPL Electric's ability to manage all of the EE&C Plan's various programs effectively and timely in order to comply with Act 129. PPL Electric should be free, consistent with the *EE&C Order*, to implement its EE&C Plan programs and individual measures in a way that it believes is the most effective for success. The Commission's micromanagement of each program and/or individual measures (via the need to approve every change) would both be inconsistent with the *EE&C Order*, as discussed above, and would be unreasonable, as it would deny PPL Electric the ability to respond quickly to events that could both assist in achieving energy saving and peak load reduction goals or events that could hinder achieving the goals prescribed by Act 129. The EE&C Plan is a new endeavor that is based on forward looking estimates and projections, and PPL Electric should, consistent with the *EE&C Order*, have the ability to revise its efforts based on actual experience in order to achieve the Act 129 mandates. For example, at the October 20, 2010 stakeholder meeting PPL Electric discussed, from a business perspective, certain minor changes that occur frequently, are on-going and that must be implemented very quickly. These changes do not shift EE&C Plan program funds within a customer class, shift EE&C Plan program funds between customer classes or result in the discontinuation of a program. Therefore, the implementation of these changes do not require Commission approval.

2. The Load Curtailment Program

The PPLICA Comments generally take issue with how PPL Electric plans to administer the Load Curtailment Program consistent with the Company's interpretation of the *EE&C Order*, discussed above. PPLICA maintains that the Commission should investigate PPL Electric's actions and evaluate the implications to the Large Commercial and Industrial ("Large C&I") customers of increasing the expected peak load reductions in the Load Curtailment Program

from 100 MW to 150 MW. *See* PPLICA Comments at pp. 4-6. PPL Electric's Load Curtailment originally projected peak load reductions of 100 MW. However, for Program Year 2, PPL Electric has increased the projected load reductions to 150 MW based on bids from Conservation Service Providers ("CSP"). The increase in the Company's projected peak load reductions will be obtained within the approved budget of the Load Curtailment Program and will provide necessary peak load reductions for the Company in order to make the reductions required by Act 129. Absent the increased peak load reductions from the Company's Load Curtailment Program, the Company will not likely comply with its peak load reduction targets because of projected shortfalls in other programs. For example, other programs are not likely to achieve their forecasted peak load reductions. The Time of Use Program expected to produce 61 MW of peak load reduction; however, it will likely achieve no more than 10 MW. In addition, the peak load reduction from energy efficiency measures (such as appliances, lighting, HVAC equipment, *etc.*) in other programs are trending lower than expected and are relatively uncertain because of changes to the TRM that tend to decrease savings and peak load reductions. Therefore, to make up for those expected shortfalls, PPL Electric has to increase peak load reductions from other programs in order to meet its peak load compliance target by September 2012. As discussed above, this situation is not unexpected because the EE&C Plan is based on estimates and due to actual experience not every situation will turn out the way it was originally projected and modifications are needed to meet compliance targets.

PPL Electric has investigated alternatives to increase peak load reductions from other or new programs. Increasing projected peak load reductions from the Load Curtailment Program is the only feasible alternative. If the Company does not increase projected peak load reductions from the Load Curtailment Program, it will likely not meet its peak load compliance target. In

April 2010, PPL Electric asked stakeholders for input and suggestions on how to increase peak load reductions in other programs. However, no suggestions were received from any stakeholder as of September 15, 2010, including PPLICA.

“Overachieving” projected savings (compared to the approved EE&C Plan) within budget is common in other programs and does not trigger Commission approval. For example, PPL Electric may achieve greater savings than expected for heat pumps due to a different mix of sizes and efficiencies installed by customers than the assumptions in the EE&C Plan, or because programs costs per heat pump are lower than expected and PPL Electric can provide rebates for more heat pumps than originally expected. Similarly, PPL Electric may achieve greater savings than expected in its CFL Program if customers buy higher wattage Compact Fluorescent Lamps (“CFLs”) than assumed in the EE&C Plan or if the program costs per CFL are lower than expected (more CFLs can be discounted). So, if PPL Electric can achieve greater savings (peak load reductions) in the Load Curtailment Program than assumed in the EE&C Plan, within budget, such excess savings should not require Commission approval. Notably, these are the types of situations that the Commission said it would not micro-manage and these situations do not fit within the categories of modifications require Commission approval, as discussed in the *EE&C Order*.

Greater peak load reductions will provide greater savings to all PPL Electric customers regardless of whether they participate or do not participate in PPL Electric’s Load Curtailment Program or other programs. That is one of the fundamental objectives of Act 129 – the reduction of consumption and peak loads will, over time, lower wholesale and retail energy prices for all customers in Pennsylvania.

Moreover, participation in the Load Curtailment Program is voluntary; no customers are forced to participate. Therefore, increasing the peak load reduction target for the program gives more customers a chance to participate in this program and receive incentives for voluntarily reducing their peak load. The “market” (*i.e.* the participants in the program) has the ability to decide if this program makes sense for the Load Curtailment Program target market.

B. UGI Distribution Companies

In the UGI Distribution Companies’ Recommendations for Plan Improvements (“UGI Recommendations”), the UGI Distribution Companies maintain that the Petition does not appear to contain documentation of program expenditures, measurement and verification of energy savings under the EE&C Plan, evaluation of the cost-effectiveness of expenditures, or other information required by the Commission.⁵ UGI Recommendations at p. 3. Specifically, UGI Distribution Companies are concerned that the Petition and other publicly available documents do not contain information regarding switching to electric appliances from gas appliances as noted in Ordering Paragraph No. 33 of the *EE&C Order*.⁶ The UGI Distribution Companies request that the Commission direct PPL Electric to (1) comply with Ordering Paragraph No. 33 for the current and future reporting periods and (2) amend its EE&C Plan to (a) provide for the reporting of recipients who converted from gas appliances or equipment to electric appliances and equipment, (b) explain how such information is tracked and verified and (c) explain how such information will be made publicly available to the Commission and interested third parties. UGI Recommendations at pp. 3-4.

⁵ The UGI Distribution Companies note that they believe that certain of this information may have been presented in stakeholders meetings.

⁶ Ordering Paragraph No. 33 of the Commission’s *EE&C Order* stated, “[t]hat UGI’s request to require Electric Distribution Companies to report the frequency of customers switching to electric appliances from gas appliances is granted.”

Despite the UGI Distribution Companies' assertions, PPL Electric's Petition is not deficient because it does not report on recipients that converted from gas appliances to electric appliances. Consistent with the Commission *EE&C Order*, PPL Electric's Petition is limited to those proposed modifications that will result in a shift in program costs within or between customer classes. See *EE&C Order* at p. 92, Ordering Para. No. 34. The documentation of expenditures, measurement and verification of energy savings, cost-effectiveness evaluation and other information required by the Commission in annual reports is included in PPL Electric's PY1 Annual Report that was submitted separately to the Commission on September 15, 2010. See 66 Pa. C.S. § 2806.1(i)(1); June 24, 2010 Secretarial Letter at Docket No. M-2008-2069887. The Company's PY1 Annual Report was not required to be filed as part of this Petition.

Further, the Company, consistent with the Commission *EE&C Order*, does track program participants who convert from gas appliances to electric appliances. However, PPL Electric acknowledges that this information was not included in the Company's PY1 Annual Report. PPL Electric is currently analyzing the information that it has collected on switching and will report the results to the Commission. Unfortunately, some of the information provided by customers regarding the conversion from gas appliances or equipment to electric appliances and equipment was contradictory and requires significant verification, including site visits and interviews with customers. For example, numerous customers reported switching from gas appliances to electric appliances, but also stated they have no access to gas. Other customers reported switching to electric appliances that have no gas equivalent (e.g., refrigerators and dishwashers). Once these data collection issues have been addressed, and as noted above, PPL Electric will report the information required by Ordering Paragraph No. 33 of the *EE&C Order* to the Commission. The information will be included in a supplement to the PY1 Annual Report

or as part of the Program Year 2, 2nd quarter report. This is consistent with how PPL Electric has reported all other results of the EE&C Plan to the Commission and is consistent with the text in the approved EE&C Plan. PPL Electric plans to submit the information by January 31, 2011.

Regarding the UGI Distribution Companies' request to revise the EE&C Plan to, *inter alia*, provide for: the reporting of recipients who converted from gas appliances or equipment to electric appliances and equipment, how the information is tracked and verified, and the disclosure of the information, such requests are unnecessary. No revisions are required as the current EE&C Plan, as illustrated by the blacklined version (at pp. 49, 78, 128) filed with the September 15, 2010 Petition, states that:

PPL Electric will track and report if a customer switches to electric appliances from gas appliances or from gas appliances to electric appliances. PPL Electric will also report data on replacement appliances and systems. This data will be included in PPL Electric's annual report.

Therefore, the EE&C Plan already contains the appropriate text pursuant to Ordering Paragraph No. 33 of the *EE&C Order*. Moreover, as noted above, the Company will submit the data related to the number of customers that converted from gas appliances or equipment to electric appliances and equipment by January 31, 2011. . Also, the Company will provide detail as to how the switching information was tracked/verified. Consequently, it is unnecessary to amend PPL Electric's EE&C Plan as requested by the UGI Distribution Companies because the EE&C Plan already addresses, and the Company's subsequent submittal will address, all of the UGI Distribution Companies' concerns.

C. Office of Small Business Advocate

The Answer of the Office of Small Business Advocate ("OSBA Answer") raises two issues. The first concerns the reporting of the EE&C Plan's incentive costs, and the second

concerns modifications to the EE&C Plan to reflect changes to the technical resource manual (“TRM”).

1. The Reporting of the Incentive Costs

OSBA states that in its testimony, filed in the previous phase of this proceeding, it argued that incentive costs were excessive and that PPL Electric should justify the magnitude of the incentives and that the Company failed to do so in its Petition. OSBA Answer at pp. 2-3; *see* OSBA Statement No. 1, Direct Testimony of Robert D. Knecht at p. 11. OSBA objects to PPL Electric’s failure to reconsider, and report on, the magnitude of the incentives. OSBA Answer at p. 3.

The Commission’s order approving the EE&C Plan did not require the Company to reconsider, and report on, the magnitude of the incentives in the manner advocated by the OSBA in the OSBA Answer. Moreover, this issue was addressed in the previous phase of this proceeding. For example, in response to OSBA’s testimony on this very issue, PPL Electric explained that:

As part of the EE&C Plan PPL Electric proposes that Plan activities will be monitored and the results will be tracked and reported to the Commission using an Energy-efficiency Management Information System. PPL Electric Exhibit 1, § 5. OSBA, however, recommends that PPL Electric should also be required to provide an annual detailed justification for the magnitude of its customer incentives. OSBA St. 1, p. 11.

As noted above and in the EE&C Plan, PPL Electric intends to monitor and review the progress of its program regularly to determine its effectiveness. Progress evaluation is a part of this process and will have as one of its elements the effectiveness of incentive amounts to motivate customers to participate in programs offered under the Plan. PPL Electric St. 2-R, p. 5. If incentive amounts are found to be a barrier to participation, PPL Electric expects to be able to make the necessary adjustments, subject to the budget constraints imposed by Act 129. *Id.* If the analysis indicates that incentive amounts are too high, then the incentives may be adjusted downward as long as they do not impede participation. *Id.* Therefore, because of the tracking and reporting mechanism contained in the EE&C plan, and the understanding that the review process evaluates the

effectiveness of the incentives OSBA's request for further justification is unnecessary and should be rejected.

PPL Electric Main Brief at p. 70-71.

In response to the issue, the Commission found that, "PPL's commercial measures comply with the requirements of Act 129. The OSBA suggestion that incentives be reviewed on an on-going basis is well-taken, and PPL has agreed to the same." *EE&C Order* at p. 31. Although the Commission acknowledged the OSBA's issue, it approved PPL Electric's proposal to monitor and review the progress of its program regularly to determine its effectiveness, as discussed in the quotation above. The Commission did not approve OSBA's recommendation contained in its testimony (Direct Testimony of Robert D. Knecht at p. 11) and discussed in the OSBA Answer.

Regardless, PPL Electric believes its incentives for Small Commercial and Industrial ("Small C&I") customers are too low, and not too high (or excessive), as OSBA appears to believe. The approved EE&C Plan estimates approximately \$69 million in incentives for Small C&I customers and approximately \$115 million in estimated participant costs. The sum of incentives and participant costs represents the incremental cost of energy efficiency and conservation measures (incremental cost is the difference between the cost of existing or baseline equipment and the cost of the energy efficiency equipment). The estimated incremental cost in the approved EE&C Plan is approximately \$184 million for Small C&I programs. Incentives for Small C&I customers are, therefore, only approximately 38% of the estimated incremental cost (*i.e.*, \$69 million is 37.5% of \$184 million). That figure is lower than any other customer sector in the Company's EE&C Plan and lower than the 47% average for the entire EE&C Plan. PPL Electric designed its incentives to, in general, cover approximately 50% of the incremental cost of a measure. Additionally, the current incentive levels do not appear to be adequate. This

conclusion is based on the low participation rate of Small C&I customers in the Company's programs to date. Through October 2010, actual savings for the Small C&I customer sector is 27,123 MWh/yr, which is approximately 13% of total savings for all customer sectors. That is significantly less than the 45% projected proportion of Small C&I savings in the EE&C Plan.

As discussed in detail above, OSBA's objections should be dismissed because PPL Electric's EE&C Plan complies with Act 129 and the Company has analyzed and evaluated its incentive consistent with PPL Electric's proposal approved by the Commission in the *EE&C Order*.

2. Modifications to the EE&C Plan to Reflect Changes to TRM.

OSBA also states that it is concerned that PPL Electric "may not have modified its approved EE&C Plan to reflect changes to the [TRM] directed by the Commission." OSBA Answer at p. 3. OSBA provides no further explanation for its concern and offers no support for its assertion.

In response, PPL Electric notes that no changes are required to the EE&C Plan to reflect changes in the TRM. Verified gross savings for each measure actually installed will be determined in accordance with the applicable version of the TRM in effect for each program year or in accordance with a Custom Measure Protocol if a measure is not included in the TRM. Verified gross savings is the basis for compliance. Savings estimates in the approved EE&C Plan are based on planning assumptions and are not used for reporting actual savings (verified gross savings).

D. Pennsylvania Communities Organizing for Change

The Comments of the Pennsylvania Communities Organizing for Change (“PCOC Comments”) includes two recommendations. The first concerns specific measures targeted to multi-family properties and the second concerns the CFL Program.

1. Multi-Family Properties with Low-Income Families

PCOC strongly encourages PPL Electric to include specific measures targeted at multi-family properties providing affordable housing to low-income families. PCOC Comments at pp. 2-3. PCOC maintains that multi-family property measures could be combined with Department of Energy and Pennsylvania Housing Finance Authority weatherization efforts. In response to PCOC Comments, PPL Electric notes that the current Commission-approved EE&C Plan includes programs available to multi-family properties, and this is unchanged in the EE&C Plan filed on September 15, 2010. *See* the EE&C Plan’s Efficient Equipment Incentive Program (Residential Sector), Low-income WRAP (Winter Relief Assistance Program), E-Power Wise (Low-Income Sector). Multi-family properties are eligible to participate in any program open to the multi-family property’s underlying rate class (typically residential or Small C&I) and are eligible for the Low-Income Sector programs. For example, the Low-income WRAP (Winter Relief Assistance Program) and the E-Power Wise (Low-Income Sector) are targeted at PPL Electric customers at or below 150% of the federal poverty level and is available to customers existing multi-family housing, where 50% or more tenants are low-income qualified. Additionally, the current EE&C Plan and the proposed revised plan state that:

...PPL Electric has established less formal relationships with non-profit and community outreach organizations that provide complementary programs to customers in PPL Electric’s service territory, including the Pennsylvania Housing Finance Authority (PHFA), which delivers a multifamily efficient equipment loan program directed primarily to low-income customers, and Keystone HELP, which offers Home Performance with ENERGY STAR® residential audits, incentives

on some energy efficient technologies, and financing for energy-efficiency products and services. PPL Electric and these organizations have agreed to engage in an active co-marketing effort to help direct customers to appropriate energy-efficiency programs and incentives, regardless of which company or organization receives the benefits.

EE&C Plan at p. 187.

Therefore, consistent with PCOC Comments, the current EE&C Plan and the proposed revised plan EE&C Plan contain “specific measures targeted to multi-family properties providing affordable housing to low-income families.” PCOC Comments at p. 2; *see* the EE&C Plan’s Efficient Equipment Incentive Program (Residential Sector), Low-income WRAP (Winter Relief Assistance Program), E-Power Wise (Low-Income Sector). Moreover, PPL Electric has established relationships with non-profit and community outreach organizations that provide complementary programs as encouraged by PCOC in its comments. PCOC Comments at p. 2; EE&C Plan at p. 187. Hence, changes to the proposed revised EE&C Plan are not necessary.

2. Compact Fluorescent Lighting Program

In its comments, PCOC encourages PPL Electric to ensure that low-income customers are receiving the intended benefits of the CFL program. In response, the Company can confirm that low-income customers will receive the intended benefits (*i.e.*, energy savings) under the CFL program. As explained in the Petition, all PPL Electric customer sectors, including low-income customers, are eligible to purchase discounted CFLs from retail stores under PPL Electric’s CFL Program. Petition at p. 5. PPL Electric explained in the Petition that it had allocated CFL sales to the low-income residential sector because, at the time of filing its EE&C Plan, it believed that there was a low-income energy reduction compliance target (kWh). *Id.* Subsequent to the filing of the Company’s original EE&C Plan, however, the Commission clarified that the low-income compliance target was based on the number of measures available to low-income customers, not on a percentage of the total kWh/yr reductions. *See EE&C Order*

at p. 25. Based on the reasons summarized in its Petition, PPL Electric proposes to allocate all CFL Program sales, savings and costs to the residential customer sector, instead of allocating 5% to the Small C&I sector and 17% to the low-income sector (costs to the low-income sector would be paid by all residential customers).

Low-income customers are eligible to participate in any PPL Electric EE&C program that is open to residential customers and all costs associated with low-income and non low-income customer participation in EE&C programs are recovered from the same sector – residential customers. The allocation of the CFL Program’s sales, savings and costs to the residential sector does not diminish the CFL Program’s benefit to low-income customers because, as noted above, all PPL Electric customer sectors including low-income customers are eligible to purchase discounted CFLs from retail stores under PPL Electric’s CFL Program. Therefore, low-income customers will continue to receive the energy savings benefits under the CFL program as encouraged by PCOC, and no modifications to the proposed revised EE&C Plan filed on September 15, 2010 are required.

III. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission accept this reply to the comments and recommendations filed in this proceeding, and approve the proposed modifications to the EE&C Plan, as set forth in the Petition.

Respectfully submitted,



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