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|  **PENNSYLVANIA****PUBLIC UTILITY COMMISSION****Harrisburg, PA 17105-3265** |
| Public Meeting held March 6, 2014 |
| Commissioners Present:Robert F. Powelson, ChairmanJohn F. Coleman, Jr., Vice ChairmanJames H. Cawley, StatementPamela A. Witmer, StatementGladys M. Brown  |
| Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan | M-2012-2334388  |

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Petition of PPL Electric Utilities Corporation (PPL or the Company) for Approval of Changes to its Phase II Act 129 Energy Efficiency and Conservation (EE&C) Plan (Petition), filed on November 22, 2013 in the above-captioned proceeding. Comments to the Petition were filed by PP&L Industrial Customer Alliance (PPLICA) and the Sustainable Energy Fund of Central Eastern Pennsylvania (SEF) on December 23, 2013. Reply Comments were filed by PPL and the Office of Small Business Advocate (OSBA) on January 13, 2014. For the reasons discussed below, we will grant PPL’s Petition, in part, and deny it, in part.

# I. Background and Procedural History

On November 15, 2012, PPL filed a Petition requesting approval of its Act 129 Phase II EE&C Plan (Phase II Plan). PPL’s Phase II Plan included a broad portfolio of energy efficiency programs, conservation practices and energy education initiatives designed to meet the goals established by Sections 2806.1 and 2806.2 of Act 129 and the Commission’s Order in *Energy Efficiency and Conservation Program*, Docket Nos. M‑2012-2289411 and M-2008-2069887 (Order entered August 3, 2012) (*Phase II Implementation Order*).[[1]](#footnote-1) PPL requested that the Commission approve its Phase II Plan, and all attachments thereto, on or before March 14, 2013.

By Order Certifying the Record in this proceeding, dated February 13, 2013, Administrative Law Judge Dennis J. Buckley provided a history of the investigation into PPL’s Phase II Plan; delineated the transcripts, statements, exhibits and briefs admitted into the record; and certified the record to the Commission for consideration and disposition, in accordance with the *Phase II Implementation Order*.

On March 14, 2013, the Commission entered an Opinion and Order in this proceeding (*March 2013 Order*), which: (1) granted, in part, and denied, in part, PPL’s Petition requesting approval of its Phase II Plan; (2) approved, in part, and rejected, in part, PPL’s Phase II Plan; (3) rejected PPL’s Low-income Energy Efficiency Behavior & Modification Program as filed; and (4) rejected the cost recovery mechanism set forth in PPL’s proposed Act 129 Compliance Rider contained in the pro forma tariff pages supplied with PPL’s Phase II Plan. *March 2013 Order* at 88.

The *March 2013 Order* also contained directives requiring PPL to make specific modifications to its Phase II Plan. PPL was required to file a revised Phase II Plan incorporating the directed modifications within sixty days of the entry date of the *March 2013 Order*. Interested parties were given ten days to file comments on the revised portions of the Phase II Plan, with reply comments due ten days thereafter. The *March 2013 Order* provided for the Commission to approve or reject the revised portions of the Phase II Plan at a public meeting within sixty days of the date of the filing of the revised plan. *Id*. at 89. In addition, PPL was permitted to implement any portion of its Phase II Plan that was approved without modification by the *March 2013 Order*. *Id*.

On May 13, 2013, PPL filed a Revised Phase II Plan in compliance with the *March 2013 Order*. No comments or reply comments were filed in response to this compliance filing. By Opinion and Order entered July 11, 2013, the Commission approved PPL’s Revised Phase II Plan.

On November 22, 2013, PPL filed the instant Petition requesting permission to modify its Phase II Plan. Specifically, the Petition requests approval of forty modifications, consisting of both “minor” and “non-minor” changes as defined in the Commission’s expedited review process as set forth in *Energy Efficiency and Conservation Program*, Docket No. M-2008-2069887 (Final Order entered June 10, 2011) (*Minor Plan Change Order*).

On December 9, 2013, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) filed a letter with the Commission stating that it is generally supportive of the proposed changes as they affect PPL’s low-income residential customers and that it would not be filing comments. On December 18, 2013, the Commission on Economic Opportunity (CEO) filed a letter with the Commission to advise that it supports the proposed modifications. On December 20, 2013, the Office of Consumer Advocate (OCA) filed a letter with the Commission to advise that it would not be filing Comments to PPL’s Petition.

As noted above, PPLICA and SEF both filed Comments to PPL’s Petition on December 23, 2013. PPL and the OSBA filed Reply Comments on January 13, 2014.

**II. PPL’s Petition**

By its Petition, PPL is requesting approval of forty modifications to its Phase II Plan, consisting of both “minor” and “non-minor” changes as defined in the Commission’s *Minor Plan Change Order*. PPL states that, although the *Minor Plan Change Order* established a bifurcated process for approving “minor” and “non-minor” EE&C Plan modifications, PPL is submitting a single Petition to ensure that the Commission and interested parties have a complete representation of all the proposed changes in a single black-line EE&C Plan. PPL states that a single black-line Plan better illustrates the collective impacts of all the proposed changes. Petition at 1-2.

PPL requests that the Petition and its proposed Phase II Plan changes be reviewed under the procedural schedule established in the *Minor Plan Change Order* for “non-minor” changes, including the schedule for filing comments and replies contained therein. *Id*. at 3. Because of the compressed time frame within which PPL must achieve its Act 129 Phase II requirements, as well as the lead time needed to implement certain of the proposed changes, PPL requests that the Commission resolve all issues in this proceeding on the basis of Comments and Reply Comments, if possible. *Id*. PPL asserts that, to the extent no Party opposes a proposed change, or the Comments fail to raise any legitimate issues of law or fact with regard to the proposed modifications, such modifications should be approved by the Commission, and not referred to an Administrative Law Judge for hearings and a recommended decision, consistent with the Commission’s actions in *Petition of West Penn Power Company for Amendment of the Orders Approving Energy Efficiency and Conservation Plans and Petition for Approval of its Amended Energy Efficiency and Conservation Plans,* Docket No. M-2009-2093218 (Interim Opinion and Order entered October 28, 2011) (*West Penn October 2011 Interim Order*). *Id*.[[2]](#footnote-2) For all changes that cannot be resolved based on the Comments and Reply Comments, PPL requests that the Commission approve the proposed changes as quickly as practically possible so that PPL can implement the modifications as soon as practicable. Petition at 3.

 **A. Overview of Proposed Changes**

 As noted above, PPL is requesting approval of forty modifications to its Phase II Plan. These modifications include the discontinuance and addition of EE&C measures, the shifting of measures from one program to another, changing forecasted participation levels for some measures and programs, and increasing the projected Phase I carryover (over-compliance). *Id*. at 2. PPL asserts that the proposed changes will not impact the Company’s overall Phase II Plan budget, but will increase the long-term benefits, largely to the Residential, Low-income, and government, non-profit and institutional (GNI) customer sectors. *Id*. PPL also states that its proposed modifications will result in a net increase in the cost to the Residential, Low-income, and GNI customer sectors in order to recognize the need for an upfront investment to attain the intended savings to these sectors. Conversely, PPL states that the proposed restructuring of its program investments will decrease the costs to the Small Commercial and Industrial (Small C&I) and the Large Commercial and Industrial (Large C&I) customer sectors. *Id*. at 2-3.

 PPL’s Petition indicates that the proposed changes to its Phase II Plan will result in a reduction of its total estimated Phase II savings from 841,957 to 615,697 MWh/yr., exclusive of any carryover savings from Phase I. *Id*. at 32, Table 1. However, as described below, PPL is proposing to increase the estimated Phase I carryover savings from 110,000 MWh/yr. to approximately 551,000 MWh/yr. Petition at 26-27. As a result, PPL’s total estimated Phase II savings, including the Phase I carryover, will increase from 951,957 to 1,167,401 MWh/yr., resulting in an estimated Phase II over-compliance of 346,329 MWh/yr. *Id*. at 32, Table 1. If PPL’s proposed changes are approved, its overall total resource cost (TRC) test benefit-cost ratio for its Phase II Plan will change from 1.73 to 1.75. *Id*.[[3]](#footnote-3)

 PPL states that the proposed modifications to its Phase II Plan are based on new information and experience gained since the Company filed its original Phase II Plan in November 2012. *Id*. at 4-6. In addition, PPL states that its proposed changes were identified through input from stakeholders, trade allies, conservation service providers (CSPs), and program participants; through process evaluation recommendations from its independent evaluator; and through ongoing coordination activities with other Pennsylvania electric distribution companies (EDCs). *Id*. at 7. PPL asserts that many of the changes proposed in its Petition were previously requested by stakeholders, but were not adopted in the original Phase II Plan because of budget constraints at that time. *Id*. PPL avers that its proposed changes:

. . . are both reasonable and necessary and will enable the Company to meet its Phase II compliance targets within its Phase II budget, to provide an enhanced mix of measures and programs, to promote more efficient emerging technologies, to comply with the updated [Technical Reference Manuals (TRMs)], and to improve the market infrastructure, all of which will provide deeper and longer-lived savings.

*Id*. at 6.

 **B. Specific Modifications**

 The forty modifications to its Phase II Plan proposed by PPL in its Petition are summarized below.

**1. Phase Out CFLs and Promote LEDs**

 PPL is proposing to phase out compact fluorescent lights (CFLs) in all of its Phase II Plan programs by Program Year 6, and to instead provide incentives for light-emitting diodes (LEDs), or provide free LEDs (such as in kits, direct install programs, and limited-time give-away promotions). PPL asserts that market saturation and market practices for CFLs have changed substantially, and that CFLs are now becoming the norm in the Company’s service territory. Petition at 8. PPL argues that LEDs offer considerable technical and performance advantages over CFLs, including greater energy savings and much longer life. PPL notes that, while the price of LEDs is dropping significantly, it is still too high for widespread acceptance by consumers. However, PPL states its belief that, with its proposed EE&C Plan incentives and consumer education, the cost of LEDs can be lowered further, and the presence of LEDs on store shelves will increase, stimulating consumer awareness and acceptance of LED technology. PPL also argues that, although the difference in annual energy savings between LED and CFL bulbs is not significant, LED’s have more than double the measure life (14.7 years for LEDs compared to 6.8 years for CFLs). *Id*. at 9-10.

 PPL states that, due to the higher program acquisition costs and its need to maintain the current EE&C Plan budget, the Company will discount fewer bulbs, which will result in less annualized savings for that portion of the EE&C Plan. PPL also believes it is likely that consumers would purchase fewer discounted LEDs than CFLs because of the higher price, and because of general lack of familiarity with LED technology. PPL is proposing to absorb this loss of annualized savings by using a portion of the Phase I carryover savings (described in Change No. 34, below), as well as adjustments to the mix of measures described in its other proposed changes to mitigate the impact of a lower LED adoption rate, until the prices for LEDs decrease and consumers become more familiar with the technology. *Id*. at 10-11.

**2. Phase Out Incentives for T8 Linear Fluorescent Lighting**

 Starting by Program Year 6, PPL is proposing to discontinue incentives for regular T8 lighting and to promote the more efficient high-performance T8 and T5 measures instead. In support of this change, PPL cites the high market saturation of T8s in its service territory. PPL asserts that, like CFLs, T8s are becoming the norm, and believes it is no longer necessary to provide incentives for a measure that the market has adopted as normal practice. *Id*. at 11. PPL states that discontinuing incentives for T8 lighting is expected to lead to a reduction in the estimated number of lighting projects because some customers may choose not to pursue the more costly T5s and high-performance T8s. Therefore, PPL has reduced the estimated participation and savings for this program to reflect these lower participation levels. PPL also states that the estimated participation and savings had to be reduced to accommodate other changes and to stay below the EE&C Plan cost cap. *Id*.

**3. Discontinue Incentives for Metal Halide and Induction Lighting**

 PPL is proposing to discontinue incentives for metal halide and induction lighting by Program Year 6, due to relatively low participation for these incentives in its Phase I EE&C Plan, and to encourage customers and trade allies to install more efficient measures, such as LEDs. *Id*. at 14.

**4. Discontinue Incentives for Direct-Install Smart Strips in the Residential Retail Program**

 PPL is proposing to discontinue direct-install smart power strips as an eligible measure in its Residential Retail Program once the current inventory is depleted. PPL is making this change due to the reduced savings indicated for smart strips in the proposed 2014 TRM, and the relatively high administrative and labor costs the Company experienced to furnish and install smart strips. PPL states that it plans to continue to include smart strips as part of its Student and Parent Energy-Efficiency Education Program, and its E-Power Wise Program. PPL asserts that smart strips are still justified in these programs because they are included in the kits, and there are no direct-install costs.

**5. Discontinue Mid-Stream Incentives for ENERGY STAR® Televisions**

 PPL is proposing to discontinue the mid-stream incentive for ENERGY STAR® televisions in its Residential Retail Program effective the first quarter of 2014. PPL has determined that it is not practical to closely and reliably monitor the rapidly changing market for televisions to ensure that the incented models are the most efficient. In addition, PPL notes that eliminating this measure will serve to accommodate the addition of LEDs and other higher-cost, more-efficient, longer lived measures, while staying within the statutory budget cap. *Id*. at 15

**6. Discontinue the Incentive for 2-Speed Pool Pumps**

 PPL is proposing to discontinue the incentive for 2-speed pool pumps based on the Commission’s proposal to eliminate the measure from the 2014 TRM due to lack of savings. *Id*.

**7. Discontinue the Incentive for Strip Curtains**

 PPL is proposing to eliminate the incentive for strip curtains due to low customer participation. *Id*.

**8. Discontinue “Standard” TRM Measures in the Custom Incentive Program**

 PPL is proposing to discontinue incentives for “standard” measures—that is, those measures included in the TRM—in its Custom Incentive Program. PPL explains that, in its Phase I and Phase II EE&C Plans, certain measures that did not have prescriptive rebates were still eligible for custom incentives if the project passed the cost-effectiveness screening and other eligibility requirements. In those cases, the savings for the “standard” measure were determined in accordance with the TRM protocol, but the incentive would be based on the Custom Incentive Program. PPL states that it now believes it is more appropriate for the Custom Incentive Program to cover only those measures that are truly custom, and to offer “standard” measures only through prescriptive programs with set rebate amounts that will not take away program funding from custom measures. *Id*. at 16.

**9. Change the Eligibility Requirements for Refrigerator Rebates**

 PPL is proposing to change the eligibility requirements for refrigerator rebates in its Residential Retail Program from ENERGY STAR® to ENERGY STAR® “Most Efficient” and/or other established criteria, such as Consortium of Energy Efficiency Tier 3 or Top Ten USA for most efficient refrigerators starting in Program Year 6. PPL states that ENERGY STAR® has become the norm in the market, and thus, PPL believes it is now more appropriate to provide incentives for refrigerators that have higher savings. *Id*. at 16-17.

**10. Increase the Bonus Incentives for the Energy Assessment & Weatherization Component of the Home Comfort Program**

 PPL is proposing to increase the current rebate to customers who complete an audit and install insulation and infiltration measures that were recommended by the audit. In addition, PPL is proposing to require that those measures recommended by the audit must be installed within 180 days of the audit in order to qualify for the bonus rebate. *Id*. at 17.

**11. Increase the Direct Discount Incentives for Schools**

 PPL is proposing to increase the incentive for schools in the direct discount component (primarily lighting) of the Prescriptive Rebate Program from $0.17 per annual kWh saved to $0.33. PPL asserts that, by increasing the incentive, schools will be encouraged and better-positioned to implement energy-efficient measures at a lower out-of-pocket, front-end cost. *Id*.

**12. Increase the Incentive and the Incentive Cap for Custom Projects**

 PPL is proposing to increase the custom incentive offered under its Custom Incentive Programs from $0.08 to $0.10 per annual kWh saved to better encourage custom projects. PPL is also proposing to increase the incentive cap for custom projects from $250,000 to $500,000 in order to provide a total incentive that is more in line with the total project cost for larger energy efficiency projects. However, PPL states that it will maintain the current corporate (parent) cap at $1 million. *Id*. at 18.

**13. Increase the Incentives for Heating and Cooling Measures for Rate RTS Residential Service – Thermal Storage (RTS) Customers.**

 PPL is proposing to increase the incentives for Rate RTS Residential customers who install eligible air source heat pumps and/or ductless heat pumps. PPL asserts that, by increasing this rebate, Rate RTS customers will be given a better incentive to replace their old, inefficient thermal storage systems with more energy-efficient options. *Id*.

**14. Increase the Minimum Required TRC for Custom Projects**

 PPL is proposing to increase the minimum Total Resource Cost (TRC) from 1.0 to 1.1 for projects in its Custom Incentive Program, except for Combined Heat and Power projects, whose minimum TRC will remain at 1.25. PPL states that the increased minimum TRC will provide a reasonable margin to account for uncertainties, and will increase the likelihood that the overall TRC for the program will be greater than 1.0. *Id*. at 18-19.

**15. Add Free LED Exit Signs to the School Benchmarking Program**

 PPL is proposing to offer free LED exit signs to schools participating in the School Benchmarking Program. PPL avers that this proposal will provide an additional incentive for schools to participate in the program, will bring attention to the benefits of the program, and will provide additional energy savings for schools. PPL states that the free exit signs will be included in the budget for the Prescriptive Equipment Program, along with other LED exit signs. *Id*. at 19.

**16. Provide a Rebate for Conversion of Municipal-Owned Street Lights to LED**

 PPL is proposing to add LED street lights as an eligible measure in its GNI Prescriptive Equipment Program in order to encourage municipalities to convert existing street lights to more energy-efficient LEDs. *Id*.[[4]](#footnote-4)

**17. Add a Manufactured Homes Component to the Home Comfort Program**

 PPL is proposing to add ENERGY STAR® manufactured homes as an eligible measure in its Home Comfort Program to provide incentives to customers who purchase ENERGY STAR® rated manufactured homes, and an additional incentive for the installation of an energy-efficient heating system. In addition, PPL asserts that this proposal “enriches the ‘comprehensive program’ requirement in this program and provides an incentive for customers who choose energy efficient housing that is not covered by the program’s ‘new construction’ component.” *Id*.

**18. Add Ductless Heat Pumps as an Eligible Measure**

 PPL is proposing to add ductless heat pumps as an eligible measure in its Home Comfort Program for Residential customers, and in its Prescriptive Equipment Program for Commercial and Agricultural customers. PPL states that this measure was unintentionally omitted from its Phase II Plan and will give customers more options to implement energy efficiency measures. *Id*. at 20.

**19. Add Ground Source Heat Pumps as an Eligible Measure for GNI Customers**

 PPL is proposing to add ground source heat pumps (GSHPs) as an eligible measure for GNI customers in its Prescriptive Equipment Program. PPL states that GSHPs were a popular measure in its Phase I EE&C Plan, but were not included in its original Phase II Plan due to budget constraints. PPL now believes it is feasible to include GSHPs under its Phase II Plan budget because of the combined impact of all its proposed changes. *Id*.

**20. Add Compressed Air Training for Trade Allies and C&I Customers**

 PPL is proposing to add Department of Energy compressed air systems training for maintenance personnel as part of its Prescriptive Equipment Program. PPL states that, while such training will not yield direct savings, it will help trade allies and customers improve the energy efficiency of their compressed air systems by improving operation and maintenance practices. *Id*. at 20-21.

**21. Add Building Operator Certification Training for Trade Allies and C&I Customers**

 PPL is proposing to add Building Operator Certification training for facility managers and building operators in certain targeted GNI groups as part of its Prescriptive Equipment Program. As with the compressed air training described above, PPL states that this training will not yield direct savings, but will help trade allies and customers improve the energy efficiency of their buildings by improving operation and maintenance practices. *Id*. at 21.

**22. Add Trade Ally Certification for HVAC and New Homes**

 As part of its Residential Home Comfort Program, PPL is proposing to add training for HVAC contractors and new home builders that will lead to independent certification. Once again, PPL states that, while this training will not result in direct savings, it will provide trade allies with additional information for residential HVAC and new construction, which will improve their competency, skills, and credibility to promote energy efficiency to their customers. *Id*.

**23. Add Whole Building Approach for Master Metered Low-Income Multifamily Housing Program**

 PPL is proposing to target up to three all-electric buildings for a comprehensive approach as a pilot program under its Master Metered Low-Income Multifamily Housing Program. PPL states that a mix of building styles and sizes will be selected to receive incentives to upgrade equipment above and beyond the standard measures provided by the program. PPL asserts that this pilot program will provide the Company with cost and savings data that can be used to evaluate the merits of further expanding the whole-building approach. *Id*. at 22.

**24. Add Funding for a School Energy Champion in the Continuous Energy Improvement Program**

 PPL is proposing to provide funding to partially offset the salary of the School Energy Champions identified by participating school districts under PPL’s Continuous Energy Improvement (CEI) Program.[[5]](#footnote-5) According to PPL, its CSP estimates that 300 person-hours of work per school year by the Energy Champion are required to drive results under the CEI Program. PPL states that it will establish milestones within the CEI process that will trigger payments for the work at a standard hourly rate for all participating school districts. PPL asserts that this change should make the program more attractive to school districts in the pilot incentive and encourage their participation in the program. PPL states that it does not expect to offset the school district salary costs further beyond the pilot incentive. *Id*.

**25. Add a Thermography Pilot**

 PPL is proposing to conduct a pilot initiative to evaluate the merits of thermography as a tool to encourage customer participation in energy efficiency programs. PPL states that it would use thermography on selected homes, neighborhoods, or regions to help customers identify homes with potentially high heat loss. The results will be available to customers on PPL’s website. The cost of this pilot initiative will be included as a marketing common cost and will be assigned to the Residential sector. *Id*. at 22-23.

**26. Add Thermal Imaging Guns and Training**

 PPL is proposing to provide thermal imaging guns to Building Performance Institute certified trade allies to be used when providing Residential home energy efficiency audits as part of the Home Comfort Program. *Id*. at 23.

**27. Add an Incentive for Non-ENERGY STAR® and Non-Design Lights Consortium LED Lamps to the Prescriptive Equipment Programs**

 PPL is proposing to provide a rebate for non-ENERGY STAR® and non-Design Light Consortium LED lamps as a pilot incentive under its Prescriptive Equipment Programs. Pre-approval will be required, and there will be a ten-bulb limit per customer. PPL states that this pilot incentive will provide customers with the opportunity to experiment with new LEDs tested by a laboratory, and will allow PPL to learn more about unique applications for LEDs. *Id*. at 23-24.

**28. Change Pre-approval Requirements for C&I Measures in the Prescriptive Equipment Program and the Custom Incentive Program**

 PPL is proposing to change the pre-approval requirements for C&I measures in its Prescriptive Equipment and Custom Incentive Programs. Currently, under the Custom Incentive Programs, customers are required to obtain pre-approval for a project before the project goes into service. PPL is now proposing that customers be required to obtain pre-approval before the customer orders their efficient equipment. Likewise, under the Prescriptive Equipment Program, PPL is proposing to require pre-approval before customers order their efficient equipment. PPL states that this change will provide the Company with more advance notice of possible projects, which should help it manage the programs and customer sector budgets more closely. In addition, PPL asserts that this change will provide the opportunity for better and earlier coordination among the Company, trade allies, and customers. PPL also states that this change will assist trade allies in their sales process, and should help customers by confirming rebate eligibility earlier. Finally, PPL states that this change should reduce free-ridership, which, according to PPL, was fairly high in the Phase I Custom Incentive Program because customers could request a rebate well after their equipment was ordered or installed. *Id*. at 24-25.

**29. Change the Projected Participation and Savings in the Appliance Recycling Program**

 PPL is proposing to reduce the projected number of recycled refrigerators, freezers, and window air conditioners in its Appliance Recycling Program to account for the longer measure lives of replacement appliances. PPL states that this change will reduce both the program savings and program cost. *Id*. at 25.

**30. Decrease the Estimated Number of Participants in the Student and Parent Energy-Efficiency Education Program**

 PPL is proposing to reduce the number of estimated participants in its Student and Parent Energy-Efficiency Education Program from 79,000 to 65,000 in order to account for the increased cost of including LED lights instead of CFL lights in the energy efficiency kits provided under this program. *Id*.

**31. Add the Cost of the E-Power Team to Common Costs (Marketing)**

 PPL states that it inadvertently excluded the $1.3 million cost of its E‑Power team from the marketing cost estimate in its Phase II Plan. Therefore, PPL is proposing to now add this cost to the common costs of the Plan. PPL states that the E‑Power team is vital to successfully disseminate information to Residential customers, especially with regard to the benefits of LEDs. *Id*.

**32. Discontinue Incentives for Bulk CFLs and Add Incentives for Bulk LEDs**

 Consistent with its proposal to phase out CFLs, PPL is proposing to phase out incentives for bulk CFLs and to add incentives for bulk LEDs in its C&I Prescriptive Equipment Programs by Program Year 6. *Id*. at 26.

**33. Add an Incentive for New Construction Lighting**

 PPL is proposing to add an incentive for new construction lighting in its Prescriptive Equipment Programs in order to provide rebates for customers installing efficient lighting in new buildings or in existing buildings that are renovated. PPL states that these incentives were previously covered under its Custom Incentive Program.[[6]](#footnote-6)

**34. Increase the Estimated Phase I Carryover Savings**

 PPL is proposing to increase the estimated Phase I carryover savings from 110,000 MWh/yr. to approximately 551,000 MWh/yr. PPL states that there are three primary reasons for this increase. First, PPL avers that, during its Program Year 4 impact evaluation, the Company’s independent evaluator determined that the Phase I cross-sector sales adjustment added approximately 157,000 MWh/yr. to the Phase I savings. Second, PPL states that there was a large, unexpected rush of rebate applications during the final few months of Phase I that added approximately 135,000 MWh/yr. of Phase I savings. Third, PPL asserts that it experienced slightly higher realization rates (the ratio of verified savings to reported savings) in Program Years 3 and 4 than it expected when it originally prepared its Phase II Plan. *Id*. at 26-27.

**35. Modifications to the Low-Income WRAP Program**

 PPL is proposing a number of modifications to its existing Phase II Plan Low-Income Winter Relief Assistance Program (WRAP) Program. First, PPL proposes to add approximately 400 “full cost” WRAP jobs[[7]](#footnote-7) to the program, which PPL asserts will increase low-income savings.[[8]](#footnote-8) Second, PPL proposes to phase out direct-install CFLs and to install LEDs instead as replacements for incandescent bulbs. Third, PPL proposes to increase the estimated cost to furnish and install, at no cost to Low-income participants, heat pump water heaters. PPL explains that, after reviewing Phase I WRAP cost data from Program Years 3 and 4, it determined that it had underestimated the cost to provide and install heat pump water heaters in its Phase II Plan. Thus, PPL is revising its estimate of this cost from $1,300 to $1,700 per heat pump water heater. PPL asserts that its proposed changes to the Low-Income WRAP program will increase the projected cost of the program from $13.3 million to $15.6 million, and increase the projected savings from 9,554 MWh/yr. to 10,519 MWh/yr. PPL states that funds for this increase were, in part, offset by the overestimation of direct utility costs in its projections for its Phase II Plan, in which costs for EDC staff were inadvertently double-counted. *Id*. at 27-28.

**36. Reflect Cross-sector Sales**

 PPL is proposing to reflect cross-sector sales associated with lighting purchased from the upstream discount portion of its Phase II Plan Residential Lighting Program. According to PPL, estimated Residential savings will decrease approximately 21,000 MWh/yr., and estimated Small C&I savings will increase approximately 60,000 MWh/yr. Estimated Residential cost will decrease approximately $3.5 million, while Small C&I cost will increase approximately $3.5 million. *Id*. at 29. These estimated cross-sector sales adjustments are meant to account for upstream lighting that may have been sold to non-residential customers and installed in non-residential applications, in order to prevent cross-subsidization of costs and savings between customer sectors. *Id*. PPL states that the actual cross-sector sales will be determined by its independent evaluator during the Phase II impact evaluations, and the result will be treated as an ex‑post adjustment at the conclusion of each program year. *Id*. at 29-30.

**37. Discontinue Incentives for Beverage/Snack Machine Controls**

 PPL is proposing to discontinue incentives for beverage/snack machine measures due to lack of customer response. *Id*. at 30.

**38. Delete Non-Electric Water Heaters and Add Non-Electric Central Heat to the C&I Prescriptive Rebate Program**

 PPL states that it inadvertently included rebates for non-electric water heaters in its Phase II Plan C&I Prescriptive Equipment Program. PPL notes that its Phase II Plan does not provide incentives for water heating under this program, but does provide incentives for both electric and non-electric energy efficient central heating equipment. Therefore, PPL is proposing to delete rebates for non-electric water heaters and to add them for non-electric central heating in its C&I Prescriptive Equipment Program. *Id*.

**39. Process Incentives for Variable-Speed Drive Air Compressors Through the Custom Incentive Program Instead of the Prescriptive Equipment Program**

 PPL is proposing to process rebates for variable-speed drive air compressors through its Custom Incentive Program instead of its Prescriptive Equipment Program. PPL is proposing this change because the equipment is too complex to process through a simple, prescriptive rebate program. PPL states that the rebate amount ($0.10 per annual kWh saved) will remain unchanged. *Id*. at 31.

**40. Include General Text Revisions, Primarily for Clarity**

 PPL is proposing a number of ministerial revisions to the text of its Phase II Plan. *Id*.

**III. Discussion**

**A. Legal Standards**

We have previously held that a petition to amend a Commission-approved Act 129 EE&C Plan is a petition to amend a Commission Order, pursuant to 52 Pa. Code §§ 5.41 and 5.572. *Minor Plan Change Order* at 14. While such a petition may raise any matter designed to convince us that we should exercise our discretion to amend or rescind a prior order, at the same time "[p]arties . . ., cannot be permitted by a second motion to review and reconsider, to raise the same questions which were specifically considered and decided against them." [*Duick v. Pennsylvania Gas and Water Company*, 56 Pa. P.U.C. 553](https://www.lexis.com/research/buttonTFLink?_m=a0bd972e1c44c934eac4dac31ed13919&_xfercite=%3ccite%20cc%3d%22USA%22%3e%3c%21%5bCDATA%5b2012%20Pa.%20PUC%20LEXIS%201764%5d%5d%3e%3c%2fcite%3e&_butType=3&_butStat=2&_butNum=5&_butInline=1&_butinfo=%3ccite%20cc%3d%22USA%22%3e%3c%21%5bCDATA%5b56%20Pa.%20PUC%20553%5d%5d%3e%3c%2fcite%3e&_fmtstr=FULL&docnum=8&_startdoc=1&wchp=dGLzVzt-zSkAz&_md5=973ffa07ed1a747816aebcb86d9556c3) (Order entered December 17, 1982) (quoting [*Pennsylvania Railroad Co. v. Pennsylvania Public Service Commission*, 179 A. 850, 854 (Pa. Super. Ct. 1935)).](https://www.lexis.com/research/buttonTFLink?_m=a0bd972e1c44c934eac4dac31ed13919&_xfercite=%3ccite%20cc%3d%22USA%22%3e%3c%21%5bCDATA%5b2012%20Pa.%20PUC%20LEXIS%201764%5d%5d%3e%3c%2fcite%3e&_butType=3&_butStat=2&_butNum=6&_butInline=1&_butinfo=%3ccite%20cc%3d%22USA%22%3e%3c%21%5bCDATA%5b179%20A.%20850%2cat%20854%5d%5d%3e%3c%2fcite%3e&_fmtstr=FULL&docnum=8&_startdoc=1&wchp=dGLzVzt-zSkAz&_md5=494bcb366ad1108a3184ba4682a149ae) Such petitions are likely to succeed only when they raise "new and novel arguments" not previously heard or considerations which appear to have been overlooked or not addressed by the Commission. *Duick* at 559.

**B. Contested Changes**

In this case, there is no question that PPL has satisfied the *Duick* standards. PPL’s proposed Plan Changes do not require the Commission to reconsider the same questions that were previously decided in this proceeding. Rather, PPL has proposed changes in its Plan based on experience with its Phase II EE&C Plan, as well as changes in circumstances since the Commission approved PPL’s Phase II EE&C Plan. The question before us is whether or not to approve the proposed changes.[[9]](#footnote-9)

We note that any issue that we do not specifically address has been duly considered and will be denied without further discussion. It is well settled that the Commission is not required to consider, expressly or at length, each contention or argument raised by the Parties. *Consolidated Rail Corporation v. Pa. PUC*,

625 A.2d 741, 744 (Pa. Cmwlth. 1993); *see also*, *generally*, *University of Pennsylvania v.*

*Pa. PUC*, 485 A.2d 1217 (Pa. Cmwlth. 1984).

**1. Changes to GNI Programs**

 In its Comments, PPLICA objects to the level of program costs allocated to the Large C&I customer sector, particularly due to the following changes proposed by PPL to programs that are applicable to GNI customers:

11. Increase the Direct Discount Incentives for Schools

15. Add Free LED Exit signs to the School Benchmarking Program

19. Add Ground Source Heat Pumps as an Eligible Measure for GNI Customers

21. Add Building Operator Certification Training for Trade Allies and C&I Customers

24. Add Funding for a School Energy Champion in the Continuous Energy Improvement Program

 PPLICA asserts that these changes to the GNI programs will unfairly increase the costs allocated to the Large C&I class because those Large C&I customers that are not GNI customers will not benefit from the changes. Specifically, PPLICA contends that, while PPL is proposing to reduce the Large C&I budget by approximately $13.1 million, the proposed changes to the GNI programs will result in an increase to the GNI programs costs of $12 million, and estimates that 43.5%[[10]](#footnote-10) of these costs will be allocated to the Large C&I class. PPLICA Comments at 3, 5. Thus, PPLICA argues that the $13.1 million cost reduction for the Large C&I class will be offset by a $5.2 million increase, which will be allocated to measures that non-GNI accounts cannot access. *Id*. at 5.

 In order to remedy what it sees as an unnecessary and inequitable increase in costs to the Large C&I class, PPLICA provides a number of recommendations for reducing the revenues directed toward the GNI programs through PPL’s proposed changes to these programs. Specifically, PPLICA requests that the Commission direct PPL to: (1) eliminate any individual GNI program measure with a TRC ratio below 1.00; (2) eliminate expenditures for GNI training and School Energy Champion measures; and (3) revise its GNI cost allocation to maintain the current 11% savings target for GNI customers rather than PPL’s proposed 14.3%. *Id*. at 6.

 SEF also takes issue with regard to certain of PPL’s proposed changes applicable to the GNI sector. Specifically, SEF raises concerns about Changes Nos. 11 and 15, both of which relate to programs targeted to schools.

 We will now address PPLICA’s and SEF’s specific objections and recommendations with regard to PPL’s proposed changes relating to GNI programs.

 **a. Elimination of Programs with TRC Ratios Less Than 1.00**

 **i. Positions of the Parties**

 PPLICA asserts that, in consideration of the increased allocation of GNI program costs to Large C&I customers, most of whom are ineligible to participate in PPL’s GNI programs, the Commission should direct PPL to eliminate any proposed GNI program measure with a TRC ratio below 1.00. *Id*.

 In response, PPL contends that the Commission has repeatedly held that individual programs and measures are not required to have a TRC value of 1.0 or higher, and that only the entire portfolio must be greater than 1.0. PPL Reply Comments at 10, citing *2012 PA Total Resource Cost (TRC) Test*, Docket No. M-2012-2300653 (Order entered August 30, 2012) (*August 2012 TRC Order*). PPL argues that including certain measures that have a TRC ratio below 1.0 ensures that EDCs provide a well-balanced and comprehensive mix of measures. In addition, PPL contends that the Commission does not require EDCs to compute TRC ratios for each sector, but to determine them only at the program and portfolio levels. PPL states that the TRC ratio for its proposed Phase II Plan is 1.75, which exceeds the 1.0 requirement. PPL Reply Comments at 10.

 **ii. Disposition**

 We decline to adopt PPLICA’s recommendation to require PPL to eliminate any GNI program measures that have a TRC ratio less than 1.0. As we stated in the *August 2012 TRC Order,* our intent is to apply the TRC mainly at the plan level, and while we reserved the right to reject any *program* with a low TRC ratio, we do not require EDCs to compute TRC ratios at the *measure* level. *August 2012 TRC Order* at 11-12*.* PPLICA states that, without individual TRC ratios for each program measure, it could not determine whether PPL’s proposed Changes Nos. 11, 15, 19, 21, or 24 would produce a TRC ratio below 1.00. PPLICA Comments at 6. However, we note that the majority of these proposed changes relate to PPL’s Prescriptive Equipment Program for the GNI sector, for which PPL projects a TRC ratio of 1.62, an increase from its original projection of 1.54. Black-line Phase II Plan at 162-163. Thus, there is nothing to indicate that this program will not be cost effective, and therefore, we find no reason to conclude that any individual measures within the program should be rejected.

 **b. GNI Training and School Champion Measures**

 **i. Positions of the Parties**

 With regard to PPL’s proposed training and certification measures targeted to GNI customers (Change No. 21), and the proposed addition of funding for School Energy Champions (Change No. 24), PPLICA argues that these changes will produce no direct energy savings, and therefore, should be rejected. PPLICA also contends that PPL’s proposed compressed air training for C&I customers (Change No. 20), while not targeted to GNI customers, should also be rejected for the same reason. PPLICA Comments at 8. In addition, PPLICA asserts that, to the extent such training is offered to private contractors, customers would be subsidizing the operations of for-profit organizations with no requirement or condition for actual energy reductions. *Id*. PPLICA states that this runs contrary to Act 129, which requires the Commission to modify or terminate any part of an EE&C plan if, after an adequate period for implementation, the Commission determines that a measure included in the plan will not achieve the required reductions in consumption in a cost-effective manner. *Id*. at 8-9, citing 66 Pa. C.S. § 2806.1(b)(2).

 In addition, PPLICA contends that Large C&I customers are sophisticated industrial customers or educational institutions who retain their own in-house energy managers and other energy professionals, and who already devote significant internal resources to energy efficiency measures. Thus, PPLICA argues that PPL’s proposed Changes 20, 21, and 24 would impose duplicative and superfluous costs on Large C&I customers. *Id*. at 9.

 For the reasons discussed above, PPLICA asserts that the Commission should reject PPL’s proposed Changes Nos. 20, 21, and 24. Alternatively, if the Commission approves these changes, PPLICA recommends that they be applied only to Small C&I customers, and that the costs be allocated only to those customers. *Id*. at 9-10. However, PPLICA states that, if the OSBA views the proposed training measures as inappropriate for the Small C&I class, PPLICA will defer to the OSBA’s position for that class. *Id*. at 10.

 The OSBA agrees that, if PPL’s proposed Changes Nos. 20, 21, and 24 provide no value, they should be rejected. OSBA Reply Comments at 3. However, the OSBA does not agree that if these changes are approved, they should only be applicable to Small C&I customers, with the costs allocated accordingly. The OSBA contends that PPLICA offered no credible argument that GNI customers in the Large C&I sector could not benefit from education and training efforts. Thus, the OSBA asserts that the costs for these programs, if approved, should be allocated accordingly to both Small and Large C&I sectors. *Id*.

 In response, PPL contends that its proposed compressed air training and building operator certification training are necessary to raise awareness of the potential for energy savings, and that such savings will show up in other programs and measures over time. PPL asserts that these types of training programs are analogous to the marketing and education provided for other programs and measures. PPL Reply Comments at 20-22. However, in order to address PPLICA’s concerns regarding cross-subsidization, PPL states that it will allocate the costs of both its compressed air and building certification training programs to the Small or Large C&I sector based on the makeup of the training attendees. In instances where a trade ally who works with both Large and Small C&I customers is in attendance, PPL states that it will prorate the costs. *Id*. at 21, 23.

 With regard to PPL’s proposal to partially offset the salary of the School Energy Champions in its Continuous Energy Improvement Program, PPL argues that this is necessary to defray part of the expense for the schools that participate in the program in order to eliminate a barrier to their participation. *Id*. at 24. PPL notes that this is a pilot incentive, and that it does not expect to continue to offset the School Energy Champion salary costs beyond the pilot program. PPL states that the “proof of concept” from the pilot incentive should confirm the savings and financial benefits school districts will realize by participating in future Continuous Energy Improvement Program offerings, and will justify, from a financial perspective, their participation in the program. *Id*. PPL notes that the Phase II pilot Continuous Energy Improvement Program will include only a maximum of ten out of the 175 school districts in the Company’s service territory. *Id*.

 In order to address PPLICA’s concerns regarding cross-subsidization of costs with regard to the School Champion funding, PPL states that it will allocate dollars to the Small or Large C&I sectors based on the rate class of the schools participating in the Continuous Energy Improvement Program. PPL asserts that 95% of the schools in its service territory are small C&I customers, thus ameliorating PPLICA’s concerns. *Id*.

 **ii. Disposition**

 With regard to Changes Nos. 20 and 21, we recognize the potential value in PPL’s proposed compressed air and building operator certification training measures for energy savings. However, we are troubled by PPL’s statement that these measures will not, in fact, produce any direct savings. *See*, Petition at 20; PPL Reply Comments at 20. Section 2806.1(m) of Act 129 defines energy efficiency and conservation measures, in part, as follows:

“Energy efficiency and conservation measures.”

 (1) Technologies, management practices or other measures employed by retail customers that reduce electricity consumption or demand if all of the following apply:

\* \* \*

 (ii) The technology, practice or other measure reduces consumption of energy or peak load by the retail customer.

66 Pa. C.S. § 2806.1(m). Thus, according to Act 129, an EE&C measure must, by definition, reduce consumption of energy or peak load. For this reason, we are reluctant to approve training measures that PPL states will not provide any direct energy savings. Moreover, PPL’s Petition appears to contradict its assertion regarding the compressed air training set forth in its Reply Comments, wherein PPL states as follows:

The training provides trade allies and customers with ways to improve their air compression maintenance practices *which will in turn directly lead to savings*.

PPL Electric’s experience is that initiatives like the proposed air compressor training produce savings that are ultimately claimed through the prescriptive or custom programs and are a *direct result* of the training that was provided.

PPL Reply Comments at 21 (emphasis added). Similarly, PPL states its belief that its proposed building operator certification training “will produce savings that will show up in other programs and other measures, particularly over time.” *Id*. at 22.

 PPL apparently believes its proposed training measures will lead to energy savings through other programs in its Phase II Plan. However, PPL has failed to provide any estimate of such savings, and has instead provided the contradictory assertion that no direct savings will be realized. Accordingly, we will reject PPL’s proposed Changes Nos. 20 and 21. In addition, we will direct PPL to file with this Commission, and serve on all Parties of record, a revised black-line Phase II Plan, or the relevant substitute pages thereof, to reflect the deletion of its proposed training measures.

 If PPL truly believes that its proposed training measures will result in measurable energy savings, we advise the Company to develop a methodology to measure and quantify such savings. PPL may then resubmit, for Commission consideration, its proposed training measures, with a projection of program savings that incorporates the estimated savings from those training measures. In addition, should PPL choose to resubmit its proposed training measures, we will direct the Company to specify that it will allocate the costs of these measures to the Small or Large C&I sector based on the makeup of the training attendees, as described above.

 With regard to Change No. 24 relating to PPL’s proposal to partially offset the salary of the School Energy Champions in its Continuous Energy Improvement Program, we find this change to be acceptable, and we will approve it. We note that PPL’s Continuous Energy Improvement Program was approved by this Commission in the *March 2013 Order* as part of PPL’s originally-filed Phase II Plan, and the School Energy Champion is an existing component of this program. As such, PPL’s proposal to partially fund the School Energy Champions represents a proposed increase in funding to an already existing element of the program, and not the addition of a new measure. Moreover, we believe this change will make the program more attractive to schools as it will defray part of the expense of participating in the program, and may remove a potential barrier to participation. Thus, while PPLICA contends that there are no direct savings associated with this change, we view it as a reasonable attempt to further promote a program that has previously been approved and already has projected savings associated with it. Accordingly, we will approve Change No. 24.

 As for PPLICA’s concerns regarding the cross-subsidization of costs, we will direct PPL to adhere to its cost allocation methodology as described above, according to which PPL will allocate dollars to the Small or Large C&I sectors based on the rate class of the schools participating in the Continuous Energy Improvement Program.

 **c. Maintaining 11% Savings for GNI Customers**

 **i. Positions of the Parties**

 PPLICA recommends that PPL be required to revise its GNI budget allocation to maintain the current 11% savings target for GNI customers rather than PPL’s proposed 14.3%. PPLICA argues that, since Act 129 only requires 10% savings from GNI customers, a significant portion of the additional revenues allocated to GNI customers is unnecessary for compliance with Act 129. PPLICA Comments at 5-6. PPLICA asserts that maintaining the 11% target would reduce the total GNI budget from $40.3 million to approximately $31 million, and would reduce the Large C&I allocation of the GNI budget from $17.6 million to approximately $13.6 million. *Id*. at 7. PPLICA contends that, as PPL is permitted to carry forward significant over-compliance savings of 551,000 MWh/yr. from Phase I, PPL could apply the approximate $9 million balance from the reduced GNI budget toward achieving more energy savings in “challenging” markets, such as the Low-Income and Small C&I markets. *Id*. Alternatively, PPLICA asserts that the additional revenue from the reduced GNI budget could be applied to the general Large C&I programs so that all customers in the Large C&I sector would benefit from the programs funded by these customers, rather than just the GNI customers. *Id*.

 The OSBA supports a reasonable balance between benefits to GNI customers and non-GNI customers. However, the OSBA recommends that, rather than arbitrarily reducing revenues allocated to GNI customers to meet an 11% savings target, PPL should be required to provide evidence that benefits are not disproportionately assigned to GNI customers. OSBA Reply Comments at 2-3.

 In response, PPL asserts that PPLICA’s concern that Large C&I customers will bear an unreasonable portion of the GNI costs is incorrect. PPL states that Large C&I customers will only pay the actual program costs incurred for the Large C&I rate class participants in GNI programs. PPL Reply Comments at 7. PPL avers that its proposed changes to the GNI programs are intended to better encourage GNI customers, particularly schools, to participate in the Company’s Phase II Plan. *Id*. at 6. PPL argues that its programs directed at schools will expand the visibility of its Phase II Plan and extend the benefits of energy efficiency through the communities it serves. *Id*. at 8. PPL states that only 5% of the schools in its service territory are Large C&I customers, and that those customers comprise only 8% of the total Large C&I customer base. *Id*.

 PPL also asserts that PPLICA’s concern that the GNI savings are too high is not valid. PPL argues that, although it is proposing to increase GNI savings from 11% to 14% of the total Phase II portfolio savings, its proposed changes to the GNI programs will actually decrease total Phase II GNI savings from 92,835 MWh/yr. to 88,184 MWh/yr., exclusive of the Phase I GNI carryover. *Id*. at 8. Moreover, PPL points out that GNI compliance is not based on the proportion of portfolio savings achieved by the GNI sector, but is based on achieving 10% of the total savings compliance target for the GNI sector, which would amount to 82,107 MWh/yr. for PPL’s Phase II Plan. *Id*. at 8-9. PPL also argues that, through lower taxes, GNI savings provide more direct-cost savings to all consumers than the savings associated with the other sectors. Therefore, PPL believes its proposed GNI savings, including any over-compliance, is warranted and in the best interest of all consumers. *Id*. at 9.

 Finally, PPL asserts that disapproval of its proposed increase to GNI funding would result in the transfer of the costs for these programs to other customer sectors because the Commission’s *Phase II Implementation Order* directs EDCs to spend their full budgets. *Id*. Although PPLICA recommended that these costs be applied to programs for other sectors, PPL contends that PPLICA failed to provide any specific information as to how these costs would be transferred to these other sectors, and what the impact on savings and cost-effectiveness would be. *Id*. PPL avers that its proposed distribution of costs to the customer sectors is reasonable and equitable.

 **ii. Disposition**

 We will reject PPLICA’s recommendation to require PPL to maintain the current 11% savings target for GNI customers. Initially, we note that PPL is correct that an EDC’s compliance with the minimum 10% carve-out requirement for the GNI sector is not based on the percentage of its *projected* portfolio savings to be realized by that sector, but rather, is based on the percentage of its *required* portfolio savings to be achieved by that sector. 66 Pa. C.S. § 2806.1(b)(1)(i)(B); *Phase II Implementation Order* at 45. Accordingly, PPL is required to achieve 10% of its total target Phase II energy savings of 821,072 MWh/yr. from its GNI customers, which would amount to 82,107 MWh/yr. As PPL states, its proposed changes to the GNI programs will actually decrease total Phase II GNI savings from 92,835 MWh/yr. to 88,184 MWh/yr., exclusive of the Phase I GNI carryover. Thus, while savings for the GNI sector would represent 14.3% of PPL’s total projected portfolio savings of 615,697 MWh/yr., it would represent only 10.7% of PPL’s savings compliance target of 821,072 MWh/yr., exclusive of any Phase I carryover savings. Petition at 33, Table 2; Black-line Phase II Plan at 36, Table 5a.[[11]](#footnote-11) Therefore, we do not believe that PPL is attempting to achieve a disproportionate level of savings from the GNI class.

 In addition, we note that the 10% compliance target for GNI customers is a *minimum* target. Nothing in Act 129 requires us to restrict the level of savings to be obtained from GNI customers. As we stated in the *Phase II Implementation Order*, beyond the specific minimum consumption reduction carve-outs established for the Low-Income and GNI sectors, we believe that EDCs should develop plans to achieve the most energy savings per expenditure. It is entirely possible that the most cost-effective energy efficiency programs may not come proportionally from each customer class. *Phase II Implementation Order* at 87. We support PPL’s efforts to further encourage schools to participate in the energy efficiency programs available to them, and we believe the changes PPL proposes to achieve that goal are reasonable. In addition, PPL states that only 5% of the schools in its service territory are Large C&I customers, and that those customers comprise only 8% of the total Large C&I customer base. Therefore, we find no reason to believe that the Large C&I sector will be unduly burdened by the costs associated with these proposed changes.

 Finally, we agree with PPL that PPLICA did not provide any detailed recommendations regarding how the Company might reallocate its Phase II budget, or what the impact on savings and cost-effectiveness would be if PPL does not implement the changes it proposes for the GNI programs. However, we disagree with PPL’s assertion that the *Phase II Implementation Order* directs EDCs to spend their full EE&C Plan budgets. Rather, the *Phase II Implementation Order* states as follows:

Pennsylvania EDCs are not to stop spending their program budgets when they achieve their savings target within a phase, but rather are to seek out additional, cost-effective measures to implement. Only at the very end of a phase are the EDCs to stop spending their approved budgets and seek reconciliation. In short, we fully expect EDCs to meet their compliance targets and continue to strive for more, cost-effective savings.

*Phase II Implementation Order* at 26. Thus, while the *Phase II Implementation Order* requires EDCs to continue spending their approved budgets on cost-effective EE&C measures until the end of a phase, it does not specifically require them to exhaust their entire budgets as PPL asserts.

 **d. Direct Discount Incentives for Schools**

 **i. Positions of the Parties**

 Through its Change No. 11, PPL is proposing to increase the incentive for schools in the direct discount component (primarily lighting) of the Prescriptive Rebate Program from $0.17 to $0.33 per annual kWh saved. As noted above, PPLICA objects to this change because of its concern that Large C&I customers would bear an unreasonable portion of the costs of PPL’s proposed GNI measures. However, PPL asserts that this concern is unwarranted because approximately 95% of the schools in PPL’s service territory are in Small C&I rate classes. PPL Reply Comments at 14. PPL also states that it will monitor program costs and savings, make mid-course adjustments to its cost recovery mechanism if necessary, and reconcile total revenues against total actual expenditures in each customer sector at the end of its Phase II Plan. *Id*.

 SEF also objects to PPL’s Change No. 11. SEF contends that nearly doubling the direct discount incentive for schools from $0.17 to $0.33 per annual kWh saved is unwarranted and is unjust and unreasonable to other ratepayers in the Small and Large C&I sectors. SEF Comments at 4. SEF asserts that, while it appreciates PPL’s attempt to overcome the capital constraints of school districts by increasing the rebate amount, many other Small C&I ratepayers have capital constraints that are equal to or greater than those of school districts. SEF argues that other, less unreasonable mechanisms are available to help school districts overcome capital cost issues without burdening non-participating ratepayers by providing excessive incentives for one specific customer type within a rate class. *Id*. According to SEF, such mechanisms would include education of school districts on performance contracting or exploration of alternative financing, such as on-bill repayment. *Id*.

 The OSBA states that it agrees with SEF to the extent it argues that PPL should not be permitted to provide preferential benefits to GNI customers in the Small C&I sector relative to the other Small C&I customers. OSBA Reply Comments at 2.

 In response to SEF’s concerns, PPL states that it has determined that a larger rebate is justified to encourage participation from schools. PPL avers that, based upon the operation of this program through the first year of its Phase II Plan, it has learned from its trade allies that working with school districts’ funding practices is a deterrent in promoting the best energy-efficiency measures. PPL Reply Comments at 15. Moreover, PPL argues that schools have different obstacles regarding program participation from those of other Small C&I customers. PPL contends that, because of their lower hours of energy use, the standard direct-install rebate would not be sufficient to incent schools to participate and implement the more energy efficient measures. *Id*. at 15-16.

 **ii. Disposition**

 We find persuasive PPL’s contention that school districts’ funding practices act as a deterrent to promoting the best energy-efficiency measures, and we support the Company’s proposal to increase the incentive for schools that take advantage of the direct discount component under the Prescriptive Equipment Program. In addition, we find no reason to conclude that this change will place an undue cost burden on Large C&I customers as PPLICA contends, considering PPL’s assertion that approximately 95% of the schools in PPL’s service territory are in the Small C&I rate classes. For these reasons we will approve Change No. 11.

 **e. Free LED Exit Signs in School Benchmarking Program**

 **i. Positions of the Parties**

 PPL’s Change No. 15 proposes to offer free LED exit signs to schools participating in the School Benchmarking Program. As addressed above, PPLICA objects to this change because of its concern that Large C&I customers would bear an unreasonable portion of the costs of PPL’s proposed GNI measures. For reasons already discussed, PPL asserts that PPLICA’s position should be rejected. PPL Reply Comments at 19.

 SEF also opposes Change No. 15. As with PPL’s Change No. 11, discussed above, SEF argues that PPL is proposing to “single out a specific type of customer for special treatment while socializing those costs across all ratepayers in that class.” SEF Comments at 5. SEF recommends that the free LED exit sign measure be made available to all commercial customers that are actively participating in benchmarking their buildings. *Id*.

 The OSBA states that it agrees with SEF to the extent it argues that PPL should not be permitted to provide preferential benefits to GNI customers in the Small C&I sector relative to the other Small C&I customers. OSBA Reply Comments at 2.

 In response, PPL explains that its School Benchmarking Program provides schools with a report on how much energy they are using, and ways they can reduce energy consumption. PPL states that, while there are no specific savings inherent in the program, participants use the ENERGY STAR® benchmarking tool to identify energy savings opportunities in the school building. If schools implement those opportunities, the savings will accrue to other programs that offered the measures. PPL Reply Comments at 20. PPL contends that its proposal to offer free LED exit signs to participating schools will provide an additional incentive for schools to participate in what can potentially yield significant energy savings. PPL argues that SEF’s recommendation to expand this incentive to any commercial customer that participates in benchmarking misses the point of the proposed change, which is to increase participation by schools in the School Benchmarking Program. *Id*.

 **ii. Disposition**

 We find PPL’s proposal to offer free LED exit signs as an incentive for schools to participate in the School Benchmarking Program to be reasonable, and we will approve it. In addition, we find no reason to require PPL to expand its offer of free LED exit signs to other C&I customers at this time. Therefore, we will approve Change No. 15 as filed.

 **f. Ground Source Heat Pumps for GNI Customers**

 Finally, we will address proposed Change No. 19, by which PPL proposes to add GSHPs as an eligible measure for GNI customers in its Prescriptive Equipment Program. While no Party explicitly addressed the merits of this change, PPLICA included it as one of the changes it opposes due to its belief that PPL’s proposed modifications to its GNI programs would result in an unreasonable amount of program costs being allocated to the Large C&I sector. PPLICA Comments at 4. We discussed PPLICA’s specific concerns and recommendations with regard to PPL’s proposed GNI program changes above. With the exception of the issue regarding PPL’s proposed building operator certification training, we did not agree with PPLICA’s recommendations to reject or modify PPL’s proposed changes to the GNI programs. Likewise, we find no reason to reject Change No. 19.

 PPL states that GSHPs were a popular measure in its Phase I EE&C Plan, but were not included in its original Phase II Plan due to budget constraints. PPL now believes it is feasible to include GSHPs under its Phase II Plan budget due to the combined impact of all its proposed changes. Petition at 20. PPLICA provided no reason why this measure would not be appropriate, or why it would be particularly harmful to the Large C&I class, other than its blanket assertion that PPL’s proposed GNI changes would result in an unjustified allocation of costs to that class. However, we find no reason to believe that Large C&I customers will be unduly burdened by the addition of GSHPs as an eligible measure in PPL’s GNI Prescriptive Equipment Program. Accordingly, we will approve Change No. 19.

 **2. Incentive for Strip Curtains**

 **a. Positions of the Parties**

 SEF opposes PPL’s Change No. 7, in which the Company is proposing to eliminate the incentive for strip curtains due to low customer participation. SEF contends that restaurants use five to seven times more energy per square foot than other commercial buildings, and that strip curtains are an easy way to install a measure that can cut outside air infiltration for walk-in refrigerators by about 75%. SEF Comments at 3-4.

 In response, PPL states that, while it recognizes the benefits of strip curtains, this measure has generated very little customer participation. PPL asserts that the funding and resources associated with this measure would be more effectively applied toward more successful programs and measures. PPL argues that it is not required, practical, or possible to offer incentives for every measure included in the TRM. However, PPL states that, if trade allies or customers provide feedback that incentives for strip curtains are desired and warranted for Phase II, it will consider adding strip curtains to its Phase II Plan at that time. PPL Reply Comments at 11.

 **b. Disposition**

 We will not require PPL to retain the incentive for strip curtains in its Phase II Plan. While this measure may offer savings benefits, such savings will be minimal if there is little customer participation. As PPL notes, it is not required, practical, or possible for an EDC to offer incentives for every measure included in the TRM. Accordingly, we will approve proposed Change No. 7.

 **3. Standard TRM Measures in the Custom Incentive Programs**

 **a. Positions of the Parties**

 PPLICA takes issue with PPL’s plan to discontinue the provision of standard TRM measures in its Custom Incentive Programs, and to include such measures only in its Prescriptive Equipment Programs, as proposed in PPL’s Change No. 8. PPLICA asserts that PPL did not explain how it intends to accommodate customers who propose standard TRM projects that are not recognized in its Prescriptive Equipment Program. PPLICA Comments at 10-11. Thus, PPLICA proposes that, in order to avoid unreasonably excluding cost-effective projects from eligibility under the Phase II Plan, PPL should clarify what, if any, rebates would be available for cost-effective measures considered standard under the TRM, but excluded from PPL’s Prescriptive Equipment Program. If PPL does not intend to accommodate such projects, PPLICA recommends that the Commission deny PPL’s proposed Change No. 8 in order to ensure that all customers who submit cost-effective projects remain eligible for rebates. *Id*. at 11.

 In response, PPL reiterates its position that only measures that are truly “custom” should be included in its Custom Incentive Programs. PPL Reply Comments at 12. PPL states that focusing its Phase II custom incentive budget solely on custom incentive projects will ensure that custom projects are not disadvantaged because funds have been diverted for prescriptive (standard) measures. *Id*. at 13. However, PPL asserts that this change will not preclude Large C&I customers from being able to receive funding for standard measures, as such funding will be available through its Prescriptive Equipment Programs. In addition, PPL states that it will evaluate measures that may be introduced in the TRM in future plan years, and add them to its Prescriptive Equipment Programs or one of its other programs, if appropriate. *Id*. at 12. PPL argues that it cannot include incentives for every measure in the TRM, and that it chose those measures for its Prescriptive Equipment Programs that were most likely to meet the needs of customers and achieve the Company’s Phase II compliance requirements within budget. *Id*. at 12-13.

 **b. Disposition**

 We find PPL’s proposal to include only “custom” projects in its Custom Incentive Programs, and to offer standard TRM measures only in its Prescriptive Equipment Programs, to be reasonable, and we will approve Change No. 8. As PPL points out, removing standard TRM measures from the Custom Incentive Programs will allow the Company to offer more incentives for those projects that are truly “custom” in nature. Customers may still take advantage of incentives for standard TRM measures by participating in PPL’s Prescriptive Equipment Programs, though PPL states that not all such measures will be available under these programs. However, we agree with PPL that it is neither possible nor required for an EDC to include incentives for every measure in the TRM. We believe PPL’s decision to include those measures in its Prescriptive Equipment Programs that are most likely to meet the needs of customers and achieve the Company’s Phase II compliance requirements within budget is appropriate.

 **4. Increase of Incentive and Incentive Cap for Custom Projects**

 **a. Positions of the Parties**

 Through its Change No. 12, PPL is proposing to increase the custom incentive offered under its Custom Incentive Programs from $0.08 to $0.10 per annual kWh saved, and to increase the incentive cap for custom projects from $250,000 to $500,000. PPLICA supports the proposed increase in the incentive, but opposes the proposal to increase the incentive cap by the same amount for all participating customers, regardless of the amount a customer contributes toward the funding of the Phase II Plan. PPLICA argues that a Large C&I customer with a relatively large peak load contribution (PLC) would be required to pay more toward the Phase II Plan than a customer with a smaller PLC, and therefore, should be afforded the benefit of a larger incentive cap for custom projects. PPLICA Comments at 11-12. Accordingly, PPLICA recommends that PPL be directed to implement an incentive cap system that is tied to each customer’s individual PLC. *Id*. at 12. If such a system would be administratively burdensome to PPL, PPLICA alternatively recommends that PPL develop a tiered cap system, which would set different incentive caps for different ranges of customer PLCs, prescribing higher incentives for higher PLC ranges or “blocks.” *Id*.

 In response, PPL asserts that, while the PLC is the basis for the amount paid by the customer into its Act 129 Compliance Rider, it is not an appropriate basis for determining the incentive amount. PPL contends that incentives for efficient measures should be based on energy savings and the incremental cost of the measure. PPL Reply Comments at 17. PPL states that a Large C&I customer with a relatively lower PLC could have a project that would have significant savings and a high incremental cost. Thus, PPL argues that constraining the level of incentive available based on PLC could create a situation where the maximum incentive available would not be sufficient to cause the customer to move forward with an otherwise energy efficient project. *Id*.

 **b. Disposition**

 We agree with PPL that incentives for custom measures should be based upon projected energy savings and the incremental costs of the measures, and we reject PPLICA’s recommendation that the incentive cap for custom projects be based upon a customer’s PLC. As PPL points out, a customer with a relatively low PLC could have a project that would result in significant savings and have a high incremental cost, but may not be able to justify moving forward with the project if the total available incentive were based on the PLC. Accordingly, we will approve PPL’s proposed Change No. 12.

 **5. Incentives for Rate RTS Customers**

 **a. Positions of the Parties**

SEF states that it supports PPL’s proposal, set forth in Change No. 13, to increase the incentives for Rate RTS Residential customers who install more efficient heating and cooling measures. However, SEF contends that the incentives provided should not be limited to the installation of eligible air source heat pumps and/or ductless heat pumps as PPL proposes. SEF argues that the RTS customer, not PPL, should have the right to choose the fuel source of its future heating system. Thus, SEF recommends that the measure be modified to include fuel sources other than electricity. SEF Comments at 3.

 In response, PPL asserts that SEF’s proposal is unnecessary and has been previously rejected by the Commission. PPL Reply Comments at 17. PPL argues that, under its Phase II Plan, RTS customers who choose to replace their dated thermal storage systems with efficient non-electric systems already have the option of selecting fossil fuel heating systems under PPL’s Commission-approved fuel switching pilot program. *Id*. at 18, citing *March 2013 Order* at 66. PPL states that, after the first year of operation, it has received two rebate requests under that program, and that it is premature and inappropriate for SEF to seek to expand fuel switching options at this time. In addition, PPL contends that rebates offered for passive solar and photovoltaic systems, as well as for biomass systems, would not be sufficient to make such projects cost-beneficial to customers. *Id*. at 18-19. Moreover, PPL notes that the Commission has consistently declined to require fuel switching as a component of EE&C Plans. *Id*. at 18, citing *March 2013 Order* at 61-63.

 **b. Disposition**

 We decline to adopt SEF’s proposal to require PPL to offer incentives for fuel sources other than electricity to its RTS customers. As we stated in the *March 2013 Order,* nothing in Act 129 or the *Phase II Implementation Order* requires an EDC to include fuel switching measures in its EE&C Plan, and PPL has demonstrated that it will be able to meet its consumption reduction targets in a cost-effective manner through the mix of programs and measures included in its Phase II Plan. *March 2013 Order* at 61-62. Moreover, as PPL points out, RTS customers who choose to replace their thermal storage systems with efficient non-electric systems already have the option of selecting fossil fuel heating systems under PPL’s fuel switching pilot program, which we previously approved. *Id*. at 66. Accordingly, we will approve PPL’s proposed Change No. 13 as filed.

**6. Pre-approval Requirements for Prescriptive and Custom Incentive Programs**

 **a. Positions of the Parties**

 PPLICA takes issue with PPL’s proposed Change No. 28, which would require participants in the Prescriptive Equipment and Custom Incentive Programs to obtain pre-approval of their projects before ordering their efficient equipment, as opposed to obtaining pre-approval before the project goes into service, as is currently the case under the Phase II Plan. PPLICA argues that requiring pre-approval before equipment is ordered will limit a Large C&I customer’s flexibility to respond to unanticipated situations that may occur during the planning or implementation of projects. PPLICA cites a number of examples in which decisions regarding the procurement and utilization of equipment for various efficiency projects may be subject to change during the course of a project based upon changes in budgets or business priorities. PPLICA Comments at 12-13. PPLICA contends that PPL has not demonstrated any specific need for its proposed change in the pre-approval requirements for such projects, and therefore, the existing requirement for pre-approval prior to implementation of an efficiency measure should be preserved, at least for Large C&I customers. *Id*. In the alternative, if PPL’s proposed Change No. 28 is approved, PPLICA recommends that the Commission modify the proposal to require a policy favoring inclusion of projects absent unreasonable delay by the customer. In addition, PPLICA asserts that PPL must adhere to strict deadlines for its review of the proposed projects, which should only be extended in very limited circumstances, in order to ensure that customers can pursue projects in a timely manner. *Id*.

 SEF also opposes PPL’s Change No. 28. SEF states that, at a stakeholder meeting, there was significant concern among contractors regarding the impact this modification would have. SEF Comments at 6. In addition, SEF contends that this change may not reduce free-ridership, as PPL claims, but will merely cloak it. *Id*.

 In response, PPL explains that, under its current practice of requiring pre-approval for projects before the equipment is installed, PPL cannot determine whether the incentive was integral to the customer’s decision to move forward with the project, or if the customer had already decided to move forward without any commitment from PPL. PPL states that, by requiring pre-approval before the equipment is ordered, it will be able to ensure that the incentive influenced the customer’s decision to select the more energy efficient equipment for the project. PPL Reply Comments at 27-28. In addition, PPL asserts that requiring pre-approval before the equipment is ordered will provide a number of benefits to the customer, including: (1) early indication of the financial viability of the project; (2) support for the customer’s analysis that the proposed project will yield energy efficiencies; (3) reduction of out-of-pocket costs by assigning the incentive amount directly to the contractor; and (4) clearer communication and process flow. *Id*. at 28.

 PPL states that, if its proposal is approved, it will implement the revised pre-approval process for Custom Incentives on June 1, 2014, the beginning of its Phase II Plan Year 6. *Id*. at 28. The pre-approval application will require customers to attest that the equipment required for the proposed project has not yet been ordered. *Id*. at 29. PPL states that exceptions may be granted for previously-purchased equipment that is being re-purposed, and asserts that some situations will require a case-by-case analysis. *Id*. at 26, 29. PPL avers that it neither intends nor expects that its pre-approval requirement will result in unnecessary delay or expense associated with Custom Incentive projects. *Id*. at 29.

 PPL also questions SEF’s assertion that there was significant concern among contractors at the October 16, 2013 stakeholder meeting regarding the impact this modification would have. PPL states that, contrary to SEF’s characterization, the Company found the discussion relative to this proposal to be balanced among stakeholders. *Id*. at 25. PPL asserts that it took all of the stakeholder input into consideration, and is using that input to build a pre-approval process that meets both the needs of customers and those of PPL. *Id*. at 26.

 **b. Disposition**

 We believe PPL’s proposal to require pre-approval of prescriptive and custom projects before the equipment is ordered is reasonable, and we will approve it. We find persuasive PPL’s argument that earlier pre-approval will allow the Company to ensure that the incentive associated with a project influenced the customer’s decision to select the more energy efficient equipment for the project, thus decreasing free ridership under the programs. In addition, earlier pre-approval should help the Company to better manage the applicable programs and budgets, and would appear to have benefits to participating customers as well, as PPL points out. Moreover, PPL indicates that it is willing to be flexible with regard to projects involving previously-purchased equipment that is being re-purposed, stating that it will evaluate such projects on a case-by-case basis. For these reasons we do not agree with the positions of PPLICA and SEF in opposition to the earlier pre-approval, and we will approve PPL’s proposed Change No. 28.

 **7. Student and Parent Energy-Efficiency Education Program**

 **a. Positions of the Parties**

 SEF opposes PPL’s Change No. 30, by which the Company is proposing to reduce the number of estimated participants in its Student and Parent Energy-Efficiency Education Program from 79,000 to 65,000 in order to account for the increased cost of including LED lights instead of CFLs in the energy efficiency kits provided under the program. SEF argues that education of the next generation is essential to Pennsylvania’s energy future, and that, without energy education, consumers will lack the knowledge to make informed energy decisions. SEF asserts that this program should be expanded, not reduced. SEF Comments at 6.

 In response, PPL states that its proposal to reduce the number of participants in this program reasonably balances the introduction of the highly efficient LED lights in the student kits with the need to stay within budget constraints. PPL asserts that it would have to increase the budget from $6 million to $7.8 million in order to offer this program to 79,000 participants. PPL Reply Comments at 30. PPL contends that, in recommending that the program be expanded, SEF has failed to offer any recommendations or alternatives for the source of the necessary additional funding, such as which other programs should have their funding and savings reduced to accommodate the additional cost of the Student and Parent Energy-Efficiency Education Program. *Id*. at 31. However, PPL states that, if the actual costs of this program are less than estimated in the Phase II Plan, PPL will increase participation in the program up to the currently proposed program funding budget. *Id*.

 **b. Disposition**

 We find PPL’s proposal to reduce the number of estimated participants in its Student and Parent Energy Efficiency Education Program to be appropriate, given the increased costs of including LED lights in the student kits, and the need for PPL to stay within its Phase II Plan budget. While SEF believes that the program should be expanded rather than decreased, it provided no specific recommendations with regard to the source of the necessary additional funding, as PPL notes. Accordingly, we will reject SEF’s recommendation and will approve PPL’s proposed Change No. 30.

 **C. Uncontested Changes**

**1. Trade Ally Certification for HVAC and New Homes**

 Through its Change No. 22, PPL is proposing to add training for HVAC contractors and new home builders that will lead to independent certification, as part of its Residential Home Comfort Program. PPL states that, while this training will not result in direct savings, it will provide trade allies with additional information for residential HVAC and new construction, which will improve their competency, skills, and credibility to promote energy efficiency to their customers. Petition at 21.

 No Party opposed Change No. 22. However, as with PPL’s proposed compressed air systems training and building operator certification training described in Changes Nos. 20 and 21, respectively, PPL states its proposed training for HVAC contractors and new home builders will result in no direct energy savings. For the reasons discussed with regard to Changes Nos. 20 and 21, we will reject PPL’s proposed Change No. 22. However, if PPL believes that this training measure will result in measurable energy savings, we advise the Company to develop a methodology to measure and quantify such savings. PPL may then resubmit, for Commission consideration, its proposed training measure, with a projection of program savings that incorporates the estimated savings from that measure.

 **2. Remaining Uncontested Changes**

 Upon our review of the remaining uncontested changes proposed by PPL in this proceeding, we have determined these changes to be reasonable, and that no further investigation into the changes is necessary at this time. Accordingly, we will approve the following remaining uncontested changes to PPL’s Phase II Plan, as proposed by the Company:

1. Phase Out CFLs and Promote LEDs

2. Phase Out Incentives for T8 Linear Fluorescent Lighting

3. Discontinue Incentives for Metal Halide and Induction Lighting

4. Discontinue Incentives for Direct-install Smart Strips in the Residential Retail Program

5. Discontinue mid-stream incentives for ENERGY STAR® televisions

6. Discontinue the Incentive for 2-speed Pool Pumps

9. Change the Eligibility Requirements for Refrigerator Rebates

10. Increase the Bonus Incentives for the Energy Assessment & Weatherization Component of the Home Comfort Program

14. Increase the Minimum Required TRC for Custom Projects

16. Provide a Rebate for Conversion of Municipal-owned Street Lights to LED

17. Add a Manufactured Homes Component to the Home Comfort Program

18. Add Ductless Heat Pumps as an Eligible Measure

23. Add Whole Building Approach for Master Metered Low-Income Multifamily Housing Program

25. Add a Thermography Pilot

26. Add Thermal Imaging Guns and Training

27. Add an Incentive for Non-ENERGY STAR® and Non-Design Lights Consortium LED Lamps to the Prescriptive Equipment Programs

29. Change the Projected Participation and Savings in the Appliance Recycling Program

31. Add the Cost of the E-Power Team to Common Costs (Marketing)

32. Discontinue Incentives for Bulk CFLs and Add Incentives for Bulk LEDs

33. Add an Incentive for New Construction Lighting

34. Increase the Estimated Phase I Carryover Savings

35. Add Modifications to the Low-income WRAP Program

36. Reflect Cross-sector Sales

37. Discontinue Incentives for Beverage/Snack Machine Controls

38. Delete Non-electric Water Heaters and Add Non-electric Central Heat to the C&I Prescriptive Rebate Program

39. Process Incentives for Variable-speed Drive Air Compressors Through the Custom Incentive Program Instead of the Prescriptive Equipment Program

40. Include General Text Revisions, Primarily for Clarity

**IV. Conclusion**

For the reasons set forth above, we will: (1) grant, in part, and deny, in part, PPL’s Petition; (2) approve, in part, and reject, in part, PPL’s proposed modifications to its Phase II Plan; and (3) direct PPL to file with this Commission, and serve on all Parties of record, a revised black-line Phase II Plan, or the relevant substitute pages thereof, to reflect the dispositions of the issues as set forth in this Opinion and Order; **THEREFORE,**

**IT IS ORDERED:**

1. That the Petition of PPL Electric Utilities Corporation for Approval of Changes to its Phase II Act 129 Energy Efficiency and Conservation Plan is granted, in part, and denied, in part, consistent with this Opinion and Order.

1. That PPL Electric Utilities Corporation’s proposed Changes Nos. 1 through 19 and 23 through 40, as set forth in its Petition of PPL Electric Utilities Corporation for Approval of Changes to its Phase II Act 129 Energy Efficiency and Conservation Plan, are approved, consistent with this Opinion and Order.
2. That PPL Electric Utilities Corporation’s proposed Changes Nos. 20, 21, and 22, as set forth in its Petition of PPL Electric Utilities Corporation for Approval of Changes to its Phase II Act 129 Energy Efficiency and Conservation Plan, are rejected, consistent with this Opinion and Order.
3. That PPL Electric Utilities Corporation is permitted to implement all changes to its Phase II Act 129 Energy Efficiency and Conservation Plan that were approved by this Opinion and Order.
4. That within thirty (30) days of the entry of this Opinion and Order, PPL Electric Utilities Corporation shall file with this Commission, and serve on all Parties of record, a revised black-line Phase II Act 129 Energy Efficiency and Conservation Plan, or the relevant substitute pages thereof, to reflect the dispositions of the issues as set forth in this Opinion and Order.
5. That any directive, requirement, disposition or the like contained in the body of this Opinion and Order, which is not the subject of an individual Ordering Paragraph, shall have the full force and effect as if fully contained in this part.

**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: March 6, 2014

ORDER ENTERED: March 6, 2014

1. The *Phase II Implementation Order* established a Phase II consumption reduction target for PPL of 2.1% of its expected load as forecasted by the Commission for the period of June 1, 2009 through May 31, 2010, or 821,072 MWh, over a three-year period from June 1, 2013 through May 31, 2016. *Phase II Implementation Order* at 24. [↑](#footnote-ref-1)
2. PPL notes that, in the *West Penn October 2011 Interim Order*, the Commission approved certain elements of the petition and referred the remaining elements to the Office of Administrative Law Judge for the issuance of a Recommended Decision, due to the limited time available for West Penn to implement its proposed changes. Petition at 3 n.5. [↑](#footnote-ref-2)
3. PPL states that the revised benefit-cost ratio of its Phase II portfolio did not materially change because, although the annualized incremental Phase II savings (excluding Phase I carryover) decreased, the lifetime savings (the basis for the TRC) increased due to longer measure lives for proposed measures such as LEDs. Petition at 32 n.27. [↑](#footnote-ref-3)
4. The Petition states that this measure is being added to the C&I Prescriptive Equipment Program. However, this appears to be an error, as PPL’s Black-line Phase II Plan indicates that the measure is being added to the GNI Prescriptive Equipment Program. Black-line Phase II Plan at 157. [↑](#footnote-ref-4)
5. Under the program, participating school districts are required to identify an “energy champion” who will be “tasked to develop an energy team and participate in development strategy.” Black-line Phase II Plan at 187. [↑](#footnote-ref-5)
6. As described in Change No. 8, above, PPL is proposing to discontinue “standard” TRM measures in its Custom Incentive Program. [↑](#footnote-ref-6)
7. “Full cost” WRAP jobs provide additional measures in homes with electric water and space heating over those measures provided in PPL’s less comprehensive WRAP jobs. Petition at 27.

 [↑](#footnote-ref-7)
8. PPL states that these are additional “full cost” jobs, not a reallocation from its LIURP WRAP program. Petition at 27. [↑](#footnote-ref-8)
9. SEF asked the Commission “to approve those measures that SEF does not oppose and conduct an investigation and hearings or otherwise approve the recommendations advance by SEF relative to the measures SEF opposes.” SEF Comments at 2. PPLICA did not request a hearing in its Comments. In response to PPLICA’s comments, however, the OSBA stated “rather than arbitrarily reducing revenues allocated to GNI customers to meet an 11% savings target, the OSBA would instead recommend that PPL be required to provide evidence that benefits are not disproportionately assigned to GNI customers.” OSBA Reply Comments at 2-3. PPL’s Reply Comments argued, at page 4, that there are no material facts in dispute. We agree with PPL that there is no need for an evidentiary hearing in this matter; we believe the Petition, Comments and Reply Comments provide an adequate foundation for us to render a decision on the proposed changes to PPL’s Act 129 EE&C Plan. [↑](#footnote-ref-9)
10. PPLICA states that its estimated Large C&I allocation of GNI costs is based on informal discussions with PPL, and the reported revenue allocation implemented by PPL’s Tariff Supplement No. 140, which the Company filed on October 22, 2013 at Docket No. M-2389551. PPLICA Comments at 3 n.6. [↑](#footnote-ref-10)
11. 88,184 MWh/yr. ÷ 615,697 MWh/yr. = 14.3%

 88,184 MWh/yr. ÷ 821,072 MWh/yr. = 10.7%

 Black-line Phase II Plan at 36, Table 5a [↑](#footnote-ref-11)