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|  **PENNSYLVANIA****PUBLIC UTILITY COMMISSION****Harrisburg, PA 17105-3265** |
| Public Meeting held May 19, 2015 |
| Commissioners Present:Gladys M. Brown, ChairmanJohn F. Coleman, Jr., Vice ChairmanJames H. CawleyPamela A. WitmerRobert F. Powelson  |
| 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 Act 129 Phase II Energy Efficiency and Conservation (EE&C) Plan (Petition), filed on January 21, 2015 in the above-captioned proceeding. Comments to the Petition were filed on February 20, 2015, by the Office of Consumer Advocate (OCA), PP&L Industrial Customer Alliance (PPLICA), and the Commission on Economic Opportunity and the Pennsylvania Weatherization Providers Task Force (CEO/Task Force). Reply Comments were filed on March 12, 2015, by PPL, the Office of Small Business Advocate (OSBA), and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA). Reply Comments were filed on March 16, 2015, by the Sustainable Energy Fund of Central Eastern Pennsylvania (SEF). For the reasons discussed below, we will grant PPL’s Petition and approve its proposed modifications to its approved Phase II EE&C Plan, as revised, consistent with this Opinion and Order.

# 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 EE&C Plan or 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 of 2008 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 a Petition requesting permission to modify its Phase II Plan (November 2013 Petition). Specifically, the November 2013 Petition requested 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*). By Opinion and Order entered March 6, 2014 (*March 2014 Order*) the Commission granted, in part, and denied in part, PPL’s November 2013 Petition. *March 2014 Order* at 52. PPL was directed to file, within thirty days of the entry of the *March 2014 Order*, a revised black-line Phase II EE&C Plan, or the relevant substitute pages thereof, to reflect the dispositions of the issues as set forth in the *March 2014 Order*. *Id*. at 53. On April 7, 2014, PPL filed the requested revised black-line Phase II EE&C Plan.

On January 21, 2015, PPL filed the instant Petition, requesting permission to further modify its Phase II Plan. As noted above, the OCA, PPLICA, and CEO/Task Force filed Comments on February 20, 2015. PPL, the OSBA, and CAUSE-PA filed Reply Comments on March 12, 2015, and SEF filed Reply Comments on March 16, 2015.

**II. PPL’s Petition**

By its Petition, PPL is requesting approval of twenty-two modifications to its Phase II Plan, consisting of both “minor” and “non-minor” changes as defined in the Commission’s expedited review process as set forth in the *Minor Plan Change Order*.[[2]](#footnote-2) PPL states that, although most of the modifications proposed in its Petition constitute “minor” changes, it is submitting a single Petition and requesting that the Commission review all of the proposed modifications according to the procedures for addressing “non-minor” changes as set forth in the *Minor Plan Change Order*, including the schedule for filing comments and reply comments contained therein. Petition at 1-2. PPL asserts that a single Petition will 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. *Id*. at 2.

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 some of the proposed changes, the Company requests that the Commission resolve all issues in this proceeding on the basis of Comments and Reply Comments, if possible. *Id*. at 3. 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*). Petition at 3.[[3]](#footnote-3) 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 be in a position to continue to comply with its Phase II Act 129 requirements. Petition at 3.

**A. Overview of Proposed Changes**

 As noted above, PPL is requesting approval of twenty-two modifications to its Phase II Plan. PPL indicates that its proposed modifications are based on (1) continued experience with its Phase II program delivery; (2) input from stakeholders, trade allies, conservation service providers (CSPs), and program participants; (3) the Phase II Program Year (PY) 5 evaluation results and recommendations from the Company’s independent evaluator; (4) ongoing coordination activities with other Pennsylvania electric distribution companies (EDCs); (5) additional market research; and (6) changes in the Final 2014 Technical Reference Manual (TRM). *Id*. at 5, 7. PPL asserts that it discussed most of the proposed changes at its November 19, 2014 stakeholder meeting and the changes were widely supported. *Id* at 7.

 PPL’s Petition indicates that the proposed changes to its Phase II Plan will result in an increase of its total estimated Phase II savings from 615,697 MWh/yr. to 629,328 MWh/yr., exclusive of any carryover savings from Phase I. *Id*. at 25, Table 1. However, as described below, PPL is proposing to decrease the estimated Phase I carryover savings from 551,704 MWh/yr. to 495,636 MWh/yr. Petition at 24, 25, Table 1. As a result, PPL’s total estimated Phase II savings, including the Phase I carryover, will decrease from 1,167,401 MWh/yr. to 1,124,964 MWh/yr., resulting in an estimated Phase II over-compliance of 303,892 MWh/yr., or 37%. Petition at 25, Table 1. If PPL’s proposed changes are approved, its overall total resource cost (TRC) test benefit-cost ratio for its Phase II portfolio will change from 1.75 to 1.49, exclusive of Phase I carryover savings. Petition, Appendix A at 15-16.

 PPL states that implementation of its proposed changes will decrease the overall Phase II Plan budget by approximately $1.8 million. PPL asserts that the Small Commercial and Industrial (Small C&I) customer sector budget will increase by approximately $12 million, the Large Commercial and Industrial (Large C&I) customer sector budget will decrease by approximately $7 million, the Government, Institutional and Non-Profit (GNI) customer sector budget will decrease by approximately $10 million, the Residential customer sector budget will decrease by approximately $1 million, and the Low-Income customer sector budget will increase by approximately $4 million. *Id*. at 2; 27, Table 5. According to PPL:

The proposed changes are reasonable and are designed to enable the Company to meet its Phase II compliance targets within its Phase II budget, to avoid exhausting the Small C&I customer sector budget and closing the programs up to one year before the end of Phase II, to provide an enhanced mix of measures (especially non-lighting), to promote emerging technologies, to reduce free-ridership with certain measures/programs, to comply with the updated 2014 TRM, to provide the Company with valuable market information needed to help plan for Phase III,[[4]](#footnote-4) to incorporate PY5 evaluation results and recommendations from the Company’s PY5 Final Annual Report, and to continue to offer an equitable mix of programs, savings, and costs across customer sectors.

*Id*. at 6 (footnote omitted).

 PPL avers that, if its proposed changes are implemented, it expects to meet all of its compliance targets within the funding cap,[[5]](#footnote-5) with a distribution of programs, costs and savings to the five customer sectors that is reasonable and equitable. *Id*. at 7. PPL further avers that its Phase II Plan, as modified by the proposed changes, will continue to meet the standard set forth at Section 2806.1(a)(5) of Act 129.[[6]](#footnote-6) *Id*. at 8.

**B. Specific Changes**

 The twenty-two changes to PPL’s Phase II Plan as proposed in the Petition are summarized as follows:

**1. Increase the Estimated Costs and Savings for the Small C&I Sector**

 PPL is proposing to increase the estimated costs for its Small C&I customer sector from approximately $32.5 million to approximately $44.7 million, and to increase the estimated savings for this sector from 144,386 MWh/yr. to 190,466 MWh/yr. PPL states that these cost and savings increases will occur primarily in its Prescriptive Equipment Program. PPL asserts that this customer sector has shown significant interest in its EE&C programs, especially lighting retrofits. According to PPL, it expects to exhaust the budget for Small C&I programs between April and September of 2015 at the current rate of spending. Thus, PPL is proposing to increase the budget and projected savings, which the Company states should allow the Small C&I sector to continue to participate in EE&C programs until approximately May 2016. Petition at 8.

**2. Decrease the Estimated Costs and Savings for the Residential, Large C&I, and GNI Customer Sectors**

 PPL is proposing to decrease the estimated costs and savings for its Residential, Large C&I, and GNI customer sectors to reflect current progress and keep the overall portfolio under the cost cap due to the proposed cost increase for the Small C&I sector as discussed above. PPL states that these sectors have shown less interest in EE&C programs than was previously estimated. Specifically, the Residential sector costs will decrease by $808,000, from approximately $66.2 million to approximately $65.4 million, and the Residential sector savings will decrease from 253,487 MWh/yr. to 229,739 MWh/yr. The Large C&I sector costs will decrease by approximately $7.0 million, from approximately $25.1 million to approximately $18 million, and the Large C&I sector savings will decrease by 5,291 MWh/yr., from 107,417 MWh/yr. to 102,126 MWh/yr. The GNI sector costs will decrease by approximately $10.3 million, from approximately $40.4 million to approximately $30.1 million, and the GNI sector savings will decrease by 7,052 MWh/yr., from 88,184 MWh/yr. to 81,132 MWh/yr. These decreases in costs and savings will result from the specific program changes discussed below. *Id*. at 9.

**3. Adjust Savings and a Program Element of the Residential Retail Program**

 PPL is proposing to reduce the estimated savings in the lighting component of the Residential Retail Program from 221,600 MWh/yr. to 186,000 MWh/yr. PPL states that savings estimates for light emitting diode (LED) light bulbs have been lowered to be more consistent with the projected participation levels and the CSP’s contract for the quantity of bulbs and the bulb mix. PPL is also proposing to reduce the estimated savings for the non-lighting component of this program from 7,700 MWh/yr. to 5,800 MWh/yr. to more accurately reflect current participation. *Id*. at 10.

 In addition, PPL is proposing to add a low-income LED light bulb give-away element to the Residential Retail Program. PPL states that it expects to give away 45,000 LEDs to low-income customers under this program, and that the resulting costs and savings will be allocated to the Low-Income customer sector. *Id*.

 PPL is also proposing to increase the number of compact fluorescent lamp (CFL) recycling locations and to provide educational materials throughout its territory in order to further encourage recycling of CFLs. PPL asserts that its focus will be on non-profits and additional municipalities that are interested in recycling. *Id*.

 PPL states that customers will be required to submit energy efficiency rebate forms under the Residential Retail Program within 180 days of installation of the measures, and no later than approximately June 2016. According to PPL, the specific date will be determined sometime in 2015 and will depend on the budget status of the program. *Id*.

**4. Increase the Number of Participants, Add Measures, and Change Incentives in the Home Comfort Program**

 PPL is proposing to increase the number of customers participating in the Efficient Equipment component of its Home Comfort Program from 6,700 to 11,000, and to change the pool pump rebate to include both in-ground and above-ground pool pumps. PPL is also proposing to add rebates for Electronically Commutated Motors (ECM) furnace fan blower handlers and for whole-house fans for homes with central air conditioning. PPL states that, by offering these rebates, it hopes to gather essential information on the “take rate,” and anticipates that the rebates will increase customers’ interest in whole-building and non-lighting measures. PPL is also changing the rebate structure for various types of equipment installed under this program. PPL states that it will vary the rebate levels for limited times to better evaluate price elasticity and market preferences. *Id*. at 11.

 In addition, PPL is proposing to offer a sales promotion incentive of up to $500 to heating, ventilation, and air conditioning (HVAC) contractors/trade allies when a customer chooses a high-efficiency air source heat pump or ductless heat pump. PPL asserts that, based on feedback from trade allies, this type of incentive is necessary for HVAC contractors to provide multiple price quotes, to promote the benefits of high-efficiency products, and to encourage customers to adopt high-efficiency measures before their existing equipment fails rather than after. According to PPL, if customers wait until their HVAC equipment fails, they are more likely to view the replacement as an “unbudgeted expense” and select the least-cost, least-efficient equipment. PPL avers that convincing customers to replace their HVAC equipment just before failure will increase the likelihood that customers will select more efficient equipment. *Id*.

**5. Reduce the Number of Participants and Increase Incentives in the Energy Assessment & Weatherization Component of the Home Comfort Program**

 PPL is proposing to change the rebate structure for customers who complete an audit and install insulation and infiltration reduction measures that were recommended by the audit under its Home Comfort Program. PPL states that customers will now be eligible to receive up to $1,875 in rebates and bonus incentives for completing an audit and installing recommended measures. PPL is also proposing to reduce the number of customers participating in this component of the program from 6,000 to 2,400. PPL states that these changes are based on its PY5 evaluation results and recommendations. According to PPL, the enhanced rebate will provide customers with an additional incentive to complete an audit and implement audit recommendations. PPL states that these changes will help the Company meet estimated participation levels, encourage customers to increase their non-lighting and whole-home measures as desired by stakeholders, and help the Company prepare for Phase III of its Act 129 EE&C Plan by providing information on the relationship between incentive levels and participation rates for non-lighting and whole-house measures. *Id*. at 12.

 PPL states that, to increase awareness and participation for non-lighting measures in the Home Comfort Program, the Company may implement a marketing promotion for a limited number of energy efficiency home makeovers. PPL indicates that winners of the promotion would receive a free energy efficiency audit and energy-efficient measures valued up to approximately $10,000. *Id*. at 13.

**6. Decrease the Number of Participants in the Home Comfort Program Manufactured Homes Component and Decrease the Number of Participants and Increase the Incentives in the Manufactured Home – New Homes Component**

 PPL is proposing to reduce the number of participants in the Manufactured Home component of its Home Comfort Program from 200 to 150 customers due to a later than expected start date of this component. *Id*. at 13-14. PPL is also proposing to reduce the number of participants in the New Homes component from 720 to 400 customers, and to increase the incentives from approximately $2,000 to between $2,000 and $3,000. In addition, PPL indicates that it will use the Home Energy Rating System (HERS) to define measure eligibility under this program. According to PPL, these changes to the New Homes component of the program are based on prior experience and contractor feedback. *Id*. at 14.

 PPL also states that, to increase awareness and participation in this program, it may implement a promotion to provide an energy-efficient manufactured home to a low-income customer at no cost. *Id*.

**7. Increase the Number of “Bright Kids” and “Community in Action” Participants in the Student and Parent Energy Efficiency Education Program**

 PPL is proposing to add more students to the “Bright Kids” and “Community in Action” components of its Student and Parent Energy Efficiency Education Program, increasing the number of participants from 65,000 to 70,000. PPL states that this will increase the estimated savings for this program from 12,199 MWh/yr. to 15,628 MWh/yr., while the projected cost will decrease from approximately $6.1 million to approximately $5.90 million. PPL asserts that the decrease in cost is the result of realigning the prices of the energy efficiency kits provided as part of the program. *Id*. at 14-15.

**8. Add the Costs of Call Center Services to the Residential and Low-Income Energy-Efficiency Behavior & Education Programs**

 PPL states that its Phase II Plan inadvertently excluded costs for call center services needed for its Residential and Low-Income Energy-Efficiency Behavior & Education Programs. Accordingly, PPL is proposing to add approximately $196,000 to the costs for these programs relating to the call center services. PPL avers that this cost will be pro-rated between the Residential and Low-Income programs based on the number of participating customers in each program. *Id*. at 15.

**9. Implement Modifications to the Low-Income WRAP**

 PPL is proposing a number of modifications to its Low-Income WRAP.[[7]](#footnote-7) First, PPL proposes to add low-cost WRAP jobs to its mix of program offerings, as recommended in PPL’s Phase II PY5 Final Annual Report. *Id*. at 15 (citing PY5 Final Annual Report at 175).[[8]](#footnote-8) In addition, PPL proposes to reduce the number of baseload jobs due to fewer such jobs being identified in the field. PPL states that, by adding low-cost jobs and reducing baseload jobs, WRAP will be better calibrated to meet market demand. Petition at 15.

 In addition, PPL is proposing to add a de facto heating pilot program for approximately twenty low-income customers. To be eligible, customers must own their home, have an inoperable oil heating system that is not cost-effective to repair, use electric space heaters, and have no access to natural gas at their premises. Under the pilot, an eligible customer will receive a high-efficiency electric heating system at no cost to the customer. PPL states that this pilot is being proposed to evaluate cost and savings associated with customers who are using costly electric space heaters as their primary source of heat due to an inoperable oil heating system. PPL asserts that an interim TRM protocol is likely required to estimate the savings for this measure, including using the electric space heaters as the baseline. *Id*. at 16.

 Finally, PPL is proposing to add $700,000 over two years to cover its Act 129 WRAP’s share of the cost to update its obsolete WRAP tracking system. PPL states that the total cost of the project will be shared equally between its Act 129 WRAP and its Universal Services Program. *Id*.

 PPL asserts that the net effect of its proposed WRAP changes will be to increase the estimated cost of the program from approximately $15.6 million to approximately $16.8 million, and to decrease the projected savings from 10,591 MWh/yr. to 10,411 MWh/yr. According to PPL, the estimated savings will decrease slightly because the savings for each WRAP job type have decreased based on evaluation results. *Id*.

**10. Increase the Estimated Number of Participants, Cost, and Savings in the E-Power Wise Program**

 PPL is proposing to add 3,500 customers to its E-Power Wise Program, which will increase the total number of participants from approximately 7,900 to approximately 11,400. According to PPL, this increase in participants will increase estimated savings from 3,378 MWh/yr. to 5,611 MWh/yr., and increase the estimated cost from approximately $1.036 million to approximately $1.539 million. *Id*. at 17. PPL asserts that it is proposing this increase in participants and savings in order to provide a larger margin of savings above the low-income set-aside target.[[9]](#footnote-9) PPL explains that this margin is necessary so that the Company does not have to rely as heavily on the relatively uncertain savings from low-income participation in general residential programs, which are not determined until approximately five months after the end of a program year. According to PPL, by the time such savings are known, it is too late to make adjustments if those savings are lower than expected. Therefore, PPL states that it prefers to increase savings from income-qualified programs such as E-Power Wise, where the reported (*ex ante*) savings can be monitored monthly. In addition, PPL asserts that its E-Power Wise Program is the most cost-effective low-income program in its Phase II Plan, and provides a vehicle to encourage low-income customers to participate in PPL’s other low-income programs. *Id*.

**11. Increase the Estimated Number of Participants in the Low-Income Energy-Efficiency Behavior & Education Program**

 PPL is proposing to increase the number of participants in its Low-Income Energy-Efficiency Behavior & Education Program by 20,000, from approximately 50,000 to 70,000. PPL states that, prior to launching the program in PY6, the Company, the program CSP, and PPL’s independent evaluator determined that an additional 20,000 participants would be needed because the average annual usage and estimated savings per participant were lower than previously estimated in the approved Phase II Plan. *Id*. at 17-18.

**12. Reduce the Number of Schools in the Continuous Energy Improvement Program**

 PPL is proposing to reduce the number of schools participating in its Continuous Energy Improvement Program from ten to eight because two of the ten schools that initially chose to participate when the program began in PY6 have withdrawn. However, PPL asserts that the estimated savings and costs remain the same as initially projected. PPL states that, because it now knows the number of schools participating in the program, savings are calculated based on each school’s consumption rather than on an estimate. *Id*. at 18.

**13. Increase the Incentives and Estimated Savings for Non-Lighting Measures**

 PPL is proposing to increase the incentives for HVAC, heat pump water heaters, and other non-lighting measures for both Residential and non-Residential customers. PPL states that the current incentive levels are too low to attract the desired level of participation. Moreover, PPL contends that the low incentive levels are contributing to relatively high levels of free-ridership for air source heat pumps. According to PPL, enhanced rebates will allow the Company to gather information on the “take rate” and price elasticity, will reduce free-ridership, and will increase customers’ interest in whole-building and non-lighting measures, as desired by stakeholders. *Id*. at 18-19.

**14. Increase the Estimated Cost of the School Benchmarking Program to Include the Management of the Installation of LED Exit Signs**

 PPL notes that its existing Phase II Plan includes the cost of installing free LED exit signs as part of its School Benchmarking Program. However, PPL states that it inadvertently excluded the CSP administration cost for this program component. Accordingly, PPL is proposing to add approximately $90,000 to the program budget to account for this cost. Consistent with PPL’s approved Phase II Plan, the savings and installation costs for the exit signs are included in PPL’s Prescriptive Equipment Program. *Id*. at 19-20.

**15. Add Pilots to Existing Residential and Non-Residential Programs**

 PPL states that, in preparation for its Phase III Act 129 EE&C Plan, the Company plans to implement several pilots in order to explore new technologies, evaluate potential savings, and gauge market interest and costs during PY6 and PY7 within all of its five customer sectors. According to PPL, these pilots may include, but would not necessarily be limited to, a thermostatic shower restrictor valve managed by the Home Comfort Program CSP, a smart thermostat pilot managed by the Residential Energy-Efficiency Behavior & Education Program CSP or the Home Comfort CSP, and home/building automation systems. Non-Residential pilots may include comprehensive equipment/building/process management via metering, monitoring, and controls. PPL asserts that information gathered from these pilots will be used to explore the interest, viability, and cost-effectiveness of more comprehensive measures and non-lighting measures for consideration in Phase III. *Id*. at 20.

 PPL states that the cost of the thermostat pilot is $300,000, while the costs of the other pilots are included in the existing budgets for the programs in which they would be implemented. *Id*. at 20-21. PPL indicates that, for pilots implemented in its Custom Incentive Program, the Company may waive the cost-effectiveness screening requirement included in that program when considering new technologies under those pilots. *Id*. at 21.

**16. Clarify Rebate Submission Deadlines**

 PPL is proposing to clarify the due date for submitting rebate applications near the end of Phase II for all programs to prevent an unexpected surge in applications, costs, and savings, as the Company experienced at the end of Phase I, and to close its Phase II books earlier than in Phase I. PPL states that it will work with stakeholders, trade allies, and CSPs during 2015 to develop and communicate the deadlines, which may vary by program depending on the status of the program’s budget, lead times to process applications and record the transactions, and the time required for measurement, verification, and evaluation. PPL expects that (1) PY7 measures must be in service by May 31, 2016; (2) customers must submit their final applications and documentation within thirty to ninety days of installation, and no later than June 15, 2016; and (3) evaluation, measurement, and verification must be completed by July 31, 2016. PPL proposes to identify and handle exceptions on a case-by-case basis. *Id*. at 22.

**17. Discontinue the Direct Discount Component of the Large C&I Prescriptive Equipment Program at the End of PY6**

 PPL is proposing to discontinue offering the Direct Discount component of its Large C&I Prescriptive Equipment Program for PY7 due to a low level of customer interest and participation. PPL indicates that discontinuing Direct Discount for Large C&I customers will also allow the Company to add savings to the Small C&I Prescriptive Equipment Program, which included a higher level of customer participation in Direct Discount. *Id*. at 22-23.

**18. Adjust the Portfolio’s Common Costs**

 PPL is proposing to adjust the Phase II estimated Common Costs, which are allocated to each customer sector at the conclusion of the Phase, from approximately $35.2 million to approximately $36 million. PPL states that the additional costs are necessary to account for EE&C Plan development and revisions, and were underestimated in the existing approved Phase II Plan. *Id*. at 23.

**19. Change the Basis of the Rebate Cap in the Custom Incentive Program**

 PPL is proposing to change the rebate cap in its Custom Incentive Program from 50% of incremental measure cost to 50% of full project cost. PPL states that this change is necessary because the concept of “incremental measure cost” (*i.e*., the difference between the cost of the efficient measure and the cost of the baseline measure) is very difficult for customers and trade allies to understand and determine for custom measures, especially the baseline for a custom measure not included in the TRM, and the baseline cost. PPL further asserts that the cost of the baseline measure is nearly impossible to properly document because customers do not get a price quote for a theoretical project equivalent to the baseline. In contrast, customers clearly understand and can document the total cost of their custom measure, according to PPL. *Id*. at 23.

**20. Fine-Tuning of Estimated Costs, Savings, and Participation**

 As a result of the changes described above, and to reflect actual program performance, PPL has fine-tuned the estimated costs, savings, and participation for many of the measures and programs in its Phase II Plan. These changes are reflected in Tables 3 and 4 included in the Petition, as well as the black-line Plan set forth in Appendix A of the Petition. *Id*. at 23-24, 26-27, Appendix A.

**21. Adjust the Estimated Phase I Carryover Savings**

 PPL is proposing to adjust the estimated Phase I carryover savings included in its Phase II Plan to agree with the verified Phase I savings carryover. This adjustment will result in a change from the previously estimated Phase I carryover savings of 551,000 MWh/yr. to the verified Phase I carryover savings of 495,636 MWh/yr. Petition at 24.

**22. General Text Revisions, Primarily for Clarification**

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

**III. Discussion**

**A. Consideration of PPL’s Petition**

As noted above, PPL requested that its Petition be addressed in accordance with the procedures for addressing “non-minor” changes as set forth in the *Minor Plan Change Order*. We have previously held that a request for approval of “non-minor” changes to a Commission-approved Act 129 EE&C Plan must be filed as a petition to amend a Commission Order, pursuant to 52 Pa. Code §§ 5.41 and 5.572. *Minor Plan Change Order* at 20. 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.

 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 to its Phase II Plan based on ongoing experience with the Plan, changes in the TRM, and input from stakeholders. The question before us is whether or not to approve the proposed changes.

In addition, PPL requested that the Commission resolve all issues in this proceeding on the basis of Comments and Reply Comments, if possible, and to avoid referring any issue to an Administrative Law Judge for hearings and Recommended Decision that is unopposed, or for which no legitimate issues of law or fact have been raised. We note that the majority of the proposed changes are unopposed, and we find that the issues in this proceeding can be resolved without the need for hearings. Accordingly, 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 Phase II Plan.

 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).

**B. Comments and Reply Comments**

 As noted, the OCA, PPLICA, and CEO/Task Force filed Comments regarding the proposed changes set forth in PPL’s Petition. In their Comments, these Parties either opposed certain of the changes, or requested that PPL provide additional information to clarify and support the changes. Reply Comments were filed by PPL, the OSBA, CAUSE-PA, and SEF.[[10]](#footnote-10) We will address the Parties’ positions with regard to each change on which Comments were provided.

**1. Modifications to Residential Retail Program (Change No. 3)**

**a. LED Light Bulb Give-Away**

**i. Positions of the Parties**

 The OCA raises questions regarding PPL’s proposal to give away 45,000 LED light bulbs to low-income customers under its Residential Retail Program. The OCA states that, while this proposal appears to be reasonable, a well thought-out delivery procedure is needed to ensure that the LED lights are placed appropriately and are put into service in high use sockets in the living quarters of low-income customers. Accordingly, the OCA asserts that PPL should specify the types of LED bulbs that will be distributed and the proposed method of distribution. OCA Comments at 4. Likewise, CEO/Task Force requests information regarding how the LED bulbs will be distributed to low-income customers. CEO/Task Force Comments at 2.

 In response, PPL states that it plans to mail the LED bulbs to approximately 45,000 low-income customers who participate in the Company’s Low-Income Energy-Efficiency Behavior & Education Program and have average annual electric usage higher than other participants in that program. PPL Reply Comments at 3-4. In addition, PPL states that the bulbs will be 60-watt equivalent A-line bulbs, and that the Company will provide customers with general information about the benefits of LEDs and estimated energy savings per bulb, and will recommend that customers install the LEDs in high-use sockets. *Id*. at 4.[[11]](#footnote-11)

**ii. Disposition**

 Based on the information provided by PPL, we find its proposal to give away 45,000 LED light bulbs to low-income customers to be reasonable, and we will approve it. However, we direct PPL to track and verify the installation rates of the LED bulbs in accordance with its established evaluation, measurement and verification protocols.

 Also, as an alternative to giving away single LED light bulbs, we encourage PPL to consider providing complete energy efficiency kits, including LED bulbs, to low-income customers who have not yet received the energy efficiency kits under PPL’s E‑Power Wise Program. We believe that providing complete kits may allow the Company to achieve significant additional energy savings in the Low-Income sector in a cost effective manner, given the relatively high TRC benefit-cost ratio of the kits.

**b. Heat Pump Water Heaters**

**i. Positions of the Parties**

 The OCA observes that PPL is reducing the number of heat pump water heaters available for rebates under the Residential Retail Program.[[12]](#footnote-12) The OCA notes that the minimum energy efficiency factor requirement for the heat pump water heaters in this program is 2.3. OCA Comments at 4 (citing Petition, Appendix A at 53, Table E3A). However, according to the OCA, the current list of qualifying ENERGY STAR® certified heat pump water heaters includes numerous entries with energy efficiency factors in excess of PPL’s 2.3 minimum requirement, with the upper tier containing a number of models with an energy efficiency factor of 3.0 or higher. OCA Comments at 4. The OCA argues that, if PPL is reducing the participation rate for this component of the program, it should consider updating the required energy factor for eligible water heaters to a minimum of 2.75. The OCA contends that such an adjustment would most likely generate greater savings at no additional cost for the customer incentives provided. *Id*.

 In response, PPL states that it considered increasing the required energy factor of heat pump water heaters to 2.75, but does not believe that such a change would materially increase savings for this program. In addition, PPL contends that this change would significantly limit the number of qualifying heat pump water heater models available to customers, and would require higher incentives, resulting in higher program costs, to offset the higher incremental cost of the more-efficient heat pump water heater. PPL Reply Comments at 4-5. PPL avers that 85% of the heat pump water heaters receiving rebates during PY6 had an energy factor less than 2.75, demonstrating that customers prefer models with an energy factor under 2.75 at the existing rebate, and that a higher rebate would be required to encourage customers to select models with an energy factor greater than 2.75. *Id*. at 5.

 PPL states that it would be willing to offer a tiered rebate to offset the approximately $200 higher incremental price between a heat pump water heater with an energy factor between 2.3 and 2.74, and one with an energy factor of 2.75 or greater. Under this approach, models with an energy factor between 2.3 and 2.74 would receive the existing rebate of $300, and models with an energy factor greater than or equal to 2.75 would receive a rebate of $400. PPL believes this tiered rebate would be a reasonable compromise between its existing rebate and the OCA’s proposal, and would provide multiple options to customers and higher incentives for the selection of more efficient models. The tiered rebate approach would also allow the Company to better evaluate consumer preferences in preparation for Phase III, according to PPL. *Id*.[[13]](#footnote-13)

**ii. Disposition**

 Because the majority of customers participating in this program appear to prefer heat pump water heater models with energy efficiency ratings under 2.75, we are concerned that eliminating incentives for these models would greatly reduce customer participation, unless customers are offered higher incentives for the higher efficiency models. Therefore, we agree with PPL that its alternative tiered rebate structure would be a reasonable compromise between its existing rebate structure and the OCA’s proposal and would provide more options to customers. Accordingly, we will approve PPL’s alternative tiered rebate proposal and direct that it include this proposal in its compliance filing.

**2. Modifications to Home Comfort Program (Change No. 4)**

**a. Heat Pump Incentives**

**i. Positions of the Parties**

 The OCA takes issue with PPL’s proposal to offer a sales promotion incentive of up to $500 to HVAC contractors/trade allies when a customer chooses a high-efficiency air source heat pump or ductless heat pump under the Home Comfort Program. The OCA also questions PPL’s proposal to change the range of rebate amounts for certain measures under this program from $100 – $250 to $50 – $2,000. The OCA argues that, although the TRC benefit-cost ratio for this program will improve slightly from 0.49 to 0.63, the program will continue to be inefficient. Thus, the OCA contends that the proposed incentive enhancements are not justified, and more closely resemble a load growth program rather than an energy efficiency program. OCA Comments at 5.

 In response, PPL contends that the cost-effectiveness compliance requirement of Act 129 applies only to the EE&C portfolio as a whole, not to individual programs or measures. Thus, PPL argues that, to comply with the Act 129 cost-effectiveness requirements, the benefit-cost ratio of the entire EE&C portfolio must be greater than 1.0. PPL Reply Comments at 6 (citing *2012 PA Total Resource Cost (TRC) Test*, Docket No. M-2012-2300653 (Order entered August 30, 2012) (*August 2012 TRC Order*) at 4-5, 10-11). PPL asserts that the benefit-cost ratio of its Phase II EE&C portfolio is 1.49. PPL Reply Comments at 6 (citing Petition, Appendix A at 16). According to PPL, excluding measures and programs with a benefit-cost ratio less than 1.0 would result in a portfolio that excludes low-income programs and most non-lighting measures, such as HVAC and weatherization. PPL believes it is important to include these types of programs and measures in order to increase participation in non-lighting programs and encourage a whole-building approach to energy efficiency. PPL asserts that its proposed higher incentives in the Home Comfort Program support this goal, and contends that they should not be denied because the program’s benefit-cost ratio would increase to 0.63. PPL Reply Comments at 6.

 PPL also argues that this program is an energy efficiency program, not a load growth program as the OCA suggests. PPL asserts that encouraging customers to install high-efficiency air source heat pumps over less efficient units produces definite energy savings, which are clearly defined in the TRM protocols for this equipment. *Id*. at 6-7.

**ii. Disposition**

 We agree with PPL that the cost-effectiveness requirement of Act 129 applies to the EE&C portfolio as a whole, not to individual programs or measures. 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 note that the TRC ratio for the Company’s Home Comfort Program is projected to increase, not decrease, under PPL’s proposed changes. *See* *August 2012 TRC Order* at 11; Petition, Appendix A at 66. Moreover, we agree with PPL that encouraging greater customer participation in non-lighting and whole-building measures is desirable, and that encouraging customers to install high-efficiency air source heat pumps over less efficient models would produce definite energy savings. For these reasons, we find the enhanced incentives proposed by the Company to be reasonable, and we will approve them.

**b. Energy Efficiency Ratings**

**i. Positions of the Parties**

 The OCA asserts that PPL is proposing to lower the energy efficiency rating requirement for certain air source heat pumps that would be eligible for rebates under the Home Comfort Program. Specifically, the OCA observes that PPL is lowering the standards for these systems from a minimum SEER[[14]](#footnote-14) rating of 15-16 to a SEER rating of 13 in PY5 and PY6, and a SEER rating of 14 in PY7, while the rebate level would remain the same. The OCA also notes that PPL is revising the rebate level for certain heat pump water heaters from $2,000 to a range of $2,000 – $3,000. OCA Comments at 5 (citing Petition, Appendix A, Table F3). The OCA argues that, because this program already is unable to pass the TRC benefit-cost test, PPL should be required to provide information to justify these proposed changes. OCA Comments at 5.

 In response, PPL asserts that it is proposing to *increase*, not *decrease* the energy efficiency ratings of eligible equipment, and that the lower energy efficiency ratings observed by the OCA are the result of an error in Table F3 of its black-line EE&C Plan. According to PPL, the energy efficiency requirements for the air source heat pump equipment under the Manufactured Homes component identified by the OCA should be >= SEER 15 in PY5 and PY6, and >= SEER 16 in PY7. PPL also clarifies that the rebate of $200-$300 listed for this measure is lower than the proposed rebate of $50-$2,000 for a similar air source heat pump in a non-manufactured home because there is an additional rebate of $1,000-$1,500 that applies to ENERGY STAR® manufactured homes. PPL indicates that it will correct the information in Table F3 in its compliance filing. PPL Reply Comments at 7.

 With regard to its change in the rebate level under its Residential Builder Package from $2,000 to a range of $2,000 – $3,000, PPL notes that this rebate applies to the entire bundle of measures listed for that package, and not just to the heat pump water heater as assumed by the OCA. *Id*. at 8 n.8. Moreover, PPL asserts that its proposed change in the rebate level has no impact on the cost-effectiveness determined by the TRC test, which is based on the incremental cost of the measure (*i.e*., the difference in cost between the efficient measure and the baseline measure), regardless of the portion of the incremental cost paid by the customer (*i.e*., participant cost) or the utility (*i.e*., EDC cost, including the incentive). PPL argues that, since it is proposing to change only the rebate amount and not the measure, there is no change to the incremental cost. In addition, PPL avers that the participation for this builder package is well below planned levels, and the Company believes that the higher rebate levels are necessary to incentivize builders to participate in the new home component of this program. PPL also believes that the higher rebate level will provide valuable market information regarding the relationship between incentives and participation in order to determine the viability of this type of program for Phase III. PPL Reply Comments at 8.

**ii. Disposition**

 With the corrections and clarifications provided by PPL, we find the Company’s proposed rebate structure and increased energy efficiency requirements for air source heat pumps under the Manufactured Homes component of the Home Comfort Program to be reasonable, and we will approve them. We direct that PPL revise Table F3 of its black-line EE&C Plan to include the corrected energy efficiency ratings in its compliance filing.

**3. Manufactured Home Give-Away (Change No. 6)**

**a. Positions of the Parties**

 The OCA questions PPL’s proposal to provide an energy-efficient manufactured home to a low-income customer to promote participation in its Home Comfort Program. The OCA asserts that PPL should provide the cost details of this give-away so that the Commission will have the opportunity to determine whether this is an efficient use of the program budget, or if other incentives such as retrofitting a manufactured home or providing highly efficient and long lasting measures would be more reasonable and effective. OCA Comments at 5-6.

 PPL responds that, upon further investigation of this proposal, it has determined that it would be too costly and too logistically and legally complex to give away a manufactured home. In the alternative, PPL avers that it is investigating other ways to promote its Home Comfort Program, such as including a contest for an “energy efficiency makeover” for an existing manufactured home. PPL states that it would cap the Act 129 portion of the cost of such a promotion at $50,000. PPL Reply Comments at 9.

**b. Disposition**

 We will approve PPL’s decision to withdraw its proposal to give away a manufactured home as a promotion for its Home Comfort Program, and we direct the Company to reflect this change in its compliance filing. As an alternative to the home give-away, PPL suggests the possibility of holding a contest for an “energy efficiency makeover” for an existing manufactured home, but does not appear to have made a firm commitment to this option, and has provided minimal detail with regard to how such a promotion might operate. Accordingly, should PPL decide upon a specific promotion for its Home Comfort Program, we will direct the Company to submit its proposal to the Commission for approval as a minor or non-minor change to its Phase II Plan, in accordance with the procedures set forth in the *Minor Plan Change Order.* Such a filing should contain a thorough description of the promotion selected, and should include, but not necessarily be limited to, an explanation of how the promotion would be implemented, what types of energy efficiency measures would be included, and what costs would be involved.

**4. Addition of Call Center Costs (Change No. 8)**

**a. Positions of the Parties**

 CEO/Task Force requests clarification regarding PPL’s proposal to add approximately $196,000 to the costs for its Residential and Low-Income Energy-Efficiency Behavior & Education Programs relating to the call center services. Specifically, CEO/Task Force asks that PPL indicate the manner in which those costs will be prorated between the two programs. CEO/Task Force Comments at 2.

 PPL responds that it will prorate the call center costs based on the number of participants in each program. PPL avers that there are approximately 128,000 participants in the Residential Energy-Efficiency Behavior & Education Program, and approximately 70,000 participants in the Low-Income Energy-Efficiency Behavior & Education Program. Accordingly, approximately 65% of the call center costs will be allocated to the Residential program, and approximately 35% of the costs will be allocated to the Low-Income program. PPL Reply Comments at 23.

**b. Disposition**

 We find PPL’s methodology for prorating the call center costs between the two Energy-Efficiency Behavior & Education Programs to be reasonable, and we will approve it. We direct PPL to ensure that this allocation of call center costs between the two programs is reflected in its compliance filing.

**5. Changes to Low-Income WRAP (Change No. 9)**

**a. Heating Pilot Program**

**i. Positions of the Parties**

 CEO/Task Force supports PPL’s proposal to include a *de facto* heating pilot program as part of its Low-Income WRAP. However, CEO/Task Force believes there is potential for PPL to expand the number of participants in the program beyond the twenty customers targeted by the Company. CEO/Task Force expresses its hope that PPL will consider such an expansion. CEO/Task Force Comments at 1-2.

 CAUSE-PA echoes the Comments of CEO/Task Force in support of the *de facto* heating pilot program, and also suggests that PPL consider including more than twenty customers in the program. CAUSE-PA asserts that the success of a pilot program depends on the availability of representative data for program evaluation purposes, and opines that twenty customers may not represent a statistically significant test group. CAUSE-PA Reply Comments at 4.

 In response, PPL states its belief that it needs approximately twenty homes to assess the feasibility of expanding this measure in the Phase III Plan. PPL asserts that twenty homes will enable the Company to properly evaluate the variation of costs and savings between homes, to evaluate the alternatives for identifying participants, and to estimate the maximum number of homes that are candidates for this type of measure in Phase III. PPL believes it is appropriate to limit the number of participants to establish a reasonable budget cap for this pilot, and indicates that additional homes can be added in Phase III if warranted. PPL Reply Comments at 20-21.

**ii. Disposition**

 We believe PPL’s decision to limit the number of participants in the *de facto* heating pilot to twenty customers is reasonable at this time, given the Company’s assertion that twenty homes will enable it to properly evaluate the information gained from the pilot and determine the appropriateness of such a program for its Phase III Plan. Limiting the number of homes will also provide a reasonable budget cap for the pilot, as PPL states. We agree with the Company that more homes can be added during Phase III, if warranted.

**b. Update of WRAP Tracking System**

**i. Positions of the Parties**

 With regard to PPL’s proposal to increase spending by $700,000 over two years to cover the cost to update the Company’s WRAP tracking system, CEO/Task Force requests information regarding how this upgrade will improve the system. CEO/Task Force states that it supports such an upgrade if it will improve the coordination of PPL’s Act 129 and Universal Service WRAP programs. CEO/Task Force Comments at 2.

 In response, PPL explains that it is replacing its current WRAP tracking system, known as “WRAP V,” with a new system called “LEAP” (Low-Income Energy Assistance Programs) because the current system could not be updated to add the features desired by the Company, WRAP contractors, the PA Statewide Evaluator, and the Commission. PPL states that LEAP is the primary system the Company uses to collect data for both LIURP (Universal Services) WRAP and Act 129 WRAP, to provide quality assurance/quality control, to provide analytics and reports, and to manage the programs at the field level. According to PPL, LEAP tracks, among other things, the status of energy audits, materials installed, changes to materials installed, type of weatherization job, contractor invoices, and inspection of completed work. PPL Reply Comments at 21.

 PPL asserts that LEAP is not just a replacement for WRAP V, but is a more robust, efficient, and flexible system, with numerous informational and functional benefits. *Id*. at 21-22. In addition, PPL avers that LEAP has the flexibility and scalability to better support inter-utility coordination and to include other low-income programs offered by the Company. LEAP also allows PPL’s staff to review premises that previously had received WRAP services to determine if the current occupants could benefit from additional WRAP measures, according to PPL. For these reasons, PPL asserts that LEAP will improve the system and coordination of the Act 129 and Universal Services WRAP programs. *Id*. at 22.

**ii. Disposition**

 Based on the explanation provided by PPL, we believe the Company’s upgrade of its WRAP tracking system will offer significant benefits over its existing system, including an improved ability to coordinate its Act 129 and Universal Services WRAP programs. Accordingly, we will approve PPL’s proposal to include the costs of this upgrade in its Phase II Plan.

**6. Increased Incentives for Non-Lighting Measures (Change No. 13)**

**a. Positions of the Parties**

 PPLICA questions PPL’s proposal to increase the incentives for non-lighting measures, as discussed in Change No. 13.[[15]](#footnote-15) PPLICA contends that, although the increase in incentives is meant to encourage greater customer participation in the applicable programs, such increased participation will be accomplished at the expense of completing less efficient installations and lowering projected program savings. PPLICA Comments at 5. PPLICA asserts that Act 129 requires EDCs to achieve the required energy usage reductions in a cost-effective manner. *Id*. (citing 66 Pa. C.S. §§ 2806.1(b)(1)(i)(A) and 2806.1(b)(1)(i)(I)).[[16]](#footnote-16) However, PPLICA states that, for the Large C&I Prescriptive Equipment Program, the increased incentives appear to be directly associated with a reduction in the TRC benefit-cost ratio from 1.44 to 0.94, meaning that this program would no longer be operated in a cost-effective manner. PPLICA Comments at 6. Accordingly, PPLICA submits that the Commission should deny or modify this proposed change in order to ensure that PPL achieves its energy savings in a cost-effective matter, consistent with 66 Pa. C.S. § 2806.1(b)(2).[[17]](#footnote-17)

 In response, PPL reiterates its position that the cost-effectiveness compliance requirement of Act 129 applies only to the EE&C portfolio as a whole, not to individual programs or measures. PPL Reply Comments at 11 (citing *August 2012 TRC Order* at 11). In addition, PPL maintains that excluding measures and programs with a benefit-cost ratio less than 1.0 would result in a portfolio that excludes low-income programs and most non-lighting measures, which PPL believes are important to include in order to encourage a whole-building approach to energy efficiency. PPL also asserts that the increased rebates will help reduce free-ridership for air source heat pumps and help the Company evaluate price elasticity. PPL Reply Comments at 12.

 PPL asserts that its proposed changes to the rebate levels for these measures have no impact on the cost-effectiveness as determined by the TRC test. PPL states that the changes to the benefit-cost ratio for the Large C&I Prescriptive Equipment Program are due mainly to changes in the mix of measures, with the revised mix having a higher incremental cost. In this regard, PPL provides a table summarizing the changes that affect the benefit-cost ratio for this program. PPL asserts that, due to the increased incremental costs for the mix of measures provided, the benefit-cost ratio for the program decreased even though the savings increased and the program cost decreased. *Id*. at 12‑13.

**b. Disposition**

 Although the TRC benefit-cost ratio for the Large C&I Prescriptive Equipment Program will decrease from 1.44 to 0.94 under PPL’s proposed changes, we agree with the Company that this decrease does not appear to result from the proposed increase in incentives for non-lighting measures, as PPLICA contends. Rather, the data provided by PPL indicate that the drop in the benefit-cost ratio results from the higher incremental costs relating to the mix of measures provided under this program. As we noted above, the cost-effectiveness requirement of Act 129 applies to the EE&C portfolio as a whole, not to individual programs or measures. Moreover, we agree with the Company that encouraging greater customer participation in non-lighting measures is desirable, as it will result in increased energy savings. In this regard, we note that, while the benefit-cost ratio for this program will decrease, the program savings will increase, and direct utility costs will decrease. For these reasons, we find the enhanced incentives proposed by the Company to be reasonable, and we will approve them.

**7. Proposed Pilot Programs (Change No. 15)**

**a. Implementation of Pilots**

**i. Positions of the Parties**

 PPLICA takes issue with PPL’s proposal to implement several pilot programs as part of its Phase II Plan. PPLICA argues that this proposal would unreasonably authorize PPL to divert its Act 129 budget to any conceivable pilot program. PPLICA contends that, while some degree of program experimentation may be appropriate, such authority must be subject to reasonable limitations. Accordingly, PPLICA asserts that the Commission should exercise its discretion and impose a 2% cap on experimental pilot programs for each customer sector, consistent with 66 Pa. C.S. § 2806.1(b)(1)(iii), which states that “[n]o more than 2% of funds available to implement a plan under this subsection shall be allocated for experimental equipment or devices.” PPLICA Comments at 7. Under PPLICA’s recommended 2% cap, PPL’s maximum Phase II spending for pilot programs would range from $360,000 for the Large C&I customer sector up to $1.3 million for the Residential sector. *Id*. PPLICA states that its recommended pilot program spending caps are reasonable, given that PPL provided a cost estimate of $300,000 for one of its proposed pilot programs. *Id*. at 8.

 SEF disagrees with PPLICA that PPL’s proposed pilot programs would grant unreasonably broad discretion to the Company. SEF opines that such pilot programs would likely deepen energy savings in preparation for Phase III. SEF specifically supports PPL’s proposal to conduct a digital thermostat pilot for homes with baseboard heat, arguing that such programmable thermostats are readily available and can provide significant savings for both renters and homeowners. SEF asserts that this type of technology could provide needed relief if offered to low-income homeowners and renters during the coldest months of the year. SEF Reply Comments at 3.

 In response, PPL avers that the cost of its proposed pilot programs will be much less than 2% of each customer sector’s budget. PPL also clarifies that most of the proposed pilots are not for experimental equipment or devices, but for proven, commercially available or common measures for which the Company is evaluating market/program conditions that will help it evaluate the viability of these measures for Phase III. PPL Reply Comments at 13-14. Nevertheless, PPL states that it would agree to the following 2% pilot cost caps for each of its five customer sectors:

|  |  |
| --- | --- |
| **Customer Sector** | **2% Pilot Cost Cap** |
| Residential | $1,308,000 |
| Low-Income | $522,000 |
| Small C&I | $894,000 |
| Large C&I | $360,000 |
| GNI (all customer classes) | $600,000 |
| **Total** | **$3,684,000** |

*Id*. at 14.

**ii. Disposition**

 PPL’s willingness to agree to a 2% cap in the total cost of pilot programs for each customer sector appears to satisfy PPLICA’s request that the Company’s proposed pilots be subject to explicitly identifiable budget constraints. We find such a 2% cost cap to be reasonable, and we will approve PPL’s proposal to develop and introduce pilot programs for the various customer sectors, subject to the cost cap. We direct the Company to include the 2% cost cap for its proposed pilot programs in its compliance filing. In addition, we request that PPL submit a thorough description of each pilot project implemented to appropriate staff of the Commission’s Bureau of Technical Utility Services and Bureau of Consumer Services, once the details of the project have been developed.

**b. Cost-Effectiveness Screening**

**i. Positions of the Parties**

 PPLICA objects to PPL’s proposal to waive the cost-effectiveness screening requirement for the pilot programs administered under the Custom Incentive Program. PPLICA argues that, because custom measures considered under this program are not bound by the parameters set forth in the TRM, elimination of the cost-effectiveness screening would eliminate objective oversight of the pilots. PPLICA Comments at 8.

 PPL disagrees that its proposal to waive the cost-effectiveness screening requirement for the pilot programs should be denied. PPL contends that cost-effectiveness for each project is not an Act 129, TRC, or Commission requirement. PPL Reply Comments at 14. PPL states that it implemented cost-effectiveness screening for projects in the Custom Incentive Program in order to help ensure that very large custom projects with very high incremental costs do not disproportionately impact the overall cost-effectiveness of its EE&C portfolio, which PPL avers happened in Year 1 of Phase I. *Id*. at 14-15. PPL asserts that it does not expect pilot projects in the Custom Incentive Program to be very large, and believes that one of the benefits of pilots is to determine if these projects are cost-effective and ready for more widespread implementation in Phase III. PPL contends that the cost-effectiveness of these pilots cannot be reasonably evaluated based on hypothetical information from pre-approved screening, and that it is important to evaluate the cost-effectiveness of pilots based on actual incremental cost and actual savings after the projects are commercially operable. *Id*. at 15.

 Nevertheless, PPL states that, if the Commission believes that pilots in the Custom Incentive Program should be subject to the same cost-effectiveness screening as all other projects in the program, then it recommends creating a custom project cost threshold, according to which all custom projects (pilots or non-pilots) with an estimated incremental cost greater than $500,000 would be subject to the program’s pre-approval cost-effectiveness screening. Custom projects with an estimated incremental cost less than $500,000 would be excluded from the screening. PPL states that, in applying such a test, it would need to review the customer’s project cost estimates to ensure that they are accurate. *Id*.

**ii. Disposition**

 We agree with PPL that the purpose of implementing a pilot project is to gather information regarding the effectiveness of the project, and to assess the feasibility of introducing the project on a larger scale in the future. Such an assessment would include a determination of the cost-effectiveness of the project based on actual experience gained through the operation of the pilot. Thus, we agree with the Company that subjecting a proposed pilot to cost-effectiveness screening based on hypothetical information developed prior to actual implementation of the pilot may not be desirable or necessary, particularly for smaller pilots. For this reason, we are not opposed to PPL’s proposal to waive the cost-effectiveness screening for the types of pilot projects it appears to contemplate.

**8. Adjustment to Common Costs (Change No. 18)**

**a. Positions of the Parties**

 The OCA questions PPL’s proposal to adjust its Phase II portfolio’s common costs from approximately $35.2 million to approximately $36 million. The OCA contends that there is no justification for an increase in common costs, which takes money from program direct costs and generates no commensurate energy savings. The OCA asserts that direct program costs for the Residential sector were reduced by $1.15 million, but the common costs for that sector were increased, producing a net budget cut for the Residential sector of $800,000. Thus, the OCA argues that there is more money for PPL to administer the Residential programs, but less money available for direct program incentives. The OCA submits that this proposed change should be carefully reviewed by the Commission. OCA Comments at 6.

 In response, PPL provides a table detailing the individual adjustments to its Phase II portfolio common costs, including explanations for each adjustment indicating the need to revise or fine tune original cost estimates based on updated information. PPL Reply Comments at 10. In addition, PPL states that it disagrees with the OCA that common costs do not directly produce program results. PPL argues that the activities accounted for as common costs are critical to the success of the EE&C Plan, and that they are considered to be common costs because they are applicable to more than one customer class or program. Thus, PPL states that, while these activities are not directly assigned to a particular program, it is not accurate to conclude that they do not produce program results. *Id*.

**b. Disposition**

 We agree with PPL that, while common costs are not exclusive to any given customer sector or class, they relate to activities that are as critical to achieving energy savings under the EE&C Plan as direct program costs. Based on the information provided by PPL, we find the proposed addition of $800,000 to its Phase II Plan common costs to be reasonable, and we will approve it.

**9. Rebate Caps in Custom Incentive Program (Change No. 19)**

**a. Calculation of Caps**

**i. Positions of the Parties**

 PPLICA opposes PPL’s proposal to change the rebate cap in its Custom Incentive Program from 50% of incremental measure cost to 50% of full project cost. PPLICA asserts that, while it understands the policy objectives underlying this proposal, such a change would significantly increase the rebate caps under this program, which would unfairly prejudice customers that have previously received rebates that were limited by the lower rebate caps under the current methodology. PPLICA Comments at 8-9. PPLICA contends that allowing PPL to change its rebate cap calculation mid-stream would result in vastly different rebates for similar projects and would be contrary to 66 Pa. C.S. § 2806.1(a)(5), which provides that EE&C plans shall include “[s]tandards to ensure that each plan includes a variety of energy efficiency and conservation measures and will provide the measures equitably to all classes of customers.” *Id*. at 9.

 In response, PPL disagrees that changing the way it calculates the rebate cap would unfairly prejudice customers that previously received rebates. PPL argues that rebates and measure eligibility frequently change for a variety of reasons, including improving programs, implementing program changes due to high free-ridership, reflecting changes to the TRM, controlling the pace of programs, and addressing market transformation. PPL contends that the timing of these changes may represent an advantage to some participants and a disadvantage to others. According to PPL, this situation is no different from price and product changes that occur in consumer markets outside of Act 129. PPL Reply Comments at 16.

 In addition, PPL points out that its Custom Incentive Program also includes a $500,000 per-project rebate cap, which would still be applicable under the Company’s proposal. *See* Petition, Appendix A at 120, 136, 152. Moreover, PPL asserts that its proposed 50% of full project cost cap will accomplish the same purpose as the existing 50% of incremental cost cap, which is to prevent a customer from receiving a rebate that exceeds the customer’s project cost. *Id*. at 17.

 PPL also states that it analyzed data from actual Custom Incentive Program rebates paid under its current Phase II Plan, and determined that only twenty-one of the ninety-three projects for which rebates were paid triggered the incremental cost cap, and the average incentive paid was $26,887 per project. PPL then determined that the average incentive amount that would have been paid under its proposed project cost cap was $28,221 per project, a net difference of only $1,334 per project, or 4.96%. PPL contends that this difference does not represent a significant modification to the program, or a vastly different rebate for similar projects submitted under the same EE&C Plan. *Id*. at 18.

**ii. Disposition**

 We agree with PPL that its proposed calculation of the rebate cap under the Custom Incentive Program will be easier for customers to understand and carry out, and we disagree with PPLICA that such a change will unfairly prejudice customers that previously received rebates under the existing methodology. As the Company points out, program incentives may change during the course of an EE&C Plan for any number of reasons, and there is no reason to conclude that a more beneficial rebate structure will cause any harm to customers that received rebates for the same or similar measures before the modified structure was implemented. Moreover, the data provided by PPL indicate that PPL’s proposed modification to its rebate cap calculation will not result in a significant modification to the program, or a significantly higher rebate for similar projects. Accordingly, we will approve PPL’s modified rebate cap calculation for its Custom Incentive Program.

**b. Exclusion of Internal Labor Costs**

**i. Positions of the Parties**

 PPLICA also takes issue with PPL’s failure to explain language in its black-line Phase II Plan indicating that the revised rebate cap calculation will exclude internal labor costs. *See* Petition, Appendix A at 120, 136. PPLICA argues that, because PPL did not conspicuously identify or substantiate this change in its Petition, it should be rejected on procedural grounds. *Id*. at 10. PPLICA states that the Commission had previously clarified that all proposed EE&C plan changes must be conspicuously identified to facilitate stakeholder and Commission review. *Id*. at 10, 11 (citing *Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan,* Docket No. M-2009-2093216 (Order entered May 6, 2011) (*May 2011 Phase I Plan Change Order*) at 22).

 In addition, PPLICA contends that PPL did not adequately define “internal labor costs.” PPLICA states that it would not oppose this proposal if such costs are confined to the use of internal measure implementation or installation resources. However, PPLICA asserts that, if the definition of “internal labor costs” includes design and scoping costs, then the proposal should be rejected because PPL has failed to support it. *Id*. at 10-11. PPLICA avers that Large C&I customers are more likely to retain qualified full-time energy management professionals on staff than Residential or Small C&I customers, and that these internal personnel would be available to perform scoping and design work. Thus, PPLICA contends that any internal labor costs excluded from the Custom Incentive Program rebate cap should be limited to expenses for which all customers generally rely on outside contractors, such as measure implementation or installation services. *Id*. at 11-12.

 PPL responds that it revised the text in its EE&C Plan to include the “internal labor costs” language in order to clearly reflect the Company’s practice, which is to exclude a customer’s internal costs from the definition of “project cost.” According to PPL, internal costs include costs relating to activities performed by the customer’s employees (*i.e*., wages and benefits), such as physical labor, engineering/design, management oversight, administration, and project management. PPL states that it considers a customer’s internal costs as “sunk costs,” not incremental costs, and that such costs should not be offset by the Company’s Act 129 rebates. Accordingly, PPL revised the text to clarify what has been its practice.

**ii. Disposition**

 We find PPL’s exclusion of internal labor costs, as defined by the Company, from its rebate cap calculation to be reasonable, as such costs would be considered “sunk costs” rather than incremental costs, as PPL points out. Moreover, we find no reason to believe that this practice would be harmful to Large C&I customers in any way.

 We also do not agree that PPL’s addition of the language to clarify this practice must be rejected on procedural grounds. While PPL did not specifically mention the addition of this clarifying language in the body of its Petition, it clearly delineated the addition in its black-line EE&C Plan, which is included as Appendix A to the Petition. Moreover, the addition of this language does not appear to represent a material change to the Plan, but simply a clarification of an existing practice. Accordingly, we find no reason to reject PPL’s exclusion of internal labor costs from its rebate calculation under its Custom Incentive Program on either substantive or procedural grounds.

**10. General Text Revisions (Change No. 22)**

**a. Positions of the Parties**

 PPLICA objects to PPL’s proposal to effect a number of revisions to the text of its Phase II Plan to provide additional clarity. PPLICA argues that approval of changes based on such overbroad language would allow the Company to circumvent the Commission’s requirement that all minor and major plan changes be conspicuously identified to facilitate stakeholder and Commission review. PPLICA Comments at 10 (citing *May 2011 Phase I Plan Change Order* at 22; *Minor Plan Change Order* at 6, 20).

 In response, PPL asserts that it provided a black-line EE&C Plan that conspicuously identifies every proposed text revision for parties to review. PPL states that the “general text revisions” referred to in its Petition simply correct typographical errors and clarify the wording without changing the original intent or meaning of the Plan or its programs. PPL Reply Comments at 18-19. PPL objects to PPLICA’s contention that the Company should “take on the arduous, impracticable, and inconsequential task of individually listing every one of these general text revisions and explain the reason for it.” *Id*. at 19. PPL states that, if any Party to this proceeding has a question about a specific text change, the Company encourages that Party to contact PPL for clarification. *Id*.

**b. Disposition**

 We agree with PPL that it would not be practical for it to explicitly identify every minor correction or clarification to the text of its EE&C Plan in the body of its Petition when such revisions do not change the original intent or meaning of the Plan or the programs described therein. In addition, as we noted above, PPL’s black-line EE&C Plan, attached as Appendix A to its Petition, clearly delineates these minor text revisions, and is available for all Parties to review. Accordingly, we find no reason to reject PPL’s inclusion of minor text corrections or clarifications in its black-line Plan. We have reviewed each of these changes and hereby approve them.

**11. Master-Metered Low-Income Multifamily Housing Program Eligibility**

**a. Positions of the Parties**

 PPLICA objects to PPL’s failure to identify or explain in its Petition the addition of the LP-4 and LP-5 rate classes[[18]](#footnote-18) to the list of rate classes eligible to participate in its Master-Metered Low-Income Multifamily Housing Program. *See* Petition, Appendix A at 157. PPLICA contends that, as with the addition of the “internal labor costs” language discussed above, this change should be rejected on procedural grounds. PPLICA notes that the Master-Metered Low-Income Multifamily Housing Program offers direct installation and incentives to stimulate adoption of energy efficiency measures in low-income, non-profit or government multifamily housing units. PPLICA contends that program eligibility is currently limited to the GS-1 and GS-3 rate classes, and that none of PPL’s proposed twenty-two changes state any intention to add the LP-4 and LP-5 customers to this program. PPLICA Comments at 12. According to PPLICA, the addition of these rate classes constitutes at least a minor change, and potentially a major change, which was improperly omitted from PPL’s Petition, and therefore, should be rejected. *Id*. at 13.

 PPLICA asserts that, should the Commission overlook this procedural error, the change should be rejected on substantive grounds. PPLICA contends that PPL runs no risk of failing to meet its Phase II GNI energy reduction compliance target of 81,132 MWh/yr., as its verified GNI carryover savings from Phase I totals 92,143 MWh/yr. *Id*. (citing Petition, Appendix A at 220). Thus, PPLICA argues that further expansion of the eligibility for this program to include the additional rate classes should be rejected as unnecessary. PPLICA Comments at 13.

 The OSBA disagrees that the addition of the LP-4 and LP-5 rate classes should be rejected on substantive grounds. The OSBA states that, in the *Phase II Implementation Order,* the Commission required EDCs to include programs for low-income customers in multifamily dwellings as part of their GNI programs. OSBA Reply Comments at 3 (citing *Phase II Implementation Order* at 49-51). The OSBA asserts that the Commission did not limit such programs to rate classes that take service at secondary voltage, and did not indicate that subsidies for these programs should be paid only by small business customers rather than large business customers. The OSBA submits that, “if the program has economic or policy merit, it has merit for both Small C&I and Large C&I customers.” OSBA Reply Comments at 3.

 The OSBA believes that PPL’s addition of the LP-4 and LP-5 rate classes to the list of eligible rate classes for this program constitutes a minor correction to an oversight in the original language, since PPL’s likely original expectation was that the majority of participants in the program would be Small C&I customers. The OSBA asserts that, if there are low-income multifamily customers taking service under the Large C&I rates, then it is in all customers’ interest for PPL to be able to achieve its load reduction goals as efficiently as possible. Thus, the OSBA does not agree with PPLICA that PPL’s expectation that it will exceed its GNI compliance target eliminates the need to expand eligibility for this program. *Id*.

 CAUSE-PA also disagrees with PPLICA’s contention that the addition of the LP-4 and LP-5 rate classes to this program should be rejected. CAUSE-PA opines that the expansion of eligibility for the program is necessary for PPL to further develop its initiatives in the low-income multifamily housing sector and will enable the Company to access previously untapped sources of energy savings. CAUSE-PA Reply Comments at 2. CAUSE-PA also asserts that the addition of these rate classes is consistent with the Commission’s encouragement to EDCs to expand activities into this sector, which the Commission indicated was underserved but had the potential to provide significant energy savings. *Id*. at 2, 3 (citing *Phase II Implementation Order* at 49, 51).

 CAUSE-PA also disagrees with PPLICA that PPL’s Phase I carryover savings ensures that PPL will meet its Phase II GNI savings goal, and therefore, eliminates the need to expand eligibility for this program. CAUSE-PA contends that this argument misses the fact that the multifamily housing sector was not the subject of any targeted EE&C programs until the start of Phase II, and therefore, none of the Phase I savings carryover is attributable to multifamily buildings. Moreover, only a small share of the Phase II GNI savings are attributable to the Multifamily Program, according to CAUSE-PA. CAUSE-PA Reply Comments at 3.

 CAUSE-PA agrees with PPLICA that PPL did not explicitly identify this change in its Petition, but included it in its black-line Phase II Plan. However, CAUSE-PA asks the Commission to provide interim approval to the change pending the Company’s submission of an amended Petition that addresses the change, to ensure that PPL can continue to achieve progress in serving multifamily housing buildings within its service territory without unnecessary delay. CAUSE-PA Reply Comments at 2.

 PPL explains that it revised the list of eligible rate classes under this program to clarify that the program is available to all rate classes that meet GNI eligibility requirements. PPL avers that all of the GNI programs in its current Phase II Plan include the LP-4 and LP-5 rate classes, and that it made the textual revision to add these classes to the Master-Metered Low-Income Multifamily Housing Program to clarify that customers in these classes are eligible for this program as long as they meet the program’s eligibility requirements. PPL Reply Comments at 20.

**b. Disposition**

 As with PPL’s addition of the “internal labor costs” language to the description of the rebate cap under its Custom Incentive Program discussed above, we believe that the addition of the LP-4 and LP-5 rate classes to the list of eligible rate classes under the Master-Metered Low-Income Multifamily Housing Program represents a clarification of an existing practice, and not a material change to the Phase II Plan. As PPL notes, all of the GNI programs in its current Phase II Plan include the LP-4 and LP-5 rate classes, and the addition of those classes to the Master-Metered Low-Income Multifamily Housing Program simply clarifies their eligibility to participate in this program as well, as long as they meet the program’s other eligibility requirements. Accordingly, we find no reason to reject the addition of this clarifying language, or to require PPL to file an amended Petition.

**C. Unopposed Changes**

 As noted above, the majority of PPL’s proposed changes were unopposed. Upon our review of those changes that were not addressed in the Parties’ Comments, 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 those changes as filed.

**IV. Conclusion**

For the reasons set forth above, we will: (1) grant PPL’s Petition, consistent with this Opinion and Order; (2) approve PPL’s proposed modifications to its Phase II EE&C Plan, as revised, consistent with this Opinion and Order; (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; and (4) direct PPL to provide additional information to appropriate Commission staff as requested in this Opinion and Order; **THEREFORE,**

**IT IS ORDERED:**

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

1. That the proposed changes set forth in the Petition of PPL Electric Utilities Corporation for Approval of Changes to its Act 129 Phase II Energy Efficiency and Conservation Plan are approved, as revised, consistent with this Opinion and Order.
2. 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.
3. 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 Act 129 Phase II 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.
4. That PPL Electric Utilities Corporation shall submit to appropriate staff of the Commission’s Bureau of Technical Utility Services and Bureau of Consumer Services, a thorough description of each pilot program it intends to implement under any existing residential or non-residential energy efficiency and conservation program, as discussed 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: May 19, 2015

ORDER ENTERED: May 19, 2015

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. A black-line Phase II EE&C Plan illustrating the proposed modifications to the Plan is attached to PPL’s Petition as Appendix A. [↑](#footnote-ref-2)
3. 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.7. [↑](#footnote-ref-3)
4. On March 11, 2015, the Commission entered a Tentative Order at Docket No. M‑2014-2424864 to begin the process of establishing Phase III of the Act 129 EE&C Program, which would operate from June 1, 2016 through May 31, 2021. The Tentative Order proposed requirements for additional incremental reductions in electric consumption and peak demand for each EDC, as well as guidelines for implementing Phase III of the EE&C Program. Interested parties were given thirty days from the date on which notice of the Tentative Order was published in the *Pennsylvania Bulletin* to file written comments, and forty-five days from that date to file written reply comments. By Secretarial Letter issued May 1, 2015, the Commission extended the due date for the filing of reply comments to May 15, 2015. [↑](#footnote-ref-4)
5. Section 2806.1(g) of Act 129 provides that the total costs of any EE&C plan cannot exceed two percent of the EDC’s total annual revenues as of December 31, 2006. 66 Pa. C.S. § 2806.1(g). [↑](#footnote-ref-5)
6. Section 2806.1(a)(5) of Act 129 requires that Commission-approved EE&C plans include “[s]tandards to ensure that each plan includes a variety of energy efficiency and conservation measures and will provide the measures equitably to all classes of customers.” 66 Pa. C.S. § 2806.1(a)(5). [↑](#footnote-ref-6)
7. WRAP is PPL’s Winter Relief Assistance Program. PPL offers a WRAP program to its Low-Income customer sector under its Act 129 Phase II Plan, and a separate WRAP program as a component of its Universal Service & Energy Conservation Plan. *See March 2013 Order* at 27. In general, PPL’s WRAP programs consist of three types of services: baseload, low-cost, and full-cost. Each of these three types of services includes a different set of eligibility criteria and mix of measures. *Id.* at 28 n.24. [↑](#footnote-ref-7)
8. PPL’s Phase II Plan currently includes baseload and full-cost WRAP jobs, but not low-cost jobs. Petition, Appendix A at 82. PPL states that the low-cost jobs now proposed in its Petition represent additional low-cost jobs, not a reallocation from its Universal Services WRAP. Petition at 15. [↑](#footnote-ref-8)
9. The *Phase II Implementation Order* requires that at least 4.5% of an EDC’s required energy consumption savings be obtained from the low-income sector. *Phase II Implementation Order* at 54. [↑](#footnote-ref-9)
10. SEF’s Reply Comments were filed on March 16, 2015, four days beyond the date on which Reply Comments were due to the Commission. SEF’s Reply Comments were accompanied by a Motion to File Late, explaining that its untimely Reply Comments were due to transition issues relating to the retirement of SEF’s previous counsel of record in this proceeding. Given the circumstances described by SEF, the fact that SEF had been an active Party to these proceedings, and the limited focus of its Reply Comments, SEF requested that the Commission accept the late-filed Reply Comments. We will accept the late-filed Reply Comments for the reasons explained by SEF. However, we note that certain arguments set forth therein would have been more properly presented during the Comment phase of this proceeding. Because these arguments reflect a position to which the other Parties had no opportunity to respond, we will not consider those arguments here. [↑](#footnote-ref-10)
11. PPL states that additional LEDs would be available at no cost to a low-income customer through the Company’s WRAP and E-Power Wise Programs if the customer did not previously participate in those programs. PPL Reply Comments at 4 n. 5. [↑](#footnote-ref-11)
12. PPL’s black-line Phase II Plan indicates that the number of energy-efficient heat pump water heaters, ENERGY STAR® refrigerators and ENERGY STAR® “most Efficient” refrigerators eligible for rebates is being reduced from 14,300 to 11,350. Petition, Appendix A at 56. [↑](#footnote-ref-12)
13. PPL states that, if the Commission approves this change, it would be reflected in the Company’s EE&C Plan compliance filing. PPL Reply Comments at 5 n.6. [↑](#footnote-ref-13)
14. SEER stands for Seasonal Energy Efficiency Ratio, which is a measure of air conditioning and heat pump cooling efficiency. [↑](#footnote-ref-14)
15. Although PPLICA refers to PPL’s Change No. 12 in its discussion of this issue, it appears that it meant to refer to Change No. 13. *See* PPL Reply Comments at 11 n.9. [↑](#footnote-ref-15)
16. 66 Pa. C.S. § 2806.1(b)(1)(i)(A) states: “The plan shall include specific proposals to implement energy efficiency and conservation measures to achieve or exceed the required reductions in consumption under subsections (c) and (d).”

 66 Pa. C.S. § 2806.1(b)(1)(i)(I) states: “The electric distribution company shall demonstrate that the plan is cost effective using a total resource cost test approved by the commission and provides a diverse cross section of alternatives for customers of all rate classes.” [↑](#footnote-ref-16)
17. 66 Pa. C.S. § 2806.1(b)(2) states:

The commission shall direct an electric distribution company to modify or terminate any part of a plan approved under this section if, after an adequate period for implementation, the commission determines that an energy efficiency or conservation measure included in the plan will not achieve the required reductions in consumption in a cost-effective manner under subsections (c) and (d). [↑](#footnote-ref-17)
18. PPL’s currently effective tariff indicates that its LP-4 Rate Schedule applies to Large General Service customers taking service at 12,470 volts, and its LP-5 Rate Schedule applies to Large General Service customers taking service at 69,000 volts or higher. PPL Tariff – Electric Pa. P.U.C. No. 201, Twenty-Third Revised Page Nos. 27 and 28. [↑](#footnote-ref-18)