

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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February 16, 2016

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Petition of PPL Electric Utilities
Corporation for Approval of its Act 129
Phase III Energy Efficiency and
Conservation Plan
Docket No. M-2015-2515642

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Statement in Support of the Joint Petition for Settlement, in the above-referenced proceeding.

Copies have been served upon all parties of record as shown on the attached Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Amy E. Hidakis".

Amy E. Hidakis
Assistant Consumer Advocate
PA Attorney I.D. # 310094

Enclosures

cc: Honorable Susan D. Colwell, ALJ
Certificate of Service

214863

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :
For Approval of its Act 129 Phase III : Docket No. M-2015-2515642
Energy Efficiency and Conservation Plan :

STATEMENT OF THE OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE JOINT PETITION FOR SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

I. INTRODUCTION

On November 14, 2008, Act 129 of 2008 (Act 129) became effective. Act 129 contained a requirement for the Pennsylvania Public Utility Commission (Commission) to implement an Energy Efficiency and Conservation Program for Electric Distribution Companies (EDCs) with more than 100,000 customers. See 66 Pa. C.S. § 2806.1, et seq. On January 15, 2009, the Commission adopted an Implementation Order establishing the specific standards that the EDCs' Energy Efficiency and Conservation (EE&C) plans for the period June 1, 2009 through May 31, 2013 were required to meet. See Energy Efficiency and Conservation Program, Docket No. M-2008-2069887 (Order Entered Jan. 16, 2009) (Phase I). On August 2, 2012, the Commission adopted a second Implementation Order establishing the next phase of the EE&C program for the period June 1, 2013 through May 31, 2016. See Energy Efficiency and Conservation Program, Docket No. M-2012-2289411 (Order Entered Aug. 2, 2014) (Phase II). The seven largest EDCs—PECO Energy Company (PECO), PPL Electric Utilities, Inc. (PPL), the

FirstEnergy Companies (Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power Company), and Duquesne Light Company – developed and implemented plans in Phases I and II of the EE&C programs.

On June 19, 2015, the Commission entered its Phase III Implementation Order, adopting EDC-specific targets for reducing energy consumption for the Phase III EE&C Program term (June 1, 2016 - May 31, 2021). Energy Efficiency and Conservation Program, Docket No. M-2014-2424864 (Order Entered June 19, 2015) (Phase III Implementation Order). PPL’s Phase III consumption reduction target was set at 3.8% of its expected sales for the June 1, 2009 through May 31, 2010 period.¹ Phase III Implementation Order at 57. The Commission also directed that PPL’s Phase III Plan: (1) achieve 3.5% of its overall consumption reductions from the Government/ Non-Profit/ Educational (GNE) sector; (2) achieve a minimum of 5.5% of its consumption reductions from programs exclusively directed at low-income customers; (3) offer at least one comprehensive measure for residential customers and at least one comprehensive measure for nonresidential customers; and (4) achieve a total overall gross verified demand reduction of at least 92 MW. Id. at 35, 61, 68-70, 74-76. As in Phase I and II, the Total Resource Cost (TRC) test is used to evaluate each EDC’s Plan. Id. at 97-98.

The Phase III Implementation Order also detailed the Phase III Plan approval process. According to the Order, the EDCs were to file their proposed Plans and the Commission was to publish those Plans in the *Pennsylvania Bulletin*. Phase III Implementation Order at 89-91. In compliance with the Implementation Order, PPL filed its Phase III Plan with the Commission on November 30, 2015. PPL’s Plan was published in the *Pennsylvania Bulletin* on December 12,

¹ The Phase III Implementation Order requires that the Phase III Plans be designed to achieve at least 15% of the consumption reduction target each year of Phase III. Phase III Implementation Order at 59. For PPL, this equates to 237,447 MWh/year. PPL’s Plan was designed to achieve this yearly consumption reduction target. See Plan at 18.

2015. 45 Pa.B. 7078. The notice required that interested parties file comments to the Phase III Plan within 20 days of publication. The Commission is to approve or reject all or part of the Plan at a Public Meeting within 120 days of the filing. Phase III Implementation Order at 89-91.

PPL's filing was assigned to the Office of Administrative Law Judge and further assigned to Administrative Law Judge Susan D. Colwell for investigation. On December 10, 2015, the OCA filed a Notice of Intervention and Public Statement in this proceeding. On December 18, 2015, ALJ Colwell issued a Prehearing Conference Order. The OCA filed Comments on PPL's Plan on January 4, 2016, in accordance with the Phase III Implementation Order and the directive included in the publication of the filing in the *Pennsylvania Bulletin*. A Prehearing Conference was held on January 5, 2016. On January 12, 2016, the OCA filed the Direct Testimony of Stacy L. Sherwood² (OCA Statement No. 1) and Roger D. Colton³ (OCA Statement No. 2).

After Direct Testimony was filed, the Joint Petitioners participated in extensive settlement discussions which resulted in this Joint Petition for Settlement (Settlement). The Settlement provides for approval of PPL's Phase III EE&C Plan with certain clarifications and modifications to specific energy efficiency programs. In addition, the Settlement provides for the Company to meet with stakeholders to discuss home energy reports and issues related to low-

² Ms. Sherwood is an Economist at Exeter Associates, Inc. Ms. Sherwood previously served as a Staff member of the Maryland Public Service Commission, where she reviewed filings regarding the 2012 – 2014 and 2015 – 2017 energy efficiency and demand response (EE & DR) plans for Baltimore Gas and Electric, Delmarva Power and Light Company, Potomac Edison, Potomac Electric Power Company, the Southern Maryland Electric Cooperative, and the Maryland Department of Housing and Community Development (DHCD). Ms. Sherwood filed comments and presented before the MD PSC regarding the 2012 – 2014 EE & DR plans for Potomac Electric Power Company and 2015 – 2017 EE & DR plans for the five utilities and DHCD. Additionally, Ms. Sherwood reviewed plan progress and made programmatic recommendations on a semi-annual basis.

³ Roger D. Colton is a principal in the firm of Fisher, Sheehan & Colton, Public Finance and General Economics. Mr. Colton provides technical assistance to a variety of public utilities, state agencies and consumer organizations on rate and customer service issues for telephone, water/sewer, natural gas and electric utilities. Mr. Colton's work focuses on low-income energy issues, and he has testified and published extensively in this area.

income and multifamily housing programs. For the reasons discussed below, the OCA submits that the Settlement is in the public interest and should be adopted.

II. TERMS OF SETTLEMENT

A. Comprehensive Program for Residential Customers (Joint Petition ¶ 31)

The Commission's Phase III Implementation Order required that the EDCs' Phase III plans include at least one comprehensive program for the residential class and one comprehensive program for the non-residential class. Phase III Implementation Order at 61. PPL proposed to offer the Low-Income WRAP program as the residential comprehensive program that fulfills this directive. Plan at 34. For non-low-income residential customers, PPL proposed the Energy Efficient Home Program, which offers a "comprehensive mix of measures." See Plan at 34. The Energy Efficient Home Program, however, is not a comprehensive program as it is currently structured. See OCA St. No. 1 at 14; see also PPL Electric St. No. 1 at 14. OCA witness Ms. Sherwood testified that the Phase III Plan should include a comprehensive program that is available to all residential customers, not just low-income customers, and recommended that PPL modify its proposed Energy Efficient Home Program to include comprehensive home energy audits. Ms. Sherwood testified that the Energy Efficient Home Program would be a comprehensive program with this feature, and including home energy audits should result in greater energy savings. Id. at 16.

As part of the Settlement, PPL has agreed to include approximately 1,500 comprehensive home energy audits as part of its Energy Efficient Home program. Joint Petition ¶ 31. The inclusion of 1,500 home energy audits to the Energy Efficient Home program will benefit the Company and its customers, as the comprehensive home energy audits should encourage

customers to install more rebated measures and/or prioritize the measures installed, resulting in greater energy savings. OCA St No. 1 at 16.

B. Home Energy Reports (Joint Petition ¶ 32)

The OCA expressed concern about the messaging included in PPL’s proposed home energy reports, and specifically that this messaging may not be individualized or targeted enough to be useful to consumers. See OCA St. No. 1 at 12-13. Ms. Sherwood testified that overly generalized home energy reports for residential consumers could become repetitive and cause customers to lose interest. OCA St. 1 at 12. To address these concerns, Ms. Sherwood recommended that the Company allow customers to provide feedback, such as through a website, regarding the attributes of their specific home, energy efficiency measures they have already implemented or programs in which they are participating. Id. at 12-13. Providing this opportunity to residential customers would allow the Company to generate more targeted marketing and home energy tips than it may currently be providing in the home energy reports. Id.

The Settlement provides that “[a]t least once per program year, PPL Electric will review the general contents of the home energy reports with stakeholders. The Company agrees that it will listen to and consider comments from the stakeholders regarding the general content of these reports.” Settlement ¶ 32. These stakeholder meetings will provide interested parties, such as the OCA, the opportunity to review the home energy reports and provide feedback to help ensure that the reports are individualized and useful to consumers. This Settlement term provides a valuable process for ensuring that home energy reports are targeted and useful to individual customers. As such, the OCA submits that this Settlement term is in the public interest.

C. Multifamily Building Eligibility (Joint Petition ¶ 35, 36)

OCA witness Mr. Colton provided testimony as to the scope of multifamily housing measures included in the Plan. Mr. Colton expressed concern that the Company's Plan may only target a small subset of multifamily housing, mainly large multifamily complexes. See OCA St. 2 at 4-6. Mr. Colton testified that the Plan does not clearly identify what type of multifamily housing that it will target for each program, and recommended that PPL clarify this in the Plan. Mr. Colton explained that without this information it is difficult to assess whether PPL's Plan will reach the majority of multifamily housing buildings in PPL's service territory, which are smaller multifamily buildings. See OCA St. 2 at 4-5. Mr. Colton also recommended that if multifamily housing projects are being subsidized by state and/or federal housing programs, PPL should ensure any measures installed as part of a Phase III program exceed the energy efficiency standards required by the state and/or federal housing programs subsidizing the projects. Id. at 7-9.

The Settlement addresses both of the OCA's concerns. First, the Settlement provides that PPL will clarify in the Plan that "multifamily buildings' eligibility requirements are not affected by the number of living units in the buildings." Settlement ¶ 35. The Settlement addresses the OCA's concern regarding the possible limited scope of the multifamily housing buildings included in PPL's Plan because it confirms that participation in the energy efficiency programs is not effected by the size of the multifamily housing building. Settlement ¶ 35. Second, the Settlement provides that PPL will coordinate with the Pennsylvania Housing Finance Agency (PHFA) to align the "eligibility of measures in Act 129 low-income multifamily buildings with PHFA's Qualified Allocation Plan and Energy Rebate Analysis," and provides for stakeholder meetings to address energy efficiency measures related to the development of affordable

housing. Settlement ¶ 36. This settlement provision addresses the OCA's concern regarding how the Plan interacts with state and federal housing programs.

The coordination between PPL and PHFA should provide multifamily housing programs the ability to leverage other available programs to accomplish greater energy savings at the lowest cost. Additionally, the stakeholder meetings will allow interested parties, including the OCA, to work toward greater deployment of energy efficiency measures in multifamily housing. The OCA recognizes that the Company has a limited budget, and submits that these Settlement terms will allow the Company to target a larger set of multifamily housing for energy efficiency measures, and thus is in the public interest.

E. Coordination between Low-Income WRAP and LIURP (Joint Petition ¶ 39)

PPL's proposed Phase III Plan provides that it will leverage funds between the proposed Low-Income WRAP program and the Company's existing LIURP WRAP program, which is not an EE&C program. OCA St. No. 1 at 19. OCA witness Sherwood testified that the two programs are independent programs that offer many of the same measures, and agreed that PPL should leverage the funds of the programs in situations where customers' needs exceed the funding available under one of the programs. *Id.* Ms. Sherwood testified that leveraging the funds of the two programs will increase energy savings. *Id.* In order for PPL to install more costly measures that could not otherwise be installed, Ms. Sherwood recommended that PPL leverage the funds to pay for the more costly measure (i.e., pay for a measure using funds from both programs), and allocate the savings based on the amount paid by each program. *Id.* at 19-20. Under the Settlement, PPL agrees that if funding is leveraged between the two programs to pay for a single measure, the savings will be allocated based upon the percentage of total costs paid by each funding source. Joint Petition at ¶ 39. The Settlement notes that PPL must modify

its tracking system to accommodate joint funding of WRAP measures, and such modification is not expected to occur before 2017. The OCA submits that the leveraging of dollars between the two low-income programs is in the public interest, as it promotes greater energy savings without increased costs.

F. Residential Demand Response Program (Joint Petition ¶ 57)

PPL's proposed Phase III Plan did not include a residential demand response program. OCA witness Sherwood objected to PPL's proposal to not offer a demand response program to residential customers. OCA St. 1 at 20. Ms. Sherwood recommended that the Company implement a residential demand response program, and provided several demand response programs for the Company's consideration. *Id.* at 21-22.

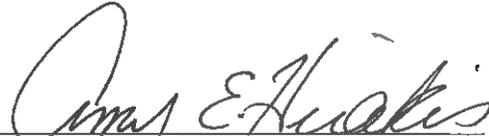
Under the Settlement, the Company agrees in program year (PY) 8 to evaluate a pilot demand response program for residential customers using smart thermostats, and to review the results of the evaluation with stakeholders in early PY 9. Joint Petition at ¶ 57. The Company further agrees to design and seek to implement the pilot residential demand response program if the evaluation recommends moving forward with the pilot. Joint Petition at ¶ 57. This provision provides a reasonable compromise to the OCA's recommendation to include a residential demand response program as part of the Phase III Plan. This compromise commits the Company to exploring a residential demand response program, and will result in the Company designing and implementing the pilot program if recommended by the evaluation. Further, this settlement provision will provide the OCA and other interested parties with information regarding the evaluation, and provides the parties with an opportunity to provide feedback on the potential pilot program. Overall, the OCA submits that this settlement term is in the public interest because it guarantees that PPL will evaluate a demand response program for residential

customers, and if recommended by the evaluation, will implement a smart thermostat pilot program for the residential class as part of the Phase III Plan.

III. CONCLUSION

The OCA submits that the terms and conditions of the proposed Settlement of this EE&C proceeding represent a fair and reasonable resolution of the issues and claims arising in this matter. If approved, the proposed Settlement will benefit the Commission and all Parties by foregoing the additional costs of litigation and will provide consumers with a reasonable EE&C Plan. For the foregoing reasons, the Office of Consumer Advocate submits that the proposed Settlement is in the public interest and in the interest of PPL's customers, and therefore should be approved.

Respectfully Submitted,



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February 16, 2016

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CERTIFICATE OF SERVICE

Petition of PPL Electric Utilities Corporation :
for Approval of its Act 129 Phase III : Docket No. M-2015-2515642
Energy Efficiency and Conservation Plan :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Statement in Support of the Joint Petition for Settlement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 16th day of February 2016.

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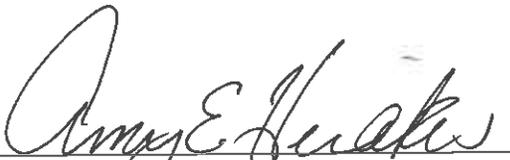
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