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File #: 163427

February 16, 2016

***VIA ELECTRONIC FILING***

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

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

Dear Secretary Chiavetta:

Enclosed for filing please find PPL Electric Utilities Corporation's Statement in Support of Joint Petition for Approval of Partial Settlement in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Devin Ryan', is written over a horizontal line.

Devin Ryan

DTR/jl  
Enclosures

cc: Honorable Susan D. Colwell  
Certificate of Service

## CERTIFICATE OF SERVICE

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

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Date: February 16, 2016



Devin T. Ryan

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**PPL ELECTRIC UTILITIES CORPORATION  
STATEMENT IN SUPPORT OF  
JOINT PETITION FOR APPROVAL OF  
PARTIAL SETTLEMENT**

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TO PENNSYLVANIA PUBLIC UTILITY COMMISSION:

**I. INTRODUCTION**

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Partial Settlement (“Settlement”) entered into by PPL Electric, the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), PP&L Industrial Customer Alliance (“PPLICA”), Commission for Economic Opportunity (“CEO”), Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”), Sustainable Energy Fund (“SEF”), Nest Labs, Inc. (“Nest”), and EnerNOC, Inc. (“EnerNOC”), all parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners”). The Settlement represents a full resolution of all issues and concerns raised in the instant proceeding, except for the Total Resource Cost (“TRC”) Test issues and proposals raised by PPLICA that remain subject to PPL Electric’s Motion to Strike.

The Joint Petitioners agree that PPL Electric's Phase III Energy Efficiency and Conservation Plan ("Phase III EE&C Plan" or "EE&C Plan") should be approved, subject to the terms and conditions of the Settlement.

The Settlement reflects a carefully balanced compromise of the interests of all of the Joint Petitioners. PPL Electric submits that the Settlement should be approved without modification because it is in the public interest, just and reasonable, and supported by substantial evidence. For the reasons explained below, PPL Electric respectfully requests that the Pennsylvania Public Utility Commission ("Commission") approve the Company's Phase III EE&C Plan subject to the terms and conditions of the Settlement.

## **II. COMMISSION POLICY FAVORS SETTLEMENT**

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense that parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Order Entered Dec. 5, 2013). In order to approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Order Entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Order Entered July 22, 1991). As explained in the next section of this Statement in Support, PPL Electric believes that the Settlement should be approved without

modification because it is in the public interest, just and reasonable, and supported by substantial evidence.

### **III. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

#### **A. GENERAL**

The Settlement reflects a carefully balanced compromise of the competing interests of all of the active parties in this proceeding. The Joint Petitioners agree that the Settlement is in the public interest. (Settlement ¶ 28) The fact that the Settlement is unopposed in this proceeding, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest, particularly given the diverse interests of these parties and the active roles they have taken in this proceeding.

Moreover, the Settlement was achieved only after a comprehensive investigation of PPL Electric's Phase III EE&C Plan. In addition to informal discovery, PPL Electric responded to approximately 93 formal discovery requests, many of which included several subparts. The active parties submitted multiple rounds of testimony, including the Company's direct testimony, other parties' direct testimony, and the Company's rebuttal testimony. Further, the parties participated in numerous settlement discussions and formal negotiations that ultimately led to the Settlement.

Finally, the parties in this proceeding, their counsel, and their expert consultants have considerable experience in EE&C Plan proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus in this proceeding on the settled issues.

For these reasons and the more specific reasons set forth below, the Settlement is just and reasonable and in the public interest. Therefore, PPL Electric's Phase III EE&C Plan should be approved subject to the terms and conditions of the Settlement.

## **B. RESIDENTIAL PROGRAMS**

PPL Electric's Phase III EE&C Plan contains five programs specific to the Residential sector: (1) Appliance Recycling; (2) Efficient Lighting; (3) Energy Efficient Home; (4) Student Energy Efficient Education; and (5) Home Energy Education. (PPL Electric Exh. 1, p. 1) These programs are a part of an EE&C Plan that is designed to exceed the estimated consumption target by approximately nine percent. (PPL Electric St. No. 1, pp. 12-13) No party disputed that the Company's Phase III EE&C Plan would achieve the overall consumption target. (PPL Electric St. No. 1-R, p. 2) Indeed, the OCA affirmatively stated that the Company's proposed EE&C Plan will meet or exceed the targets. (OCA St. No. 1, pp. 5-6) Nevertheless, some parties proposed modifications or requested clarifications regarding PPL Electric's EE&C Plan, including the residential programs.

First, OCA witness Sherwood questioned whether PPL Electric's Phase III EE&C Plan met the Commission's requirement that the Company offer a comprehensive program to residential customers. (OCA St. No. 1, p. 14) Specifically, Ms. Sherwood alleged that the EE&C Plan offered a comprehensive program to low-income customers (i.e., Low-Income Winter Relief Assistance Program ("Low-Income WRAP")) but not a comprehensive program to non-low-income residential customers. (OCA St. No. 1, p. 14) To correct this perceived omission, Ms. Sherwood suggested that PPL Electric add a comprehensive audit to the Energy Efficient Home Program without paying for the entire cost of the audit. (OCA St. No. 1, pp. 15-16) Second, OCA witness Sherwood encouraged the Company to provide more targeted marketing and energy tips by using customer feedback as part of PPL Electric's Home Energy Education Program. (OCA St. No. 1, pp. 12-13)

In rebuttal, PPL Electric witness Cleff explained that the EE&C Plan met the Commission's comprehensive program requirement because Low-Income WRAP and the

Energy Efficient Home Program were both comprehensive programs that would be offered to low-income and non-low-income customers, respectively. (PPL Electric St. No. 1-R, p. 6) Nevertheless, Mr. Cleff indicated that the Company would be willing to add approximately 1,500 comprehensive in-home diagnostic audits to the Energy Efficient Home Program for the entirety of Phase III, which is based on approximately the same number of actual audits performed per year in Phase II (i.e., about 300 audits per year). (PPL Electric St. No. 1-R, p. 7) Further, Mr. Cleff observed that the audits' rebate structure would likely be based on a portion of the audit cost, but the Company would explore other structures. (PPL Electric St. No. 1-R, pp. 7-8) Finally, Mr. Cleff clarified that the Company already plans to include more-targeted messaging to customers based on their feedback and level of savings. (PPL Electric St. No. 1-R, pp. 11-12)

Under the Settlement, the parties agreed that the Company will add approximately 1,500 comprehensive in-home audits to the Energy Efficient Home Program and design an appropriate rebate structure for the audits that will be described to stakeholders before implementation. (Settlement ¶ 30) Furthermore, the Company confirmed that it will provide more-targeted messaging to customers as part of its Home Energy Education Program. (Settlement ¶ 31) Additionally, at least once per program year, PPL Electric will review the general contents of the home energy reports with stakeholders and consider the stakeholders' comments on the reports' general contents. (Settlement ¶ 31) In sum, these settlement provisions recognize the importance of encouraging customers to take a more holistic approach to energy efficiency and providing a more customer-specific marketing strategy in Phase III. For these reasons, these settlement provisions are just and reasonable and should be adopted without modification.

### **C. MULTIFAMILY BUILDINGS**

Parties made several proposals regarding the Company's plans to offer EE&C programs to multifamily buildings. First, CAUSE-PA witness Miller suggested that PPL Electric use a

single Multifamily Conservation Service Provider (“CSP”) to provide programs to multifamily buildings. (CAUSE-PA St. No. 1, p. 24) Second, both OCA witness Colton and CAUSE-PA witness Miller identified a perceived lack of clarity concerning the eligibility requirements for multifamily buildings. (OCA St. No. 2, pp. 4-6; CAUSE-PA St. No. 1, pp. 23-24) Third, CAUSE-PA witness Miller challenged whether the Phase III EE&C Plan would produce energy and cost savings for affordable master-metered multifamily properties and whether the proposed incentive levels would be sufficient to move low-income multifamily projects forward. (CAUSE-PA St. No. 1, pp. 23-27) Fourth, OCA witness Colton proposed that if a new multifamily building receiving subsidies from a state or federal housing program also wants to participate in the New Homes component of the Energy Efficient Home Program, PPL Electric should ensure that the energy efficiency measures installed (and eligible for Act 129 incentives) are above and beyond those that would be pursued in the absence of the program (i.e. above and beyond the efficiency requirements of those subsidies). (OCA St. No. 2, pp. 7-9)

In rebuttal, the Company explained the costs and complications of having a single Multifamily CSP and noted that PPL Electric would have a single point of contact for customer intake and routing of multifamily building owners and operators to reduce confusion. (PPL Electric St. No. 1-R, pp. 39-40) Further, PPL Electric clarified that all types of multifamily buildings are eligible regardless of the number of living units or metering (i.e., individually metered or master metered). (PPL Electric St. No. 1-R, p. 40) The Company also committed to revising its EE&C plan to clarify subsidized multifamily buildings’ eligibility. (PPL Electric St. No. 1-R, p. 41) Moreover, PPL Electric disagreed with CAUSE-PA witness Miller about the EE&C Plan’s incentive levels and ability to obtain savings from multifamily buildings, noting:

(1) the lack of analysis performed by Mr. Miller; (2) the cost impact of higher incentives; and (3) the range of program options for multifamily buildings. (PPL Electric St. No. 1-R, pp. 42-44)

The Settlement responds to several of the parties' proposals that address EE&C programs for multifamily buildings and their residents. PPL Electric will establish a single point of contact for intake and routing coordination of multifamily building owners/operators and will clarify the program eligibility requirements of multifamily buildings and residents living in such buildings. (Settlement ¶¶ 32, 34) PPL Electric also has committed to taking additional steps to help improve multifamily buildings' participation in EE&C programs. Specifically, the Company shall: (1) encourage its program implementation CSPs to provide outreach that encourages multifamily buildings to implement energy efficiency measures; and (2) convene a stakeholder meeting with interested multifamily housing owners, developers, and other interested stakeholders to solicit feedback about the Company's multifamily offerings and to identify potential changes to the Company's programs related to multifamily housing. (Settlement ¶¶ 33, 36) Furthermore, the Settlement responds to the OCA's concerns about subsidized multifamily buildings. To the extent practical, the Company 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. (Settlement ¶ 35) The Company also will work with interested stakeholders in an effort to ensure that the funds provided through the Company's EE&C Plan are not substituted for funds otherwise provided through other assistance programs. (Settlement ¶ 35) As a result, these settlement provisions are just and reasonable and should be adopted without modification.

#### **D. LOW-INCOME PROGRAMS**

Several parties focused their testimony on the Company's proposed Low-Income Winter Assistance Relief Program ("WRAP"), which is designed to offer a broad selection of energy-

saving improvements and education to low-income customers. (See PPL Electric Exhibit 1, Section 3.2.1) First, OCA witness Sherwood recommended that if a WRAP measure were funded by Low-Income WRAP and the Low-Income Usage Reduction Program (“LIURP”) WRAP, the costs and savings should be allocated between those two programs based upon the total costs paid by each funding source. (OCA St. No. 1, pp. 19-20) Second, CAUSE-PA witness Miller raised a concern about a perceived lack of detail regarding coordination between Low-Income WRAP and LIURP WRAP and other low-income programs. (CAUSE-PA St. No. 1, pp. 19-20, 24) He also suggested that the Company coordinate with natural gas distribution companies (“NGDCs”) in PPL Electric’s service territory. (CAUSE-PA St. No. 1, pp. 27-28) Third, Mr. Miller cited an increase in baseload jobs in Phase II and averred that Low-Income WRAP was too focused on providing baseload jobs to households rather than achieving more savings by providing low cost and full cost jobs. (CAUSE-PA St. No. 1, pp. 16-21) Fourth, Mr. Miller questioned whether the Company’s Low-Income WRAP contained an appropriate mix of measures for low-income residents, including those residing in master-metered multifamily buildings and in manufactured homes. (CAUSE-PA St. No. 1, pp. 17, 21-23, 25-27) Fifth, Nest witness Counihan suggested that the Company install smart thermostats as part of Low-Income WRAP. (Nest St. No. 1, pp. 13-14) Sixth, CEO witness Brady argued that PPL Electric should use the same agencies and community based organizations (“CBOs”) to deliver Phase III Low-Income WRAP as those used in Phase II. (CEO St. No. 1, pp. 7, 11)

In rebuttal, PPL Electric addressed each of these concerns and recommendations. The Company first agreed to the OCA’s proposal for allocating costs and savings for jointly funded measures between LIURP WRAP and Low-Income WRAP even though PPL Electric does not expect measures to be jointly funded. (PPL Electric St. No. 1-R, pp. 19-20) As for coordination,

PPL Electric explained that it expects to coordinate Low-Income WRAP with LIURP WRAP and other low-income programs in essentially the same manner as in Phases I and II. (PPL Electric St. No. 1-R, p. 20) The Company further stated that it would ensure that its Low-Income CSP would meet with NGDCs to identify and evaluate opportunities for coordination of energy efficiency programs in Phase III; however, PPL Electric noted that these opportunities were limited in Phases I and II for several reasons. (PPL Electric St. No. 1-R, p. 20)

Moreover, PPL Electric addressed CAUSE-PA's concern about the Company focusing on baseload jobs. PPL Electric explained that it does not prioritize or focus on baseload jobs over low cost or full cost jobs. (PPL Electric St. No. 1-R, pp. 21-23) Indeed, the perceived increase in Phase II baseload jobs cited by Mr. Miller was predominantly caused by three factors: (1) the lack of landlord approval for low cost or full cost jobs; (2) the lack of electric heat in the homes, making customers ineligible for full cost jobs (such as those referred from PPL Electric's Customer Assistance Program – OnTrack); and (3) previous weatherization or deferral due to health and safety concerns. (PPL Electric St. No. 1-R, pp. 22-23)

In addition, PPL Electric supported and expanded its proposed measures for Low-Income WRAP. First, the Company disputed CAUSE-PA's assertion that lighting and water measures have reached their saturation levels, citing the SWE's findings that potential savings from these types of measures exist in PPL Electric's service territory. (PPL Electric St. No. 1-R, p. 25) Second, PPL Electric clarified that individually metered manufactured homes will be eligible for the same measures as any other type of individually metered home receiving services from Low-Income WRAP, including direct install measures. (PPL Electric St. No. 1-R, pp. 25-26) Third, in addition to providing direct-install LED light bulbs in the tenant units of master-metered multifamily buildings under Low-Income WRAP, the Company stated it would be willing to

provide other eligible measures to low-income residents in master-metered multifamily buildings, provided that: (1) the customer has landlord/owner approval; (2) there are available program funds; and (3) providing those measures would be within the overall program acquisition cost for Low-Income WRAP. (PPL Electric St. No. 1-R, pp. 41-42) Fourth, the Company agreed with Nest's proposal to include smart thermostats as part of Low-Income WRAP. (PPL Electric St. No. 1-R, p. 27)

Finally, concerning CEO's proposal for PPL Electric to use the same agencies and CBOs from Phase II to deliver Phase III Low-Income WRAP, the Company explained that it would be contracting with a CSP to administer the Phase III Low-Income programs, including Low-Income WRAP. (PPL Electric St. No. 1-R, p. 28) The Low-Income CSP would be ultimately responsible for delivering the program and hiring subcontractors to install the measures. (PPL Electric St. No. 1-R, p. 28) Although some or all of the subcontractors awarded contracts by the Low-Income CSP may or may not be the same companies or CBOs used in Phase II, the Company expressed its belief that the existing companies and CBOs would be useful for Phase III based on their understanding of PPL Electric's low-income programs, their experience in PPL Electric's service territory, and their quality work in Phase II. (PPL Electric St. No. 1-R, p. 28)

Under the Settlement, the parties have addressed several of these concerns and recommendations pertaining to Low-Income WRAP. The Company has committed to leveraging funding from LIURP WRAP and Low-Income WRAP in the same way as it did in Phase II. (Settlement ¶ 37) Furthermore, the Settlement memorializes PPL Electric's agreement to allocate costs and savings for jointly funded measures using the method proposed by OCA. (Settlement ¶ 38) The Company also will ensure that the process and level of coordination between LIURP and Low-Income WRAP in Phase III will be substantially the same as in Phases

I and II, with the exception that the entity responsible for delivering the Phase III Low-Income WRAP may be different than in the prior Phases. (Settlement ¶ 39) Regarding coordination with NGDCs, PPL Electric will ensure that its Low-Income CSP meets with NGDCs to identify and evaluate opportunities for coordination of low-income energy efficiency programs in Phase III. (Settlement ¶ 41)

To address CAUSE-PA's concerns about the number of Low-Income WRAP baseload jobs, PPL Electric has detailed the conditions for a low-income home to receive full cost measures. (Settlement ¶ 42) Relatedly, since many of the customers referred to Low-Income WRAP were enrolled in OnTrack and did not qualify for full cost measures (i.e., approximately 75% of OnTrack customers do not have electric heat), the Company will work with its Low-Income CSP to develop targeted marketing and outreach to low-income customers that are not enrolled in OnTrack. (Settlement ¶ 40) PPL Electric also will clarify the eligibility requirements for individually metered low-income multifamily residences and manufactured homes. (Settlement ¶¶ 43-44)

Further, in response to CAUSE-PA's concerns about Low-Income WRAP's mix of measures, the Company will provide (in addition to LEDs) other eligible measures to tenant units of low-income residents in master-metered multifamily buildings subject to certain conditions, including a limit on cumulative spending of \$2.5 million in direct costs during Phase III for those measures. (Settlement ¶ 45) Also under Low-Income WRAP, the Company will offer smart thermostats to low-income customers that have central electric heat, subject to other conditions. (Settlement ¶ 47)

Lastly, PPL Electric has confirmed that CEO will receive any requests for proposal from the Low-Income CSP for Phase III Low-Income WRAP services. (Settlement ¶ 46) The request

for proposal will provide bidders with the flexibility to choose the geographic territory they want to serve, including the territory they have historically served. (Settlement ¶ 46) Moreover, the Settlement memorializes the Company's belief that a bidder's experience in providing, among other things, LIURP WRAP and Low-Income WRAP services should be considered in the bidding process. (Settlement ¶ 46)

Based on the foregoing, the settlement provisions related to Low-Income WRAP are just and reasonable and should be adopted without modification.

#### **E. CUSTOM PROGRAM**

PPLICA made certain proposals regarding the Company's Custom Program. Among those proposals were PPLICA's suggestions to remove the "average" modifier from its proposed incentive ranges and preserve as much consistency as it can for customer rebates and per-site caps. (PPLICA St. No. 1, pp. 13-14)

The Company responded that it would remove the "average" modifier for the sake of clarity. (PPL Electric St. No. 1-R, p. 30) Moreover, PPL Electric explained that it would strive to keep the incentives and per-site caps as consistent as practical throughout Phase III; however, the Company may adjust the incentives and per-site caps within the stated ranges if necessary to control the pace of its programs within the approved budgets (savings and costs). (PPL Electric St. No. 1-R, p. 30)

The Settlement memorializes that the Company will remove the "average" modifier and will strive to keep the Custom Program's incentives and per-site caps as consistent as possible while recognizing the need to adjust incentives and caps to control the pace of the Company's programs within their savings and cost budgets. (Settlement ¶¶ 48-49) For these reasons, these provisions of the Settlement are just and reasonable and should be adopted without modification.

## **F. DEMAND RESPONSE PROGRAM**

PPLICA also raised issues concerning PPL Electric's Demand Response Program. Regarding dual participation by customers in Act 129 Demand Response and PJM Interconnection LLC ("PJM") Demand Response programs, PPLICA witness Messer observed that PJM rules require a customer to have only one PJM Curtailment Service Provider manage economic demand response incidents on behalf of the customer. (PPLICA St. No. 1, p. 17) Mr. Messer also averred that the Company's Demand Response Program should be open to customers using a PJM Curtailment Service Provider that is different from PPL Electric's Act 129 Demand Response CSP. (PPLICA St. No. 1, pp. 16-17) Additionally, Mr. Messer argued that PPL Electric should provide more granular cost-reporting so that the Commission and stakeholders can evaluate the Company's compliance with the "50% rule for dual participation" and to determine the portion of costs that are for customer incentives and the portion for administration. (PPLICA St. No. 1, pp. 16-17)

In his rebuttal testimony, PPL Electric witness Cleff responded to PPLICA's concerns. First, to the extent the Demand Response CSP interfaces with PJM, the Company would require its Demand Response CSP to comply with all PJM rules, including the "One CSP" rule cited by PPLICA. (PPL Electric St. No. 1-R, p. 31) Second, Mr. Cleff confirmed that the Phase III Demand Response Program is open to customers who use any PJM Curtailment Service Provider or who operate as their own PJM Curtailment Service Provider. (PPL Electric St. No. 1-R, p. 31) Third, Mr. Cleff stated that PPL Electric would comply with the Commission's "50% rule for dual participation," require the Demand Response CSP to track the actual costs to acquire dual enrolled customers, and provide documentation to the Commission (or Statewide Evaluator, if directed by the Commission) to confirm compliance. (PPL Electric St. No. 1-R, p. 32) Beyond that, however, PPL Electric did not believe it would be appropriate to provide customer-specific

information, such as peak reductions, costs, or incentives, to the public. (PPL Electric St. No. 1-R, p. 32)

The Settlement reflects a balanced compromise of the parties' positions regarding the Demand Response Program. The Company shall require its Demand Response CSP to comply with all applicable PJM tariff rules, to the extent the CSP interacts with PJM as part of its Act 129 demand response responsibilities. (Settlement ¶ 50) Further, PPL Electric acknowledges that if the Act 129 Demand Response CSP and the PJM Curtailment Service Providers are different entities, dual enrolled customers may require coordination between those entities. (Settlement ¶ 50) The Company also confirms that it will comply with the Commission's 50% cost to acquire rule for dual enrolled customers. (Settlement ¶ 51) Lastly, to the extent possible and if in the Company's reasonable judgment the following information would not identify individual customers, PPL Electric will provide information in its Final Phase III Annual Report on the number of dual enrolled customers and the number of customers only enrolled in Act 129 Demand Response, as well as the amount of incentives paid to dual enrolled customers and to customers only enrolled in Act 129 Demand Response. (Settlement ¶ 51) This provision responds to PPLICA's request for more granular cost-reporting to ensure compliance with the Commission's "50% rule for dual participation." For these reasons, the settlement provisions are just and reasonable and should be adopted without modification.

#### **G. TOTAL RESOURCE COST TEST**

In its direct testimony, PPLICA raised issues and proposals relating to the Total Resource Cost ("TRC") Test. First, PPLICA challenged the use of forecasted avoided energy costs in the TRC calculations and proposed that the Commission require PPL Electric to true-up its calculations using actual avoided energy costs. (PPLICA St. No. 1, pp. 5-8) Second, PPLICA argued that PPL Electric must monitor and report the actual benefits of its measures using the

trued-up TRC values. (PPLICA St. No. 1, p. 8) Third, PPLICA proposed that as part of the annual reconciliation process, the Commission should terminate programs for which Large Commercial and Industrial (“Large C&I”) customers are eligible with a TRC value below 1.0 over a 12-month period using “actual market prices, not projections.” (PPLICA St. No. 1, p. 11; Attachment K to PPL Electric St. No. 1-R)

PPL Electric filed a Motion to Strike these portions of PPLICA witness Messer’s direct testimony on January 26, 2016, arguing, among other things, that these issues were outside the scope of this proceeding and would violate other EDCs’ due process rights. The Company also responded to these issues and proposals in its rebuttal testimony and explained why PPLICA’s proposals should be rejected on the merits.<sup>1</sup> (PPL Electric St. No. 1-R, pp. 47-48; PPL Electric St. No. 2-R, pp. 3-8)

The Settlement reserves PPLICA’s TRC Test issues and proposals and the Company’s Motion to Strike for briefing, as agreed upon by the parties at the evidentiary hearing. (Settlement ¶ 52) This provision enables PPL Electric and PPLICA to brief the TRC issues and proposals while still achieving a settlement of all other issues. Therefore, the Settlement promotes judicial economy and the conservation of administrative and legal resources.

Moreover, in discovery, PPL Electric found that it needed to correct certain assumptions in its TRC calculations for the GNE Efficient Equipment, GNE Custom, Large C&I Custom, and Small C&I Custom Programs. Consequently, the Settlement provides that as part of its compliance filing, the Company will correct any tables, numbers, or statements in the Phase III EE&C Plan affected by correcting those assumptions. (Settlement ¶ 53) This provision ensures

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<sup>1</sup> PPL Electric provides more detail on its positions concerning PPLICA’s TRC Test issues and proposals in its Main Brief filed February 16, 2016, in this proceeding.

that the Phase III EE&C Plan will reflect the Company's current data and estimates. Thus, these settlement provisions are just and reasonable and should be adopted without modification.

#### **H. SMART AND PROGRAMMABLE THERMOSTATS**

Both Nest and OCA raised concerns and made proposals regarding smart thermostats. First, Nest proposed that the Company adopt a flat \$100 rebate for smart thermostats under its Energy Efficient Home Program for the first three years of Phase III and then evaluate whether the amount of the incentive needs to be adjusted. (Nest St. No. 1, pp. 12-13) Second, Nest suggested that smart thermostats be an eligible measure under the New Homes Component of the Energy Efficient Home Program. (Nest St. No. 1, p. 13) Third, OCA challenged the Company's decision not to offer a residential demand response program and suggested three residential demand response pilot programs that PPL Electric could add to its Phase III EE&C Plan. (OCA St. No. 1, pp. 20-22) One of the three pilot program options was a bring-your-own-device ("BYOD") program with smart thermostats rebated through the Energy Efficient Home Program. (OCA St. No. 1, p. 21) Similarly, Nest proposed a residential demand response pilot program using new and existing smart thermostats. (Nest St. No. 1, pp. 16-17)

In rebuttal, PPL Electric observed that Nest's proposed \$100 rebate for smart thermostats already fell within the proposed incentive range of \$50 to \$250 and, therefore, was unnecessary. (PPL Electric St. No. 1-R, p. 8) Moreover, the Company explained that it uses incentive ranges to control the pace of its EE&C programs if market conditions and consumer preferences change. (PPL Electric St. No. 1-R, p. 8) Further, PPL Electric stated that smart thermostats already are an eligible measure under the New Homes Component of the Energy Efficient Home Program. (PPL Electric St. No. 1-R, p. 9) Therefore, Nest's proposal to add them as an eligible measure was unnecessary. (PPL Electric St. No. 1-R, p. 9)

In addition, the Company thoroughly detailed the reasons why it chose not to include a residential demand response program in its Phase III EE&C Plan. (PPL Electric St. No. 1-R, pp. 13-16) PPL Electric's primary concerns were the difficulty in recruiting program participants and the program's cost compared to other demand response programs. (PPL Electric St. No. 1-R, pp. 13-16) As PPL Electric witness Cleff explained, implementing a residential direct load control program for new participants similar in scale to the Phase I program would cost approximately \$12 million and would only produce 28 MW of peak load reductions. (PPL Electric St. No. 1-R, pp. 15-16) In contrast, the Load Curtailment Program is estimated to cost \$15 million and produce 115 MW of peak load reductions. (PPL Electric St. No. 1-R, p. 16) Considering this additional estimated \$12 million in funding would have to be offset elsewhere in the portfolio (i.e., reduce the funding for other programs), the Company concluded it was in its best interest and the best interest of its ratepayers for the Load Curtailment Program to be the sole demand response program option. (PPL Electric St. No. 1-R, p. 16)

As for the proposed residential demand response pilot programs proposed by Nest and OCA, the Company estimated that funding such a pilot using all of the \$3 million set aside for residential pilot programs would produce 7 MW of peak load reductions. (PPL Electric St. No. 1-R, p. 17) Therefore, the pilot program's acquisition cost (i.e., \$107,000 per MW-year) would be three times greater than the Load Curtailment Program's acquisition cost (i.e., \$33,260 per MW-year). (PPL Electric St. No. 1-R, p. 17)

The Settlement represents a balanced compromise between the parties on smart and programmable thermostats. It recognizes the opportunities presented by these thermostats while balancing the need for further evaluation of such technology. Under the Settlement, the Company confirms that it will offer a rebate for smart thermostats in the range of \$50 to \$250

under the Energy Efficient Home Program. (Settlement ¶ 54) PPL Electric also confirms that smart thermostats are an eligible measure under the New Homes Component of the Energy Efficient Home Program. (Settlement ¶ 55) In addition, the Settlement outlines a process by which PPL Electric and its Residential CSP or other contractors will evaluate a pilot residential demand response program using smart thermostats. (Settlement ¶ 56) The Company will present the findings of that evaluation to stakeholders, and if the evaluation recommends the pilot program, the Company will take steps to implement the pilot program. (Settlement ¶ 56) Finally, the Settlement provides that PPL Electric will add a pilot program, under which the Company will provide programmable thermostats designed to control baseboard electric heaters of residential or low-income customers. (Settlement ¶ 57) This is a small pilot program that is designed to obtain 20 participants and is distinct from the smart thermostat pilot described previously. (Settlement ¶ 57) The results of this pilot program will be shared with stakeholders. (Settlement ¶ 57) Thus, these settlement provisions are just and reasonable and should be approved without modification.

#### **I. ENERGY INTELLIGENCE SOFTWARE**

EnerNOC proposed that the Company incorporate Energy Intelligence Software (“EIS”) into its Phase III EE&C Plan. (EnerNOC St. No. 1, p. 3) In support, EnerNOC alleged that EIS can help increase the savings achieved from Small Commercial and Industrial (“Small C&I”) customers. (EnerNOC St. No. 1, pp. 6-10)

PPL Electric disagreed with implementing EIS at this time, noting that EnerNOC witness Cavan believed that cost-effectiveness should be calculated after the Company indicates it will incorporate EIS and at what scale. (PPL Electric St. No. 1-R, p. 38) The Company argued that it would not be prudent to incorporate EIS into its Phase III EE&C Plan without undertaking the critical analysis of whether it would be cost-effective and have benefits to the portfolio. (PPL

Electric St. No. 1-R, p. 38) Further, the Company noted that it is confident in its ability to meet the savings targets without EIS. (PPL Electric St. No. 1-R, p. 38) However, if PPL Electric is not achieving its desired objectives, it will evaluate changes to its programs, which may include incorporating EIS. (PPL Electric St. No. 1-R, p. 38)

The Settlement outlines a process under which PPL Electric will gather information on EIS or similar products and evaluate a potential EIS pilot program for Small C&I customers. (Settlement ¶ 54) If the evaluation recommends an EIS pilot program, PPL Electric will include the pilot program in a petition to modify the EE&C Plan, with the pilot program commencing no later than Program Year 10. (Settlement ¶ 54) This process ensures that before implementing EIS or similar products, PPL Electric will have the opportunity to gain more information and determine whether such products will be cost-effective and produce benefits for the portfolio. As a result, these provisions of the Settlement are just and reasonable and should be adopted without modification.

#### IV. CONCLUSION

The Settlement is the result of a detailed examination of PPL Electric's Phase III EE&C Plan, substantial discovery requests, multiple rounds of testimony, numerous settlement discussions, and compromise by all active parties. PPL Electric believes that fair and reasonable compromises have been achieved on the settled issues in this case, particularly given the fact that the active parties have such diverse and competing interests in this proceeding and have reached an agreement on all issues, with the exception of PPLICA's TRC Test issues and proposals that remain subject to PPL Electric's Motion to Strike. PPL Electric fully supports this Settlement and respectfully requests that the Pennsylvania Public Utility Commission:

- (i) Approve Joint Petition for Partial Settlement without modification; and
- (ii) Approve PPL Electric's Phase III EE&C Plan subject to the terms and conditions of the Joint Petition for Partial Settlement.

Respectfully submitted,



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Date: February 16, 2016

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