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File #: 163427

February 18, 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 please find the Reply Comments of PPL Electric Utilities Corporation to be filed in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,



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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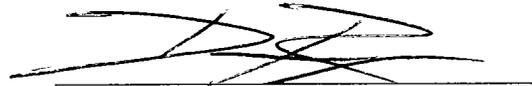
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Joint Commentators

Date: February 18, 2016

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

Devin T. Ryan

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**REPLY COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”), by and through its attorneys, in accordance with Administrative Law Judge Susan D. Colwell’s Scheduling Order dated January 7, 2016, hereby submits these Reply Comments in response to the Comments filed by various parties on January 4, 2016, in the above-captioned proceeding.

I. BACKGROUND

On November 30, 2015, PPL Electric filed the above-captioned Petition with the Commission. This filing was made pursuant to Act 129 of 2008 (“Act 129”), P.L. 1592, 66 Pa. C.S. §§ 2806.1 and 2806.2, the Commission’s Implementation Order entered on June 19, 2015,¹ and the Commission’s Clarification Order entered on August 20, 2015.² In its Petition, PPL

¹ *Energy Efficiency and Conservation Program*, Docket No. M-2014-2424864 (Implementation Order Entered June 19, 2015) (“*Implementation Order*”).

² *Energy Efficiency and Conservation Program*, Docket No. M-2014-2424864 (Clarification Order Entered Aug. 20, 2015) (“*Clarification Order*”).

Electric requested Commission approval of PPL Electric's Phase III Energy Efficiency and Conservation Plan ("Phase III EE&C Plan" or "EE&C Plan").

On January 4, 2016, the following entities filed Comments on PPL Electric's Phase III EE&C Plan: (1) the Office of Consumer Advocate ("OCA"); (2) Energy Efficiency for All ("EEFA"); (3) the PP&L Industrial Customer Alliance ("PPLICA"); (4) the Sustainable Energy Fund ("SEF"); (5) Comverge, Inc. ("Comverge"); (6) the Retail Energy Supply Association ("RESA"); (7) EnergyHub; (8) Citizens for Pennsylvania's Future, the Natural Resources Defense Council, the Keystone Energy Efficiency Alliance, the Sierra Club, the Environmental Defense Fund, and Clean Air Council (collectively, "Joint Commentators"); and (9) Nest Labs, Inc. ("Nest").³

Several of these entities intervened in the above-captioned proceeding and submitted direct testimony outlining their positions on the Phase III EE&C Plan, specifically: (1) OCA; (2) PPLICA; (3) SEF; and (4) Nest. RESA intervened in this proceeding but did not submit direct testimony. EEFA, Comverge, and the Joint Commentators did not intervene in this proceeding.

The Company observes that after holding several settlement discussions with the intervenors in this proceeding, the parties were able to achieve a resolution of all issues, except for PPLICA's TRC Test issues and proposals that were deferred for briefing.⁴ On February 16, 2016, the parties filed a Joint Petition for Approval of Partial Settlement ("Settlement") that sets forth the terms of this agreement and details the reasons why it should be approved. Under the

³ This procedural history focuses on the Comments received in this proceeding. A more detailed procedural history can be found in PPL Electric's Joint Petition for Partial Settlement filed on February 16, 2016, in the above-captioned proceeding.

⁴ On February 16, 2016, PPL Electric filed its Main Brief concerning PPLICA's TRC Test issues and proposals.

Settlement, the parties have submitted that PPL Electric's Phase III EE&C Plan be approved by the Commission subject to the terms and conditions of the Settlement.

PPL Electric notes that multiple intervenors who joined the Settlement had filed Comments raising issues that overlapped with their direct testimony. Those overlapping issues were resolved by the Settlement and should only be considered by the Commission in evaluating whether the Settlement is in the public interest. Notwithstanding, PPL Electric herein replies to some of the intervenors' Comments.⁵

II. REPLY COMMENTS OF PPL ELECTRIC

The Comments filed in this proceeding covered numerous aspects of the Company's Phase III EE&C Plan, several of which overlapped. Therefore, PPL Electric has organized these Reply Comments into the following sections: (A) Residential Programs; (B) Nonresidential Programs; (C) Demand Response Program; (D) Multifamily Programs; and (E) Miscellaneous.

Prior to addressing these Comments, PPL Electric wants to emphasize that its Phase III EE&C Plan satisfies all of the requirements of Act 129, the *Implementation Order*, and the *Clarification Order*. Further, the Company developed its EE&C Plan after conducting extensive research and soliciting input from its stakeholders about the types of programs that customers want and the types of energy efficiency and demand response programs that have been successful in the past. Based on this research and stakeholder input, PPL Electric developed an

⁵ OCA submitted Comments on the Phase III EE&C Plan. However, in those Comments, OCA only identified aspects of the EE&C Plan that it would be investigating. Rather, OCA raised specific issues and proposals in its direct testimony. (*See* OCA St. Nos. 1 and 2) The Company responded to OCA's issues and proposals in its rebuttal testimony (*see* PPL Electric St. No. 1-R), and the Settlement reflects a full resolution of OCA's issues. For these reasons, PPL Electric believes it is unnecessary to respond to OCA's Comments, which merely identified aspects of the Phase III EE&C Plan that the OCA would be investigating.

integrated EE&C Plan that offers a variety of programs and measures. The Plan was carefully crafted and balanced to achieve the targets set forth by the Commission in its *Implementation Order* within PPL Electric's budget.

In addition, a stakeholder may prefer different combinations of measures, programs, incentive levels, savings and costs budgets, participation levels, and other assumptions for the Phase III EE&C Plan. However, PPL Electric ultimately has the responsibility to comply with Act 129 and the Commission's Orders. If the Company fails in that endeavor, PPL Electric will be the one potentially facing substantial penalties, not the stakeholders. Therefore, as a matter of fundamental fairness, PPL Electric should be permitted substantial flexibility and discretion in developing and implementing its Plan. Moreover, if PPL Electric or its stakeholders determine over time that this initial Phase III EE&C Plan requires certain changes or fine-tuning, the Commission has established processes to revise the EE&C Plan.

A. RESIDENTIAL PROGRAMS

The Joint Commentators made several comments about the Company's Phase III residential programs. First, they recommended that PPL Electric revise its Energy Efficient Home Program to include an in-home audit, not only an online audit as originally proposed. (Joint Commentators Comments, pp. 5-10) Second, the Joint Commentators suggested that dehumidifier rebates should be removed because the market for dehumidifiers has already been transformed. (Joint Commentators Comments, p. 11) Third, they expressed concerns about the Company removing "low propensity participants," that is customers "who do not engage in any energy savings actions," from the Home Energy Education Program. (Joint Commentators Comments, p. 11) As a result, the Joint Commentators suggested instead that PPL Electric

should provide those customers with incentives to participate. (Joint Commentators Comments, pp. 11-12)

In response, PPL Electric first notes that under the Settlement, the Company has committed to adding 1,500 comprehensive in-home audits to its Energy Efficient Home Program and to developing an appropriate rebate structure for the audits. (See Settlement ¶ 31) Therefore, the Company has addressed the Joint Commentators' recommendation that in-home audits be added to the Energy Efficient Home Program.

Furthermore, regarding the Joint Commentators' concern about dehumidifier rebates, PPL Electric believes the Joint Commentators misunderstood when rebates for dehumidifiers may be provided to customers under the Phase III EE&C Plan. The Phase III EE&C Plan does not include rebates for new dehumidifiers purchased by the customer. Rather, the only possible incentives for dehumidifiers in the EE&C Plan are for the pick-up and recycling of old dehumidifiers as part of the Appliance Recycling Program. Indeed, as currently constructed, the Appliance Recycling Program "offers free pick-up and recycling of refrigerators, freezers, room air conditioners, and possibly consumer electronics (without savings or incentive) and dehumidifiers." (Phase III EE&C Plan, p. 36) (emphasis added).

In addition, the Company disagrees with the Joint Commentators' suggestion to offer incentives to "low propensity participants" rather than removing them from the Home Energy Education Program. PPL Electric emphasizes that the program is designed to evaluate the savings that can be achieved by customers receiving periodic Home Energy Reports ("HERs") that contain information about the customers' usage and that offer energy savings tips. The program is not designed to evaluate customer savings resulting from the payment of customer incentives. Indeed, no funds in its program budget are allotted for customer incentives. (See

Phase III EE&C Plan, p. 61) The Joint Commentators simply make this recommendation without performing any analysis on what other changes would need to be made, the impact on programs' and the portfolio's cost-effectiveness, the impact on savings, and the impact on costs (i.e., what other programs or measures would have to be cut to fund these incentives and by how much). Moreover, any customers removed from the program always have the option to opt back into the program. (See Phase III EE&C Plan, p. 58) However, the Company does not believe it should continue spending program funds to generate and send HERs to these customers when they do not take advantage of them. For these reasons, the Joint Commentators' recommendation for the payment of incentives to "low propensity participants" should be rejected.

Nest and EnergyHub also submitted comments concerning PPL Electric's residential programs. Nest stated that PPL Electric should: (1) provide a rebate of \$100 for smart thermostats under its Energy Efficient Home Program; (2) include smart thermostats as an eligible measure under the New Homes Component of the Energy Efficient Home Program; (3) incorporate smart thermostats as a direct install measure in the Low-Income Winter Relief Assistance Program ("Low-Income WRAP"); and (4) operate a pilot program to evaluate the outreach strategies for deploying smart thermostats to low-income customers. (Nest Comments, pp. 9-10, 13) EnergyHub also advocates for the use of smart thermostats in energy efficiency programs. (EnergyHub Comments, pp. 10-11)

Nest's recommendations were raised in its direct testimony, addressed in the Company's rebuttal testimony, and resolved by the Settlement. (See Nest St. No. 1, pp. 5-6, 12-14, 16-18; PPL Electric St. No. 1-R, pp. 8, 27) Additionally, as the Company explained in its rebuttal testimony, the Phase III EE&C Plan provides an incentive range of \$50 to \$250 for smart

thermostat rebates under the Energy Efficient Equipment Program. (PPL Electric St. No. 1-R, p. 8; Phase III EE&C Plan, p. 49) Consequently, Nest's recommendation for a \$100 rebate already is encompassed within that range. (PPL Electric St. No. 1-R, p. 8) Further, the Settlement memorializes the Company's plan to offer a rebate for smart thermostats within the range of \$50 to \$250. (See Settlement ¶ 55) Moreover, PPL Electric confirmed that smart thermostats are an eligible measure under the New Homes Component of the Energy Efficient Home Program, as advocated by Nest. (See Settlement ¶ 55) Also, under the Settlement, the Company has agreed to offer smart thermostats to low-income customers under its Low-Income WRAP. (See Settlement ¶ 48) Finally, PPL Electric does not believe it is necessary to conduct a pilot program to evaluate outreach strategies for deploying smart thermostats to low-income customers at this time. Under the Settlement, to which Nest agreed, the Company has committed to evaluating and potentially implementing other pilot programs in Phase III, and low-income customers will be receiving smart thermostats through Low-Income WRAP at no cost to those customers. (See Settlement ¶¶ 48, 57-59)

B. NONRESIDENTIAL PROGRAMS

1. Custom Program's Incentive Ranges

Both SEF and PPLICA have made comments concerning the incentive ranges for the Custom Program. SEF advocated for an incentive range of \$0.07 to \$0.17 per kWh saved for the Custom Program instead of \$0.02 to \$0.14 per kWh saved as stated in the EE&C Plan. (SEF Comments, p. 3) PPLICA commented that PPL Electric must clarify how it will utilize incentive ranges and caps for individual projects. (PPLICA Comments, pp. 13-14) Furthermore, PPLICA stated that the Company should clarify whether the "average" modifier used in the description of

the incentive ranges would permit rebates outside of an incentive range so long as the average rebate remains within that range. (PPLICA Comments, p. 13)

All of these issues were raised in SEF's and PPLICA's direct testimony, addressed in the Company's rebuttal testimony, and resolved by the Settlement. (See SEF St. No. 1, p. 4; PPLICA St. No. 1, pp. 13-14; PPL Electric St. No. 1-R, pp. 29-30, 36-38) By way of further response, PPL Electric explained in its rebuttal testimony that SEF has provided no analysis supporting its recommended range of incentives, nor has it detailed its recommendation's impact on programs' and the portfolio's cost-effectiveness, the impact on savings, and the impact on costs. (See PPL Electric St. No. 1-R, pp. 37-38) For example, SEF proposed raising the low end of the incentive range from \$0.02 per kWh to \$0.07 per kWh. Currently, the EE&C Plan has an incentive range of \$0.02-\$0.10 per kWh for the Small Commercial and Industrial ("Small C&I") and Large Commercial and Industrial ("Large C&I") Combined Heat and Power ("CHP") components of the Custom Program. Nowhere in SEF's Comments did it explain specifically why the incentive range for the CHP components of the Custom Program should be changed to \$0.07-\$0.10 per kWh or how it would affect the Custom Program's cost-effectiveness, costs, or savings. (See PPL Electric St. No. 1-R, pp. 37-38)

Moreover, the incentive range does not need to be more narrowly defined, as requested by SEF. The Company recognizes that changing rebate levels can cause confusion and uncertainty with customers and trade allies. (PPL Electric St. No. 1-R, p. 38) As a result, the Company will strive to keep rebates as constant as possible, changing them only if necessary to control the pace of the program within its savings and cost budgets or to respond to the market. (PPL Electric St. No. 1-R, p. 38) The Company also will effectively communicate to its

customers and trade allies about all changes to the incentive amounts in effect. (PPL Electric St. No. 1-R, p. 38)

Regarding PPLICA's concerns with the incentive ranges, PPL Electric has resolved all of these concerns. The Company stated in its rebuttal testimony that it would remove the "average" modifier for the sake of clarity. (PPL Electric St. No. 1-R, p. 30) Additionally, 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 these commitments. (Settlement ¶¶ 48-49) Therefore, PPLICA's concerns with the Custom Program have been resolved.

2. Education for Small C&I and Large C&I Customers

In its Comments, SEF contends that PPL Electric's Phase III EE&C Plan lacks details on the Company's education initiatives pertaining to Small C&I and Large C&I customers. (SEF Comments, p. 3) SEF believes that the Company should implement a "proactive educational program" and utilize an independent group to educate Small C&I and Large C&I customers through seminars. (SEF Comments, pp. 3-4)

SEF's arguments were raised in its direct testimony, addressed in PPL Electric's rebuttal testimony, and resolved by the Settlement. (See SEF St. No. 1, pp. 3-4; PPL Electric St. No. 1-R, pp. 35-36) Moreover, as explained in PPL Electric's rebuttal testimony, SEF provides no analysis to support its conclusion that education is lacking and its recommendation for an independent third party to educate Small C&I and Large C&I customers. (PPL Electric St. No. 1-R, pp. 35-36) Based on its experience meeting the savings projections in Phases I and II, the

Company is confident that it will meet its Phase III objectives for these customer sectors. (PPL Electric St. No. 1-R, p. 36) Furthermore, the Company will ensure its marketing, outreach, and education are adequate to achieve the desired level of participation and savings. (PPL Electric St. No. 1-R, p. 36) Lastly, PPL Electric believes it is critical to align the accountability for delivering program savings with the accountability for marketing, outreach, education, trade ally network, etc. (PPL Electric St. No. 1-R, p. 36) Therefore, the accountability for marketing, education, and outreach should reside with the Company and the conservation service provider (“CSP”) responsible for delivering the program, not an independent third party. (PPL Electric St. No. 1-R, p. 36)

C. DEMAND RESPONSE PROGRAM

1. Residential Demand Response Program

Several commenters raised issues concerning the lack of a residential demand response program option in the Company’s Phase III EE&C Plan. Comverge first argued that PPL Electric should implement a residential direct load control program similar to the one Comverge operated for the Company in Phase I. (Comverge Comments, pp. 2-3) In support, Comverge claimed that it delivered over 35 MW of peak demand reduction in Phase I when operating PPL Electric’s residential direct load control program. (Comverge Comments, p. 3) In addition, Nest and EnergyHub noted the absence of a residential demand response program and suggested that the Company explore providing a residential demand response program using smart thermostats. (Nest Comments, pp. 12-13; EnergyHub Comments, pp. 5-10)

In its rebuttal testimony, the Company explained why it did not include a residential demand response program in its Phase III EE&C Plan. (See PPL Electric St. No. 1-R, pp. 13-15) Although the Company carefully considered various options for demand response programs, it

determined that Direct Load Control (“DLC”) of air conditioners (using a thermostat or a switch on the compressor) was much more costly than the Load Curtailment Program proposed in the Phase III EE&C Plan. (PPL Electric St. No. 1-R, p. 13) Further, DLC would not be cost-effective and would provide limited benefits to participants. (PPL Electric St. No. 1-R, p. 13) (observing that the TRC benefit-cost ratio for the Load Curtailment Program is 1.90, whereas the TRC benefit-cost ratios for DLC are 0.76 for central air conditioning only and 0.56 for central air conditioning, electric water heaters, room air conditioning, and swimming pool pumps). Moreover, PPL Electric explained that even if the Company attempted to use the same base of customers from Phase I or attempted to recruit new ones, it did not believe a Phase III DLC program would be successful for multiple reasons. (PPL Electric St. No. 1-R, pp. 14-15)

PPL Electric also disputes that Comverge provided 35 MW of peak demand reduction in Phase I. In reality, Comverge provided 16.83 MW of peak demand reduction, as seen in PPL Electric’s Final Annual Report for Phase I. *See* Final Annual Report for Program Year 4, Docket No. M-2009-2093216, at p. 23 (Jan. 15, 2014). Therefore, Comverge overstated the benefits that its Phase I program provided to PPL Electric’s customers.

Finally, the Company observes that the Settlement responds to concerns about the lack of a residential demand response program option raised by Comverge, Nest, and EnergyHub. Both Nest and OCA noted in their direct testimony that the Phase III EE&C Plan did not contain a residential demand response option and advocated for the inclusion of a pilot residential demand response program in their direct testimony. (Nest St. No. 1, pp. 16-17; OCA St. No. 1, pp. 20-22) The Settlement resolved the issues raised by OCA and Nest concerning residential demand response. Pursuant to the Settlement, 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) For these reasons, PPL Electric has adequately addressed the concerns about the lack of a residential demand response program in its Phase III EE&C Plan.

2. *FERC v. EPSA* Decision

PPLICA made several comments concerning how the Commission should replace PJM Interconnection LLC's ("PJM") demand response programs if the U.S. Supreme Court decided to uphold the D.C. Circuit Court of Appeals' *FERC v. EPSA* decision and invalidate Federal Energy Regulatory Commission ("FERC") Order No. 745. (PPLICA Comments, pp. 4-6) However, the Supreme Court overruled the D.C. Circuit's decision. *See FERC v. EPSA*, 136 S. Ct. 760 (2016). Accordingly, PPL Electric will not respond to these comments because they are now moot. Furthermore, PPLICA made these comments in its direct testimony, which were addressed in the Company's rebuttal testimony and resolved by the Settlement. (*See* PPLICA St. No. 1, pp. 19-20; PPL Electric St. No. 1-R, p. 35)

3. PJM's One CSP Rule

PPLICA observed that customers will be permitted to participate in both Act 129 demand response and PJM demand response programs in Phase III. (PPLICA Comments, p. 8) PPLICA emphasized that the Company should work with customers using PJM Curtailment Service Providers different than PPL Electric's Demand Response CSP for Phase III, including those customers who operate as their own Curtailment Service Provider. (PPLICA Comments, p. 8) Further, PPLICA argued that PJM's Open Access Transmission Tariff only permits a customer to use one Curtailment Service Provider to manage demand response on behalf of the customer.

(PPLICA Comments, p. 8) Therefore, PPL Electric should take steps to ensure that its Demand Response CSP comply with this PJM tariff rule. (PPLICA Comments, p. 8)

PPLICA's arguments were made in its direct testimony, addressed in PPL Electric's rebuttal testimony, and resolved by the Settlement. (*See* PPLICA St. No. 1, pp. 17-18; PPL Electric St. No. 1-R, pp. 31-32) Moreover, in its rebuttal testimony, PPL Electric explained that 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) This requirement was memorialized in the Settlement. (Settlement ¶ 50) The Company also 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) Further, PPL Electric has acknowledged 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) Thus, PPLICA's comments about PJM's One CSP Rule have been resolved.

4. Reporting Requirements and Contract Review Process

PPLICA's Comments also requested that PPL Electric segregate its Demand Response Program costs into "CSP administration" and "participant payments." (PPLICA Comments, pp. 8-9) In addition, PPLICA recommended that the Company provide more detailed cost reporting to ensure that PPL Electric complies with the Commission's rule that the cost to acquire customers dual enrolled does not exceed 50% of the cost to acquire customers not participating in PJM demand response. (PPLICA Comments, p. 9) Additionally, PPLICA sought a

Commission directive that the CSP contract review process be public and transparent. (PPLICA Comments, p. 9)

Most of PPLICA's recommendations were also made in its direct testimony. (*See* PPLICA St. No. 1, pp. 16-17) The recommendations PPLICA made in its direct testimony were addressed in PPL Electric's rebuttal testimony and resolved by the Settlement. (PPL Electric St. No. 1-R, pp. 31-32) By way of further response, the Phase III EE&C Plan already includes estimates of the cost components that PPLICA suggests for the Demand Response Program, including Customer Incentives, EDC Labor/Material/Supplies, CSP Labor/Materials/Supplies, and Marketing. (*See, e.g.*, Table 73 of the Phase III EE&C Plan) The Company notes that the CSP-related administrative costs are covered by the "CSP Labor/Materials/Supplies" category. (PPL Electric St. No. 1-R, p. 32) PPL Electric also will track and report the actual costs in these categories, as it currently does in Phase II for all programs. (PPL Electric St. No. 1-R, p. 32) Furthermore, PPL Electric will comply with the Commission's 50% cost to acquire rule for dual enrolled customers. (PPL Electric St. No. 1-R, p. 32; Settlement ¶ 51)

The Company also has committed to providing additional detail concerning participation by dual enrolled customers in the Phase III Demand Response Program. (*See* Settlement ¶ 51) Under the Settlement, 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)

Finally, PPL Electric has and will continue to comply with the Commission's approved process for submitting CSP contracts for review and approval. *See Implementation Order*, pp. 125-28. The Company believes that this established process provides enough assurance that the CSP contracts comply with the Commission's Orders and comport with the Phase III EE&C Plan.

5. Performance-based Fees for Demand Response

In EnergyHub's Comments, it advocated for the fees paid to the Demand Response CSP to be performance-based. (EnergyHub Comments, pp. 11-12) EnergyHub argued that performance-based fees would lead to increased customer satisfaction and participation and reduce administrative costs. (EnergyHub Comments, p. 12)

The Company recognizes that there are benefits to tying CSPs' performance to the payments they receive. PPL Electric expects that its Demand Response CSP contract, which is still being negotiated, will be properly structured to ensure performance and will include the use of performance-based fees. Moreover, the Demand Response CSP contract will be submitted for review and approval by the Commission to ensure that it meets all Commission requirements. In fact, the Commission requires performance-based fees in CSP contracts for measures implemented or otherwise installed in Phase III, and PPL Electric will comply with this requirement. *See Implementation Order*, p. 127. Therefore, EnergyHub's concerns will be addressed in the Demand Response CSP contract.

6. Marketing Approach for Phase III Demand Response

EnergyHub contended that EDCs should focus on "evolving consumer marketing channels" in Phase III for thermostats. (EnergyHub Comments, p. 13) According to

EnergyHub, PPL Electric focuses on direct marketing to customers and misses out on targeting customers at the retail level. (EnergyHub Comments, pp. 14-15)

In response, the Company will use the marketing channels that are necessary to induce sufficient customer participation so that PPL Electric can reach its program goals. In addition to direct marketing, PPL Electric very likely will target customers at the retail store level as recommended by EnergyHub and through HVAC contractors who provide thermostats to customers. Further, the Company will evaluate the CSPs' marketing efforts throughout Phase III. If those marketing efforts are falling short of obtaining the necessary levels of customer participation, the Company may explore changes to those marketing efforts.

7. Demand Response Provisions in PPL Electric's Tariff

EnergyHub argued in its Comments that PPL Electric's tariff, as well as other EDCs' tariffs, should be "highly granular" and contain provisions tying compensation for participating in the Demand Response Program "to particular performance in particular locations at particular times." (EnergyHub Comments, p. 15) The current tariffs, from EnergyHub's perspective, fall short of the "full granularity for residential load control." (EnergyHub Comments, p. 15) In addition, EnergyHub contended that tariffs should enable payment directly to demand response providers rather than crediting customers' bills. (EnergyHub Comments, pp. 15-16)

PPL Electric believes that EnergyHub's Comments are inapplicable to the Company's tariff and Phase III EE&C Plan. First, EnergyHub advocated for more detailed tariff provisions "for residential direct load control." (EnergyHub Comments, p. 15) However, currently there is no residential direct load control program in PPL Electric's Phase III EE&C Plan. Indeed, the Company's Phase III Demand Response Program is a nonresidential load curtailment program. (See Sections 3.3 through 3.5 of the Phase III EE&C Plan) Furthermore, even if EnergyHub's

comment were expanded to apply to the Company's Demand Response Program, PPL Electric maintains that this issue is outside the scope of this proceeding. EnergyHub's comment is applicable to all EDCs and should have been raised at Docket No. M-2014-2424864 in the development of the *Implementation Order*. Moreover, the Demand Response Program should not have different incentives depending on the location of the customer on the grid because the program is not designed for grid reliability purposes.

Second, EnergyHub's comment about bill credits does not apply to PPL Electric. The Phase III EE&C Plan does not state that the Demand Response Program will provide credits on a participant's bill. For these reasons, EnergyHub's comments concerning demand response tariff provisions are inapplicable to PPL Electric.

D. MULTIFAMILY PROGRAMS

1. Multifamily Eligibility Requirements and Marketing

EEFA made several comments about the eligibility requirements and marketing for multifamily buildings to participate in the Phase III EE&C programs. (EEFA Comments, pp. 4-6) Specifically, EEFA contended that the Company should reach out to multifamily buildings regardless of whether those buildings are individually metered, master-metered, or a combination of the two. (EEFA Comments, p. 5) Moreover, EEFA argued that PPL Electric should actively market its EE&C programs to multifamily buildings rather than rely on customers initiating participation. (EEFA Comments, p. 6) The Joint Commentators supported EEFA's comments on multifamily eligibility requirements and marketing. (Joint Commentators Comments, p. 12)

As clarified in PPL Electric's rebuttal testimony and the Settlement, all types of multifamily buildings are eligible to participate in the EE&C programs regardless of the number of living units or metering (i.e., individually metered or master metered). (*See* PPL Electric St.

No. 1-R, p. 40; Settlement ¶ 34) Further, under the Settlement, the Company 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) Thus, PPL Electric has addressed EEFA's and the Joint Commentators' concerns.

2. Multifamily Incentives

Both EEFA and the Joint Commentators commented on the incentives for multifamily buildings. EEFA questioned whether PPL Electric's proposed incentives will be sufficient to move low-income multifamily projects forward and requested analysis supporting the Company's incentive levels. (EEFA Comments, p. 5) If such incentives proved to be insufficient, EEFA argued that PPL Electric should be required to increase incentives so that such projects are completed. (EEFA Comments, p. 5) The Joint Commentators noted that they support EEFA's comments that incentives should be adequate to support the needs of multifamily buildings. (Joint Commentators Comments, p. 12)

PPL Electric believes it can meet all of its compliance targets, within budget, without increasing the incentives for multifamily buildings. Similar to EEFA and the Joint Commentators' arguments, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania's ("CAUSE-PA") direct testimony contended that the incentive levels were too low to move low-income multifamily projects forward. (CAUSE-PA St. No. 1, p. 25) The

Company responded that although higher incentive levels would likely induce more participation by master-metered multifamily buildings that are owned by Government/Nonprofit/Educational (“GNE”) entities and have low-income tenants, it would be too costly to increase those incentive levels. (PPL Electric St. No. 1-R, pp. 43-44) In fact, it would cost at least \$0.45 per annual kWh saved to run such a program with enhanced incentives. (PPL Electric St. No. 1-R, p. 43) In contrast, the program acquisition cost of PPL Electric’s Phase III Nonresidential energy efficiency programs average \$0.16 per annual kWh saved. (PPL Electric St. No. 1-R, p. 43) Therefore, increasing incentives for low-income master-metered multifamily projects to at least \$0.45 per annual kWh saved would require transferring significant funds (and reducing the savings) from other programs and customer sectors. (PPL Electric St. No. 1-R, p. 43) Thus, the Company’s proposed incentive levels for low-income master-metered multifamily projects are supported. Nevertheless, PPL Electric will monitor all of its incentive levels throughout Phase III and may propose changes to them if necessary.

3. Detailed Budgets and Savings for Multifamily Measures

EEFA requested that EDCs should be required to supplement their EE&C Plans within 60 days to provide more detail about proposed budgets and savings for multifamily measures and that such information be required in future EE&C Plan filings. (EEFA Comments, pp. 6-8) Specifically, EEFA argued that EDCs should provide the following information: (1) total budgets for multifamily initiatives; (2) planned savings for multifamily programs; (3) number of multifamily buildings and units that are expected to receive energy efficiency services and the amount of savings expected at the building and unit level; (4) magnitude of incentives available for multifamily measures and projects; and (5) outreach plans for engaging affordable housing providers and multifamily building owners. (EEFA Comments, p. 7) Further, EEFA

recommended that the Commission initiate a process under which the SWE will within 90 days develop requirements for “transparent data tracking and reporting for the EDCs’ multifamily programs.” (EEFA Comments, p. 8)

PPL Electric disagrees with EEFA’s recommendations. Separate budgets (costs and savings) and tracking the additional information for multifamily buildings will be onerous, will increase administrative costs significantly, will constrain the programs available for multifamily buildings, and will lead to frequent and costly EE&C Plan revisions. Moreover, EEFA never explained the need for separate budgets for multifamily, demonstrated why the information is necessary, explained how such information will improve the Phase III EE&C Plan, or detailed the impact of its recommendation on the Phase III EE&C Plan’s and each EE&C program’s costs, savings, and cost-effectiveness. The Company further notes that there is no separate savings target for multifamily buildings, any type of multifamily building, or any other type of building. Therefore, the detailed reporting requested by EEFA is not needed for compliance purposes and would only serve to increase administrative costs that would have to be offset elsewhere in the EE&C Plan’s budget. Thus, EEFA’s recommendations should be rejected.

4. Multifamily Housing Working Group

EEFA’s Comments also included several suggestions for the Commission’s Multifamily Housing Working Group (“MHWG”). (EEFA Comments, pp. 8-10) For example, EEFA proposed changes to the seating arrangements at the MHWG’s meetings and recommended that the MHWG be required to annually submit a written report containing information about the MHWG’s activities and progress. (EEFA Comments, pp. 9-10)

These proposals are outside the scope of PPL Electric’s Phase III EE&C Plan proceeding and need not be considered in the Commission’s evaluation of the Plan.

5. Meeting Low-Income Compliance Target with Savings from Master-Metered Multifamily Buildings

PPLICA challenged PPL Electric's plan to count savings from low-income customers living in master-metered multifamily buildings toward the low-income compliance target and to assign the costs of those measures to the Large C&I customer sector. (PPLICA Comments, p. 13) PPLICA argued that such costs should not be recovered from Large C&I customers when the savings are counted for compliance purposes to the low-income savings target. (PPLICA Comments, p. 13)

PPLICA's arguments were raised in its direct testimony, addressed in PPL Electric's rebuttal testimony, and resolved by the Settlement. (See PPLICA St. No. 1, pp. 21-22; PPL Electric St. No. 1-R, pp. 45-46) By way of further response, PPL Electric should be permitted to count the portion of savings attributable to low-income occupants in master-metered multifamily buildings toward the low-income savings compliance target. (See Section 3.2.1 of the Phase III EE&C Plan) In its *Implementation Order*, the Commission directed EDCs to only count savings toward the low-income compliance target if they come from specific low-income programs or low-income verified participants in multifamily housing programs. *Implementation Order*, at p. 65. Furthermore, in its *2016 TRC Test Order*, the Commission stated that "EDCs may . . . count savings from multifamily housing programs (including master-metered commercial customers) if the EDCs can verify the occupants are low-income customers but only to the extent of the low-income occupancy rate." *2016 TRC Test Order*, at p. 30. Therefore, these passages demonstrate that the Company's approach for counting savings from master-metered multifamily buildings (to the extent of the low-income occupancy rate) toward the low-income savings target for compliance purposes is consistent with the Commission's Orders.

The Company also notes that “[c]ost recovery” under the EE&C Plans must “ensure that measures approved are financed by the same customer class that will receive the direct energy and conservation benefits.” 66 Pa. C.S. § 2806.1(a)(11). In the context of a master-metered multifamily building that implements energy efficiency measures, the owner of that building is the one receiving the benefit of the measure (i.e., reduced consumption and bill savings), so the costs should be charged to the customer sector of the building owner. (PPL Electric St. No. 1-R, p. 46) Moreover, there is no issue of cross-subsidization. All of the savings from those measures will be fully counted as savings for that sector. (PPL Electric St. No. 1-R, p. 46) The Company is only proposing to also apply that portion of savings attributable to low-income usage toward the low-income savings target for compliance purposes as well. (PPL Electric St. No. 1-R, p. 46) PPL Electric will apply these savings carefully so that they are not double counted toward the overall or GNE compliance targets. (PPL Electric St. No. 1-R, p. 46) Thus, PPLICA’s issues have been addressed and resolved.

E. MISCELLANEOUS

1. EE&C Plan Approval Process

The Joint Commentators alleged that the Commission’s process for approving EDCs’ EE&C Plan is deficient. (Joint Commentators Comments, pp. 4-5) They contended that Act 129 requires a public hearing be held on every EE&C Plan and that the 20-day comment period obstructs the public’s participation in these proceedings. (Joint Commentators Comments, p. 5) As a result, the Joint Commentators requested that the Commission hold a public hearing on each EE&C Plan and consider extending the public comment period to enable a more thorough review of the EE&C Plans. (Joint Commentators Comments, p. 5)

PPL Electric believes that the Commission's established EE&C Plan approval process has enabled a thorough review of the Company's Phase III EE&C Plan and an opportunity for stakeholders to submit their feedback on the EE&C Plan. In addition to the formal comment and intervention avenues by which stakeholders could have participated in this proceeding, PPL Electric has met informally with stakeholders and held stakeholder meetings to explain the Phase III EE&C Plan and solicit feedback from those stakeholders. To provide interested parties with more than 20 days to review the Phase III EE&C Plan, the Company sent courtesy copies of its EE&C Plan filing on November 30, 2015, to all parties of record in its Phase II EE&C Plan proceeding.

Moreover, the Company notes that the issue about the public hearing requirement raised by the Joint Commentators was resolved in the Commission's *Implementation Order*. See *Implementation Order*, pp. 90-91. In fact, the Commission's approval process has remained largely unchanged from Phase II. As the Commission noted in the *Implementation Order*, it eliminated the need for a public input hearing in Phase II. *Id.* at p. 90. Thus, the Commission's EE&C Plan approval process has enabled the public to conduct a thorough review of and provide feedback on PPL Electric's Phase III EE&C Plan.

2. Similar Programs for All EDCs

In its Comments, EnergyHub contended that EDCs should work together to adopt similar EE&C programs. (EnergyHub Comments, p. 12) EnergyHub alleged that doing so would reduce costs and "customer fatigue." (EnergyHub Comments, pp. 12-13)

EnergyHub's recommendation is vague and unsupported. It is unclear from EnergyHub's Comments what it means by "similar" programs. Furthermore, EDCs should have the flexibility to design and implement their EE&C programs as they see fit. Each EDC's service territory has

unique characteristics. More importantly, each EDC has different budgets and savings targets for Phase III. *See Implementation Order*, pp. 35, 57. Accordingly, all EDCs should have the ability to design and implement the EE&C programs that they believe will achieve their required energy savings and peak demand reductions targets within budget. Therefore, EnergyHub's recommendation should be rejected.

3. Rate Setting and Reconciliation

PPLICA's Comments requested additional information to be provided as part of the reconciliation process for PPL Electric's Act 129 cost-recovery mechanism. (PPLICA Comments, pp. 9-11) Specifically, PPLICA suggested that the Company provide: (1) support for the Company's assumption that 60% of its GNE Demand Response participation will come from Small C&I customers; (2) a breakdown of actual program costs versus budgeted costs; and (3) the number of Custom Program measures developed and proposed by customers versus those proposed to customers by the Company or CSPs. (PPLICA Comments, pp. 9-10)

In its direct testimony, PPLICA raised issues concerning the basis for the GNE participation rates, the disclosure of actual costs, and the number of Custom measures developed by customers. (*See PPLICA St. No. 1*, pp. 12, 18) These issues were addressed in PPL Electric's rebuttal testimony and resolved by the Settlement. (PPL Electric St. No. 1-R, pp. 33-35) By way of further response, the Company cannot develop better estimates of the percentage of GNE Demand Response costs by customer class at this time. (PPL Electric St. No. 1-R, p. 34) As explained in the Company's rebuttal testimony, better estimates will be available in late Program Year 8 or early Program Year 9 when the Demand Response CSP recruits participants for the Demand Response Program and when the rate class, incentive amounts, and enrolled peak reductions (MW) for each participant are available. (PPL Electric St. No. 1-R, p. 34) Indeed,

the actual costs will not be known until the Demand Response Program is implemented and demand response events are completed for each program year. (PPL Electric St. No. 1-R, p. 34) Even if the estimated costs in the EE&C Plan for each customer class within GNE Demand Response prove to be inaccurate, the Phase III annual reconciliation will resolve any such discrepancies because it will compare actual costs and actual revenues for the surcharge application year. (PPL Electric St. No. 1-R, p. 34)

In addition, PPL Electric must disclose the actual program costs as part of the annual reconciliation. (PPL Electric St. No. 1-R, p. 35) As mentioned previously, the annual reconciliation will compare actual costs to actual revenues. Further, any difference between actual costs and budgeted costs will be captured by this annual reconciliation. Therefore, PPLICA's request for this additional information about actual costs is unnecessary.

Finally, the Company observes that all of the savings in the Custom Program will likely result from projects initiated by the customer or the customer's trade ally (contractor, engineer, consultant, equipment manufacturer, etc.), not from suggestions by the Company or CSPs. (PPL Electric St. No. 1-R, p. 30) Thus, no need exists to provide the number and energy savings of projects that are developed based on the Company's or CSPs' recommendations. For these reasons, PPLICA's recommendations should be rejected.

4. Senate Bill 805

In its Comments, PPLICA observed that Senate Bill 805 in the Pennsylvania General Assembly would, if enacted, permit Large C&I customers to opt out of EDCs' Phase III EE&C Plans. (PPLICA Comments, p. 6) Therefore, PPLICA argued that the Company must be prepared to adjust its EE&C Plan if Senate Bill 805 is enacted. (PPLICA Comments, p. 7)

PPLICA raised this issue in its direct testimony, which was addressed in the Company's rebuttal testimony and resolved by the Settlement. (*See* PPLICA St. No. 1, pp. 20-21; PPL Electric St. No. 1-R, pp. 48-49) By way of further response, PPLICA's issue is premature. PPL Electric's EE&C Plan must comply with Pennsylvania law. Consequently, if there are legislative changes that impact Phase III Act 129 EE&C, all EDCs may have to revise their EE&C Plans. In addition, PPL Electric notes that Senate Bill 805 would amend Section 2806.1 of the Pennsylvania Public Utility Code to provide that "[f]or each new plan filed pursuant to subsection (b)(1)(ii), the electric distribution company shall provide each large commercial customer and industrial customer with the option to forgo participation in the plan." As a result, Large C&I customers may not be able to opt-out after an EE&C Plan has been filed with the Commission. For reference, PPL Electric's Phase III EE&C Plan was filed on November 30, 2015. In any event, PPLICA's comments regarding Senate Bill 805 have been resolved.

5. Competitive Market and Phase III EE&C Plans

RESA generally raised concerns about the effect EDCs' Phase III EE&C Plans will have on electric generation suppliers ("EGSs") who allegedly provide similar energy efficiency products and services. (RESA Comments, pp. 3-9) RESA argued that the EDCs' Phase III EE&C Plans lack detail on how they will interact with or utilize the competitive market. (RESA Comments, p. 2) Without such details, RESA averred that EDCs may be placed at an unfair advantage. (RESA Comments, pp. 2, 5) From RESA's perspective, "there is a real risk that the EDCs' EE&C Plans will eventually 'crowd out' similar competitive market offerings." (RESA Comments, p. 5) RESA also argued that EGSs have a lack of access to near real-time customer data, thereby placing them at a competitive disadvantage. (RESA Comments, p. 5) Lastly, RESA proposed that: (1) the Commission convene a stakeholder collaborative to explore

opportunities for EDCs to leverage the competitive market; (2) any rebates or benefits offered under the EDCs' EE&C programs should be available to customers regardless of whether they are shopping or non-shopping customers; and (3) customers who receive a product or service from the competitive market should also receive the tangible customer benefit under the EDCs' EE&C programs. (RESA Comments, pp. 7-8)

In response, PPL Electric notes that several of the issues raised by RESA were resolved in the Commission's *Web Portal Working Group Reconsideration Order*. See *Submission of the Electronic Data Exchange Working Group's Web Portal Working Group's Solution Framework for Historical Interval Usage and Billing Quality Interval Usage Data; Petition for Clarification and/or Reconsideration of the NRG Retail Affiliates*, Docket No. M-2009-2092655 (Order Entered Nov. 5, 2015) ("*Web Portal Working Group Reconsideration Order*"). In that proceeding, the Commission determined that EDCs' EE&C Plan offerings did not compete with any energy efficiency initiatives offered by EGSs. See *id.* at pp. 12-13. Specifically, the Commission concluded that "Act 129 EE&C program initiatives were not intended as competitive products in the retail electricity market" and that "[t]he EDCs' programs are not marketed as a competitive marketplace offering." *Id.* at p. 13. The Commission reasoned that the EDCs' EE&C program offerings are not "value-added services," as they are required to offer these programs under budget and subject to penalties for failure to meet their savings targets. *Id.* Therefore, the Commission has rejected the contention that the EDCs' EE&C program offerings compete with similar products or services that are offered by EGSs.

Likewise, contrary to RESA's claims, EGSs are not placed at a disadvantage concerning access to near real-time customer data. In the *Web Portal Working Group Reconsideration Order*, the Commission rejected an argument that EDCs provide CSPs with a level of data not

afforded to EGSs. *See id.* Indeed, PPL Electric noted in that proceeding that “EGSs actually have easier and more detailed access to PPL customer data.” *Id.*

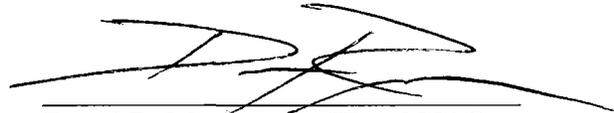
The Company also clarifies that all customers (shopping or non-shopping) can participate in its Phase III EE&C programs. *See* Section 9.1.6 of the Phase III EE&C Plan (“All of the programs are available to customers regardless of whether they receive default generation service from PPL Electric or obtain competitive supply from an electric generation supplier.”); *see also Web Portal Working Group Reconsideration Order*, at p. 13 (“The EDCs’ programs . . . are provided to all distribution customers, regardless of their status as shopping or non-shopping.”).

Concerning RESA’s proposal that an EDC should provide a rebate under its Phase III EE&C Plan to customers who receive a product or service from an EGS that is similar to an EDC offering, RESA failed to provide sufficient detail about its proposal and how it should apply. Notwithstanding, PPL Electric observes that customers are not foreclosed from participating in PPL Electric’s Phase III EE&C Plan simply because they received incentives from an EGS.

III. CONCLUSION

For the reasons set forth above, PPL Electric Utilities Corporation respectfully requests that the Commission take these Reply Comments in its consideration of PPL Electric's Phase III EE&C Plan.

Respectfully submitted,



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