|  |  |
| --- | --- |
| **PENNSYLVANIA**  **PUBLIC UTILITY COMMISSION**  **Harrisburg, PA 17105-3265** | |
| Public Meeting held June 9, 2016 | |
| Commissioners Present:    Gladys M. Brown, Chairman  Andrew G. Place, Vice Chairman  John F. Coleman, Jr.  Robert F. Powelson | |
| Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan | M-2015-2515642 |

**TENTATIVE OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Revised Act 129 Phase III Energy Efficiency and Conservation Plan (Revised Phase III Plan) filed by PPL Electric Utilities Corporation (PPL or the Company) on April 22, 2016, and amended on May 24, 2016, through the filing of an Errata to the Revised Phase III Plan (Errata). PPL filed its Revised Phase III Plan pursuant to the Commission’s Opinion and Order entered on March 17, 2016 (*March 2016 Order*) in the above-captioned proceeding. For the reasons discussed herein, we will approve PPL’s amended Revised Phase III Plan, subject to the condition that no opposing Comments are received.

# Procedural History[[1]](#footnote-1)

On November 30, 2015, PPL filed a Petition (Petition) for approval of its Act 129 Phase III Energy Efficiency and Conservation Plan (Phase III Plan). On February 16, 2016, a Joint Petition for Approval of Partial Settlement (Partial Settlement) was filed by PPL, the Office of Consumer Advocate, the Office of Small Business Advocate, the PPL Industrial Customer Alliance, the Commission for Economic Opportunity, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania, the Sustainable Energy Fund, Nest Labs, Inc., and EnerNOC, Inc. (collectively Joint Petitioners).

On February 19, 2016, Administrative Law Judge Susan D. Colwell certified the record to the Commission for consideration and disposition.

In the *March 2016 Order,* the Commission approved the Partial Settlement, subject to a clarification set forth in Ordering Paragraph No. 5b of the *March 2016 Order*, and subject to the condition that no Party to the Partial Settlement exercised the right to withdraw therefrom. *March 2016 Order* at 57. None of the Joint Petitioners withdrew from the Settlement. Accordingly, the following directives, as set forth in Ordering Paragraph Nos. 4 and 5 of the *March 2016 Order*, are applicable:

1. That if no Party elects to withdraw from the Joint Petition for Approval of Partial Settlement, the Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan, filed on November 30, 2015, is granted, in part, and denied, in part, consistent with this Opinion and Order.
2. That if no Party elects to withdraw from the Joint Petition for Approval of Partial Settlement, PPL Electric Utilities Corporation’s Act 129 Phase III Energy Efficiency and Conservation Plan, as modified by the Joint Petition for Approval of Partial Settlement, is approved, in part, and rejected, in part, consistent with this Opinion and Order:
   1. That the proposed pro forma tariff pages and cost recovery mechanism contained in the Act 129 Compliance Rider – Phase 3, as set forth in Appendix E of PPL Electric Utilities Corporation’s Act 129 Phase III Energy Efficiency and Conservation Plan, are hereby rejected, and that PPL Electric Utilities Corporation shall consult with the Commission’s Bureau of Audits within thirty (30) days of the entry of this Opinion and Order, in order to develop a revised cost recovery mechanism that complies with the provisions set forth in the Commission’s *Phase III Implementation Order* [Docket No. M-2014-2424864 (Order entered June 19, 2015) (*Phase III Implementation Order)*]*.* PPL Electric Utilities Corporation shall submit a tariff supplement containing the revised cost recovery mechanism within sixty (60) days of the entry date of this Opinion and Order.
   2. That any requests for proposal from PPL Electric Utilities Corporation’s Low-Income Conservation Service Provider relating to the provision of Low-Income Winter Relief Assistance Program services, as discussed in Paragraph 47 of the Joint Petition for Approval of Partial Settlement, shall be sent to all qualified Conservation Service Providers, including, but not limited to, the Commission on Economic Opportunity.
   3. That PPL Electric Utilities Corporation shall delete from its Act 129 Phase III Energy Efficiency and Conservation Plan, language indicating that “the Commission directed that recovery of Phase III costs that were incurred in Phase II may be deferred until Phase III recovery of rates becomes effective,” as discussed in this Opinion and Order.
   4. That within sixty (60) days of the entry of this Opinion and Order, PPL Electric Utilities Corporation shall file with this Commission, and serve on all Parties of record in this proceeding, a revised Act 129 Phase III Energy Efficiency and Conservation Plan, consistent with the terms agreed to in the Joint Petition for Approval of Partial Settlement, and the modifications directed in this Opinion and Order.
   5. That PPL Electric Utilities Corporation must demonstrate that the revised Act 129 Phase III Energy Efficiency and Conservation Plan filed in compliance with Ordering Paragraph 5d is cost-effective, pursuant to 66 Pa. C.S. § 2806.1(b)(1)(i)(I).
   6. That PPL Electric Utilities Corporation is permitted to implement any portion of its Act 129 Phase III Energy Efficiency and Conservation Plan that was approved without modification by this Opinion and Order.

*Id*. at 58-60.

As previously noted, PPL filed its Revised Phase III Plan on April 22, 2016. The Company provided both a clean and a redline version of the Revised Phase III Plan for Commission review. On May 24, 2016, PPL filed the Errata to correct the measure life assumption for home energy reports in the Revised Phase III Plan’s Home Energy Education Program. PPL indicated that it had incorrectly used a five-year, rather than a one-year, measure life assumption for the home energy reports. PPL also indicated that the change in the measure life assumption reduces the benefit-cost ratio of the Home Energy Education Program, but it does not impact the implementation cost of the program or the energy savings for compliance.

On April 29, 2016, PPL filed its Calculation of the Phase 3 Act 129 Compliance Rider For the Application Period June 1, 2016 through May 31, 2017 (ACR-3), along with Supplement No. 208 to its Tariff – Electric Pa. P.U.C. No. 201, implementing the new ACR-3, pursuant to Ordering Paragraph No. 5a of the *March 2016 Order*, as set forth above. By Secretarial Letter issued May 25, 2016, at Docket No. M‑2016-2543105, the Commission approved PPL’s Tariff Supplement No. 208, subject to refund, pending our review and disposition of the Revised Phase III Plan.

**Discussion**

PPL’s Revised Phase III Plan was filed to address the specific directives issued by the Commission in the *March 2016 Order*, and to implement modifications to the Company’s Phase III Plan in accordance with the terms of the Partial Settlement. The Revised Phase III Plan also updated a number of tables to incorporate revised data based on these modifications. As noted, the Errata to the Revised Phase III Plan further updated applicable tables to correct the measure life assumption for home energy reports in the Revised Phase III Plan’s Home Energy Education Program.

Upon our review of the amended Revised Phase III Plan, we find that it appropriately incorporates the modifications and improvements specified in the terms of the Partial Settlement, including the following:

* The addition of approximately 1,500 comprehensive in-home diagnostic audits to the Energy Efficient Home Program.
* More targeted messaging to customers as part of the Home Energy Education Program.
* Clarifications and Improvements to further ensure the availability of EE&C measures to customers residing in master-metered multifamily buildings.
* Clarifications and Improvements to extend and enhance the availability of PPL’s Low-Income Winter Relief Assistance Program (WRAP).
* Clarifications to the Custom Program.
* Clarifications to ensure proper coordination of PPL’s Demand Response Program with that of the PJM Interconnection LLC (PJM).
* Clarifications to confirm that PPL will adequately demonstrate that the cost to acquire megawatts from customers that participate in the PJM Emergency Load Response Program (ELRP) is no more than one half of the cost to acquire megawatts from customers in the same rate class that are enrolled in PPL’s Demand Response Program only, as required in the *Phase III Implementation Order*. *See* *Phase III Implementation Order* at 44.
* Clarifications to confirm the availability of smart thermostats as an eligible measure under PPL’s Energy Efficient Home Program, including the New Homes Component of that program.
* A commitment to evaluate the addition of a pilot program for residential Demand Response using smart thermostats.
* A commitment to add a pilot program to provide programmable thermostats designed to control baseboard electric heaters of residential or low-income customers.
* A commitment to review and consider utilizing an Energy Intelligence Software (EIS) product in the Phase III Plan, and to evaluate implementing an EIS pilot program for Small Commercial and Industrial customers.

*See* *March 2016 Order* at 30-32; Partial Settlement at 6-13.

We also find that PPL’s amended Revised Phase III Plan properly deletes the language specified in Ordering Paragraph No. 5c of the *March 2016 Order*, as set forth above. Revised Phase III Plan at 181 (redline version), 177 (clean version).

In addition, we note that PPL consulted with the Commission’s Bureau of Audits and developed a revised cost recovery mechanism for its Phase III Plan, as directed in Ordering Paragraph No. 5a of the *March 2016 Order*. The revised cost recovery mechanism, ACR-3, is set forth in the pro forma tariff pages attached to the Revised Phase III Plan as Appendix E. In addition, as previously noted, PPL filed Supplement No. 208 to its Tariff – Electric Pa. P.U.C. No. 201[[2]](#footnote-2) on April 29, 2016, to implement the revised ACR-3, and the Commission approved Tariff Supplement No. 208 by Secretarial Letter issued May 25, 2016, subject to refund, pending our review and disposition of the Revised Phase III Plan. We find that the revised ACR-3 corrects the deficiencies contained in the cost recovery mechanism included in the Company’s originally-filed Phase III Plan, and complies with the applicable provisions set forth in the *Phase III Implementation Order*, pursuant to Ordering Paragraph No. 5a of the *March 2016 Order*. Accordingly, we affirm that PPL’s Tariff Supplement No. 208 is approved as filed on April 29, 2016, effective for the period June 1, 2016 through May 31, 2017.

Finally, based on the corrected Total Resource Cost (TRC) benefit-cost ratio values provided in PPL’s Errata, filed on May 24, 2016, we tentatively find the amended Revised Phase III Plan to be cost-effective, in conformance with Ordering Paragraph No. 5e of the *March 2016 Order*. Specifically, the amended Revised Phase III Plan shows TRC benefit-cost ratios of 1.44 for the energy efficiency portfolio, and 1.90 for the demand response portfolio. Errata at Table 10.

However, in order to ensure the right of all Parties to comment on proposed changes in the Revised Phase III Plan as amended by the corrected TRC values, we will provide the Parties with an opportunity to comment on the May 24, 2016 Errata. Comments on the Errata will be considered timely if filed within ten days following the entry of this Tentative Opinion and Order. Reply Comments will be considered timely if filed within ten days thereafter. Such Comments and Reply Comments must be limited to those changes to the Revised Phase III Plan resulting from the corrected TRC values provided in the Errata. If no Comments or Reply Comments are filed within the time periods specified herein, this Tentative Opinion and Order will become final without further action of the Commission. If opposing Comments or Reply Comments are timely filed, the Commission will consider them in a subsequent Opinion and Order.

**Conclusion**

Consistent with the foregoing discussion, we shall approve PPL’s amended Revised Phase III Plan, subject to the condition that no opposing Comments on the May 24, 2016 Errata are received; **THEREFORE,**

**IT IS ORDERED:**

1. That, absent any opposing Comments or Reply Comments, the Revised Act 129 Phase III Energy Efficiency and Conservation Plan filed by PPL Electric Utilities Corporation on April 22, 2016, and amended on May 24, 2016, through the filing of an Errata to the Revised Act 129 Phase III Energy Efficiency and Conservation Plan, is approved, consistent with this Opinion and Order.

2. That Comments to the Errata to the Revised Act 129 Phase III Energy Efficiency and Conservation Plan filed by PPL Electric Utilities Corporation on May 24, 2016, will be considered timely if filed within ten days following the entry date of this Tentative Opinion and Order. Reply Comments will be considered timely if filed within ten days thereafter.

3. That if no opposing Comments or Reply Comments are received by the deadlines set forth in Ordering Paragraph No. 2, this Tentative Opinion and Order shall become final without further action by the Commission.

4. That Supplement No. 208 to Tariff – Electric Pa. P.U.C. No. 201, filed by PPL Electric Utilities Corporation on April 29, 2016, is approved, effective for the period June 1, 2016 through May 31, 2017, consistent with this Opinion and Order.

5. That a copy of this Opinion and Order be served on all active parties of record.

**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: June 9, 2016

ORDER ENTERED: June 9, 2016

1. A more detailed explanation of the procedural history and background information in this proceeding can be found in the *March 2016 Order*. [↑](#footnote-ref-1)
2. We note that a typographical error that appears in the revised cost recovery mechanism as presented in Appendix E of the Revised Phase III Plan was corrected in Tariff Supplement No. 208. [↑](#footnote-ref-2)