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October 5, 2016

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
Harrisburg, PA 17120

**VIA ELECTRONIC FILING**

**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 for filing with the Pennsylvania Public Utility Commission the Comments of the PP&L Industrial Customer Alliance's ("PPLICIA") in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with a copy of this document. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By

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

Adeolu A. Bakare

Counsel to the PP&L Industrial Customer Alliance

c: Administrative Law Judge Susan D. Colwell (via E-mail and First Class Mail)  
Certificate of Service

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## CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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Adeolu A. Bakare

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Dated this 5<sup>th</sup> day of October, 2016, at Harrisburg, Pennsylvania

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**COMMENTS OF THE  
PP&L INDUSTRIAL CUSTOMER ALLIANCE**

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**I. INTRODUCTION**

On October 15, 2009, Governor Rendell signed into law House Bill 2200, otherwise known as Act 129 of 2008 ("Act 129" or "Act"). Among other things, Act 129 expanded the Pennsylvania Public Utility Commission's ("PUC" or "Commission") oversight responsibilities and imposed new requirements on Electric Distribution Companies ("EDCs") regarding the reduction of energy consumption and demand. In accordance with the Act, on November 30, 2015, PPL Electric Utilities Corporation ("PPL" or "Company") submitted a Petition for Approval of its Phase III Energy Efficiency and Conservation Plan ("Phase III Plan" or "Plan"), which was approved in part and rejected in part by Commission Order entered June 9, 2016, at Docket No M-2016-2515642 ("Phase III Plan Order").

On September 21, 2016, PPL submitted a Petition to Amend its Phase III Plan to the Commission ("Petition"), pursuant to the Commission's procedures for amending EE&C Plans.<sup>1</sup> The Petition proposes a single "minor" change, which PPL has asked Commission staff to approve expeditiously. PPLICA hereby files the foregoing Comments in response to PPL's Petition.

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<sup>1</sup> See *Energy Efficiency and Conservation Program*, Docket No. M-2008-2069887 (Order Entered June 10, 2011) ("Minor Plan Change Order"), p. 20.

## II. SUMMARY

Consistent with the expedited procedures set forth for qualifying changes in the Minor Plan Change Order, PPL requests that Commission staff review the Petition and any Comments thereto without assigning the proceeding to an Administrative Law Judge ("ALJ"). Under this process, PPL proposes to eliminate the minimum cost-effectiveness eligibility standards for Custom Incentive Programs under PPL's Phase III Plan. Instead, PPL would apply a discretionary standard that would allow approval of proposed projects that have a Total Resource Cost ("TRC") value of less than 1.0. PPLICA does not oppose PPL's request to proceed under the process for minor plan changes, but requests that the Commission modify PPL's proposal to preserve a mandatory minimum TRC threshold of 1.0 for every project funded through the Large C&I Custom Programs.

## III. COMMENTS

### A. **The Proposed Change Meets the Criteria to Proceed Under the Minor Plan Change Procedure**

The proposed change requested by PPL meets the Commission's criteria to proceed under the minor plan change procedure. The Commission's Minor Plan Change Order established procedures for modifying previously approved EE&C Plans. An EDC, seeking to modify a Commission-approved EE&C Plan must submit a Petition identifying the proposed changes and confirming whether the changes constitute minor or major plan changes. As defined by the Commission a proposed change will be deemed "minor" if it:

- 1) eliminates a measure,
- 2) transfers funds from one measure to another, or
- 3) adds or change the condition of a measure, provided that no such change results in allocations across customer classes.

See Minor Plan Change Order, p. 20. PPL's proposal to eliminate the minimum TRC threshold for Custom Program measures modifies the eligibility qualifications, and PPL has affirmed that the proposal will not result in an immediate reallocation of revenues between customer classes. Accordingly, PPLICA does not oppose the Company's request to review the proposed change under the process for minor plan changes.<sup>2</sup>

**B. PPL's Proposal to Eliminate the Minimum TRC Threshold Must be Rejected**

PPL's Petition would eliminate the minimum TRC threshold currently applied to individual projects submitted for rebates under PPL's Large C&I Custom Program. The Company claims the modification should be approved because no other EDC applies similar cost-effectiveness screening for custom measures, the modification will allow PPL respond to fluctuations in customer participation in the Custom Program, and the modification would support implementation of more CHP products. While PPLICA does not oppose reducing the CHP and non-CHP cost-effectiveness thresholds to 1.0, PPLICA opposes the elimination of the mandatory TRC thresholds altogether. Custom Program measures with a TRC of less than 1.0 are not cost-effective and should not be subsidized by other ratepayers.

PPLICA submits that PPL has not provided reasonable justification for terminating its current practice of applying minimum cost-effectiveness screening for Custom Incentive Programs. Although PPL now claims that applying the minimum TRC threshold on a discretionary basis will benefit customers, PPL had previously described the mandatory minimum TRC threshold for its Custom Incentive Program as a significant program benefit. Specifically, when proposing to increase the minimum TRC ratio for custom projects from 1.0 to 1.1, PPL claimed the new minimum mandatory TRC threshold:

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<sup>2</sup> PPLICA will oppose any request to expand Large C&I funding obligations if one is made in the future.

...will provide a reasonable margin to account for uncertainties (such as actual savings less than expected or actual costs greater than expected when the project was screened for TRC) and will help to increase the likelihood that the overall TRC for the program will be greater than 1.0.

*See* Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan, Docket No. M-2012-2334388 (November 22, 2013), pp. 18-19. Eliminating the minimum cost-effectiveness threshold would have precisely the opposite effect and reduce the margin for uncertainties and incentivize submission of custom projects with negative TRC ratings. For example, a project with a projected TRC ratio of 0.7 may upon implementation, realize a TRC ratio of just 0.5. Not only would this practice erode the margin of error for achieving a positive TRC on a program basis, it would divert Act 129 revenues collected from customers towards wasteful and inefficient custom projects.<sup>3</sup>

Alternatively, the Commission should recognize PPL's interest in additional flexibility by reducing the minimum cost-effectiveness threshold for all Custom Incentive Program applications, whether CHP or non-CHP, to 1.0. This alternative would appear to meet the Company's objective of incentivizing additional applications (particularly by reducing the CHP minimum TRC threshold from 1.25 to 1.0) without requiring customers to subsidize inefficient projects with negative TRC ratios.

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<sup>3</sup> In Comments filed with the Commission in response to its Proposed Policy Statement on Combined Heat and Power, the Industrial Customer Groups addressed the importance of balancing any interest in supporting implementation of CHP against the costs incurred by other non-CHP customers. *See* Joint Comments of the Industrial Customer Groups, Docket M-2016-2530481 (May 31, 2016), p. 6. PPL's proposal to authorize approval of custom projects (including CHP projects) with negative TRC ratios underscores the need for the Commission to protect the interests of non-CHP customers by confirming that Act 129 revenues will not be allocated towards such inefficient projects.

**IV. CONCLUSION**

**WHEREFORE**, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission:

1. Consider and adopt the foregoing Comments;
2. Take any other action as necessary and deemed appropriate.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By



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