PPL Electric Utilities Corporation

Energy Efficiency and Conservation Plan

Executive Summary of Proposed Modifications

September 15, 2010

Pursuant to the September 1, 2010 Pennsylvania Public Utility Commission ("Commission") Secretarial Letter regarding electric distribution company proposals to modify their existing Energy Efficiency and Conservation Plans ("EE&C Plan"), PPL Electric Utilities Corporation ("PPL Electric" or "Company"), hereby submits this Executive Summary of its proposed modifications to its EE&C Plan and supporting documentation.

EXECUTIVE SUMMARY

PPL Electric requests Commission approval for two modifications to its EE&C Plan: (1) a change to its Compact Fluorescent Lighting Program ("CFL Program"); and (2) a change to the classification of direct and common costs. Collectively, these modifications do not impact the total projected cost of PPL Electric's EE&C Plan, the total projected energy savings (kWh/yr), or the total projected peak load savings (kW). These modifications are both reasonable and necessary for PPL Electric's EE&C Plan to successfully meet its Act 129 obligations.

1. ALLOCATION OF CFL PROGRAM SALES TO MULTIPLE CUSTOMER SECTORS

All PPL Electric customer sectors are eligible to purchase discounted Compact Fluorescent Lamps ("CFLs") from retail stores under PPL Electric's CFL Program. Under the CFL Program, customers receive a discount at the point of sale and PPL Electric does not know the specific customers who purchase those discounted CFLs because there is no rebate form or application associated with the purchase. In its EE&C Plan, PPL Electric allocated approximately 17% of the projected CFL sales (kWh/yr savings and program costs) to the low-income residential sector and approximately 5% to the small commercial and industrial ("small C&I") sector. PPL Electric allocated CFL sales to the low-income residential sector because, at the time of filing its EE&C Plan, it believed that there was a low-income energy reduction compliance target (kWh). Therefore, for compliance purposes, PPL Electric believed it needed to specifically track and verify CFL Program sales and savings for low-income customers who purchased discounted CFLs from participating retailers. However, subsequent to the filing of the Company's original EE&C Plan, the Commission clarified that the low-income compliance target was based on the number of measures available to low-income customers, not on a percentage of the total kWh/yr reductions. In addition, PPL Electric does not attempt to quantify or allocate low-income customer participation in any other non low-income program. Therefore, an allocation to the low-income sector was no longer necessary for compliance purposes.

The allocation to the small C&I customer sector was an attempt, based on feedback from stakeholders during the development of PPL Electric's EE&C Plan, to properly categorize savings and costs, because some small C&I customers may purchase PPL Electric-discounted CFLs from retail stores. However, during the implementation of its energy efficiency tracking system and CFL Program, PPL Electric determined it is not feasible to allocate CFL sales (savings and costs) to multiple customer sectors for several reasons: (1) CFL savings for non-residential customers are calculated using a different method than for residential customers and it will not be possible to obtain required information to calculate or verify savings for non-residential customers; and (2) the estimated allocation percentages used for ex-ante savings estimates would be extremely difficult to estimate with reasonable accuracy and it will not be possible to verify the actual percentages for ex-post (verified) savings.

Based on the reasons summarized above and the more detailed description in its Petition, PPL Electric proposes to allocate all CFL Program sales, savings, and costs to the residential customer sector instead of allocating 5% to the small C&I sector and 17% to the low-income sector (costs to the low-income sector would be paid by all residential customers).

2. CHANGES TO THE COST ALLOCATION METHOD RELATED TO "DIRECT PROGRAM COSTS" AND "COMMON COSTS"

"Direct program costs" are those types of expenditures that are directly associated with a specific energy efficiency program. "Common costs" are those types of expenditures that apply to many, if not all programs and cannot be reasonably and directly assigned to a specific program.

During the detailed design and implementation of its EE&C programs and program cost tracking systems and processes, PPL Electric identified several changes to the definition of "common costs" and "direct program costs" compared to the assumptions in the EE&C Plan. The net effect of these changes shifted approximately $6.5 million from the "direct program cost" category to the "common cost" category.

While shifting between "common" and "direct" costs does not change the projected cost of the EE&C Plan as a whole, it does result in minor cost changes between customer sectors. In accordance with the EE&C Plan, common costs are allocated to each customer sector using an allocation factor equal to the percentage of the EE&C costs directly assigned to each customer sector to the total of EE&C costs directly assigned to all customer sectors. These changes result in relatively minor cost shifting (less than 2.5% compared to the original EE&C Plan) between customer sectors. Those cost changes between customer sectors are well within the normal band of estimating uncertainty for the EE&C Plan. Shifting between common and direct cost categories does not impact the benefit-cost ratio of the portfolio and has a minor impact (improvement) on the benefit-cost ratio of some programs because of the lower direct cost of some programs (common costs are excluded from the cost-effectiveness test at the program level; common costs are only addressed at the portfolio level).

Based on the reasons summarized above and the more detailed description in its Petition, PPL Electric proposes to shift approximately $6.5 million from the "direct program cost" category to the "common cost" category.