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June 29, 2012

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: Implementation of Act 129 of 2008
Total Resource Cost (TRC) Test - 2012
Phase II of Act 129
Docket Nos. M-2012-2300653 & M-2009-2108601

Dear Secretary Chiavetta:

Enclosed are the Comments of PPL Electric Utilities Corporation for the above-referenced proceeding.

Respectfully Submitted,

Andrew S. Tubbs

AST/jl
Enclosures
cc: Laura Fusare Edinger (*via E-mail*)
Louise Fink Smith (*via E-mail*)

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of Act 129 of 2008 -	:	**Docket Nos. M-2012-2300653**
Total Resource Cost (TRC) Test- 2012	:	**M-2009-2108601**
Phase II of Act 129		

COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

On May 25, 2012, the Pennsylvania Public Utility Commission ("PUC" or the "Commission") entered a Tentative TRC Order[1] in the above-captioned proceeding. In the Tentative TRC Order, the Commission issued, for public comment, its proposals for modifying the Total Resource Cost Test ("TRC") as part of its second phase ("Phase Two") of the Energy Efficiency and Conservation ("EE&C") Program. PPL Electric Utilities Corporation ("PPL Electric" or the "Company") generally agrees with the Commission's proposals in the Tentative TRC Order. However, the Company proposes certain refinements and requests clarification regarding certain proposals in the Tentative TRC Order.

BACKGROUND

PPL Electric is a public utility and an electric distribution company ("EDC") as defined in Sections 102 and 2803 of the Pennsylvania Public Utility Code, 66 Pa. C.S. §§ 102, 2803. PPL Electric furnishes electric distribution, transmission, and default service provider electric supply services to approximately 1.4 million customers throughout its certificated service

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[1] *Energy Efficiency and Conservation Program*, Tentative TRC Order at Docket Nos. M-2012-2300653 and M-2009-2108601 (Order Entered May 25, 2012) ("Tentative TRC Order").

territory, which includes all or portions of twenty-nine counties and encompasses approximately 10,000 square miles in eastern and central Pennsylvania.

On July 1, 2009, PPL Electric filed its EE&C Plan with the Commission pursuant to Act 129 of 2008, P.L. 1592, 66 Pa. C.S. §§ 2806.1 and 2806.2 ("Act 129") and various related Commission orders. PPL Electric's EE&C Plan includes a broad portfolio of energy efficiency and conservation programs and peak load reduction programs. PPL Electric's portfolio of programs was designed to provide customer benefits and to meet the energy saving and peak load reduction goals set forth in Act 129. The Company's EE&C Plan includes a range of energy efficiency and demand response programs to assist customers in PPL Electric's service territory. These programs are the key components of a comprehensive electric energy efficiency initiative designed to achieve the reduced energy consumption and peak demand reductions required by Act 129.

The Commission approved PPL Electric's EE&C Plan, with modifications, on October 26, 2009.[2] Further revisions were approved on February 17, 2010.[3] On September 15, 2010, PPL Electric filed a petition seeking approval to change certain aspects of the previously approved EE&C Plan. On January 28, 2011, the Commission approved certain modifications to the EE&C Plan, but deferred action on other proposed modifications in order for the Company to file a black-line EE&C Plan illustrating all of the proposed changes.

On February 28, 2011, PPL Electric submitted a compliance filing that included the required black-line version of the EE&C Plan. After reviewing comments and reply comments filed in response to the Company's compliance filing, the Commission approved PPL Electric's

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2 *Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093216 (Order Entered October 26, 2009).

3 *Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093216 (Order Entered February 17, 2010).

compliance filing on May 6, 2011.[4] On May 25, 2012, the Commission approved additional modifications to the EE&C Plan, and on June 14, 2012, as directed by the Commission, PPL Electric filed a revised EE&C Plan reflecting the changes approved on May 25, 2012.

Also on May 25, 2012, the Commission issued its Tentative TRC Order regarding the TRC Test. The TRC Test is required by Act 129 to measure the cost-effectiveness of the EDCs' EE&C plans. In structuring the TRC Test for Phase One of the EE&C program, the Commission used *The California Standard Practice Manual – Economic Analysis of Demand-Side Programs and Projects* as the basis for developing the Pennsylvania TRC Test. The TRC Test was revised in 2011 at Docket No. M-2009-2108601.

PPL Electric continues to support Act 129 EE&C Programs and appreciates the opportunity to provide input regarding this matter. As an EDC operating an EE&C Program, PPL Electric believes that its comments will provide the Commission with a valuable perspective in its evaluation of Phase Two of the EDCs' EE&C Programs.

COMMENTS OF PPL ELECTRIC

PPL Electric generally agrees with most of the proposals in the Tentative TRC Order and provides the following comments on the Commission's recommendations. As discussed in detail below, with these comments the Company seeks refinements and clarifications of certain aspects of the Tentative TRC Order. Specifically, PPL Electric requests that the Commission make the following revisions or clarifications:

- The Commission allow EDCs the option, *i.e.*, not mandatory, of applying outside incentives as a reduction in TRC costs;
- The Commission clarify that EDCs have the option to determine the source(s) of the incremental cost data for their Phase Two EE&C Plan. The source(s) can be the same as the Phase One EE&C Plan with adjustments to reflect information determined

[4] *Id.* (Order Entered May 6, 2011).

during the implementation of Phase One programs, the Commission's Market Potential Study, or other sources;

- The Commission modify its proposed method for determining low-income savings in non low-income programs to allow EDCs the option of using either of the following methods:

  (a) Surveying participants in each non low-income program proposed by the EDC and approved by the Commission; or

  (b) A single allocation factor (for each EDC) specified by the Commission in the Final TRC Order, that is based on the estimated percentage of all residential households that are at or below 250% of Federal Poverty Level from census data or another source.

- The Commission modify its proposed method for reporting low-income costs and benefits;

- The Commission remove its proposed requirement for EDCs to provide a benefit-cost ratio for the low-income sector that includes low-income programs and low-income participants in general residential programs.

Consistent with the Tentative TRC Order, and for ease of reference, the topics addressed in these comments are numbered in the same manner as the topics discussed in the Tentative TRC Order. To the extent that the Company does not have comments on a particular topic, it is stated below.

II. TRC TEST EXPLAINED

PPL Electric has no comments on this section.

III. TRC TEST TOPICS

A. Societal Test as part of the TRC

PPL Electric has no comments with regard to this proposal.

B. Use of TRC Test Assumptions for Other Matters

PPL Electric has no comments with regard to this proposal.

C. Level at Which to Measure TRC

PPL Electric has no comments with regard to this proposal.

D. Cost-Effectiveness Evaluations and Reporting Results and Timing of TRC Reports

PPL Electric has no comments with regard to this proposal.

IV. BENEFITS AND COSTS

A. Basis of TRC Benefits

PPL Electric has no comments with regard to this proposal.

B. Maximum 15-Year Measure Life

PPL Electric has no comments with regard to this proposal.

C. Definition of Incentives in TRC for Energy Efficiency Measures

PPL Electric has no comments with regard to this proposal.

D. Incentive Payments from an EDC

PPL Electric has no comments with regard to this proposal.

E. Incentive Payments from Sources Outside of Act 129

In this proceeding, the Commission seeks to clarify the issue of how tax credits and other incentive payments from sources other than Act 129 programs are addressed in the Phase Two EE&C Programs. Specifically, the Commission proposes that EDCs track all incentives that the customer receives from sources outside of Act 129 EE&C programs and that these incentives, whether they are rebates or tax credits, be reflected in lower program costs and be factored in as a reduction in cost in the EDC's TRC calculation. Tentative TRC Order at 12. This includes rebates, state and federal tax credits, and presumably manufacturer's rebates and discounts.

PPL Electric acknowledges that these non-Act 129 incentives would improve the benefit-cost ratio. However, PPL Electric requests that the Commission not require EDCs to track non-Act 129 incentives received by it customers. Instead, PPL Electric proposes that EDCs be provided with the <u>option</u> to determine whether the potential increase in the benefit-cost ratio merits the impact on customers and the additional costs and resources to obtain, record, and verify all non-Act 129 incentives.

PPL Electric is concerned that it may be impractical or essentially impossible for the EDC to obtain and verify information from customers related to non-Act 129 incentives for two reasons. First, many customers may consider the outside incentive as "confidential" and may be reluctant to provide this information to the EDC, or may not have access to the information when the customer files their Act 129 rebate application or would be concerned that the outside rebate may reduce their eligibility for an Act 129 rebate (even if that is stated otherwise on the Act 129 rebate application). Even if a customer is willing to provide the outside incentive information to the EDC, the customer may not have it at the time of their Act 129 rebate application because they do not have a copy of the outside incentive documentation, have not requested the outside incentive yet, or have not filed their tax return if the outside incentive is a tax credit.

To the extent that EDCs are required to obtain this information and therefore customers are required to provide this information in order to get their Act 129 incentive, customers may choose to forego their Act 129 rebate, which would result in these customers not participating in the EDC's Act 129 programs. Such a result would harm customers and EDCs as the customer would not receive the Act 129 rebate and EDCs would not receive all of the customer's savings for implementing the measure for use in complying with its Phase Two consumption reduction target.

Second, if the customer is able and elects to provide this information to the EDC, verification of the outside incentive would be nearly impossible. For example, the EDC would not request a customer's tax return and would not request a copy of the customer's outside incentive check/prepaid debit card, as many customers would be unlikely to provide the information, especially via a phone survey after they already received their Act 129 incentive.[5] Therefore, the Company requests the Commission to allow EDCs the option of applying outside incentives as a reduction of TRC costs.[6]

F. Incremental Costs

PPL Electric has no comments with regard to this proposal.

G. Incremental Measure Costs Data

The Commission proposes that "EDCs use the Pennsylvania specific measure cost data described above as an optional resource, given that the database for incremental cost is not complete." Tentative TRC Order at 15. PPL Electric requests that the Commission clarify what source is being referenced when it recommends that EDCs use of the "Pennsylvania specific measure cost data." PPL Electric suggests that "Pennsylvania specific measure cost data" means the same sources of incremental costs data that each EDC currently uses for Phase One or uses for their Phase Two EE&C Plan.

H. Avoided Costs of Supplying Electricity

PPL Electric has no comments with regard to this proposal.

I. Transmission, Distribution, and Capacity Costs

PPL Electric has no comments with regard to this proposal.

J. End-Use Adjustments

PPL Electric has no comments with regard to this proposal.

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5 Verification of a random sample of participants is conducted by an EDC's independent evaluator, usually well after the EDC records the transactions and pays the Act 129 incentive to the customer.

6 PPL Electric strongly agrees with the Commission's proposal that the entire savings achieved by a customer be counted toward an EDC's Act 129 compliance, even if the customer receives an outside incentive. In the event that PPL Electric exercises its option to apply outside incentives as a reduction of TRC costs, the Company will use its best efforts to obtain information from customers; however, as noted above, there will be difficulties in obtaining and verify information from customers related to non-Act 129 incentives.

K. Locational, Temporal, and Zonal Differences

PPL Electric has no comments with regard to this proposal.

L. Inclusion or Exclusion of Customer Avoided Operating and Maintenance Costs in the TRC Calculation

PPL Electric has no comments with regard to this proposal.

M. Avoided Costs in the Benefit/Cost Ratios in Approved EE&C Plans

PPL Electric has no comments with regard to this proposal.

N. Fuel Switching

PPL Electric has no comments with regard to this proposal.

O. Compliance with AEPS Act and Carbon Issues

PPL Electric has no comments with regard to this proposal.

V. LOW INCOME TRC TEST CALCULATION GUIDANCE

A. LOW-INCOME ENERGY SAVINGS

By its Tentative TRC Order, the Commission proposes to alter its previously approved method for estimating low-income participation in non low-income programs. Specifically, the Commission proposes that EDCs use "the percentage of confirmed low-income customers, as reported annually by EDCs in the Universal Service Report, as the proxy for estimating low-income savings from non low-income programs." Tentative TRC Order at 4.

The Commission's proposed method differs from PPL Electric's current Commission-approved method. During PPL Electric's Phase One EE&C Plan, the Commission directed PPL Electric to meet with Commission staff and determine the method for estimating PPL Electric's actual low-income savings from participation in non low-income programs.[7] Based upon these discussions, PPL Electric and the Commission agreed that the Company would use its annual

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[7] *Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093216 (Order Entered May 6, 2011).

impact evaluation surveys to determine low-income participation in each non low-income residential program. This approach has and continues to work well for PPL Electric. The method proposed by the Commission in its Tentative TRC Order (a single percentage from the Universal Service Report) is not an accurate or appropriate method to estimate low-income participation in non low-income programs for several reasons.

First, the "percentage of confirmed low-income customers" in the EDCs' Universal Service Report includes only "confirmed" low-income customers. However, the figure does not include "unconfirmed" low-income customers, which are those customers who meet the low-income threshold but have not participated in a PPL Electric low-income program, payment assistance, or have not been income-qualified by PPL Electric. For example, the number of PPL Electric residential customers at or below 150% of the Federal Poverty Income Guidelines is 313,241, based on U.S. Census data. The number of PPL Electric residential customers participating in low-income programs as of December 31, 2011 was 97,205 (OnTrack = 34,308, LIHEAP = 55,269, WRAP = 3,197, and Act 129 WRAP = 4,431). Importantly, the number of residential customers participating in low-income programs noted above, includes residential customers that participate in more than one low-income program. Therefore, there is a large difference between the number of customers that are at or below 150% of the Federal Poverty Income Guidelines in the service territory and the number of confirmed participants in the low income programs, *i.e.*, there is a substantial number of "unconfirmed" low-income customers. These "unconfirmed" low-income customers are "low income" and should be counted as "low-income participation in non low-income programs." Therefore, the "percentage of confirmed low-income customers" figure proposed by the Commission will significantly underestimate the percentage of low-income customers.

Second, the "percentage of confirmed low-income customers" figure proposed by the Commission includes only those confirmed low-income customers who are below 150% of the Federal Poverty Income Guidelines. Although this is consistent with the operations of the Phase One EE&C Plans, it is inconsistent with the Commission's recent Phase Two EE&C Program Tentative Implementation Order, which permits EDCs to include customers who are at or below 250% of the Federal Poverty Income Guidelines to be counted toward "low-income." [8]

Third, regardless of the accuracy or source of the single percentage value (such as the value derived from Table 1 in the low-income Working Group Report, or the percentage of confirmed low-income customers as reported in the EDCs' Universal Service Report, or the percentage of low-income households from census data, or any other method), it is not appropriate to use a single percentage to estimate low-income participation in all general residential programs. The percentage of low-income customer participation will likely vary significantly from program to program, especially considering the initial cost of the measure involved. For example, one would expect to find higher low-income participation in a CFL program than an HVAC replacement or home insulation program because the initial out-of-pocket cash outlay is so much less for a CFL. PPL Electric's current method for Phase One, which is approved by the Commission, relies on customer surveys conducted by PPL Electric's independent evaluator to calculate the percentage of low-income participants in each program's overall participant population. This method is a more accurate and more appropriate method to estimate low-income participation in each general residential program. Using a single allocation factor as proposed in the Tentative TRC Order to estimate low-income participation in general residential programs would be arbitrary and would likely provide inaccurate results.

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[8] *Energy Efficiency and Conservation Program*, Docket Nos. M-2012-2289411 and M-2008-2069887 (Order entered on May 11, 2012).

Fourth, the method proposed by the Commission is inconsistent with the Commission's proposal for Low Income Costs and Benefits Reporting. Tentative TRC Order at 25. There the Commission proposes that "the proportion of savings derived from low-income-specific versus general residential will be explicitly stated." *Id.* That proposal appears to allow EDCs to determine the method used to estimate low-income savings in non low-income programs, which is inconsistent with the proposed "percentage of confirmed low-income customers" requirement.

For the reasons described above, PPL Electric requests that the Commission allow EDCs the option of using either of the following methods to estimate low-income participation in non low-income programs:

- Surveying participants in each non low-income program proposed by the EDC and approved by the Commission; or[9]
- A single allocation factor (for each EDC) specified by the Commission in the Final TRC Order, that is based on the estimated percentage of all residential households that are at or below 250% of Federal Poverty Level from census data or another source.

B. Low-Income Costs and Benefits Reporting

The Commission proposes that EDCs shall report the following additional information in their EE&C Plan annual reports:

1. Low-income savings, including savings from general residential programs, in the "Overview of Portfolio" section. The proportion of savings derived from low-income-specific versus general residential will be explicitly stated and all applicable tables in this section will include a similar delineation.
2. The "Portfolio Results by Sector" low-income section will similarly delineate and sum to a sector total.
3. The "Portfolio Results by Program" portion of the annual report will include a new section that estimates costs and benefits and calculates a TRC for low-

9 This is consistent with PPL Electric's currently approved method for Phase One.

income savings from general residential programs. A footnote should indicate how costs are estimated.

4. The "Portfolio Results by Program" portion of the annual report will include a new section that sums costs and benefits from low-income-specific and general residential low-income. A TRC Test result for the low-income sector will be calculated.

PPL Electric has no comments on items 1 and 2 above.

PPL Electric suggests that item 3 be revised to read as follows:

> The "Portfolio Results by Program" portion of the annual report will include a new section that estimates costs and benefits for low-income savings from general residential programs. Notes should indicate how costs and benefits are estimated, whether fixed costs are included, and a note that the costs and benefits are estimates and should be used for informational purposes only.

This wording deletes the requirement for a low-income TRC (explained further below), clarifies that the new section of the report is for low-income savings in general residential programs, and adds a note that helps readers of the report to better understand that the costs and benefits of low-income participation in general residential programs is an estimate and should be used for information purposes, *i.e.*, not assumed to be precise.

PPL Electric suggests deleting item 4. Some of the information requested in this item, such as the separate section of the annual report that includes estimated costs and benefits for low-income savings from general residential programs, is addressed in PPL Electric's proposed revisions to item 3 above. However, PPL Electric does not support the Commission's proposal to require a separate TRC (benefit-cost calculation) for the low-income customer sector (low-income plus low-income participation in non low-income programs) for several reasons.

First, the benefit-cost ratio will always be the same for the low-income and non low-income portions of a general residential program because the costs[10] and the benefits are the same for low-income participants as for non low-income participants in the same program. Since participants in general residential programs will not be specifically identified as "low-income" or "not low-income," low-income participation in general residential programs will be estimated by one of the methods previously discussed, such as a percentage "slice" of general residential programs. Therefore, each "slice" will inherently have the same costs and benefits per measure, and the same benefit-cost ratio.

Second, sector-specific TRCs are not required for any other customer sector. TRCs are done for programs and for the entire portfolio; the latter is the basis for compliance with Act 129's "cost-effectiveness" requirement. If TRCs are required for programs and for sectors, it will require significant additional work by EDC evaluators to conduct sector-specific TRC evaluations and it will be very difficult to allocate fixed program costs to the sectors.

VI. NET-TO-GROSS ADJUSTMENTS

A. NET-TO-GROSS (NTG) ADJUSTMENTS TO SAVINGS

PPL Electric has no comments with regard to this proposal.

VII. DEMAND RESPONSE

A. INCLUSION OF DEMAND RESPONSE

PPL Electric has no comments with regard to this proposal.

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10 TRC costs are primarily the incremental cost of the measure which includes participant costs and EDC costs. The incremental cost is not impacted by the magnitude of the incentive for most general residential-type measures.

CONCLUSION

For the reasons set forth above, PPL Electric Utilities Corporation respectfully requests that the Commission take these Comments into consideration in preparing its Final TRC Order.

Respectfully submitted,

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Date: June 29, 2012

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