

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

555 Walnut Street, 5th Floor, Forum Place
Harrisburg, Pennsylvania 17101-1923
(717) 783-5048
800-684-6560

FAX (717) 783-7152
consumer@paoca.org

February 20, 2015

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

Re: Petition of PPL Electric Utilities
Corporation for Approval of its Act 129
Phase II Energy Efficiency and
Conservation Plan
Docket No. M-2012-2334388

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Comments in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully submitted,

A handwritten signature in cursive script that reads "Amy E. Hirkis".

Amy E. Hirkis
Assistant Consumer Advocate
PA Attorney I.D. # 310094

Attachment

cc: Office of Administrative Law Judge
Certificate of Service

202213

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities :
Corporation for Approval of its Act 129 : Docket No. M-2012-233438
Phase II Energy Efficiency and :
Conservation Plan :

COMMENTS OF THE
OFFICE OF CONSUMER ADVOCATE

Amy E. Hirakis
Assistant Consumer Advocate
PA Attorney I.D. #310094
E-Mail: AHirakis@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

February 20, 2015

I. INTRODUCTION

On January 21, 2015, PPL Electric Utilities Corporation (PPL or Company) filed a Petition of PPL Electric Utilities Corporation for Approval of Changes to its Act 129 Phase II Energy Efficiency and Conservation Plan (Petition) with the Pennsylvania Public Utility Commission (Commission), seeking approval of 22 “minor” and “non-minor” modifications to its Phase II Act 129 Energy Efficiency and Conservation Plan (Phase II EE&C Plan). Although PPL’s proposed changes include both minor and non-minor changes, PPL requested that its Petition be reviewed under the procedural schedule established for “non-minor” changes. Petition at 2. As such, interested parties have 30 days to file comments or answers to PPL’s Petition. See Energy Efficiency and Conservation Program, Docket No. M-2008-2069887 (Order entered June 10, 2011). Parties then have 20 days to file reply comments, after which the Commission will determine whether to rule on the proposed changes or refer the matter to the Office of Administrative Law Judge for hearings. Id.

The Office of Consumer Advocate (OCA) submits these Comments in response to PPL’s Petition for the Commission’s consideration. The OCA is not requesting that this matter be referred to the Office of Administrative Law Judge for litigation at this time, but the OCA does submit that the Company should provide further justification for some of its proposed modifications in the residential program. The OCA will highlight below the concerns it has identified with some of PPL’s proposed modifications to the residential programs.

II. COMMENTS

On January 21, 2015, PPL filed a Petition with the Commission seeking approval to amend its Phase II EE&C Plan. In its Petition, PPL proposed 22 modifications, which it asserted are designed to:

enable the Company to meet its Phase II compliance targets within its Phase II budget, to avoid exhausting the Small C&I customer sector budget and closing the program up to one year before the end of Phase II, to provide an enhanced mix of measures (especially non-lighting), to promote emerging technologies, to reduce free-ridership with certain measures/programs, to comply with the updated 2014 TRM, to provide the Company with valuable market information needed to help plan for Phase III, to incorporate PY5 evaluation results and recommendations from the Company's PY5 Final Annual Report, and to continue to offer an equitable mix of programs, savings, and costs across customer sectors.

Petition at 6 (footnotes omitted). PPL stated that these proposed changes were developed by the Company through: "(1) its experience; (2) input from stakeholders, trade allies, CSPs, and program participants; (3) PY5 evaluation results and recommendations from PPL Electric's independent evaluator; and (4) its ongoing coordination activities with other Pennsylvania EDCs." Petition at 7.

The overall effect of PPL's proposed changes would be an increase in expected savings from 615,695 MWh/yr. to 629,326 MWh/yr., and a decrease in the overall budget of approximately \$1.8 million. Petition, Tables 1, 5. The Residential customer class as a whole would receive an increase in its budget of approximately \$3.4 million. Petition, Table 5. The non-low income Residential program budget would decrease by approximately \$800,000, from \$66.2 million to \$ 65.4 million, and the Low Income Residential program budget would increase by about \$4.2 million. Petition, Table 5. In terms of savings, the expected savings from the Residential class as a whole would be reduced by approximately 20,000 MWh/yr. Petition, Tables 1. The OCA supports PPL's efforts to continue to improve its energy efficiency programs by using the latest information and technologies available, and does not object to the Residential Customer Class receiving an increase to its budget if changes to the existing Phase II EE&C Plan are reasonable, cost-effective and fully supported.

In reviewing PPL's Petition, however, the OCA identified areas in which it believes additional information from the Company may be needed for the Commission to properly

evaluate whether PPL's proposed changes are warranted and reasonable.¹ In addition, some changes do not appear to be justified. In these Comments, the OCA will highlight the areas where additional information from PPL could be helpful to the Commission to use in determining whether the proposed change should be approved or denied.

A. Proposed Modifications to the Residential Retail Program

1. Introduction

PPL has made a number of proposed changes to the Residential Programs. If these changes are approved by the Commission, savings from the Residential customer class programs will decrease from 275,710 MWh/yr. to 255,624 MWh/yr., while at the same time the costs to residential ratepayers would increase by \$3.4 million. Petition, Tables 1, 5. The majority of this reduction in savings stems from PPL's proposal to decrease the estimated savings in the lighting component of the Residential Retail Program. Petition at 10. PPL proposes to reduce the saving estimates for LED bulbs in the Residential Retail Program to be more consistent with the projected participation levels and the CSP's contract for the quality and types of LED bulbs. Petition at 10. The increased cost to the Residential customer class is a result of PPL's proposal to increase participation levels and to add more comprehensive low income measures to the low income programs. See Black-line EE&C Plan at 91-106. While the Company's proposed changes to the low income programs do not make up for the decreased expected savings from the Residential customer class as a whole, the OCA supports adding more comprehensive measures to the low income programs as long as the programs remain cost-effective.

2. LED Lighting

¹ The OCA notes that in reviewing PPL's Petition, the OCA focused only on the proposed changes to the Residential and low income programs.

With regard to the Low Income customers receiving 45,000 LED bulbs at no direct cost, PPL does not describe how those LED lights will be distributed to low-income customers. PPL should specify the types of bulbs that will be distributed and the method of distribution. The OCA submits that this proposed change appears reasonable; however a well thought-out delivery procedure is needed to ensure that the LED lights are placed appropriately and are put into service in high use sockets in the living quarters of low-income customers.

3. Heat Pump Water Heaters

The OCA noted in its review of the Petition that PPL is reducing the number of heat pump water heaters in the Residential Retail program. The minimum energy efficiency factor requirement for the heat pump water heaters is an energy factor of 2.3. See Black-line EE&C Plan, Table E3A. According to the current list of qualifying Energy Star certified heat pump water heaters, however, there are numerous heat pump water heaters that have an energy factor in excess of PPL's 2.3 minimum requirement. In the list of qualified manufacturers the upper tier now includes a considerable number of models in excess having an EF of 3.0 or higher. If PPL is adjusting its participation rate downward it should also consider updating its eligibility requirements to generate more savings per unit installed. It is likely that for a similar amount of customer rebate levels and program expense a program change requiring heat pump water heaters to have an energy factor of 3.0 or higher (or a minimum 2.75) could deliver much higher savings values even with reduced participation. This no-program-cost eligibility change would most likely generate greater savings for no additional amount of customer incentive program costs and should be considered along with the reduction in the participation rate.

B. Modifications to the Home Comfort Program

PPL proposes to add a sales promotion incentive of up to \$500 for high efficiency air source heat pumps and ductless heat pumps, as well as change the rebate amounts in the Home Comfort Program from \$100-\$250 to \$50-\$2,000. Petition at 11. Currently, the overall economics of this program fails the TRC test with a benefit-cost ratio of 0.49. See Black-line EE&C Plan, Table F6. PPL's proposed changes to this program will slightly improve the benefit-cost ratio of this program to 0.63. Id. The fact remains, however, that this program will continue to be inefficient even if the proposed changes are approved. From the OCA's review of the Petition and Black-line EE&C Plan, this proposed change is not justified and more closely resembles a load growth program more than an energy efficiency program. As such, the OCA does not support shifting costs to this aspect of the program at this time.

PPL also proposes to decrease the energy efficiency rating of energy efficient systems that would be eligible for rebates in its program. See Black-line EE&C Plan, Table F3. As shown in Table F3, PPL proposes lowering the standards from a minimum SEER of 15-16 downward to SEER 13 in PY5 and PY6 and SEER 14 in PY7. The incentive remains unchanged at \$200-\$300. No justification has been provided in support of this lower energy efficiency standard. In addition, Table F3 identifies a change in the rebate level (Builder Package) for Heat Pump Water heater from a maximum of \$2,000 up to \$3,000. Since this program already is unable to pass the TRC test, PPL should provide the Commission with information to justify its proposal to increase the rebate level.

PPL also proposes to give away a manufactured home as a customer incentive. Petition at 14. The cost of a manufactured home, however, has not been provided. The OCA submits that PPL should provide the cost details of such a give-away so that the Commission has the opportunity to assess whether this is an efficient use of the budget, or if other incentives such as

retrofitting a manufactured home, or providing highly efficient and long lasting measures would be more reasonable and effective.

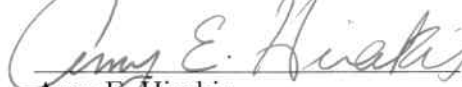
C. Adjust the Portfolio's Common Costs

PPL proposes to increase the common costs from \$35.262 million to \$36.062 million. Increasing the common costs budget takes money from the program direct costs. There has been no justification for that increase in common costs, which add to the program costs without generating commensurate savings. It is noteworthy that the residential budget was cut by \$800,000, which consisted of \$1.15 million cut to direct residential program costs offset by an increase in common costs allocated to the residential program. In other words, the direct residential program costs (which produce program results) were reduced more sharply, but the common costs (which do not directly produce program results) allocated to the residential programs were increased. Hence, there is more money for PPL to administer the residential programs, but less money for the direct program incentives (e.g., rebates to customers). The OCA submits that this is a proposed change that should be carefully reviewed by the Commission.

III. CONCLUSION

The OCA submits that, while it is not requesting a hearing in this proceeding at this time, the Company should provide additional information with its filing to allow the Commission to determine if PPL's proposed changes should be approved.

Respectfully Submitted,



Amy E. Hirakis
Assistant Consumer Advocate
PA Attorney I.D. # 310094
E-Mail: AHirakis@paoca.org

Counsel for:
Tanya J. McCloskey
Acting Consumer Advocate

Office of Consumer Advocate
555 Walnut Street 5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152

February 20, 2015

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CERTIFICATE OF SERVICE

Petition of PPL Electric Utilities Corporation :
For Approval of its Act 129 Phase II : Docket No. M-2012-2334388
Energy Efficiency and Conservation Plan :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Comments upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 20th day of February 2015.

SERVICE BY E-MAIL and FIRST CLASS MAIL

Paul E. Russell, Esquire
PPL Electric Utilities Corporation
Office of General Counsel
Two North Ninth Street GENTW3
Allentown, PA 18106

David B. MacGregor, Esquire
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Blvd.
Philadelphia, PA 19103-2808
Counsel for PPL Electric Utilities Corp.

Devin T. Ryan, Esquire
Post & Schell, P.C.
17 North Second Street, 12th Fl.
Harrisburg, PA 17101-1601
Counsel for PPL Electric Utilities Corp.

Elizabeth Rose Triscari, Esquire
Office of Small Business Advocate
Commerce Building, Suite 1102
300 North Second Street
Harrisburg, PA 17101

Kevin McKeon, Esquire
Julia A. Conover, Esquire
Christopher M. Arfaa, Esquire
Hawke McKeon & Sniscak
100 North Tenth Street
P.O. Box 1778
Harrisburg, PA 17105-1778
Counsel for UGI Gas, UGI PNG & UGI CPG

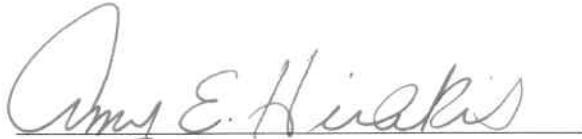
Harry S. Geller, Esquire
Patrick Cicero, Esquire
PA Utility Law Project
118 Locust Street
Harrisburg, PA 17101-1414
Counsel for CAUSE-PA

Craig R. Burgraff, Esquire
Hawke McKeon & Sniscak, LLP
100 North Tenth Street
P.O. Box 1778
Harrisburg, PA 17105-1778
Counsel for the Sustainable Energy Fund

Joseph L. Vullo, Esquire
1460 Wyoming Avenue
Forty Fort, PA 18704

Pamela C. Polacek, Esquire
Adeolu A. Bakare, Esquire
McNees Wallace & Nurick LLC
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
Counsel for PPLICA

Derrick Price Williamson, Esquire
Barry A. Naum, Esquire
Spilman, Thomas & Battle, PLLC
1100 Bent Creek Blvd., Suite 101
Mechanicsburg, PA 17050
Counsel for Wal-Mart and Sams



Amy E. Hirakis
Assistant Consumer Advocate
PA Attorney I.D. # 310094
E-Mail: ahirakis@paoca.org

Counsel for
Office of Consumer Advocate
555 Walnut Street
5th Floor, Forum Place
Harrisburg, PA 17101-1923
Phone: (717) 783-5048
Fax: (717) 783-7152
163283

Heather Langeland, Esquire
PennFuture
200 First Ave., Suite 200
Pittsburgh, PA 15222
Counsel for PennFuture

Carl Shultz, Esq.
Eckert Seamans Cherin & Mellott, LLC
213 Market St., 8th Floor
Harrisburg, PA 17101