**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

 Public Meeting held October 26, 2017

Commissioners Present:

Gladys M. Brown, Chairman

Andrew G. Place, Vice Chairman

David W. Sweet

John F. Coleman, Jr.

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| Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan | M-2015-2515642 |

**OPINION AND ORDER**

**BY THE COMMISSION:**

# I. Matter Before the Commission

 Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Petition of PPL Electric Utilities Corporation (PPL or the Company) for Approval of Changes to its Act 129 Phase III Energy Efficiency and Conservation Plan (Petition) filed on June 6, 2017, in the above-captioned proceeding. The Petition seeks approval of thirteen proposed modifications, both “major” and “minor”, under the major change process set forth in the Commission’s Order in *Energy Efficiency and Conservation Program*, Docket No. M-2008-2069887 at 20-21 (Order entered June 10, 2011) (*Minor Plan Change Order*). On July 6, 2017, Comments in response to the Petition were filed by the Office of Consumer Advocate (OCA), the PP&L Industrial Customer Alliance (PPLICA), the Pennsylvania Energy Efficiency for All Coalition (PA-EEFA) and the Keystone Energy Efficiency Alliance (KEEA). On July 26, 2017, Reply Comments were submitted by PPL and PPLICA. For the reasons stated herein, we will grant, in part, PPL’s Petition.

# II. Procedural History

On November 30, 2015, PPL filed a Petition for approval of its Act 129 Phase III Energy Efficiency and Conservation (EE&C) Plan (Phase III Plan). A number of Parties intervened in the proceeding and written testimony was filed. On January 29, 2016, an evidentiary hearing was held, at which the Parties moved their respective testimonies and exhibits into the record.

By Opinion and Order entered March 17, 2016, in the above-captioned proceeding (*March 2016 Order*)*,* the Commission approved PPL’s Phase III Plan with modifications. On April 22, 2016, PPL filed a Revised Phase III Plan, pursuant to the *March 2016 Order*. On May 24, 2016, PPL filed an Errata to the Revised Phase III Plan.

The Commission approved PPL’s revised plan, as amended, on June 20, 2016. *See June 2016 Secretarial Letter*.

 On September 21, 2016, PPL filed a Petition for Approval of a Minor Change to its Phase III Plan (*Minor Change Petition*). In its Minor Change Petition, PPL sought approval to modify the eligibility requirements for measures implemented in the Custom Program of the Company’s Phase III Plan. PPL asserted that the requested change would have no effect on any budget, savings, or TRC Test figures in its Phase III Plan. Thus, PPL requested that the Commission review the proposed change pursuant to the expedited review process set forth in *Energy Efficiency and Conservation Program*, Docket No. M‑2008-2069887 (Final Order entered June 10, 2011) (*Minor Plan Change Order*). Minor Change Petition at 1-2.

 On October 26, 2016, the Commission issued a Secretarial Letter stating that, in accordance with the *Minor Plan Change Order*, the period for consideration of PPL’s Minor Change Petition was being extended until November 4, 2016, to allow Commission Staff adequate time to review the Minor Change Petition, Comments and Reply Comments.[[1]](#footnote-1)

 On November 4, 2016, the Commission issued the *November 2016 Secretarial Letter* through which Commission Staff granted PPL’s Minor Change Petition and approved the minor change proposed therein. PPL was directed to file a revised EE&C Plan with the Commission’s Secretary, consistent with the *November 2016 Secretarial Letter*, within thirty days of the date of the *November 2016 Secretarial Letter*, and to post the revised EE&C Plan on the Company’s website. *November 2016 Secretarial Letter* at 4.

 On November 14, 2016, PPLICA filed a Petition for Reconsideration of Staff Action requesting that the determination in the *November 2016 Secretarial Letter* be reversed. On November 28, 2016, PPL filed an Answer to PPLICA’s Petition. In an Order entered on January 26, 2017, the Commission denied PPLICA’s Petition for Reconsideration of Staff Action.

As previously noted, PPL filed the instant Petition on June 6, 2017. On July 6, 2017, Comments in response to PPL’s Petition were received from the OCA, PPLICA, PA-EEFA and KEEA. On July 26, 2017, PPL and PPLICA submitted Reply Comments.

# III. Discussion

## **Legal and Procedural Standards**

The expedited process for reviewing electric distribution companies’ (EDCs’) requests for minor changes to their Act 129 EE&C Plans was established in the *Minor Plan Change Order*. *See Minor Plan Change Order* at 18-20. Minor EE&C Plan changes that can be reviewed under the expedited review process are defined as follows:

1. The elimination of a measure that is underperforming, no longer viable for reasons of cost-effectiveness, savings or market penetration or has met its approved budgeted funding, participation level or amount of savings;

2. The transfer of funds from one measure or program to another measure or program within the same customer class; and

3. Adding a measure or changing the conditions of a measure, such as its eligibility requirements, technical description, rebate structure or amount, projected savings, estimated incremental costs, projected number of participants, or other conditions so long as the change does not increase the overall costs to that customer class.

*Id*. at 19-20.

Also, within that Order, the Commission stated that EDCs seeking approval of changes that do not fit within the Minor EE&C Plan change criteria must file a petition requesting that the Commission rescind and amend its prior order approving the plan in accordance with 52 Pa. Code §§ 5.41 (relating to petitions generally) and 5.572 (relating to petitions for relief). The Commission stated that this petition should explain the specific reasons supporting the proposed modifications, evidence supporting the modifications to the plan and cost recovery mechanism. The Commission directed that the petition be served on all parties, who will have thirty days to file comments, an answer or both. Further, the Commission directed that all parties would then have twenty days to file reply comments, after which it will determine whether to rule on the changes or refer the matter to an Administrative Law Judge for hearings and a recommended decision. *Minor Plan Change Order* at 20.

In the instant Petition, PPL requests Commission approval of thirteen modifications, both major and minor, to its Phase III EE&C Plan. PPL states that although some of the modifications it has proposed constitute a “minor” change, the Company is submitting its proposed modifications in a single petition and requested that the Commission review the modifications under the procedures for changes that do not meet the minor change criteria as set forth in the *Minor Plan Change Order*. According to PPL, it submitted a single petition to ensure that the Commission and any interested parties have a complete representation of all the proposed changes in a single EE&C Plan and a single petition to better illustrate the collective impacts of all the changes proposed by the Company. Petition at 1-2.

Finally, we note that any issue that we do not specifically delineate shall be deemed to have been duly considered and denied without further discussion. It is well settled that the Commission is not required to consider expressly or at length each contention or argument raised by the parties. [*Consolidated Rail Corp. v. Pa. PUC,* 625 A.2d 741 (Pa. Cmwlth. 1993);](file://C:\research\buttonTFLink?_m=69761b6202cb4178e2a6e6fe02f5751b&_xfercite=%3ccite%20cc=%22USA%22%3e%3c!%5bCDATA%5b2000%20Pa.%20PUC%20LEXIS%2067%20%5d%5d%3e%3c\cite%3e&_butType=3&_butStat=242&_butNum=5&_butInline=1&_butinfo=%3ccite%20cc=%22USA%22%3e%3c!%5bCDATA%5b625%20A.2d%20741%5d%5d%3e%3c\cite%3e&_fmtstr=FULL&docnum=5&_startdoc=1&_startchk=1&wchp=dGLSzS-lSlbz&_md5=ad2b02d95c2a9216e83b92a3570d4785) *also see, generally,* [*University of Pennsylvania v. Pa. PUC*, 485 A.2d 1217 (Pa. Cmwlth. 1984).](file://C:\research\buttonTFLink?_m=69761b6202cb4178e2a6e6fe02f5751b&_xfercite=%3ccite%20cc=%22USA%22%3e%3c!%5bCDATA%5b2000%20Pa.%20PUC%20LEXIS%2067%20%5d%5d%3e%3c\cite%3e&_butType=3&_butStat=242&_butNum=6&_butInline=1&_butinfo=%3ccite%20cc=%22USA%22%3e%3c!%5bCDATA%5b485%20A.2d%201217%5d%5d%3e%3c\cite%3e&_fmtstr=FULL&docnum=5&_startdoc=1&_startchk=1&wchp=dGLSzS-lSlbz&_md5=9b1cc8319afd12440738bb82d74455ef)

## **PPL’s Petition**

In its Petition, PPL states that after receiving Commission approval of its Phase III EE&C Plan, it continued to fine tune its key assumptions and the mix of measures and programs for its Phase III EE&C Plan. PPL asserts that it has benefitted from almost a year of Phase III program delivery, additional market research, evaluation results and input from stakeholders about desired changes, including pilots and adjustments to rebates and measures. Also, PPL notes that it met with stakeholders in December of 2016 to review some potential Phase III EE&C Plan changes and to obtain their input. As a result, PPL proposes the following changes to its Phase III EE&C Plan in this Petition:

1. Allow for a potential residential demand response measure within the Demand Response Program to help achieve the demand response MW target during a given event or all events. (Major Change)
2. Allow for a potential residential behavioral demand response measure within the Home Energy Education Program to increase peak demand reductions, with no

change in savings or costs to program or any customer sector. (Minor Change)

1. Combine the budgets and savings for the nonresidential custom and efficient equipment programs into a single program, with no net change in savings or costs to any customer sector. (Major Change)
2. Add a new construction measure to the Low-Income Winter Relief Assistance Program ("WRAP"), with no change in savings or costs to program or any customer sector. (Minor Change)
3. Add a non-electric water heater measure and custom measures to the Energy Efficient Home Program, with no change in savings or costs to program or any customer sector. (Minor Change)
4. Clarify that the new construction component of the Energy Efficient Home Program includes multifamily housing. (Minor Change)
5. Adjust the incentive ranges for refrigerators under the Energy Efficient Home Program, with no change in savings or costs to program or any customer sector.

(Minor Change)

1. Modify the insulation measure offered under the Energy Efficient Home Program, with no change in savings or costs to program or any customer sector. (Minor

Change)

1. Adjust the number of projected participants for the Home Energy Education Program, with no change in savings or costs to program or any customer

sector. (Minor Change)

1. Allow for enhanced incentives for localized energy efficiency or demand reduction to be offered as a pilot under the Appliance Recycling, Energy Efficient Home,

Demand Response, and Nonresidential Energy Efficiency Programs, with no change in savings or costs to program or any customer sector. (Minor Change)

1. Combine some common cost categories and change the estimated cost of some common cost categories with no net change to the total common costs. (Minor

Change)

1. Change some incentive levels from specific amounts to “up to” certain amounts, which will provide more flexibility to adjust incentives based on changing market conditions. (Minor Change)
2. Make some grammatical and editorial changes to correct or clarify wording in the EE&C Plan. (Minor Change)

Petition at 4-6.

 PPL asserts that the proposed changes are reasonable and are designed, among other things, to enable the Company to meet its Phase III compliance targets within its Phase III budget, to help address evaluation uncertainties associated with the Demand Response Program, to provide greater flexibility to the Company’s trade allies and customers, to provide additional funding for the tracking system, to reduce the estimated cost for plan development and to add measures and more flexible incentive levels for some existing measures. According to PPL, the proposed changes do not change the total estimated savings or the total estimated cost of the EE&C Plan. PPL points out that the only potential change to the cost or savings for customer sectors is if the Company ultimately implements a residential demand response component within the Demand Response Program. However, PPL opines that potential cost change is relatively small, up to $2.5 million of additional residential costs, an increase of approximately two percent, and a commensurate decrease in nonresidential costs. Petition at 6-7.

1. **Comments By Issue**
2. **Allow for a potential residential demand response measure within the Demand Response Program to help achieve the demand response MW target during a given event or all events. (Major Change)**
3. **PPL Petition**

In its Petition, PPL proposes to change its Demand Response (DR) Program to enable the Company to implement a residential load curtailment measure, air conditioner cycling, if potentially needed to meet the Company’s peak demand reduction requirements. PPL explains that its Demand Response conservation service providers (CSPs) would contract with a Residential Demand Response CSP for up to $2.5 million of the program’s budget to achieve up to 15 MW of peak reductions from residential customers who currently have the necessary devices installed at their homes. According to PPL, the total estimated cost, the cost-effectiveness and the total estimated peak reductions of the Demand Response Program would not change significantly if the Company ultimately implements the measure. Also, PPL asserts that this measure will only be implemented if it ultimately determines that the additional peak demand reductions from residential load curtailment may be necessary for the Company to achieve its peak demand requirements. PPL notes that it would provide a thirty-day notice to interested parties, stakeholders and customers of its intent to implement the measure. Petition at 8-11.

1. **Comments and Replies**

In its Comments, the OCA states that it generally supports the inclusion of residential demand response programs as part of a well-rounded EE&C plan. As such, the OCA commends PPL for seeking to expand its demand response program to include residential demand response. However, the OCA submits that PPL should be required to supply additional details about its proposal before this modification is approved. The OCA points out, for example, that PPL’s Petition does not address what incentives will be offered to residential customers whose air conditioners are cycled during a demand response event. Also, the OCA avers that PPL does not address the TRC of this program. OCA Comments at 3-4.

In its Comments, PA-EEFA states that it supports this proposed change with some conditions. First, PA-EEFA states that neither PPL’s Petition nor the attached Plan clearly states how PPL or its CSP will ensure that participants in previous residential DR programs would agree to continue to participate in this phase of its DR program. PA-EEFA notes that while PPL avers that no new customers will be solicited, it is essential that customers who had previously participated in the program be informed that they may be called upon again for load curtailment. PA-EEFA maintains that PPL’s proposed solution of providing thirty-days’ notice is insufficient for purposes of informing potential targets of the direct load control that they are still being counted on to provide DR peak demand reduction. According to PA-EEFA, prior to approval of this change, PPL should be required to outline the steps it will take to notify participants with installed devices that they may be asked to participate at some point in the future. PA-EEFA asserts that this communication should also clearly and plainly inform customers of their ability to exit this program, and how they may opt out if they no longer wish to participate. PA-EEFA Comments at 4-5.

In reply, PPL states that with respect to the OCA’s request, it expects that the incentive ranges for the residential load curtailment measure, if implemented, will be approximately $10-20 per summer. PPL notes that this incentive would be in addition to any incentives the customer receives through the PA Peak Saver Program, which is not administered by PPL. Furthermore, PPL asserts that the additional measure would not materially affect the total resource cost (TRC) benefit-cost ratio for the Demand Response Program. If the measure is implemented, PPL estimates that the TRC benefit-cost ratio would change from 1.9 to 1.8. PPL Reply Comments at 3-4.

Also, PPL states that it shares PA-EEFA’s concerns and agrees with its recommendations. According to PPL, if the Company implements the residential load curtailment measure, it would reach out to the potential participants and explain the requirements to participate in Phase III, the incentives offered and the way in which customers can opt-out of the entire program or specific events. After explaining these aspects of the measure to the participants, PPL points out that it would ask if they are interested in participating. PPL maintains that none of the existing participants in the PA Peak Saver Program would be forced to participate in PPL’s residential load curtailment measure, if implemented. PPL Reply Comments at 4-5.

1. **Disposition**

Upon our review of PPL’s proposal, the Comments filed thereto, as well as PPL’s Reply Comments, we shall approve this Major Change to PPL’s Phase III EE&C Plan, as clarified by PPL in its Reply Comments. We are convinced by the position of PPL that the potential addition of a residential demand response measure will help ensure that the Company meets all its demand response compliance obligations in a timely manner. We further find that PPL has sufficiently responded to the concerns expressed by the OCA and PA-EEFA in their Comments, noting that both entities expressed their support for the inclusion of this residential demand response measure.

**2. Allow for a potential residential behavioral demand response measure within the Home Energy Education Program to increase peak demand reductions, with no change in savings or costs to program or any customer sector. (Minor Change)**

1. **PPL Petition**

In its Petition, PPL proposes to change its Home Energy Education Program to permit the Company to implement a residential behavioral demand response measure if potentially needed to meet the Company’s peak demand reduction requirements. PPL states that it plans to include an option to provide residential customers with additional messaging and tips about how to reduce peak demand as part of their Home Energy Reports (HERs). Such messaging and tips would be sent before and during a demand response event to help reduce peak demand per PPL. According to PPL, this measure would cost up to $400,000 to implement, but its cost would be absorbed fully within the existing budget for this program. PPL estimates that, if implemented, this measure would provide up to 5 MW of additional peak load reductions. Also, PPL notes that as with the potential residential load curtailment measure, the Company is not seeking to implement the behavioral demand response measure now. Rather, PPL is requesting authority to implement this measure if it decides to do so in the future. Petition at 11-12.

**b. Comments and Replies**

In its Comments, the OCA states that it is not opposed to this program, but submits that this type of program must be closely monitored and evaluated to determine its effectiveness. The OCA states that, if PPL implements this proposal, it should be required to review the actual, verified savings achieved from the residential behavioral demand response programs with the stakeholders at the end of the first program year in which the measure is implemented. The OCA asserts that if the measure is not achieving the expected level of savings at the end of the first program year in which the measure is implemented, then PPL should be required to convene a meeting with the stakeholders to discuss what strategies could be implemented to address any concerns related to the residential behavioral demand response measure. The OCA opines that this will help to ensure that the measure is effective going forward. OCA Comments at 4-5.

In its Comments, PA-EEFA states that it does not endorse the proposed change, and would rather that these dollars be allocated to achieving energy savings that result in meaningful bill reductions for participating households; that is, in the direct installation of energy efficiency measures, as opposed to short-term savings such as those produced by HERs. PA-EEFA asserts that while HERs provide verifiable savings in the aggregate, they provide relatively small savings at the household level. PA-EEFA explains that these programs provide a promise of savings that may or may not materialize. PA-EEFA believes that PPL and its customers would be better off focusing on whole-house and/or weatherization measures that typically have higher realization rates, are verifiable and represent a better investment of program dollars. Therefore, PA-EEFA recommends that the funds allocated to this proposed change be instead added to the new construction measure to be discussed. PA-EEFA Comments at 6.

In its Reply Comments, PPL first states that it agrees with the OCA’s recommendation, but disagrees with the PA-EEFA. PPL states that PA-EEFA fails to recognize that the new construction measure under the Low-Income WRAP will not produce any demand reductions countable toward the demand response compliance target. Therefore, PPL avers that if the Company shifts the $400,000 to Low-Income WRAP, PPL would not be in a better position to achieve its peak demand reduction requirements. Moreover, PPL emphasizes that the $400,000 needed to implement this measure would be completely absorbed within the existing, Commission-approved budget for the HER Program. PPL believes that the PA-EEFA change is unsupported and would negatively affect the diverse mix of programs and measures offered under its EE&C Plan. PPL Reply Comments at 5-6.

**c. Disposition**

Upon our review of this PPL proposed Minor Change, as well as the Comments and Reply Comments, we are persuaded by PPL that PA-EEFA’s recommendations are unsupported and should not be adopted. As noted by PPL, the recommendation of PA-EEFA to instead allocate the $400,000 budget to the new construction measure would not help PPL ensure it would meet its peak demand reduction goal. As such, we conclude that PPL’s proposed Minor Change to its Phase III EE&C Plan, as clarified to include the OCA’s recommendations agreed to by PPL to monitor and evaluate the effectiveness of this measure, if implemented, be approved.

**3. Combine the budgets and savings for the nonresidential custom and efficient equipment programs into a single program, with no net change in savings or costs to any customer sector. (Major Change)**

1. **PPL Petition**

PPL proposes to combine the budgets and savings for the Custom and Efficient Equipment Program into a single program entitled the Nonresidential Energy Efficiency Program. PPL asserts that this change will not affect the total estimated cost or the total estimated savings for the combined programs or any customer sector and projected that combining the programs will produce multiple benefits. First, PPL avers that the proposed change will better enable the Company to respond quickly to the changing priorities and preferences of customers. Second, PPL avers that combining the programs will not affect how customers and trade allies perceive the programs. Third, PPL opines that the proposed change will benefit customers and trade allies as combining the two programs will make the project approval process more certain and expedite the customers’ implementation of projects. Petition at 12-13.

1. **Comments and Replies**

 In its Comments, the OCA states that it generally supports program flexibility and efficiency, and that because this modification does not affect residential programs it does not have specific comments on this modification now. OCA Comments at 5.

In its Comments, PA-EEFA states that it supports this change as it agrees with PPL that it is prudent for the Company to have the flexibility necessary within the context of the already existing program budgets to ensure that projects can be approved regardless of whether the measures chosen are custom or standard. PA-EEFA urges the Commission to approve this proposed plan change. PA-EEFA Comments at 7.

 In its Comments, PPLICA states that it opposes this proposed change as PPL’s proposed modification would significantly erode the transparency of PPL’s Phase III Plan by consolidating all Large C&I, Small C&I and GNI program costs and savings into a single Nonresidential Program budget. PPLICA asserts that offering a single program would invite potential for interclass subsidization through mistaken or inadvertent tracking of actual costs incurred by each customer class within the combined Program. According to PPLICA, the relevant costs from a customer perspective are not the costs incurred by any single program sector, but the costs incurred on behalf of customers of each customer class. PPLICA maintains that this is a particularly concerning issue for Large C&I customers, which are responsible for the costs budgeted for Large C&I programs and the corresponding share of GNI costs incurred on behalf of larger GNI customers. PPLICA Comments at 4-5.

 Next, PPLICA explains that to effectively monitor the costs incurred by the Large C&I customer class, customers depend on the Commission to ensure PPL transparently accounts for all costs incurred through its EE&C programs. PPLICA points out that when approving PPL’s Phase I EE&C Plan, the Commission recognized the importance of cost transparency on directing the Company to bill EE&C costs as a separate line item for Small C&I and Large C&I customers as follows:

We will, however, make an exception for both the large and small C&I customer classes. We are persuaded by the OSBA and the reasoning of PPLICA that because of the potentially sizeable increases associated with the ACR for these customer classes, a separate line delineation of these charges will provide transparency and clarity. In the current economic environment, the itemization and identification of costs is increasingly critical for businesses.

PPLICA Comments at 5-6 (citing *Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan,* 2009 Pa. PUC LEXIS 2242, \*76-77.

 PPLICA asserts that just as burying EE&C costs under the same line item as distribution rates would frustrate efforts to monitor the significant EE&C costs incurred by PPL’s largest customers, conflating the Custom Program budget, which primarily benefits Large C&I customers, with the Efficient Equipment Program budget, which primarily benefits Small C&I customers, would inhibit the ability of both Large C&I customers and Small C&I customers to identify and monitor the EE&C costs to be recovered from them. PPLICA points out that PPL’s proffered benefits of additional programming flexibility and efficiency should not outweigh the Commission’s obligation to protect customers’ rights to meaningfully track costs recovered through PPL’s Act 129 Compliance Rider. PPLICA avers that the experience gained by PPL over the last eight years of projecting and tracking costs should result in more accuracy and transparency, not less. As such, PPLICA requests that the Commission preserve separate budgets for the Efficient Equipment and Custom Programs. PPLICA Comments at 6.

 In reply, PPL states that PPLICA’s arguments lack merit for several reasons. First, PPL claims that combining the two programs into one will have no effect on customers’ abilities to monitor and track costs incurred by their customer class, nor will it cause interclass subsidization. PPL avers that it will continue to budget, track and assign actual costs separately for each of the five customer sectors and each of the three customer classes, even if the Custom and Efficient Equipment Programs are combined. For example, PPL states that the actual costs incurred for a Large C&I customer’s energy efficiency project will be accounted for under the Large C&I sector and class budgets regardless of whether the project is in the Custom Program, Efficient Equipment Program or the combined Nonresidential Energy Efficiency Program. PPL Reply Comments at 6‑7.

 Second, PPL asserts that the Company will continue to maintain separate budgets for the Small C&I, Large C&I and GNE sectors under the combined Nonresidential Energy Efficiency Program. PPL maintains that although the proposed change combines the program budgets, no costs will be shifted between the customer sectors because of the proposed change. Third, PPL claims that consolidating the programs has no impact on the ACR’s calculation because the ACR is calculated at the customer class level. PPL explains that in Phase III, the ACR is calculated for the upcoming program year based on each customer class’s total annual budget. Therefore, according to PPL, because the customer classes’ annual budgets will remain unaffected regardless of whether the two programs are combined, the proposed change will have no effect on the calculation of the ACR. PPL Reply Comments at 7-8.

 Fourth, PPL states that combining the two programs into one program does not negatively affect “transparency,” as PPLICA alleges. PPL asserts that it will continue to collect the same information and data for every customer project as it does today. Therefore, PPL avers that to the extent that PPLICA has a concern about tracking costs between custom, combined heat and power and all other measures offered under the combined program, the Company will continue to track all relevant information for each of these measures. PPL maintains that all that data is reviewed by the Company’s independent evaluator, audited by the Statewide Evaluator and subject to Commission audit. PPL Reply Comments at 8-9.

 Fifth, PPL posits that PPLICA fails to recognize the customer benefits and efficiencies gained by combining the two programs into a single program. PPL explains that the proposed change will combine the program budgets but leave the sector budgets separate and unchanged. Consequently, PPL asserts that combining the two programs will likely reduce the number of EE&C Plan changes and will provide more flexibility for customers to choose the measures they are interested in without potentially being put on a waiting list until dollars are shifted from one program to another. Also, PPL states that from the customer perspective, there are not separate programs, only different eligible measures. As such, PPL claims that retaining separate budgets for custom and efficient equipment measures will delay customers’ projects and frustrate the customers. PPL Reply Comments at 9.

 PPLICA also filed Reply Comments in response to PA-EEFA’s comments supporting PPL’s proposal to combine the budgets and savings of these affected programs. PPLICA’s Reply Comments simply reiterate its Comments filed in response to the PPL proposal and state that the Commission should disregard PA-EEFA’s support for this change and deny PPL’s proposal. PPLICA Reply Comments at 4-5.

1. **Disposition**

Upon our consideration of PPL’s proposal and the Comments of the Parties, as well as the Replies thereto, we conclude that PPL’s responses to PPLICA’s comments effectively address these concerns and are persuasive regarding the benefits of consolidating the programs. First, PPL argues that the combining of the two programs into one will have no effect on the monitoring or tracking of costs incurred by customer class. The budgeting, tracking and assigning of actual cost information will still occur separately for each of the five customer sectors and each of the three customer classes regardless of program consolidation.[[2]](#footnote-2) PPL will continue to collect the same information and data for every customer project as currently performed.

Second, PPL will continue to maintain separate budgets for the small C&I, large C&I and GNE sectors under the combined Nonresidential Energy Efficiency Program. No costs will be shifted between the customer sectors; nor will the customer sector budgets be affected. Specifically, as outlined in Table 1 of PPL’s Reply Comments, this consolidation will simply combine six budgets (two for each sector) into three budgets (one for each sector).[[3]](#footnote-3),[[4]](#footnote-4) This change does not lead to the movement of money from one sector’s budget to another and there is no recovery of costs from one sector’s programs from another sector’s customers. Therefore, there is no interclass subsidization.

Third, because no costs are shifting between customer sectors, there is no impact on PPL’s Act 129 rider. This rider is calculated at the customer class level and is calculated for the upcoming program year based on each customer class’s total annual budget. Because these budgets remain unaffected, the rider also remains unaffected. PPL notes that it has no intentions of pursuing a single Nonresidential rate and notes that Act 129 requires the separate recovery of costs from the same customer class that incurred those costs.

Based on these responses, we find that PPL has addressed those concerns expressed by PPLICA. We reiterate to PPL, and the rest of the electric distribution companies with Act 129 EE&C obligations, that budgetary and cost information must be provided in a transparent way for all stakeholders. Additionally, we continue to encourage EDC outreach to stakeholders before, during and after EE&C Plan submission and during each EE&C Program Phase to ensure customer needs are being met in effective and efficient ways. Lastly, we reiterate that not only will PPL and its independent evaluator be reviewing and ensuring that its budgets and costs are allocated according to the appropriate statutes and Commission Orders, but that the Commission’s own independent statewide evaluator, as well as our Bureaus of Technical Utility Services and Audits, provide review of the EE&C Plans and the recovery of costs to ensure the Act 129 programs are implemented in compliance with all directives and in a cost-effective manner.

 Accordingly, we shall approve this PPL proposed Major Change to its Phase III EE&C Plan.

**4. Add a new construction measure to the Low-Income Winter Relief Assistance Program ("WRAP"), with no change in savings or costs to program or any customer sector. (Minor Change)**

1. **PPL Petition**

In its Petition, PPL proposes to add a new construction measure to the Low-Income WRAP program which will be offered as an incentive to builders of new construction buildings for low-income occupants. PPL states that it will provide light emitting diode (LED) light bulbs for installation by the builder at no cost to the builder, as well as additional energy efficient measures that will have an incentive up to $0.50 per annual kWh saved, consistent with the overall program acquisition cost for the program. PPL explains that the program’s current eligible measures, delivery channel, methods for determining the baseline and savings, and the incentives are designed for retrofitting existing homes. However, PPL claimed that several builders and developers have asked about energy efficiency incentives for income-qualified new construction. According to PPL, it is much more cost-efficient and less disruptive to incorporate these measures into the planned construction of the buildings. Therefore, PPL opines that the proposed new construction measures will help to encourage builders to install more efficient measures that will reduce electricity costs for the low-income customers who occupy the living units. PPL Petition at 13-14.

1. **Comments and Replies**

In its Comments, the OCA states that it is generally supportive of expanding WRAP to include new construction. However, the OCA submits that PPL should provide additional information about its proposal before this modification is approved. The OCA avers that while PPL claims that this modification would not impact the program’s current costs and projected savings, it is difficult for the OCA to assess and provide meaningful comment on this without specific information on the measures and incentives PPL intends to offer. OCA Comments at 5-6.

In its Comments, the PA-EEFA states that it supports this change as it is critically important that energy efficiency programming work with new multi-family, affordable housing construction projects. PA-EEFA asserts that the fact that PPL is now seeking to amend its plan to include new construction projects for this community demonstrates that it is committed to listening to the needs of its customers and changing course as necessary to meet those needs. PA-EEFA also states that it supports the approach taken by PPL in designing this measure since by providing free LEDs to be installed in individually-metered, income-eligible units, the Company is seeking to ensure that low-income housing is built in a manner that maximizes energy affordability for low income households. PA-EEFA urges the Commission to approve this proposed plan change. PA-EEFA Comments at 7-8.

In reply, PPL states that, as proposed, it will provide LED light bulbs for installation by the builder at no cost. PPL asserts that all other measures offered under Low-Income WRAP, such as refrigerators, heating, ventilation and air conditioning and insulation, will be offered at up to $0.50 per kWh saved to ensure that they fit within the existing program acquisition cost for Low-Income WRAP. Also, PPL states that this incentive level will be used to ensure that the change will not affect the program’s current costs and projected savings. PPL Reply Comments at 10.

**c. Disposition**

Based upon our review of PPL’s proposed Minor Change and the Comments submitted by the interested Parties, we shall approve this PPL proposed Minor Change to its Phase III EE&C Plan as submitted. We note that both the OCA and PA-EEFA are supportive of adding a new construction measure to the existing Low-Income WRAP program and that the Company has sufficiently addressed the concerns expressed by the OCA.

**5. Add a non-electric water heater measure and custom measures to the Energy Efficient Home Program, with no change in savings or costs to program or any customer sector. (Minor Change)**

1. **PPL Petition**

In its Petition, PPL proposes to add new measures to its Energy Efficient Home Program, specifically a non-electric water heater measure, a dehumidifier measure and a custom measure. PPL asserts that adding these measures will require no changes to this program’s budget or savings targets. Further, PPL proposes to cap the number of incentives for non-electric water heater measures to 250 units and to cap custom measures’ incentives at 25 to 50 percent of total project costs, excluding internal labor. PPL explained that offering incentives to the residential sector for custom measures will provide those customers with the flexibility to install measures such as linear lighting without going through the nonresidential program. PPL pointed out that the non-electric water heater measure was previously included in PPL’s Phase II EE&C Plan and was inadvertently omitted from the Phase III EE&C Plan. Petition at 14-15.

1. **Comments and Replies**

In its Comments, the OCA states that it generally supports these modifications, but asserts that for these non-electric measures, PPL should target homes with high electric usage which could benefit most from switching to a non-electric appliance. Regarding dehumidifiers, the OCA notes that PPL has proposed an incentive range of $25 to $50, while other Pennsylvania EDCs offer incentive ranges of $20 to $25. The OCA submits that PPL should use the lower incentive range consistent with other EDCs unless it provides a specific reason for offering the higher incentive range. Also, the OCA notes that the custom measures must achieve a TRC of 1.0 or greater to be rebated. According to the OCA, it is unclear whether the TRC requirement applies to an entire project or only to the custom measure. The OCA requests that PPL clarify this item to eliminate any possible confusion. OCA Comments at 6-7.

In its Comments, PA-EEFA states that it supports the inclusion of each of these measures and is encouraged to see that PPL is seeking to reintroduce a non-electric water heater measure that had been included in previous phases of PPL’s Act 129 plan. PA-EEFA Comments at 9.

In its reply to the OCA’s Comments, PPL first states that it does not expect to conduct targeted marketing for the non-electric water heater measure. PPL opines that its general residential marketing, its website and its trade allies are sufficient to inform customers about the new rebates for non-electric water heaters. Furthermore, PPL avers that total electric usage alone is not a reliable indicator for customers who can benefit from switching to a natural gas water heater. PPL asserts that the only customers who can benefit from this measure are those with access to natural gas and that the Company does not possess information about its customers’ potential access to natural gas. PPL Reply Comments at 11.

Next, PPL states that it disagrees with the OCA that it should lower its proposed incentive range for dehumidifiers. PPL notes that although other EDCs may use an incentive range of $20 to $25, it is important to recognize that each EDC may have different mixes of programs and measures and may need a different incentive level to manage their programs. PPL asserts that, based on its experience, the Company has determined that an incentive range of $25 to $50 is the best suited for its service territory. PPL Reply Comments at 11.

Next, PPL asserts that its proposed change does not require a custom project to have a TRC benefit-cost ratio of 1.0 or higher. Consistent with the minor plan change approved for the Custom Program, PPL claims that it merely stated that a “[m]inimum TRC requirement may be implemented as a requirement for projects if necessary to ensure the program or portfolio TRC is greater than 1.0 and incentives capped at 25% to 50% of total project costs (excluding internal labor).” PPL Reply Comments at 11 (citing Petition, Appendix A at 55). As such, PPL maintains that although the Company may institute a minimum TRC requirement in the future, one would not be immediately in place upon approval of this proposed change. In reply to the OCA’s question about whether such requirement would apply to the custom measure or the custom project, PPL clarifies that the custom measure and the project are the same thing. PPL Reply Comments at 11-12.

1. **Disposition**

Upon our consideration of the Comments of the Parties, as well as the reply provided by PPL, we are convinced by the Company that the addition of the new measures to the Energy Efficient Home Program is reasonable and should be approved as submitted. We note that both the OCA and PA-EEFA support this Minor Change, and we find that PPL has sufficiently explained why the recommendations contained within the OCA’s Comments should not be adopted. Furthermore, we agree with PPL that each EDC may have a different mix of programs and measures and may need varying incentive levels to manage their EE&C Plans.

**6. Clarify that the new construction component of the Energy Efficient Home Program includes multifamily housing. (Minor Change)**

1. **PPL Petition**

In its Petition, PPL proposes to clarify that the new construction component of the Energy Efficient Home Program includes multifamily housing. PPL avers that this clarification is necessary to allow for buildings greater than three stories to be accommodated under the plan because the applicable building code and savings baseline vary depending on whether the building has four stories or more. Petition at 15.

1. **Comments and Replies**

In its Comments, the OCA states that it supports this clarification which will help to avoid confusion, includes a range of multifamily housing in the program and will not impact the program’s projected budget or savings. OCA Comments at 7.

In its Comments, PA-EEFA also supports this requested change because it was the intention of PPL and the Parties to its Plan proceeding that all affordable multifamily housing buildings, regardless of size, be included in its portfolio of programs. PA-EEFA Comments at 9.

In reply, PPL notes that it proposed to clarify in the Phase III EE&C Plan that the new construction component of the Energy Efficient Home Program includes multifamily housing. PPL points out that both the OCA and PA-EEFA support this change. PPL Reply Comments at 12.

1. **Disposition**

Finding that this proposed Minor Change to PPL’s Phase III EE&C Plan is reasonable and unopposed we conclude that it should be approved as submitted.

1. **Adjust the incentive ranges for refrigerators under the Energy Efficient Home Program, with no change in savings or costs to program or any customer sector. (Minor Change)**
2. **PPL Petition**

In its Petition, PPL proposes to adjust the incentive ranges for refrigerators under the Energy Efficient Home Program, stating that the incentive ranges for ENERGY STAR and ENERGY STAR MOST EFFICIENT refrigerators both would be changed to $10 to $100. PPL asserts that these changes will require no adjustments to the Energy Efficient Home Program’s budget or savings targets and will provide the Company with more flexibility in offering these incentives to customers and responding to changes in the market. Petition at 15.

1. **Comments and Replies**

In its Comments, the OCA states that PPL’s proposal does not explain the reason for this proposed modification or why it is proposing to increase the maximum incentive to $100 for ENERGY STAR refrigerators. The OCA asserts that other Pennsylvania EDCs offer a maximum incentive of $75 for these refrigerators. The OCA posits that while it appreciates PPL’s need for flexibility and to be able to respond to changing markets and customer preferences, it opposes increasing the maximum incentive to $100 without an explanation of why this change is necessary. OCA Comments at 7-8.

PA-EEFA states in its Comments that it supports this change. PA-EEFA Comments at 9.

In its Reply Comments, PPL states that it disagrees with the OCA and opines that an incentive range for ENERGY STAR refrigerators of $10 to $100 is reasonable and appropriate. PPL asserts that although other EDCs may offer a maximum incentive of $75 for these refrigerators, every EDC has different mixes of programs and measures and may need a different incentive level to manage its EE&C program. PPL avers that based on the Company’s experience, it has determined that a maximum incentive of $100 should be used. Additionally, PPL points out that it has proposed an incentive range, not a flat $100 rebate for all ENERGY STAR refrigerators. In fact, PPL states that under its proposal, the Company ultimately could offer a $75 incentive for those refrigerators. PPL Reply Comments at 12.

1. **Disposition**

Finding that PPL’s explanation for its increased maximum incentive range for ENERGY STAR refrigerators to be reasonable, we conclude that this proposed minor change should be granted as proposed. We note that increasing the maximum range to $100 provides the Company the flexibility it may need to ensure the Company meets its EE&C Plan Phase III energy reduction targets. Also, we find persuasive PPL’s argument that each EDC offers a unique mix of programs specific to its situation and that differences between EDCs may be necessary to manage each program in a responsible manner.

1. **Modify the insulation measure offered under the Energy Efficient Home Program, with no change in savings or costs to program or any customer sector. (Minor Change)**
2. **PPL Petition**

In its Petition, PPL proposes to modify the attic and wall insulation measure under the Energy Efficient Home Program to expand the measure to include crawlspace and basement ceiling insulation. PPL avers that this provides additional incentive options for customers. Also, PPL states it would offer incentives for non-electric heating and central air conditioning up to 75 percent of the installation cost, not to exceed $125 for each insulation type. Further, PPL proposes to clarify that the maximum incentive for electric main source heat and central air conditioning is “Up to 75% of installed cost, not to exceed $750 for each insulation type.” Petition at 15-16.

1. **Comments and Replies**

In its Comments, the OCA states that these modifications are reasonable and are like those offered by other EDCs. The OCA suggests that PPL should target homes with high electric usage for these insulation measures, as those homes stand to gain the most in efficiency from installing insulation. OCA Comments at 8.

PA-EEFA states in its Comments that it supports this change, including the proposed expansion to encompass an incentive for non-electric heat. PA-EEFA notes that this expansion recognizes that shell measures that target air conditioning load, including insulation, can produce significant savings, and have the ancillary non-electric benefit of reducing other home energy usage by the households. PA-EEFA encourages PPL to continue its work in this area, not only within its LIURP program, but also in coordination with the newly developed energy efficiency programs in the UGI Gas and UGI PNG service territories. PA-EEFA Comments at 10.

In reply to the OCA’s suggestion, PPL states that it does not expect to conduct target marketing for the insulation measure. Like its proposed non-electric water heater measure, PPL states that its general residential marketing, its website and its trade allies have sufficiently informed customers about the insulation measure. PPL avers that going forward, it anticipates that these marketing efforts will be sufficient to inform customers about the modifications to the measure’s eligibility qualifications. Also, PPL opines that customers can benefit from the insulation measure, regardless of whether their electric usage is high compared to other customers. PPL Reply Comments at 13.

1. **Disposition**

We are convinced by PPL’s argument that its existing marketing efforts are sufficient and, as such, the OCA’s suggested target marketing is not necessary. Therefore, we find that PPL’s proposed minor change to modify the insulation measure under the Energy Efficient Home Program is approved.

1. **Adjust the number of projected participants for the Home Energy Education Program, with no change in savings or costs to program or any customer sector. (Minor Change)**
2. **PPL Petition**

In its Petition, PPL proposes to change the maximum number of projected participants for the Home Energy Education Program from 123,000 to 183,000. PPL projects that this is the estimated participation necessary to achieve the savings target for this program. According to PPL, this proposed change will have no effect on the projected savings or costs of this program. Petition at 16.

**b. Comments and Replies**

 In its Comments, the OCA states that given this change will not affect the program costs and will help achieve the savings target, it does not oppose this proposed change. OCA Comments at 8.

In its Comments, PA-EEFA states that it neither supports nor opposes this proposed change, but notes that its non-opposition is only because it will not increase the costs of the program. PA-EEFA asserts that rather than doubling down on a program that does not appear to be producing sufficient savings, it believes that PPL and its customers would be better off focusing on whole-house and/or weatherization measures that typically have higher realization rates, are verifiable and represent a better investment of program dollars because they assist households with saving energy and saving dollars on their utility bills over the long term. PA-EEFA Comments at 10-11.

In reply to the Comments of PA-EEFA, PPL states that it disagrees that whole-house and weatherization measures have higher realization rates than home energy reports (HERs). In fact, PPL asserts that the realization rate for HERs is usually much greater than weatherization measures. PPL notes that in Program Year 7, the realization rates for HERs and weatherization measures were 98% and 88%, respectively. PPL also notes that the savings provided through the HERs are verified by PPL’s independent evaluator, audited by the Statewide Evaluator and reviewed by the Commission and, therefore, are just “as real” as the savings from weatherization measures. Also, PPL maintains that HERs have a much lower program acquisition cost than weatherization measures. According to PPL, the program acquisition cost for the HERs are $0.04 per annual kWh saved as opposed to $0.47 for the Energy Efficient Home Program. As such, PPL claims that reallocating costs from the Home Energy Education Program to the Efficient Equipment Program, as suggested by PA-EEFA, would reduce savings per dollar of program expenditures by a factor of 10. PPL Reply Comments at 13-14.

**c. Disposition**

Upon our review of PPL’s Petition, the Comments of the Parties, as well as the replies of PPL, we agree with PPL’s proposed Minor Change, and it is approved as submitted. We note that this proposal is unopposed by the interested Parties, as it will not affect the program costs and will help achieve the savings target within PPL’s Phase III EE&C Plan. Also, we find PPL’s comments in reply to the allegation of PA-EEFA to be persuasive, as the reallocation of costs between programs as suggested by PA-EEFA could serve to reduce savings of its Phase III EE&C Plan.

**10. Allow for enhanced incentives for localized energy efficiency or demand reduction to be offered as a pilot under the Appliance Recycling, Energy Efficient Home, Demand Response, and Nonresidential Energy Efficiency Programs, with no change in savings or costs to program or any customer sector. (Minor Change)**

**a. PPL Petition**

In its Petition, PPL proposes to change its Appliance Recycling, Energy Efficient Home, Demand Response and Nonresidential Energy Efficiency Programs to enable the Company to potentially offer a pilot that would provide enhanced incentives for localized energy efficiency or demand reduction. PPL asserts that these enhanced incentives would be offered, if necessary, as a pilot to specific locations of the service territory to help the Company evaluate how location-specific incentives influence customers’ participation, how they impact grid operations and whether they can be used to defer distribution system upgrades. PPL notes that it would review any enhanced incentives with stakeholders before they are implemented. PPL asserts that the enhanced incentives would be within the ranges in the EE&C Plan, would be higher than the “standard” incentive in effect in non-targeted areas and would not impact the cost or savings for any of these programs. Petition at 16-17.

**b. Comments and Replies**

In its Comments, the OCA claims that PPL did not provide details as to what the enhanced incentives would be, how the Company would identify areas that would receive enhanced incentives, etc. The OCA states that it has some concern that offering different incentives within PPL’s service territory could create some confusion and inequity for customers. The OCA submits that before implementing the proposed pilot, the Company should instead employ targeted marketing of its existing programs in areas that the Company has identified that need improved grid operations, resiliency or distribution upgrades. The OCA opines that this approach would help prevent confusion among customers as to the incentives available or a sense that some customers are favored and receive greater benefits than others. The OCA suggests that at a subsequent stakeholder meeting, PPL could report on the targeted marketing efforts and its results, and, if necessary, proceed with a discussion of enhanced incentives. OCA Comments at 9-10.

In its Comments, PPLICA states that PPL’s Petition overlooks the discriminatory impact of this proposal upon customers. PPLICA asserts that PPL’s proposed “localized” enhanced incentives would take the form of higher incentives available only in specific locations within PPL’s service territory. According to PPLICA, while the enhanced incentive levels would not exceed the maximum incentive levels approved by the Commission, customers would no longer be assured that the incentive they receive is fair and equivalent to similarly-situated customers. PPLICA notes that this concern is heightened for industries with direct competitors located in the PPL territory. Under PPL’s proposed “pilot,” PPLICA opines that two customers could propose identical projects, but receive different incentives based on whether they were in the “pilot” region. Thus, PPLICA maintains that PPL’s proposal to localize incentives departs from the traditional and equitable method of paying incentive levels uniformly throughout its service territory. PPLICA avers that distinguishing the incentives paid to Large C&I customers based solely on geographic location while charging uniform EE&C rates to Large C&I customers results in unreasonably discriminatory rates, contrary to section 1304 of the Public Utility Code, 66 Pa. C.S. § 1304. PPLICA requests that the Commission reject this proposed modification on the basis that it promotes inequities and unreasonable discrimination between similarly situated customers by offering higher incentives based on geographic location, while costs remain equally shared by all customers in their respective customer classes. PPLICA Comments at 3-4.

In its Comments, KEEA states that it strongly supports these modifications, particularly PPL’s commitment to determine whether location specific incentives can be used to defer distribution system upgrades. KEEA asserts that localized energy efficiency measures and other non-wire alternatives can play an important role in reducing the need for capital investments in the electric distribution system. KEEA claims that such projects lower costs for all ratepayers, including those that do not directly participate in energy efficiency programs. According to KEEA, jurisdictions across the country have explored similar programs to defer distribution investments with measurable success. If well-designed, KEEA opines that PPL’s proposed plan changes may be able to replicate this success in Pennsylvania. KEAA Comments at 4-5.

KEAA next states that though more information is required to determine the specific nature of the enhanced incentives, it opines that providing enhanced measures across multiple programs provides the best opportunity for the successful deferment of distribution system investments. KEEA asserts that providing enhanced measures across programs, as proposed by PPL, provides the best opportunity for the successful deferment of distribution system investments. When determining where to deploy enhanced measures, KEEA recommends that PPL pursue active deferrals which refer to the process of deploying enhanced measures in specific areas already identified by PPL as in need of improved grid operations or distribution system upgrades to meet congestion or reliability concerns. KEEA further recommends that PPL consider coupling its enhanced incentives with a targeted marketing effort to further bolster its programs. KEAA Comments at 5-6.

In its Reply Comments, PPL first states that it disagrees with the OCA and PPLICA, asserting that its proposal only is for the ability to potentially implement a pilot. PPL avers that if implemented, the pilot would be conducted for a short period, approximately one program year, and would be expected to gather sufficient data for several measures from a variety of geographical areas. Also, PPL explains that the pilot also would not change any incentive ranges, projected savings, program budgets or customer sector budgets. Additionally, PPL opines that the enhanced incentive pilot would be valuable in understanding market preferences, including whether increased incentives are necessary to encourage energy efficiency and demand response participation on targeted circuits and, if so, how much the incentives need to increase. PPL Reply Comments at 15.

PPL next opines that it is very important to understand if enhanced, localized incentives can help defer distribution system upgrades without negatively affecting grid operations. PPL asserts that as the costs of such upgrades are ultimately born by customers, such a pilot would be in the best interest of its customers. Also, PPL states that it shares the OCA’s concern about potential customer confusion, and, if implemented, the Company will strive to effectively communicate with its customers about the pilot. PPL posits that the pilot would be vital in understanding how to best communicate different incentive levels to customers depending on their geographic location. PPL Reply Comments at 15.

Finally, in response to the Comments of PPLICA, PPL states that to be clear, the pilot would not affect the rates charged to a particular customer class as it would only affect the incentives offered to customers. According to PPL, each customer class would continue to be charged the same rate, even if the pilot is ultimately implemented. Moreover, PPL asserts that even assuming the pilot would have a discriminatory impact, the impact would be minimal due to the limited scope of the pilot and would be reasonable considering the substantial benefits of the pilot. PPL Reply Comments at 16.

PPLICA also submitted Reply Comments in response to the Comments of KEEA on this issue. In its Reply, PPLICA states that the Commission should reject KEEA’s Comments and deny PPL’s proposal to allow for enhanced incentives for localized energy efficiency or demand reduction to be offered as a pilot under the Appliance Recycling, Energy Efficient Home, Demand Response and Nonresidential Energy Efficiency Programs. PPLICA asserts that KEEA’s position that any efficiency gains from localized enhanced incentives would provide value to all customers by reducing the need for capital investments in the electric distribution is factually incorrect. PPLICA explains that KEEA omits consideration of PPL’s LP-5 customers, which do not benefit from PPL’s distribution system infrastructure. PPLICA notes that LP-5 customers pay a flat distribution charge of $994 per month for metering and administrative costs, but are not allocated costs for PPL’s distribution infrastructure. Therefore, PPLICA maintains that LP-5 customers would not benefit from reductions in the need for capital investments in the distribution system. PPLICA Reply Comments at 3.

Next, PPLICA states that although LP-5 customers are not allocated costs for PPL’s distribution infrastructure, they pay substantial costs under PPL’s EE&C Plans. PPLICA points out that as large users, LP-5 customers pay higher individual costs under PPL’s EE&C Plans than Residential and Small C&I customers. As an example, PPLICA notes that under the current Phase III Act 129 Compliance Rider (ACR) charge of $0.354 per kW, an LP-5 customer with a monthly Peak Load Contribution (PLC) of 15,000 kW pays monthly EE&C charges of $5,310 and annual EE&C charges of $63,720. As such, PPLICA opines that LP-5 customers are highly affected by discriminatory or inequitable proposals related to PPL’s EE&C rates. PPLICA Reply Comments at 3-4.

PPLICA reiterates that PPL’s proposed modification would set incentives paid to Large C&I customers based solely on geographic location while charging uniform EE&C rates to all Large C&I customers. PPLICA states that KEEA’s Comments, particularly as LP-5 customers derive no benefit from avoided or delayed distribution system upgrades, offer no benefit to mitigate against discriminatory rates. Therefore, PPLICA opines that, regarding LP-5 customers, PPL’s enhanced incentive proposal is unreasonably discriminatory and contrary to Section 1304 of the Code, 66 Pa. C.S. § 1304. PPLICA requests that the Commission reject KEEA’s Comments and deny approval for PPL’s enhanced incentives because it would promote inequities and unreasonable discrimination between similarly situated customers. PPLICA Reply Comments at 4.

**c. Disposition**

Upon our consideration of PPL’s proposal and the Comments of the Parties, as well as the Replies thereto, we conclude that based upon PPLICA’s significant opposition to this PPL proposal we cannot approve this Minor Change without further analysis and development of the issues expressed within PPLICA’s Comments. Based on PPLICA’s concerns regarding potential discriminatory rates, PPL’s proposal does not appear to fit neatly into the Minor Change category. As such, we shall refer this PPL proposed change, along with the other referrals herein, to the Office of Administrative Law Judge for hearings and a recommended decision.

1. **Combine some common cost categories and change the estimated cost of some common cost categories with no net change to the total common costs. (Minor Change)**

**a. PPL Petition**

In its Petition, PPL proposes three changes regarding its common cost categories that will result in no net change to the total common costs. First, PPL proposes to combine technical support and the tracking system common cost categories into a single “technical support and tracking system” category. PPL claims that a single, combined common cost category provides more flexibility and minimizes the likelihood of future EE&C Plan changes if the projected costs for these two categories change but the combined total cost does not. Second, PPL proposes to increase the estimated cost of this combined category by one million dollars because during the implementation of the Phase II tracking system, the Company determined that the cost would be approximately one million dollars more than previously estimated. Third, to offset this cost increase, PPL proposes to reduce the estimated cost for the plan development common cost category by one million dollars because it expects fewer future changes than previously estimated. Petition at 17.

**b. Comments and Replies**

In its Comments, the OCA states that while it generally supports flexibility and encourages efficiency in plan administration, it submits that PPL has not demonstrated that this efficiency improvement will result in reduction in administrative and program management costs. The OCA opines that this modification should only be approved after PPL demonstrates how administrative costs will be reduced through these changes. OCA Comments at 10.

In reply, PPL disagrees that these changes should only be approved if administrative costs will be reduced. PPL explains that it has proposed an increase of one million dollars to the combined “technical support and tracking system” category that will be offset by an unrelated one-million-dollar reduction in the plan development common cost category. PPL asserts that it is not proposing to change how it implements or manages the work in these common cost categories. PPL maintains that it merely is proposing to combine two common cost categories into a single, combines category and to change the estimated costs for the plan development based on more accurate projections after two years. Further, PPL explains that in addition to providing more flexibility, combining the two common cost categories minimizes the likelihood of future EE&C Plan changes. PPL asserts that although fewer EE&C Plan changes ultimately may reduce administrative costs, such a showing should not be necessary for PPL to obtain approval of changes that reflect the Company’s actual experience and that will simplify and enhance the administration of the EE&C Plan. PPL Reply Comments at 16‑17.

**c. Disposition**

Upon our review of this proposed minor change, the Comments and replies thereto, we conclude that PPL’s proposed modification to its Phase III EE&C Plan is reasonable and is approved.

1. **Change some incentive levels from specific amounts to “up to” certain amounts, which will provide more flexibility to adjust incentives based on changing market conditions. (Minor Change)**

**a. PPL Petition**

In its Petition, PPL proposes to change some of its incentive ranges from specific values to “up to” certain amounts. PPL maintains that these “up to” amounts are beneficial as they provide flexibility to adjust incentive levels to control the pace of programs within the EE&C Plan estimates and to respond to changes in the market and customer preferences. Petition at 17-18.

1. **Comments and Replies**

In its Comments, the OCA states that it does not oppose this modification, as it provides flexibility in allowing PPL to achieve the program’s targets and does not affect the cost or projected savings for the program. OCA Comments at 10-11.

PPL notes in its reply that no party opposes this proposed change. PPL Reply Comments at 17.

1. **Disposition**

As this proposed Minor Change is unopposed by any Party in this proceeding, we find that it is reasonable and is hereby approved as submitted.

1. **Make some grammatical and editorial changes to correct or clarify wording in the EE&C Plan. (Minor Change)**

PPL proposed several grammatical and editorial changes to correct or clarify wording in its Phase III EE&C Plan. Petition at 18.

The OCA states that it does not have any specific comments on these proposed changes. OCA Comments at 11.

In its Reply Comments, PPL states that no party opposes these proposed changes. PPL Reply Comments at 17. As such, we find that these minor plan changes of a clarification and/or grammatical nature are approved as submitted by PPL.

**IV. Conclusion**

Consistent with the foregoing discussion, we shall grant, in part, PPL’s Petition and approve all the Company’s proposed changes, as modified or clarified, to its Phase III EE&C Plan, except for change number ten. We shall defer consideration on that designated change to the Office of Administrative Law Judge for hearings and subsequent resolution; **THEREFORE,**

**V.** Order

**IT IS ORDERED:**

1. That the Petition of PP&L Electric Utilities Corporation for Approval of Changes to its Act 129 Phase III Energy Efficiency and Conservation Plan filed on June 6, 2017, is granted, in part, consistent with this Opinion and Order.

1. That the following proposed changes within PPL’s Petition are approved, as clarified by PP&L Electric Utilities Corporation:

a. Proposed Change No. 1 - Allow for a Potential Residential Demand Response Measure Within the Demand Response Program.

b. Proposed Change No. 2 – Allow for a Potential Residential Behavioral Demand Response Measure Within the Home Energy Education Program.

1. That the following proposed change within PPL’s Petition is referred to the Office of Administrative Law Judge for hearings and a recommended decision:

a. Proposed Change No. 10 – Allow for Enhanced Incentives for Localized Energy efficiency or Demand Reduction to Be Offered as a Pilot under the Appliance Recycling, Energy Efficient Home, Demand Response and Nonresidential Energy Efficiency Programs.

 4. That all remaining proposed changes within PPL’s Petition are approved as submitted.

**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: October 26, 2017

ORDER ENTERED: November 21, 2017

1. The *Minor Plan Change Order* requires Commission Staff to issue a Secretarial Letter approving, denying, or transferring to the Office of Administrative Law Judge for hearings, some or all of the proposed minor EE&C Plan changes, along with an explanation, within thirty-five days after the proposed minor EE&C Plan changes have been filed with the Secretary. However, Commission Staff may extend the period for consideration of the proposed minor plan change by up to ten days. *Minor Plan Change Order* at 19. [↑](#footnote-ref-1)
2. The five customer sectors are residential, low-income, small C&I, large C&I and GNE. The three customer classes are residential, small C&I and large C&I. [↑](#footnote-ref-2)
3. *See* PPL’s Reply Comments at 8. [↑](#footnote-ref-3)
4. The Small C&I Efficient Equipment Program and Small C&I Custom Equipment Program budgets will be combined into one Small C&I Non-Residential Program budget. The Large C&I Efficient Equipment Program and Large C&I Custom Equipment Program budgets will be combined into one Large C&I Non-Residential Program budget. The GNE Efficient Equipment Program and GNE Custom Equipment Program budgets will be combined into one GNE Non-Residential Program budget. [↑](#footnote-ref-4)