**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

Public Meeting held November 8, 2018

Commissioners Present:

Gladys M. Brown, Chairman

Andrew G. Place, Vice Chairman

Norman J. Kennard

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 July 20, 2018, in the above-captioned proceeding. The Petition seeks approval of eight 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 August 20, 2018, Comments in response to the Petition were filed by the Office of Consumer Advocate (OCA), the PP&L Industrial Customer Alliance (PPLICA), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and the Sustainable Energy Fund of Central Eastern Pennsylvania (SEF). On September 10, 2018, Reply Comments were submitted by PPL. For the reasons stated herein, we will grant PPL’s Petition.

# II. Procedural History

On November 30, 2015, PPL Electric Utilities Corporation (PPL) filed its initial Phase III Energy Efficiency and Conservation Plan (EE&C Plan) with the Commission pursuant to Act 129 and various related Commission orders. On March 17, 2016, the Commission approved PPL’s initial Phase III EE&C Plan with certain modifications. Pursuant to the Commission’s March 2016 order, PPL submitted a compliance filing on April 22, 2016, as well as an amendment to its filing on May 24, 2016. The Commission approved PPL’s compliance filing, as amended, on June 27, 2016.

On June 6, 2017, PPL filed a petition for approval of major and minor changes to its Phase III EE&C Plan (Revision II). Because the June 6, 2017 petition included both major and minor changes, PPL opted to proceed under the Commission’s review procedures for major changes.

On November 21, 2017, the Commission entered an Opinion and Order approving most of the proposed changes, as clarified by PPL. One proposed minor change however, Proposed Change No. 10, the Enhanced Localized Incentives Pilot (Pilot Program), was referred to the Office of Administrative Law Judge (OALJ) for hearings and a recommended decision.

On February 16, 2018, PPL filed a petition for leave to withdraw without prejudice the remainder of its June 6, 2017 EE&C change petition (*Petition for Leave to Withdraw*) – that remainder being the proposed minor change relating to the Pilot Program previously described. PPL made several arguments in support of allowing the withdrawal without prejudice. In addition to saving additional time and expense associated with litigation, PPL argued that the withdrawal of the minor change without prejudice would be consistent with Commission precedent and would be consistent with the Commission’s Minor EE&C Plan Change Order. PPL asserts that if a proposed minor change is referred to the OALJ for hearings, “parties have the opportunity to request permission to withdraw their objection or the proposed change without prejudice after such referral, if they choose,” pursuant to the *Minor EE&C Plan Change Order* at 11.

On April 9, 2018, the Commission issued the Recommended Decision of ALJ Benjamin J. Myers in which he recommended that PPL’s *Petition for Leave to Withdraw* be granted, without prejudice. PPLICA filed Exceptions on April 30, 2018. PPL filed Replies to Exceptions on May 10, 2018. The Exceptions and Reply Exceptions regarding the Petition to Withdraw are pending before the Commission and will be addressed as a separate matter at today’s Public Meeting.

As previously noted, on July 20, 2018, PPL filed a Petition for Approval of Changes to its EE&C Plan, which is the subject of this Opinion and Order. Comments were filed on August 20, 2018 by the OCA, PPLICA, CAUSE-PA and SEF. On September 10, 2018, Reply Comments were filed by PPL.

# 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 the *Minor Plan Change 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 eight modifications, one “major” and seven “minor” modifications, 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 requests 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.

## **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 over two years 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. In addition, PPL met with stakeholders in December 2017 to review some potential Phase III EE&C Plan changes and to obtain their input. As a result of its meeting with the stakeholders and the experience it gained over the last couple of years, PPL is proposing the following changes to its Phase III EE&C Plan in this Petition:

1. Shift $2.7 million from the Large Commercial and Industrial (C&I) Sector Budget in the Non-Residential Energy Efficiency Program to the Large C&I Sector Budget in the Demand Response Program (*Minor Change*);
2. Shift $5.6 million from the Government, Nonprofit & Education (GNE) Sector Budget in the Demand Response Program to the GNE Sector Budget in the Non-Residential Energy Efficiency Program (*Minor Change*);
3. Reduce the estimated small C&I Savings in the Non-Residential Energy Efficiency Program and the Demand Response Program (*Major Change*);
4. Add a Low-Income Home Energy Education Measure to the Low-Income Winter Relief Assistance Program (WRAP) (*Minor Change*);
5. Add a Low-Income Student Energy Efficient Education Measure to Low-Income WRAP (*Minor Change*);
6. Add additional measures to the Energy Efficient Home Program (*Minor Change*);
7. Shift $1.5 million in common costs from Plan Development and Plan Management to Evaluation Measurement & Verification (EM&V) (*Minor Change*);
8. Make grammatical and editorial changes to correct or clarify wording or figures in the EE&C Plan (*Minor Change*).

Petition at 3-7.

 PPL asserts that the proposed changes are reasonable and designed, among other things, to enable the Company to meet its Phase III compliance targets within its Phase III budget, to better reflect actual participation in and experience with the Phase III programs, and to increase opportunities for low-income customers to participate in the EE&C Plan and obtain energy savings. According to PPL, the proposed changes do not change the total estimated savings or the total estimated cost of the EE&C Plan. Petition at 7.

 PPL provides that the proposed changes were identified by the Company through: (1) its experiences in Phase III of Act 129; (2) input from stakeholders, trade allies, conservation service providers (CSPs), and program participants; (3) Program Year 8 (PY8) and Program Year 9 (PY9) evaluation results; and (4) the Company’s ongoing coordination activities with other Pennsylvania EDCs. *Id.*

 PPL avers that implementation of the proposed program changes will permit it to meet all of the compliance targets within the funding cap with a distribution of programs, costs, and savings to the five customer sectors[[1]](#footnote-1) that is reasonable and equitable. In addition, the Total Resource Cost (TRC) benefit-cost ratios of the revised EE&C Plan will be 1.44 for energy efficiency and 2.01 for demand response (1.45 for energy efficiency and demand response combined), which meet the Act 129 cost-effectiveness compliance requirements. PPL submits that the Phase III EE&C Plan, as revised by the proposed changes, will continue to meet the standard required by 66 Pa. C.S. § 2606.1(a)(5) and the *Phase III Implementation Order*. PPL explains further that the Phase III EE&C Plan, as revised, will offer each customer class at least one energy efficiency measure and contains a reasonable mix of energy efficiency programs for all customers. Petition at 7-8.

1. **Proposed EE&C Plan Changes, Comments and Dispositions**

As a preliminary matter, 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)

1. **Shift $2.7 million from the Large C&I Sector Budget in the Non-Residential Energy Efficiency Program to the Large C&I Sector Budget in the Demand Response Program (*Minor Change*)**
2. **PPL Petition**

In its Petition, PPL proposes to shift $2.7 million from the Large C&I sector budget in the Non-Residential Energy Efficiency Program to the Large C&I sector budget in the Demand Response Program. PPL explains that the change would facilitate an additional 54.6 MW in projected demand reductions for the Large C&I sector in the Demand Response Program and would have no projected effect on the Large C&I sector’s savings under the Non-Residential Energy Efficiency Program. According to PPL, the proposed change does not affect the total dollars budgeted for the Large C&I sector in the EE&C Plan.

PPL also asserts that this change is necessary because the amount of Large C&I customers’ demand reductions under the Demand Response Program is greater than what was originally estimated in the EE&C Plan. PPL states that the estimated costs and demand reduction figures for the Demand Response Program were developed approximately three years ago, before the Demand Response CSP contract was awarded and well before enrollment in the program began. PPL notes that its original plan estimated 57.5 MW of demand reductions from the Large C&I sector; however, the Large C&I sector participants produced 121.3 MW in demand reductions in PY9. PPL expects the Large C&I sector’s increased levels of demand reductions and their associated costs to continue for the remainder of Phase III. PPL projects that the demand reductions for the Small C&I and GNE sectors will be 11.4 MW and 43.2 MW (for a total of 54.6 MW) lower than estimated and these 54.6 MW will be offset by demand reductions by the Large C&I sector. PPL avers that the proposed change is necessary to help ensure that the Company remains able to achieve its demand reduction compliance target for Phase III. Petition at 8-9.

1. **Comments and Replies**

In its Comments, PPLICA states that the Commission should deny PPL’s Proposed Change No. 1 and grant the alternative relief proposed by PPLICA as discussed below in PPLICA’s comments regarding Proposed Change No. 2. PPLICA submits that granting its alternative relief would render PPL’s proposal to transfer $2.7 million from the Large C&I Energy Efficiency program to the Large C&I Demand Response program moot, as PPL would be able to use budgeted revenue presently restricted to the GNE Demand Response program to meet demand for Large C&I Demand Response. PPLICA opines that Proposed Change No. 1 could impact PPL’s ability to meet demand for Large C&I participation in the Non-Residential Energy Efficiency Program. PPLICA Comments at 7-8.

In its Reply Comments, PPL first states that based on actual experience, Phase III participation rates, and the Company’s projections, PPL would have approximately $800,000 in funding above the current forecasted spending for the Large C&I sector in the Non-Residential Energy Efficiency Program after this proposed change is approved. Second, PPL states the PPLICA’s proposal to eliminate the GNE sector and allocate the GNE sector budget to the Small C&I and Large C&I sectors, as discussed in Proposed Change No. 2 below, should be rejected. PPL Reply Comments at 11.

1. **Disposition**

Upon our review of PPL’s proposal, the Comments filed thereto, as well as PPL’s Reply Comments, we shall approve this *Minor Change* to PPL’s Phase III EE&C Plan. We note that the 121.3 MW in demand reductions by the Large C&I sector for PY9 is much higher than PPL’s originally estimated 57.5 MW. We are persuaded by PPL’s expectation that the Large C&I sector’s increased level of demand reductions and associated costs will continue and that this change will assist PPL in achieving its demand reduction compliance target for Phase III

**2. Shift $5.6 million from the GNE Sector Budget in the Demand Response Program to the GNE Sector Budget in the Non-Residential Energy Efficiency Program (*Minor Change*)**

1. **PPL Petition**

In its Petition, PPL proposes to shift $5.6 million from the GNE sector budget in the Demand Response Program to the GNE sector budget in the Non-Residential Energy Efficiency Program. PPL states that this change would result in an additional GNE energy savings of approximately 120,000 MWh (from 83,500 MWh to 203,5000 MWh) and would accommodate additional Combined Heat and Power (CHP) projects expected from GNE customers, based on the Non-Residential Energy Efficiency Program’s current queue of projects and the Company’s forecast. According to PPL, this change does not affect the total dollars budgeted for the GNE sector in the EE&C Plan. Petition at 9-10.

PPL avers that the change is necessary because the GNE sector’s interest in energy efficiency is much greater than expected for this phase and is much greater than previous phases. PPL notes that a significant portion of the GNE projects are CHP projects that are greater in number and in size than originally estimated in the Phase III EE&C Plan. PPL explains that the current GNE sector budget in the Non-Residential Energy Efficiency Program is almost fully subscribed based on actual expenditures and approved projects in the queue. PPL notes that a waitlist was established in January 2018. PPL provides that if this GNE budget is not increased, no more GNE projects in the Non-Residential Energy Efficiency Program can be funded.

PPL contends that additional GNE projects and savings are likely to materialize if additional GNE funding is approved. PPL argues that GNE savings from CHP projects are more certain than Small C&I savings and cost much less (approximately $0.03/kWh for GNE CHP projects versus approximately $0.23/kWh for Small C&I). Petition at 10.

**b. Comments and Replies**

In its Comments, PPLICA states that PPL’s Proposed Change No. 2 should be rejected in favor of making PPL’s Non-Residential Demand Response and Energy Efficiency programs available to all Small C&I and Large C&I customers, respectively. PPLICA opines that this proposal addresses PPL’s concerns regarding availability of funds for GNE projects while ensuring that PPL’s Energy Efficiency and Demand Response measures are provided equitably to all classes of customers as required by the Act 129 statute. PPLICA Comments at 3 (citing 66 Pa. C.S. § 2806(a)(5)).

PPLICA contends that PPL’s proposal to shift costs between GNE programs has cost consequences for Large C&I customers because of the way PPL allocates GNE sector costs to the Large C&I and Small C&I customer classes and the low participation in the GNE Demand Response and high participation in the GNE Energy Efficiency programs. PPLICA notes that Large C&I and Small C&I customers pay for Large C&I and Small C&I Sector programs and share costs for the GNE sector programs. PPLICA Comments at 4.

PPLICA explains that the GNE costs attributable to Large C&I customers have increased to 56% under the current Phase III Plan, meaning that the majority of GNE costs are now attributable to Large C&I customers. PPLICA explains further that Proposed Change No. 2 could potentially increase the total GNE dollars spent by PPL and significantly impact Large C&I customers. Assuming PPL developed the EE&C rates effective June 1, 2018, to reflect an estimated 56% allocation of GNE program costs to Large C&I customers, PPLICA reasons that PPL would eventually refund approximately $3.14 million of the GNE Demand Response budget back to Large C&I customers because the GNE sector did not meaningfully participate in Demand Response. According to PPLICA, if Proposed Change No. 2 is approved, the entire $5.6 million would likely be allocated to GNE Energy Efficiency measures, where PPL would likely spend every dollar on the GNE Energy Efficiency program. PPLICA Comments at 5.

PPLICA submits that PPL has already met its GNE compliance target and it is concerned that PPL’s growing dependency on GNE CHP projects could unreasonably require all Large C&I customers to pay higher costs to support the GNE Energy Efficiency program, without an opportunity to participate in additional Energy Efficiency programs funded by the additional costs. PPLICA argues that because PPL also proposes to reduce the Energy Efficiency program budget for the Large C&I sector, non-GNE Large C&I customers may eventually face the same waitlist scenario currently impacting the GNE customers. PPLICA Comments at 6.

Alternatively, PPLICA proposes that PPL terminate its GNE sector and allow GNE customers to apply for the same programs as other Non-Residential customers. PPLICA explains that this approach is used by PECO Energy Company, which offers both Small C&I and Large C&I programs to all Non-Residential customers without reliance on a separate GNE sector. PPLICA Comments at 7 (citing *Petition of PECO Energy Company for Approval of its Act 129 Phase III Energy Efficiency Program and Conservation Plan*, Docket No. M-2015-2515691, pp. 13-15, 21 (Order entered March 17, 2016)).

PPLICA avers that its recommendation would eliminate the necessity to shift $5.6 million from the GNE Demand Response program to the GNE Energy Efficiency program and shift $2.7 million from the Large C&I Energy Efficiency program to the Large C&I Demand Response program. Eliminating the GNE sector and allocating the current GNE program budgets to the corresponding Small C&I and Large C&I Demand Response and Energy Efficiency programs, PPL could combine its Proposed Change Nos. 1 and 2 and shift only the net $2.9 million from the revised Large C&I Demand Response program to the revised Large C&I Energy Efficiency program. PPLICA Comments at 8.

In its Comments, SEF opposes Proposed Change No. 2, backed by its assertion that the shift of $5.6 million from the GNE sector budget in the Demand Response Program to the GNE sector in the Non-Residential Energy Efficiency Program to accommodate additional CHP projects from GNE customers would leave Small C&I and Small GNE customers on the waiting list with deserving projects other than CHPs. SEF explains that this is a disproportionate shift away from Small C&I customers since there is already a legislative carve out to ensure savings for the GNE sector. SEF states that this carve out allows GNE customers to pursue incentives in their rate class and therefore, this request is unnecessary and deprives Small C&I customers of energy saving incentives. SEF Comments at 4-5 (citing 12 Pa.C.S.A. § 4301 *et al*.).

In reply, PPL states that PPLICA’s arguments and recommendations are without merit for several reasons. First, PPL claims that its proposal is simply to move dollars within the existing and Commission-approved budgets for the GNE and Large C&I sectors to reflect actual experience in Phase III. PPL avers that Large C&I customers have shown much more interest in the Demand Response Program, whereas GNE customers have been much more interested in the Non-Residential Energy Efficiency Program. PPL maintains that no changes are being made to the overall budgets for these sectors. Furthermore, PPL asserts that these changes are simple and justified and will benefit customers. PPL Reply Comments at 7-8.

PPL notes that PPLICA proposes drastic changes to the Company’s Phase III EE&C Plan by having the Company eliminate the entire GNE sector and allocate that sector’s budget to the Small C&I and Large C&I sectors. PPL explains that PPLICA’s proposal would require the Company to completely recalculate and edit all of the figures for the Small C&I, Large C&I, and GNE sectors and the overall portfolio, including the TRC benefit-cost ratios, budgets, estimated participants, and estimated savings. PPL explains further that this would be a time-consuming and costly process. PPL contends that PPLICA should propose any radical, structural changes to the Company’s EE&C Plan in the development of PPL’s Phase IV EE&C Plan. PPL Reply Comments at 8.

Second, PPL asserts that the Company should continue to target GNE sector customers specifically. PPL disagrees with PPLICA’s contention that once PPL has reached its required level of savings to meet the GNE carve out, the Company should stop focusing on the GNE sector. PPL points out that the GNE carve out in Act 129 is a floor, not a cap. PPL Reply Comments at 8 (citing 66 Pa. C.S. § 2806.1(b)(1)(i)(B)).

Third, PPL contends that PPLICA’s proposal would harm the approximately fifty GNE customers who have had projects on the waitlist for the past several months due to the lack of funding for the GNE sector in the Non-Residential Energy Efficiency Program. PPL provides that PPLICA’s proposal would further delay these projects. PPL Reply Comments at 9-10.

Fourth, PPL claims that PPLICA erroneously contends that the Company’s proposed change should be denied because it would result in a refund of $3.14 million of the GNE Demand Response Program budget back to Large C&I customers. PPL contends that under PPLICA’s proposal, the $3.14 million of the GNE budget in the Demand Response Program would be merged into the Large C&I budget in the Demand Response Program and most, if not all, of the $3.14 million would be used to pay incentives to Large C&I customers anyway. PPL Reply Comments at 10.

Fifth, PPL notes that PPLICA’s opposition to CHP project incentives for Large C&I rate class customers in the GNE sector is inconsistent with the recently adopted Commission policy statement encouraging EDCs to support the development of CHP projects. PPL opines that the Company’s proposed change should not be denied simply because it will enable more Large C&I rate class customers in the GNE sector to receive incentives for CHP projects. PPL Reply Comments at 10 (citing 52 Pa. Code §§ 69.3201-69.3203; *Final Policy Statement on Combined Heat and Power*, Docket No. M‑2016-2530484 (Order entered Apr. 5, 2018)).

PPL asserts that SEF’s arguments are without merit for several reasons. First, PPL avers that the proposed change would have no effect on Small C&I sector customers because they have a separate budget from the GNE sector. PPL notes that no changes to the Small C&I sector’s budget have been proposed by the Company and therefore, the proposed change would not leave Small C&I customers on a waiting list or deprive them of energy saving incentives. PPL Reply Comments at 5.

Second, PPL claims that for any Small C&I rate class customers in the GNE sector, the shift in funding actually helps them rather than leaving them on a waitlist as SEF contends. PPL explains that through PY9, PPL has provided incentives for approximately 2,800 GNE projects for customers in the Small C&I rate class. PPL explains further that two of the three CHP projects that received incentives in PY9 were for Small C&I rate class customers. PPL Reply Comments at 5.

**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 PPLICA’s recommendation to eliminate the GNE sector should not be adopted. PPL’s Proposed Change No. 2 is in response to demand from the GNE sector. We are not persuaded by PPLICA’s argument regarding a potential refund for the Large C&I customers if PPL does not proceed with Proposed Change No. 2. As PPL’s EE&C Plan matures, PPL should revise the EE&C Plan to be responsive to each sector’s demand for programs. In this instance, the GNE sector is demonstrably in favor of CHP projects and PPL can be flexible in its programming to support that demand and benefit from it with increased savings. PPLICA’s proposal to eliminate the GNE sector is potentially costly to implement and is not advantageous at this time. It is also not in the best interest of the GNE sector participants currently on the waitlist for energy efficiency projects. We agree with PPL, that PPLICA could propose such a radical change to PPL’s EE&C Plan at the development of Phase IV. Accordingly, PPL’s Proposed Minor Change No. 2 to its Phase III EE&C Plan is approved.

**3. Reduce the estimated Small C&I Savings in the Non-Residential Energy Efficiency Program and the Demand Response Program (*Major Change*)**

1. **PPL Petition**

PPL proposes to reduce the Small C&I sector’s estimated energy savings in the Non-Residential Energy Efficiency Program and the demand reductions in the Demand Response Program by approximately 120,000 MWh and 11.4 MW, respectively, with no change to the total estimated costs for the Small C&I sector. Petition at 11.

PPL explains that the decreased savings are due to Small C&I customers’ program acquisition costs being higher than originally estimated in developing the Phase III EE&C Plan. PPL avers that it must engage in increased outreach and offer increased incentives to obtain Small C&I participants in the Non-Residential Energy Efficiency and Demand Response Programs. PPL states that the program acquisition cost of the Small C&I sector will increase from approximately $0.15 per annual kWh saved to $0.23 per annual kWh saved in the Non-Residential Energy Efficiency Program. PPL notes that the increase in the GNE sector’s projected energy savings in the Non-Residential Energy Efficiency Program of 120,000 MWh and the increase in the Large C&I sector’s projected demand reductions of 54.6 MW will offset the reductions in projected savings for the Small C&I sector. Petition at 12.

1. **Comments and Replies**

 In its Comments, PPLICA provides that the underperformance of the Small C&I sector created the energy and demand savings shortfalls precipitating PPL’s Proposed Changes Nos. 1 and 2. PPLICA states that contingent on approval of PPLICA’s proposed alternative detailed in the Comments on Proposed Change No. 2, PPLICA does not oppose approval of Proposed Change No. 3. PPLICA Comments at 9.

 SEF explains that this proposed change seeks to cut the energy savings of the Small C&I sector by nearly 25% of PPL’s original Phase III goal of 462,861 MWh and nearly eliminate the demand reductions of this sector (the goal in the Phase III Plan was 11.5 MW), while the costs remain the same. SEF states that it opposes this *Major Change* as such a reduction requires more analysis and review of results in this sector and alternative solutions. SEF contends that the reduction in savings and demand without a reduction in costs needs to be examined. SEF Comments at 4.

 In reply to PPLICA’s comment, PPL states that its proposed change to the Small C&I savings and demand reduction figures should not be contingent on PPLICA’s proposal to eliminate the GNE sector and allocate the GNE sector budget to the Small C&I and Large C&I sectors. PPL avers that PPLICA’s “drastic” proposal should be rejected. PPL Reply Comments at 13.

 PPL disagrees with SEF’s assertion that Proposed Change No. 3 requires additional analysis and review and that PPL’s proposed reduction in savings and demand without a reduction in costs needs to be examined. PPL states that it is merely adjusting the projected savings and demand reductions to reflect actual experience. PPL explains that it must engage in increased outreach and offer increased incentives to obtain Small C&I participants in the Non-Residential Energy Efficiency and Demand Response Programs. PPL explains further that the necessary outreach and incentives have increased the program acquisition cost of the Small C&I sector from approximately $0.15 per annual kWh saved to $0.23 per annual kWh saved in the Non-Residential Energy Efficiency Program. PPL Reply Comments at 12.

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 and SEF’s comments effectively address the concerns regarding the reductions in Small C&I savings and demand. We note, as PPL provided, that program acquisition costs for the Small C&I sector have increased from approximately $0.15 per annual kWh saved to $0.23 per annual kWh saved. We find that PPL has adjusted projected savings and demand reductions to reflect actual experience. PPL has stated that the reduction in savings from the Small C&I sector will be made up by savings from the GNE sector. Similarly, the reduction in demand will be made up by the Large C&I sector demand reductions. PPL is tasked with meeting its target savings and demand reduction and is revising its targets based on experience. PPL is not reducing the programs or measures available to Small C&I sector participants. This recalculation of expected savings and demand reduction from the Small C&I sector with projected adjustments from the GNE and Large C&I sectors appears reasonable. Accordingly, we shall approve this PPL proposed *Major Change* to its Phase III EE&C Plan.

**4. Add a Low-Income Home Energy Education Measure to the Low-Income Winter Relief Assistant Program (WRAP) (*Minor Change*)**

1. **PPL Petition**

In its Petition, PPL proposes to add a Low-Income Home Energy Education measure to Low-Income WRAP. PPL explains that this measure would offer home energy reports (HERs) to low-income customers and would be delivered by the same CSP and subcontractor as the Home Energy Education Program. PPL explains that the messages and tips in the HERs for low-income customers would encourage low-income customers to enroll in the Company’s Low-Income Usage Reduction Program WRAP and OnTrack, *i.e.*, PPL’s customer assistance program. PPL notes that it needs an additional 1,600 MWh/yr of savings to exceed its low-income compliance target by at least 10%, which accounts for operational and evaluation uncertainties. PPL estimates that, if implemented, this measure would provide approximately 1,600 MWh/yr at an estimated cost of $66,000. PPL proposes to reallocate those savings and dollars from the Home Energy Education Program to Low-Income WRAP, both of which are funded exclusively by residential customers. Petition at 12-13.

1. **Comments and Replies**

In its Comments, the OCA states that it is generally supportive of PPL’s proposal to extend HERs to low-income customers. The OCA asserts that PPL should commit to working with stakeholders to ensure that the messaging contained in these reports is specifically tailored to low-income customers and that the reports are as effective as possible. The OCA submits that stakeholders may suggest other programs, such as the Low-Income Home Energy Assistance Program (LIHEAP) or hardship funds, or other cost-free energy efficiency measures that the low-income HERs should promote. OCA Comments at 4.

The OCA opines that this type of program must be closely monitored and evaluated to determine its effectiveness. According to the OCA, if PPL implements this proposal, it should be required to review the actual, verified savings achieved from the program with the stakeholders at the end of the first program year in which the measure is implemented. If the measure is not achieving the expected level of savings at the end of the first program year, the OCA provides that PPL should convene a meeting with the stakeholders to discuss what strategies could be implemented to address any concerns related to the low-income HER measure. The OCA reasons that this will help to ensure that the measure is effective going forward and that stakeholders will be able to provide meaningful input if the measure is not providing the necessary reductions at a reasonable cost. OCA Comments at 4-5.

In its Comments, CAUSE-PA states that it neither supports nor opposes this proposed plan change. It is CAUSE-PA’s position that funds allocated to achieving energy savings should result in meaningful bill reductions for participating low-income households in the direct installation of energy efficiency measures, as opposed to short-term savings such as those produced by home energy reports. CAUSE-PA notes that while home energy reports provide verifiable savings in the aggregate, they provide relatively small savings at the household level. CAUSE-PA recommends that PPL work with stakeholders to design the messaging contained in the proposed low-income energy reports. CAUSE-PA also recommends that PPL commit to monitoring the effectiveness of the messaging that is being communicated and whether the inclusion of messages encouraging low-income households to enroll in PPL’s customer assistance programs has any effect on actual enrollment levels in these programs. CAUSE-PA Comments at 4-5.

Regarding Proposed Change Nos. 4 and 5, CAUSE-PA opines that, generally, PPL and its customers would be better off focusing on whole-house and/or weatherization (insulation, air sealing) measures which typically have higher realization rates, are verifiable and represent a better investment of program dollars. CAUSE-PA does not object to Proposed Change Nos. 4 and 5 because the funding for these proposed program changes is not coming from other low-income programs, but rather from similarly-targeted residential programs. CAUSE-PA Comments at 4-5.

In reply, PPL states that it agrees with most of the parties’ recommendations. PPL would be willing to consider recommendations for the messaging in the low-income HERs for Phase III. PPL states that it will review the measure’s results, including its actual, verified savings with stakeholders at the biannual stakeholder meeting that coincides with the end of the first year that the measure is implemented. PPL does not agree with CAUSE-PA’s recommendation that the Company monitor the measure’s impact on enrollment in customer assistance programs. First, PPL notes that it may not be possible to track which customers specifically enrolled in the Company’s assistance programs as a result of receiving the HERs. Second, PPL explains that the cost of tracking the measure’s impact would be approximately $22,500 to $55,000 and this additional cost was not budgeted in the Company’s Proposed Change No. 4. PPL states that it may be able to conduct a random sample of customers who received the Low-Income Home Energy Report to estimate how many participate in the customer assistance programs. PPL Reply Comments at 14-15.

**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 clarified by PPL in its Reply Comments. We note that PPL is willing to consider recommendations for the messaging in the low-income HERs for Phase III and has agreed to review the measure’s results, including its actual, verified savings, with stakeholders at the biannual stakeholder meeting that coincides with the end of the first year that the measure is implemented.

**5. Add a Low-Income Student Energy Efficient Education Measure to Low-Income WRAP (*Minor Change*)**

1. **PPL Petition**

In its Petition, PPL proposes to add a Low-Income Student Energy Efficient Education measure to its Low-Income WRAP. PPL explains that the new measure would be substantially similar to the Student Energy Efficient Education Program but would focus on schools in low-income areas of PPL’s service territory. PPL estimates the savings of this measure are approximately 6,000 MWh/yr., and the cost of this measure is $1,350,00. PPL proposes to reallocate these savings and dollars from the Student Energy Efficient Program to Low-Income WRAP. Petition at 13-14.

1. **Comments and Replies**

In its Comments, the OCA states that it does not oppose adding a Low-Income Student Energy Efficient Education measure but asserts that PPL should work with stakeholders and trade allies to discuss how best to reach schools and low-income students with energy efficiency education. The OCA also asserts that PPL should provide greater energy efficiency measures as part of this program and work with stakeholders to determine what measures should be included as part of this program. OCA Comments at 5.

In its Comments, CAUSE-PA states that it neither supports nor opposes this proposed plan change. While CAUSE-PA acknowledges that energy education kits may provide some savings to households, CAUSE-PA states that because these kits are not installed by PPL contractors and are instead distributed to students to take home to their parents or guardians, there is no means of verifying that any of the measures are actually installed. CAUSE-PA explains further that even when installed, the measures contained in these kits are not likely to generate appreciable bill savings that will meaningfully reduce energy burdens. CAUSE-PA Comments at 4.

In its reply, PPL states that it is willing to work with stakeholders and trade allies to discuss how to best reach schools and low-income students. According to PPL, in Phase II, the Company used schools that have a 45% or higher rate of the student population who utilize the free/reduced lunch program to determine which schools should be provided with energy efficiency kits. Also, PPL indicated that it would be willing to consider any recommendations that stakeholders and trade allies may have to improve the measure’s outreach.

PPL disagrees with the OCA’s recommendation that PPL should provide greater energy efficiency measures as a part of the program component and work with stakeholders on what those measures should be. PPL Reply Comments at 15-16.

PPL opines that its current measures offered in the kits are more than sufficient, as they constitute a diverse offering of measures that enable customers to reduce energy consumption in several effective ways. Furthermore, PPL avers that the greater energy efficiency measures would be costlier and either require additional funding that was not in the proposed budget or result in fewer low-income students receiving kits. PPL Reply Comments at 16.

1. **Disposition**

We are convinced by PPL’s argument that its existing energy efficiency kits are sufficient, and as such, the OCA’s recommendation for additional measures is not necessary. We note that PPL states that it is willing to work with stakeholders and trade allies to discuss how to best reach schools and low-income students. We find PPL’s approach used in Phase II of targeting schools with 45% participation in reduced or free lunch programs as reasonable. PPL also stated that it would be willing to consider any recommendations that stakeholders and trade allies may have to improve the measure’s outreach. Accordingly, this *Minor Change* to PPL’s Phase III EE&C Plan, as clarified by PPL in its Reply Comments, is approved.

**6. Add additional measures to the Energy Efficient Home Program (*Minor Change*)**

1. **PPL Petition**

In its Petition, PPL proposes to add three measures to the Energy Efficient Home Program, specifically an air source heat pump tune-up, duct sealing, and sealing/insulation measures. PPL explains that the air source heat pump tune-up measure would be eligible for systems at least seven years old, and each system is limited to one rebate for the entirety of Phase III. PPL explains further that the duct sealing measure would be eligible for a home with an electric ducted heating system after a duct leakage test and the sealing/insulation measure would be available to customers who install insulation, conduct air sealing, and/or duct sealing within three months of a qualifying HVAC installation. PPL asserts that adding these measures will not change the total projected costs or savings of the program or any customer sector. Petition at 14.

1. **Comments and Replies**

No party opposes these proposed changes.

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. **Shift $1.5 million in common costs from Plan Development and Plan Management to Evaluation Measurement & Verification (EM&V) (*Minor Change*)**
2. **PPL Petition**

In its Petition, PPL proposes to shift $500,000 from the Plan Development common cost budget and $1 million from the Plan Management common cost budget to the EM&V common cost budget. PPL asserts that this change is needed to accommodate additional site inspections that support the midstream Interim Measure Protocol and continuous energy improvement (CEI). PPL contends that no customer sector’s allocation of common costs will increase or decrease as a result of this change. Additionally, PPL states that based on experience thus far in Phase III, the costs for Plan Development and Plan Management will be able to be accommodated under the new budgets. Petition at 15.

1. **Comments and Replies**

No party opposes these proposed changes.

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. **Make grammatical and editorial changes to correct or clarify wording or figures in the EE&C Plan (*Minor Change*)**
2. **PPL Petition**

PPL proposed several grammatical and editorial changes to correct or clarify wording in its Phase III EE&C Plan. Petition at 15.

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 PPL’s Petition and approve all the Company’s proposed changes to its Phase III EE&C Plan; **THEREFORE,**

**IT IS ORDERED:**

1. That the Petition of PPL Electric Utilities Corporation for Approval of Changes to its Act 129 Phase III Energy Efficiency and Conservation Plan filed on July 20, 2018, is granted, consistent with this Opinion and Order.

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

a. Proposed Change No. 4 – Add a Low-Income Home Energy Education Measure to Low-Income WRAP.

b. Proposed Change No. 5 – Add a Low-Income Student Energy Efficient Education Measure to Low-Income WRAP.

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

**BY THE COMMISSION,**

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Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: November 8, 2018

ORDER ENTERED: November 8, 2018

1. The five customer sectors are (1) residential; (2) low-income; (3) small C&I; (4) large C&I; and (5) GNE. The three customer classes are (1) residential; (2) small C&I; and (3) large C&I. [↑](#footnote-ref-1)