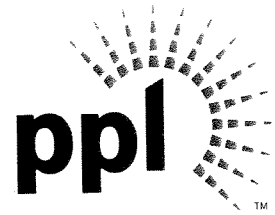


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Via FedEx

August 23, 2005

James J. McNulty, Esquire
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

**Re: Implementation of the Alternative Energy Portfolio
Standards Act of 2004: Standards for the
Participation of Demand Side Management Resources
Docket No. M-00051865**

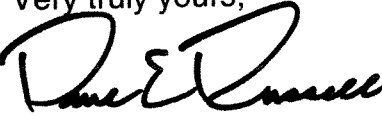
Dear Mr. McNulty:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") are an original and (15) copies of PPL Electric's comments to the Tentative Order entered on June 24, 2005, in the above-captioned proceeding.

Pursuant to 52 Pa. Code 1.11, the enclosed document is to be deemed filed on August 23, 2005, which is the date it was deposited with an overnight express delivery as shown on the delivery receipt attached to the mailing envelope.

In addition, please date and time-stamp the enclosed extra copy of this letter and return it to me in the envelope provided.

If you have any questions regarding the enclosed response, please call.

Very truly yours,

Paul E. Russell

Enclosures

cc: Ms. Carrie Beal (and electronic copy)

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Implementation of the Alternative :
Energy Portfolio Standards Act of 2004: : Docket No. M-00051865
Standards for the Participation of :
Demand Side Management Resources :

**Comments of PPL Electric Utilities Corporation
to the Tentative Order Entered June 24, 2005**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

I. Introduction

By Tentative Order entered June 24, 2005, the Public Utility Commission ("PUC" or the "Commission") issued its initial proposal for enabling the participation of demand side management, energy efficiency and load management programs and technologies ("DSM/EE") in Pennsylvania's alternative energy market. The Tentative Order invites comments from interested parties within 60 days from its entry date.

PPL Electric Utilities Corporation ("PPL Electric" or the "Company") is an Electric Distribution Company ("EDC") serving 1.3 million customers in central-eastern Pennsylvania. PPL Electric has been an active participant in the stakeholder process that the Commission established to address issues relevant to the implementation of the Alternative Energy Portfolio Standards Act ("Act"). PPL Electric previously filed comments on matters related to DSM/EE on April 1, 2005 (in response to

the Issues List issued by the Commission on March 21, 2005) and on May 13, 2005 (in response to the Staff Proposal dated May 2, 2005). PPL Electric appreciates the opportunity to provide comments on the above-captioned Tentative Order and looks forward to continuing to work with the Commission and all other stakeholders to address issues associated with participation of DSM/EE resources under the Act.

II. Comments

In the interest of clarity and efficiency, PPL Electric's comments follow the headings and numbering established by the Commission in its Tentative Order.

A. Standard Energy Savings Measures

PPL Electric continues to concur with the use of a "catalog approach" to establish the number of Alternative Energy Credits ("Credits") available for standard energy savings measures. PPL Electric also believes, consistent with the Tentative Order, that the Technical Reference Manual ("TRM") will need to be updated periodically to reflect new information and additional energy efficient technologies.

B. Metered and Custom Measures

PPL Electric agrees with the characterizations of metered measures and custom measures in the Tentative Order. The Company further concurs with the Tentative Order's conclusion that the qualification and availability of Credits from metered and custom measures will need to be determined on a case-by-case basis. Finally, the Company agrees with the Tentative Order that a set of guidelines are

necessary to facilitate such determinations and to promote consistency among those determinations.

The PUC indicates in the Tentative Order that it relied, in part, on guidelines offered by the Energy Association of Pennsylvania (“EAPA”) in its May 23 comments in the formulation of the Commission’s proposed guidelines. PPL Electric concurs with the guidelines proposed by EAPA and appreciates the Commission’s adoption of many of them. However, the Tentative Order fails to include certain of the guidelines proposed by EAPA. In separately filed comments on the Tentative Order, EAPA reiterates, with supporting rationale, certain of its proposed guidelines which the Commission has not included in its Tentative Order. PPL Electric supports the EAPA comments and the inclusion of those additional guidelines.

C. Depreciation Schedule for Alternative Energy Credits

PPL Electric agrees with the approach described in the Tentative Order of adopting flexible depreciation standards that recognize the uniqueness of certain technologies. The Company believes that, rather than introducing a year-by-year discounting for depreciable measures, a simple and effective way of accounting for depreciation would be to shorten the life over which Credits are produced. For example, consider a measure that is expected to have an average life of 10 years and also is expected to deteriorate each year such that the Credits produced in Year 10 will be only half of the amount produced in Year 1. Simply shortening the measure’s life to 7.5 years and assuming a constant “as new” Credit production over that

shorter life should produce a satisfactory result while avoiding the complication of tracking annual depreciation factors.

PPL Electric also agrees with the Tentative Order's conclusion that it is unnecessary to apply depreciation factors to measures that are metered because the meter will reflect any decline in performance.

D. Qualifying Measures

PPL Electric concurs with the provisions of the Tentative Order regarding the eligibility of existing measures. The Company also concurs with the use of a remaining life that is shorter than the average life as an appropriate means of distinguishing between the Credits produced by existing measures and new measures.

The Tentative Order also addresses issues related to the use of "baselines" to reflect usage absent the existence of a custom DSM/EE measure and solicits input on the use of baseline calculations. PPL Electric believes that baseline calculations are essential to estimating the Credit production for certain types of measures, notably demand-side response achieved through changes in behavior or load control. However, such calculations are totally inappropriate for other types of measures, notably any measure involving on-site generation. PPL Electric believes that, either as part of establishing guidelines (see Section B above) or as part of establishing the requirements for and duties of the Program Administrator, custom measures can be grouped into a limited number of categories and permissible methods of estimating Credit production can be established. By way of example,

PPL Electric believes that the following categories of custom measures could be defined:

- **Measures involving generation.** PPL Electric believes that any measure involving generation, whether it is the round-the-clock use of waste heat or combustion products for generation, or the intermittent use of generation for peak load reduction, should be metered and that Credit production should be determined by the metered generation.
- **Measures involving demand-side response through changes in production or behavior.** PPL Electric believes that measures involving changes in customer behavior, such as price response programs, will require development of “baseline” usage to estimate Credit production. However, depending on the nature of the program, the baseline may be: (1) the customer’s usage profile prior to implementation of the measure (price response by customers with interval or hourly meters), (2) the customer’s actual usage in the hour before a load reduction is initiated (interruptible service programs), or (3) a typical usage profile of non-participants (price response by customers with no hourly or interval history).
- **Measures involving demand-side response through direct load control.** PPL Electric believes that estimating Credit production from measures, such as control of customers’ water heaters or air conditioners, will require a one-time engineering assessment that is

likely to involve the use of usage data from sample populations. That assessment would produce a metric, such as kwh/hour/customer, that would be combined with the number of participants and the hours of participation to determine Credit production. The Company believes that this category would not require development of a baseline.

- **Measures involving efficiency improvements.** PPL Electric believes that estimating Credit production from measures, such as relamping, the replacement of existing motors with high efficiency motors, and the upgrading of HVAC systems, should be accomplished by a one-time engineering assessment. The Company believes that, while a baseline reflective of the customer's historical usage could be used for estimating Credits in this category, the introduction of another measure from any other category would offset any accuracy advantage that the use of a baseline might provide.

PPL Electric believes that the establishment of categories such as those described above will promote consistency and efficiency in estimating Credit production by custom measures.

E. Implementation and Maintenance of TRM and General Guidelines


PPL Electric concurs with assigning to the Commission's Bureau of Conservation, Economics and Energy Planning ("CEEP") responsibility for oversee-

ing the implementation, maintenance and periodic updating of the TRM for catalog measures and the general guidelines for custom and metered measures. The Company also concurs with the list of general duties to be performed by the Program Administrator, recognizing that those duties and responsibilities ultimately will be defined through regulation. Finally, the Company concurs with the continued participation of the DSM/EE Working Group to provide input and recommendations on issues that may arise, and to develop enhancements and revisions to the TRM and general guidelines.

III. Conclusion

For all of the reasons stated above, PPL Electric Utilities Corporation recommends that the Public Utility Commission proceed with implementation of rules to permit the participation of Demand Side Response/Energy Efficiency measures under the Alternative Energy Portfolio Standards Act consistent with its June 24, 2005 Tentative Order and PPL Electric Utilities Corporation's comments.

Respectfully submitted,



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Dated: August 23, 2005
at Allentown, Pennsylvania