

## Appendix D

**Appendix D: Calculation methods and assumptions**

PPL Electric based its savings and cost estimates on experience from Phase I, the Market Potential Study, the proposed 2013 TRM, and input from stakeholders and trade allies. Experience in Phase I was key input to the cost estimate. The Appliance Recycling program is an example of how this information formed the basis for the Phase II Appliance Recycling Program. The actual cost data of recycling a unit in Phase I is known. From experience, it is also known that changing the rebate amount has a direct effect on program participation. During Phase I, there were numerous TRM changes that influenced the program savings, acquisition cost, and TRC. Clearly there are many variables that impact cost and effectiveness of a measure or program. In Phase II, PPL Electric will use the experience and knowledge gained from Phase I to monitor and adjust measure and programs to ensure the optimum balance of cost and benefits.

In most instances, Phase II savings calculations were based on the proposed 2013 TRM algorithm and industry practice. For measures that were not in the TRM, PPL Electric worked with Cadmus or used Phase I experiences, such as the average savings per lighting retrofit or custom project to determine savings.

Incentive and rebate amounts were based on a percentage of incremental cost from the Market Potential Study, online research, and conversations with installation contractors, as well as Phase I experiences. These incentives and rebates amounts range from 25% to 75% of the incremental cost of a measure. Some measures require a higher incentive to motivate customer action. Others, because of the beginnings of market transformation, require a lower amount for customers to take action.

Marketing and advertising costs for Phase II are based on having an overarching marketing and advertising campaign. Phase I experience has shown that having a clear ongoing energy-efficiency message is needed to motivate customers to purchase and install energy-efficiency measures. Targeted marketing has also proven of value in Phase I and will be used in Phase II. Further, for the turnkey programs, marketing and advertising costs, specific to those programs, are included in those program budgets.

Finally, administrative costs include all utility costs to develop, implement, and manage the Plan except payments to customers/trade allies (rebates and incentives). These costs include PPL Electric labor and materials, CSP labor and material, marketing, QA/QC and EM&V, tracking systems, legal, and the statewide evaluator costs.<sup>1</sup> These Phase I costs were based on PPL Electric wage rates, tracking system cost from Phase I, EM&V costs from Phase I with downward adjustments to reflect efficiencies, lessons learned, and revisions to Phase I systems and processes to increase Phase II operational efficiency.

---

<sup>1</sup> PPL Electric's share of the Commission's statewide EE&C Plan evaluation contractor. Those costs, as well as EM&V costs for net-to-gross analysis, are not subject to the Act 129 cost cap.