

COMMONWEALTH OF PENNSYLVANIA



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February 7, 2013

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
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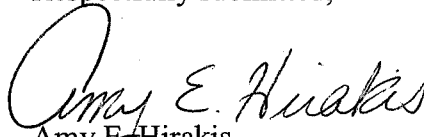
Re: Petition of PPL Electric Utilities  
Corporation for Approval of its Act 129  
Phase II Energy Efficiency and  
Conservation Plan  
Docket No. M-2012-2334388

Dear Secretary Chiavetta:

Attached for electronic filing is the Reply Brief of the Office of Consumer Advocate in the above-referenced proceeding.

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

Respectfully submitted,

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

Attachment

cc: Honorable Dennis J. Buckley  
Certificate of Service

165136

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation :  
Corporation for Approval of an : Docket No. M-2012-2334388  
Energy Efficiency and Conservation Plan :

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REPLY BRIEF  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Dated: February 7, 2013  
165686

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## I. INTRODUCTION

On January 28, 2013, the Office of Consumer Advocate (OCA) filed its Main Brief (M.B.) regarding its positions on the issues raised in this proceeding. The OCA submits that its Main Brief provides the Pennsylvania Public Utility Commission (PUC or Commission) with a comprehensive discussion of the issues in this proceeding. The OCA's Main Brief fully addresses and responds to many of the arguments raised by the Company and the other parties in their Main Briefs.

It is not the purpose of this Reply Brief to respond to all of the arguments contained in the Company's or other parties' Main Briefs. The OCA will limit its reply to those issues requiring additional clarification and response. Thus, any failure of the OCA to address specific arguments contained in the Company's or other parties' Main Briefs does not mean that the OCA agrees with PPL's or the other parties' positions or that the OCA has revised its position.

## II. PROCEDURAL HISTORY

No reply necessary.

## III. DESCRIPTION OF PPL'S PLAN

No reply necessary.

## IV. LEGAL STANDARD

No reply necessary.

## V. SUMMARY OF ARGUMENT

As explained in the OCA Main Brief and as further set forth in this Reply Brief, the OCA generally supports the Company's proposed EE&C Plan (Plan). There are, however, some areas of the Plan still in need of modification. This Reply Brief does not specify each of

the recommendations that the OCA put forth in its Main Brief, and only addresses those recommendations that need further clarification or explanation in response to the arguments raised by the other parties in their Main Briefs.

## VI. ARGUMENT

### A. Procedural/Evidentiary Issues

No reply necessary.

### B. Act 129 Conservation Requirements

#### 1. Overall Conservation Requirements

No reply necessary.

#### 2. Requirements for a Variety of Programs Equitably Distributed

No reply necessary.

#### 3. 10% Government/Non-Profit Requirement

No reply necessary.

#### 4. Low Income Program Requirement

In its Testimony and Main Brief, the OCA made specific recommendations regarding increasing low income customer participation in the low income programs. In the Company's Main Brief, PPL states that the OCA's recommendations should be rejected because the Company already has sufficient low income participation. PPL M.B. at 29. The Company also asserts that increased low income customer participation would increase the costs of the low income programs. *Id.* at 30. For clarification, the OCA does not contest that the Company's proposed Plan has sufficient low income customer participation. The OCA's concern is that low income customers may be participating in the general residential programs over the low income programs when it could be more economical for low income customers to decrease their energy



consumption through a low income program. The OCA's recommendation is to increase the marketing of low income programs and to inform all participants in the general residential program of the low income programs is to increase awareness of these programs so that the low income customers can make informed decisions regarding which energy conservation program is most appropriate for them. Hence, the OCA is suggesting that the participation levels in the low income programs could be increased by shifting customers from the general residential programs to the low income programs where customers can receive benefits more appropriate to their circumstances.

5. Whole House Measure Requirement

No reply necessary.

6. Issues relating to individual Conservation Programs

a. Residential

i. Behavior and Education Programs

No reply necessary.

ii. Low Income WRAP

In the Company's Main Brief, PPL proposes a pilot program within the Home Comfort and Prescriptive Equipment programs which will offer rebates to a limited number of residential customers who choose to install qualifying water heaters and furnaces that use fossil fuels. PPL M.B. at 51-52. The OCA recommends that PPL include a low income component to this pilot program. Adding a low income component to this proposed pilot program could enable PPL to reach low income customers who would be otherwise not be eligible to have their water heaters replaced, if the OCA's recommendation is adopted.

iii. E-Power Wise Program

No reply necessary.

b. Commercial

i. Master Metered Multi-family Housing Program

No reply necessary.

ii. Targeting Data Centers

In its Testimony and Main Brief, the OCA recommends that the Company modify its Plan to include a data center program. The OCA acknowledges that PPL's Plan contains programs that data centers can participate in to reduce their energy consumption. PPL M.B. at 37-38. The OCA, however, recognizes that energy consumption by data centers is significant and thus the potential for savings is significant. *See* OCA St. 1 at 6-7. OCA witness Mr. Crandall testified that, "Given this analysis of energy efficiency potential by the SWE and the U.S. DOE analyses, it appears highly likely that significant potential exists to enhance the energy efficiency for the energy intensive data centers operating in PPL's service territory." OCA St. 1 at 7-8. The OCA submits that energy savings from data centers could be increased if PPL designed a program specifically marketed towards data centers, and recommends that PPL modify its Plan to include such a program.

iii. Lighting Incentives

In its Testimony and Main Brief, the OCA recommends that PPL not provide incentives for standard T-8 and Energy Independence Security Act (EISA) compliant incandescent lighting in its prescriptive or custom rebate programs because these types of lighting are not the most efficient lighting technologies available. PPL states in its Main Brief that rebates for these lighting technologies are allowed because the 2013 Technical Reference Manual (TRM) does not classify these lighting technologies as baseline measures. PPL M.B. at

26. The OCA submits that, even though these lighting technologies are allowable measures under the 2013 TRM, more efficient lighting technology exists and PPL should be striving to promote the most energy efficient technologies available. As OCA witness Crandall testified, “In terms of providing rebates on bulbs, PPL should encourage customers to purchase the most efficient bulbs available.” OCA St. 1 at 17. Mr. Crandall further stated that “[w]hile customers may choose those bulbs, providing rebates would encourage them to make the less efficient choice. PPL should not provide an incentive for these minimally EISA compliant bulbs as part of this Plan.” OCA st. 1 at 17. The OCA recommends that PPL’s modified Plan not include incentives for these less efficient lighting technologies.

c. Industrial

No reply necessary.

7. Proposals for Improvement of EDC Plan

a. Residential

i. Behavior and Education Programs

No reply necessary.

ii. Low Income WRAP

No reply necessary.

iii. E-Power Wise Program

No reply necessary.

b. Commercial

i. Master Metered Multi-family Housing Program

No reply necessary.

ii. Targeting Data Centers

No reply necessary.

iii. Lighting Incentives

No reply necessary.

c. Industrial

No reply necessary.

C. Cost Issues

1. Plan Cost Issues

In its Main Brief, PPL Industrial Customer Alliance (PPLICA) asserts that Act 129 requires proportionality in the allocation of EE&C program costs. PPLICA M.B. at 8. PPLICA asserts that proportionality can be assessed by comparing a customer class revenue contribution with proposed allocation of EE&C costs to the classes. Id. PPLICA concludes that PPL's Phase II budget allocation appears to be reasonably proportionate to the percentage of revenues received from each class. Id. The OCA does not take issue with PPLICA's conclusion that PPL's Phase II budget appears to be reasonably proportioned among the classes; however, the OCA submits that PPLICA errs in stating that Act 129 requires any type of proportionality in the allocation of EE&C program costs.

Act 129 does not require any type of proportionality in the allocation of EE&C program costs. The Act requires two things with respect to the distribution of EE&C programs: (1) that the Commission put in place standards to ensure that each EE&C plan includes a variety of energy efficiency and conservation measures and will provide the measures equitably to all classes of customers, 66 Pa.C.S. §2806.1(a)(5); and (2) that an EE&C plan must be cost effective under the Commission's total resource cost (TRC) test and must provide a diverse cross section of alternatives for customers of all rate classes, 66 Pa.C.S. §2806.1(b)(1)(i)(I). Importantly, in

its Phase II Implementation Order, interpreting the requirement that it is to ensure that a variety of measures are applied equitably to all customer classes, the Commission said the following:

The Commission believes the EDCs must offer a well-reasoned and balanced set of measures that are tailored to usage and to the potential for savings and reductions for each customer class. We believe that the overall limitation on cost recovery and the specific limitation tying costs to a benefited class (discussed in Section K of this Implementation Order) will ensure that offerings are not skewed toward or away from any particular class. There is no single set of measures that will fit all EDCs and the myriad mix of customer classes. It is entirely possible that the most cost-effective energy efficiency programs may not come proportionally from each customer class.

The Commission believes that all classes of customers will benefit from a general approach because it has the best potential to impact future energy prices. The Commission will not require a proportionate distribution of measures among customer classes. However, the Commission directs that each customer class be offered at least one energy efficiency program. The Commission believes that, as with Phase I, the initial mix and proportion of energy efficiency programs should be determined by the EDCs, subject to Commission approval. The Commission expects the EDCs to provide a reasonable mix of energy efficiency programs for all customers.

Phase II Implementation Order at 87-88 (emphasis added). It is clear from these statements, which interpret the requirements of Act 129, that there exists no requirement for the type of proportionality of EE&C measures or costs among customer classes that is asserted by PPLICA.

The OCA would also note that Act 129 and the Commission's Implementation Order also point to the importance of usage, not revenues. PPLICA's suggestion that the proportions should be based on class revenue contributions ignores this fundamental fact. The very purpose of the energy efficiency and conservation provisions of Act 129 is to reduce electricity usage. The focus is not on revenues. If, for the sake of argument, Act 129 contained a

proportionality requirement, the proper basis for applying such a requirement would be on usage, not revenue.

2. Cost Effectiveness/Cost-Benefit Issues

No reply necessary.

3. Cost Allocation Issues

In its filing, PPL allocates all costs of the Residential Appliance Recycling Program and Residential Retail Program to the residential class despite the fact that Small C&I customers are eligible to participate in these programs. PPL proposes in its Main Brief to address this class subsidy at the end of Phase II in its ACR reconciliation. PPL M.B. at 55. However, as explained by OCA witness Crandall:

First, I could find no reference in PPL's EE&C Plan or testimony that commits them to reconciling and reversing cross subsidies. PPL indicates (Plan, page 179) that at the end of the three-year plan it "will reconcile total revenues collected to its total budget for the three-year Plan," but this does not address reconciling and reversing cross subsidies. The Commission's approval of the EE&C Plan would approve the proposed cost allocation, including the residential sector subsidies of the other customer sectors that are eligible to participate in the residential programs.

Second, even if the reconciliation approach PPL described in its response in Exhibit GCC-9 was implemented, it would not be performed until the conclusion of Phase II. Residential ratepayers would be subsidizing non-residential customers for more than three years before the actual costs were determined and the rates were adjusted.

OCA St. 1 at 24-25. The OCA submits that in order to ensure that this class cross-subsidy is corrected, the Commission should direct PPL to assign 1% of the cost of the Appliance Recycling and Residential Retail Program to the Small C&I sector, and to incorporate PPL's reconciliation process as described in OCA Exhibit GCC-9 into the formal approval of PPL's EE&C Plan.

4. Cost Recovery Issues

No reply necessary.

D. CSP Issues

No reply necessary.

E. Implementation and Evaluation Issues

1. Implementation Issues

No reply necessary.

2. QA Issues

No reply necessary.

3. Monitoring and Reporting Issues

No reply necessary.

4. Evaluation Issues

No reply necessary.

F. Other Issues

1. The Stakeholder Process

PPL's Main Brief describes the stakeholder process in Phase I. The Company

states that:

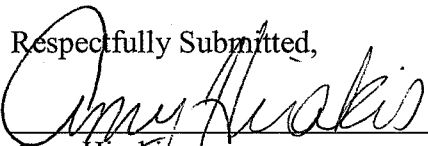
PPL Electric held a minimum of two stakeholder meetings per year. In advance of each of its Phase I stakeholder meetings, the Company circulated materials for review and discussion among the Company and stakeholders. The Company found the process to be both informative and productive, and based upon the feedback received, the stakeholders agree.

PPL M.B. at 58 (citations omitted). In its filing, however, PPL did not fully commit to an on-going stakeholder process. The OCA agrees with the Company that its stakeholder process is informative and productive, and thus the OCA recommends that the Commission direct the

Company to continue the stakeholder process in Phase II. Furthermore, the OCA submits that although PPL's stakeholder process has been active, it could be improved by implementing the recommendations of OCA witness Crandall, especially in regards to holding quarterly meetings. OCA St. 1 at 4. The OCA requests that the Commission direct PPL to hold quarterly stakeholder meetings in Phase II.

## VII. CONCLUSION

For the reasons discussed above, and those set forth in the Main Brief of the OCA, the OCA submits that the Commission should adopt the recommendations set forth in this Brief and the OCA Main Brief.

Respectfully Submitted,  
  
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February 7, 2013

165686



CERTIFICATE OF SERVICE

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

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

Dated this 7th day of February 2013.

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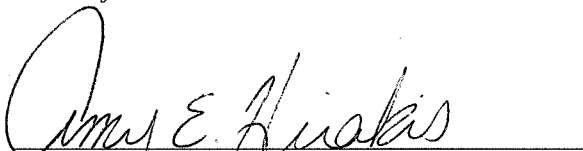
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