POST & SCHELL PC
ATTORNEYS AT LAW

Four Penn Center
1600 John F Kennedy Blvd.
Philadelphia, PA 19103
215-587-1000 Main
215-587-1444 Main Fax
www.postschell.com

David B. MacGregor

dmacgregor@postschell.com
215-587-1197 Direct
215-320-4879 Direct Fax
File #: 140069

February 7, 2013

VIA HAND DELIVERY

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

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

Dear Secretary Chiavetta:

Pursuant to the Pennsylvania Public Utility Commission's Phase II Implementation Order, enclosed for filing on behalf of PPL Electric Utilities Corporation are the Reply Comments and Revised EE&C Phase II Plan for the above-referenced proceeding. A CD containing copies of the above-mentioned documents is also provided. Copies have been provided as indicated on the certificate of service.

Respectfully submitted,

David B. MacGregor

DBM/jl
Enclosures

cc: Honorable Dennis J. Buckley
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

VIA E-MAIL & FIRST CLASS MAIL

Elizabeth Rose Triscari, Esquire
Office of Small Business Advocate
Commerce Building
300 North Second Street, Suite 1102
Harrisburg, PA 17101

Dianne E. Dusman, Esquire
Amy E. Hirakis, Esquire
Senior Assistant Consumer Advocate
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Kevin J. McKeon, Esquire
Julia A. Conover, Esquire
Christopher M. Arfaa, Esquire
Hawke McKeon & Sniscak LLP
PO Box 1778
100 North Tenth Street
Harrisburg, PA 17101
UGI Distribution Companies

Patrick M. Cicero, Esquire
Harry S. Geller, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17102
CAUSE-PA

Heather M. Langeland, Esquire
PennFuture
200 First Avenue, Suite 200
Pittsburgh, PA 15222
PennFuture

Craig R. Burgraff, Esquire
Hawke McKeon & Sniscak LLP
Harrisburg Energy Center
100 North Tenth Street
PO Box 1778
Harrisburg, PA 17105-1778
Sustainable Energy Fund of Central Eastern Pennsylvania

Derrick P. Williamson, Esquire
Barry A. Naum, Esquire
Spilman Thomas & Battle
1100 Bent Creek Boulevard, Suite 101
Mechanicsburg, PA 17050
Wal-Mart Stores East, LP and Sam's East, Inc.

Joseph L. Vullo, Esquire
Burke Vullo Reilly Roberts
1460 Wyoming Avenue
Forty Fort, PA 18704
Commission on Economic Opportunity

Pamela C. Polacek, Esquire
Adeolu A. Bakare, Esquire
McNees Wallace & Nurick LLC
100 Pine Street
PO Box 1166
Harrisburg, PA 17108-1166
PP&L Industrial Customer Alliance

Geoffrey Crandall
Jerry E. Mendl
MSB Energy Associates
1800 Parmenter St., Suite 204
Middleton, WI 53562
OCA Consultants

Mark C. Morrow Esquire
Chief Regulatory Counsel
UGI Utilities, Inc.
460 North Gulph Road
King of Prussia, PA 19406

Jeffrey J. Norton, Esquire
Carl R. Shultz, Esquire
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
Comverge, Inc.

Date: February 7, 2013

Andrew S. Tubbs

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION

Paul E. Russell (ID # 21643)
Associate General Counsel
PPL Services Corporation
Office of General Counsel
Two North Ninth Street
Allentown, PA 18101-1179
Phone: 610-774-4254
Fax: 610-774-6726
E-mail: perussell@pplweb.com

David B. MacGregor (ID # 28804)
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Phone: 215-587-1197
Fax: 215-320-4879
E-mail: dmacgregor@postschell.com

Andrew S. Tubbs (ID # 80310)
Post & Schell, P.C.
17 North Second Street, 12th Floor
Harrisburg, PA 17101-1601
Phone: 717-612-6057
Fax: 717-731-1985
E-mail: atubbs@postschell.com

Of Counsel:

Post & Schell, P.C.

Date: February 7, 2013

Attorneys for PPL Electric Utilities Corporation

10433967v1

Table of Contents

Page

I. INTRODUCTION 1

II. PROCEDURAL HISTORY 1

III. DESCRIPTION OF EE&C PLAN 3

IV. REPLY COMMENTS OF PPL ELECTRIC 9

A. THE OFFICE OF CONSUMER ADVOCATE 10

B. SUSTAINABLE ENERGY FUND OF CENTRAL EASTERN PENNSYLVANIA 10

C. PP&L INDUSTRIAL CUSTOMER ALLIANCE 11

D. COMVERGE, INC. 12

E. CITIZENS FOR PENNSYLVANIA'S FUTURE 15

V. CONCLUSION 19

I. INTRODUCTION

On November 15, 2012, pursuant to Act 129 of 2008 ("Act 129"), P.L. 1592, 66 Pa.C.S. §§ 2806.1 and 2806.2, and the Pennsylvania Public Utility Commission's ("PUC" or the "Commission") Implementation Order, *Energy Efficiency and Conservation Program*, Docket Nos. M-2012-2289411, M-2008-2069887, 2012 Pa. PUC LEXIS 1259 (Order entered August 3, 2012) ("*2012 Implementation Order*"), PPL Electric Utilities Corporation ("PPL Electric" or the "Company") filed a Petition with the Commission requesting approval of its Phase II (June 1, 2013 – May 31, 2016) Energy Efficiency and Conservation Plan ("Phase II EE&C Plan" or the "Plan"). The Phase II EE&C Plan includes a broad portfolio of energy efficiency programs, conservation practices and energy education initiatives designed to meet the goals established by Sections 2806.1 and 2806.2 of Act 129 and the Commission's *2012 Implementation Order*. For the reasons set forth below, PPL Electric respectfully requests that the Commission approve its Phase II EE&C Plan with the modifications discussed herein and illustrated by the revised Plan filed in this proceeding on February 7, 2013.

II. PROCEDURAL HISTORY

On July 1, 2009, in compliance with Section 2806.1(b)(1)(i) of Act 129, PPL Electric filed its Phase I EE&C Plan for the period of June 1, 2009 through May 31, 2013 ("Phase I EE&C Plan"). PPL Electric's Phase I EE&C Plan was approved, with modification, by the Commission on October 26, 2009.[1] The Commission thereafter approved several modifications to PPL Electric's Phase I EE&C Plan.[2]

---

[1] *Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093216, 2009 Pa. PUC LEXIS 2242 (October 26, 2009).

[2] *See, e.g., Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093216, 2010 Pa. PUC LEXIS 392 (February 17, 2010); *Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan*, Docket No. M-2009-2093216, 2011 Pa. PUC LEXIS 2009 (May 6, 2011).

On August 3, 2012, the Commission issued the *2012 Implementation Order*, which determined the required consumption reduction targets for each electric distribution company ("EDC") and established guidelines for implementing Phase II (June 1, 2013 – May 31, 2016) of the EE&C program. In order to establish the EDCs' required consumption reduction targets, the Commission's Statewide Evaluator ("SWE") conducted baseline studies and prepared a Market Potential Study for the Commission that recommended each EDC's specific consumption reduction target. *2012 Implementation Order*, p. 13. Pursuant to Act 129 and the *2012 Implementation Order*, PPL Electric, on November 15, 2012,[3] filed its Petition requesting that the Commission approve the proposed Phase II EE&C Plan. On December 4, 2012, PPL Electric submitted direct testimony in support of this filing.

The filing was docketed by the Commission at Docket No. M-2009-2093216 and was assigned to Administrative Law Judge Dennis J. Buckley (the "ALJ"). On November 28, 2012, a Prehearing Conference Order was issued which directed the parties to file prehearing conference memoranda on or before December 6, 2012.

On December 1, 2012, a notice of PPL Electric's November 15, 2012 filing was published in the *Pennsylvania Bulletin* providing that comments on the Phase II EE&C Plan were due December 21, 2012.

On December 3, 2012, UGI Utilities, Inc. – Gas Division, UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. (collectively, "UGI") filed a Petition to Intervene. On December 5, 2012, the Office of Small Business Advocate ("OSBA") filed a Notice of Intervention. On December 6, 2012, the Office of Consumer Advocate ("OCA") filed a Notice

[3] On November 1, 2012, the Commission issued a Secretarial Letter granting EDCs the ability to file their Act 129 Phase II EE&C Plan any time between November 1st and November 15th. This extension was granted in recognition of the need for EDC personnel to focus on storm response duties due to Hurricane Sandy.

of Intervention. The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), Citizens for Pennsylvania's Future ("PennFuture"), Wal-Mart Stores East, LP and Sam's East, Inc. (collectively "WalMart"), the Commission on Economic Opportunity ("CEO"), and PP&L Industrial Customer Alliance ("PPLICA") filed Petitions to Intervene on December 6, 2012. On December 7, 2012, the Sustainable Energy Fund of Central Eastern Pennsylvania ("SEF") filed a Petition to Intervene.

A prehearing conference was held on December 10, 2012. Counsel representing PPL Electric, OCA, OSBA, SEF, PPLICA, CAUSE-PA, PennFuture, UGI, WalMart and CEO appeared. On December 12, 2012, the ALJ issued the Second Prehearing Order granting the various Petitions to Intervene listed above. On December 19, 2012, Comverge, Inc. ("Comverge") filed a Petition to Intervene, which was granted by the ALJ in the Third Prehearing Order issued on December 27, 2012.

Comments were filed with the Commission relative to PPL Electric's Phase II EE&C Plan on December 21, 2012 by OCA, PPLICA, PennFuture and Comverge. In accordance with the procedural schedule, direct testimony was distributed to all active parties on December 28, 2012 by OCA, SEF, CAUSE-PA, CEO and UGI. On January 9, 2013, the ALJ issued the Fourth Prehearing Order explaining that "comments" will not be accepted into the record. On January 11, 2013, PPL Electric and CAUSE-PA served rebuttal testimony. An evidentiary hearing was held on January 16, 2013.

On January 28, 2013, Main Briefs were filed by PPL Electric, OCA, CAUSE-PA, CEO, SEF, PPLICA and UGI.

III. DESCRIPTION OF EE&C PLAN

PPL Electric's Phase II EE&C Plan includes a broad portfolio of energy efficiency programs and energy education initiatives and includes opportunities for participation by every customer segment. PPL Electric St. 1, p. 5. PPL Electric's portfolio of programs is designed to meet the Company's Phase II consumption reduction target of 821,072 MWh/yr.[4] and to comply with the other requirements set forth in the Commission's *2012 Implementation Order*. PPL Electric St. 1, p. 5.[5]

The proposed Phase II EE&C Plan follows the template provided in the September 26, 2012 Secretarial Letter at Docket No. M-2012-2289411, and is divided into the following ten sections: (1) Overview of Plan; (2) Energy-Efficiency Portfolio/Program Summary Tables and Charts; (3) Program Descriptions; (4) Program Management and Implementation Strategies; (5) Reporting and Tracking Systems; (6) Quality Assurance and Evaluation, Measurement and Verification; (7) Cost-Recovery Mechanism; (8) Cost-Effectiveness; (9) Plan Compliance Information and Other Key Issues; and (10) Appendices.[6] PPL Electric St. 1, p. 4. In addition, the Company included as Appendix G to the Phase II EE&C Plan, a proposed *pro forma* tariff for the Act 129 Compliance Rider, which is designed to fully recover all applicable EE&C-related costs. *See,* Appendix G to the Phase II EE&C Plan and Exhibit JMK-1. The Act 129 Compliance Rider is fully reconcilable and will be applied on a non-bypassable basis to charges for electricity supplied to customers who receive distribution service from the Company. PPL Electric St. 3, pp. 7-9.

---

[4] All energy savings, including the compliance target, are annualized. Savings are expressed as MWh/yr. or annual MWh.

[5] PPL Electric used the measures and savings set forth in the *Implementation of the Alternative Energy Portfolio Standards Act of 2004: Standards for the Participation of Demand Side Management Resources – Technical Reference Manual 2013 Update*, Docket Nos. M-2012-2313373, M-00051865, 2012 Pa. PUC LEXIS 1511 (September 13, 2012) ("*2013 TRM Tentative Order*") to develop its Phase II EE&C Plan.

[6] The Phase II EE&C Plan includes the following appendices addressing the noted topics: Appendix A - Commission Approved Electricity Consumption Forecast (June 1, 2009 through May 31, 2010); Appendix B - Approved Contract for Appliance Recycling CSP; Appendix C - Calculation of Annual Savings and Costs by Program; Appendix D - Calculation methods and assumptions; Appendix E- List of measures available to Low-Income customers; Appendix F - CSP Evaluation Process; and Appendix G - Tariff - Cost recovery.

10433967v1

PPL Electric's primary objective is to deliver a portfolio of cost effective programs that will meet customers' needs, fulfill the Company's Phase II EE&C Plan objectives as defined in Section 8 of the Phase II EE&C Plan, and achieve the results required by Act 129 and the Commission's *2012 Implementation Order*. *See,* PPL Electric St. 1, p. 5. PPL Electric's portfolio reflects a strategic approach that is targeted, yet flexible enough to adjust and expand, as warranted, to meet changing market conditions and progress toward the Phase II EE&C Plan goals. PPL Electric St. 1, p. 7. The portfolio builds on customer, trade ally, and stakeholder relationships through training, incentives, education, marketing strategies, and customer support. *Id.* PPL Electric's proposed portfolio will build on existing programs, market knowledge, and community presence to efficiently meet program goals and target market sectors. *Id.* Further, it will support the local economy by reducing customer energy costs, utilizing local labor whenever practical and by promoting the adoption and use of energy efficient equipment. *See,* Phase II EE&C Plan, Sections 1.1.2 and 3.1.

The proposed Phase II EE&C Plan includes the following 13 programs:

Continued from Phase I to Phase II:

- Appliance Recycling
- Residential Retail Program (combines residential lighting and the portion of the Residential Efficient Equipment program that includes appliances, electronics, and water heating)
- Residential Energy-Efficiency Behavior & Education
- Low-Income WRAP Program (with changes)
- E-Power Wise Program
- Prescriptive Equipment Small C&I, Large C&I and GNI Program (with additions)
- Custom Incentive Small C&I, Large C&I and GNI Program

New Programs in Phase II:

- Residential Home Comfort Program (hybrid combining the Phase I Audit and Weatherization Program; the portion of Phase I Residential Efficient Equipment program that includes HVAC and insulation; pool pumps; and a new home component)

- Student and Parent Energy-Efficiency Education Program
- Low-Income Energy-Efficiency Behavior & Education Program
- Master Metered Low-Income Multifamily Housing Program
- Continuous Energy Improvement Program
- School Benchmarking Program

PPL Electric St. 1, pp. 8-9.

All of the Company's programs are voluntary, and subject to the budget limitations for each program customers can elect to participate in any program for which they are eligible. PPL Electric St. 1, p. 9. A full description of each of the 13 programs is set forth in Section 3.2 of the Phase II EE&C Plan. These programs include a range of energy-efficiency programs targeted to every customer segment in PPL Electric's service territory. PPL Electric St. 1, p. 9. In compliance with the Secretarial Letter dated September 26, 2012 at Docket No. M-2012-2289411, PPL Electric has differentiated its programs according to the three customer classes defined in the EE&C Plan template, *i.e.*, Residential, Small Commercial and Industrial ("Small C&I"), and Large Commercial and Industrial ("Large C&I"). PPL Electric St. 1, p. 9; Phase II EE&C Plan, Section 3.2.

PPL Electric's portfolio of programs is designed to provide customer benefits and to meet the Company's Phase II consumption reduction target and other program requirements set forth in Act 129 and the *2012 Implementation Order*, within the designated expenditure cap of two percent (2%) of 2006 annual revenues for each year of the three-year plan, which equates to approximately $184.5 million. PPL Electric St. 1, p. 10; PPL Electric St. 3, p. 4.

Act 129 requires that each EDC EE&C Plan include specific energy efficiency measures for households at or below 150% of the federal poverty income guidelines, the number of which shall be proportionate to those households' share of the total energy usage in the service territory. *See,* 66 Pa.C.S. § 2806.1(b)(1)(i)(G); *2012 Implementation Order* at 53. In addition, the Commission directed that each EDC seek to obtain a minimum of 4.5% of its total required consumption reduction from low-income customers by May 31, 2016. *2012 Implementation Order* at 54. These savings may be achieved directly from low-income sector programs as well as low-income customer participation in general residential programs. For PPL Electric, this low-income carve out is 36,948 MWh/yr. PPL Electric's Phase II EE&C Plan is designed to meet these requirements. *See,* PPL Electric St. 1, p. 6; Phase II EE&C Plan, Section 9.1.3.

The Commission also requires 10% of the EDC's Phase II consumption reduction target to come from the institutional sector which includes government, education, and non-profit (collectively referred to as "GNI" customers). *2012 Implementation Order* at 45. For PPL Electric, this carve out is 82,107 MWh/yr. PPL Electric St. 1, pp. 6, 11. PPL Electric is offering GNI customers an extensive selection of programs, including the Master Metered Low-Income Multifamily Housing Program, the Prescriptive Equipment Program (including incentives for customer owned area and LED street lighting and a wide array of other energy-efficiency measures), and the Custom Incentive Program. PPL Electric St. 1, p. 11; Phase II EE&C Plan, Sections 3.5 and 9.1.2. PPL Electric's Phase II EE&C Plan is designed to meet the GNI reduction target.

The Commission's *2012 Implementation Order* also requires that PPL Electric's Phase II EE&C Plan include at least one comprehensive measure for residential and small commercial rate classes. *2012 Implementation Order* at 20. PPL Electric has proposed to include a Home Comfort Program in its Phase II EE&C Plan. PPL Electric St. 1, p. 14. This program will include an incentive for contractors building energy-efficient new homes and customer incentives for audits, surveys, and weatherization for existing homes. To meet the requirement for the Small C&I sector, as part of the Prescriptive Equipment Program, PPL Electric is offering free audits and a comprehensive choice of measures specifically for farms. *Id.*

The Commission also encouraged EDCs to give special emphasis to multifamily housing within the GNI sector in their Phase II EE&C Plans. *2012 Implementation Order* at 49. In response, PPL Electric has developed the Master Metered Low-Income Multifamily Housing Program, which will use direct installation and rebates to encourage energy efficiency in multifamily, low-income, master metered buildings. This program is designed to provide approximately 6,000 to 10,000 MWh/yr. toward the required GNI ten percent (10%) reduction goal. *Id.*

The proposed Phase II EE&C Plan includes procedures to measure, evaluate, and verify performance of the programs and the Plan as a whole. *See,* PPL Electric St. 1, p. 16; Phase II EE&C Plan, Section 6. Phase II EE&C Plan also outlines a process for conducting an annual cost-effectiveness evaluation of the Plan in accordance with the Commission's 2013 Total Resource Cost Test Order. PPL Electric St. 2, p. 7.

For each program in the Phase II EE&C Plan, cost effectiveness was estimated in accordance with the procedures for the modified California test[7] described in the Commission's Secretarial Letter concerning the implementation of the Energy-efficiency and Conservation Program (Docket No. M-2008-2069887) and subsequent refinements introduced in the Commission's August 30, 2012 Order concerning the Total Resource Cost for Phase II of Act 129 (Docket No M-2012-2300653). PPL Electric St. 2, p. 7.

PPL Electric's proposed Phase II EE&C Plan is cost effective, based on Total Resource Cost Test ("TRC") criterion. *See,* PPL Electric St. 2, p. 8; Phase II EE&C Plan, Section 8. Cost effectiveness of the Phase II EE&C Plan was demonstrated in data presented in Section 3.2, Program Descriptions and Tables 7- 7E. PPL Electric determined the life-cycle costs, savings,

[7] See *California Standard Practice Manual for Economic Analysis of Demand-Side Management Programs and Projects,* California Energy Commission, October 2001.

and avoided cost benefits for each measure to compute the measure's cost effectiveness from a TRC perspective. PPL Electric St. 2, p. 8. Application of the TRC identified some measures that did not meet the cost-effectiveness threshold. However, to ensure a well-balanced and comprehensive mix of measures, to meet the Commission's requirement to include "comprehensive" measures for customers, and to meet the Commission's requirement for low-income savings, certain measures and programs with a relatively low TRC are included in the Phase II EE&C Plan. PPL Electric St. 2, p. 8.

PPL Electric's programs are designed to support residential (including low-income), commercial and industrial, and government and non-profit sector customers through a logical continuum of energy efficiency actions, starting with facility review and analysis and ending with implementation, verification, and evaluation. PPL Electric St. 1, p. 28. Marketing and education functions, customer care and quality assurance, program tracking, evaluation, monitoring, and verification all will be common features of all programs. *Id.* The Phase II EE&C Plan is supported by financial incentives and a delivery approach focused on providing customers with the support they need to achieve their energy efficiency objectives. *Id.* Implementation activities range from the simple installation of a common energy efficiency measure that can be installed with minimal oversight or administrative burdens to installation of more complex measures.

IV. <u>REPLY COMMENTS OF PPL ELECTRIC</u>

These reply comments respond to the comments filed by OCA, PennFuture, PPLICA, SEF and Comverge on December 21, 2012. While PPL Electric addresses each party's comments below, it is important to note that many of the same issues have already been addressed by the Company in its Main and Reply Briefs. Where the same issue raised by a party in their comments has been addressed by PPL Electric in its Main and Reply Briefs, the

Company has provided the appropriate cross-reference, rather than repeating statements already filed in this proceeding. For ease of reference PPL Electric's Main and Reply Briefs are attached to these Reply Comments as Attachments A and B, respectively.

A. THE OFFICE OF CONSUMER ADVOCATE

The comments filed by OCA address substantially similar issues to those raised in OCA's testimony and Main Brief filed in this proceeding. *See,* OCA St. 1; OCA Main Brief. PPL Electric believes that via its testimony, Main Brief, and Reply Brief the Company has sufficiently responded to the issues raised by OCA in its comments. The table below cross references the pages in PPL Electric's Main and Reply Brief where the Company addresses the concerns of OCA.

Topics raised by OCA	**Pages in the Main Brief and/or Reply Brief Containing PPL Electric's Responses**
Residential Low-Income Program	Main Brief, pp. 20-21; Reply Brief, p. 7.
Installation Rates	Main Brief, pp. 24-25.
Standard T-8 Lighting	Main Brief, pp. 25-26; Reply Brief, p. 11.
Low-Income Participation Levels	Main Brief, p. 29-30; Reply Brief, p. 13.
Master Metered Low-Income Multifamily Housing Program	Main Brief, pp. 36-37; Reply Brief, p. 20.
Data Center Energy Efficiency Program	Main Brief, pp. 37-38; ; Reply Brief, p. 21.
Cost Allocation Issue	Main Brief, p. 55; Reply Brief, p. 44.
Stakeholder Meetings	Main Brief, pp. 58-59; Reply Brief, p. 47.

B. SUSTAINABLE ENERGY FUND OF CENTRAL EASTERN PENNSYLVANIA

The comments filed by SEF address substantially similar issues to those raised in SEF's testimony and Main Brief filed in this proceeding. *See,* SEF St. 1; SEF Main Brief. As with OCA, PPL Electric believes that via its testimony, Main Brief and Reply Brief it has sufficiently responded to the issues raised by SEF in its comments. The table below cross references the pages in PPL Electric's Main and Reply Brief where the Company addresses the concerns of SEF:

Topics raised by SEF	**Pages in the Main Brief and/or Reply Brief Containing PPL Electric's Responses**
Low-Income Businesses	Main Brief, pp. 33-34; Reply Brief, p. 19.
Fuel Switching	Main Brief, pp. 40-48; Reply Brief, p. 25-40.
Solar Thermal and Solar PV	Main Brief, pp. 48-49; Reply Brief, p. 34.

C. PP&L INDUSTRIAL CUSTOMER ALLIANCE

The comments filed by PPLICA address similar issues to those raised in its Main Brief filed in this proceeding. *See,* PPLICA Main Brief. However, PPLICA does raise one issue in its comments that it did not raise in its Main Brief. Specifically, PPLICA states that it reserves the right to challenge any program in PPL Electric's Phase II EE&C Plan based on the results of the 2013 SWE audit of PPL Electric's Phase I EE&C Plan, scheduled to be issued on or about June 1, 2013. PPLICA Comments, p. 8. PPL Electric disagrees with PPLICA's inference that the Company's Phase I audit is connected to the Company's Phase II EE&C Plan.

PPL Electric's Phase II EE&C Plan is a separate proceeding and has different savings targets than Phase I, different program acquisition costs than Phase I, different low-income set-aside targets and funding requirements than Phase I, as well as other requirements that are limited to the Company's Phase II EE&C Plan. For these reasons, PPL Electric's Phase II EE&C Plan has a different mix of measures, programs, savings and costs per customer sector, savings per measure, incremental costs, avoided costs, etc., than its Phase I EE&C Plan. Therefore, it is not reasonable to directly compare the Phase I TRC to the Phase II TRC, and require changes to the Phase II EE&C Plan based on actual Phase I results.

In developing its Phase II EE&C Plan, PPL Electric closely examined the programs in its Phase I EE&C Plan in order to determine which programs presented continued opportunities for cost-effective savings in the Company's Phase II EE&C Plan. PPL Electric completed this evaluation with the most current data available from its Phase I EE&C Plan programs and with the input from its stakeholders. Based upon this analysis, the Company has proposed to include a number of its Phase I EE&C Plan programs in its Phase II EE&C Plan. The Company proposed these programs in order to provide benefits to its customers and to meet the Company's Phase II consumption reduction target and other program requirements set forth in Act 129 and the Commission's *2012 Implementation Order*. To the extent PPLICA has concerns with any of the Company's Phase II EE&C Plan programs following the release of the SWE's 2013 audit of Phase I, PPLICA may raise its concerns directly with PPL Electric or as part of the Company's Phase II stakeholder process.

As to the remaining issues in PPLICA's comments, PPL Electric has fully responded in its Reply Brief, as set forth in the table below.

Topics raised by PPLICA	**Pages in the Main Brief and/or Reply Brief Containing PPL Electric's Responses**
EE&C Plan Cost Allocation	Reply Brief, p. 45-46.
Acquisition Costs	Reply Brief, p. 40-43.
Notification to Customers	Reply Brief, p. 48.

D. COMVERGE, INC.

The comments filed by Comverge address substantially similar issues to those raised in Comverge's Main Brief filed in this proceeding. PPL Electric believes that via its testimony, Main Brief and Reply Brief it has sufficiently responded to the issues raised by Comverge in its comments. Therefore, the Company will not repeat all of its statements made in response to

Comverge. However, in addition to providing cross references to the pages in PPL Electric's Main and Reply Briefs where the Company addresses the concerns of Comverge, PPL Electric will also address the additional issues raised by Comverge in its comments.

Comverge criticizes PPL Electric's use of a societal discount rate of 8.14% and a participant discount of 10% as compared to PECO which utilized a lower societal discount rate of 7.4%. Comverge comments, p. 5-6. Comverge avers that the higher PPL Electric discount rate has an adverse impact on the TRC program scoring of cost effectiveness for CHP. *Id.* Comverge's criticism of PPL Electric's proposal is not justified. In accordance with the Commission's TRC Order, the discount rate is each EDC's weighted average cost of capital. 2012 PA TRC, Docket No. M-2012-2300653 (Order entered August 30, 2012) ("TRC Order"), p. 4. PPL Electric's weighted cost of capital is 8.14%. PPL Electric Phase II EE&C Plan, p. 182. The embedded cost of equity ("ROE") is the ROE allowed by the Commission in PPL Electric's last litigated base rate case at Docket No. R-00049255. The other component of the Company's capital structure was revised from the future test year data from the Company's 2012 base rate case at Docket No. R-2012-2290597. According to Comverge's comments, PECO's weighted cost of capital is 10%. PPL Electric's weighted average cost of capital is different than PECO's average cost of capital. Therefore, PPL Electric's discounted rate complies with the Commission's TRC Order.

On page 6 of its comments, Comverge states that PPL Electric failed to fully consider the societal impacts and benefits of CHP projects. PPL Electric is well aware of the alleged societal benefits that may be achieved through CHP projects. However, such benefits are not relevant to this proceeding. In accordance with the Commission's TRC Order, the TRC for Act 129 EE&C plans excludes non-energy benefits such as those suggested by Comverge (*i.e.*, societal impacts and benefits of reducing the carbon footprint, NOx, SOx, VOCs, comfort, health, safety, aesthetics, water savings, sustainable job creation, and economic development). *See*, TRC Order, p. 9.

Throughout its comments, Comverge references PECO's Smart On-Site Program and goes so far as to recommend that PPL Electric adopt the PECO program. However, Comverge failed to actively participate in this proceeding by submitting testimony on a timely basis to support the proposals contained in its comments. Therefore, PPL Electric and the Commission do not have sufficient record evidence to evaluate relative to PECO's proposed CHP program in general and whether it is appropriate for PPL Electric, PECO's proposal is not even part of the record in this proceeding. There is, therefore, no basis to adopt it here.

PPL Electric's Phase II EE&C Plan, as filed, provides incentives for CHP. PPL Electric does not believe that its program and incentives should, or must, be identical to PECO's CHP program. Comverge has not demonstrated why PECO's CHP program is "better" than PPL Electric's or why PECO's CHP program is more appropriate than the CHP measures included in PPL Electric's EE&C Plan. PPL Electric's savings target, funding cap, customer mix and distribution of EE&C savings and costs among sectors are likely very different from that of PECO. Further, Comverge has not demonstrated how it would change PPL Electric's total funding for CHP; how that funding change would impact other programs/measures' funding; or how their proposed CHP changes would impact the total budget, savings, cost-effectiveness, or allocation of costs and savings among sectors of the portfolio. To adopt Comverge's recommendation to implement PECO's CHP would increase the budget by $15 million for CHP and would increase the total cost of PPL Electric's EE&C Plan over the funding cap unless costs for other programs and sectors are reduced by $15 million. The $15 million increase for CHP would likely be borne by PPL Electric's Large C&I sector and would increase the Large C&I total costs by approximately 40% causing that sector to bear a disproportionate percentage of the total portfolio cost.

On page 9 of its comments, Comverge states that it is willing to work with customers to implement CHP projects in PPL Electric's CHP program. PPL Electric's Phase II EE&C Plan, as filed, provides for entities like Comverge to work with customers to implement CHP projects in PPL Electric's Custom Program.

The additional issues raised by Comverge in its comments have been addressed by PPL Electric in its Main and Reply Briefs. Specifically, Comverge's arguments are addressed in PPL Electric's Main Brief (pp. 38-39) and Reply Brief (pp. 5 and 21-23).

E. CITIZENS FOR PENNSYLVANIA'S FUTURE

PennFuture supports PPL Electric's decision to continue its successful Efficiency Behavior & Education Program, and notes that this program has proven to be highly cost effective. PennFuture Comments, p. 3. However, PennFuture recommends that the Company offer the program throughout the entire Phase II EE&C Plan period. *Id.* PennFuture's comments are similar to those raised by the OCA and addressed by the Company in its Main and Reply Briefs. As explained therein, PPL Electric expects to achieve approximately 32,000 MWh/yr. in savings for the Residential Energy-Efficiency Behavior & Education Program and 8,300 MWh/yr. in savings for the Low-Income Energy-Efficiency Behavior & Education Program. PPL Electric St. 1-R, 15. However, the expected measure life of these programs is only one year, as it is Phase I. *Id.* This means that the achieved savings for these programs expire after one year and therefore are not cumulative for each year of operation toward the May 31, 2016 compliance target. For this reason, PPL Electric has proposed that the programs begin in program year ("PY") 6 with savings recorded in PY7. *See,* PPL Electric Main Brief, pp. 20-21; PPL Electric Reply Brief, pp. 7-9.

PennFuture also recommends that PPL Electric provide incentives for LED lighting in PY5; in addition to the incentives for LED lighting offered in PY6 and PY7 in the Company's proposed Residential Retail Program. PennFuture Comments, pp. 3-4.

PPL Electric will offer rebates for LED lighting in PY5, PY6 and PY7. The Company's Phase II EE&C Plan includes LEDs in its PY5 calculations of the savings. However, the Company failed to specifically mention that in its Phase II EE&C Plan. The Company will clarify this issue when it files its revised Phase II EE&C Plan.

In its comments, PennFuture also criticizes the new home component of the Company's Residential Home Comfort Program for not leveraging the EPA's ENERGY STAR New Homes Program or the RESNET Home Energy Rating System ("HERS"). PennFuture Comments, pp. 4-5. PennFuture avers that by not leveraging these programs, the Company is not promoting a holistic approach to energy upgrades and quality installations in new homes. In addition, PennFuture recommends that PPL Electric not use a flat incentive, but instead to increase rebates based on better performance. *Id.*

PPL Electric's new homes program focuses on those measures that the Company believes provides the most savings per dollar of program expenditures. In designing the Residential Home Comfort Program, PPL Electric did evaluate the EPA's ENERGY STAR New Homes Program and determined that it would be less cost effective and would be more costly (program expenditures per kWh saved) than the program being proposed, owing primarily to the fact that the EPA's ENERGY STAR ® New Homes Program includes non-energy benefits that do not factor into the program's benefit-cost analysis under the Commission's TRC Order. TRC Order,

p. 9. Further, there was concern about the uncertainty of the Building Codes and whether Pennsylvania will adopt the 2012 International Energy Conservation Code within the period of this plan. If adopted, savings from the ENERGY STAR New Homes Program will further be reduced and become even less cost effective. ENERGY STAR, while a laudable program, includes an extensive checklists and there is concern that this might be burdensome for contractors and therefore detract from program participation. Further, ENERGY STAR savings for electric only customers are very limited. Finally, ENERGY STAR requires a HERS rating that has an additional cost to the customer of between $400 to $1,000 which would have a further negative impact on program costs and create additional barriers for participation.

In addition, PennFuture recommends that PPL Electric modify the audit and weatherization component of its Residential Home Comfort Program to reference national standards for energy audits such as those promulgated by the Building Performance Institute (BPI) or the RESNET HERS. PennFuture Comments, p. 5. PennFuture avers that this is necessary to ensure that "audit" or "survey" providers are properly trained and certified. According to PennFuture, absent such certification, PPL Electric will miss opportunities for additional savings and undermine its existing infrastructure for the training and delivery of standards based services within its territory.

PPL Electric's Phase II EE&C Plan includes procedures to evaluate, measure, and verify ("EM&V") performance of the programs and the Plan as a whole, including an impact evaluation, a process evaluation, a net-to-gross evaluation, and a cost-effectiveness evaluation. *See,* PPL Electric St. 1, p. 16. These procedures will be detailed in PPL Electric's Evaluation Plan for each program submitted to the SWE for approval. *Id.* All of these evaluations will be conducted by PPL Electric's independent evaluator (EM&V CSP). Phase II EE&C Plan, Section

1.7.3. Further, as was the case in the Company's Phase I EE&C Plan, PPL Electric will again require auditors to be certified by BPI.

On page 6 of its comments, PennFuture criticizes PPL Electric for not mentioning the need to require proper sizing or quality installation standards as promulgated by the Air Conditioning Contractors of America ("ACCA"). In addition, PennFuture notes that PPL Electric's EE&C Plan does not include a requirement for contractors to participate in technician training and certification programs such as, North American Technician Excellence ("NATE"). PennFuture recommends that the Company modify the energy-efficiency equipment component of the Residential Home Comfort Program to incorporate standards based training, certification, and transformation towards higher energy and comfort performance.

With regard to PennFuture's suggestion to include proper sizing of equipment, PPL Electric investigated the merits of proper sizing and concluded the savings for proper sizing of HVAC equipment, as specified in the TRM, are relatively minor (less than 5% of the total savings associated with the efficient HVAC equipment) which gives the Company little savings at an expensive price. While PPL Electric does provide training about its EE&C program requirements (rebates, application forms, customer and equipment eligibility requirements, etc.), PPL Electric does not think it is appropriate to specify technical training requirements and certifications (such as NATE), as suggested by PennFuture for any HVAC contractors who is selected (hired) by the customer. Similarly, PPL Electric would not dictate any licensing, technical training, experience, certifications, and qualifications for HVAC contractors or contractors who install/replace lighting for non-residential customers. These HVAC contractors, electricians, etc., are not under contract with PPL Electric. It is the customer's responsibility to hire a qualified contractor, and it is the responsibility of the state or local governments to enforce any of the licensing and code requirements. It is clearly not an EDC's responsibility to dictate or enforce those types of requirements and, in fact, could expose the EDC to significant liabilities. Therefore, PennFuture's request to incorporate a training component should be rejected.

V. **CONCLUSION**

WHEREFORE, for all the foregoing reasons, and the reasons discussed in the Company's Main and Reply Briefs the Phase II Energy Efficiency & Conservation Plan of PPL Electric Utilities Corporation, as modified in this proceeding, should be approved.

Respectfully submitted,

David B. MacGregor

David B. MacGregor (ID # 28804)
Post & Schell, P.C.
Four Penn Center
1600 John F. Kennedy Boulevard
Philadelphia, PA 19103-2808
Phone: 215-587-1197
Fax: 215-320-4879
E-mail: dmacgregor@postschell.com

Andrew S. Tubbs (ID # 80310)
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Phone: 717-612-6057
Fax: 717-731-1985
E-mail: atubbs@postschell.com

Paul E. Russell (ID # 21643)
Associate General Counsel
PPL Services Corporation
Office of General Counsel
Two North Ninth Street
Allentown, PA 18101-1179
Phone: 610-774-4254
Fax: 610-774-6726
E-mail: perussell@pplweb.com

Of Counsel:

Post & Schell, P.C.

Date: February 7, 2013

Attorneys for PPL Electric Utilities Corporation