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| **PENNSYLVANIA**  **PUBLIC UTILITY COMMISSION**  **Harrisburg, PA 17105-3265** | |
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| Commissioners Present:  Robert F. Powelson, Chairman  John F. Coleman, Jr., Vice Chairman  Wayne E. Gardner  James H. Cawley  Pamela A. Witmer | |
| Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan | M-2012-2334388 |

**OPINION AND ORDER**

**BY THE COMMISSION:**

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition is the Revised Phase II Energy Efficiency and Conservation (EE&C) Plan (Revised Phase II Plan) of PPL Electric Utilities Corporation (PPL or the Company) filed on May 13, 2013. PPL filed its Revised Phase II Plan pursuant to the Commission’s Opinion and Order entered on March 14, 2013 (*March 2013 Order*) in the above-captioned proceeding. For the reasons discussed herein, we will approve PPL’s Revised Phase II Plan.

# Procedural History

On November 15, 2012, PPL filed a Petition requesting approval of its Act 129 Phase II EE&C Plan (Phase II Plan). PPL’s Phase II Plan included 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 Order in *Energy Efficiency and Conservation Program*, Docket Nos. M‑2012-2289411 and M-2008-2069887 (Order entered August 3, 2012) (*Phase II Implementation Order*). PPL requested that the Commission approve its Phase II Plan and all attachments thereto, on or before March 14, 2013.

By Order Certifying the Record in this proceeding, dated February 13, 2013, Administrative Law Judge Dennis J. Buckley provided a history of the investigation into PPL’s Phase II Plan; delineated the transcripts, statements, exhibits and briefs admitted into the record; and certified the record to the Commission for consideration and disposition, in accordance with the *Phase II Implementation Order*.

On March 14, 2013, the Commission entered its *March 2013 Order,* which (1) granted, in part, and denied, in part, PPL’s Petition; (2) approved, in part, and rejected, in part, PPL’s Phase II Plan; (3) rejected PPL’s Low-income Energy Efficiency Behavior & Modification Program as filed; and (4) rejected the cost recovery mechanism set forth in PPL’s proposed Act 129 Compliance Rider contained in the pro forma tariff pages supplied with PPL’s Phase II Plan. *March 2013 Order* at 88.

The *March 2013 Order* also contained directives requiring PPL to make specific modifications to its Phase II Plan. PPL was required to file a revised Phase II Plan incorporating the directed modifications within sixty days of the entry date of the *March 2013 Order*. Interested parties were given ten days to file comments on the revised portions of the Phase II Plan, with reply comments due ten days thereafter. The *March 2013 Order* provided for the Commission to approve or reject the revised portions of the Phase II Plan at a public meeting within sixty days of the date of the filing of the revised plan. *Id*. at 89. In addition, PPL was permitted to implement any portion of its Phase II Plan that was approved without modification by the *March 2013 Order*. *Id*.

On May 1, 2013, PPL filed Supplement No. 131 to its Tariff – Electric Pa. P.U.C. No. 201, to become effective for service furnished on or after June 1, 2013. PPL filed Supplement No. 131 to implement its Act 129 Compliance Riders pursuant to the *March 2013 Order*. By Secretarial Letter dated June 3, 2013, Supplement No. 131 was permitted to become effective as filed.

As noted, *supra*, PPL filed its Revised Phase II Plan on May 13, 2013, pursuant to the *March 2013* Order. The filing consists of both a clean and redline version of the Company’s Revised Phase II Plan, as well as a document summarizing PPL’s responses and updates to the issues identified by the Commission in the *March 2013 Order* (Responses and Updates).

No comments or reply comments were filed in response to PPL’s Revised Phase II Plan.

**Discussion**

PPL’s Revised Phase II Plan was filed to address the specific directives issued by the Commission in the *March 2013 Order*, and to implement the modifications to the Company’s Phase II Plan as directed therein. A discussion of the issues in question, and PPL’s responses and modifications contained in its Revised Phase II Plan, follows.

**Low-income WRAP Program**

The Low-income WRAP (Winter Relief Assistance Program) program proposed by PPL in its Phase II Plan is one of two WRAP programs available to PPL’s customers, the other being its Low-income Usage Reduction Program (LIURP) WRAP program. The LIURP program is a Commission-approved component of PPL’s Universal Service & Energy Conservation Plan programs, and is not part of PPL’s EE&C Plan. *March 2013 Order* at 27.

In general, PPL’s WRAP programs consist of three types of services: baseload, low-cost, and full-cost. Each of these types of WRAP services encompasses differing eligibility criteria, as well as different installed measures. However, PPL proposed that only baseload WRAP jobs be available under its Phase II Plan. *Id*. at 28. Baseload WRAP jobs include the following measures:

* Energy education
* Installation of Compact Fluorescent Lights (CFLs)
* Refrigerator replacement
* Air conditioner replacement
* Dehumidifier replacement
* Changing or cleaning of heating/cooling filters
* Dryer venting (electric dryer)
* Power Strips/Smart Plugs

In addition, PPL will offer a heat pump water heater replacement component to qualified low-income customers with electric water heating at no cost, as part of its Act 129 WRAP program. *Id*.

In its Phase II Plan, PPL stated that it may design and implement a “neighborhood blitz” program to identify low-income neighborhoods that may benefit from WRAP services. Qualified customers would receive any of the three types of WRAP jobs offered by PPL. Baseload jobs for customers at or below 150% of Federal poverty income guidelines would be credited to PPL’s Phase II Plan, while low-cost and full-cost jobs would be credited to PPL’s LIURP WRAP program. *Id*. at 29. PPL also stated that, while it is reducing the number of low-cost and full-cost jobs in its Act 129 EE&C WRAP program, it will correspondingly increase the number of low-cost and full-cost WRAP jobs undertaken in its non-Act 129 LIURP WRAP program. *Id*. at 30.

Because PPL’s Act 129 WRAP program is limited to baseload jobs under its Phase II Plan, we expressed concern in our *March 2013 Order* that some customers who are eligible for more extensive measures (*e.g*., full-cost WRAP jobs) may not receive them. In addition, we expressed concern regarding the potential for difficulties in separating and aligning the measures and corresponding costs relating to jobs that represent a “blending” of multiple WRAP programs (*i.e*., Act 129 WRAP and LIURP WRAP). *Id*. at 31. Therefore, we directed that, within sixty days of the entry date of the *March 2013 Order*, PPL meet with the Commission’s Bureaus of Consumer Services (BCS) and Technical Utility Services (TUS) to address improvements in the coordination of the Low-income WRAP program with specific ongoing conservation programs, and to address accounting issues that may arise as a result of the implementation of multiple conservation programs. *Id*. at 31-32, 90.

On April 19, 2013, representatives of PPL met with BCS and TUS staff to discuss the coordination and accounting issues relating to PPL’s WRAP programs, as required by the *March 2013* Order. Responses and Updates at 1. In the meeting, PPL and staff reviewed the existing guidelines for job classification and procedures for the LIURP WRAP program, and discussed how those procedures might also be applied to Act 129 WRAP jobs. PPL provided a matrix that set forth the various types of WRAP measures that would be applied under different scenarios, depending on customer needs and the types of electric appliances used in a customer’s home. The matrix also indicated how the savings and costs of the WRAP measures would be assigned under each scenario, *i.e*., whether a particular WRAP job would be assigned to Act 129 WRAP or LIURP WRAP. Using this matrix as a guide, PPL and staff discussed each of the scenarios to determine if there were any situations that may cause problems with regard to the appropriate WRAP job to be applied under a given scenario, and with regard to the proper assignment of savings and costs.

Based on this discussion between PPL and staff, staff determined that there were sufficient guidelines in place for the Company to continue to meet the requirements for reporting relevant data to the LIURP program administrator at Penn State University. Staff also ensured that there were separate funding source codes for LIURP jobs and Act 129 jobs, and an additional category for any jobs where measures might be attributed to both LIURP and Act 129. In the case of such a blended job, it was determined that the individual measures would be assigned to the respective programs, but the job would be noted as "blended." After discussion and review of the matrix, staff and PPL determined that blended jobs would be rare, but decided that, if there were any questions regarding the appropriate funding allocation and reporting under any given scenario, PPL would contact BCS for further discussion and guidance on the matter.

As a result of the April 19, 2013 meeting between PPL, TUS and BCS, the immediate concerns we expressed in the *March 2013 Order* have been resolved. Accordingly, we find PPL to be in compliance with our directive on this issue. We note, however, that BCS and TUS staff will continue to monitor PPL’s WRAP programs to ensure that eligible customers receive the maximum benefit from these programs, and that PPL continues to follow proper program coordination and accounting practices.

**Low-income Energy Efficiency Behavior & Education Program**

PPL’s Low-income Energy Efficiency Behavior & Education Program was designed to provide eligible low-income customers with a series of “report cards” comparing their usage to that of comparable customers. These reports are meant to encourage customers to adopt energy-efficient behaviors, to install energy-efficiency measures, and to become more aware of how their behavior and practices affect their energy usage. In addition, the program will educate customers about free or low-cost measures and behavior changes that may reduce their energy consumption. *March 2013 Order* at 40.

In the *March 2013 Order*, we expressed a number of concerns regarding PPL’s failure to provide key design details of this program, and to explain how it will tailor the program specifically to low-income customers, as compared to its general Residential Energy Efficiency Behavior & Education Program. We were also concerned that, since the expected measure life of the program is only one year, the potential for sufficient reinforcement of the behavioral message may be low, and there may be limited opportunity to leverage and coordinate this program with other EE&C programs. *Id*. at 44-45. We questioned whether the program may simply duplicate the education efforts of other proven, cost-effective programs available to low-income customers, without providing more substantial EE&C measures. *Id*. at 45. For these reasons we rejected the program as proposed, and directed PPL to either reallocate the amount budgeted for this program to other Phase II low-income programs, or to submit a modified version of the program that sets forth all pertinent details of the program’s design. We stated that a modified version of the program must include an explanation of how the program will be customized to apply specifically to low-income households, and must address the other concerns we enumerated. *Id*. at 45, 90.

PPL elected to submit a revised Low-income Energy Efficiency Behavior & Education Program as part of its Revised Phase II Plan in order to address the issues identified in the *March 2013 Order*. PPL states that it informed its stakeholders of its decision at the May 1, 2013 stakeholder meeting. Responses and Updates at 1.

PPL’s revised program provides a more detailed explanation of how the program is designed specifically to benefit low-income customers, as distinguished from its general Residential Energy Efficiency Behavior & Education Program. PPL indicates that the primary way in which the revised program is tailored specifically to low-income customers is that the energy efficiency recommendations provided to such customers will focus on no-cost ways for the customers to reduce electricity use and reduce their electric bills, including participation in the Low-income WRAP program, which is free to customers. Revised Phase II Plan at 82. Low-income customers will also be informed about other low-income services, such as PPL’s OnTrack program, which provides assistance to residential customers who are having difficulty paying their electric bills. *Id*.

In addition, PPL states that, under the Low-income Energy Efficiency Behavior & Education Program, both the participant group and the control group will consist of low-income customers who have comparable energy usage, and live in comparable homes. This is in contrast to the general residential program, in which the participant group and control group are not selected based on income criteria. *Id*. The revised program also includes a detailed explanation of how PPL acquires relevant customer data in order to identify potential low-income program participants, and to develop meaningful customer usage comparisons among low-income homes with similar usage characteristics (*e.g*., distinguishing between homes that utilize electricity for heating and homes that do not). *Id*. at 83.

PPL states that an estimated 40,000 to 50,000 low-income households in the treatment group will each receive four home energy reports in Plan Year 6, and six reports in Plan Year 7. *Id*. at 84. PPL asserts that the home energy reports are intended to be a first step to engage low-income customers in the process of becoming more energy efficient, to provide them with guidance and motivation to utilize more energy efficient behaviors, and to provide them with information about other programs for low-income customers that may be able to assist them at no cost. *Id*. at 83-83. PPL avers that, unlike other EE&C programs, its Low-income Energy Efficiency Behavior & Education Program does not provide financial incentives to homeowners to install EE&C measures. In contrast, other EE&C programs do not provide repeated and personalized information about energy use in the customer’s home over one or more years, nor do they compare the customer’s usage to that of neighbors in order to induce behavioral change. *Id*. at 84. PPL states that the personalized home energy reports are meant to increase customer awareness and knowledge of energy efficiency, allowing customers to make more informed decisions about the costs and benefits of availing themselves of other program resources. *Id*. In addition, PPL asserts that this knowledge is transferrable if a custom moves. *Id*.

Upon review of the revised Low-income Energy Efficiency Behavior & Education Program included in PPL’s Revised Phase II Plan, we are satisfied that it addresses the concerns we enumerated in the *March 2013 Order*. Specifically, the revised program includes more detail regarding the distinction between this program and the general Residential Energy Efficiency Behavior & Education Program, and provides a clearer explanation of how the program will benefit low-income customers. In addition to receiving personalized reports regarding their home energy use, program participants will be introduced to energy efficiency measures and programs of which they may not have been aware, since the program targets low-income customers who have not previously participated in other EE&C programs. This cross-promotion of programs will increase the likelihood that the behavioral message that PPL is trying to convey to low-income customers will be reinforced through customers’ continued exposure to that message in other programs. Thus, while the expected measure life of this program is only one year, we are satisfied that there is ample potential for sufficient reinforcement of the behavioral message through other EE&C programs. Accordingly, we will approve PPL’s Low-income Energy Efficiency Behavior & Education Program as revised.

**Master Metered Low-income Multifamily Housing Program**

The Master Metered Low-income Multifamily Housing Program targets energy-efficiency improvements in non-profit master-metered multifamily low-income housing buildings. The program will provide free basic walkthrough audits for master-metered multifamily buildings, followed by general analyses and reports of potential savings for building owners through direct installation and prescriptive efficiency measures. *March 2013 Order* at 46.

In response to a request made by the Office of Consumer Advocate in this proceeding, PPL agreed to revise the program to add LED lighting measures for hard-to-reach common areas, and for some outside applications that could have long hours of use. In addition, PPL also agreed to share the education plan for this program with stakeholders at a stakeholder meeting, once a conservation service provider was selected to manage the program. *Id*. at 47. In our *March 2013 Order*, we approved PPL’s proposal to include the installation of the additional LED lighting measures as part of the program, and we directed PPL to share its education plan for this program with the stakeholder group, as it had agreed to do. *Id*. at 47, 90-91.

Accordingly, PPL has revised its Phase II Plan to modify the Master Metered Low-income Multifamily Housing Program in order to include the addition of the proposed LED lighting measures. Responses and Updates at 1; Revised Phase II Plan at 142. In addition, PPL states that it shared its education plan for this program with its stakeholders, and that it “received significant input from its stakeholders, which will be incorporated by the Company, as appropriate, when it finalizes the education component of this program.” Responses and Updates at 2.

Upon review of PPL’s modified Master Metered Low-income Multifamily Housing Program, we find that it properly includes the addition of the proposed LED lighting measures. Therefore, we will approve the Master Metered Low-income Multifamily Housing Program as modified in the Revised Phase II Plan. In addition, we find that PPL has complied with our directive that the Company share its education plan for this program with its stakeholders.

**Fuel Switching Reporting Requirements**

In our *March 2013 Order*, we directed PPL to continue to report the frequency of customers switching to electric appliances from gas appliances, or to gas appliances from electric appliances, and to provide data on replacement appliances and systems, as the Company was required to do in connection with its Phase I EE&C Plan. *March 2013 Order* at 63, 91. We further clarified that PPL is to report instances in which electric heat pumps have been installed on premises where an existing natural gas furnace was previously installed, or where a heat pump rebate was paid to an existing natural gas customer. *Id*.

In response to this directive, PPL states that it will continue to track and report customers who switch from natural gas to rebated electric measures that have a gas equivalent, consistent with its Phase I EE&C Plan. In addition, PPL states that it will track and report customers who switch from electric to gas appliances as part of its fuel switching pilot program.[[1]](#footnote-1) Responses and Updates at 2. However, PPL states that it cannot identify customers who switch from an electric device to a gas device outside of the fuel switching pilot program because there is no rebate application for a gas device in that instance. Responses and Updates at 2, n. 1.

**Cost Recovery Mechanism**

As part of its original Phase II Plan filing, PPL provided pro forma tariff pages setting forth its proposed Act 129 Compliance Rider (ACR), which contained a non-bypassable mechanism to recover EE&C costs from its customer classes. Based on our review of this cost recovery mechanism, we were concerned that it might not fully comply with our directive that the Phase I and Phase II cost recovery mechanisms be completely separate, as set forth in the *Phase II Implementation Order*. *March 2013 Order* at 81; *Phase II Implementation Order* at 118. Furthermore, we found that PPL’s pro forma tariff pages contained statements regarding its cost recovery mechanism that may require further clarification. *March 2013 Order* at 81. Therefore, we rejected PPL’s pro forma tariff pages and proposed cost recovery mechanism, and directed PPL to consult with the Commission’s Bureau of Audits within thirty days of the entry date of the *March 2013 Order* to develop a revised cost recovery mechanism that complies with the provisions set forth in the *Phase II Implementation Order*. We further directed that PPL submit a tariff supplement containing the revised cost recovery mechanism with its revised Phase II Plan, based on its consultation with the Commission’s Bureau of Audits. *March 2013 Order* at 81, 91-92.

PPL notes that it consulted with the Commission’s Bureau of Audits as directed, and developed a revised cost recovery mechanism that was filed with the Commission on May 1, 2013, with an effective date of June 1, 2013. Responses and Updates at 2. As noted, *supra*, the revised cost recovery mechanism, as contained in PPL’s Supplement No. 131 to its Tariff – Electric Pa. P.U.C. No. 201, was permitted to become effective by Secretarial Letter dated June 3, 2013.

**Deadline for Submission of Incentive Applications**

In the *March 2013 Order*, we stated our belief that it would be beneficial for PPL to set reasonable deadlines for customers to submit rebate applications following the in-service date of a conservation measure during Phase II, and any future phases of the EE&C Program. Therefore, we directed that, within sixty days of the entry date of the *March 2013 Order*, PPL establish maximum time periods for the submission of incentive applications for conservation service measures following the in-service date of a measure. Such deadlines were to be established as part of PPL’s application process for incentives under its Phase II Plan. *March 2013 Order* at 85, 92.

In its Revised Phase II Plan filing, PPL states that it has established a maximum time period of 180 days for the submission of incentive applications for conservation measures following the in-service date of a measure, in response to the *March 2013 Order*. Responses and Updates at 2. We are concerned that such a protracted timeframe may result in unnecessary delays in the accurate determination of Phase II Plan costs and reconciliation amounts as PPL nears the end of its Phase II EE&C effective period. However, we believe that this concern may be addressed in a separate proceeding at a later time. At this time, we will approve PPL’s proposed 180-day deadline for the submission of incentive applications under its Revised Phase II Plan.[[2]](#footnote-2)

**Conclusion**

Consistent with the foregoing discussion we will approve PPL’s Revised Phase II Plan, filed in compliance with the *March 2013 Order*; **THEREFORE,**

**IT IS ORDERED:**

1. That the Revised Phase II Energy Efficiency and Conservation Plan filed by PPL Electric Utilities Corporation on May 13, 2013, is approved, consistent with this Opinion and Order.
2. That PPL Electric Utilities Corporation is permitted to implement its Revised Phase II Energy Efficiency and Conservation Plan as filed on May 13, 2013, consistent with this Opinion and Order.



**BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: July 11, 2013

ORDER ENTERED: July 11, 2013

1. We approved PPL’s fuel switching pilot program as proposed in its Phase II Plan. *March 2013 Order* at 66. [↑](#footnote-ref-1)
2. PPL’s proposed incentive application deadline is consistent with that of Duquesne Light Company, which notified the Commission in a letter filed May 15, 2013, that it had established a 180-day deadline for the submission of incentive applications in connection with its Phase II EE&C Plan. Duquesne Light Company’s Phase II EE&C Plan was approved by Opinion and Order entered March 14, 2013 at Docket No. M‑2012-2334399. [↑](#footnote-ref-2)