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December 23, 2013

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

VIA ELECTRONIC FILING

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:

Enclosed please find for filing with the Pennsylvania Public Utility Commission ("PUC" or "Commission") the Comments of PP&L Industrial Customer Alliance ("PPLICA") in the above-referenced proceeding.

As evidenced by the attached Certificate of Service, all parties to the proceeding are being served with a copy of this document. Thank you.

Very truly yours,

McNEES WALLACE & NURICK LLC

By
Adeolu A. Bakare

Counsel to PP&L Industrial Customer Alliance

Enclosures
c: Administrative Law Judge Dennis J. Buckley (via E-mail and First Class Mail)
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that I am this day serving a true copy of the foregoing document upon the participants listed below in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant).

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Dated this 23rd day of December, 2013, at Harrisburg, Pennsylvania

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF THE PP&L INDUSTRIAL CUSTOMER ALLIANCE

I. INTRODUCTION

On October 15, 2009, Governor Rendell signed into law House Bill 2200, otherwise known as Act 129 of 2008 ("Act 129" or "Act"). Among other things, Act 129 expanded the Pennsylvania Public Utility Commission's ("PUC" or "Commission") oversight responsibilities and set forth new requirements on Electric Distribution Companies ("EDCs") regarding the reduction of energy consumption and demand. In accordance with the Act, on November 15, 2012, PPL Electric Utilities Corporation ("PPL" or "Company") submitted a Petition for Approval of its Phase II Energy Efficiency and Conservation Plan ("Phase II Plan" or "Plan"), which was approved in part and rejected in part by Commission Order entered March 14, 2013, at Docket No M-2012-2234388 ("March 14 Order").[1]

On November 21, 2013, PPL submitted a Petition to Amend its Phase II EE&C Plan to the Commission ("Petition"), pursuant to the Commission's procedures for amending EE&C Plans.[2] The Petition proposes 40 changes. In a departure from its preceding Petition to Amend

[1] Previously, on October 26, 2009 , the Commission entered an Order at Docket No. M-2009-2093216 approving PPL's Phase I EE&C Plan ("Phase I Plan").

[2] Previously, on June 10, 2011, the Commission entered an Order at Docket No. M-2008-2069887 ("Minor Change Order ") outlining an expedited review process for minor changes to an EE&C plan. Under the Minor Change Order, minor changes are those that 1) eliminate a measure, 2) transfer funds from one measure to another, or 3) add or change the condition of a measure, provided that no such change results in allocations across customer classes. All other changes are deemed major and may be implemented only by submission of a formal Petition.

its EE&C Plan filed on February 2, 2012, the Petition provides no indication of whether individual changes are considered minor or major.[3] Although the Petition apparently proposes multiple minor changes, PPL is not requesting expedited review due to the accompanying major changes. PPLICA files the foregoing Comments in response to PPL's Petition.

II. SUMMARY

Overall, PPL has increased its expected energy efficiency reductions. Projected energy savings for the Phase II Plan increased by approximately 215,000 MWh/yr (22.6%). Including a proposed 551,000 MWh/yr carryover of savings from its Phase I Plan, PPL expects to achieve total Phase II Plan savings of 1,167,401 MWh/yr, which would exceed its Phase II Compliance target of 821,072 MWh/yr by 346,329 MWh/yr.

PPL also reports revised cost per kWh/yr of program savings. The modified costs reflect PPL's decision to drastically increase incentives for Residential and Government, Non-profit, and Institutional ("GNI") programs. Program-wide, the direct cost per kWh/yr would increase from $0.22 per kWh/yr to $0.30/kWh/yr. For the Residential programs, the cost per kWh/yr would rise by 73%, from $0.15 to $0.26. Comparatively, Large C&I program costs per kWh/yr would increase by a more reasonable 15%, from $0.20 to $0.23. Although this represents a relatively small increase to the Large Commercial and Industrial ("C&I") program costs, the costs remain far above the PJM average wholesale cost of power, which was $40.18 per MWh (or $0.04018/kWh) in 2012. In addition, this calculated increase to the Large C&I program costs does not account for the recent extra-procedural modification to the Large C&I budget that PPL made via Supplement No. 140, which increased the Large C&I Phase II ACR from $0.533 to $0.927/kW due to a purported error in the allocation of the GNI costs between the Large C&I

[3] See PPL Petition to Amend its EE&C Plan, Docket No. M-2009-2093216 (February 2, 2012) (separately identifying 6 major changes and 56 minor changes).

and Small C&I programs.[4] Concurrent with the filing of these Comments, PPLICA is filing a complaint against Supplement No. 140 and Supplement No. 139, which modified the Phase I reconciliation ACR purportedly to reflect PPL's deviation from the approved allocation of GNI costs for Phase I[5].

Unfortunately, the smaller increase to Large C&I acquisition costs is partially offset by an increase to GNI program costs, of which PPLICA estimates approximately 43.5% would be allocated to the Large C&I customers.[6] PPL's cost per kWh/yr for GNI programs would increase by 50% from an already inefficient $0.31/kWh to $0.46/kWh. In response to both the increase in GNI program costs and other issues affecting Large C&I customers, the Comments below raise issues with the following changes proposed in the Petition:

<u>Changes to GNI Programs</u>

11. Increase the Direct Discount Incentives for Schools

15. Add Free LED Exit Signs to School Benchmarking Program

19. Add Ground Source Heat Pumps as an Eligible Measure for GNI Customers

21. Add Building Operator Certification Training for Trade Allies and C&I Customers

24. Add School Funding for a School Energy Champion in the Continuous Energy Improvement Program ("CEI")

<u>Changes to Large C&I Programs</u>

8. Discontinue "Standard" TRM Measures in the Custom Program

12. Increase the Incentive and the Incentive Cap for Custom Projects

20. Add Compressed Air Training for Trade Allies and C&I Customers

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[4] Supplement No. 140 to PPL Tariff – Electric Pa. P.U.C.-201, Docket No. M-2013-2389551 (October 22, 2013) (hereinafter "Supplement No. 140")
[5] Supplement No. 139 to PPL Tariff – Electric Pa. P.U.C.-201, Docket No. M-2013-2399549 (October 22, 2013) (hereinafter "Supplement No. 139")
[6] The estimated Large C&I allocation of GNI costs is based on informal discussions with PPL and the reported revenue allocation implemented by PPL's Tariff Supplement No. 140.

28. Change Pre-Approval Requirements for C&I Measures in the Prescriptive Equipment Program and the Custom Program

34. Increase the Estimated Phase I Carryover Savings

Although PPLICA provides specific Comments only on the above proposed changes, PPLICA does not necessarily endorse any other proposed change not addressed in these Comments.

III. COMMENTS

A. Collectively, Proposed Changes Numbers 11, 15, 19, 21, and 24 Reflect an Unnecessarily High Level of GNI Program Expenses That Would Unreasonably Burden Large C&I Customers.

In evaluating PPL's proposed changes, PPLICA requests that the Commission consider the changes within the context of PPL's overall Phase II Plan, including the extraordinary increases to the Large C&I Act 129 Compliance Rider -1 ("ACR-1") and Act 129 Compliance Rider-2 ("ACR-2") implemented by PPL's Tariff Supplements Nos. 139 and 140 on November 1, 2013. As adjusted by Tariff Supplements Nos. 139 and 140, Large C&I customers pay 43.5% of PPL's GNI program costs, compared to the previously approved allocation of approximately 1%. Because PPL now projects to significantly exceed the requisite 10% savings reductions from GNI customers, PPLICA requests that the Commission exercise its Act 129 and general ratemaking authority to provide relief for Large C&I customers facing rate shock as result of PPL's ACR charges.[7]

PPL proposes to significantly increase revenues directed towards GNI programs. The Company proposes to double incentives for schools participating in the Direct Discount program, from $0.17/kWh to $0.33/kWh, while maintaining the $0.17/kWh level for other Large C&I

[7] This relief is in addition to, and without waiver of, the relief being sought by PPLICA in Complaints filed against Supplement No. 139 and Supplement No. 140, filed concurrently with these Comments at Dockets No. M-2013-2399549 and M-2013-2389551.

Direct Discount participants.[8] Additionally, PPL proposes to add GNI incentives for installation of ground source heat pumps, provide free LED exit lights to qualifying schools, and add LED lighting incentives for municipally-owned streetlights.

Beyond actual program measure incentives, PPL also requests authority to fund training programs for GNI facility managers and partially fund the salary for appointed "School Energy Champions" intended to assist school districts with EE&C program development. Collectively, the additional incentives proposed through the Petition would increase PPL's GNI program costs by $12 million, from $28.7 million to $40.3 million. Large C&I customers would be allocated $5.2 million of the additional GNI costs and $17.6 million of the revised total GNI budget.

While PPL has significantly reduced the budget for Large C&I programs, these cost reductions are unnecessarily offset by the GNI cost increases. The Revised Plan would reduce the Large C&I budget by approximately $13.1 million, from $38.18 million to $25.06 million.[9] While this reduced budget provides a measure of relief from the combined $25.2 million shifted to Large C&I customers by Supplements Nos. 139 and 140, the $12 million increase in GNI program costs results in an additional $5.2 million allocation to Large C&I customers, generating a net cost reduction $7.9 million instead of $13.1 million. Importantly, for members of the Large C&I class that are not GNI accounts, the $5.2 million increase will be allocated to measures that non-GNI accounts cannot access.

To provide more equitable relief to Large C&I customers, PPLICA recommends that the Commission direct PPL to reduce the revenues allocated to GNI programs through Proposed Changes Nos. 11, 15, 19, 21, and 24. As proposed, PPL expects to achieve 14.3% of its Phase II

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[8] PPL's Direct Discount program offers up-front discounts (as opposed to rebates) primarily for lighting improvements. The Direct Discount structure is not applicable to Custom projects.

[9] The reduced Large C&I budget appears to be a result of PPL's proposal to increase the carryover savings from its Phase I EE&C Plan.

MWh/yr savings from GNI customers, compared to the current 11% target.[10] As Act 129 only requires 10% savings from GNI customers, a significant portion of the increased revenues allocated to GNI customers is unnecessary for compliance under the Act.[11] Understanding that PPL must preserve a reasonable cushion to avoid potential noncompliance, PPLICA recommends that the Commission direct PPL to: (1) eliminate any individual GNI program with a TRC below 1.00, (2) eliminate the expenditures for GNI training and "School Energy Champion" program measures, and (3) revise its GNI cost allocation to maintain the current 11% savings target for GNI customers.

a. Large C&I Customers Facing Rate Shock Should Not Be Forced to Pay for Inefficient GNI Programs When PPL Expects to Significantly Exceed the Mandated GNI Energy Reductions.

PPL reports only composite TRC ratios for the GNI Prescriptive Equipment, Custom Incentive, and Direct Discount programs.[12] Without the individual TRC ratios for the each program measure, PPLICA cannot determine whether Proposed Changes Nos. 11, 15, 19, 21, or 24 would produce a TRC ratio below 1.00.[13] In consideration of the increased allocation of GNI program costs to Large C&I customers, most of whom are ineligible to participate in PPL's GNI programs, PPLICA recommends that the Commission direct PPL to eliminate any proposed GNI program measure with a TRC ratio below 1.00.

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[10] Petition, p. 33.

[11] 66 Pa. C.S. § 2806.1(b)(1)(i)(B). PPLICA acknowledges that Act 129 established the 10% GNI threshold as a minimum standard, but submits that excess compliance should be disfavored in favor of mitigating rate shock to Large C&I customers following implementation of Supplements Nos. 139 and 140.

[12] Phase II Plan, p. 237.

[13] While PPL does not provide specific TRC ratios for individual program measures, the TRC ratio for the CEI program indicates that Proposed Change No. 24, providing funding for School Energy Champions, significantly reduces the TRC. See note 17, infra.

b. PPL's Proposed GNI Training and "School Energy Champion" Program Measures Should Be Denied For Lack of Direct Energy Reductions.

As further discussed in Section III.B, supra, PPL's GNI Training and "School Energy Champion" programs provide no direct energy reductions and should be denied on such grounds.[14]

c. Maintaining the Existing 11% Savings Target for GNI Customers Would Provide a Reasonable Cushion Against Noncompliance With Mandated GNI Savings While Mitigating Rate Shock for Large C&I Customers.

PPLICA recommends that the Company maintain the current 11% savings target for GNI programs. This modification would significantly reduce the total GNI budget from $40.3 million to approximately $31 million and reduce the Large C&I allocation of GNI costs from $17.6 million to approximately $13.6 million. As PPL is permitted to carry forward significant overcompliance savings of 551,000 MWh/yr from Phase I towards its Phase II savings target, PPL could wisely apply the approximately $9 million balance ($40.3 million - $31 million) from the reduced GNI target to invest in improving its penetration of challenging energy savings markets, including the Low-Income and Small C&I markets.

Alternatively, although Large C&I customers are already paying excessive ACR rates, allocating additional revenue to the general Large C&I programs remains preferable to additional GNI program allocations. At the very least, when additional revenues are allocated to Large C&I programs, all customers on the Large C&I rate schedules are eligible to benefit from the programs funded by their ACR payments. Conversely, when revenues are diverted to GNI programs, they are paid by all Large C&I customers, but available only to the disproportionately small number of Large C&I customers eligible for GNI programs. Preserving the 11% GNI savings target would allow PPL to continue sufficient GNI programming during the Phase II

[14] Because PPL proposed GNI and Large C&I training programs, both are addressed in Section III.B of these Comments.

Plan and either: (1) mitigate rate shock to Large C&I customers by shifting program funding toward Residential or Small C&I programs; or (2) better justify higher Large C&I costs by ensuring that more customers are eligible to participate in the programs.

B. PPL's Proposed Changes Nos. 20, 21, and 24 Should Be Rejected Due to the Lack of Direct and Measurable Benefits.

As discussed above, Proposed Changes Nos. 21, and 24 would provide Large C&I and/or GNI customers with certification trainings and, with regards to Proposed Change No. 24, funding to appoint and hire "School Energy Champions" to direct efficiency projects.[15] Proposed Change No. 20 would further add a Compressed Air Training program for Small C&I customers and Large C&I customers to PPL's Prescriptive Equipment programs.[16] None of these Proposed Changes would produce direct energy savings. Additionally Program Changes Nos. 20 and 21 would provide training to contractors (referenced by PPL as "trade allies"), raising significant free ridership and cost subsidization concerns.[17] The Commission should require PPL to invest in measures yielding direct energy reductions and deny Proposed Changes Nos. 20, 21, and 24.

PPLICA submits that Act 129 programs should target direct energy reductions. As acknowledged by PPL, programs designed to educate and train customers provide no assurance of energy reductions.[18] Moreover, to the extent training is offered to private contractors, customers would be subsidizing the operations of for-profit organizations with no requirement or condition for actual energy reductions.[19] This runs contrary to Act 129 which requires the Commission to "modify or terminate any part of a plan approved under this section if, after an adequate period for implementation, the commission determines that an energy efficiency or

[15] Petition, pp. 20-22.
[16] Id. at 20.
[17] Id.
[18] Id.
[19] See id.

conservation measure included in the plan will not achieve the required reductions in consumption in a cost-effective manner... ."[20] As the Commission has a duty to eliminate programs failing to produce energy reductions, the Commission should not approve program measures never intended to produce energy reductions. Therefore, Proposed Changes Nos. 20, 21, and 24 should be denied.

C. If Approved, Proposed Changes Nos. 20, 21, and 24, Which Support Various Training and Education Programs for Small C&I, Large C&I, and GNI Customers, Should Be Available Only to Small C&I Customers, With Costs Appropriately Allocated.

As discussed above, Proposed Changes Nos. 21 and 24 would add training programs targeting GNI customers, while Proposed Change No. 20 would be available to all Small C&I and Large C&I customers.[21] PPL generally confirms that these programs will not yield direct energy reductions, but supports the programs as an investment to help both customers and trade allies increase energy awareness and sustainable practices.[22]

PPLICA is concerned that Proposed Changes Nos. 20, 21, and 24 would impose duplicative and superfluous costs upon Large C&I customers. Large C&I customers are sophisticated consumers and early adopters of energy efficiency technology and innovations. Many industrial customers and educational institutions retain in-house energy managers and other energy professionals. As industrial customers already devote significant internal resources to energy efficiency awareness, PPL should not divert additional Act 129 revenue towards duplicative programs.

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[20] 66 Pa. C.S. § 2806.1(b)(2).
[21] Petition, pp. 20-22.
[22] Id. at 20-22. With regard to the School Energy Champion program measure, PPL indicates an intention to develop "milestones" triggering payments to the appointed energy champion. Petition, p. 22. However, a review of the Continuous Energy Improvement ("CEI") Program, under the energy champion measure would be implemented, shows that the modification would reduce the CEI Program TRC from 1.24 to 0.54. Phase II Plan, p. 237-38.

Therefore, PPLICA recommends that the Commission order PPL to limit all training programs to Small C&I customers, both in terms of cost allocation and program eligibility. If the Office of Small Business Advocate ("OSBA") views those measures as inappropriate for the Small C&I class, then PPLICA would defer to the OSBA's position for that class.[23] This modification would accordingly limit free ridership and ensure that program resources are allocated towards customers best situated to benefit from additional energy efficiency training.

D. Proposed Change No. 8, PPL's Proposal to Discontinue "Standard" TRM Measures in the Custom Program, Requires Additional Clarification and Potential Modification.

Proposed Change No. 8 would discontinue PPL's policy for projects that are "Standard". i.e. identified in the PUC's Technical Reference Manual ("TRM").[24] Historically, for projects assigned specific savings calculations in the TRM, but not eligible for specific incentives in the Company's EE&C Plan, PPL would process such projects through the Custom Incentive program and apply the same incentives paid to other Custom projects.[25] PPL now proposes to offer incentives for Standard measures only through its Prescriptive Equipment program in order to preserve Custom Incentive funding for truly customized projects.[26]

PPLICA is concerned that the proposed modification would eliminate cost effective projects from eligibility under PPL's Phase II Plan. PPL acknowledges that customers have submitted "Standard" cost-effective projects with approved TRM savings.[27] While PPL confirms that such programs would no longer be eligible for the Custom Incentive program, PPL omits any indication of its plans to accommodate customers proposing Standard TRM projects

[23] Similarly, PPLICA defers to any position on training program allocations to Residential customers to the Office of Consumer Advocate.
[24] Petition, p. 16.
[25] Id. at 16.
[26] Id.
[27] Id. PPL indicates that new construction lighting, LED, motor, and variable frequency drive projects ineligible for Prescriptive rebates have been processed through the Custom Incentive program. Id.

that are not recognized in the Prescriptive Equipment program. To avoid unreasonably excluding cost-effective projects from eligibility under the Phase II Plan, PPL should clarify what, if any, rebates would be available for cost-effective measures considered Standard under the TRM, but excluded from PPL's Prescriptive Equipment program. Alternatively, if PPL does not plan to accommodate such projects, the Commission should deny Proposed Change No. 8 to ensure all customers submitting cost-effective projects remain eligible for rebates.

E. Proposed Change No. 12, PPL's Proposal to Increase the Per-kWh Incentive and the Incentive Cap for Custom Projects, Should Be Modified to Reflect Varying Customer Contributions to the EE&C Plan Funding.

PPLICA supports PPL's proposal to increase the per-kWh incentive for Custom programs, but recommends additional modifications to the proposal to increase the composite incentive cap for Custom projects. For a customer class with such divergent Peak Load Contributions ("PLC"), a flat savings cap cannot generate a fair result. To fairly limit each customer's maximum rebates for Custom projects, PPL should implement a PLC-specific or tiered cap tied to customers' PLCs. This would create a fair linkage between the amount that a particular customer pays into the EE&C Plan funding, and the amount of funding that the customer can obtain from the Plan.

Currently, Large C&I customers with smaller PLCs can realize disproportionate benefits from the Phase II Plan, which would be exacerbated by PPL's proposal to increase the Custom project incentive cap from $250,000 to $500,000.[28] For example, a Large C&I customer with a PLC of 20 MW would pay $18,540/month towards the Phase II Plan and $26,860/month inclusive of the Phase I reconciliation charges.[29] However, a Large C&I customer with a PLC of

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[28] Petition, p. 18.

[29] For Large C&I customers, PPL ACR-2 is currently $0.927/kW (PLC). Combined with the current Large C&I ACR-1 of $0.416/kW (PLC), Large C&I customers pay a monthly total of $1.343/kW (PLC) for PPL's EE&C Plans.

1 MW would pay $927/month towards the Phase II Plan and $1,343/month inclusive of the Phase I reconciliation charges. Regardless of the vastly divergent cost responsibility, both customers would be eligible for the same $250,000 cap on Custom project incentives under the current plan and the proposed $500,000 cap.

To remedy this disparity, PPLICA recommends that the Commission direct PPL to implement a funding cap system tied to each customer's individual PLC. If a PLC-specific system would be administratively burdensome for the Company, PPLICA alternatively recommends that PPL develop a tiered cap system. For example, PPL could establish escalating incentive caps for PLC "blocks," providing a different incentive cap for customers with PLCs from 1-5 MW, 6-10 MW, etc. Either a PLC-specific or tiered system would result in a fairer and more reasonable limitation on individual customer rebates.

F. Proposed Change No. 28, PPL's Proposal to Change Pre-Approval Requirements for C&I Measures in the Prescriptive Equipment Program and the Custom Program, Should Be Rejected or Modified.

Proposed Change No. 28 would require earlier pre-approval for Small C&I, GNI, and Large C&I Prescriptive Equipment and Custom Incentive projects.[30] Currently, PPL requires pre-approval before an EE&C measure is placed in-service. The Company proposes to require pre-approval before customers issue purchase orders for any equipment to be installed.[31] PPL anticipates that this modification will help customers confirm rebate eligibility and reduce free-ridership.[32]

The modification poses significant unintended consequences. Large C&I customers engage in lengthy project development processes. Equipment for a project may be procured for one facility and rerouted to another based on project changes or emerging business priorities.

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[30] Id. at 24.
[31] Id.
[32] Id.

Procurement managers at industrial sites may receive authority to issue purchase orders for equipment before a project becomes finalized due to the possibility that the particular equipment for the project could be used at a different facility or in a different budget year if the final corporate approvals are not received. In addition, a desired energy efficiency project may be done on an expedited basis due to funds becoming available in a particular budget year once other capital needs for the facility are addressed. Considering that PPL has, particularly with regard to Large C&I customers, not demonstrated any specific need for this change, PPLICA recommends that the Company preserve the existing procedures for pre-approval prior to implementation of an efficiency measure or limit application of the modified pre-approval process to Small C&I projects.

Alternatively, if the Commission approves Proposed Change No. 28, PPLICA recommends that the Commission modify PPL's proposal to require a policy favoring inclusion of projects absent unreasonable delay on behalf of the customer. Such a provision would preserve critical flexibility to respond to unanticipated situations without foreclosing willing customers with cost-effective projects from participation in the Phase II Plan. Finally, strict deadlines must exist for PPL's review of the proposed projects that can only be extended in very limited circumstances. This is necessary to ensure that customers can pursue projects in a timely manner.

G. Proposed Change No. 34, PPL's Proposal to Increase the Estimated Phase I Carryover Savings, Is Consistent with the Implementation Order and Should Be Approved.

Proposed Change No. 34 would increase PPL's carryover MWh savings from Phase I from the initially projected 110,000 MWh/yr to 551,000 MWh/yr.[33] PPLICA supports the Company's proposal to carry over excess savings from Phase I and requests that the Commission consider the flexibility afforded to the Company's Phase II Plan by incorporation of the additional Phase I savings. PPL's proposal to carry over excess savings from Phase I is consistent with the Phase II Implementation Order and should be approved.[34]

IV. CONCLUSION

WHEREFORE, the PP&L Industrial Customer Alliance respectfully requests that the Pennsylvania Public Utility Commission:

1. Consider and adopt the foregoing Comments;
2. Take any other action as necessary and deemed appropriate.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By ______________________

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Counsel to the PP&L Industrial Customer Alliance

Dated: December 23, 2013

[33] Id. at 26.
[34] See Implementation Order, pp. 59-60.