



17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
717-731-1970 Main
717-731-1985 Main Fax
www.postschell.com

Devin Ryan

dryan@postschell.com
717-612-6052 Direct
717-731-1985 Direct Fax
File #: 163427

February 16, 2016

VIA ELECTRONIC FILING

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 its Act 129 Phase III Energy Efficiency and Conservation Plan - Docket No. M-2015-2515642

Dear Secretary Chiavetta:

Enclosed for filing is the Main Brief of PPL Electric Utilities Corporation in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'DR', with a long horizontal line extending to the right.

Devin Ryan

DTR/jl
Enclosures

cc: Honorable Susan D. Colwell
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 202
Harrisburg, PA 17101

Amy E. Hirakis, Esquire
Darryl Lawrence, Esquire
Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923

Elizabeth R. Marx, Esquire
Patrick M. Cicero, Esquire
Joline Price, Esquire
Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17102
*Coalition for Affordable Utility Services and
Energy Efficiency in Pennsylvania*

Judith D. Cassel, Esquire
Micah R. Bucy, 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

Scott H. DeBroff, Esquire
Tucker Arensberg, PC
2 Lemoyne Drive, Suite 200
Lemoyne, PA 17043
Nest Labs, Inc.

Daniel Clearfield, Esquire
Deanne M. O'Dell, Esquire
Sarah C. Stoner, Esquire
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
Retail Energy Supply Association

Robert D. Knecht
Industrial Economics Incorporated
2067 Massachusetts Avenue
Cambridge, MA 02140
OSBA


Christina Mudd
Stacey Sherwood
Exeter Associates, Inc.
10480 Little Patuxent Parkway
Columbia, MD 21044
OCA

Roger D. Colton
Fisher, Sheehan and Colton
34 Warwick Road
Belmont, MA 02478
OCA

Mitchell Miller
Mitch Miller Consulting LLC
60 Geisel Road
Harrisburg, PA 17112
CAUSE-PA

Scott H. DeBroff, Esquire
Kevin Hall, Esquire
Tucker Arensberg, PC
2 Lemoyne Drive, Suite 200
Lemoyne, PA 17043
EnerNOC, Inc.

Date: February 16, 2016



Devin T. Ryan

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of PPL Electric Utilities Corporation :
for Approval of its Act 129 Phase III Energy : Docket No. M-2015-2515642
Efficiency and Conservation Plan :

**MAIN BRIEF OF
PPL ELECTRIC UTILITIES CORPORATION**

Paul E. Russell (ID # 21643)
Kimberly A. Klock (ID # 89716)
PPL Services Corporation
Office of General Counsel
Two North Ninth Street
Allentown, PA 18101
Phone: 610-774-4254
Fax: 610-774-6726
E-mail: perussell@pplweb.com
E-mail: kklock@pplweb.com

Of Counsel:

Post & Schell, P.C.

Date: February 16, 2016

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

Devin T. Ryan
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: dryan@postschell.com

Attorneys for PPL Electric Utilities Corporation

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I. INTRODUCTION

This proceeding was initiated on November 30, 2015, when PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) filed the above-captioned Petition with the Pennsylvania Public Utility Commission (“Commission”). This filing was made pursuant to Act 129 of 2008 (“Act 129”), P.L. 1592, 66 Pa. C.S. §§ 2806.1 and 2806.2, the Commission’s Implementation Order entered on June 19, 2015,¹ and the Commission’s Clarification Order entered on August 20, 2015.² In its Petition, PPL Electric requested Commission approval of PPL Electric’s Phase III Energy Efficiency and Conservation Plan (“Phase III EE&C Plan”).

The PP&L Industrial Customer Alliance (“PPLICA”) intervened in this proceeding and, among other things, raised issues and proposals in its direct testimony concerning the Commission’s Total Resource Cost (“TRC”) Test that was used to develop the Phase III EE&C Plan. The Company moved to strike these portions of the direct testimony because they are outside the scope of this proceeding and would violate other electric distribution companies’ (“EDCs”) due process rights. However, PPL Electric’s Motion to Strike was deferred at the evidentiary hearing, and these issues were reserved for briefing.

For the reasons explained below, PPLICA’s issues and proposals relating to the TRC Test are outside the scope of this proceeding and violate principles of due process and fundamental fairness. Further, PPLICA’s TRC Test proposals contradict the Commission’s Orders and are unjustified, impractical, and unnecessary. Thus, PPLICA’s proposals should be denied.

¹ *Energy Efficiency and Conservation Program*, Docket No. M-2014-2424864 (Implementation Order Entered June 19, 2015) (“*Implementation Order*”).

² *Energy Efficiency and Conservation Program*, Docket No. M-2014-2424864 (Clarification Order Entered Aug. 20, 2015) (“*Clarification Order*”).

II. STATEMENT OF THE CASE

On November 30, 2015, PPL Electric filed the above-captioned Petition with the Commission pursuant to Act 129, the Commission's *Implementation Order*, and the Commission's *Clarification Order*. In its Petition, PPL Electric requested Commission approval of PPL Electric's Phase III EE&C Plan. The Phase III EE&C Plan includes a broad portfolio of energy efficiency and demand response programs, conservation practices, and energy education initiatives. These integrated programs are designed to meet the goals established by Sections 2806.1 and 2806.2 of Act 129 and the Commission's *Implementation Order*.

On December 4, 2015, PPL Electric filed the written direct testimony of Peter Cleff, M. Hossein Haeri, and Bethany L. Johnson in support of its Phase III EE&C Plan.

On December 10, 2015, the Office of Consumer Advocate ("OCA") filed a Notice of Intervention and Public Statement.

On December 11, 2015, PPL Electric filed corrections to two of the tables presented in its Phase III EE&C Plan.

On December 12, 2015, a notice of PPL Electric's Phase III EE&C Plan filing was published in the *Pennsylvania Bulletin* providing that comments on the Phase III EE&C Plan were due by January 4, 2016.

On December 17, 2015, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") filed a Petition to Intervene.

Also on December 17, 2015, the Office of Small Business Advocate ("OSBA") filed a Notice of Intervention, Public Statement, and Notice of Appearance.

On December 18, 2015, a Prehearing Conference Order was issued, which directed the parties to file prehearing conference memoranda on or before 12:00 PM on January 4, 2016.

On December 21, 2015, the Sustainable Energy Fund (“SEF”) filed a Petition to Intervene and a Notice of Appearance.

On December 22, 2015, the Commission for Economic Opportunity (“CEO”) filed a Petition to Intervene.

On December 31, 2015, Wal-Mart Stores East and Sam’s East, Inc. (collectively, “Walmart”) filed a Petition to Intervene.

On January 4, 2016, Nest Labs, Inc. (“Nest”) filed a Petition to Intervene, the Retail Electric Supply Association (“RESA”) filed a Petition to Intervene, PPLICA filed a Petition to Intervene and Answer, and OSBA filed an Answer.

A prehearing conference was held as scheduled on January 5, 2016, before Administrative Law Judge Susan D. Colwell (the “ALJ”). A litigation schedule and modified discovery rules were agreed to by the parties and adopted in the Scheduling Order issued by the ALJ on January 7, 2016.

On January 8, 2016, EnerNOC, Inc. (“EnerNOC”) filed a Petition to Intervene.

On January 11, 2016, PPL Electric filed an Answer in Opposition to EnerNOC’s Petition to Intervene.

On January 12, 2016, EnerNOC filed a Reply to PPL Electric’s Answer in Opposition to EnerNOC’s Petition to Intervene.

Pursuant to the litigation schedule adopted in the Scheduling Order, the parties other than the Company served the following direct testimony on January 12, 2016: (1) the direct testimony of Stacy L. Sherwood (OCA Statement No. 1) and Roger D. Colton (OCA Statement No. 2); (2) the direct testimony of Mitchell Miller (CAUSE-PA Statement No. 1); (3) the direct testimony of Michael K. Messer (PPLICA Statement No. 1); (4) the direct testimony of Eugene

M. Brady (CEO Statement No. 1); (5) the direct testimony of John Costlow (SEF Statement No. 1); (6) the direct testimony of Richard H. Counihan (Nest Statement No. 1); and (7) the direct testimony of Peter J. Cavan (EnerNOC Statement No. 1).

On January 22, 2016, OCA served an Errata to OCA Statement No. 1.

On January 25, 2016, PPL Electric served the rebuttal testimony of Peter Cleff (PPL Electric Statement No. 1-R) and M. Hossein Haeri (PPL Electric Statement No. 2-R). PPLICA also filed an updated Appendix A to its Petition to Intervene and Answer.

On January 26, 2016, PPL Electric filed a Motion to Strike Portions of PPLICA's Direct Testimony.

The active parties engaged in formal and informal discovery throughout the proceeding.

On January 28, 2016, PPLICA served an Errata to PPLICA Statement No. 1.

As a result of settlement discussions, the active parties were able to reach a settlement in principle on January 28, 2016. The settlement in principle resolved all of the issues and concerns raised by the active parties, except for the TRC Test issues and proposals raised by PPLICA that remain subject to PPL Electric's Motion to Strike.

An evidentiary hearing was held on January 29, 2016. At the evidentiary hearing, the active parties moved their respective testimonies and exhibits into the record. Further, PPL Electric withdrew its opposition to EnerNOC's intervention. Finally, the TRC Test issues and proposals subject to the Company's Motion to Strike were deferred for briefing.

Consistent with the Scheduling Order issued on January 7, 2016, PPL Electric herein submits this Main Brief on the TRC Test issues and proposals subject to the Company's Motion to Strike that were deferred to briefing. The Company notes that all other issues in this proceeding have been settled and that concurrent with this Main Brief, the Company is filing a

Joint Petition for Partial Settlement (“Settlement”) on behalf of other parties in this proceeding, as well as a Statement in Support. For the reasons detailed in the Settlement and the Statement in Support, PPL Electric’s Phase III EE&C Plan should be approved subject to the terms and conditions of the Settlement.

As explained in more detail below, PPLICA’s issues and proposals relating to the TRC Test are outside the scope of this proceeding and violate principles of due process and fundamental fairness. Moreover, PPLICA’s proposals contradict several of the Commission’s EE&C Orders and are unjustified, impractical, and unnecessary. Accordingly, the Commission should reject PPLICA’s proposals concerning the TRC Test.

III. QUESTIONS PRESENTED

1. Whether PPLICA’s issues and proposals concerning the TRC Test are outside the scope of this proceeding.

Suggested answer: *in the affirmative.*

2. Whether PPLICA’s issues and proposals concerning the TRC Test violate principles of due process and fundamental fairness.

Suggested answer: *in the affirmative.*

3. Whether PPLICA’s proposals concerning the TRC Test should be denied on the merits because they contradict various Commission EE&C Orders.

Suggested answer: *in the affirmative.*

4. Whether PPLICA’s proposals concerning the TRC Test should be denied on the merits because they are unjustified, impractical, and unnecessary.

Suggested answer: *in the affirmative.*

IV. LEGAL STANDARDS

Act 129 became effective on November 14, 2008. Act 129 directed, among other things, that each EDC with at least 100,000 customers implement a plan to reduce energy demand and consumption within its service territory. The Commission is required to analyze the costs and benefits of each plan submitted pursuant to Act 129 using a “total resource cost test approved by the [C]ommission.” 66 Pa. C.S. § 2806.1(a)(3). Act 129 defines “[t]otal resource cost test” as “[a] standard test that is met if, over the effective life of each plan not to exceed 15 years, the net present value of the avoided monetary cost of supplying electricity is greater than the net present value of the monetary cost of energy efficiency conservation measures.” *Id.* § 2806.1(m). After soliciting and considering comments, the Commission adopted its TRC Test for Phase III in *2016 Total Resource Cost (TRC) Test*, Docket No. M-2015-2468992 (Order Entered June 22, 2015) (“*2016 TRC Test Order*”).

Act 129 also provides the Commission with the authority to direct an EDC to modify or terminate any part of an EE&C Plan “if, after an adequate period for implementation, the [C]ommission determines that an energy efficiency or conservation measure included in the plan will not achieve the required reductions in consumption in a cost-effective manner under subsections (c) and (d).” 66 Pa. C.S. § 2806.1(b)(2). When the Commission exercises this authority, the EDC must “submit a revised plan describing actions to be taken to offer substitute measures or to increase the availability of existing measures in the plan to achieve the required reductions in consumption under subsections (c) and (d).” *Id.* § 2806.1(b)(3).

V. SUMMARY OF ARGUMENT

In this Phase III EE&C Plan proceeding, PPLICA has raised issues and proposals related to the Commission’s TRC Test. Specifically, PPLICA has criticized the use of forecasted

avoided energy costs in the TRC Test and proposed that: (1) PPL Electric should true-up TRC calculations using actual avoided energy costs; (2) PPL Electric should monitor and report the actual benefits of its measures using these trued-up TRC values; and (3) as part of the annual reconciliation, the Commission should terminate any programs for which Large Commercial and Industrial (“Large C&I”) customers are eligible that are not cost-effective using actual avoided energy costs. These proposals raised by PPLICA should be rejected for several reasons.

First, PPLICA’s TRC Test issues and proposals are outside the scope of this proceeding. PPLICA should have raised these issues in the *2016 TRC Test Order* proceeding, when the Commission received comments on the development of the TRC methodology to be used in the EDCs’ Phase III EE&C Plans, including whether to use forecasted avoided energy costs. PPLICA should not be allowed now to collaterally attack the Commission’s *2016 TRC Test Order* by raising these issues and proposals in PPL Electric’s Phase III EE&C Plan proceeding.

Second, by raising these issues and proposals in this proceeding, PPLICA has denied all other EDCs due process. These issues and proposals have statewide application and importance. If the Commission’s TRC Test were changed to incorporate actual avoided energy costs, it would affect all EDCs subject to Act 129. Accordingly, all of those EDCs and other stakeholders should have the opportunity to respond to PPLICA’s recommendation. Further, if PPLICA’s proposal were limited to PPL Electric, it would be fundamentally unfair, poor public policy, and an abuse of discretion. In that scenario, there would be one TRC Test for PPL Electric and another for all other EDCs. Since all EDCs must deliver their EE&C Plans in a cost-effective manner under Act 129, there should not be different cost-effectiveness standards for different EDCs.

Third, PPLICA's TRC Test proposals conflict with several of the Commission's EE&C Orders. The *2016 TRC Test Order* directed the use of forecasted avoided energy costs, but PPLICA now proposes the use of actual avoided energy costs. Moreover, despite the Commission's pronouncement in the *2016 TRC Test Order* that it intends to keep the TRC Test constant throughout Phase III, PPLICA proposes to make adjustments to that methodology in this proceeding. Additionally, PPLICA's proposal to annually eliminate programs that are not cost-effective conflicts with the Commission's *Implementation Order* and its Order approving PPL Electric's most recent Phase II EE&C Plan revision filing.

Fourth, PPLICA's TRC Test proposals are unjustified, impractical, and unnecessary. PPLICA's criticism of the use of forecasted avoided energy costs in the TRC calculations is without merit. PPLICA fails to recognize that its proposal to use actual avoided energy costs would, in practice, still incorporate many years of forecasted market prices. In addition, PPLICA's TRC Test proposals would have drastic effects on PPL Electric's Phase III EE&C Plan. For example, its proposal to annually eliminate programs that are not cost-effective would: (1) strand millions of dollars without any direction on where such funds should be reallocated; (2) terminate the Demand Response Program after the first program year of Phase III before any demand response events are called; and (3) create serious timing issues. Finally, PPLICA's proposal to monitor and report the benefits of measures using actual avoided costs is unnecessary because the Commission already has established sufficient monitoring and reporting processes.

For these reasons and as explained in more detail below, the Commission should reject PPLICA's TRC Test proposals.

VI. ARGUMENT

A. **PPLICA SHOULD HAVE RAISED ITS ISSUES AND PROPOSALS IN THE TRC TEST PROCEEDING**

1. **PPLICA's TRC Test Issues and Proposals Are Outside the Scope of This Proceeding**

PPLICA has raised issues and proposals concerning the TRC Test that are outside the scope of this proceeding. First, PPLICA challenges the use of forecasted avoided energy costs in the TRC calculations and proposes that the Commission require PPL Electric to true-up its calculations using actual avoided energy costs. (PPLICA St. No. 1, pp. 5-8) Second, PPLICA avers that PPL Electric must monitor and report the actual benefits of its measures using the trued-up TRC values, even though PPLICA recognizes that “the Commission does not require PPL or other EDCs” to do so. (PPLICA St. No. 1, p. 8) Third, PPLICA proposes that as part of the annual reconciliation process, the Commission should terminate programs for which Large C&I customers are eligible³ with a TRC value below 1.0 over a 12-month period using “actual market prices, not projections.” (PPLICA St. No. 1, p. 11)

PPLICA's issues and proposals are outside the scope of this proceeding. PPLICA should have raised these issues and proposals in the *2016 TRC Test Order* proceeding, when the Commission received comments on the development of the TRC methodology to be used in the EDCs' Phase III EE&C Plans. In that proceeding, the Commission solicited comments on and determined what avoided costs should be used in the TRC calculations. *See 2016 Total Resource*

³ In discovery, PPLICA clarified that its proposal relates to programs for which Large C&I customers are eligible, with the exception of pilot programs. (*See* Attachment K to PPL Electric St. No. 1-R) In PPL Electric's Phase III EE&C Plan, this encompasses the Efficient Equipment, Custom, and Demand Response Programs. (*See* PPL Electric Exhibit 1, Table 1) These programs are also available to the Small Commercial and Industrial (“Small C&I”) and Government/Nonprofit/Educational (“GNE”) customer sectors. (*See* PPL Electric Exhibit 1, Sections 3.3 to 3.5) In the Phase III EE&C Plan, the Company clarified that “there are 10 unique programs” and that “[t]he Efficient Equipment, Custom, and Demand Response Programs have separate cost and savings estimates for each nonresidential sector,” meaning Small C&I, Large C&I, and GNE. (PPL Electric Exhibit 1, p. 1 n.1)

Cost (TRC) Test, Docket No. M-2015-2468992, at pp. 17-18 (Tentative Order Entered Mar. 11, 2015) (“*Tentative 2016 TRC Test Order*”); *see also 2016 TRC Test Order*, at pp. 25-27. PPLICA even admits “that the PUC previously indicated that the projections should be used.” (PPLICA St. No. 1, p. 5); *see 2016 TRC Test Order*, at pp. 26-27. Nevertheless, PPLICA raises these issues in this proceeding.

PPLICA had a full opportunity to raise its concerns about the TRC Test, including the use of forecasted avoided energy costs⁴ and the elimination of programs that are not cost-effective based on actual avoided energy costs, by submitting comments at Docket No. M-2015-2468992. Indeed, PPLICA, along with other industrial customer groups, submitted reply comments regarding the *Tentative 2016 TRC Test Order*. (See Attachment A to PPL Electric St. No. 2-R) Nothing in those reply comments challenged or even addressed the use of forecasted avoided energy costs in the TRC Test, monitoring and reporting actual benefits of measures using a true-up TRC Test, or the annual elimination of programs that fall below a TRC value of 1.0 on an actual avoided energy cost basis. *See id.*

Now, PPLICA seeks to collaterally attack the *2016 TRC Test Order* through PPL Electric’s Phase III EE&C Plan proceeding. PPLICA proposes that actual avoided energy costs be used even though it acknowledges that the Commission instructed the use of forecasted avoided energy costs. (PPLICA St. No. 1, p. 5); *see 2016 TRC Test Order*, at pp. 26-27.

⁴ PPLICA refers to the avoided energy costs used in the TRC Test as “forecasted” values. To clarify, the avoided energy costs used during the first 10 years are based on the prices of futures contracts, which are actual prices (for a futures contract) at a point in time, although they are not the same as the actual prices proposed by PPLICA (i.e., PJM Interconnection LLC (“PJM”) spot market prices). In accordance with the Commission’s *2016 TRC Test Order*, avoided energy costs use actual New York Mercantile Exchange (“NYMEX”) PJM futures contracts as of the end of September 2015 for the first five years and actual NYMEX natural gas futures contracts as of the end of September 2015 for the next five years. *See 2016 TRC Test Order*, at pp. 34-35 (adopting PPL Electric’s recommendation that the method for calculating the avoided cost of electricity from the *2012 TRC Test Order* be used for Phase III); *see also 2012 PA Total Resource Cost (TRC) Test*, Docket No. M-2012-2300653, at pp. 27-32 (Order Entered Aug. 30, 2012). PPLICA’s proposed methodology would use actual PJM spot market prices instead of NYMEX futures contracts prices.

Although PPLICA may disagree with the avoided energy costs used in the Commission's TRC Test, it should have raised those concerns in the proper proceeding at Docket No. M-2015-2468992. PPL Electric must comply with the terms of the *2016 TRC Test Order*, and PPLICA should not be permitted to undermine the Commission by raising these TRC Test issues in PPL Electric's Phase III EE&C Plan proceeding.⁵ Thus, PPLICA's attempt to raise these TRC Test issues and proposals as part of PPL Electric's Phase III EE&C Plan proceeding should be rejected.

2. PPLICA's Proposal to Use Actual Avoided Energy Costs in TRC Calculations Violates Principles of Due Process and Fundamental Fairness

PPLICA's proposal to use actual avoided energy costs, whether applicable to all EDCs or only PPL Electric, violates the principles of due process and fundamental fairness. PPLICA's proposal to use actual avoided energy costs would affect all other EDCs in Pennsylvania subject to Act 129,⁶ who are not parties to this proceeding. Indeed, PPLICA's proposal is one of statewide application and importance. Consequently, adopting PPLICA's recommendation to use actual avoided energy costs would deprive the other EDCs of due process. All EDCs and other stakeholders should have the opportunity to respond to PPLICA's recommendation, which they would have had if PPLICA had properly submitted comments on this issue at Docket No. M-2015-2468992.

⁵ As the Commission stated in its *Implementation Order*, "The 2016 TRC Test Tentative Order was released for comment at the Commission's March 11, 2015 Public Meeting. Any comments relevant to the 2016 TRC Test, specifically those regarding its inputs or its application, will not be addressed in this proceeding. Such comments will be addressed at Docket No. M-2015-2468992." *Implementation Order*, at p. 103 (emphasis added); see *Energy Efficiency and Conservation Program*, Docket No. M-2014-2424864, at pp. 85-86 (Tentative Implementation Order Entered Mar. 11, 2015).

⁶ Under Section 2806.1(l) of the Public Utility Code, EDCs with fewer than 100,000 customers are not subject to Act 129. 66 Pa. C.S. § 2806.1(l)

Moreover, if PPLICA's proposal to use actual avoided energy costs were limited to PPL Electric, it would be fundamentally unfair, poor public policy, and an abuse of discretion. PPL Electric would be singled out by the Commission to use one TRC methodology for its calculations, while all other EDCs use a different TRC methodology. Since all EDCs must deliver their EE&C Plans in a cost-effective manner under Act 129, there should not be different cost-effectiveness standards for different EDCs. *See* 66 Pa. C.S. § 2806.1(a). Indeed, the Commission even rejected using different cost-effectiveness tests for energy efficiency and demand response. *See Implementation Order*, at p. 33.

In addition, the trigger for the Commission's authority to modify or terminate part of an EE&C Plan is cost-effectiveness. *See id.* § 2806.1(b)(2). If PPLICA's proposal were limited to PPL Electric, the Commission could modify or terminate a PPL Electric program after finding it is not cost-effective based on actual avoided costs, whereas the Commission only could modify or terminate another EDC's program if it were not cost-effective based on forecasted avoided costs. (*See* PPLICA St. No. 1, p. 11) Certainly, there cannot be two different cost-effectiveness standards for when the Commission may invoke its authority under 66 Pa. C.S. § 2806.1(b)(2).

Furthermore, limiting PPLICA's proposal to PPL Electric would produce a lack of uniformity in the EDCs' reporting, thereby potentially creating confusion for the Commission, the Statewide Evaluator ("SWE"), and stakeholders evaluating the EDCs' progress in Phase III. For all of these reasons, PPLICA's proposal would be fundamentally unfair, poor public policy, and an abuse of discretion if it were limited to PPL Electric.

In sum, PPLICA should have raised its issues and proposals concerning the TRC Test at Docket No. M-2015-2468992, where all EDCs would have had the opportunity to participate and the Commission could change the TRC methodology to be used in all EDCs' Phase III EE&C

Plans. PPLICA's attempt to raise these issues and proposals only in PPL Electric's Phase III EE&C Plan proceeding should be rejected.

B. PPLICA'S PROPOSALS SHOULD BE REJECTED ON THE MERITS

1. PPLICA's Proposals Conflict with Various Commission EE&C Orders

PPLICA's proposals should be rejected because they conflict with the Commission's Orders. First and foremost, the Commission directed all EDCs to use forecasted avoided energy costs in their TRC calculations, not actual avoided energy costs. *2016 TRC Test Order*, at p. 26. Specifically, the Commission found the following: (1) EDCs must use the latest available forecast of avoided costs for new programs; and (2) for programs carried over from a prior phase, EDCs have the option of using either the vintage of avoided cost forecasts applicable for those programs when they were initially approved or the then-current avoided cost forecasts at the time of re-approval for the new phase. *Id.* In all cases, whether the programs are new or carried over, the Commission mandated the use of "forecasts" of avoided costs. *Id.* (emphasis added). Therefore, PPLICA's proposal to employ actual avoided energy costs contravenes the Commission's *2016 TRC Test Order*.

Second, PPLICA's proposed changes to the TRC Test conflict with the Commission's intent to keep the TRC Test constant throughout Phase III. *See id.* at pp. 7, 63. As the Commission explained, "It is necessary to keep the parameters constant, so we can compare the actual Phase III benefits and costs to the planned Phase III benefits and costs, using a definition of TRC costs and benefits that remains constant over Phase III." *Id.* at p. 63. Although the Commission observed that issues with the TRC Test are "ongoing in nature" and that "future updates may be proposed by stakeholders or the Commission as needed," the Commission declared that "[r]eviews will be undertaken when warranted, and changes will be made only

when justified during a phase.” *Id.* at pp. 7, 63 (emphasis added). Indeed, the Commission rejected setting a fixed timeline for review of the TRC Test and noted that changes to the TRC Test mid-phase could be detrimental to cost-effectiveness evaluations and result in extensive EE&C Plan changes. *See id.* at p. 63. Here, PPLICA’s proposals would change the TRC Test shortly before Phase III begins and would require extensive revisions to the Company’s Phase III EE&C Plan both now and potentially after every program year in Phase III. For example, if any programs for which Large C&I customers are eligible are found not to be cost-effective on an individual basis, PPL Electric would have to revise its Phase III EE&C Plan to remove those programs, revise the budgets and projected savings for its other programs, and potentially design and add new programs to fill the void left by the discontinued programs. *See* 66 Pa. C.S. § 2806.1(b)(3). As a result, PPLICA’s proposals conflict with the Commission’s intent to keep the TRC Test constant throughout Phase III and to reduce extensive Plan revisions.

Third, PPLICA’s proposal to annually eliminate non-cost-effective programs conflicts with the Commission’s *Implementation Order*. *See Implementation Order*, at p. 36. PPLICA proposes to annually terminate any programs for which Large C&I customers are eligible that have a TRC benefit-cost ratio (calculated using actual avoided energy costs) below 1.0 over a 12-month period. (PPLICA St. No. 1, p. 11) This proposal would terminate the Company’s Demand Response Program if it were not cost-effective. (PPL Electric St. No. 1-R, p. 48) However, the Commission previously considered the Company’s proposal that EDCs have no demand response target and be allowed to remove demand response programs from their EE&C Plans if those programs were found not to be cost-effective: (1) during the initial design of the Phase III EE&C Plans; or (2) after the actual cost-effectiveness evaluation after the first year of the demand response programs’ implementation. *Implementation Order*, at pp. 30, 36. The

Commission rejected that proposal, reasoning that the SWE determined there is cost-effective demand response potential in PPL Electric's service territory and, therefore, the Company should be able to provide a cost-effective demand response program. *Id.* at p. 36. PPLICA's proposal would terminate the Demand Response Program if it were not cost-effective and, therefore, conflicts with the Commission's *Implementation Order*.

Fourth, PPLICA's annual program elimination proposal takes a program-level view of the cost-effectiveness requirement, which the Commission has rejected. *See Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2012-2334388, at pp. 27, 37 (Order Entered May 19, 2015) ("*Revision II Order*"); *see also 2012 PA Total Resource Cost (TRC) Test*, Docket No. M-2012-2300653, at pp. 4-5, 10-11 (Order Entered Aug. 30, 2012) ("*2012 TRC Test Order*"). In the *Revision II Order*, the Commission considered PPLICA's arguments that proposed changes to the Large C&I Prescriptive Equipment Program should be denied because they would cause the TRC benefit-cost ratio for this program to drop from 1.44 to 0.94. *Revision II Order*, at pp. 35-36. Stated otherwise, that Large C&I program would no longer be cost-effective. The Commission rejected PPLICA's argument to deny the changes and found that "the cost-effectiveness requirement of Act 129 applies to the EE&C portfolio as a whole, not to individual programs or measures." *Revision II Order*, at p. 37. Although the Commission has the authority to reject programs with low TRC benefit-cost ratios, the Commission clearly has held that it intends to apply the TRC Test at the overall portfolio level. *See id.* at pp. 27, 37; *2012 TRC Test Order*, at p. 11. Here, PPLICA has provided no basis for the Commission to deviate from its precedent of taking an overall portfolio view of cost-effectiveness. The Commission previously denied PPLICA's attempt to require an individual Large C&I program to be cost-effective in

Phase II and, therefore, should deny PPLICA's attempt to require that individual Large C&I programs be cost-effective in Phase III.

For these reasons, PPLICA's TRC Test proposals conflict with the Commission's *2016 TRC Test Order, Implementation Order, and Revision II Order*. Therefore, these proposals should be rejected.

2. PPLICA's Proposals Are Unjustified, Impractical, and Unnecessary

PPLICA's TRC Test proposals should be rejected because they are unjustified, impractical, and unnecessary. It is important to recall that PPLICA does not dispute that PPL Electric has calculated the TRC benefit-cost ratios for the Phase III EE&C Plan and programs in accordance with the Commission's *2016 TRC Test Order*. (PPLICA St. No. 1, p. 3) Nevertheless, PPLICA criticizes the Company's use of forecasted avoided energy costs in its TRC calculations (as required by the Commission) and makes several proposals concerning the use of actual avoided costs. However, PPLICA's criticism of forecasted avoided energy costs is flawed, thereby making all of its proposals unjustified. Further, PPLICA fails to recognize that if its proposals were adopted, they would have a dramatic effect on the Company's EE&C portfolio and programs and create timing issues. Thus, as explained in more detail below, PPLICA's proposals should be rejected for several reasons.

First, PPLICA's proposal to true-up TRC calculations using actual avoided energy costs is unjustified. PPLICA's misguided proposal is based upon its belief that using forecasted avoided costs results in overstated TRC values. (*See* PPLICA St. No. 1, pp. 5-8) Although actual avoided costs have turned out to be lower than the forecasted avoided costs in Phases I and II, "any analysis of TRC cost-effectiveness will rely on a forecast that may or may not turn out to be precise." (PPL Electric St. No. 2-R, p. 5) For example, the forecasts of avoided costs in Phases I and II were developed prior to the expansion of natural gas production and the

subsequent reduction in forecasted market prices. (PPL Electric St. No. 2-R, p. 5) These developments were a “major contributor to the differences in actual and forecasted avoided costs” cited by PPLICA. (PPL Electric St. No. 2-R, p. 5) Importantly, the Phase III avoided cost forecasts incorporate lower forecasted natural gas prices. (PPL Electric St. No. 2-R, p. 5)

PPLICA also fails to recognize that its trued-up TRC calculation would still produce an estimate because, for example, the first year true-up would include a single year of actual data and 14 years of forecasted data. (PPL Electric St. No. 2-R, p. 4) As explained by PPL Electric witness Haeri, “[I]t would not be possible to evaluate the costs and benefits based on actual prices until the end of the useful life of the measure when the actual prices for each year the measure was employed would be known.” (PPL Electric St. No. 2-R, p. 4) Since the Commission has established a maximum of 15 years for the useful life of measures, evaluating the cost-effectiveness of programs based on current year market prices would require forecasting a 15-year stream of avoided costs. (PPL Electric St. No. 2-R, p. 4) Therefore, PPLICA’s proposed calculation in the first year true-up would include a single year of actual market prices (the program year) and up to 14 years of forecasted prices. (PPL Electric St. No. 2-R, p. 4) Even calculations in the later program years of Phase III still would be based primarily on projections, not actual data. At maximum, PPLICA’s trued-up calculation could incorporate five years’ worth of actual market price data, but the calculation would still include up to 10 years’ worth of forecasted data. Consequently, any test prior to the end of the useful life of the measure, even if it incorporates some actual market price data, is subject to some uncertainty. (PPL Electric St. No. 2-R, p. 4)

In addition, PPLICA’s proposal to annually eliminate programs that are not cost-effective is impractical. PPLICA does not seem to realize the extent of its proposal. (PPL Electric St. No.

1-R, pp. 47-48) Although PPLICA clarified that its proposal only applies to “all programs for which Large C&I customers are eligible, with the exception of pilot programs,” these programs are available to Small C&I and GNE customers as well (i.e., Efficient Equipment, Custom, and Demand Response Programs). (PPL Electric St. No. 1-R, p. 47; *see* PPL Electric Exhibit 1, Section 3) Therefore, if one of these programs is eliminated under PPLICA’s proposal, all Large C&I, Small C&I, and GNE customers participating in those programs would be affected. (PPL Electric St. No. 1-R, pp. 47-48) Moreover, terminating a program “would strand millions of dollars without any direction on where to redeploy those funds or how to achieve the necessary savings and peak demand reductions.” (PPL Electric St. No. 1-R, p. 48) Nothing in PPLICA’s testimony provides these critical details on how the Company should adjust its budget and programs after a program is eliminated. (PPL Electric St. No. 1-R, p. 48) In any event, these adjustments likely would require extensive EE&C Plan changes mid-phase, forcing: (1) the Company to devise new programs or changes to existing programs that would achieve the energy savings and peak demand reduction targets; and (2) stakeholders to dedicate substantial time and expense to review and comment on the new programs or changes to existing programs. *See* 66 Pa. C.S. § 2806.1(b)(3).

The proposal also takes a flawed single-year view of program performance. PPLICA’s proposal would terminate a program because it is not cost-effective in a single program year, even if that program were cost-effective using data from all program years. For example, a program could be cost-effective in Program Years 8 through 10 but not cost-effective in Program Year 11. Using all four program years’ data, the program could be considered cost-effective. However, PPLICA’s proposal would terminate that program as part of the Program Year 11 reconciliation because it had a TRC value below 1.0 in Program Year 11. (*See* PPLICA St. No.

1, p. 11) Such an outcome is illogical and inconsistent with the Commission's authority to modify or terminate measures that are not cost-effective. *See* 66 Pa. C.S. § 2806.1(b)(2).

Further, the Demand Response Program would be terminated under PPLICA's proposal after the first program year of Phase III.⁷ (PPL Electric St. No. 1-R, p. 48) No demand response events will be called in that program year; however, the Company will incur costs to recruit participants in the Demand Response Program. (PPL Electric St. No. 1-R, p. 48) Therefore, the Demand Response Program would be eliminated under PPLICA's proposal because the program would have a TRC benefit-cost ratio below 1.0 after the first program year of Phase III. (PPL Electric St. No. 1-R, p. 48) Nowhere in PPLICA's testimony does it qualify its proposal to be applicable to demand response programs only after the first program year of Phase III.

PPLICA's proposal also creates serious timing issues. If a program is eliminated as part of the annual reconciliation, the Company would have to petition to modify its Phase III EE&C Plan to propose new programs or adjust its current programs to fill the void.⁸ *See* 66 Pa. C.S. § 2806.1(b)(3) (requiring an EDC to "submit a revised plan describing actions to be taken to offer substitute measures or to increase the availability of existing measures in the plan to achieve the required reductions in consumption under subsections (c) and (d)" when a "part of a plan is modified or terminated" under Section 2806.1(b)(2)). However, that process can take approximately five months, as measured from the time the Company's past petitions were filed until Commission orders were entered that approved the petitions. *See Petition of PPL Electric*

⁷ The Company also notes that Section 2806.1(b)(2) only permits the Commission to modify or terminate part of an EE&C Plan "after an adequate period for implementation." 66 Pa. C.S. § 2806.1(b)(2). PPL Electric submits that terminating a program after only one program year, particularly for the Demand Response Program where no events will be called in the first program year, is not an adequate period for implementation.

⁸ Likewise, if avoided energy costs increase during the subsequent program year under PPLICA's proposal, the terminated program may now be cost-effective, leading to another petition to add that program back into the Phase III EE&C Plan.

Utilities Corporation for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan, Docket No. M-2012-2334388, at pp. 1, 53 (Order Entered Mar. 6, 2014) (noting the Company's petition to modify the Plan was filed on November 22, 2013); *Revision II Order*, at pp. 1, 53 (Order Entered May 19, 2015) (noting the Company's petition to modify the Plan was filed on January 21, 2015). Notably, this estimate of five months does not even include the time needed to design new programs or changes to existing programs.

The approximate five-month lag would inhibit the Company's ability to achieve its required energy savings and peak demand reduction targets if a program were terminated under PPLICA's proposal. Essentially, PPL Electric and its customers would lose out on five months of potential energy savings and peak demand reductions. Therefore, terminating a program under PPLICA's proposal would increase the Company's risk of noncompliance with the requirements of Act 129 and the *Implementation Order*.

This is particularly true for the Demand Response Program. For example, under PPLICA's proposal, if the Demand Response Program were found not to be cost-effective for Program Year 8 during the annual reconciliation,⁹ the Demand Response Program would be terminated early in Program Year 9 (i.e., June 2017). However, demand response events can only be called during the months of June through September. *Implementation Order*, at p. 43. Considering the five-month lag and even assuming the Company filed a petition to modify the EE&C Plan in June 2017, PPL Electric would not have a demand response program approved until approximately November 2017. As a result, the Company would have missed its

⁹ As explained previously, PPLICA's proposal would eliminate the Demand Response Program because it would have costs in Program Year 8, but no demand response events would be called in Program Year 8. Nevertheless, this example holds true even if PPLICA claims that its proposal only applies to the Demand Response Program beginning in Program Year 9.

opportunity to call any demand response events in Program Year 9. Therefore, PPL Electric would fail to obtain peak demand reductions in Program Year 9 and be placed at risk of noncompliance with the Commission's *Implementation Order*. Thus, PPLICA's proposal to annually eliminate programs should be rejected.

Finally, PPLICA's proposal to monitor and report the actual benefits of measures using actual avoided costs is unnecessary. PPL Electric already will be monitoring and reporting all data and information required by the Commission and the SWE. As explained in the Company's rebuttal testimony, "PPL Electric will monitor its programs in accordance with the requirements set by the Commission." (PPL Electric St. No. 2-R, p. 7) This includes reporting TRC benefit-cost ratios for the Plan and the programs in PPL Electric's Final Annual Reports, which are due on November 15 of each year beginning with the Program Year 8 report due on November 15, 2017. *See 2016 TRC Test Order*, at p. 19; *Implementation Order*, at p. 101. Furthermore, the Company's independent evaluator will conduct ongoing and annual evaluations for each program. (PPL Electric St. No. 2-R, p. 7; PPL Electric Exhibit 1, Section 1.7.3) Among other things, the annual evaluation will examine the cost-effectiveness of each program using the Commission's TRC Test outlined in the *2016 TRC Test Order*, not the modified TRC Test proposed by PPLICA. (PPL Electric St. No. 2-R, pp. 7-8) In sum, sufficient processes for monitoring and reporting data and information are already in place. Thus, PPLICA's proposal is unnecessary and should be denied.

Based on the foregoing, PPLICA's proposals are unjustified, impractical, and unnecessary and, therefore, should be rejected.

VII. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission reject the PP&L Industrial Customer Alliance's proposals for the Phase III Energy Efficiency and Conservation Plan that are related to the Total Resource Cost Test as explained herein.

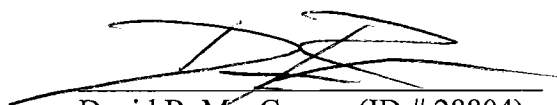
Respectfully submitted,

Paul E. Russell (ID # 21643)
Kimberly A. Klock (ID # 89716)
PPL Services Corporation
Office of General Counsel
Two North Ninth Street
Allentown, PA 18101
Phone: 610-774-4254
Fax: 610-774-6726
E-mail: perussell@pplweb.com
E-mail: kklock@pplweb.com

Of Counsel:

Post & Schell, P.C.

Date: February 16, 2016



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

Devin T. Ryan
Post & Schell, P.C.
17 North Second Street
12th Floor
Harrisburg, PA 17101-1601
Phone: 717-731-1970
Fax: 717-731-1985
E-mail: dryan@postschell.com

Attorneys for PPL Electric Utilities Corporation

APPENDIX A
Proposed Findings of Fact

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) proposes the following findings of fact for the issues and proposals reserved for briefing:

1. The PP&L Industrial Customer Alliance (“PPLICA”) has challenged the use of forecasted avoided energy costs in the Total Resource Cost (“TRC”) Test calculations and proposed that the Pennsylvania Public Utility Commission (“Commission”) require PPL Electric to true-up its calculations using actual avoided energy costs. (PPLICA St. No. 1, pp. 5-8)

2. PPLICA avers that PPL Electric must monitor and report the actual benefits of its measures using the trued-up TRC values, even though PPLICA recognizes that “the Commission does not require PPL or other EDCs” to do so. (PPLICA St. No. 1, p. 8)

3. PPLICA proposes that as part of the annual reconciliation process, the Commission should terminate programs for which Large Commercial and Industrial (“Large C&I”) customers are eligible, excluding pilot programs, with a TRC value below 1.0 over a 12-month period using “actual market prices, not projections.” (PPLICA St. No. 1, p. 11; Attachment K to PPL Electric St. No. 1-R)

4. Large C&I customers are eligible for the Efficient Equipment, Custom, and Demand Response Programs, and these programs are also available to the Small Commercial and Industrial (“Small C&I”) and Government/Nonprofit/Educational (“GNE”) customer sectors. (See PPL Electric Exhibit 1, Table 1 and Sections 3.3 to 3.5)

5. PPLICA had a full opportunity to raise its concerns about the TRC Test, including the use of forecasted avoided energy costs and the elimination of programs that are not cost-effective based on actual avoided energy costs, by submitting comments at Docket No. M-2015-2468992.

6. PPLICA, along with other industrial customer groups, submitted reply comments regarding the *Tentative 2016 TRC Test Order*. (See Attachment A to PPL Electric St. No. 2-R)

7. Nothing in those reply comments challenged or even addressed the use of forecasted avoided energy costs in the TRC Test, monitoring and reporting actual benefits of measures using a trued-up TRC Test, or the annual elimination of programs that fall below a TRC value of 1.0 on an actual avoided energy cost basis. *See id.*

8. PPLICA acknowledges that the Commission instructed the use of forecasted avoided energy costs. (PPLICA St. No. 1, p. 5)

9. PPLICA's proposal to use actual avoided energy costs is one of statewide application and importance because it would affect all other EDCs in Pennsylvania subject to Act 129, who are not parties to this proceeding.

10. If PPLICA's proposal to use actual avoided energy costs were limited to PPL Electric, the Company would be singled out by the Commission to use one TRC methodology for its calculations, while all other EDCs use a different TRC methodology.

11. If PPLICA's proposal were limited to PPL Electric, the Commission could modify or terminate a PPL Electric program after finding it is not cost-effective based on actual avoided costs, whereas the Commission only could modify or terminate another EDC's program if it were not cost-effective based on forecasted avoided costs. (See PPLICA St. No. 1, p. 11); 66 Pa. C.S. § 2806.1(b)(2).

12. Limiting PPLICA's proposal to PPL Electric would produce a lack of uniformity in the EDCs' reporting, thereby potentially creating confusion for the Commission, the Statewide Evaluator ("SWE"), and stakeholders evaluating the EDCs' progress in Phase III.

13. PPLICA's proposals would change the TRC Test shortly before Phase III begins and would require extensive revisions to the Company's Phase III EE&C Plan both now and potentially after every program year in Phase III.

14. PPLICA does not dispute that PPL Electric has calculated the TRC benefit-cost ratios for the Phase III EE&C Plan and programs in accordance with the Commission's *2016 TRC Test Order*. (PPLICA St. No. 1, p. 3)

15. PPLICA's proposal to true-up TRC calculations using actual avoided energy costs is unjustified. (See PPL Electric St. No. 2-R, pp. 4-5)

16. Although actual avoided costs have turned out to be lower than the forecasted avoided costs in Phases I and II, "any analysis of TRC cost-effectiveness will rely on a forecast that may or may not turn out to be precise." (PPL Electric St. No. 2-R, p. 5)

17. The forecasts of avoided costs in Phases I and II were developed prior to the expansion of natural gas production and the subsequent reduction in forecasted market prices. (PPL Electric St. No. 2-R, p. 5) These developments were a "major contributor to the differences in actual and forecasted avoided costs" cited by PPLICA and have been accounted for in the Phase III avoided cost forecasts. (PPL Electric St. No. 2-R, p. 5)

18. PPLICA's true-up TRC calculation would still produce an estimate because, for example, the first year true-up would include a single year of actual data and up to 14 years of forecasted data. (See PPL Electric St. No. 2-R, p. 4)

19. Evaluating the cost-effectiveness of programs based on current year market prices would require forecasting a 15-year stream of avoided costs. (PPL Electric St. No. 2-R, p. 4)

20. Any test prior to the end of the useful life of the measure, even if it incorporates some actual market price data, is subject to some uncertainty. (PPL Electric St. No. 2-R, p. 4)

21. PPLICA's proposal to annually eliminate programs that are not cost-effective is impractical. (See PPL Electric St. No. 1-R, pp. 47-48)

22. If the Efficient Equipment Program, Custom Program, or Demand Response Program were terminated under PPLICA's proposal, all Large C&I, Small C&I, and GNE customers participating in those programs would be affected. (PPL Electric St. No. 1-R, pp. 47-48)

23. Terminating a program "would strand millions of dollars without any direction on where to redeploy those funds or how to achieve the necessary savings and peak demand reductions." (PPL Electric St. No. 1-R, p. 48)

24. Nothing in PPLICA's testimony provides details on how the Company should adjust its budget and programs after a program is eliminated. (PPL Electric St. No. 1-R, p. 48)

25. The Demand Response Program would be terminated under PPLICA's proposal after the first program year of Phase III because no demand response events will be called in that program year, resulting in a TRC benefit-cost ratio below 1.0 for that program year. (PPL Electric St. No. 1-R, p. 48)

26. PPLICA's proposal to annually terminate programs creates serious timing issues because PPL Electric and its customers would lose out on approximately five months of potential energy savings and peak demand reductions while the Company goes through the Commission's process to change its EE&C Plan. See *Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2012-2334388, at pp. 1, 53 (Order Entered Mar. 6, 2014) (noting the Company's petition to modify the Plan was filed on November 22, 2013); *Revision II Order*, at pp. 1, 53 (Order Entered May 19, 2015) (noting the Company's petition to modify the Plan was filed on January 21, 2015).

27. PPLICA's proposal to monitor and report the actual benefits of measures using actual avoided costs is unnecessary because the Company already will be monitoring and reporting all data and information required by the Commission and the Statewide Evaluator. (PPL Electric St. No. 2-R, p. 7)

28. The Company's independent evaluator will conduct ongoing and annual evaluations for each program. (PPL Electric St. No. 2-R, p. 7; PPL Electric Exhibit 1, Section 1.7.3)

29. The annual evaluation conducted by PPL Electric's independent evaluator will examine the cost-effectiveness of each program using the Commission's TRC Test outlined in the *2016 TRC Test Order*, not the modified TRC Test proposed by PPLICA. (PPL Electric St. No. 2-R, pp. 7-8)

APPENDIX B
Proposed Conclusions of Law

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) proposes the following conclusions of law for the issues and proposals reserved for briefing:

1. Act 129 of 2008 (“Act 129”), P.L. 1592, 66 Pa.C.S. §§ 2806.1 and 2806.2, directed, among other things, that each electric distribution company (“EDC”) with at least 100,000 customers implement a plan to reduce energy demand and consumption within its service territory.

2. The Pennsylvania Public Utility Commission (“Commission”) is required to analyze the costs and benefits of each plan submitted pursuant to Act 129 using a “total resource cost test approved by the [C]ommission.” 66 Pa. C.S. § 2806.1(a)(3).

3. “Total resource cost test” is defined as “[a] standard test that is met if, over the effective life of each plan not to exceed 15 years, the net present value of the avoided monetary cost of supplying electricity is greater than the net present value of the monetary cost of energy efficiency conservation measures.” *Id.* § 2806.1(m).

4. The Commission adopted its Total Resource Cost (“TRC”) Test for Phase III in *2016 Total Resource Cost (TRC) Test*, Docket No. M-2015-2468992 (Order Entered June 22, 2015) (“*2016 TRC Test Order*”).

5. The Commission solicited comments on and determined what avoided costs should be used in the TRC calculations at Docket No. M-2015-2468992. *See 2016 Total Resource Cost (TRC) Test*, Docket No. M-2015-2468992, at pp. 17-18 (Tentative Order Entered Mar. 11, 2015) (“*Tentative 2016 TRC Test Order*”); *see also 2016 TRC Test Order*, at pp. 25-27.

6. Act 129 provides the Commission with the authority to direct an EDC to modify or terminate any part of an Energy Efficiency and Conservation Plan (“EE&C Plan”) “if, after an adequate period for implementation, the [C]ommission determines that an energy efficiency or conservation measure included in the plan will not achieve the required reductions in consumption in a cost-effective manner under subsections (c) and (d).” 66 Pa. C.S. § 2806.1(b)(2).

7. When the Commission exercises its authority under Section 2806.1(b)(2), the EDC must “submit a revised plan describing actions to be taken to offer substitute measures or to increase the availability of existing measures in the plan to achieve the required reductions in consumption under subsections (c) and (d).” *Id.* § 2806.1(b)(3).

8. The PP&L Industrial Customer Alliance’s (“PPLICA”) TRC Test issues and proposals are outside the scope of PPL Electric’s Phase III EE&C Plan proceeding because those issues and proposals should have been raised at Docket No. M-2015-2468992 in the development of the *2016 TRC Test Order*.

9. PPLICA’s proposal to use actual avoided energy costs, whether applicable to all EDCs or only PPL Electric, violates the principles of due process and fundamental fairness.

10. If PPLICA’s proposal to use actual avoided energy costs were limited to PPL Electric, it would be fundamentally unfair, poor public policy, and an abuse of discretion.

11. The Commission directed all EDCs to use forecasted avoided energy costs in their TRC calculations, not actual avoided energy costs. *2016 TRC Test Order*, at p. 26.

12. PPLICA’s proposed changes to the TRC Test conflict with the Commission’s intent to keep the TRC Test constant throughout Phase III. *See id.* at pp. 7, 63.

13. PPLICA's proposal to annually eliminate non-cost-effective programs conflicts with the Commission's *Implementation Order*, where it rejected the Company's proposal that EDCs have no demand response target and be allowed to remove demand response programs from their EE&C Plans if those programs were found not to be cost-effective: (1) during the initial design of the Phase III EE&C Plans; or (2) after the actual cost-effectiveness evaluation after the first year of the demand response programs' implementation. See *Energy Efficiency and Conservation Program*, Docket No. M-2014-2424864, at pp. 30, 36 (Implementation Order Entered June 19, 2015) ("*Implementation Order*").

14. PPLICA's annual program elimination proposal takes a program-level view of the cost-effectiveness requirement, which the Commission has rejected. See *Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2012-2334388, at pp. 27, 37 (Order Entered May 19, 2015) ("*Revision II Order*"); see also *2012 PA Total Resource Cost (TRC) Test*, Docket No. M-2012-2300653, at pp. 4-5, 10-11 (Order Entered Aug. 30, 2012) ("*2012 TRC Test Order*").

15. PPLICA's TRC Test proposals conflict with the Commission's *2016 TRC Test Order*, *Implementation Order*, and *Revision II Order*.

APPENDIX C
Proposed Ordering Paragraphs

PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) proposes the following ordering paragraphs:

1. That PPL Electric’s Joint Petition for Partial Settlement is approved without modification;
2. That PPL Electric’s Phase III EE&C Plan is approved subject to the terms and conditions of the Joint Petition for Partial Settlement; and
3. That the PP&L Industrial Customer Alliance’s (“PPLICA”) proposals concerning the Total Resource Cost (“TRC”) Test are rejected.