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| PUC logo | COMMONWEALTH OF PENNSYLVANIA  PENNSYLVANIA PUBLIC UTILITY COMMISSION  P.O. BOX 3265, HARRISBURG, PA 17105-3265 | **IN REPLY PLEASE REFER TO OUR FILE** |

November 4, 2016

M-2015-2515642

Ms. Kimberly A. Klock, Esquire

PPL Services Corporation

Two North Ninth Street

Allentown, PA 18106

**Re:** **Petition of PPL Electric Utilities Corporation for Expedited Approval of Proposed Minor EE&C Plan Changes Pursuant To the Commission’s Expedited Review Process**

**Docket No. M-2015-2515642**

Dear Ms. Klock:

On September 21, 2016, PPL Electric Utilities Corporation (PPL) filed a *Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan – Docket No. M-2015-2515642* (Petition). The Petition seeks approval of minor changes to the programs contained in its amended Act 129 Phase III Energy Efficiency and Conservation Plan (EE&C Plan) through the Commission’s expedited process set forth in its June 10, 2011 Final Order at Docket No. M-2008-2069887 (Expedited Process Order). PPL served the Petition on all parties of record. For the reasons discussed below, Staff will grant PPL’s Petition as modified by PPL in its reply comments.

Comments on the PPL Petition were filed by PP&L Industrial Customers Alliance (PPLICA), the Office of Small Business Advocate (OSBA) and the Sustainable Energy Fund of Central Eastern Pennsylvania (SEF). PPL filed timely reply comments.

In its Expedited Process Order, the Commission delegated its authority to review and approve minor EE&C Plan changes to staff of the Bureau of Technical Utility Services (Staff), with assistance from staff of the Law Bureau.[[1]](#footnote-1) The Commission directed Staff to issue a Secretarial Letter approving, denying, or transferring to the Office of Administrative Law Judge for hearings, some or all of the proposed minor plan changes. With this Secretarial Letter, Staff is approving PPL’s Petition, as modified by PPL’s reply comments, for the reasons expressed below.

In its Petition, PPL proposes a change to its Custom Program eligibility requirements. Specifically, PPL proposes to change the requirement that all Custom Program projects undergo a pre-screening to determine that these projects meet a minimum total resource cost test (TRC) threshold. For combined heat and power (CHP) projects, the current plan minimum TRC threshold is 1.25. For all other Custom Program projects the current plan minimum TRC threshold is 1.10. PPL proposes to remove these minimum TRC thresholds for the Custom Program with the flexibility to establish new minimum TRC thresholds on 30 days notice should such a minimum TRC cost-effectiveness value be necessary to ensure that its EE&C Plan portfolio TRC remains at a value greater than 1.0.

PPL asserts that the proposed change will neither increase the overall costs to any customer class, nor change any budget, savings, or TRC values set forth in its Phase III EE&C plan. PPL also asserts that the proposed change meets the definition of minor plan changes as delineated in the Expedited Process Order.

**TRC and Cost Effectiveness**

In its comments PPLICA and SEF recommend that PPL establish minimum TRC values for all custom projects of not less than 1.0.[[2]](#footnote-2) PPLICA also commented that custom projects with a TRC value of less than 1 are not cost effective and should not be subsidized by other ratepayers.[[3]](#footnote-3) PPL replies that the Commission only requires that the overall EE&C Plan be cost-effective, not individual programs or measures.[[4]](#footnote-4) Staff agrees with PPL. As noted in the Phase III Energy Efficiency and Conservation Program Implementation Order (Implementation Order), Act 129 requires only that the EE&C plan, in its entirety, meet a minimum TRC value of greater than 1.0.[[5]](#footnote-5) Further confirmation of this is found in the Act 129 Phase III TRC Order that states, “…consistent with our determination in the *2013 TRC Test Order*, the Commission proposed to continue applying the TRC Test at the plan level and will continue to reserve the right to reject any program with a low TRC test ratio.”[[6]](#footnote-6) Furthermore, Staff finds it significant that no other program in PPL’s EE&C Plan has a cost‑effectiveness threshold for any of its measures.[[7]](#footnote-7) Finally, staff is persuaded by PPL’s position that eliminating the minimum TRC threshold is likely to lower the program acquisition costs per kilowatt‑hours of annual energy savings.[[8]](#footnote-8)

**Risk vs Flexibility**

As noted by PPL in their petition, no other EDCs include minimum TRC values for custom projects.[[9]](#footnote-9) OSBA suggests that all EDCs should have minimum TRC thresholds.[[10]](#footnote-10) PPL disagrees with this suggestion, offering that consistency across Pennsylvania helps to avoid any confusion for project development. Eliminating minimum TRC values will provide PPL with greater flexibility with which to reach its established Phase III targets. The elimination of minimum TRC values for Custom Program eligibility also introduces an elevated level of risk and responsibility that PPL must manage to ensure that it can adequately meet its Act 129 compliance targets. That risk, however, is not expected to be any greater or different than that realized by all other EDCs that share similar compliance obligations under Act 129. PPL accurately states in its Reply Comments that it alone is responsible for any potential penalties for non-compliance and as such should have discretion to adjust its EE&C plan, sufficient to meet its Act 129 obligations.[[11]](#footnote-11)

**Notification of Change**

It its petition, PPL offered that if approved to eliminate consideration of any minimum TRC threshold, subject to need and based on ongoing analyses, it would provide stakeholders with a 30-day notice prior to the establishment of any subsequent minimum TRC threshold.[[12]](#footnote-12) Because of the significant time and resources to develop custom projects, the SEF suggests that PPL change its notification period to 90 days.[[13]](#footnote-13) In its Reply Comments PPL agrees that changing the notification period from 30 days to 90 days will provide potential customers more time to understand the minimum requirements before they submit applications to PPL.[[14]](#footnote-14) Accordingly, PPL agrees to modify its proposed change by replacing the 30 day notice with a 90 day notice.[[15]](#footnote-15)

**Budget and Savings**

OSBA suggests that lowering or eliminating minimum TRC thresholds for the Custom Program will negatively affect all quantitative aspects of PPL’s EE&C plan.[[16]](#footnote-16) PPL affirms that the proposed change only allows consideration for additional projects that otherwise would be excluded from eligibility.[[17]](#footnote-17) PPL has not proposed to transfer any funds to or from any programs and has not proposed changes for any incentives.

**Conclusion**

In view of the above, the Staff has determined that the *Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan*, filed on September 21, 2016, at Docket No. M-2015-2515642, as modified by PPL in its Reply Comments,[[18]](#footnote-18) satisfies the requirements of Act 129 and the prior related Orders of the Commission. Staff finds that the minor changes proposed in the Petition, as modified by PPL, should enable PPL to meet or exceed the energy consumption and demand reduction requirements of Act 129 in a cost-effective manner. Therefore, Staff finds that the September 21, 2016, minor changes, as modified by PPL in its Reply Comments, are approved. PPL is directed to file with the Secretary a revised plan, consistent with this Secretarial Letter, within 30 days of the date of this Letter and post same on its website.

As directed in the Commission’s Expedited Process Order, petitions for appeal from this Staff action must be filed within ten (10) days after service of this Secretarial Letter in accordance with 52 Pa. Code § 5.44.[[19]](#footnote-19)



Sincerely,

Rosemary Chiavetta

Secretary

cc: Chairman Brown

Vice Chairman Place

Commissioner Sweet

Commissioner Coleman

Commissioner Powelson

Parties of Record

Paul Diskin, TUS

Darren Gill, TUS

Joseph Sherrick, TUS

Kriss Brown, LAW

Cheryl Walker Davis, OSA

Jonathan Nase, OSA

1. In the Expedited Process Order, the Commission delegated its authority to staff of the Bureau of Conservation, Economics and Energy Planning, with assistance from staff of the Bureau of Fixed Utility Services and the Law Bureau. *See*, Expedited Process Order at 22. In a Final Procedural Order entered on August 11, 2011, at Docket No. M-2008-2071852, the Commission transferred the staff and functions of the Bureaus of Fixed Utility Services and Conservation, Economics and Energy Planning to the Bureau of Technical Utility Services. *See Implementation of Act 129 of 2008 Organization of Bureaus and Offices*, Final Procedural Order at 4. [↑](#footnote-ref-1)
2. PPLICA comments at 4, SEF comments at 5. [↑](#footnote-ref-2)
3. PPLICA comments at 4. [↑](#footnote-ref-3)
4. PPL Reply Comments at 5. [↑](#footnote-ref-4)
5. Phase III Implementation Order at 102. [↑](#footnote-ref-5)
6. Phase III TRC Order at 17. [↑](#footnote-ref-6)
7. PPL Reply Comments at 8. [↑](#footnote-ref-7)
8. Staff also notes that Combined heat and power (CHP) projects are typically very energy efficient but can be capital intensive. In the report *Distributed Generation Potential Study for Pennsylvania*, prepared by the Commission’s Act 129 statewide evaluator in March 2015, it is noted that a significant number of CHP projects would be cost-effective under a TRC calculation if the useful life of the project was taken into account, thereby supporting the consideration of providing incentives to worthy projects even beyond those having TRC values greater than 1.0. See, *Distributed Generation Potential Study for Pennsylvania* at 30 and 4. [↑](#footnote-ref-8)
9. Petition at 4. [↑](#footnote-ref-9)
10. OSBA comments at 6. [↑](#footnote-ref-10)
11. Petition at 4. [↑](#footnote-ref-11)
12. Petition at 3. [↑](#footnote-ref-12)
13. SEF comments at 5. [↑](#footnote-ref-13)
14. PPL Reply Comments at 7. [↑](#footnote-ref-14)
15. PPL Reply Comments at 7-8. [↑](#footnote-ref-15)
16. OSBA comments at 5 [↑](#footnote-ref-16)
17. Reply comments at 10. [↑](#footnote-ref-17)
18. PPL Reply Comments at 3. [↑](#footnote-ref-18)
19. Expedited Process Order at 19. [↑](#footnote-ref-19)