

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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July 6, 2017

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

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 please find the Office of Consumer Advocate's Comments in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lauren M. Burge".

Lauren M. Burge  
Assistant Consumer Advocate  
PA Attorney I.D. 311570

Enclosure

cc: Office of Administrative Law Judge  
Certificate of Service

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

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COMMENTS OF THE  
OFFICE OF CONSUMER ADVOCATE

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July 6, 2017

## I. INTRODUCTION

On June 6, 2017, PPL Electric Utilities Corporation (PPL or the Company) filed its Petition of PPL Electric Utilities Corporation for Approval of Changes to its Act 129 Phase III Energy Efficiency and Conservation Plan (Petition) with the Pennsylvania Public Utility Commission (Commission). In its Petition, PPL seeks approval of two “major” modifications and eleven “minor” modifications to its Phase III Act 129 Energy Efficiency and Conservation Plan (Phase III EE&C Plan). Although PPL’s proposed changes include both major and minor changes, PPL requested that its Petition be reviewed under the procedural schedule established for changes that do not meet the minor change criteria (i.e. “major changes”). Petition at 1-2.

The Commission has stated that an electric distribution company “seeking approval of changes that do not fit within the Minor EE&C Plan change criteria . . . must file a petition requesting that the Commission rescind and amend its prior order approving the plan. . . .”<sup>1</sup> The petition “should explain the specific reasons supporting the requested modifications, evidence supporting the modifications to the plan and cost recovery mechanism.” Id. Under this procedure, interested parties have 30 days to file comments or answers to PPL’s Petition. Parties then have 20 days to file reply comments, after which the Commission will determine whether to rule on the proposed changes or refer the matter to the Office of Administrative Law Judge for hearings. Id.

In its Petition, PPL states that in the time since the approval of its Phase III EE&C Plan, it has “continued to fine tune its key assumptions and the mix of measures and programs for its Phase III EE&C Plan.” Petition at 4. PPL further explains that the proposed changes are intended to:

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<sup>1</sup> Energy Efficiency and Conservation Program, Docket No. M-2008-2069887 (Order entered June 10, 2011), at 20 (hereinafter, Minor Plan Change Order).

enable the Company to meet its Phase III compliance targets within its Phase III budget, to help address evaluation uncertainties associated with the Demand Response Program, to provide greater flexibility to the Company's trade allies and customers, to provide additional funding for the tracking system, to reduce the estimated cost for plan development, and to add measures and add more flexible incentive levels for some existing measures.

Petition at 6-7. PPL states that the proposed changes will not affect either the total estimated savings or total estimated cost for the Phase III Plan. Petition at 7.

The Office of Consumer Advocate (OCA) submits these Comments in response to PPL's Petition for the Commission's consideration. The OCA is generally supportive of PPL's modifications and of providing flexibility to meet the plan's targets in the most efficient matter. In its comments below, the OCA offers specific suggestions for program implementation or improvement, and in some cases states that the Company should be required to provide further justification for some of its proposed modifications to the residential program before the modification is approved. The OCA will discuss the concerns it has identified with some of PPL's proposed modifications to the residential programs in its Comments below.

## II. COMMENTS

### A. Allow for Potential Residential Demand Response Measure within the Demand Response Program (Major Change)

As part of its Demand Response Program, PPL proposes this change which will allow it to implement a residential load curtailment program if needed to meet its peak demand reduction requirements. Petition at ¶ 13. This would be implemented through air conditioner cycling for participating residential customers. *Id.* Specifically, this would be implemented through PPL’s Demand Response conservation service provider (CSP), which “would contract with a Residential Demand Response CSP for up to \$2.5 million of the program’s budget to achieve up to 15 MW of peak reductions from residential customers who currently have the necessary devices installed at their homes.” Petition at ¶ 13. PPL states that the purpose of this change is to provide additional certainty that it will be able to meet its peak demand reduction requirements. *See* Petition at ¶¶ 14-15, 17. PPL will not target additional customers for this program, but rather will seek these reductions, if necessary, from residential customers who already have the necessary devices installed. *See* Petition at ¶ 13.

The OCA generally supports the inclusion of residential demand response programs as part of a well-rounded EE&C plan. During PPL’s Act 129 Phase III proceeding, the OCA encouraged PPL to “explore offering a demand response program to its Residential customers.”<sup>2</sup> As such, the OCA commends PPL for seeking to expand its demand response program to include residential demand response. The OCA submits, however, that PPL should be required to supply additional details about its proposal before this modification is approved. For example, PPL’s Petition does not address what incentives will be offered to residential customers whose air

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<sup>2</sup> Petition of PPL Electric Utilities for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan, Docket No. M-2015-2515642, Direct Testimony of Stacy L. Sherwood, OCA Statement No. 1, at 20 (January 12, 2016).

conditioners are cycled during a demand response event. PPL also does not address the TRC of this program. The OCA supports the inclusion of residential demand response as part of a well-designed portfolio, but submits that additional detail is necessary before this modification is approved.

B. Allow for a Potential Residential Behavioral Demand Response Measure within the Home Energy Education Program (Minor Change)

PPL is proposing to modify its Home Energy Education Program to allow it to implement a residential behavioral demand response measure in the future if necessary to meet its peak demand reduction requirements. Petition at ¶ 19. If implemented, this measure would provide residential customers with additional messaging on their Home Energy Reports (HERs) focused on reducing peak demand. Id. PPL states that this measure would cost up to \$400,000 but the funds would come from the existing budget for the Home Energy Education Program. Petition at ¶ 20. If implemented, PPL projects that this measure could provide up to 5MW of additional peak load reductions. Id.

The OCA is not opposed to this behavioral demand response program, but submits that this type of program must be closely monitored and evaluated to determine its effectiveness. The OCA submits that, if PPL implements this proposal, it should be required to review the actual, verified savings achieved from the residential behavioral demand response programs with the stakeholders at the end of the first program year in which the measure is implemented. If the measure is not achieving the expected level of savings at the end of the first program year, then PPL should be required to convene a meeting with the stakeholders to discuss what strategies could be implemented to address any concerns related to the residential behavioral demand response measure. This will help to ensure that the measure is effective going forward and that

stakeholders will be able to provide meaningful input if the measure is not providing the necessary reductions at a reasonable cost.

C. Combine the Budgets and Savings for the Custom and Efficient Equipment Programs into a Single Program (Major Change)

PPL proposes to combine the budgets and savings for the Customer and Efficient Equipment program into a single program, which will be referred to as the Nonresidential Energy Efficiency Program. Petition at ¶ 22. This modification will not change the cost or projected savings for these programs, but will provide more flexibility and allow for easier and quicker implementation of projects. See Petition at ¶¶ 23-25.

The OCA generally supports program flexibility and efficiency. Because this modification does not affect residential programs, however, the OCA does not have specific comments on this modification at this time.

D. Add a New Construction Measure to Low-Income WRAP (Minor Change)

In this modification, PPL proposes to add a new construction measure to the Low-Income Winter Relief Assistance Program (WRAP). Petition at ¶ 26. The new construction measure will include providing LED bulbs and other energy efficient measures to builders constructing new low-income housing. Id. The other measures will have incentives of up to \$0.50/annual kWh saved, and will not change the overall cost or projected savings for WRAP. Id. This proposal would expand the WRAP program to include both retrofitting existing homes as well as income-qualified new construction. Petition at ¶ 27.

The OCA is generally supportive of expanding WRAP to include new construction. The OCA submits, however, that PPL should provide additional information about its proposal before this modification is approved. For example, PPL should be required to provide more detail on the specific “additional energy efficient measures” that it intends to include and the

corresponding incentive ranges to be offered as part of the low-income new construction component. Similarly, PPL states that this modification would not impact the programs current costs and projected savings, but it is difficult for the OCA to assess and provide meaningful comment on this without specific information on the measures and incentives PPL intends to offer. Therefore, the OCA commends PPL for seeking to expand WRAP to new construction, but recommends that the Commission not approve this modification until PPL provides additional specifics so this modification can be adequately assessed.

E. Add a Non-electric Water Heater Measure, a Dehumidifier Measure, and a Custom Measure to the Energy Efficient Home Program (Minor Change)

Through this modification, PPL proposes to add a non-electric water heater measure, a dehumidifier measure, and a custom measure to its Energy Efficient Home Program. Petition at ¶ 28. This change will not affect the program's projected cost or savings. *Id.* PPL proposes to cap the number of incentives for non-electric water heater measure to 250 units across all customer sectors, and to offer a rebate of up to \$200 to incentivize switching from electric to non-electric water heaters. Petition at ¶ 28; Appendix A at 54. The Company also notes that the non-electric water heater measure was included in PPL's Phase II EE&C plan but inadvertently omitted from the Phase III EE&C Plan. Petition at ¶ 28. For custom measures, PPL proposes to cap incentives for custom measures at 25% to 50% of total project costs excluding internal labor, and will provide an incentive of up to \$0.14 per annual kWh saved. Petition at ¶ 28; Appendix A at 55. Finally, for dehumidifiers, PPL proposes to offer incentives of \$25 to \$50 for ENERGY STAR dehumidifiers. Petition at ¶ 28; Appendix A at 54.

The OCA generally supports these modifications. For these non-electric measures, the OCA submits that PPL should target homes with high electric usage which could benefit most from switching to a non-electric appliance. Regarding dehumidifiers, PPL has proposed an



incentive range of \$25 to \$50, while other Pennsylvania EDCs offer incentive ranges of \$20 to \$25. The OCA submits that PPL should use the lower incentive range consistent with other EDCs unless it provides a specific reason for offering the higher incentive range. Finally, the custom measures must achieve a TRC of 1.0 or greater to be rebated. It is unclear, however, whether the TRC requirement applies to an entire project or only the custom measure. PPL should clarify this item to eliminate any possible confusion.

F. Clarify that the New Construction Component of the Energy Efficient Home Program Includes Multifamily Housing (Minor Change)

Through this modification, PPL is seeking to clarify that the new construction component of the Energy Efficient Home Program includes multifamily housing, and specifically includes buildings greater than three stories. Petition at ¶ 6. The OCA supports this clarification which will help to avoid confusion, includes a range of multifamily housing in the program, and will not impact the program's projected budget or savings.

G. Adjust the Incentive Ranges for Refrigerators under the Energy Efficient Home Program (Minor Change)

PPL proposes to adjust the incentive ranges for refrigerators under the Energy Efficient Home Program. Petition at ¶ 30. For ENERGY STAR refrigerators, the current incentive range is \$10 to \$75; PPL's proposal would change this to \$10 to \$100. Appendix A at 54. Similarly, for ENERGY STAR Most Efficient refrigerators, the current incentive range is \$20 to \$100, and PPL proposes to change this to \$10 to \$100. Id.

PPL's proposal does not explain the reason for this proposed modification or why it is proposing to increase the maximum incentive to \$100 for ENERGY STAR refrigerators. Other Pennsylvania EDCs offer a maximum incentive of \$75 for these refrigerators. While the OCA appreciates PPL's need for flexibility and to be able to respond to changing markets and

customer preferences, the OCA would oppose increasing the maximum incentive to \$100 without an explanation of why this change is necessary.

H. Modify the Insulation Measure Offered under the Energy Efficient Home Program (Minor Change)

In this modification, PPL proposes to expand the attic and wall insulation measure under the Energy Efficient Home Program to include crawlspace and basement ceiling insulation. Petition at ¶ 31. For homes with non-electric heat and central air conditioning, PPL will offer up to 75% of the installed cost for insulation, not to exceed \$125 for each insulation type. Appendix A at 54. For homes with electric main source heat and central air conditioning, the Company will offer up to 75% of installed cost for insulation, not to exceed \$750 for each insulation type. Id.

The OCA submits that these modifications are reasonable and are similar to those offered by other EDCs. The OCA suggests that PPL should target homes with high electric usage for these insulation measures as those homes stand to gain the most in efficiency from installing insulation.

I. Adjust the Number of Projected Participants for the Home Energy Education Program (Minor Change)

PPL proposes to increase the maximum number of participants for the Home Energy Education Program from 123,000 to 183,000. Petition at ¶ 32. The Petition states that this change will not affect the projected savings or costs for the program, and that this level of participation will be necessary to achieve the program's savings target. Id.

Given that this change will not affect the program costs and will help achieve the savings target, the OCA does not oppose this proposed change.

J. Allow for Enhanced Incentives for Localized Energy Efficiency or Demand Reduction to be Offered as a Pilot under the Appliance Recycling, Energy Efficient Home, Demand Response, and Nonresidential Energy Efficiency Programs (Minor Change)

PPL is seeking approval to potentially offer a pilot that would provide “enhanced incentives” for localized energy efficiency or demand reduction through its Appliance Recycling, Energy Efficient Home, Demand Response, and Nonresidential Energy Efficiency Programs. Petition at ¶ 33. The purpose of this modification is to “evaluate how location-specific incentives influence customers’ participation, how they impact grid operations, and whether they can be used to defer distribution system upgrades.” Id. The incentives offered under the pilot “would be within the ranges in the EE&C Plan, will be higher than the ‘standard’ incentive in effect in non-targeted areas, and will not impact the cost or savings for any of these programs.” Id. The Company does not intend to immediately implement this pilot, but would meet with stakeholders before implementing any such pilot. Id.

PPL does not provide details such as what the enhanced incentives would be, how the Company would identify areas that would receive enhanced incentives, etc. The OCA has some concern that offering different incentives within PPL’s service territory could create some confusion and inequity for customers. The OCA submits that before implementing the proposed pilot, PPL should instead employ targeted marketing of its existing programs in areas that the Company has identified that are in need of improved grid operations, resiliency, or distribution upgrades. Targeted marketing would not change the currently offered incentives, but rather would market those incentives more heavily in areas of concern in order to increase participation in those areas. This approach would help prevent confusion among customers as to the incentives available or a sense that some customers are favored and receive greater benefits than

others. At a subsequent stakeholder meeting, PPL should then report on the targeted marketing efforts and its results, and, if necessary, proceed with a discussion of enhanced incentives.

K. Combine Some Common Cost Categories and Change the Estimated Cost of Some Common Cost Categories with No Net Change to the Total Common Costs (Minor Change)

In this proposed modification, PPL is seeking to make three changes to its common cost categories: (1) to combine technical support and tracking system cost categories into a single “technical support and tracking system” category (Petition at ¶ 34); (2) to increase the cost of the combined category by \$1 million because the cost to implement that Phase III tracking system is \$1 million more than previously estimated (Petition at ¶ 35); and (3) to offset the cost increase by decreasing the plan development common cost category by \$1 million since fewer plan changes are now expected than previously estimated. Petition at ¶ 36.

While the OCA generally supports flexibility and encourages efficiency in plan administration, the OCA submits that PPL has not demonstrated that this efficiency improvement will result in reduction in administrative and program management costs. This modification should only be approved after PPL demonstrates how administrative costs will be reduced through these changes.

L. Change Some Incentive Levels from Specific Amount to “Up To” Certain Amounts (Minor Change)

PPL’s Petition proposes to change some of its incentive ranges from specific amounts to “up to” certain amounts. Petition at ¶ 37. For example, smart thermostats currently have an incentive range of \$50 to \$250; this proposal would modify the incentive be “up to \$250.” See Appendix A at 54. PPL states that the use of an “up to” amount provides greater flexibility within the program to adjust the program’s pace and to responding to changing market factors and customer preferences. Petition at ¶ 37.

The OCA does not oppose this modification as it provides flexibility in allowing PPL to achieve the program's targets and does not affect the cost or projected savings for the program.

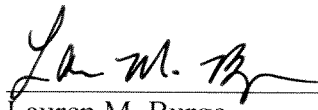
M. Grammatical and Editorial Changes to Correct or Clarify Wording in the EE&C Plan (Minor Change)

PPL proposes a variety of minor grammatical changes and typographical corrections that will clarify the EE&C Plan. The OCA does not have any specific comments on these proposed changes.

### III. CONCLUSION

The OCA respectfully requests that the Commission and the Company consider these comments relating to PPL's proposals to modify its Phase III EE&C Plan. While the OCA is generally supportive of these plan updates, in some instances, the Company should be required to provide a justification for its approach before the modification is approved.

Respectfully Submitted,



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July 6, 2017

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CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Comments, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 6<sup>th</sup> day of July 2017.

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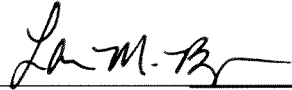
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