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File #: 163427

July 26, 2017

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 please find the Reply Comments of PPL Electric Utilities Corporation for filing in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

Devin Ryan

DTR/jl
Enclosures

cc: Certificate of Service
Office of Administrative Law Judge

CERTIFICATE OF SERVICE
(Docket No. M-2015-2515642)

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).

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Date: July 26, 2017

Devin T. Ryan

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

REPLY COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

PPL Electric Utilities Corporation ("PPL Electric" or the "Company") hereby submits these Reply Comments, which respond to the comments filed by: (1) the Office of Consumer Advocate ("OCA"); (2) PP&L Industrial Customer Alliance ("PPLICA"); and (3) the Pennsylvania Energy Efficiency for All Coalition ("PA-EEFA") concerning PPL Electric's Petition for Approval of Changes to Its Act 129 Phase III Energy Efficiency and Conservation Plan ("Petition"). In support thereof, PPL Electric states as follows:

I. INTRODUCTION

By way of background, the Pennsylvania Public Utility Commission ("Commission") approved PPL Electric's initial Phase III EE&C Plan, with modifications, on March 17, 2016. *See Petition of PPL Electric Utilities Corp. for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan*, Docket No. M-2015-2515642, at pp. 57-61 (Order Entered Mar. 17, 2016) ("*March 2016 Order*"). Pursuant to the *March 2016 Order*, PPL Electric submitted a compliance filing on April 22, 2016. The Company subsequently filed an Errata to its compliance filing on May 24, 2016. The Commission approved PPL Electric's compliance

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filing, as amended, on June 27, 2016. *See* Secretarial Letter, Docket No. M-2015-2515642 (June 27, 2016). PPL Electric subsequently sought and received approval for a minor change to its Phase III EE&C Plan. *See Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan*, Docket No. M-2015-2515642 (Order Entered Jan. 26, 2017).

On June 6, 2017, PPL Electric filed the Petition seeking approval of 13 changes to its Phase III EE&C Plan. Because the Petition asked for both "minor" and "major" changes to the EE&C Plan, the Company requested that the Commission approve the Petition pursuant to the "major" plan change review process outlined in the *Minor Plan Change Order*. (Petition ¶ 8); *see Energy Efficiency and Conservation Program*, Docket No. M-2008-2069887, p. 19 (Order Entered June 10, 2011) ("*Minor Plan Change Order*"). Pursuant to the schedule established in the *Minor Plan Change Order*, parties had 30 days to file comments on the proposed change and then 20 days to file reply comments. In accordance with this procedural schedule, PPL Electric files these Reply Comments.

II. <u>REPLY COMMENTS</u>

On July 6, 2017, OCA, PPLICA, and PA-EEFA filed Comments regarding PPL Electric's Petition.

As explained by PPL Electric in its Petition, since time is of the essence and given the compressed time frame in which to achieve its requirements under Act 129 of 2008 ("Act 129"), as well as the lead time the Company needs to implement some of the changes, the Company has respectfully requested that the Commission resolve issues, if possible, on the basis of comments and reply comments to the proposed modifications.[1] Specifically, to the extent no party has opposed a proposed change, or the comments failed to raise any legitimate issues of law or fact with regard to the proposed modifications, such changes should be approved by the Commission and not referred to an Administrative Law Judge for hearings and a recommended decision.[2]

Although several of PPL Electric's proposed changes are supported or unopposed by the OCA, PPLICA, and PA-EEFA, the commenters oppose or recommend modifications to some of the Company's proposed changes. As explained herein, the Commission should approve all of the PPL Electric's proposed changes as outlined in these Reply Comments and the Petition.[3]

A. PROPOSED CHANGES

1. Allow for a Potential Residential Demand Response Measure Within the Demand Response Program (*Major Change*)

PPL Electric proposed to change its Demand Response Program to enable the Company to implement a residential load curtailment measure (air conditioner cycling). (Petition ¶ 13) If potentially needed to meet the Company's peak demand reduction requirements, PPL Electric's Demand Response CSP 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

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[1] *See, e.g., Petition of PPL Electric Utilities Corp. for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan*, Docket No. M-2012-2334388 (Order Entered Mar. 6, 2014) (approving changes to PPL Electric's Phase II EE&C Plan based upon comments and reply comments); *Petition of West Penn Power Company for Amendment of the Orders Approving Energy Efficiency and Conservation Plans and Petition for Approval of its Amended Energy Efficiency and Conservation Plans*, Docket No. M-2009-2093218 (Interim Order and Opinion Entered Oct. 28, 2011) (The Commission stated that any delay in ruling on the proposed EE&C Plan changes would further limit the time the company had to implement the revisions. The Commission approved some elements of the petition and referred the remaining elements to the Office of Administrative Law Judge for the issuance of a Recommended Decision on an expedited basis).

[2] *See id.*

[3] If the Commission does refer any of the proposed Phase III EE&C Plan changes to the Office of Administrative Law Judge for hearings, the Company requests that all of the proposed changes not transferred to the Office of Administrative Law Judge be approved by the Commission.

customers who currently have the necessary devices installed at their homes. (Petition ¶ 13) The OCA generally supports the proposed change but requests more detail about the proposal, such as incentives and the TRC benefit-cost ratio of the program component. (OCA Comments, pp. 3-4) PA-EEFA also supports the change but asks how previous participants in PPL Electric's Phase I Residential Demand Response Program would agree to continue to participate. (PA-EEFA Comments, p. 5) Moreover, PA-EEFA recommends that PPL Electric: (1) outline the steps it will take to notify participants with installed devices that they may be asked to participate in the future; and (2) inform customers of their ability to exit the program and how they may opt out if they no longer want to participate. (*Id.*)

Regarding the OCA's request, PPL Electric expects that the incentive ranges for the residential load curtailment measure, if implemented, to be approximately $10-20/summer. This incentive would be in addition to any incentives the customer receives through the PA Peak Saver Program, which is not administered by PPL Electric. Further, the additional measure would not materially affect the TRC benefit-cost ratio for the Demand Response Program. If the measure is implemented, PPL Electric estimates the TRC benefit-cost ratio would change from 1.9 to 1.8.

In addition, PPL Electric shares PA-EEFA's concerns and agrees with its recommendations. If PPL Electric implements the residential load curtailment measure, the Company would reach out to the potential participants and explain the requirements to participate in Phase III, the incentives offered, and the way in which customers can opt-out of the entire program or specific events. After explaining all of these aspects of the measure to the participants, PPL Electric would ask if they are interested in participating. To be clear, none of the existing participants in the PA Peak Saver Program would be forced to participate in PPL Electric's residential load curtailment measure, if implemented.

2. Allow for a Potential Residential Behavioral Demand Response Measure Within the Home Energy Education Program (*Minor Change*)

The Company proposed to change its Home Energy Education Program to permit the Company to implement a residential behavioral demand response measure if potentially needed to meet the Company's peak demand reduction requirements. (Petition ¶ 19) The OCA does not oppose the proposed change; however, if the measure is implemented, the OCA wants PPL Electric to closely monitor and evaluate the measure's performance, to review the actual, verified savings, and to convene stakeholder meeting if the measure is not achieving its expected savings after one year. (OCA Comments, p. 4) PA-EEFA opposes the proposed change and recommends that the funds allocated for this proposed change (*i.e.*, $400,000) be transferred to Low-Income WRAP and fund the new construction measure being added. (PA-EEFA Comments, p. 6)

PPL Electric agrees with the OCA's recommendations. However, the Company disagrees with PA-EEFA. This measure will only be implemented if the Company determines it may be necessary for PPL Electric to achieve its peak demand reduction requirements. PA-EEFA fails to recognize that the new construction measure under Low-Income WRAP will not produce any demand reductions countable toward the demand response compliance target. Therefore, if the Company shifts the $400,000 to Low-Income WRAP, PPL Electric would not be in a better position to achieve its peak demand reduction requirements. Moreover, the Company emphasizes that the $400,000 needed to implement this measure would be completely absorbed within the existing, Commission-approved budget for the Home Energy Education Program. Effectively, PA-EEFA is requesting, at this time, for the Home Energy Education

Program's budget to be reduced by $400,000 now, even though the Company ultimately may not implement the behavioral demand response measure. PPL Electric believes that such a change is unsupported and would negatively affect the diverse mix of programs and measures offered under its EE&C Plan.

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

PPL Electric proposed to combine the budgets and savings for the Custom and Efficient Equipment Program into a single program entitled the "Nonresidential Energy Efficiency Program" and explained that the change would not affect the total estimated cost or the total estimated savings for the combined programs or any customer sector. (Petition ¶ 22) PA-EEFA supports this change, but PPLICA contends that this change should be rejected. (PA-EEFA Comments, p. 7; PPLICA Comments, pp. 4-8) PPLICA argues that the change would negatively affect the transparency and monitoring of the costs incurred for these programs Specifically, PPLICA believes that it would no longer have the ability to "meaningfully track costs recovered" through the Act 129 Compliance Rider ("ACR"). (PPLICA Comments, p. 6) PPLICA also contends that the proposed change would "invite potential for interclass subsidization." (*Id.*, p. 5) Moreover, PPLICA alleges that this proposed change "is the first step towards consolidating all non-residential customers for purposes of establishing and reconciling the ACR." (*Id.*, p. 7)

PPLICA's arguments lack merit for several reasons. First, combining the two programs into one will have no effect on customers' ability to monitor and track costs incurred by their customer class, nor will it cause interclass subsidization. PPL Electric will continue to budget, track, and assign actual costs separately for each of the five customer sectors (*i.e.*, Residential, Low-Income, Small C&I, Large C&I, and GNE) and each of the three customer classes (*i.e.*, Residential, Small C&I, and Large C&I), even if the Custom and Efficient Equipment Programs are combined. For example, the actual costs (such as incentives) incurred for a Large C&I customer's energy efficiency project will be accounted for under the Large C&I sector and class budgets regardless of whether the project is in the Custom Program, Efficient Equipment Program, or the combined Nonresidential Energy Efficiency Program.

Second, as seen in Tables 52, 54, and 56 of the revised EE&C Plan, PPL Electric will continue to maintain separate budgets for the Small C&I, Large C&I, and GNE sectors under the combined Nonresidential Energy Efficiency Program. Although the proposed change combines the program budgets, no costs will be shifted between the customer sectors as a result of the proposed change. Indeed, the proposed change does not affect any of the customer sector budgets, as seen in Table 10 on page 33 of the revised Plan and Table 1 below.

Table 1

	Approved Plan	Proposed Plan	Delta
Small C&I Efficient Equipment Program	$32.2MM	N/A	N/A
Small C&I Custom Equipment Program	$23.2MM	N/A	N/A
Small C&I Non-Residential Program	N/A	$55.4MM	N/A
Total	$55.4MM	$55.4MM	0
Large C&I Efficient Equipment Program	$16.9MM	N/A	N/A
Large C&I Custom Equipment Program	$19MM	N/A	N/A
Large C&I Non-Residential Program	N/A	$35.9MM	N/A
Total	$35.9MM	$35.9MM	0
GNE Efficient Equipment Program	$6.3MM	N/A	N/A
GNE Custom Equipment Program	$6.7MM	N/A	N/A
GNE Non-Residential Program	N/A	$13MM	N/A
Total	$13MM	$13MM	0
Total All Sectors	**$104.3MM**	**$104.3MM**	**0**

Third, consolidating the programs has no impact on the ACR's calculation because the ACR is calculated at the customer class level. In Phase III, the ACR is calculated for the upcoming program year based on each customer class's total annual budget. Therefore, because the customer classes' annual budgets will remain unaffected regardless of whether the two programs are combined, the proposed change will have no effect on the calculation of the ACR.

Fourth, combining the two programs into one program does not negatively affect "transparency," as PPLICA alleges. PPL Electric will continue to collect the same information and data (*e.g.*, costs, savings, customer rate schedule, etc.) for every customer project as it does today. Therefore, to the extent that PPLICA has a concern about tracking costs between custom, combined heat and power ("CHP"), and all other measures offered under the combined program, the Company will continue to track all of the relevant information for each of these measures. Importantly, all of that data is reviewed by PPL Electric's independent evaluator, audited by the Statewide Evaluator ("SWE"), and subject to Commission audit. Additionally, PPL Electric's independent evaluator likely will use a separate evaluation strata for custom projects, similar to the one employed under the Custom Program, that will provide the same evaluation results, such as TRC benefit-cost ratio, net-to-gross ratio, savings, realization rate, and other information in the Annual Report.

Fifth, PPLICA fails to recognize the customer benefits and efficiencies gained by combining the two programs into a single program. As explained previously, the proposed change will combine the program budgets but leave the sector budgets separate and unchanged. Consequently, combining the two programs will likely reduce the number of EE&C Plan changes and will provide more flexibility for customers to choose the measures they are interested in without potentially being put on a waiting list until dollars are shifted from one program to another. Moreover, from the customer perspective, there are not separate "programs," only different eligible measures. Therefore, retaining separate budgets for custom and efficient equipment measures will delay customers' projects and frustrate the customers.

Finally, PPLICA alleges that PPL Electric intends to move toward a single Nonresidential rate under the ACR. PPLICA is wrong. The Company has no intention to move toward a single Nonresidential rate. Indeed, Act 129 requires that costs are separately recovered from the same customer class that incurred those costs. *See* 66 Pa. C.S. § 2806.1(a)(11).

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

PPL Electric proposed to add a new construction measure to Low-Income WRAP. (Petition ¶ 26) Although both the OCA and PA-EEFA support this change, the OCA requests more detail about the measures that will be included and the incentive ranges offered. (OCA Comments, pp. 5-6; PA-EEFA Comments, p. 8) Further, the OCA says it is difficult to assess whether PPL Electric is correct in stating that the change will not affect the program's current costs and projected savings. (OCA Comments, p. 6)

As proposed, the Company will provide light emitting diode ("LED") light bulbs (for installation by the builder) at no cost. All other measures offered under Low-Income WRAP, such as refrigerators, heating, ventilation, and air conditioning ("HVAC"), and insulation, will be offered at up to \$0.50/kWh saved to ensure that they fit within the existing program acquisition cost for Low-Income WRAP. Additionally, this incentive level will be used in an effort to ensure that the change will not affect the program's current costs and projected savings.

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

In its Petition, PPL Electric proposed to add new measures to its Energy Efficient Home Program: a non-electric water heater measure, a dehumidifier measure, and a custom measure. (Petition ¶ 28) PA-EEFA supports this change. (PA-EEFA Comments, p. 9) OCA generally supports this change as well but had some questions and recommendations. (OCA Comments, pp. 6-7) Specifically, the OCA: (1) contends that non-electric water heater measures should be targeted to homes with high electric usage; (2) avers that a lower incentive range of \$20-25 should be used for dehumidifiers instead of the as-proposed incentive range of \$25-50; and (3) claims that a custom measure will need to meet a TRC of 1.0 or greater and questions whether the TRC Test applies to an entire project or only the custom measure. (*Id.*)

First, PPL Electric does not expect to conduct targeted marketing for the non-electric water heater measure. The Company believes that its general residential marketing, its website, and its trade allies (*i.e.*, retailers and installers of residential water heaters) are sufficient to inform customers about the new rebates for non-electric water heaters. Further, total electric usage alone is not a reliable indicator for customers who can benefit from switching to a natural gas water heater. The only customers who can benefit from this measure are those with access to natural gas. Importantly, PPL Electric does not possess information about its customers' potential access to natural gas.

Second, the Company disagrees that it should lower its proposed incentive range for dehumidifiers. Although other EDCs may use an incentive range of $20-25, it is important to recognize that each EDC may have different mixes of programs and measures and may need a different incentive level to manager their programs. Based on its experience, PPL Electric has determined that an incentive range of $25-50 is the best suited for its service territory.

Third, PPL Electric's proposed change does not require a custom project to have a TRC benefit-cost ratio of 1.0 or higher. Consistent with the minor plan change approved for the Custom Program, the Company merely stated that a "[m]inimum TRC requirement may be implemented as a requirement for projects if necessary to ensure the program or portfolio TRC is greater than 1.0 and incentives capped at 25%-50% of total project costs (excluding internal labor)." (Petition, Appx. A, p. 55) Therefore, although the Company may institute a minimum TRC requirement in the future, one would not be immediately in place upon approval of this proposed change. Notwithstanding, in response to the OCA's question about whether such requirement would apply to the custom measure or the custom project, PPL Electric clarifies that the custom measure and the project are the same thing. The custom "measure" is the custom "project."

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

PPL Electric proposed to clarify in the Phase III EE&C Plan that the new construction component of the Energy Efficient Home Program includes multifamily housing. (Petition ¶ 29) Both the OCA and PA-EEFA support this change. (OCA Comments, p. 7; PA-EEFA Comments, p. 9)

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

The Company proposed to change the incentive ranges the incentive ranges for ENERGY STAR and ENERGY STAR MOST EFFICIENT refrigerators to $10 to $100. (Petition ¶ 30) PA-EEFA supports this change. (PA-EEFA Comments, p. 9) However, the OCA opposes increasing the maximum incentive for ENERGY STAR refrigerators to $100 unless PPL Electric explains why that incentive level is necessary. (OCA Comments, pp. 7-8)

PPL Electric disagrees with the OCA and believes that an incentive range for ENERGY STAR refrigerators of $10 to $100 is reasonable and appropriate. Although other EDCs may offer a maximum incentive of $75 for these refrigerators, every EDC has different mixes of programs and measures and may need a different incentive level to manage its EE&C program. Here, based on the Company's experience, PPL Electric has determined that a maximum incentive of $100 should be used. Furthermore, the Company emphasizes that it has proposed an incentive range. PPL Electric is not proposing a flat $100 rebate for all ENERGY STAR refrigerators. Indeed, under its proposal, the Company ultimately could offer a $75 incentive for those refrigerators.

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

In its Petition, the Company proposed to modify the attic and wall insulation measure under the Energy Efficient Home Program by: (1) expanding the measure to include crawlspace and basement ceiling insulation; and (2) changing and clarifying the incentives offered for both electric and non-electric heating and central air conditioning. (Petition ¶ 31) Both the OCA and PA-EEFA support these changes, but the OCA suggests that PPL Electric target homes with high electric usage. (OCA Comments, p. 8; PA-EEFA Comments, p. 10)

PPL Electric does not expect to conduct targeted marketing for the insulation measure. Similar to its proposed non-electric water heater measure, the Company maintains that its general residential marketing, its website, and its trade allies (*i.e.*, retailers and installers of residential water heaters) have sufficiently informed customers about the insulation measure. Going forward, PPL Electric anticipates that these marketing efforts will be sufficient to inform customers about the modifications to the measure's eligibility qualifications. Moreover, customers can benefit from the insulation measure, regardless of whether their electric usage is high compared to other customers.

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

PPL Electric proposed to change the maximum number of projected participants for the Home Energy Education Program from 123,000 to 183,000 without affecting the projected savings or costs for the program. (Petition ¶ 32) Neither the OCA nor PA-EEFA opposes this change. (OCA Comments, p. 8; PA-EEFA Comments, p. 10) However, PA-EEFA believes that the Company would be better off focusing on whole-house and/or weatherization measures because they allegedly have higher realization rates, are verifiable, and represent a better investment over the long term. (EEFA Comments, pp. 10-11)

In response, PPL Electric disagrees that whole-house and weatherization measures have higher realization rates than home energy reports ("HERs"), as alleged by PA-EEFA. In fact, the realization rate for HERs is usually much greater than weatherization measures. In Program Year 7, the realization rates for HERs and weatherization measures were 98% and 88%, respectively. The Company also notes that the savings provided through the HERs are verified by PPL Electric's independent evaluator, audited by the SWE, and reviewed by the Commission and, therefore, are just "as real" as the savings from weatherization measures. Furthermore, HERs have a much lower program acquisition cost than weatherization measures. The program acquisition cost for the HERs are $0.04 per annual kWh saved as opposed to $0.47 for the Energy Efficient Home Program. Therefore, reallocating costs from the Home Energy Education Program to the Efficient Equipment Program, as suggested by PA-EEFA, would reduce savings per dollar of program expenditures by a factor of 10.

10. 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*)

The Company proposed that it be able to potentially offer a pilot under its Appliance Recycling, Energy Efficient Home, Demand Response, and Nonresidential Energy Efficiency Programs that would provide enhanced incentives for localized energy efficiency or demand reduction. (Petition ¶ 33) Any enhanced incentives would be reviewed with stakeholders before implementation and be within the approved incentive ranges in the EE&C Plan. (Petition ¶ 33) The pilot would evaluate whether enhanced incentives for specific locations would influence customers' participation (*i.e.*, more energy efficiency or demand response at that location) and whether that increased participation can help to defer distribution system upgrades. (Petition ¶ 33) The OCA notes a concern about customer confusion and inequity and suggests, instead, that PPL Electric use targeted marketing in certain areas and report on the targeted marketing at a stakeholder meeting. (OCA Comments, pp. 9-10) PPLICA opposes the change and argues that offering different incentives to customers based on geographic location would produce unreasonably discriminatory rates. (PPLICA Comments, p. 3-4)

PPL Electric disagrees with the OCA and PPLICA. The Company emphasizes that its proposal only is for the ability to potentially implement a pilot. Moreover, if implemented, the pilot would be conducted for a short period of time, approximately one program year, and would be expected to gather sufficient data for several of measures from a variety of geographical areas. The pilot also would not change any incentive ranges, projected savings, program budgets, or customer sector budgets.

In addition, the enhanced incentive pilot would be valuable in understanding market preferences, including whether increased incentives are necessary to encourage energy efficiency and demand response participation on targeted circuits and, if so, how much the incentives need to increase. Further, PPL Electric believes it is very important to understand if enhanced, localized incentives can help defer distribution system upgrades without negatively affecting grid operations. As the costs of such upgrades are ultimately born by customers, such a pilot would be in the best interest of PPL Electric's customers.

Furthermore, PPL Electric shares OCA's concern about potential customer confusion, and, if implemented, the Company will strive to effectively communicate with its customers about the pilot. In fact, PPL Electric believes that the pilot would be vital in understanding how to best communicate different incentive levels to customers depending on their geographic location.

Finally, PPLICA contends that the pilot would produce unreasonably discriminatory rates in violation of 66 Pa. C.S. § 1304. To be clear, the pilot would not affect the rates charged to a particular customer class; it would only affect the incentives offered to customers. As explained in the Petition, the pilot would not affect the cost or savings of any of the programs. (Petition ¶ 33) Therefore, each customer class would continue to be charged the same rate, even if the pilot is ultimately implemented. Moreover, even assuming the pilot would have a discriminatory impact, the impact would be minimal due to the limited scope of the pilot and would be reasonable considering the substantial benefits of the pilot.

11. 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 its Petition, the Company proposed three changes regarding its common cost categories that will result in no net change to the total common costs (i.e., all categories combined): (1) combine technical support and tracking system common cost categories into a single "technical support and tracking system" category; (2) increase the estimated cost of the newly combined category by $1 million to reflect the actual cost of implementing the Phase III tracking system; and (3) reduce the plan development common cost category by $1 million to reflect the fewer future plan changes expected. (Petition ¶¶ 34-36) The OCA avers that these changes should only be approved after PPL Electric demonstrates how administrative costs will be reduced through these changes. (OCA Comments, p. 10)

The Company disagrees that these changes should only be approved if administrative costs will be reduced. PPL Electric has proposed an increase of $1 million to the combined "technical support and tracking system" category that will be offset by an unrelated $1 million reduction in the plan development common cost category. Moreover, PPL Electric is not proposing to change how it implements or manages the work in these common cost categories.

The Company merely is proposing to combine two common cost categories into a single, combined category and to change the estimated costs for the plan development based on more accurate projections after two years (since the original cost estimate was proposed). Further, in addition to providing more flexibility, combining the two common cost categories minimizes the likelihood of future EE&C Plan changes. Although fewer EE&C Plan changes ultimately may reduce administrative costs, such a showing should not be necessary for PPL Electric to obtain approval of changes that reflect the Company's actual experience and that will simplify and enhance the Company's administration of the EE&C Plan.

12. Change Some Incentive Levels from Specific Amounts to "Up To" Certain Amounts (*Minor Change*)

PPL Electric proposed to change some of its incentive ranges from specific values to "up to" certain amounts. (Petition ¶ 37) No party opposes this proposed change. (*See* OCA Comments, p. 11)

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

The Company proposes several minor grammatical and typographical error corrections to the EE&C Plan. (Petition ¶ 38) No party opposes these proposed changes. (*See* OCA Comments, p. 11)

III. CONCLUSION

WHEREFORE, PPL Electric Utilities Corporation respectfully requests that the Pennsylvania Public Utility Commission approve the proposed major and minor changes to the EE&C Plan, as set forth in the Company's Petition and these Reply Comments.

Respectfully submitted,

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Date: July 26, 2017

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