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July 26, 2017

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

VIA ELECTRONIC FILING

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

Dear Secretary Chiavetta:

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

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

Very truly yours,

McNEES WALLACE & NURICK LLC

By

Adeolu A. Bakare

Counsel to the PP&L Industrial Customer Alliance

c: Office of Administrative Law Judge
Certificate of Service

CERTIFICATE OF SERVICE

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

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Dated this 26th day of July, 2017, at Harrisburg, Pennsylvania

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 THE
PP&L INDUSTRIAL CUSTOMER ALLIANCE

I. INTRODUCTION

On October 15, 2009, Governor Rendell signed into law House Bill 2200, otherwise known as Act 129 of 2008 ("Act 129" or "Act"). Among other things, Act 129 expanded the Pennsylvania Public Utility Commission's ("PUC" or "Commission") oversight responsibilities and imposed new requirements on Electric Distribution Companies ("EDCs") regarding the reduction of energy consumption and demand. In accordance with the Act, on November 30, 2015, PPL Electric Utilities Corporation ("PPL" or "Company") filed a Petition for Approval of its Act 129 Phase III Energy Efficiency and Conservation ("EE&C") Plan ("Phase III Plan" or "Plan") at Docket No. M-2015-2515642.

The Commission approved PPL's initial Phase III EE&C Plan, with modifications, on March 17, 2016. Opinion and Order, *Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan*, Docket No. M-2015-2515642, pp. 57-61 (entered Mar. 17, 2016) ("March 2016 Order"). Pursuant to the March 2016 Order, PPL filed a compliance filing with the Commission on April 22, 2016, and subsequently filed an Errata to its compliance filing on May 24, 2016. By Secretarial Letter dated June 27, 2016, the Commission approved PPL's compliance filing, as amended. Secretarial Letter, *Petition of PPL*

Electric Utilities Corporation for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan, Docket No. M-2015-2515642, p. 1 (entered June 27, 2016).

On June 6, 2017, PPL submitted a Petition for Approval of Changes to Its Act 129 Phase III Energy Efficiency and Conservation Plan ("June 2017 Petition"), pursuant to the Commission's review process for approving EE&C plan changes proposed by EDCs.[1] PPLICA filed Comments to the June 2017 Petition on July 6, 2017, opposing PPL's proposals to (i) 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; and (ii) combine the budgets and savings for the Large Commercial and Industrial ("C&I"), Small C&I, and Government, Nonprofit, & Educational ("GNE")[2] Custom and Efficient Equipment Programs into a single program. *Id.* at pp. 5-6, 12-13, and 16-18.

Additionally, PPLICA received Comments filed by the Office of Consumer Advocate ("OCA"), the Keystone Energy Efficiency Alliance ("KEEA"), and the Pennsylvania Energy Efficiency for All Coalition ("PA-EEFA"). Notably, KEEA's Comments supported PPL's proposal for an enhanced incentive pilot program while PA-EEFA filed Comments in support of PPL's proposal combine budgets and savings for PPL's Custom and Efficient Equipment Programs. Accordingly, PPLICA hereby files the foregoing Reply Comments in response to the Comments of KEEA and the PA-EEFA.

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[1] *See Energy Efficiency and Conservation Program*, Docket No. M-2008-2069887 (Order Entered June 10, 2011) ("Minor Plan Change Order"), p. 20. *See also Energy Efficiency and Conservation Program*, Docket No. M-2014-2424864, pp. 115-18 (Order Entered June 19, 2015) (determining that the PUC would continue to use the minor EE&C plan change approval process described in the Minor Plan Change Order in Phase III).

[2] PPLICA's Comments filed on July 6, 2017 referenced the Government, Nonprofit & Institutional ("GNI") sector, which was a former name for what is now the GNE sector. These references should be considered interchangeable for purposes of PPLICA's Comments and Reply Comments.

II. REPLY COMMENTS

A. The Commission Should Reject KEEA's Comments and Deny PPL's Proposal to 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.

KEEA's Comments support PPL's proposal to offer, on a pilot basis, enhanced incentives for localized energy efficiency or demand reduction under the Appliance Recycling, Energy Efficient Home, Demand Response, and Nonresidential Energy Efficiency Programs. KEEA Comments, p. 4. Specifically, KEEA states as follows:

> Localized energy efficiency measures and other non-wire alternatives can play an important role in reducing the need for capital investments in the electric distribution system. Such projects lower costs for all ratepayers, including those that do not directly participate in energy efficiency programs.

Id. KEEA's position that any efficiency gains from localized enhanced incentives would provide value to all customers by reducing the need for capital investments in the electric distribution is factually incorrect.

Critically, KEEA omits consideration of PPL's LP-5 customers, which do not benefit from PPL's distribution system infrastructure. LP-5 customers pay a flat distribution charge of $994/month for metering and administrative costs, but are not allocated costs for PPL's distribution infrastructure.[3] Therefore, LP-5 customers would not benefit from reductions in the need for capital investments in the distribution system.

Although LP-5 customers are not allocated costs for PPL's distribution infrastructure, they pay substantial costs under PPL's EE&C Plans. As large users, LP-5 customers pay higher individual costs under PPL's EE&C Plans than Residential and Small C&I customers. Under the

[3] *See Petition of PPL Electric Utilities Corporation for Approval of Distribution Improvement Charge*, Pa. PUC Docket No. P-2012-2325034 (Order entered April 9, 2015), p. 66.

current Phase III Act 129 Compliance Rider ("ACR") charge of $0.354/kW, an LP-5 customer with a monthly Peak Load Contribution ("PLC") of 15,000 kW pays monthly EE&C charges of $5,310, and annual EE&C charges of $63,720. As a result, LP-5 customers are highly affected by discriminatory or inequitable proposals related to PPL's EE&C rates.

As set forth in PPLICA's Comments to PPL's Petition, PPL's proposed modification would set incentives paid to Large C&I customers based solely on geographic location while charging uniform EE&C rates to all Large C&I customers. PPLICA Comments, p. 4. KEEA's Comments, particularly as LP-5 customers derive no benefit from avoided or delayed distribution system upgrades, offer no benefit to mitigate against discriminatory rates. Therefore, with regard to LP-5 customers, PPL's enhanced incentive proposal is unreasonably discriminatory and contrary to Section 1304 of the Public Utility Code. 66 Pa. C.S. § 1304.

Consequently, the PUC should reject KEEA's Comments and deny approval for PPL's enhanced incentives pilot because it would promote inequities and unreasonable discrimination between similarly situated customers.

B. The Commission Should Reject PA-EEFA's Comments and Deny PPL's Request to Combine the Separate Budgets and Savings for the Large C&I Custom and Efficient Equipment Programs, the Small C&I Custom and Efficient Equipment Programs, and the GNE Custom and Efficient Equipment Programs Into a Single Program.

PA-EEFA filed Comments supporting PPL's proposal to combine the budgets and savings of the Large C&I, Small C&I, and GNE Custom and Efficient Equipment Programs in order allow for more flexibility to approve projects. PA-EEFA's Comments find "that it is prudent for the Company to have the flexibility necessary within the context of the already existing program budgets to ensure that projects can be approved regardless of whether the measures chosen are "custom" or "standard."" PA-EEFA Comments, p. 7.

PA-EEFA's Comments overlook the impact of PPL's proposal on a customer's ability to monitor costs incurred by each customer class. PPLICA's Comments thoroughly addressed the necessity for the Commission to prioritize Large C&I customers' interests in rate transparency over increased program flexibility. *See* PPLICA Comments, pp. 5-8. While PPL may have provided estimates of the costs to be incurred by each customer sector, the proposed combined plan would operate under a single Nonresidential budget, with PPL reserving its right to shift costs among the programs at will.

Large C&I customers, as the largest individual contributors to PPL's Phase III EE&C Plan, have a greater interest in monitoring and tracking the EE&C costs attributable to Large C&I customers. PPL's Petition claims the proposed change would not impact the cost <u>estimates</u> for each program sector, but offers no guidance or insight as to how customers could monitor future cost shifts under a combined Nonresidential Program when PPL would no longer be required to seek Commission approval to shift costs between standard and custom programs. Accordingly, the potential for increased flexibility cited by PA-EEFA should not outweigh the transparency concerns detailed in PPLICA's Comments. Therefore, the Commission should disregard PA-EEFA's support for this change and deny PPL's proposal to combine budgets and savings for the Large C&I, Small C&I, and GNE Custom and Efficient Equipment Programs.

III. CONCLUSION

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

1. Consider and adopt the foregoing Reply Comments;

2. Deny PPL Electric Utilities Corporation's requests to (i) 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; and (ii) combine the budgets and savings for the Large C&I, Small C&I, and GNE Custom and Efficient Equipment Programs into a single program; and

3. Take any other action as necessary and deemed appropriate with the Comments and Reply Comments filed by the PP&L Industrial Customer Alliance.

Respectfully submitted,

McNEES WALLACE & NURICK LLC

By ______________________

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Dated: July 26, 2017