



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

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Garrett P. Lent

glent@postschell.com  
717-612-6032 Direct  
717-731-1979 Direct Fax  
File #: 180418

May 12, 2020

***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 the Industrial Energy Consumers of Pennsylvania to Suspend  
Implementation of that Act 129 Phase IV Requirements and for Other Relief  
Docket No. P-2020-3019562**

Dear Secretary Chiavetta:

Enclosed for filing is the Answer of PPL Electric Utilities Corporation to the Petition of the Industrial Energy Consumers of Pennsylvania in the above-referenced proceeding.

Copies are being provided electronically only, as indicated on the Certificate of Service, due to the current closure of all non-life sustaining businesses in the Commonwealth upon direction of Governor Wolf.

Respectfully submitted,

Garrett P. Lent

GPL/jl  
Enclosures

cc: Certificate of Service

## CERTIFICATE OF SERVICE

(Docket No. P-2020-3019562)

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

Derrick P. Williamson, Esquire  
Barry A. Naum, Esquire  
Spilman Thomas & Battle  
1100 Bent Creek Boulevard, Suite 101  
Mechanicsburg, PA 17050  
*Industrial Energy Consumers of PA*

Terrance J. Fitzpatrick, Esquire  
Donna M. J. Clark, Esquire  
The Energy Association of Pennsylvania  
800 North Third Street  
Suite 205  
Harrisburg, PA 17102  
*Energy Association of PA*

Tanya J. McCloskey, Esquire  
Darryl Lawrence, Esquire  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923

Steven C. Gray, Esquire  
Sharon Webb, Esquire  
Office of Small Business Advocate  
Forum Place  
555 Walnut Street, 1st Floor  
Harrisburg, PA 17101

Richard A. Kanaskie, Esquire  
Allison C. Kaster, Esquire  
PA Public Utility Commission  
Bureau of Investigation & Enforcement  
Commonwealth Keystone Building  
400 North Street, 2nd Floor West  
PO Box 3265  
Harrisburg, PA 17105-3265

Pamela C. Polacek, Esquire  
Susan E. Bruce, Esquire  
Charis Mincavage, Esquire  
Adeolu A. Bakare, Esquire  
Kenneth R. Stark, Esquire  
Jo-Anne S. Thompson, Esquire  
McNees Wallace & Nurick LLC  
100 Pine Street  
P.O. Box 1166  
Harrisburg, PA 17108-1166  
*Industrial Customers*

John W. Sweet, Esquire  
Elizabeth R. Marx, Esquire  
Ria M. Pereira, Esquire  
118 Locust Street  
Harrisburg, PA 17101  
*CAUSE-PA*

Brianna Esteves  
99 Chauncy Street  
6<sup>th</sup> Floor  
Boston, MA 02111  
*AB Energy, et al*

Date: May 12, 2020

A handwritten signature in cursive script, appearing to read "Garrett P. Lent".

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Garrett P. Lent

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of the Industrial Energy Consumers :  
of Pennsylvania to Suspend Implementation :  
of that Act 129 Phase IV Requirements and : Docket No. P-2020-3019562  
for Other Relief :

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**ANSWER OF PPL ELECTRIC UTILITIES CORPORATION TO THE PETITION OF  
THE INDUSTRIAL ENERGY CONSUMERS OF PENNSYLVANIA**

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**TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:**

**I. INTRODUCTION**

Pursuant to Section 5.62(a) and (e) of the Pennsylvania Public Utility Commission’s (“Commission”) regulations, 52 Pa. Code § 5.62(a) and (e), PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) hereby files this Answer to the Petition of the Industrial Energy Consumers of Pennsylvania (“IECPA”) to Suspend Implementation of that Act 129 Phase IV Requirements and for Other Relief, which was filed on April 22, 2020 (the “Petition”).<sup>1</sup> In the Petition, IECPA requests that the Commission: (a) suspend or delay the implementation of Phase IV of Act 129 Energy Efficiency and Conservation (“EE&C”) Plans; (b) extend the Phase III of Act 129 for a commensurate time period; (c) mandate a reduction in the surcharges imposed on customers for the remaining duration of electric distribution companies’ (“EDC”) Phase III EE&C Plans; (d) mandate that any in progress or planned energy efficiency and demand reduction projects be continued or commenced as soon as feasibly possible; and (e) suspend or waive all penalties applicable to an EDC’s failure to meet specified energy or peak demand reduction targets for Phase III. IECPA, in part, relies upon the Commission’s March 20,

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<sup>1</sup> Simultaneously herewith, PPL Electric has filed a Petition to Intervene in Docket No. P-2020-3019562.

2020 Emergency Order at Docket No. M-2020-3019262 (“*Emergency Order*”), which authorized the “[s]uspension, extension, waiver or change of any regulatory, statutory, or procedural deadlines” in response to the novel coronavirus and COVID-19 pandemic, and the associated Proclamation of Disaster issued by Governor Wolf on March 6, 2020 (“*Proclamation*”).

PPL Electric acknowledges that the Coronavirus Disease 2019 (“COVID-19”) pandemic presents substantial challenges for EDCs and their customers. As explained below, however, PPL Electric submits that the majority of the relief requested by Petition should be denied because it is not necessary at this time and, in some cases, may harm ratepayers by denying the benefits of EE&C programs that are designed to help decrease participating customers’ bills. Nevertheless, PPL Electric does not oppose IECPA’s request to suspend or waive all penalties applicable to an EDC’s failure to meet specified energy or peak demand reduction targets for Phase III of Act 129, given the substantial uncertainty presented by the COVID-19 outbreak.

In further response to the Petition, PPL Electric respectfully represents as follows:

## **II. ANSWER TO PETITION**

### **A. The Commission Should Not Suspend Or Delay The Implementation Of Phase IV Of Act 129**

In its Petition, IECPA asserts that “much has changed” since the issuance of the Commission’s Tentative Implementation Order in *Energy Efficiency and Conservation Program*, Docket No. M-2020-3015228 on March 12, 2020 (“*Phase IV Tentative Implementation Order*”). Petition at 2. IECPA specifically asserts that the COVID-19 pandemic, and the Commonwealth’s response thereto, has had “an immediate and substantial impact” on EDCs, electricity consumption, the demand for electrical power, and go-forward projections of electricity needs. Petition at 2-3. Based on these asserted changes, IECPA states that it is “concerned that any measures to impose additional electricity consumption savings and peak

demand reductions, particularly when those measures are based on data that is arguably no longer valid or relevant” may have unintended and negative economic consequences for the public. *See* Petition at 3-4, 6.

Based upon these changed circumstances, IECPA asserts that a 270-day delay of the implementation of the Phase IV is required. Petition at 4. IECPA reasons that this delay would provide the Commission and all stakeholders more time to understand the long-term impacts of the current pandemic and potentially provide the Commission an opportunity to re-evaluate the Statewide Evaluator’s (“SWE”) Energy Efficiency and Peak Demand Reduction (“EEPDR”) Potential Study in light of the pandemic’s effects on demand and energy consumption in Pennsylvania. Petition at 4. IECPA further reasons that a delay is prudent because the schedules and deadlines associated with Phase IV EE&C Plans are established purely by regulatory function and are not statutory requirements, and the Commission’s ongoing schedule is “approximately two years ahead of the schedule anticipated and codified by Act 129.” Petition at 4-5.

PPL Electric submits that a suspension or delay of the implementation of Phase IV is not necessary at this time. PPL Electric notes that the Commonwealth has already implemented a phase approach to re-opening businesses, and eliminating stay-at-home orders on a county-by-county basis. *See* Process to Reopen Pennsylvania, Governor Tom Wolf, <https://www.governor.pa.gov/process-to-reopen-pennsylvania/> (last updated May 1, 2020) (“Phased Re-opening Plan”). PPL Electric submits that as businesses re-open and present restrictions are lifted, additional changes to energy demand and consumption will occur, and unwind the impacts IECPA asserts as its basis for the proposed delay of Phase IV of Act 129.

Furthermore, although the COVID-19 pandemic has resulted in economic uncertainty, PPL Electric submits that the Phase IV EE&C requirements are reasonable with the adjustments suggested by PPL Electric in its comments to *Phase IV Tentative Implementation Order* (“Phase IV Tentative Order”)<sup>2</sup> and that implementing those requirements pursuant to the schedule set forth in the Phase IV Tentative Order will benefit the public. Importantly, the Commission has repeatedly recognized that increasing energy efficiency and reducing consumption benefits the Commonwealth as well as participating customers. Indeed, by enabling customers to participate in the Company’s EE&C programs and consequently reducing their bills for electric service, PPL Electric believes that its EE&C programs can help alleviate some of the economic hardship caused by the COVID-19 outbreak.

For these reasons, PPL Electric submits that no suspension or delay of the implementation of Phase IV is necessary at this time.

**B. The Commission Should Not Extend Phase III Of Act 129 For An Equivalent Period Of Time**

In association with its request to suspend or delay the implementation of the Phase IV EE&C, IECPA also requests that the Commission extend Phase III for a number of days equivalent to any delay or suspension of the implementation of Phase IV. Petition at 6-7. IECPA submits that the COVID-19 pandemic, and the Commonwealth’s response thereto, will cause additional harms related to current, ongoing EE&C programs and costs. Petition at 6. IECPA then proposes that the Commission extend Phase III and grant several other associated requests for relief. PPL Electric responds to IECPA’s request to extend Phase III in this section and to IECPA’s additional requests for relief in the sections that follow.

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<sup>2</sup> Notwithstanding, PPL Electric notes that it has filed comments in the Phase IV proceeding that the MW target proposed in the *Phase IV Tentative Implementation Order* is too high.

PPL Electric submits that an extension of Phase III is not necessary at this time. In Section II.A. above, PPL Electric explained why it believes a delay or suspension of the implementation of Phase IV is not necessary this time. Accordingly, no extension of Phase III, which IECPA proposes to be commensurate with the delay of Phase IV implementation, is needed.

PPL Electric further submits that an extension is not needed because the current and ongoing Phase III compliance targets remain attainable. Although the present pandemic and the Commonwealth's response to it may affect the ability of EDCs to meet the current and ongoing Phase III compliance targets, PPL Electric is confident that it remains on-track to meet or exceed the existing Phase III compliance targets.

For the reasons more fully explained above, PPL Electric submits IECPA's request to extend Phase III of Act 129 is not necessary at this time.

**C. The Commission Should Not Mandate A Reduction In The EE&C Surcharges For The Duration Of Phase III**

IECPA further submits that the Commission should mandate an immediate reduction of at least 50% in the EDCs' EE&C surcharges. *See* Petition at 8-10. PPL Electric submits that IECPA's proposal is unnecessary and inappropriate for several reasons.

First, the continued provision of cost-effective energy efficiency and demand response measures could be more beneficial to customers than a reduction of the EE&C surcharges. As noted above, energy efficiency and demand response measures can help participating customers reduce their bills for electric service. In turn, this benefits the Commonwealth as a whole by reducing the total amount of electric consumption and demand. IECPA's request would eliminate funding for these beneficial programs and frustrate PPL Electric's timely recovery of expenditures made to furnish these programs. Therefore, reducing the surcharge would not only



effectively “ramp down” the implementation of beneficial programs, but it could also delay “ramping up” any programs once the restrictions imposed by the Commonwealth to address the current pandemic are lifted.

Second, the Phase III EE&C surcharges are based upon projected program costs and are fully reconciled on an annual basis. *See Energy Efficiency and Conservation Program*, Docket No. M 2014-2424864, p. 149 (Final Implementation Order entered June 19, 2015) (“*Phase III Final Implementation Order*”). To the extent the actual program costs and revenues differ from projected program costs and revenues in a given program year, the surcharge is trued-up during the reconciliation process. Therefore, if actual program costs and revenues in Phase III Program Year (“PY”) 5 are differ from projected program costs and revenues during Phase III PY5 due to the present pandemic, then the EE&C surcharge will be adjusted and any over-recoveries (which IECPA posits will occur) will be returned to ratepayers. IECPA’s proposed surcharge reduction is simply not necessary in light of the existing reconciliation process.

Third, IECPA’s proposal could result in a substantial rate shock to customers. For example, if the Company incurs EE&C costs well in excess of the revenues that are being recovered under the reduced EE&C surcharge, a large under-recovery would have to be reflected in the EE&C surcharge’s E-factor. In such scenario, the EE&C surcharge would increase substantially, well above the currently-effective rates. IECPA’s proposal would exacerbate this increase further.

Finally, PPL Electric notes that its current Act 129 Compliance Rider – Phase 3 (“ACR3”) effective for PY5 decreased from the ACR3 applicable to PY4. As set forth in Table 1 below, from PY4 to PY5 the ACR3 applicable to Residential customers has decreased by \$0.00118, the ACR3 applicable to Small Commercial and Industrial customers (“Small C&I”)

has decreased by \$0.00133, and the ACR3 applicable to Large Commercial and Industrial customers (“Large C&I) has decreased by \$0.397.

**Table 1 – ACR3 Comparison**

<b>Summary</b>				
<b>Rates Effective June 1, 2020</b>				
<b>ACR</b>	<b>Jun-20</b>	<b>Jun-19</b>	<b>Variance</b>	
Res (\$/kWh)	\$ 0.00129	\$ 0.00247	\$ (0.00118)	
SC&I (\$/kWh)	\$ 0.00131	\$ 0.00265	\$ (0.00133)	
LC&I (\$/kW)	\$ 0.505	\$ 0.901	\$ (0.397)	

PPL Electric submits that customers already benefit from the reconciliation process; in particular, Large C&I customers obtained an approximately 44% reduction in the ACR3 through this process.

Therefore, and for the additional reasons explained above, IECPA’s proposal to mandate an immediate 50% reduction in the Phase III EE&C surcharges is unnecessary and inappropriate.

**D. IECPA’s Request That The Commission Should Mandate Current And Planned Energy Efficiency And Demand Reduction Projects Be Completed As Soon As Possible Is Not Necessary**

In association with its request to extend Phase III and immediately reduce Phase III EE&C surcharges, IECPA also requests the Commission to mandate in-progress or planned projects that may be on hold due to the COVID-19 pandemic be “prioritized,” continued, or commenced as soon as it feasible for project work to continue or begin. Petition at 11. IECPA further asserts that, once these in-progress or currently scheduled projects are completed, EDCs should invest ratepayer contributions toward any remaining Phase III programs and targets at their direction.

As explained previously, IECPA’s requested Phase III extension and Phase III EE&C surcharge reduction are not necessary at this time. Since IECPA’s requested mandate for

prioritization of projects is based upon these prior requests, IECPA's requested mandate should be denied. Furthermore, PPL Electric notes that it is already prioritizing projects that have been scheduled for completion, to the extent that the projects can be safely completed consistent with the restrictions imposed by the Commonwealth to address COVID-19. For these reasons, IECPA's requested mandatory prioritization of projects is not necessary.

**E. PPL Electric Does Not Oppose The Suspension Or Waiver Of Penalties For Failure To Meet Specified Phase III Targets**

IECPA further requests that the Commission suspend or waive the penalties applicable to EDCs who may fail to meet specific Phase III compliance targets. Petition at 11-13. IECPA notes that the penalties do not contemplate extraordinary circumstances, such as the present COVID-19 pandemic, which may frustrate the ability of EDCs to satisfy applicable targets. Petition at 12. PPL Electric generally does not oppose IECPA's proposal,<sup>3</sup> but notes the following issues for the Commission's consideration.

First, PPL Electric notes that, while there may be uncertainty regarding the ability of EDCs to satisfy applicable Phase III compliance targets, the Company remains on-track to meet or exceed the existing Phase III compliance targets.

Second, to the extent the Commission desires to address the impacts of the COVID-19 pandemic on EDCs' ability to achieve certain Phase III compliance targets, an appropriate solution is set forth in the Energy Association of Pennsylvania's ("EAP") May 1, 2020 Petition to Amend the Commission's June 19, 2015 Implementation Order at Docket No. M-2014-2424864 ("EAP Petition"). Specifically, the EAP Petition proposes that the Commission exercise its authority under Sections 501(a) and 703(g) of the Public Utility Code, 66 Pa. C.S.

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<sup>3</sup> PPL Electric notes that it does not agree with IECPA's proposal to extend the current Phase III EE&C programs. *See* Section II.A. *supra*. As such, PPL Electric submits that the Commission should not base its consideration of whether to waive or suspend applicable compliance target penalties based upon IECPA's proposal to extend these programs.

§§ 501(a) and 703(g), to modify the *Phase III Final Implementation Order* such that the measurement of EDCs' compliance with demand response targets be based upon EDC performance during Phase III PY2 through PY4 and permit EDCs to implement approved demand response programs on a voluntary basis for PY5. EAP Petition at 8-9. The EAP Petition correctly notes that allowing EDCs the option to continue demand response programs during PY5 on a voluntary basis has a variety of benefits, including: (1) ensuring that customers able to participate in DR programs will continue to receive compensation for their load curtailment activities; (2) compensating conservation service providers (“CSPs”) who provide DR-related services; and (3) continuing to provide these benefits without the risk of the programs “going dark” in Phase III and without the risk of potential penalties for non-compliance. EAP Petition at 9.

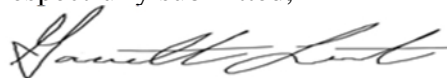
PPL Electric submits that a similar approach could be used with respect to other consumption reduction compliance targets, as an alternative to IECPA's request to waive the penalties associated with non-compliance. However, the end result of each proposal—*i.e.* the avoidance substantial penalties associated with extraordinary circumstances outside the control of EDCs—is the same.

For these reasons, PPL Electric does not oppose the IECPA's request for waiver of penalties for failure to meet Phase III requirement targets (with certain modifications in how this would occur) and further submits that, in the alternative, the Commission could take a similar approach to that proposed in the EAP Petition.

### III. CONCLUSION

**WHEREFORE**, PPL Electric Utilities Corporation respectfully submits that the majority of the requests for relief set forth in the Petition of the Industrial Energy Consumers of Pennsylvania to Suspend Implementation of that Act 129 Phase IV Requirements and for Other Relief be denied. PPL Electric Utilities Corporation further submits that, to the extent the Commission seeks address the risk of an electric distribution company satisfying energy consumption and demand reduction compliance targets due to the COVID-19 pandemic, it does not oppose IECPA's proposal to waive or suspend applicable penalties and would, in the alternative, support a modification of how the compliance targets are measures under the Commission's prior *Energy Efficiency and Conservation Program*, Docket No. M 2014-2424864, p. 149 (Final Implementation Order entered June 19, 2015).

Respectfully submitted,



Michael J. Shafer (ID # 205681)  
PPL Services Corporation  
Two North Ninth Street  
Allentown, PA 18101  
Phone: 610-774-2599  
Fax: 610-774-4102  
E-mail: mjshafer@pplweb.com

---

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 (ID # 316602)  
Garrett P. Lent (ID #321566)  
Post & Schell, P.C.  
17 North Front Street, 12th Floor  
Harrisburg, PA 17101-1601  
Phone: 717-731-1970  
Fax: 717-731-1985  
E-mail: dryan@postschell.com  
E-mail: glent@postschell.com

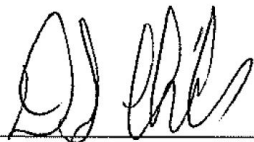
Date: May 12, 2020

*Counsel for PPL Electric Utilities Corporation*

## VERIFICATION

I, DIRK S. CHILES, being the Manager – Energy Efficiency at PPL Electric Utilities Corporation, hereby state that the facts above set forth are true and correct to the best of my knowledge, information and belief and that I expect PPL Electric Utilities Corporation to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa.C.S. § 4904 relating to unsworn falsification to authorities.

Date: May 12, 2020



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Dirk S. Chiles