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February 18, 2021

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 IV Energy Efficiency and Conservation Plan; Docket No. M-2020-3020824

Dear Secretary Chiavetta:

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

As shown by the attached Certificate of Service and per the Commission's March 20, 2020, Emergency Order, all parties to this proceeding are being duly served via email only due to the current COVID-19 pandemic. Upon lifting of the aforementioned Emergency Order, we can provide parties with a hard copy upon request.

Sincerely,

McNEES WALLACE & NURICK LLC

By

Adeolu A. Bakare

Counsel to the PP&L Industrial Customer Alliance

c: Deputy Chief Administrative Law Judge Mark A. Hoyer (via E-mail)
Administrative Law Judge Emily DeVoe (via E-mail)
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 18th day of February, 2021, at Harrisburg, Pennsylvania

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase IV Energy Efficiency and Conservation Plan	: : :	Docket No. M-2020-3020824

MAIN BRIEF OF THE
PP&L INDUSTRIAL CUSTOMER ALLIANCE

Air Products and Chemicals, Inc.
General Dynamics-OTS Scranton
Harristown Enterprises, Inc.
Hercules Cement Company
Hydro Extrusion
Messer LLC
TIMET North America
Wegmans Food Markets, Inc.

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Dated: February 18, 2021

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I. INTRODUCTION

On November 30, 2020, PPL Electric Utilities Corporation ("PPL" or the "Company") petitioned the Pennsylvania Public Utility Commission ("Commission" or "PUC") for approval of the Company's Phase IV Energy Efficiency & Conservation ("EE&C") Plan ("Phase IV Plan"). PPL's Petition for Approval of its Phase IV Plan ("Petition") outlines PPL's proposal to address the requirements of Act 129 of 2008 ("Act 129") and the PUC's Phase IV Implementation Order through programs designed to achieve an overall 1,250,157 MWh consumption reduction and a 229 MW peak demand reduction.[1]

The proposed Phase IV Plan portfolio includes Residential, Low-Income, and Non-Residential programs. The Non-Residential program includes energy efficiency and custom measures for Small Commercial and Industrial ("C&I") and Large C&I customers, respectively.[2]

As with the Phase III EE&C Plan, PPL proposes to recover all costs through a fully reconcilable, non-bypassable charge under Section 1307 of the Public Utility Code.[3] The total proposed charges for the Large C&I customer class are $99,943,535, or approximately 32% of the total costs of PPL's Phase IV Plan.[4]

For the proposed non-bypassable charge, or Phase IV Act 129 Compliance Rider ("ACR"), PPL intends to establish separate recovery charges for each customer class in proportion to the cost of the programs targeting that class.[5] For multi-class programs, PPL proposes to allocate costs using an allocation factor (*i.e.*, a percentage equal to the actual EE&C

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[1] *See* Petition, p. 5; *see also Energy Efficiency and Conservation Program*, Docket No. M-2020-3015228 (Implementation Order dated Jun. 18, 2020) (hereinafter, "Implementation Order").
[2] *See* Petition, p. 11.
[3] *See id.* at 18.
[4] *See* PPL Electric Exhibit 1, p. 23 (Phase IV Plan).
[5] *See* Petition, p. 18.

costs directly assigned to each customer class divided by the actual EE&C costs assigned to all customer classes).[6]

PPL's Phase IV Plan costs and program measures have a significant impact on the rates and services of PPL's largest customers. It is therefore imperative that PPL implement its Phase IV EE&C Plan in a just and reasonable manner, consistent with Act 129, the Implementation Order, and all applicable statutes and regulations.

The PP&L Industrial Customer Alliance ("PPLICA") is an *ad hoc* association of energy-intensive commercial and industrial customers receiving electric service in PPL's service territory, primarily under Rate Schedules LP-4, LP-5 and IS-P, as well as available riders.[7] PPLICA members collectively consume approximately 1.04 billion kWh of electricity each year in manufacturing and other operational processes, and these electric costs are a significant element of their respective costs of operation. Any modification to PPL's electric rates may impact PPLICA members' cost of operations.

II. <u>SUMMARY OF ARGUMENT</u>

PPL's Phase IV Plan imposes an inequitable and unreasonable share of Phase IV EE&C measures and costs on Large C&I customers. Under Section 1301 of the Public Utility Code, all rates charged by regulated public utilities must be "just and reasonable", including surcharges.[8] Pursuant to Act 129, electric distribution companies' ("EDC") EE&C plans must provide EE&C measures "equitably to all customer classes."[9] PPL's Phase IV Plan violates these Public Utility Code requirements as it applies to the Large C&I customer class.

[6] *See id*.
[7] Some PPLICA members also have accounts on Rate Schedules GS-1 and GS-3.
8 66 Pa. C.S. § 1301.
[9] 66 Pa. C.S. § 2806.1(a)(5).

PPLICA conducted several analyses to evaluate the rate impacts of PPL's Phase IV Plan, including PPL's allocation of measures and costs to Large C&I customers. Most significantly, PPL's Phase IV EE&C budget for the Large C&I Program is 80% higher than the corresponding Phase III budget.[10] As a result, PPL's Phase IV Plan requires Large C&I customers to pay for 32% of Phase IV costs despite only being responsible for 22% of PPL's total annual revenues.[11] This 45% difference between Large C&I customers' share of EE&C costs and their percentage of PPL's annual revenues represents a total lack of parity. This budget increase is more than double the Small C&I budget increase, while the Residential budget is significantly *decreased* from Phase III to Phase IV.[12] This disparate allocation of Phase IV measures and costs to Large C&I customers is starkly different from PPL's prior EE&C plans and creates an unreasonable result for Large C&I customers. The rate increase arising from Large C&I customers' disproportionately higher share of Phase IV EE&C measures is unreasonable and inequitable in violation of Section 1301 and Act 129.

To recover revenues for the increased Large C&I program budget, PPL proposes to increase the Large C&I ACR rate by 102% when the Phase IV Plan begins in June 2021.[13] Under normal conditions, energy costs represent a significant portion of Large C&I customers' operating costs. During a pandemic, the Commission should take a particularly conservative approach towards rate increases, including surcharges.[14] Consistent with principles of gradualism, the Commission should direct PPL to reduce the unreasonable increase proposed for the Large C&I Phase IV ACR rate.

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[10] Supplemental Direct Testimony of Jeffrey Pollock on behalf of PPLICA (hereinafter, "PPLICA Statement No. 1"), p. 6.
[11] *See* PPL Electric Exhibit 1, p. 23 (Phase IV Plan); *see also* PPLICA Statement No. 1, p. 6.
[12] *See* PPLICA Statement No. 1, p. 6.
[13] *Id.* at 7.
[14] *See id.* at 8-9.

To resolve the inequitable distribution of measures and costs to Large C&I customers, PPLICA proposes that the Commission reduce the Company's peak demand reduction target for Large C&I customers by 50%.[15] The reduced peak demand reduction target will allow PPL to cure its violation of the Public Utility Code by reducing the inequitable allocation of measures and costs to the Large C&I class and reducing the ACR rate for Large C&I customers.

III. ARGUMENT

A. PPL's Proposal To Disproportionately Increase the Scope and Costs of its Phase IV EE&C Non-Residential Program for Large C&I Customers Violates the Act 129 Requirement to Provide EE&C Measures "Equitably to All Classes of Customers."

Act 129 requires the Commission to establish "[s]tandards to ensure that each plan includes a variety of energy efficiency and conservation measures and will provide the measures equitably to all classes of customers."[16] In this proceeding, an EDC has the burden of demonstrating that its Phase IV EE&C plan includes "a reasonable mix of programs for all customers" and "to explain and justify its distribution of measures among its customer classes if such distribution is challenged."[17] In other words, the Commission may order an EDC to revise its EE&C plan if the Commission finds that the allocation of EE&C measures or associated costs to a particular customer class is unreasonable or otherwise in violation of the Act 129 requirement to provide EE&C measures equitably to all classes of customers.[18]

PPLICA conducted several different analyses, all of which demonstrate that the allocation of EE&C measures and costs to Large C&I customers is unreasonable and inequitable as compared to other customer classes.

[15] *See id.* at 11.
[16] 66 Pa. C.S. § 2806.1(a)(5).
[17] *See* Implementation Order, p. 92.
[18] *See id.*; *see also* 66 Pa. C.S. § 2806.1(a)(5).

PPLICA compared PPL's Phase III EE&C costs to the proposed Phase IV EE&C costs for all customer classes. This analysis is summarized below:

Table 4[19]
Expected Phase III Vs. Proposed Phase IV Costs by Customer Class ($Thousands)

Customer Class	Phase III	Phase IV	Percent of Total		Percent Increase
			Phase III	Phase IV	
Residential (incl. LI)	$139,209	$123,156	53%	39%	-12%
Sm. C&I (incl. GNE)	$66,041	$89,392	25%	29%	35%
Lg. C&I (incl. GNE)	$55,455	$99,944	21%	32%	80%
Total	$260,704	$312,491	100%	100%	20%

As demonstrated by this chart, Large C&I customers are experiencing an 80% increase in their EE&C budget from Phase III to Phase IV.[20] By contrast, the budget decreases by 12% for the Residential class and increases by 35% for the Small C&I class from Phase III to Phase IV.[21]

This chart also demonstrates that for PPL's Phase III EE&C Plan, there was much greater parity between a customer class's EE&C cost allocation and its percentage of total annual revenues. In the Phase IV EE&C Plan, the Company explained that Residential, Small C&I, and Large C&I customers accounted for 52%, 26%, and 22% of PPL's total annual revenues, respectively.[22] For the Phase III EE&C Plan, Residential, Small C&I, and Large C&I customers were allocated 53%, 25%, and 21% of the total Phase III EE&C costs, respectively.[23] This Phase III allocation of costs was more equitable and consistent with Act 129 due to the parity between

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[19] PPLICA Statement No. 1, p. 6.
[20] *Id.*
[21] *Id.*
[22] PPL Electric Exhibit 1, p. 23 (PPL Phase IV EE&C Plan). The Phase III EE&C Plan includes similar figures for percentage of total annual revenue for the Residential, Small C&I, and Large C&I classes of 45%, 32%, and 23%, respectively. *See* https://www.pplelectric.com/-/media/PPLElectric/Save-Energy-and-Money/Docs/Act129_Phase3/PPL-Phase3-EECPlanJuly2018.ashx, p. 31.
[23] PPLICA Statement No. 1, p. 6.

percentage of contribution to EE&C costs and percentage of PPL's total annual revenues. The proposed Phase IV allocation of costs eliminates this parity for Large C&I customers.

As reported by PPL, Large C&I customers comprise only 22% of PPL's total annual distribution revenues, but were allocated 32% of Phase IV costs.[24] By contrast, the Residential class is allocated 39% of the Company's Phase IV costs, but it contributes 52% of PPL's total annual revenues.[25] The Small Commercial class is allocated 29% of PPL's Phase IV costs and contributes 26% of PPL's total annual revenues.[26] Only the Large C&I class pays a greater share of PPL's Phase IV costs (32%) than traditional base rates (22%). This 45% difference between the Large C&I customers' Phase IV EE&C budgeted costs and the Large C&I contribution to PPL's total annual distribution revenues is unjust and unreasonable. It is impossible to reconcile this significant disparity with the Act 129 requirement to provide EE&C measures equitably to all customer classes.

Moreover, of PPL's proposed peak demand reduction of 248.03 MW, Large C&I measures are designed to achieve a peak demand reduction of 101.51 MW, with Residential and Small C&I measures designed to achieve demand reductions of 57.65 MW and 88.86 MW, respectively.[27] Here again, Large C&I customers were allocated a disproportionate share of the peak demand reduction as compared to their percentage of PPL's total annual revenues.

PPL recognizes that its proposed Phase IV plan relies disproportionately on Large C&I customers. In its Reply Comments to the Commission's Tentative Implementation Order at Docket No. M-2020-3015228, PPL stated that it would need to rely more heavily on non-

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[24] PPL Electric Exhibit 1, p. 23 (PPL Phase IV EE&C Plan).
[25] *Id.*
[26] *Id.*
[27] *Id.* at 14.

residential programs to achieve electric savings and demand reductions for Phase IV.[28] PPL reiterates this point in its Supplemental Rebuttal Testimony stating that "more funding will have to be allocated to C&I to meet the [peak demand reduction] targets, resulting in less funding for residential and low-income customers."[29]

Similarly, PPLICA acknowledges that reasonable measures of disproportionality among customer classes may be permissible in an EE&C plan.[30] PPL's prior EE&C plans included minor adjustments and fluctuations to energy efficiency measures and budgets among customer classes. However, the budget allocation, and, as detailed in the subsequent section, the rate impact for Large C&I customers in the Phase IV Plan far exceed the bounds of reasonableness.

Moreover, PPL failed to demonstrate that its disproportionate reliance on Large C&I customers was necessary to meet Phase IV targets. PPL's primary justification for the unreasonably large increase in the measures and budget allocated to Large C&I customers is that a single residential offering, residential lighting, is no longer viable for Phase IV.[31] While the reduced market potential for residential lighting may preclude reliance on the Residential customer class for peak demand reductions, any increased reliance on Large C&I programs to fill the gap must fall within the confines of reasonableness from a rate and budget impact perspective.

To the contrary, PPL's proposed Phase IV Plan would impose an 80% budget increase from Phase III to Phase IV, which is more than double the increase for any other customer class. PPL's Phase IV EE&C Plan must be rejected because it fails to allocate EE&C measures

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[28] *Energy Efficiency and Conservation Program*, Docket No. M-2020-3015228 (PPL Reply Comments dated May 12, 2020), p. 4 (hereinafter, "PPL Reply Comments"); *see also* Implementation Order, p. 76.
[29] Supplemental Rebuttal Testimony of Dirk Chiles on behalf of PPL (hereinafter, "PPL Electric Statement No. 1-R (Supp)"), p. 4.
[30] Implementation Order, p. 92.
[31] *See* PPL Electric Statement No. 1-R (Supp), p. 4.

equitably to all customer classes in violation of Act 129. As discussed further in Section III.C. below, the Commission must reduce the demand reduction target for Large C&I customers to resolve this inequity.

B. PPL's Proposal to Increase the ACR Rate by 102% Violates Principles of Gradualism and Will Create Rate Shock for Large C&I Customers Already Struggling From the COVID-19 Pandemic.

As a direct result of the disproportionate increase in measures and costs imposed on Large C&I customers under the Phase IV Plan, PPL is proposing to increase its ACR rate for Large C&I customers by 102%. The Commission often relies on principles of gradualism when setting utility rates to avoid rate shock to any customer class.[32] As part of its evaluation of PPL's proposed Phase IV Plan, the Commission should apply principles of gradualism and order PPL to revise its Plan to prevent Large C&I customers from experiencing an 102% increase in EE&C costs beginning June 1, 2021.

The following chart identifies the projected ACR rate for each customer class beginning June 1, 2021:

Table 5[33]
Rate Impact

Customer Class	ACR-3	ACR-4	Percent Increase
Residential (per kWh)	0.129¢	0.192¢	49%
Sm. C&I (per kWh)	0.131¢	0.179¢	37%
Lg. C&I (per kW)	$0.505	$1.021	**102%**

[32] *See, e.g., Sharon Steel Corporation v. Pa. Pub. Util. Comm'n*, 468 A.2d 860 (Pa. Commw. Ct. 1983); *Barasch v. Pa. Pub. Util. Comm'n*, 515 A.2d 651 (Pa. Commw. Ct. 1986); *see also Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010 (Pa. Commw. Ct. 2006).
[33] PPLICA Statement No. 1, p. 8, p. 7.

PPL is proposing a staggering 102% increase in the Large C&I ACR rate.[34] At more than double the current ACR rate, the increase in the ACR rate for Large C&I customers is more dramatic than for any other customer class.

Gradualism is a ratemaking principle that requires "phasing in rates or closing rate differentials over a longer period of time allowing consumers to gradually make the adjustments in the 'elastic' part of their spending so as to pay for increased utility costs."[35] In the Implementation Order, the Commission directs EDCs to follow other cost of service principles when assigning EE&C costs to customers.[36] Similarly, it is reasonable to apply principles of gradualism to an EE&C plan. Consistent with principles of gradualism, PPL should be directed to significantly reduce the ACR rate imposed on Large C&I customers for the Phase IV EE&C Plan.

In Supplemental Rebuttal Testimony, PPL provides the ACR rate for the last three years to compare against the proposed ACR rate for Large C&I customers beginning June 1, 2021.[37] When this three-year average is compared to the proposed initial ACR rate for Phase IV, the rate for Large C&I customers increases by 31% instead of 102%, which is still a substantial rate increase.[38] However, this backwards looking comparison is also misleading. PPL ignores the fact that PPLICA's rate impact concerns are also supported by the increase to the Phase IV Large C&I budget. PPL's suggestions that the ACR for Phase IV will be comparable to the ACR rates from its prior EE&C Plans ignores the reality that PPL's proposed Phase IV budget for the Large C&I Program is 80% higher than the prior Phase III budget.[39] Accordingly, PPL's suggestion

[34] *Id.*
[35] *Lloyd*, 904 A.2d 1010, fn. 14.
[36] Implementation Order, p. 134.
[37] PPL Electric Statement No. 1-R (Supp), p. 13.
[38] During preparation of the Main Brief, it became apparent to PPLICA that PPL incorrectly calculated this percentage difference as 24%. *See id.*
[39] PPLICA Statement No. 1, p. 6.

that the ACR will be comparable to prior EE&C plans is belied by the dramatically increased budget to be recovered through the Large C&I ACR.

Additionally, principles of gradualism remain applicable and relevant to the specific rate increase proposed for June 1, 2021. Although the ACR rate for the final year of Phase III is lower than in the two prior years, Large C&I customers will experience an 102% increase in their ACR rate from May 2021 to June 2021.[40] Principles of gradualism dictate that an EDC should not increase a customer's rate by 102% over such a short timeframe. PPL should be directed to modify its Phase IV Plan to reduce the ACR rate for Large C&I customers.

The Commission should consider that a 102% increase in EE&C costs on June 1 would unreasonably burden Large C&I customers in the midst of the continuing COVID-19 pandemic.[41] Although the pandemic impacts all customers, only Large C&I customers would experience a dramatic increase to the ACR rate on June 1 and face the prospect of continued rate increases resulting from the 80% increase to the Large C&I Phase IV budget share.[42]

In light of these policy concerns and consistent with gradualism principles, the Commission should reduce PPL's peak demand reduction target for Large C&I customers by at least 50% in order to impose a just and reasonable Phase IV ACR rate for Large C&I customers.[43] Alternatively, the Commission could reduce PPL's peak demand target in order to create parity between Large C&I customers' percentage of Phase IV EE&C costs and their percentage of PPL's total annual revenues. At minimum, the Commission should consider a further reduction to PPL's peak demand target in addition to the moderate reduction approved in

[40] *See id.*
[41] *Id.* at 9.
[42] *Id.* at 6, 7, and 9.
[43] *Id.* at 11.

its Final Implementation Order in order to lessen the severe rate increase proposed for Large C&I customers.

C. The Commission Should Order PPL to Reduce its Phase IV Peak Demand Reduction Target for Large C&I Customers.

Contrary to allegations from PPL, there are no procedural impediments to granting the relief sought by PPLICA. PPLICA met its burden of proof in demonstrating that the rate impacts of the proposed Phase IV Plan are unreasonable and in conflict with the Commission's adherence to principles of gradualism. These arguments are further appropriately raised in the instant docket as neither PPLICA, the Commission, nor PPL itself had the benefit of reviewing the actual revenue and rate impacts of PPL's Phase IV Plan during the Implementation Order phase or at any other point prior to the filing of PPL's Petition on November 30, 2020.[44] Accordingly, PPL's arguments that PPLICA waived any rights to contest the proposed ACR rate or recommend adjustments to the peak demand target intended to address rate concerns should be rejected.

Preliminarily, in its Supplemental Rebuttal Testimony, PPL challenges PPLICA's position on the basis that PPLICA does not conduct any studies to support alternative Large C&I offerings or specific reductions to PPL's peak demand reduction targets.[45] However, it is neither PPLICA's responsibility, nor is PPLICA in the best position, to suggest alternative measures or targets for PPL. PPLICA demonstrated that the current Large C&I measures, budget, and rate are unreasonable and violate Section 1301 and Act 129. It is now appropriate for the Commission to reassess the peak demand reduction targets that PPL represents are responsible for the unreasonable cost impacts.[46]

[44] *Id.* at 7.
[45] PPL Electric Statement No. 1-R (Supp), p. 15.
[46] *See* PPLICA Statement No. 1, p. 11.

In discovery responses, PPL states that "the peak demand reduction target in the SWE's market potential findings require that a larger percentage of total Act 129 costs be shifted to the Non-Residential Program."[47] Because the SWE Report did not specifically state that this demand reduction target must be met through non-residential measures, this statement appears to be a conclusion made by PPL.[48] This response indicates that, after reasonable due diligence, PPL was unable to identify other measures that could be offered instead of the costly Large C&I measures currently proposed for Phase IV. Accordingly, an overall reduction in PPL's demand reduction target is necessary and should be approved to reduce the unreasonable costs imposed on Large C&I customers.

Although reducing PPL's Phase IV targets may create some short-term administrative inefficiencies for PPL, it is the most reasonable path forward. In its Reply Comments to the Tentative Implementation Order, PPL argued that the Commission should reduce the proposed energy efficiency and demand reduction targets as a result of businesses struggling from the pandemic. PPL states, in relevant part:

> However, the onset of COVID-19 in recent months creates significant uncertainty for PPL Electric's ability to achieve the level of savings anticipated given the challenges that many of its business customers are facing during the pandemic. Many businesses are currently experiencing unprecedented disruption and are facing an uncertain future. The length of this disruption and the speed at which recovery may occur are unknown. Businesses across the country are closing – some permanently – and more are likely to follow. The ability for businesses to recover is likely to vary widely across segments. Some businesses' ability to invest in non-essential capital upgrades could be hampered for years to come. The combined effects of the loss of residential lighting savings and the anticipated depressed economic conditions will, in all likelihood, negatively affect the electric savings and peak demand reduction potential in PPL Electric's territory. Thus, PPL Electric's ability to maintain historical savings and achieve its

[47] *Id.* at Exhibit JP-3, p. 2.
[48] *See generally*, SWE Report.

> overall energy consumption reduction and peak demand reduction targets are cast into doubt.[49]

PPLICA generally agrees with this language from PPL's Reply Comments with regard to the impact of COVID-19 on businesses and the impact on EE&C targets. The Commission at the time also concurred that PPL's original Phase IV peak demand reduction target of 244 MW should be reduced to the current peak demand reduction target of 229 MW in order to reflect more conservative projections of the market potential.[50] Although PPL now appears to believe the Phase IV energy efficiency and demand reduction targets are attainable, PPL's proposed approach for attaining and exceeding these targets imposes an entirely unreasonable and inequitable cost burden on Large C&I customers. If it is PPL's position that the only way it can meet these targets is by imposing this burden on Large C&I customers, then the targets must be further adjusted to ensure that PPL's Phase IV Plan complies with Act 129.

In Supplemental Rebuttal Testimony, PPL contends that PPLICA should be prohibited from challenging the energy efficiency and demand reduction targets for Phase IV at this stage of the proceeding.[51] To the contrary, PPLICA never waived its right to challenge these targets. Until PPL submitted its Phase IV Plan, PPLICA was entirely unaware of what the allocation of measures and costs to Large C&I customers would be in Phase IV. Although PPL filed Reply Comments to the Tentative Implementation Order stating it would need to rely more heavily on its non-residential programs for Phase IV if the Commission approved the targets proposed by the SWE, the scope of such increased reliance remained unknown until PPL filed its Phase IV Plan.[52] PPLICA had no information regarding the potential allocation of the program offerings among customer classes, the cost impact on Large C&I customers, or how these costs would be

[49] PPL Reply Comments, p. 4.
[50] Final Implementational Order, p. 80.
[51] PPL Electric Statement No. 1-R (Supp), p. 13.
[52] PPL Reply Comments, p. 4.

allocated between the Small C&I and Large C&I classes until it reviewed PPL's Phase IV Plan. PPLICA thus timely and appropriately challenges the reasonableness of these rate impacts at the first available opportunity.

Accordingly, the Commission should order PPL to reduce its peak demand target from the current 229 MW requirement.[53] In PPLICA's testimony, PPLICA recommended a 50% reduction to PPL's peak demand target for Large C&I customers, which is currently set at 101.51 MW.[54] Such a reduction would be reasonable because it would moderate the primary driver of the unjust and unreasonable 80% increase to the Large C&I budget for PPL's Phase IV Plan and allow PPL to reduce the 102% increase proposed for the Large C&I ACR. As an alternative to PPLICA's preferred 50% reduction to the peak demand target, the Commission could adjust PPL's peak demand target by a lesser amount intended to create greater parity between Large C&I customers' percentage of PPL's Phase IV demand reduction target and their percentage of PPL's total annual revenues. At minimum, the Commission should reassess the prior adjustment to PPL's peak demand reduction target from 244 MW to 229 MW and consider a further reduction to the 229 MW target in order to moderate the newly disclosed rate impact on Large C&I customers in order to avoid unreasonably severe rate increases for Large C&I customers in conflict with Section 1301 and Act 129.

[53] Note that while the Commission established a target of 229 MW for PPL, PPL's self-imposed target is 248.03 MW. PPL Electric Exhibit 1, p. 14 (PPL Phase IV EE&C Plan).
[54] *See id.*; PPLICA Statement No. 1, p. 11.

IV. CONCLUSION

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

(1) require that PPL reduce its peak demand reduction target for Large C&I customers by 50 percent or as otherwise determined to be reasonable consistent with this Main Brief;

(2) require that PPL reduce Large C&I customers' Phase IV ACR rate commensurate with the adjusted peak demand reduction target and consistent with principles of gradualism, and;

(3) provide any other relief deemed necessary and reasonable.

Respectfully submitted,

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Dated: February 18, 2021

APPENDIX A

Proposed Findings of Fact

1. On November 30, 2020, PPL Electric Utilities Corporation ("PPL" or the "Company") petitioned the Pennsylvania Public Utility Commission ("Commission" or "PUC") for approval of the Company's Phase IV Energy Efficiency & Conservation ("EE&C") Plan ("Phase IV Plan").

2. PPL's Petition for Approval of its Phase IV Plan outlines PPL's proposal to address the requirements of Act 129 of 2008 ("Act 129") and the PUC's Phase IV Implementation Order entered on June 18, 2020 at Docket No. M-2020-3015228 through programs designed to achieve an overall 1,250,157 MWh consumption reduction and a 229 MW peak demand reduction.[1]

3. The proposed Phase IV Plan portfolio includes Residential, Low-Income, and Non-Residential programs. The Non-Residential program includes separate energy efficiency and custom measures for Small Commercial and Industrial ("C&I") and Large C&I customers, respectively.[2]

4. PPL proposes to recover all costs through its Phase IV Act 129 Compliance Rider ("ACR"), a fully reconcilable, non-bypassable charge under Section 1307 of the Public Utility Code.[3]

5. For multi-class programs, PPL proposes to allocate costs using an allocation factor (i.e., a percentage equal to the actual EE&C costs directly assigned to each customer class divided by the actual EE&C costs assigned to all customer classes).[4]

6. The PP&L Industrial Customer Alliance ("PPLICA") is an *ad hoc* association of energy-intensive C&I customers receiving electric service in PPL's service territory, primarily under Rate Schedules LP-4, LP-5 and IS-P, as well as available riders.[5]

7. PPLICA members collectively consume approximately 1.04 billion kWh of electricity each year in manufacturing and other operational processes, and these electric costs are a significant element of their respective costs of operation. Especially during the COVID-19 pandemic, Large C&I customers are adversely impacted by significant increases to electric service rates or surcharges.[6]

8. PPL proposed to allocate 32% of its Phase IV costs to the Large C&I class.[7]

9. Large C&I customers comprise only 22% of PPL's total annual revenues.[8]

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[1] *See* Petition, p. 5; *see also Energy Efficiency and Conservation Program*, Docket No. M-2020-3015228 (Implementation Order dated Jun. 18, 2020) (hereinafter, "Implementation Order").
[2] *See id.* at 11.
[3] *See id.* at 18.
[4] *See id*.
[5] Some PPLICA members also have accounts on Rate Schedules GS-1 and GS-3.
[6] *See* PPLICA Statement No. 1, 8-9.
[7] *Id.* at 6.
[8] PPL Electric Exhibit 1, p. 23 (PPL Phase IV EE&C Plan).

10. Large C&I customers are being asked to pay 45% more costs under the proposed Phase IV Plan than their percentage of total annual revenue.[9]

11. The Residential class is allocated 39% of the Company's Phase IV costs, but it contributes 52% of PPL's total annual revenues.[10]

12. The Small Commercial class is allocated 29% of PPL's Phase IV costs and contributes towards 26% of PPL's total annual revenues.[11]

13. To meet its Phase IV peak demand reduction target of 229 MW, PPL designed its Phase IV Plan to achieve peak demand reduction target of 248.03 MW among the customer classes.[12]

14. Large C&I measures are designed to achieve a peak demand reduction of 101.51 MW.[13]

15. Residential and Small C&I measures are designed to achieve peak demand reductions of 57.65 MW and 88.86 MW, respectively.[14]

16. Large C&I customers are experiencing an 80% increase in their budget for EE&C costs from Phase III to Phase IV.[15]

17. The EE&C budget decreases by 12% for the Residential class and increases by 35% for the Small C&I class from Phase III to Phase IV.[16]

18. Residential, Small C&I, and Large C&I customers submitted 52%, 26%, and 22% of the PPL's total annual revenues, respectively.[17]

19. For the Phase III EE&C Plan, Residential, Small C&I, and Large C&I customers were allocated 53%, 25%, and 21% of total Phase III EE&C costs, respectively.[18]

20. PPL recognizes that its proposed Phase IV plan relies disproportionately on Large C&I customers.[19]

21. PPL's primary justification for the unreasonably large increase in the measures and budget allocated to Large C&I customers is that a single residential offering, residential lighting, is no longer viable for Phase IV.[20]

22. PPL is proposing an 102% increase in the Large C&I ACR rate.[21]

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[9] *See id.*; *see also* PPLICA Statement No. 1, p. 6.
[10] PPL Electric Exhibit 1, p. 23 (PPL Phase IV EE&C Plan).
[11] *Id.*
[12] *Id.* at 14.
[13] *Id.*
[14] *Id.*
[15] PPLICA Statement No. 1, p. 6.
[16] *Id.*
[17] PPL Electric Exhibit 1, p. 23 (PPL Phase IV EE&C Plan).
[18] PPLICA Statement No. 1, p. 6.
[19] *Energy Efficiency and Conservation Program*, Docket No. M-2020-3015228 (PPL Reply Comments dated May 12, 2020), p. 4 (hereinafter, "PPL Reply Comments"); Supplemental Rebuttal Testimony of Dirk Chiles on behalf of PPL (hereinafter, "PPL Electric Statement No. 1-R (Supp)"), p. 4.
[20] *See* PPL Electric Statement No. 1-R (Supp), p. 4.
[21] PPLICA Statement No. 1, pp. 7-8.

23. At more than double the current ACR rate, the increase in the ACR rate for Large C&I customers is more significant than for any other customer class.[22]

24. If the three-year average Phase III ACR rate is compared to the proposed initial ACR rate for Phase IV, the rate for Large C&I customers increases by 31% instead of 102%, which is still substantial.[23]

25. Although the ACR rate for the final year of Phase III is lower than in the two prior years, the 80% increase to the Phase IV Large C&I budget indicates that the Large C&I ACR rates over Phase IV will continue to significantly exceed the ACR rates over Phase III.[24]

26. An 102% increase in EE&C costs could have a dramatic impact on PPLICA members' operations.[25]

27. The Commission approved a lower demand reduction 229 MW target for PPL in its Final Implementation Order than the originally proposed 244 MW target.[26]

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[22] *Id.*

[23] PPL Electric Statement No. 1-R (Supp), p. 13. During preparation of the Main Brief, it became apparent to PPLICA that PPL incorrectly calculated this percentage difference as 24%.

[24] PPLICA Statement No. 1, pp. 6-8.

[25] *Id.* at 8-9.

[26] Implementation Order, p. 80.

APPENDIX B

Proposed Conclusions of Law

1. Section 1301 of the Public Utility Code requires the Commission to ensure that all rates charged by PPL are just and reasonable.[1]

2. Act 129 requires the Commission to establish "[s]tandards to ensure that each plan includes a variety of energy efficiency and conservation measures and will provide the measures equitably to all classes of customers."[2]

3. An EDC has the burden of demonstrating that its Phase IV EE&C plan includes "a reasonable mix of programs for all customers" and "to explain and justify its distribution of measures among its customer classes if such distribution is challenged."[3]

4. The Commission may order an EDC to revise its EE&C plan if the Commission finds that the allocation of EE&C measures or associated costs to a particular customer class is unreasonable or otherwise in violation of the Act 129 requirement to provide EE&C measures equitably to all classes of customers.[4]

5. A 45% difference between the Large C&I customers' Phase IV EE&C costs and their contribution to PPL's total annual revenues is unreasonable, inequitable, and in violation of Act 129's requirement to allocate measures equitably to all classes of customers.[5]

6. PPL's proposal to meet its peak demand reduction target in part by achieving Large C&I peak demand reductions of 101.5 MW, which represents 41% of the total proposed demand savings, is unreasonable, inequitable, and in violation of Act 129's requirement to allocate measures equitably to all classes of customers.[6]

7. An 80% increase in Large C&I customers' EE&C costs from Phase III to Phase IV, when the EE&C budget is decreasing by 12% for the Residential class and increasing by only 35% for the Small C&I class, is unreasonable, inequitable, and in violation of the Section 1301 requirement that rates be just and reasonable and Act 129's requirement to allocate measures equitably to all classes of customers.[7]

8. PPL's Phase III EE&C allocation of costs was reasonably equitable and consistent with Act 129 due to the parity between percentage of contribution to EE&C costs and percentage of PPL's total annual revenues.

9. PPL may cure its Act 129 violation by revising its Phase IV Plan by reducing the Large C&I demand reduction target by 50%.

10. While some measure of disproportionality among customer classes may be permissible in an EE&C plan, the EDC has the burden of establishing that any disproportionate impact

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[1] 66 Pa. C.S. § 1301; *see, e.g., McCloskey v. Pa. Pub. Util. Comm'n*, 225 A.3d 192, 195 (Pa. Commw. Ct. 2020); *Popowsky v. Pa. Pub. Util. Comm'n,* 683 A.2d 958, 961 (Pa. Commw. Ct. 1996).
[2] 66 Pa. C.S. § 2806.1(a)(5).
[3] ***See*** Implementation Order, p. 92.
[4] ***See id.***; ***see also*** 66 Pa. C.S. § 2806.1(a)(5).
[5] ***Id.***
[6] ***Id.***; 66 Pa. C.S. § 1301.
[7] ***Id.***

of EE&C measures on a customer class remains reasonable and equitable as required by Section 1301 and Act 129. PPL wholly failed to meet this burden with respect to its Phase IV Plan.[8]

11. The Commission often relies on principles of gradualism when setting utility rates to avoid rate shock to any customer class.[9]

12. Gradualism is a ratemaking principle that requires "phasing in rates or closing rate differentials over a longer period of time allowing consumers to gradually make the adjustments in the 'elastic' part of their spending so as to pay for increased utility costs."[10]

13. In the Implementation Order, the Commission directs EDCs to follow other cost of service principles when assigning EE&C costs to customers.[11]

14. It is reasonable for the Commission to apply principles of gradualism to an EE&C plan.

15. The Commission should direct PPL to reduce the Large C&I ACR rate consistent with principles of gradualism.

16. It is neither PPLICA's responsibility, nor is PPLICA in the best position, to suggest alternative measures or targets for PPL. PPLICA established that the current Large C&I measures, budget, and rate are unreasonable and violate Act 129. It is now PPL's responsibility to modify its Phase IV Plan and cure the Act 129 violation.

17. PPLICA did not waive its ability to challenge PPL's demand reduction target in this proceeding.

18. A reduction in PPL's overall demand reduction target is reasonable and necessary to resolve PPL's Act 129 violation.

[8] *See id.*

[9] *See, e.g., Sharon Steel Corporation v. Pa. Pub. Util. Comm'n*, 468 A.2d 860 (Pa. Commw. Ct. 1983); *Barasch v. Pa. Pub. Util. Comm'n*, 515 A.2d 651 (Pa. Commw. Ct. 1986); *see also Lloyd v. Pa. Pub. Util. Comm'n*, 904 A.2d 1010 (Pa. Commw. Ct. 2006).

[10] *Lloyd*, 904 A.2d 1010, fn. 14.

[11] Implementation Order, p. 134.

APPENDIX C

<u>Proposed Ordering Paragraphs</u>

1. PPL's Phase IV measures and budget for Large C&I customers are unreasonable and inconsistent with Act 129 and Section 1301 of the Public Utility Code.

2. PPL is directed to revise its Phase IV EE&C Plan to reduce the peak demand reduction target for Large C&I customers by 50 percent.

3. PPL is directed to modify Large C&I customers' Phase IV ACR rate commensurate with the adjusted peak demand reduction target and consistent with principles of gradualism.