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February 21, 2023

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

Dear Secretary Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric" or the "Company") are the Company's Reply Comments on the pending Petition for Approval of Changes to Its Act 129 Phase IV Energy Efficiency and Conservation Plan ("EE&C Plan") in the above-referenced proceeding.

Copies of this filing will be provided as indicated on the enclosed Certificate of Service.

Respectfully submitted,

Devin Ryan

DTR/dc
Enclosures

cc: Certificate of Service

CERTIFICATE OF SERVICE
(Docket No. M-2020-3020824)

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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Dated: February 21, 2023

____
Devin T. Ryan

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

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: (1) the Answer filed by the Office of Small Business Advocate ("OSBA"); and (2) the Answer and Comments filed by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), concerning PPL Electric's Petition for Approval of Changes to Its Act 129 Phase IV 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 IV Energy Efficiency and Conservation ("EE&C") Plan on March 25, 2021. *See Petition of PPL Electric Utilities Corp. for Approval of its Act 129 Phase IV Energy Efficiency and Conservation Plan*, Docket No. M-2020-3020824 (Order Entered Mar. 25, 2021) ("*March 2021 Order*").

On December 30, 2022, PPL Electric filed a Petition for approval of 11 changes, both major and minor, to its Phase IV EE&C Plan ("Revision 1"). Although some of the modifications proposed by PPL Electric constitute "minor" changes, the Company submitted its proposed modifications in a single petition and requested that the Commission review the modifications under the procedures for changes that do not meet the minor change criteria (*i.e.*, "major changes") set forth in the Commission's *Minor Plan Change Order*.[1] Accordingly, comments, answers, or both would be filed within 30 days of service, and all parties would have 20 days to file replies to any comments or answers.

On January 19, 2023, the OSBA filed an Answer to the Petition.

On January 30, 2023, CAUSE-PA filed an Answer to and Comments on the Petition.

On January 31, 2023, the Office of Consumer Advocate ("OCA") filed a letter stating that it would not be filing Comments. Also, the PP&L Industrial Customer Alliance ("PPLICA") filed a letter in lieu of Comments, requesting that "the Commission take all reasonable steps to review the proposed budget reallocation within the requisite timeframe to ensure PPL reflects the adjusted sector budgets in the public filing of its June 1, 2023, ACR rate adjustment."

II. <u>REPLY COMMENTS</u>

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

[1] In addition to establishing a new expedited review process for minor changes, the *Minor Plan Change Order* detailed the review process for non-minor (*i.e.*, major) changes. *See Energy Efficiency and Conservation Program*, Docket No. M-2008-2069887 (Order entered June 10, 2011) ("*Minor Plan Change Order*"). Specifically, the Commission provided that "EDCs seeking approval of changes that do not fit within the Minor EE&C Plan change criteria . . . must file a petition requesting that the Commission rescind and amend its prior order approving the plan." *Minor Plan Change Order*, p. 20. Furthermore, "[t]his petition shall be served on all parties, who will have 30 days to file comments, an answer or both." *Id.* Then, the parties "have 20 days to file replies, after which the Commission will determine whether to rule on the changes or refer the matter to an Administrative Law Judge for hearings and a recommended decision." *Id.* These procedures superseded those previously established for EE&C Plan changes and "apply to all petitions for approval of an EE&C Plan change, other than petitions seeking review under the expedited process" for minor changes. *Id.* at p. 21.

respectfully requested that the Commission resolve issues, if possible, on the basis of Comments and Reply Comments to the proposed modifications.[2] Specifically, to the extent that no party has opposed a proposed change, or the Answers and 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.[3]

Although PPL Electric's proposed changes are largely unopposed by the OSBA and CAUSE-PA, the commenters make certain recommendations and requests concerning some of the Company's proposed changes. However, it is important to recognize that PPL Electric has the ultimate responsibility to design its programs, measures, incentive levels, measure eligibility requirements, and other elements of its Phase IV EE&C Plan to ensure that the Plan is cost-effective and achieves all compliance targets within budget. If the Company fails to meet its overall savings and peak demand reduction targets, PPL Electric (not the other parties) faces the potential for penalties. Therefore, the Company should have reasonable discretion to adjust its Phase IV EE&C Plan to ensure that it meets its compliance targets.

[2] *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 Co. 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).

[3] *See id.*

For these reasons and as explained in more detail below, the Commission should approve all of the PPL Electric's proposed changes as outlined in these Reply Comments and the Petition.[4]

A. PROPOSED CHANGES

1. Add, Change, and Remove Residential Program Measures with No Change to the Residential Sector's Overall Budget (*Minor Change*)

PPL Electric proposed to add, change, and remove various Residential Program measures with no change to the Residential Sector's overall budget. (Petition ¶ 13.) The proposed changes are estimated to increase the cost-effectiveness of the Residential Program, with the Total Resource Cost ("TRC") Test Benefit-Cost Ratio ("BCR") increasing from 1.01 to 1.19. (Petition ¶ 13.) As the Company explained, these changes will bolster the Residential Program's cost-effectiveness, adjust existing measures to better reflect the Company's actual experience in Phase IV, remove existing measures that had no participation or were underperforming, and expand the variety of measures offered to residential customers, all while not increasing the Residential Sector's budget. (Petition ¶¶ 14-17.)

No party opposes this proposal. Therefore, PPL Electric respectfully requests that the Commission approve it without modification.

2. Increase the Estimated Savings and Decrease the Estimated Peak Demand Reductions for the Residential Program (*Major Change*)

PPL Electric proposed to increase the estimated savings and decrease the estimated peak demand reductions for the Residential Program. (Petition ¶ 18.) Under the proposed changes, the Residential Program's total first-year savings would increase from 163,896 megawatt hours ("MWh") to 179,089 MWh, while the Residential Program's total first-year peak demand

[4] If the Commission does refer any of the proposed Phase IV 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.

reductions would decrease from 36.96 megawatts ("MW") to 33.86 MW. (Petition ¶ 18.) With the proposed changes to the Company's Residential Program, the Residential Program is projected to be more cost-effective, with the TRC BCR increasing from 1.01 to 1.19. (Petition ¶ 20.) Importantly, none of these updates to the projected savings and peak demand reductions would increase in the Residential Sector's overall budget. (Petition ¶ 22.)

No party opposes this proposal. Thus, PPL Electric respectfully requests that the Commission approve it without modification.

3. Add, Change, and Remove Low-Income Program Measures with No Change to the Low-Income Sector's Overall Budget (*Minor Change*)

PPL Electric proposed to add, change, and remove various Low-Income Program measures with no change to the Low-Income Sector's budget. (Petition ¶ 24.) The Company's proposed changes will adjust existing measures to better reflect the Company's actual experience in Phase IV, remove existing measures that had no participation, and expand the variety of measures offered to low-income customers, without increasing the Low-Income Program's budget. (Petition ¶¶ 25-28.)

a. CAUSE-PA Comments

CAUSE-PA states that it "is not principally opposed to PPL's proposed programmatic adjustments." (CAUSE-PA Answer ¶ 8.) However, CAUSE-PA avers that the Company needs to clarify and address certain aspects of its proposal. (CAUSE-PA Comments, pp. 4-7.) CAUSE-PA claims that the Company must "further clarify how its proposed Low-Income program changes will impact the eligibility requirements, estimated participation, and incentive ranges available to low income consumers." (CAUSE-PA Comments, p. 4.) CAUSE-PA requests information about how the proposed changes would affect "the delivery of comprehensive services to low income participants capable of generating meaningful energy and bill savings." (CAUSE-PA Comments,

p. 4.) According to CAUSE-PA, such "[a]dditional explanation is necessary to ensure that the proposed changes do not reduce the availability of comprehensive and direct install measures for low income households" or "impact" the Phase IV EE&C Plan settlement provisions concerning comprehensive and direct install measures. (CAUSE-PA Comments, pp. 4, 7.) Also, "to the extent that PPL proposes to remove any direct install measures from the Low-Income Program due to lack of participation," CAUSE-PA states that the Company "should be required to first evaluate whether participation could be increased by removing barriers to participation." (CAUSE-PA Comments, p. 7.) Lastly, concerning "PPL's proposal to add air conditioner retirement to its Low-Income Program," CAUSE-PA maintains that "the Company should be required to both retire ***and replace*** inefficient air conditioners." (CAUSE-PA Comments, p. 5) (emphasis in original).

In response, PPL Electric first clarifies that its proposed changes will not adversely affect low-income customers' ability to receive comprehensive and direct install measures, nor will they affect any of the Phase IV EE&C Plan settlement provisions governing such measures. Under the settlement, PPL Electric modified its Low-Income Program's Low-Income Assessment component so that up to $2.0 million is dedicated to: (1) space heating; (2) building shell measures; (3) water heater maintenance, repair, or replacement; and (4) appliance replacement/recycling. (Settlement ¶ 34.) PPL Electric's Petition would not reduce or affect the $2 million funding allocated for low-income comprehensive energy efficiency measures. In fact, PPL Electric expects to hit that level of spending on low-income comprehensive measures by Program Year ("PY") 17. The Company also will continue to coordinate work with its Low-Income Usage Reduction Program ("LIURP"), where appropriate, to maximize opportunities for customers to receive the range of energy efficiency services and treatments needed for their home.

Further, PPL Electric's decision to remove some measures from the Low-Income Program is reasonable and justified. Principally, the measures were removed due to external conditions outside of PPL Electric's control, including product cost increases due to inflation, other reasons that reduced the measures' cost-effectiveness, and code changes that were put in place after the start of Phase IV. For example, variable speed pool pumps were removed due to code changes that made the measure obsolete. Likewise, furnace whistles were removed due to negligible savings impacts and likely poor customer experience. Critically, for the three other removed measures, there are alternatives in the Revised Phase IV EE&C Plan, such as: (1) an energy kit variation; (2) an advanced power strip ("APS") variation; and (3) appliance replacement and/or retirement for remote audits.

As for CAUSE-PA's proposal to add air conditioner ("AC") replacement as a measure, the Company notes that ENERGY STAR Room AC replacement is already an existing measure,[5] and the forecasted replacements in the Revised Phase IV EE&C Plan outpace retirements of old units for the remainder of Phase IV.[6] Due to their high acquisition cost, PPL Electric strategically replaces room AC units by prioritizing units with the lowest energy efficiency rating ("EER"), which tend to be the older units. PPL Electric agrees with CAUSE-PA that low-income customers generally should not have room AC units removed without an efficient replacement. Therefore, the Company retires an inefficient room AC unit without replacement <u>only</u> if the customer confirms that they do not need the AC unit replaced. Based on the Company's review, such a situation very rarely occurs.

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[5] See Table 33 of the current Phase IV EE&C Plan, which lists "Energy Star Room AC (RAC) Replacement" as a measure. Although the current version of the Phase IV EE&C Plan does not set forth the measure's incentive amount, full cost, and estimated useful life, the proposed Revised Phase IV EE&C Plan provides such information.

[6] See Table 35 of the Revised Phase IV EE&C Plan.

For these reasons, the Company believes that CAUSE-PA's Comments have been addressed and that the Commission should approve the Company's proposed changes to the Low-Income Program's measures without modification.

4. Increase the Estimated Savings and Adjust the Estimated Peak Demand Reductions for the Low-Income Program (*Major Change*)

PPL Electric proposed to increase the estimated savings and adjust the estimated peak demand reductions for the Low-Income Program. (Petition ¶ 29.) Under the proposed changes, the Low-Income Program's total first-year savings would increase from 64,430 MWh to 67,093 MWh. (Petition ¶ 29.) And, while the total first-year peak demand reductions would remain 9.82 MW, the projected peak demand reductions for individual program years would be adjusted. (Petition ¶ 29.) These changes, and any corresponding changes to the estimated savings and peak demand reductions for individual program years, are being made to reflect: (a) PPL Electric's actual experience in Phase IV; (b) the Low-Income Program measures that are being added, changed, or removed; and (c) a correction in how savings from water measures are calculated. (Petition ¶ 30.)

No party opposes this proposal. Therefore, PPL Electric respectfully requests that the Commission approve it without modification.

5. Shift Approximately $18 Million from the Large C&I Sector Budget in the Non-Residential Program to the Small C&I Sector Budget in the Non-Residential Program (*Major Change*)

PPL Electric proposed to shift approximately $18 million from the Large C&I Sector's budget in the Non-Residential Program to the Small C&I Sector's budget in the Non-Residential Program. (Petition ¶ 35.) As the Company explained in its Petition, the change is necessary because the Small C&I Sector's interest in energy efficiency is much greater than expected for Phase IV. (Petition ¶ 36.) PPL Electric believes that such increased interest is due to Small C&I

customers' response to changing market conditions. (Petition ¶ 36.) Indeed, their interest in the Custom Program well exceeds the previously-forecasted participation. (Petition ¶ 36.) Without the proposed shift in funding, the Small C&I Sector could exhaust its budget prior to the end of the phase. (Petition ¶ 37.) This would cause substantial disruption in the energy efficiency market and, more importantly, deny Small C&I customers the opportunity to participate in Phase IV, creating a negative customer experience. (Petition ¶ 37.) During a time of high inflation and rising energy prices, PPL Electric maintains that Small C&I customers should have the funding available to take advantage of the Company's Non-Residential Program and reduce their electric usage and peak demand. (Petition ¶ 37.)

a. OSBA Comments

The OSBA asserts that "the modified EE&C Plan looks potentially reasonable," as the Company "is proposing to essentially swap the Large C&I . . . and Small C&I budgets and make far more investment in the Small C&I sector." (OSBA Answer, p. 1.) However, the OSBA claims that more information is needed "regarding PPL's basis for expecting significantly higher participation from the Small C&I sector compared to historic participation levels." (OSBA Answer, p. 2.) Specifically, the OSBA believes that "more information on the performance of the programming service the Small C&I sector would be helpful in evaluating the request for additional investment." (OSBA Answer, p. 4.) According to the OSBA, "PPL should provide additional information on the actual performance and participation levels compared to plan projections by non-residential program component, by stratum (Large vs. Small C&I), by year." (OSBA Answer, p. 4.) "If values indicate underperformance for the Small C&I sector," the OSBA avers that "PPL should provide clear programmatic steps in the Plan for improving performance, given the increase in investment level sought." (OSBA Answer, p. 4.)

In response, PPL Electric's proposal is based on both the experienced participation by the Small C&I Sector to date and the forecasted pipeline of upcoming Small C&I projects. The Non-Residential Program has seen much higher participation from the Small C&I Sector in Phase IV, specifically in the Custom component. In Phase III, the majority of Small C&I customers in Phase III participated in the Efficient Equipment component of the Company's Non-Residential Energy Efficiency Program, not the Custom component. Indeed, Phase III Small C&I participation in the Custom component was very low, with only 5 MW/yr achieved for the entirety of Phase III. Under the current Phase IV EE&C Plan, PPL Electric originally projected only 23 MW/yr for Small C&I in the Custom component for all of Phase IV. However, actual and projected participation far exceeds that forecast. Less than two years into Phase IV, PPL Electric's actual participation plus the current pipeline of Small C&I Custom projects total to approximately 38 MW/yr. At the same time, Large C&I participation in the Non-Residential Program's components is lower than the Company original projected for Phase IV. The following Tables 1 and 2 provide data showing this significant shift in Non-Residential Program participation:

Table 1.

Phase IV (PY13 VTD and PY14 RTD)					
Sector	Program Component	Current Actuals + Pipeline (MW/yr)	Original Plan (MW/yr)	Revised Plan (MW/yr)	Phase III Totals (MW/yr)*
SCI	Efficient Equipment	20.44	62.51	60.30	48.33
	Custom	38.35	22.9	63.57	5.00
LCI	Efficient Equipment	9.80	38.32	37.40	22.06
	Custom	35.67	68.3	30.64	15.41

** GNE accounted for an additional 13.85 MW/yr for Efficient Equipment and 19.73 MW/yr for Custom in Phase III*

Table 2.

Phase IV (PY13 VTD and PY14 RTD)					
Sector	Program Component	Current Actuals + Pipeline (MWh)	Original Plan (MWh/yr)	Revised Plan (MWh/yr)	Phase III Totals (MWh/yr)*
SCI	Efficient Equipment	81,288	409,239	387,268	350,079
	Custom	117,088	161,077	257,545	42,276
LCI	Efficient Equipment	78,612	256,122	247,810	162,130
	Custom	188,500	544,117	233,298	133,388

** GNE accounted for an additional 89,000 MWh/yr for Efficient Equipment and 134,000 MWh/yr for Custom in Phase III*

The market factors driving this shift in participation include a reduction in Combined Heat and Power ("CHP") projects due to higher costs, including for natural gas, and federal tax credits and incentives that spur Custom projects, such as solar. In fact, solar projects are more accessible in Phase IV for small and mid-size businesses, which has been evident from the number of applications for Small C&I Custom projects. To date, Small C&I customers have submitted 26 applications to PPL Electric with an additional 173 applications in the pipeline. By contrast, Large C&I customers have submitted one application with 18 applications in the pipeline.

The proposed budget shift reflects this significant development in Large C&I and Small C&I participation in Phase IV. PPL Electric's actual participation and confirmed pipeline of projects indicate that 76% of available Small C&I funding in the original Phase IV EE&C Plan has been accounted for, while only 40% of the Large C&I funding has been. This can be seen in Table 3 below:

Table 3.

Sector	Spend Type	Current Actuals + Pipeline ($$$)	Original Plan ($$$)	Original Plan vs. Actual/Pipeline	Revised Plan ($$$)	Revised Plan vs. Actual/Pipeline
SCI	Incentives	$41,228	$52,422	79%	$63,501	65%
	Non-Incentives	$17,292	$24,416	71%	$31,337	55%
	Total	**$58,519**	**$76,838**	**76%**	**$94,838**	**62%**
LCI	Incentives	$19,223	$57,690	33%	$46,611	41%
	Non-Incentives	$15,561	$28,216	55%	$21,295	73%
	Total	**$34,784**	**$85,906**	**40%**	**$67,906**	**51%**

Thus, under the current Small C&I budget, PPL Electric will have to drastically lower incentives paid to participating Small C&I customers or else the Company will likely exhaust the Small C&I budget before the end of Phase IV. In either scenario, there will be a negative effect on the EE&C market, a poor customer experience, and a threat to PPL Electric's ability to meet its required savings targets. As such, the proposed budget shift is necessary to prevent those adverse outcomes.

Based on the foregoing, all performance data indicates that the Small C&I Sector is actively participating at levels exceeding those previously experienced in Phase III and those contemplated in the original Phase IV EE&C Plan. Thus, PPL Electric's proposal is reasonable and justified because it will help ensure that adequate funding is available for future Small C&I projects and that PPL Electric can achieve its required savings targets.

b. CAUSE-PA Comments

CAUSE-PA "does not oppose PPL's proposal to shift $18 million from Large C&I budget to the Small C&I budget." (CAUSE-PA Comments, p. 8.) However, CAUSE-PA "respectfully recommends that the Commission require PPL to direct at least 20% of the reallocated funds to increase the energy efficiency programming available to serve affordable multifamily buildings."

(CAUSE-PA Comments, p. 8.) CAUSE-PA notes that "PPL offers a range of free direct install energy efficiency measures in the tenant units of low-income residents living in master-metered multifamily buildings in the Small C&I rate class." (CAUSE-PA Comments, p. 9.) "Despite proposing to shift approximately $18 million to the Small C&I budget," CAUSE-PA avers that "PPL has not proposed to increase the budget for[,] nor the savings derived from[,] master metered multifamily buildings." (CAUSE-PA Comments, pp. 9-10.)

The Commission should reject this proposal. First, CAUSE-PA presents no data to support its recommendation. In essence, CAUSE-PA's proposal would require PPL Electric to devote $3.6 million of the $18 million to free direct install energy efficiency measures in the tenant units of low-income residents in Small C&I master-metered multifamily buildings. However, under the Phase IV EE&C Plan settlement, there is a $2 million limit on cumulative spending in direct costs for low-income residents in master-metered multifamily buildings under the Low-Income Program. (Settlement ¶ 31.) CAUSE-PA's proposal would essentially <u>increase that limit by 180%</u>, from $2 million to $5.6 million. Nothing in CAUSE-PA's Answer or Comments establishes that there is sufficient customer interest or potential participation to warrant an additional $3.6 million that would be exclusively devoted to such measures.

Second, CAUSE-PA's proposal would unduly hamper the Company's ability to meet the Small C&I Sector's demand for EE&C measures. As noted previously, PPL Electric's proposal to shift $18 million from the Large C&I budget to the Small C&I budget is supported by a much greater than projected participation in Phase IV, particularly in the Custom component. To meet that increased demand, PPL Electric must have the flexibility to respond to market conditions in the future, regardless of whether the Small C&I participants are master-metered multifamily properties. Otherwise, the Company could be at risk of not achieving its required savings targets.

Notwithstanding, PPL Electric remains dedicated to achieving savings from master-metered low-income multifamily properties. Indeed, the Company's Petition would not reduce the funding available for PPL Electric's programs that serve master-metered low-income multifamily buildings in the Small C&I Sector. PPL Electric will continue to work with all stakeholders and respond to any leads on potential participants.

For these reasons, PPL Electric respectfully requests that the Commission deny CAUSE-PA's proposal and approve the Company's proposed budget shift without modification.

6. Add, Change, and Remove Non-Residential Program Measures with No Change to the Non-Residential Program's Overall Budget (*Major and Minor Changes*)

PPL Electric proposed to add, change, and remove certain Non-Residential Program measures with no change to the Non-Residential Program's overall budget. (Petition ¶ 41.) As explained in the Petition, PPL Electric's proposed changes will adjust existing measures to better reflect the Company's actual experience in Phase IV, remove existing measures that had no participation, and expand the variety of measures offered to Large C&I and Small C&I customers, all while not increasing the Non-Residential Program's overall budget. (Petition ¶¶ 42-47.)

a. OSBA Comments

The OSBA contends that "PPL's evaluation of its EE&C Plan does not provide enough detailed information on free ridership in the Small C&I sector to confirm that the changed incentive levels are reasonable." (OSBA Answer, p. 2.) Although the Company's annual reports "provide free ridership value by stratum (Large v. Small C&I)," the OSBA avers that "this is only for the custom component and does not cover the three other relevant components applicable to the Small C&I sector." (OSBA Answer, pp. 2-3.) Accordingly, the OSBA requests "additional information on historical free ridership by non-residential program component, by stratum (Large v. Small C&I), by year." (OSBA Answer, p. 3.)

At the outset, PPL Electric clarifies that while the Company has proposed to add, change, and remove certain Non-Residential Program measures, PPL Electric is not proposing to change any existing Non-Residential Program measures' incentive ranges. Because the OSBA's request for information on free ridership is premised on "confirm[ing] that the changed incentive levels are reasonable," PPL Electric believes that this request is moot.

Further, PPL Electric clarifies that its annual reports do not, as alleged by OSBA, "provide free ridership value by stratum (Large v. Small C&I)" for the Custom component. The Company's annual reports detail the impact of free ridership through the net-to-gross ("NTG") calculations. However, the strata not divided between measures implemented by Large C&I and Small C&I customers. The strata are: (1) "Large," meaning "[p]rojects with an expected energy savings greater than 2 million kWh/yr"; (2) "Combined heat and power (CHP)," consisting of "[a]ll CHP projects" participating in the Custom component; and (3) "Small," meaning the remaining projects that are not "Large" or CHP.[7] Therefore, the strata are divided based on the type of measure installed and/or expected energy savings, not the customer sector that installed it.

In addition, the Company notes that the information requested by OSBA is not currently available. Under PPL Electric's Evaluation Plan, which was developed by the Company's Evaluation, Measurement, and Verification ("EM&V") Conservation Service Provider ("CSP") and was reviewed and approved by the Commission's Statewide Evaluator ("SWE"), the EM&V CSP conducts net savings evaluations to determine the net verified savings for each program. Although the net-to-gross ("NTG") savings determination incorporates the effects of free ridership and spillover on the program, the EM&V CSP does not sample or analyze data further broken down by customer sector. Thus, PPL Electric cannot produce "additional information on historical

[7] Program Year 13 Annual Report, Appx. E, pp. 2-3 (dated Nov. 30, 2022). The Company notes that the "Small" stratum was not verified in Program Year 13 and will be evaluated in the Program Year 14 annual report.

free ridership by non-residential program component, by stratum (Large v. Small C&I), by year," as requested by the OSBA.

Based on the foregoing, PPL Electric's proposal to add, change, and remove Non-Residential Program measures should be approved without modification.

7. Increase the Estimated Savings and Estimated Peak Demand Reductions for the Small C&I Sector in the Non-Residential Program (*Major Change*)

PPL Electric proposed to increase the estimated savings and estimated peak demand reductions for the Small C&I Sector in the Non-Residential Program. (Petition ¶ 48.) Under the proposed changes, the Small C&I Sector's total first-year savings would increase from 574,229 MWh to 648,725 MWh, while the Small C&I Sector's total first-year peak demand reductions would increase from 93.37 MW to 135.23 MW. (Petition ¶ 48.) These changes, and any corresponding changes to the estimated savings and peak demand reductions for individual program years, are being made to reflect: (a) PPL Electric's actual experience in Phase IV; (b) the shift of approximately $18 million from the Large C&I budget to the Small C&I budget in the Non-Residential Program; and (c) the Non-Residential Program measures that are being added, changed, or removed. (Petition ¶ 49.)

No party opposes this proposal. Therefore, PPL Electric respectfully requests that the Commission approve it without modification.

8. Decrease the Estimated Savings and Estimated Peak Demand Reductions for the Large C&I Sector in the Non-Residential Program (*Major Change*)

PPL Electric proposed to decrease the estimated savings and estimated peak demand reductions for the Large C&I Sector in the Non-Residential Program. (Petition ¶ 52.) Under the proposed changes, the Large C&I Sector's total first-year savings would decrease from 800,239 MWh to 481,108 MWh, while the Large C&I Sector's total first-year peak demand reductions would decrease from 111.05 MW to 70.89 MW. (Petition ¶ 52.) These changes, and any corresponding changes to the estimated savings and peak demand reductions for individual program years, are being made to reflect: (a) PPL Electric's actual experience in Phase IV; (b) the shift of approximately $18 million from the Large C&I budget to the Small C&I budget in the Non-Residential Program; and (c) the Non-Residential Program measures that are being added, changed, or removed. (Petition ¶ 53.)

No party opposes this proposal. Thus, PPL Electric respectfully requests that the Commission approve it without modification.

9. Adjust the Major Accounts Common Cost Allocation Method (*Major Change*)

PPL Electric proposed adjusting the method used to allocate the "Major Accounts" common costs among the Small C&I and Large C&I Sectors. (Petition ¶ 56.) Specifically, instead of using the percentage of direct program costs (excluding residential), PPL Electric would use the estimated percentage of Key Account Managers' ("KAMs") time with the customer sectors (excluding residential). (Petition ¶ 56.) This is the same method that PPL Electric utilized to allocate the "Major Accounts" common costs in Phase III. (Petition ¶ 57.) Moreover, under the proposed shift of approximately $18 million from Large C&I to Small C&I within the Non-Residential Program, the percentage of direct program cost method would have resulted in a significant allocation of "Major Accounts" common costs to the Small C&I Sector, even though the Company's KAMs devote most of their time to working with the Large C&I Sector. (Petition ¶ 58.)

No party opposes this proposal. Therefore, PPL Electric respectfully requests that the Commission approve it without modification.

10. Update the Phase IV EE&C Plan to Reflect the Actual Carryover Savings from Phase III (*Major Change*)

PPL Electric proposed updating its Phase IV EE&C Plan to reflect the actual carryover savings from Phase III. (Petition ¶ 60.) When the Company prepared the Phase IV EE&C Plan, PPL Electric projected carryover savings of 200,000 first-year MWh. (Petition ¶ 61.) PPL Electric also estimated 20,000 first-year MWh of low-income carryover savings. (Petition ¶ 62.) Since that time, PPL Electric has confirmed that 306,275 first-year MWh will carry over from Phase III and apply toward the Phase IV savings target. (Petition ¶ 63.) The Company also confirmed 31,089 first-year MWh of low-income carryover savings. (Petition ¶ 64.)

a. CAUSE-PA Comments

CAUSE-PA recognizes that PPL Electric's "proposed adjustment to account for actual Phase III carryover savings does not appear to reduce the overall level of low income savings achieved through PPL's Phase IV EE&C Plan." (CAUSE-PA Comments, pp. 5-6.) However, CAUSE-PA maintains that "the Commission should closely monitor the Company's implementation of any approved changes to ensure the changes do not reduce the delivery of comprehensive and direct install measures for low income households." (CAUSE-PA Comments, p. 5.)

As noted previously, PPL Electric is committed to delivering direct install and comprehensive measures to low-income customers under its Phase IV EE&C Plan. CAUSE-PA correctly points out that the Revised Phase IV EE&C Plan, without consideration for the updated low-income carryover savings, would increase the overall forecasted energy savings for the Low-Income Program. The projected increase in savings was achieved without reducing the number of anticipated direct install or comprehensive measures. PPL Electric will continue to work with its

Low-Income Program CSP and stakeholders to help ensure that low-income customers have access to a robust offering of EE&C measures now and through the end of Phase IV.

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

The Company proposed a number of grammatical and editorial changes to correct or clarify wording or figures in the Phase IV EE&C Plan. (Petition ¶ 66.)

No party opposes these proposed changes. Thus, PPL Electric respectfully requests that the Commission approve them without modification.

III. <u>CONCLUSION</u>

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.

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