

HB 2200 EN BANC HEARING
November 19, 2008
CEEP'S QUESTIONS
Responses of PPL Electric Utilities Corporation

1. Conservation Service Providers:

a. Should the EDCs collaborate/coordinate on contracting with conservation service providers?

PPL Electric (or "the Company") believes Electric Distribution Companies ("EDC's") should have the opportunity to, but not the obligation to, collaborate/coordinate on contracting with Conservation Service Providers ("CSPs"). The customer base of each EDC, the usage patterns of those customers, and the technical capabilities of each EDC, particularly in terms of billing and metering, are different enough that seeking a high level of uniformity is likely to introduce inefficiencies that could eliminate any benefits achieved through joint competitive solicitations. However, the Company also believes that two or more EDCs should not be precluded from proposing in their respective plans joint or coordinated programs where such an approach can be reasonably demonstrated to be efficient and in the interest of the EDCs and their customers.

b. Are there enough common programs for the conservation service providers to provide effective measures across Pennsylvania?

The Company believes that the competitive approach established by Act 129 of 2008 ("Act 129" or the "Act") coupled with the expiration of rate caps will establish a clear economic incentive for the development of programs and for customer interest and participation. As a result, a large number and wide variety of conservation and efficiency measures should be available to customers. The Company is not aware of any shortage of measures in other jurisdictions where a similar approach has been taken. Whether these measures are effective or not will be defined, in accordance with the Act, by the Total Resources Cost ("TRC") Test. Whether the reduction targets will be achieved will be determined by whether there is a sufficient number of effective measures and sufficient level of customer participation.

As noted in its response to Question 1a, the Company does not believe that EDCs should be required to use measures or programs that are identical simply for the sake of uniformity. In addition to the differences noted in response to Question 1(a), the Company notes that Section 2807 of the Act does not mandate uniformity with regard to the procurement of generation supply by EDCs for default service customers. The Company believes that mandating a common

approach for conservation and energy efficiency programs would be inconsistent with the intent of the Act.

c. Does the provision providing for competitive bidding for all contracts with CSPs require the utility to competitively bid all energy efficiency and conservation services? If not, what energy efficiency and demand services should not be competitively bid?

PPL Electric believes that the Act is quite clear on this point. Section 2806.1(a)(10) states that participation of CSPs is required “in the implementation of all or part of a plan.” The Company believes this provision means that not all measures need to be provided by CSPs and, in the alternative, measures could be provided by the EDC. The Company believes that this makes perfect sense with regard to, for example, a rate program that would be administered directly through the EDC's metering and billing capabilities. The requirement to bid out such a program to a CSP would result in the need to recover the cost of a parallel metering and billing infrastructure. The Company believes that certain measures are more effectively delivered by the EDC, and that the language of the Act allows for that option. PPL Electric believes that the Commission's review of the EDC's proposed plan would be the appropriate time to affirm that a particular measure is most effectively delivered by the EDC or, in the alternative, that it should be provided by a CSP engaged through a competitive solicitation. The Company also notes that it is possible that, depending upon the responses to competitive solicitations, it may be determined that certain measures should be provided by the EDC instead of by a CSP or, possibly, not pursued at all.

However, the Company believes that the Act is also quite clear that those measures provided by a CSP must be the result of a competitive process (see Section 2806.1(a)(7)). The issue of which measures should be competitively bid, therefore, would be determined by which measures are more effectively delivered by an EDC rather than by some criteria regarding the nature of the measure.

d. Under definitions, a CSP is an unaffiliated entity providing information and technical assistance. Under 2806.1 (A), however, a CSP is said to provide conservation services. How should this Commission interpret this apparent inconsistency?

PPL Electric believes that this inconsistency may be more apparent than real. Providing conservation services is a broad concept that generally can be divided into two discrete tasks – (1) informing customers about energy efficiency and conservation services, or (2) actually providing those services. Those two tasks are precisely the activities reflected in the definition of CSP set forth in Section 2806.1(m) of Act 129. In the Company's opinion, that definition simply is another way of stating that the CSP will provide conservation services.

However, there is another issue regarding the definition of CSP that PPL Electric regards as a serious concern. As discussed in its comments filed with the Commission on November 3, 2008, at Docket No. M-2008-2069887, the Company believes that an improper interpretation of the definition of CSP could severely limit the number of entities that could act as CSPs. In its comments, PPL Electric pointed out that, under an improper interpretation of that definition, an entity affiliated with an EDC would be precluded from acting as a CSP for its affiliated EDC or for any other EDC in Pennsylvania. Such an interpretation would not make sense. An affiliate of one EDC acting as a CSP for another EDC provides absolutely no basis for any concerns regarding improper transactions among affiliates. Moreover, such an interpretation would be counter-productive because it would reduce the number of entities competing to be CSPs, and would remove from the market entities likely to have significant expertise in the implementation of energy efficiency and conservation programs. The result could be higher costs for EDCs to comply with Act 129, with those costs ultimately being paid by customers. In its November 3, 2008 comments, PPL Electric recommended that the PUC adopt an interpretation of Act 129 under which an entity affiliated with an EDC would be precluded from acting as a CSP only for its affiliate, and would be permitted to act as a CSP for any other EDC in Pennsylvania.

e. Under 2806.2, the Commission must establish a registry of approved CSPs. What basic business elements (better business bureau rating, bonding, for example) should be required to be registered?

The first sentence of 2806.2(a) provides that the Commission must establish a registry of approved persons qualified to provide conservation services to all classes of customers (“Registry”). The plain language of the Act establishes that this is a Registry for use by customers seeking conservation services. This requirement is not intended to establish a Registry of only those persons who could qualify to be or want to be conservation service providers (CSPs) to EDCs in Pennsylvania as that term is specifically defined under Section 2806.1. CSPs are hired by EDCs and provide EDCs with assistance in implementing an EDC’s conservation and energy efficiency plans. PPL Electric believes that it is critical that the Commission **not** limit the Registry to just those persons who are eligible to serve EDCs as CSPs. To conclude otherwise, that is, that the Registry lists only those who are eligible to be CSPs, would lead to the absurd result of a Registry available to customers that includes entities who might not actually be providing conservation services as a result of their failure to be successful bidders in competitive solicitations or, worse yet, who chose not to participate in those solicitations.

As an example, PPL Electric cites the circumstance that a number of affiliates of EDCs may not be able to be CSPs in the service territory of their affiliated EDC (see response to Question 1d, above), but they are still able to provide conservation services directly to customers. In fact, there is nothing in

the Act that attempts to limit the ability of any entity to provide conservation services to customers. Thus any Registry limited to CSPs would unfairly and unlawfully exclude a number of persons currently providing conservation services to customers who may not be eligible to become CSPs or who do not want to become CSPs providing services directly to EDCs under 2806.1. PPL Electric believes that the Commission should determine that the Registry is to be open to all persons qualified to provide conservation services to all classes of customers. Section 2806.2 does not establish a Registry of only CSPs.

PPL Electric believes that the Commission should determine that the second sentence of Section 2806.2(a) merely permits the Commission to establish additional experience and other qualifications for a CSP to be included in the broader Registry. PPL Electric believes that the second sentence of Section 2806.2(a) is not intended to otherwise limit the express language in the first sentence of Section 2806.2(a) providing for a broad inclusion in the Registry of anyone qualified to provide conservation services directly to customers.

In establishing the Registry, the Company recommends that the Commission follow an approach similar to the approach it developed for the licensing of Electric Generation Suppliers (“EGSs”). There, rather than requiring specific business elements, the Commission required the EGS to submit “financial information sufficient to demonstrate financial fitness,” and then listed examples of acceptable documents. See, 52, Pa. Code Section 54.33(a)(6). PPL Electric believes that a similar approach would work with regard to the Registry, again recognizing the broad scope of potential services that they might provide.

Another model the Commission might consider for its applicability is the process used by entities seeking to be approved contractors and dealers in the Keystone HELP program. (See <http://www.keystonehelp.com/info/become.php>).

The level of bonding is a more difficult matter. PPL Electric believes that the level of the any bond requirement should vary with the nature and scope of the services provided. But, beyond that basic concept, the Commission will have to strike a very careful balance. On one hand, the bond might be set high enough to protect fully the users of persons on the Registry. On the other hand, the bond should be set low enough to encourage many entities to compete for business.

f. What experience and qualifications should be required of registered CSPs?

The various considerations discussed by PPL Electric in response to question 1(d), above, also apply to this question. Because CSPs can offer a very wide range of services, the required experience and qualifications should be correspondingly broad. The Company believes that the Commission’s approach

to licensing EGSs is also relevant in determining experience and qualifications. The Commission's regulations direct EGSs seeking a license to submit "evidence of competency and experience in providing the scope and nature of the applicant's proposed services." A list of acceptable documents is provided. See, Pa. Code Section 54.33(a)(7). PPL Electric recommends that the Commission follow a similar approach if it decides to register CSPs. However, as explained above, the requirement of Section 2806.2(a) refers to a much broader Registry, not just a registry of CSPs.

2. Measurement of Meeting Statutory Requirements:

a. How would the *addition* of new load in an EDC territory (i.e. RCI new development/construction) be measured, and at what point do these additions meet the "extraordinary load" exceptions?

In its comments filed with the Commission on November 3, 2008, at Docket No. M-2008-2069887, the Company recommended procedures for establishing reduction targets for sales (in terms of MWH of sales to be reduced in each of the target years) and for demand (in terms of average MW of demand during the 100 highest demand hours to be reduced in the target year) that track the performance of individual measures. This approach, described in more detail in response to Question 2b, would avoid the need to track load growth and to account for "extraordinary growth" separate from "ordinary growth" on an on-going basis. The only adjustments that would be required would be in preparation of the sales forecast for the base period; i.e., June 1, 2009 through May 31, 2010, and the Company anticipates that the only "adjustment" necessary would be to reflect normal weather in the forecast.

b. How would one distinguish between *reductions* in consumption as a result of customer participation in technology programs in an EDC territory, implemented as part of an EDC's Energy Efficiency and Conservation Plan, as opposed to unrelated and independent consumer actions (i.e. manually adjust thermostat heat/cooling settings, turn lights off, etc.)?

If one simply measures metered usage, either on an individual or aggregated basis, one will never be able to distinguish between reductions that are the result of participation in an energy efficiency or conservation measure that is part of an approved EDC plan or the result of unrelated and independent consumer actions. Furthermore, one will not be able to evaluate the effectiveness of a plan or of individual measures within a plan. Accordingly, in its comments filed with the Commission on November 3, 2008, at Docket No. M-2008-2069887, the Company recommended procedures for establishing reduction targets for sales (in terms of MWH of sales to be reduced) and for demand (in terms of average MW of demand during the 100 highest demand

hours to be reduced) that track the performance of individual measures. Under the Company's proposed approach, the results of, for example, a compact fluorescent light program would be determined by a standard per-bulb accomplishment (kwh per year saved or kw reduction that would likely occur during the highest 100 hours of demand) that would be catalogued in a Technical Reference Manual multiplied by the number of bulbs provided to customers. In the development of a plan for Commission review and approval, an analysis using the TRC Test would be provided demonstrating the measure's cost effectiveness for the estimated level of participation and cost. At the verification and measurement step, the actual participation and cost would be used. The Company believes that such an approach is consistent with the definition of energy efficiency and conservation measures which requires that "the cost of the acquisition or installation of the measure is directly incurred in whole or in part by the electric distribution company." Section 2806.1(m).

- c. How will economic activity within Pennsylvania and an EDC's service territory be considered when measuring the performance of EE/DR programs? For example, an EDC's territory that is experiencing a recession may meet their goals from decreased economic activity from plant closures, business failures and worker migration out of the service territory.**

PPL Electric believes that the approach described above in response to Question 2b, and in its comments filed with the Commission on November 3, 2008, at Docket No. M-2008-206988, avoids this issue. The approach proposed by the Company correctly focuses on the performance of the programs for which EDCs will be seeking cost recovery. The question, as posed, raises the possibility that an EDC's plan could become a "free rider" to an economic downturn wherein the plan might not achieve any reductions, but that fact would be masked by sales reductions related to plant closures, business failures, and worker migration.

3. Evaluation:

- a. Should the Commission establish a standardized total resource cost manual to evaluate projects? If so, is there a state or utility this Commission should use as a starting point for discussions?**

Yes. To provide guidance and assure that EDCs develop cost-effective plans, and that the Commission has the most effective and efficient basis to evaluate the plans, the Commission should undertake, with appropriate input from EDCs and others, the development of a clear and concise definition of TRC Test. While a number of jurisdictions have such definitions and guidance (for example, the Ontario Electric Board (<https://ospace.scholarsportal.info/bitstream/1873/3005/1/255871.pdf>) and the

California Energy Commission (www.energy.ca.gov/green_building/documents/background/07-_CPUC_STANDARD_PRACTICE_MANUAL.PDF - 2005-03-22), the Commission will need to assure that a definition is established that is consistent with Pennsylvania's unbundled and deregulated environment, that properly reflects the EDCs' role as default service providers, and is consistent with Pennsylvania's ratemaking and cost recovery practices.

In its application of the TRC Test, the Commission should rely, to the extent practicable, on existing standards for the benefit to be achieved by specific measures. As an example, the Company recommends the use of and expansion of the Technical Reference Manual developed by the Commission's Alternative Energy Portfolio Standards Working Group for establishing the benefit to be achieved by the implementation of certain standard measures such as compact fluorescent light bulbs, EnergyStar appliances, and efficient motors.

The Company is concerned that the requirement to limit the analysis to a 15 year horizon may eliminate certain otherwise valuable programs. In this regard, it will be important to clearly define how grants affect the TRC analysis – both grants (and tax incentives) that may be available generally as well as grants that may be measure-specific inducements aimed at accelerating payback for the participant.

Accordingly, in its comments filed with the Commission on November 3, 2008, at Docket No. M-2008-2069887, PPL Electric recommended that the Commission adopt the following procedures:

- By January 15, 2009, the Commission should develop and publish a comprehensive definition of the TRC Test, including one or more examples of how the TRC Test would be applied.
- The Commission should clearly define what costs and benefits are to be included in the TRC Test, specifically requiring that those costs and benefits be actual, quantifiable and directly related to the EDC's plan. In addition, the Commission should clearly state that identification of an economic consequence in the TRC Test as a "benefit" or "cost" does not affect its recognition as an expense or revenue for ratemaking purposes. The guiding principle, consistent with the language of the Act, should be that EDCs must be able to fully recover all costs of programs net of any expense reductions that might be realized by the EDC.

b. What other cost benefit tests should the Commission use to achieve reduction in consumption requirements pursuant to Section 2806.1(C)(3).

The plans filed by each EDC will, in fact, be an analysis of how that EDC proposes to achieve the required reductions and that analysis should be rooted in the TRC Test. The Company is concerned that the introduction of additional tests not contemplated by the Act may lead to confusion and inconsistency that might confound certain provisions of the Act. PPL Electric believes that it is the intent of the Act that each individual measure being proposed by an EDC as part of its plan should be tested using the TRC Test and that those measures, aggregated into the plan, would also be tested using the TRC Test. Having met these tests, the Company envisions that the plan would be approved by the Commission as cost-effective and eligible for cost recovery. The Company is concerned that if other tests are applied and measures are pursued that aren't cost effective under the TRC Test, customers will be exposed to programs that may not be in their best interests and cost recovery may be jeopardized. The Company is also concerned that the Act establishes a process for assessing the achievability of reduction targets and the possible establishment of additional targets and the use of other tests may confound that process. As such, PPL Electric believes that no other analysis should be required of the EDC.

The Act requires that the Commission demonstrate the cost effectiveness of the entire statewide program and the Company believes that that demonstration should also employ the TRC Test. To the extent that the Commission's costs in developing such a demonstration are collected from the EDCs, the EDCs must be entitled to recover those assessed costs through the reconcilable adjustment clause.

c. Act 129 requires utilities to file a plan to assure quality assurance [includes evaluation, measurement and verification by independent parties to ensure quality of completed measures], and further requires an annual independent evaluation of cost effectiveness of the Plan. Given the exposure to penalties by EDCs for potential non-compliance on meeting statutory energy efficiency and conservation goals, what approaches are appropriate to ensure that such independent, third parties are free of coercion from the EDCs they evaluate?

The Commission's procedures should permit EDCs to propose, as part of their plan for Commission approval, a solicitation and evaluation process as well as standard form contracts and agreements that would be put in place between the EDC and independent third parties.

The Commission's procedures should include, with input from the EDCs and others, standards for independent evaluation of program activities, including standards for professional conduct and integrity from third party evaluators. These specific procedures and standards should be published by the Commission and available to all interested parties. Such procedures and standards would also spell out the certifications and representations that would

be required of an independent evaluator. Further, the Commission's Bureau of Audits should review, on a periodic basis, each EDC's procedures for data collection, quality assurance and assessment of results for its plan to assure evaluations performed by the independent third parties reflect the Commission's published standards and procedures.

4. Cost Recovery:

a. What are the appropriate time frames to expense or amortize energy efficiency and demand response expenditures?

PPL Electric believes that this issue can arise in two different time periods. First, an EDC will make expenditures to design and develop its energy efficiency and demand response plan before the plan is effective and a cost recovery mechanism is in place. Second, an EDC will make expenditures to implement its plan after the Commission has approved the plan and the cost recovery mechanism. In both cases, under Section 2806.1(k) of Act 129, an EDC has a right to recover those expenditures on a "full and current basis." Accordingly, any amortization of those expenditures would be inappropriate, because it would result in a delay in recovery. Under the explicit language of Act 129, an EDC should be permitted to recover energy efficiency and demand response expenditures as incurred, or as soon thereafter as possible.

In the alternative, if the Commission concludes that amortization of these expenditures is permitted under Act 129, PPL Electric recommends that the amortization period be set to match, as closely as possible, the expenditures with the associated benefits. Under such an approach, all expenditures incurred to design and develop a plan would be amortized over the life of that particular plan. Similarly, each expenditure incurred to implement a plan would be amortized over the life of the plan component paid for by that expenditure.

If the Commission requires the amortization of any energy efficiency or demand response expenditures, it should explicitly permit the EDC to account for those expenditures as regulatory assets. Act 129 includes very strong assurance of cost recovery, but is silent on this accounting issue. To eliminate any doubt, the Company recommends that the Commission provide such accounting guidance in its January 15, 2009 program.

b. How should this Commission ensure recovery of only "prudent and reasonable" costs? Is this established at the time of plan approval? Is it established only after quality assurance and performance is measured, verified, and evaluated, or is it established during the annual independent analysis?

In the first instance, PPL Electric believes that “prudent and reasonable” costs are established at the time of plan approval. Section 2806.1 (b)(1)(I)(F) of Act 129 requires an EDC to submit, as a part of its filing with the Commission, “estimates of the cost of implementation” of its proposed plan. Commission review and approval of the plan will include review and approval of those cost estimates. Upon Commission approval, those costs should be considered “prudent and reasonable.”

Subsequent review and verification by the Commission should focus solely on whether the EDC implemented its plan as approved and whether its costs were within the approved estimates. If they were, no further inquiry is necessary, and the EDC should be allowed to recover its costs on a “full and current” basis. If they were not, further inquiry is appropriate and the EDC should have an opportunity to explain any deviations from the approved plan and approved expenditures. Based on those explanations, the Commission then should determine whether the costs are “prudent and reasonable.”

c. If services are not competitively bid, how will this commission determine such costs are reasonable and prudent?

As PPL Electric discussed in its response to question 1(c), above, in some instances, an EDC will determine that it can provide energy efficiency and conservation measures more effectively than a CSP. An example cited in that response was a rate program wherein the EDC already has in place the metering and billing infrastructure necessary to implement the program. The EDC will include that determination in its plan, and the Commission will have an opportunity to review and evaluate it. Presumably, the EDC will be able to provide adequate analysis to support its conclusions, particularly its conclusion regarding cost effectiveness. If the Commission accepts the EDC’s analysis, the associated costs, although not competitively bid, should be considered “reasonable and prudent.” If the Commission rejects the EDC’s analysis, the energy efficiency and conservation measures would be competitively bid.

5. Program Design:

a. How should the statutory requirement be interpreted and implemented that requires energy efficiency and conservation measures be equitably provided to all classes of customers?

The Act identifies certain customer segments (specifically, customers at or below 150% of the federal poverty guideline and a segment consisting of government/schools/non-profit entities) for whom separate reduction and/or spending targets are established. These segments should be further defined and guidance should be provided on tracking and compliance issues. The Company specifically notes that EDCs do not typically have information on the

income levels of its customers and will have to rely on general census information to allocate funds and programs to this group of customers. Accordingly, it will be difficult to "market" programs specifically to customers within this group because, other than those customers who have been payment troubled and consequently have provided their income level, the Company simply does not know the names of a large number of the individuals in the designated group.

In general, funding for programs for each segment should be equal to 2% of the Company's total annual revenue from that segment to ensure that benefits from EDC programs flow back to the customer segments funding those programs.

The Act establishes a cap on the amount that an EDC can spend on a plan of 2% of total revenues. Section 2806.1(g). PPL Electric interprets this cap on plan spending to be an annual amount, and not a total amount for the five year term of a plan. If the cap were to be interpreted as an amount for the full five year period, the Company believes that many EDCs will have difficulty achieving the mandated reductions in consumption and peak demand. In PPL Electric's case, 2% of its total revenues will equal approximately \$60 million. If that amount were spread over five years, it would equate to \$12 million per year -- an amount clearly insufficient to fund all of the plan elements that will be needed to meet the requirements of Act 129.

b. Should all EDCs be required to implement the same type of EE/DR programs? Is it likely that programs will be equally cost effective in every EDC territory?

PPL Electric recognizes that all programs may not work well with all customers. Programs for different types of housing stock (e.g., urban versus rural areas, multifamily versus single family units, etc.) may require different program characteristics to increase effectiveness. EDCs should have flexibility to determine what works best for their customers. PPL Electric would support a process that identifies categories of programs designed for certain customer types, and allows utilities to implement programs from within those categories. For example, in the residential sector, home energy audits may be a program that merits consideration. PPL Electric would support identification of a statewide standard for home energy audits (Building Performance Institute or BPI for existing homes and Residential Energy Services Network or RESNET for new construction), but the implementation of those programs would be tailored to reflect the unique characteristics for each EDC.

Recognizing the differing demographics, climate, customer mix, and economic conditions in the Commonwealth, it is unlikely that programs would be cost effective in every EDC territory. EDC's will need to select programs that

meet their obligations for Act 129 in the manner that proves most cost effective given their unique circumstances

c. Which programs are more cost effective if implemented on a statewide basis?

As noted above, program cost effectiveness will vary among EDCs. Requiring statewide compliance with a specific program implementation could be cost effective for some EDCs and not cost effective for others.

However, consumer education using broadcast and print media might provide opportunities to raise consumer awareness on energy efficiency in a cost effective manner. A statewide campaign would need to be carefully crafted to ensure applicability for all EDCs.

6. Reporting Requirements:

a. What additional information should the Commission require the EDCs to report under Section (I)(1)(IV)?

PPL Electric considers the reporting and evaluation criteria noted above as an appropriate basis for the Commission to review and evaluate the effectiveness of each EDC's plan. At this time, the Commission should not require any additional information in these reports. If, in the future, the Commission identifies a need for additional information, it can expand the reports at that time.

7. The EDCs already have some DSR Programs available to various customer classes. They have developed these programs voluntarily without any mandates*:

a. Please provide a brief overview of current EDCs' DSR programs.

PPL Electric offers customers a number of legacy DSR programs that pre-date restructuring and which will expire at the end of 2009. These include interruptible rates, time of use features, a demand-free day feature, and an experimental price response rate for large industrial and commercial customers; an off-peak space heating and other time of use features for small industrial and commercial customers; and off-peak water heating, thermal storage, and time of day rates for residential customers.

In anticipation of the expiration of these programs, the Company has, in recent years, instituted a pilot program that offers on-peak and off-peak pricing during the summer to residential customers and a variant of its existing

experimental price response service that offers day-ahead market prices to large commercial and industrial customers. In addition, the Company has recently requested Commission approval of a second residential pilot that would offer on-peak and off-peak pricing year-round.

b. What has been your experience with customer interest and participation levels in current programs?

In PPL Electric's experience, as customers have become aware of the potential for increases in the price of electricity and the potential to save that is offered by DSR programs, interest in such programs is increasing. However, the Company continues to find little interest in these programs among customers in the large majority of instances wherein capped rates are an economically attractive alternative.

c. What level of weather-normalized peak load and demand consumption reductions have been achieved under the current programs?

The Company does not have information regarding the weather-normalized peak load and demand reductions achieved under its current programs.

d. What types of new programs or changes to existing programs, if any, would be needed to achieve the targets contained in Act 129?

The Company anticipates that significant numbers of new programs will be needed to achieve the targets established by Act 129. The Company is only beginning the analysis of programs it might propose in its plan, but anticipates that the plan will include direct load control programs, efficient appliance programs, distributed generation, and weatherization programs. The Company also will consider the role of time of use programs and interruptible programs, but is concerned that such programs involve voluntary customer response and, therefore, involve some risk that lack of response will jeopardize the Company's ability to meet the reduction targets.

e. What is the projected level of customer interest or savings in these new programs?

At this time, the Company can make no estimate of customer interest or savings in new programs.

f. Please provide references to any market research pertaining to specific EDC programs in Pa.

The Company is not aware of any market research pertaining to specific programs in Pennsylvania other than that which has already been gathered by the Commission's Demand Side Response Working Group.

Examples of existing EDC DSR Programs (2007):

- a. Duquesne, FirstEnergy, PECO, PPL and UGI have load reduction programs requiring use of an interval meter for Commercial & Industrial customers.
- b. Duquesne and FirstEnergy have load control programs for residential and small C&I customers.
- c. FirstEnergy has a distributed generation program for C&I customers.
- d. PennPower has an hourly pricing program available to C&I customers.
- e. Most of the EDCs already have some Time of Use (TOU) or Billing Demand programs available to various customer classes.
- f. UGI offers to audit customer facilities as well as provide a rebate program for high-efficiency heat pumps.
- g. FirstEnergy offers customers a web-based calculator. FirstEnergy is also currently considering two new programs: Power Factor correction for C&I and a Thermostat/Appliance Price Response Program for residential and small commercial customers.

8. In reference to question 1(e) above, the PA Treasury Department already offers the Keystone Home Energy Loan Program (Keystone HELP™). The Department refers to this as Pennsylvania's official streamlined, lower rate financing program for ENERGY STAR™ rated and other high efficiency and renewable energy improvements:

- a. **To what extent will there be overlap and duplication between this program and Act 129 programs?**

Depending upon on the types of energy efficiency programs and how EDCs structure them, there could be some overlap with the efforts of Keystone HELP. This program provides unsecured loans that provide eligible applicants with funding for various energy efficiency improvements. Keystone HELP offers a competitive interest rate and a favorable re-payment period (i.e., 10 years).

If EDCs were to offer similar loan programs to customers, there would be a direct overlap with the purpose and objectives of Keystone HELP. However, it is more likely that EDCs will provide access to certified energy auditors and

contractors for customers to choose from, rather than offer a loan program. In any event, if an EDC were to propose a similar loan program, PPL Electric anticipates that the EDC's analysis using the TRC Test would include participation rates consistent with the fact that the Keystone HELP program also exists.

b. The Treasury Department already has an application process established for customer enrollment and contractor registry. To what extent could this process be used as a model under Act 129 compliance?

There is value in looking at the contractor registry process associated with Keystone HELP. Providing customers with ready access to a pool of certified contractors is one of the components that is critical to the successful implementation of programs under Act 129. PPL Electric believes that there is much work to do in identifying and certifying a sufficient pool of qualified contractors throughout the state. EDCs can benefit from the “lessons learned” and experiences of Keystone HELP regarding contractor identification and participation.

Unless EDCs are going to implement loan programs for energy efficiency measures, PPL Electric does not believe there is a need to review and evaluate the application process for Keystone HELP’s consumer loan program. EDCs may already have sufficient experience in identifying and referring customers to various programs, or they will contract with qualified third-party vendors to design and implement effective enrollment processes.

c. The Treasury already has a registry of certified contractors. Consumers are able to input a zip code to find certified contractors in their area. To what extent could these contractors’ qualifications be used to register CSPs?

PPL Electric believes that the Commission should evaluate the qualifications used by Keystone HELP to certify its contractors. Several questions come to mind: What is the process to certify contractors? What type of training is involved? Is re-certification required periodically? Have consumers been satisfied with Keystone HELP’s contractors?

Some non-utility sponsored energy efficiency programs note that their contractors are BPI (Building Performance Institute) certified. BPI certification is a rigorous training program involving classroom instruction, field work and testing. Using a third party, PPL Electric has offered two BPI training courses to certify energy efficiency contractors; however, the course is lengthy (six days) and fairly expensive (\$1,700). Moreover, other factors beyond BPI certification also must be considered. Factors such as quality control, crew management,

strong leadership, effective scheduling of work, strong trouble-shooting skills, and good communications are very important as well.