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February 7, 2013

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Bldg., 2nd Fl.
400 North Street
Harrisburg, PA 17105-3265

RE: Petition of PPL Electric Utilities Corporation for Approval of its Act 129 Phase II Energy Efficiency and Conservation Plan; Docket No. M-2012-2334388

Dear Secretary Chiavetta:

Enclosed for electronic filing is Comverge, Inc.'s Reply Brief in the above-referenced matter. Copies have been served in accordance with the attached Certificate of Service.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jeffrey J. Norton".

Jeffrey J. Norton

JJN/jls
Enclosure

cc: Hon. Dennis J. Buckley (w/enc)
Certificate of Service (w/enc)

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing Reply Brief 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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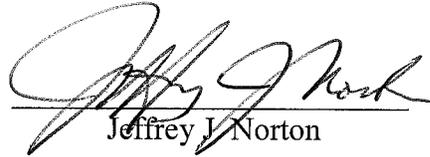
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Date: February 7, 2013

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PETITION OF PPL ELECTRIC :
UTILITIES CORPORATION FOR :
APPROVAL OF ITS ACT 129 PHASE : Docket No. M-2012-2334388
II ENERGY EFFICIENCY AND :
CONSERVATION PLAN :

REPLY BRIEF OF COMVERGE, INC.

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TABLE OF CONTENTS

I. INTRODUCTION1

IV. SUMMARY OF ARGUMENT2

V. ARGUMENT2

 B. Act 129 Conservation Requirements2

VI. CONCLUSION.....6

I. INTRODUCTION

Comverge, Inc. (“Comverge”) submits this Reply Brief in response to the main briefs (“MBs”) of several of the parties to the above-captioned proceeding. While Comverge anticipated and responded to many of the arguments set forth in the MBs and incorporates those arguments herein, Comverge offers this Reply Brief to respond to several specific points of the parties.

When considering the proposed Custom Incentive Program of PPL Electric Utilities Corporation (“PPL” or “Company”), which is a part of PPL’s Phase II Energy Efficiency and Conservation (“EE&C”) Plan. The use of cost effective and energy efficient on-site combined heat and power (“CHP”) technologies should be encouraged by this Commission (and PPL).¹ CHP projects should be given the same treatment as other energy efficient projects under PPL’s Custom Incentive Program.

For the reasons stated herein and in its MB, Comverge submits that the record in this proceeding does not support adoption of PPL’s proposed Custom Incentive Program with regard to CHP projects. As proposed, PPL creates two significant burdens on CHP projects. PPL imposes a higher Total Resource Cost (“TRC”) score of CHP projects, and pays a lower incentive to CHP projects. These greater burdens are not supported by the record, and PPL’s logic for imposing these burdens on CHP projects was not applied to other similarly situated projects. The end result is that CHP projects in only the PPL territory will be subjected to unfair, unjustified and discriminatory burdens.

To remove these burdens from CHP projects, PPL’s Custom Incentive Program should be modified to provide for (a) a TRC score of 1.0 for CHP projects; and (b) an incentive of

¹ See Comverge MB at 1, 3; UGI MB at 27-28.

\$0.08/kWh for CHP projects. These modifications will permit CHP projects to be treated equally with other non-CHP measures under PPL's Custom Incentive Program.

IV. SUMMARY OF ARGUMENT

Comverge submits that the proposed PPL Phase II EE&C Plan does not go far enough and, at times, actually inhibits the inclusion of CHP as an energy efficiency measure. Comverge strongly believes that the Commission should not only encourage CHP, but also remove the barriers to CHP that were proposed by PPL. To put CHP on a level playing field with other energy efficiency measures, Comverge requests that the Commission order PPL to actively develop and implement CHP technologies, with a TRC score of 1.0, in its service territory, and to provide the same incentives as the non-CHP other energy efficiency measures within the proposed Phase II Plan. The details of Comverge's recommended changes to PPL's Phase II EE&C Plan are discussed herein and in Sections IV and V.B.7 of Comverge's MB.

V. ARGUMENT

B. Act 129 Conservation Requirements²

The proposed PPL Phase II EE&C Plan inhibits the inclusion of CHP as an energy efficiency measure by creating two greater burdens on CHP projects. PPL imposes a higher TRC score of CHP projects, and pays a lower incentive to CHP projects. Comverge joins with UGI Utilities, Inc. ("UGI") in seeking the removal of these burdens on CHP projects because they will discourage "investment in proven energy efficient natural gas technologies relative to other energy efficiency investments and supply side resources."³

² The details of Comverge's recommended changes to PPL's Phase II EE&C Plan are discussed summarized in Section IV and V.B.7 of Comverge's MB.

³ UGI MB at 27.

i. The Custom Incentives for CHP Should be at Same Savings Figure as Other Energy Efficiency Measures in the Proposed PPL Phase II Plan.

PPL's Custom Incentives Program pays an incentive to customers for consumption or demand reduction. PPL proposed a different (and lower) incentive for CHP projects (at \$0.05/kWh saved based on verified savings) than the other non-CHP energy-efficiency measures (at \$0.08/kWh saved based on verified savings).

In its MB, PPL expresses a concern that that large projects will consume the total budget for the Custom Incentive Program.⁴ This logic is fatally flawed. The different incentive level is limited to only CHP projects.⁵ If PPL were actually concerned about "large" projects taking the lion's share of the budget of the Custom Incentive Program, the different level of incentive would be linked to the size of the project – which it is not.

In its MB, PPL attempts to justify paying less incentives to CHP projects - so that more money will be available for "smaller projects."⁶ This mistaken belief places less benefit and value on the verified savings achieved by a CHP projects, and attributes more benefit and value to the verified savings of other smaller projects. The differing benefits and values assigned by PPL is neither justified nor supported by the record. The size or number of projects are not and should not be the primary driver for meeting the consumption or demand reduction targets.

And, it should be noted that if size (and the resulting budgetary effect) is the real issue sought to be addressed by PPL, then that logic should be applied to all large projects, and not just CHP projects. As proposed by PPL, any CHP project – regardless of its size – should be treated

⁴ PPL MB at 39.

⁵ UGI MB at 27-30; UGI Statement No. 1 (Raab) at 13.

⁶ PPL MB at 39.

differently from every other project in the Custom Incentive Program. This is clearly discriminatory, and does not help to ensure that incentives are available to all interested customer on an equitable basis.

To put CHP on a level playing field with other energy efficiency measures, Comverge supports UGI's recommendation that the PPL Plan should provide incentives for CHP projects within the Custom Incentive Program that are comparable to other measures that would be eligible for funding under the program.⁷

ii. The Threshold TRC Score for CHP Should be 1.0, not 1.25

Comverge's concerns with the TRC score for CHP are three-fold. First, it must be noted that there is no reasonable basis for the use of 1.25 as the TRC for CHP projects. The core principle of the TRC test is to provide a fair assessment of the relationship between the costs and benefits of the project.⁸ However, PPL has failed to adequately explain why a TRC score of 1.25 (as opposed to 1.0) is a fair assessment of the relationship between the costs and benefits of CHP projects. This number (1.25) is arbitrary.⁹ Notably, nothing in the record or in PPL's MB that adequately explains how the TRC score of 1.25 was selected, calculated or determined for all of the CHP projects in Phase II.¹⁰

⁷ UGI MB at 28.

⁸ The purpose of using the TRC test to evaluate EE&C programs is to track the relationship between the benefits to customers and the costs incurred to obtain those benefits. *2012 PA Total Resource Cost (TRC) Test*, PUC Docket No. M-2012-2300653, Order entered August 30, 2012, at 2. The test is intended to be used to determine whether ratepayers, as a whole, received more benefits (in reduced capacity, energy, transmission, and distribution costs) than the implementation costs of the EE&C plans. *Id.*

⁹ Comverge MB at 20.

¹⁰ See PPL MB at 38-39.

As the proponent of the use of 1.25 as TRC score for CHP projects in Phase II, PPL bears the burden of establishing that said number is fair, appropriate and reasonable. It has not done so, and the higher TRC score for CHP should be rejected by the Commission. Rather than the higher TRC score, CHP projects should use a TRC score of 1.0 – which is the same score used for other projects under PPL’s Custom Incentive Program.¹¹

Second, there is no reasonable justification for the disparate treatment of CHP projects by PPL. PPL asserts that there are “uncertainties” when approving CHP projects.¹² In its MB, PPL has explained that that is it concerned that the anticipated savings for CHP projects may never materialize or that the actual savings for CHP projects may be greater than anticipated.¹³ Such sweeping uncertainties exist in every project, and they do not justify desperate treatment for any and all CHP projects – regardless of size (small, medium or large), fuel usage (such as biomass or natural gas) and technology implemented (proven or innovative).

Comverge agrees with UGI that “PPL has failed to articulate a rational reason for the discriminatory treatment of CHP technology under its EEC Plan.”¹⁴ UGI correctly explained that different treatment is not justified for CHP projects because of purported “uncertainties” in calculating energy savings.¹⁵

¹¹ UGI MB at 28-30.

¹² PPL MB at 38.

¹³ PPL MB at 38.

¹⁴ UGI MB at 28.

¹⁵ UGI MB at 28-29 (footnotes omitted).

Third, the TRC test should not be used to build in a “margin of error” for CHP projects.¹⁶ The mere existence of potential variables, which exist for other energy efficiency projects, does not, by itself, justify the use of a higher TRC score.¹⁷ PPL has failed to make comparisons with other energy efficiency measures to show that such variables are a greater problem for CHP projects.¹⁸

As the proponent of the TRC score, PPL has failed to meet its burden to prove that the disparate treatment of CHP projects in its Custom Incentive Program makes prudent, cost effective use of ratepayer funds or is in the public interest.¹⁹ Accordingly, Comverge joins in UGI’s recommendation that a TRC threshold of 1.0 should be applied to CHP projects.²⁰

VI. CONCLUSION

Comverge respectfully requests that the Commission issue an Opinion and Order consistent with Comverge’s positions, comments and recommendations in this proceeding and

¹⁶ PPL MB at 38.

¹⁷ Comverge MB at 19.

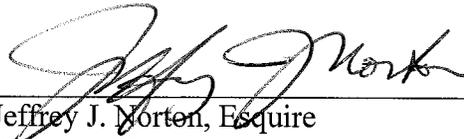
¹⁸ *Id.*

¹⁹ Comverge MB at 15-22; UGI MB at 30.

²⁰ UGI MB at 28-30; UGI Statement No. 1 (Raab) at 15-16.

the Proposed Ordering Paragraphs by (a) directing PPL to have a TRC score of 1.0 for CHP projects; and (b) directing PPL to provide an incentive at \$0.08/kWh, instead of \$0.05/kWh for CHP projects.

Respectfully submitted,



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