

**FREQUENTLY ASKED QUESTION:
TRANSITION OF REBATES AND REBATE FORMS**

1. Why is PPL EU making changes to rebates?

It is normal practice to adjust rebates to ensure the funds are applied to measures that produce the greatest customer benefits and to ensure that rebates focus on more efficient products as the market continues to transform.

2. Why now?

After more than a year of experience with the energy efficiency programs we have data to analyze our results and compare it to what was estimated in our EE&C plan.

3. What changes are being made?

In general, we are adding new measures that qualify for rebates; adjusting some existing rebate levels (some will be lower and some will be higher); eliminating rebates for measures that exceeded expectations or that have not performed to expectations; and adjusting qualification criteria.

See Attachment A for specific changes that will be implemented June 1, 2011. Other changes may be added to this list before June 1, 2011.

4. Why is PPL EU making changes to the rebate forms?

The rebate forms are being updated to reflect rebate changes and to respond to customer and trade ally feedback for clearer instructions and an easier application process. For example, we are providing a single rebate form for C&I measures to make it easier for customers to submit information required for large projects with multiple rebates.

5. Why are changes being made on June 1, 2011?

June 1, 2011 is the beginning of the third year of the EE&C plan. Making the changes at this point gives us the benefit of lessons learned during the first two years of the plan and provides sufficient time and opportunity for those changes to affect the marketplace before the plan ends May 31, 2013.

Note that PPL EU most likely will continue to refine rebates and incentive programs to address the changing market and regulatory requirements. However, we'll try to package those changes once or twice a year in an effort to maintain consistency and to avoid confusing customers and trade allies.

6. What criteria must be met for projects to qualify for current rebates and rebate levels prior to the June 1 changes?

All projects must be completed or be able to document that they have made a contractual and financial commitment to the project prior to June 1, 2011, and they must submit either the completed rebate application or the completed rebate reservation certificate prior to June 30, 2011.

- Projects that are completed before June 1, 2011, must submit all required rebate application documents by June 30, 2011.
- Projects that are committed to but not completed before June 1, 2011, must submit the rebate reservation certificate along with all required documentation including documentation that the project was contractually or financially committed to no later than May 31, 2011. Acceptable documentation includes a signed contract for the work, a signed purchase order for the project equipment, a binding acceptance of a project proposal or other proof of financial commitment to the project such as paid receipts or cancelled checks dated prior to June 1, 2011.

The reservation will only be valid for the equipment and project scope specified in the rebate reservation certificate. Additional measures, not specified in the reservation request will be paid at the rebate level in effect when the project is completed.

7. How long are rebate reservations valid?

Reservations for the rebate levels prior to June 1, 2011, will be valid until September 30, 2011. It is incumbent upon the customer to submit a final rebate application along with the required documentation prior to September 30, 2011.

8. At what level will retroactive projects be rebated?

Projects that were completed after July 1, 2009, but that have not yet submitted a rebate application, will be honored at the current rebate level through September 30, 2011, with the required documentation. Any retroactive projects submitted after September 30, 2011, will be paid at the rebate level in existence at that time, using the measure eligibility criteria available at that time, and subject to the documentation required.

9. What changes will be evident on June 1, 2011.

On June 1, 2011 all rebate forms will be updated — existing forms will be deleted and the new forms will be available. All projects completed after June 1, 2011, for which there is not a reservation certificate or that is not a retroactive project will be paid at the rebate level in existence at that time, using the measure criteria available at that time, and subject to the documentation required at that time.

LIST OF CHANGES TO MEASURES AND REBATES EFFECTIVE JUNE 1, 2011 OR BEFORE

NOTE: This list includes rebates for residential measures for which C&I customer could apply. C&I customer would apply for residential measures using the residential rebate forms. The residential rebate or measure changes are not included in the C&I rebate form that will be used beginning June 1, 2011.

1. **Ductless Heat Pumps.** Add residential ductless heat pumps as an eligible measure now that they are approved by the PUC in the 2011 TRM. Add ductless heat pumps for commercial applications as an eligible measure if an interim TRM is approved. This provides more options for customers. No additional cost.
2. **Dehumidifiers.** Eliminate the rebate for dehumidifiers. The actual number of measures exceed the estimate in the EE&C Plan. There is no reason to continue this measure because savings are relatively low.
3. **Programmable Thermostat Eligibility.** Change technical eligibility requirements for residential programmable thermostats to conform to the recently issued interim 2011 TRM. The customer must have electric heat (air source heat pump, baseboard electric, ground source heat pump). Otherwise, savings is negligible. Change the rebate from up to \$50 to up to \$25. The market price is generally less than \$50 and the basic objective of the rebate is to reimburse customers for approximately 50% of the incremental cost of the measure.
4. **Energy Star Light Fixtures.** Discontinue the rebate. Participation has been very low. The EE&C Plan assumed 42,000 units but there has been only 348 rebates as of 1/31/11. The per-unit savings is very low (44 kWh, the equivalent of 1 CFL).
5. **Heat Pumps & A/C.** Eliminate the rebate for SEER 14.5 heat pumps and SEER 14 and 15 central A/C. Very few SEER 14 heat pumps suggests the market prefers higher SEERs. Central A/C has limited savings so PPL wants to encourage customers to strive for higher SEERs than 14 and 15.
6. **Refrigerators.** Reduce the rebate from \$50 to \$25 and double the expected number of units. This change also helps to slow participation by the residential sector as it approaches its projected total savings. Need to keep some type of rebate because it helps to identify refrigerators for recycling (keeps those from becoming secondary units or from being disposed of improperly).
7. **LED Traffic Lights.** Streamlined rebates and changed eligibility requirements for LED traffic lights in the Efficient Equipment Program. Red & Green now have the same rebate for the same size light. Eliminated rebates for yellow LED traffic lights because they have no savings. Restrict eligibility to replacements of incandescent traffic lights; no rebate if LED traffic light/bulb replaces another LED traffic light/bulb.
8. **Scanners.** Delete scanners from Efficient Equipment Program because they have no savings according to ENERGY STAR.
9. **Water Coolers.** Delete water coolers because they have negligible savings.
10. **LPD.** Change the minimum required lighting power density (LPD) reduction vs. code from 15% to 5%. That threshold is more consistent with practices in other

PA EDCs and states. The 5% threshold is sufficient to ensure the customer takes action to intentionally exceed code LPD requirements, not accidentally exceeds them (i.e by 0.1%).

11. **Eliminate the Rebate for Dishwashers and Clothes Washers.** The actual number of measures exceeds the estimates in the EE&C Plan. Savings from these measures are not significant (105 kWh/yr and 258 kWh/yr respectively if the customer has electric hot water; zero if they that have gas/oil/propane hot water) and the market for these Energy Star appliances is fairly well transformed. Therefore, there is no reason to continue to offer rebates for these measures.
12. **C&I Thermostats.** Add programmable thermostats for commercial applications if an interim TRM is approved.
13. **Motors.** Change (increased) minimum motor efficiencies to align to revised industry standards that became effective December 2010.
14. **LEDs for Residential.** Clarify that the prescriptive rebate for LED fixtures or retrofit kits in the Efficient Equipment Program applies to residential use only. C&I LED lighting will be covered in the Custom Program. Savings for residential and C&I lighting are determined differently per the TRM. A specific TRM protocol will be developed for the residential fixture so a residential customer does not have to complete the complex PA Lighting Spreadsheet for a LED fixture.
15. **Rebate Cap.** General clarification for all programs and measures: rebates paid cannot exceed the cost of the measure. That limitation was implied but not specifically mentioned in the EE&C Plan.
16. **LEDs for C&I.** Add LED lighting for C&I customers after it was added to the 2011 TRM. Savings will be determined in accordance with the TRM (retrofit or new construction lighting) and rebates will be in accordance with PPL EU's Custom Incentive Program.
17. **Heat Pump Water Heaters.** Increase the projected number of rebates for heat pump water heaters from 230 to 2,400. Actual participation has exceeded expectations (975 actual rebates through 1/31/11 vs. 230 assumed in the EE&C Plan). This measure contributes significant per unit savings (1,884 kWh/yr) and the market is not close to transformation. Therefore, it makes sense to expand this measure. Restrict heat pump water heaters to residential use and certain types of commercial use. We are developing a TRM protocol that defines the applicable commercial uses and energy and demand savings (if they differ from residential).
18. **De-Lamping Rebates.** Change rebate structure for lighting retrofits that include de-lamping. Instead of one de-lamping measure, there will be five. This will better align rebates with the savings (specific number of lamps removed).
19. **Time Clocks.** Delete time clock prescriptive rebate and move to custom program. Or, create a TRM protocol that is limited to exterior lights that would normally be controlled by a photocell (time clocks must result in at least a 25% reduction in EFLH compared to dusk-to-dawn photocell). In other applications, the baseline is unclear and it is also unclear if the time clocks reduce EFLH below the default value for the building/space type in the TRM.
20. **Demand Control Defrost.** Discontinue the rebate for demand control defrost (commercial refrigeration). The measure is not common and it is not worth

preparing a TRM protocol or handling this as a custom measure. No impact on cost or savings.

21. **PTAC and PTHP.** Add packaged terminal air conditioners and packaged terminal heat pumps as eligible measures in the Efficient Equipment Program