

**PPL Electric Utilities Corporation**  
**Proposed RFP Procedures and CSP Contract**  
**Docket No. M-2008-2069887**

**I. Introduction**

On November 14, 2008, Act 129 of 2008 (“Act 129” or the “Act”) became effective. Among other things, Act 129 requires each major electric distribution company (“EDC”) in Pennsylvania to file energy efficiency and conservation plans (“EE&C Plans”) with the Pennsylvania Public Utility Commission (“PUC” or the “Commission”) for approval. 66 Pa.C.S. §2806.1(B)(1)(I). Each EDC must use a conservation service provider (“CSP”) to implement the EE&C Plan or a portion of the plan. 66 Pa.C.S. §2806.1(B)(1)(I)(E).

In an Implementation Order entered on January 16, 2009 at the above-captioned docket, the Commission established procedures for the implementation of Act 129. In Section A.3 of that Order, the PUC directed each EDC subject to Act 129 to submit, by March 1, 2009, request for proposal (“RFP”) procedures and a standard form CSP contract for Commission approval. In this filing, PPL Electric Utilities Corporation (“PPL Electric” or the “Company”) is submitting the required documents for approval. In addition, the Company is submitting, for the Commission’s information, a draft scope of work for an Appliance Recycling Program to illustrate the type of data that will be used to implement the RFP procedures and finalize the CSP contract.

At the outset, PPL Electric recommends that the Commission review this filing in the broader context of the overall requirements of Act 129. Under the Act, each major

EDC in Pennsylvania must submit a comprehensive EE&C Plan to the Commission by July 1, 2009. The plan must include programs to meet the following targets established by the Act. By May 31, 2011, each EDC must reduce the consumption of its retail customers by a minimum of 1%; by May 31, 2013, each EDC must reduce the consumption of its retail customers by a minimum of 3%; and by May 31, 2013, each EDC must reduce the demand of its retail customers by a minimum of 4.5% of annual system peak demand.

In light of the aggressive conservation and demand reduction targets summarized above, preparation of the EE&C Plan will be a major undertaking. PPL Electric currently is in the process of preparing its plan. The Company has designated a project manager, identified an in-house implementation team and hired an outside consultant to provide assistance. To date, the Company and its consultant have identified more than a dozen programs for possible inclusion in the Company's EE&C Plan. Currently, the costs, benefits and implementation details of each program are being evaluated. The evaluation and final selection of programs will not be completed until shortly before PPL Electric submits the EE&C Plan to the Commission on July 1, 2009.

The programs now under evaluation cover a wide range of possible services, including an appliance recycling program, various rebate programs, retrofitting programs and audit programs. The specific roles of the CSP implementing each program will be determined by the unique nature of the program. Similarly, the specific RFP procedures and CSP contract provisions also will be determined by the nature of each program.

PPL Electric anticipates that its EE&C Plan will include many of the programs now under review, and implementation of the Plan may require many different CSPs with a wide range of skills and experience. Accordingly, PPL Electric is proposing the following approach. In competitively bidding for CSP services, the Company will use standard RFP procedures and a standard CSP contract. Those standard documents are provided in this filing as Attachment 1 and Attachment 2, respectively. However, each of the standard documents will include a provision for incorporating a scope of work for the specific program that a CSP is being hired to implement. The Company anticipates that the scope of work will be unique for each program included in the Company's EE&C Plan. Attachment 3 is an example of a scope of work for an Appliance Recycling Program. The scope of work documents for other programs will follow this template, but specific information will differ from program to program.

Although PPL Electric is attempting to build program-specific flexibility into its CSP solicitation process through the scope of work approach discussed above, that approach may not address all possible circumstances. The Company anticipates that, as implementation of its EE&C Plan moves forward, changes to the RFP procedures and the standard CSP contract will be necessary. These changes would reflect negotiations with the successful CSP bidder and other service and work specific changes that typically arise with most solicitations for products or services. PPL Electric proposes to inform the Commission of any changes when it submits the CSP contract for approval, and will not agree to or implement the changes unless they are approved.

Set forth below are summary descriptions of the three documents that PPL Electric is submitting as a part of this filing.

## **II. Pro forma RFP Procedures**

The pro forma RFP procedures are provided in Attachment 1. They are based on PPL Electric's standard procurement documents, modified to reflect specific requirements of Act 129 and the Commission's January 16 Implementation Order.

Following is a short discussion of several key elements of the RFP procedures:

- Article I: The procedure applies only to contractors that have been designated as CSPs by the Commission.
- Article II: The definition of CSP for purposes of the procedures is identical to the definition of CSP in Act 129.
- Article III (3): PPL Electric will competitively bid all contracts with CSPs, and will solicit bids from at least three CSPs. In addition, the Company will encourage bids from "disadvantaged businesses." Finally, the RFP procedures will include a specific scope of work, as discussed above.
- Article III (4): PPL Electric will evaluate bids on the basis of the following four criteria: quality, schedule, price and commercial and other. The Company will prepare written bid evaluations. Finally, PPL Electric will submit the written bid evaluations and a proposed contract to the PUC for review.

As demonstrated by Attachment 1 and the summary description above, the pro forma RFP procedures clearly meet all of the relevant requirements of Section 2806.1(B)(1)(I)(E) of Act 129 and Sections A(3) and G of the Commission's January 16 Implementation Order. PPL Electric will contract only with CSPs as defined in the Act; will competitively bid all of those contracts; will seek to acquire at least three bids; and will evaluate bids on the basis of four weighted criteria.

### **III. Pro forma CSP Contract**

The pro forma CSP contract is provided in Attachment 2. PPL Electric followed an approach in developing the pro forma CSP contract similar to the approach it followed in developing the pro forma RFP procedures. That is, it modified standard corporate documents to reflect the requirements of Act 129 and the Commission's January 16 Implementation Order. Following is a short discussion of several key elements of the CSP contract:

- Introductory paragraph: The contractor must be a CSP approved and registered by the Commission.
- Article 1 (1.1)(a): The Scope of Work will reflect the unique requirements of each specific program. In addition, Schedule B of the contract will contain performance-based compensation provisions.
- Article 1 (1.1)(b): The contractor cannot begin to provide services until the Commission has approved the Agreement.
- Article 1 (1.6)(b): The contract must warrant that it doesn't have any conflicts or common ownership with any Pennsylvania EDC, that it has all necessary approvals from the Commission and that it will obtain any additional approvals required in the future.
- Article 3 (3.6): The contractor and subcontractor will conduct criminal and identity investigations of all employees who are providing any services involving customer contact.
- Article 3 (3.7): The contractor will cooperate with the Company and the Commission in any audit of the services it will provide under the contract.

- Article 9 (9.2)(e): The Commission or the Company, at the direction of the Commission, can terminate the agreement, with or without cause.

As demonstrated by Attachment 2 and the summary description above, the pro forma CSP contract clearly meets all of the relevant requirements of Section 2806.1(B)(1)(I)(E) of Act 129 and Sections A(3) and G of the Commission's January 16 Implementation Order. PPL Electric will contract only with CSPs as defined in the Act; will require the CSP to warrant that it doesn't have any conflicts or common ownership with a Pennsylvania EDC; will fully describe the services to be provided; will not proceed until the Commission has approved the contract; and will ensure adequate opportunities to audit performance and terminate the contract, if necessary.

#### **IV. Appliance Recycling Program**

The scope of work for the Appliance Recycling Program is provided in Attachment 3. PPL Electric is not submitting the scope of work for Commission approval at this time. Rather, the Company is submitting the scope of work as an example of the type of detailed information that will be developed for each program included in the Company's EE&C Plan. As discussed above, that information then will be incorporated in the RFP procedures and the CSP contract for the specific program.

#### **V. Conclusion**

PPL Electric respectfully requests that the Commission approve the pro forma RFP procedures and the pro forma CSP contract attached hereto, and the Company's proposal to modify these documents for a specific project, if necessary, subject to

Commission review and approval. In addition, PPL Electric respectfully requests that the Commission approve the Company's proposal to incorporate program-specific scopes of work in these documents.