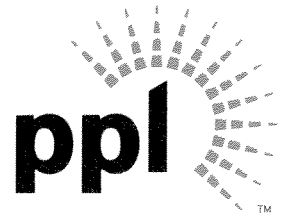


Paul E. Russell
Associate General Counsel

PPL
Two North Ninth Street
Allentown, PA 18101-1179
Tel. 610.774.4254 Fax 610.774.6726
perussell@pplweb.com



VIA FEDERAL EXPRESS

March 30, 2009

James J. McNulty, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, Pennsylvania 17120

**Re: Implementation of the Alternative Energy Portfolio
Standards Act of 2004: Standards for the
Participation of Demand Side Management Resources -
Technical Reference Manual at Docket No. M-00051865**

**Implementation of Energy Efficiency and
Conservation Program at Docket No. M-2008-2069887**

Dear Mr. McNulty:

Enclosed for filing on behalf of PPL Electric Utilities Corporation ("PPL Electric") are an original and fifteen (15) copies of PPL Electric's reply comments in the above-captioned dockets. PPL Electric is submitting these reply comments pursuant to the Public Utility Commission's ("Commission") Secretarial letter dated February 20, 2009.

PPL Electric is serving copies of this filing upon the Office of Consumer Advocate, Office of Small Business Advocate and the Commission's Office of Trial Staff. In addition, the Company is sending an electronic copy of its reply comments to the Commission's Act 129 e-mail account. Finally, PPL Electric is posting this filing on its Act 129 website. The URL address for that website, which is available to all interested parties and to the public, is www.pplact129.com.

Pursuant to 52 Pa. Code 1.11, the enclosed document is to be deemed filed on March 30, 2009, which is the date it was deposited with an overnight express delivery as shown on the delivery receipt attached to the mailing envelope.

In addition, please date and time-stamp the enclosed extra copy of this letter and return it to me in the envelope provided.

If you have any questions regarding this filing or PPL Electric's Act 129 website, please call me at (610) 774-4254.

Very truly yours,

A handwritten signature in black ink that reads "Paul E. Russell". The signature is written in a cursive style with a large, prominent initial "P".

Paul E. Russell

Enclosures

cc: Irwin A. Popowsky, Esquire
William R. Lloyd, Esquire
J. Edward Simms, Esquire
Robert F. Young, Esquire
Kriss E. Brown, Esquire
Darren Gill
Calvin Birge

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Re: Implementation of the Alternative :
Energy Portfolio Standards Act of 2004 :
Standards for the Participation of : Docket No. M-00051865
Demand Side Management Resources :
– Technical Reference Manual :

Implementation of Energy Efficiency and :
Conservation Program : Docket No. M-2008-2069887
:

Reply Comments of PPL Electric Utilities Corporation

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

I. Introduction

On October 15, 2008, Governor Rendell signed HB 2200 into law as Act 129 of 2008 (“Act 129” or the “Act”) with an effective date of November 14, 2008. The Act expands the oversight responsibilities of the Public Utility Commission (“PUC” or the “Commission”) and imposes new requirements on Electric Distribution Companies (“EDCs”) with the overall goal of reducing energy consumption and demand, enhancing procurement of generation supply for default service, expanding the installation of smart meter technology, and expanding alternative energy sources.

In an Implementation Order entered on January 16, 2009 at the above-captioned dockets, the Commission established procedures for the implementation of Act 129. In particular, the Order established that the Commission would use a Technical Reference Manual ("TRM") to help meet the evaluation process requirements of Act 129. The Order further established that, in developing the TRM, the Commission would start with the TRM initially issued in September, 2005 to support implementation of the Alternative Energy Portfolio Standards ("AEPS") Act. Finally, the Order stated that it was the intent of the Commission to complete the TRM update early in 2009 to provide Electric Distribution Companies ("EDCs") with ample time to incorporate TRM information in their Energy Efficiency and Conservation ("EE&C") Plans which are to be filed with the Commission for review and approval not later than July 1, 2009.

By Secretarial Letter dated February 20, 2009, the Commission issued an updated TRM and requested comments on that document. The Secretarial Letter established that comments were due within twenty days (i.e., March 12, 2009) and that reply comments were due fifteen days thereafter (i.e., March 27, 2009). The deadline for reply comments subsequently was extended to March 30, 2009.

PPL Electric Utilities Corporation ("PPL Electric" or the "Company") is an EDC serving 1.4 million customers in central eastern Pennsylvania. PPL Electric was an active participant in the development of Act 129 and continues to be an active participant in the development of the rules and regulations necessary to implement Act 129. Pursuant to the Secretarial Letter, PPL Electric filed comments to the proposed TRM on March 12, 2009. The Company also participated in the Technical Workshop ("Workshop") the PUC hosted on March 24 and thanks the Commission for holding that meeting. PPL Electric appreciates this opportunity to provide reply comments in response to the written comments filed by other parties on March 12 as well as comments provided orally during the March 24 Workshop. PPL Electric looks forward to continuing to work with the Commission and all interested stakeholders to address issues associated with implementation of the Act. For the sake of efficiency, the

Company's reply comments are grouped into a "General" section which addresses issues related to the general structure and purpose of the TRM, and a section which addresses "Specific Measures."

II. General Comments

1. Use of the TRM for both Act 129 measures and establishing quantities of Alternative Energy Credits

In its initial comments, PPL Electric recommended that the TRM should clearly identify any elements that may apply only to AEPS Act or only to Act 129 measures. The Company agrees with comments by others that there should be a common TRM for AEPS Act and for Act 129 measures. The Company further agrees with comments at the TRM Workshop that this common TRM should specifically identify those elements that apply only to AEPS Act or only to Act 129. This identification can be accomplished through the use of footnoting, shading, or other appropriate method.

PPL Electric also agrees there should be a "Definitions" section added to the TRM. The definitions also can indicate whether a term applies only to Act 129 measures or only to AEPS Act.

2. Data Reporting Protocols

PPL Electric agrees with written comments submitted by other parties and discussion at the Workshop that issues associated with data reporting and data protocols are better addressed by the PUC's Statewide Act 129 Evaluation Contractor. That consultant will be addressing measurement, verification, evaluation, and audit functions, rather than in the TRM.

3. Coincidence Factor

In its initial comments, PPL Electric raised the concern that the "Coincidence Factor" used in the TRM may not be appropriate relative to the demand savings objectives of Act 129. Those demand savings are based on the top 100 hours of summertime demand and should reflect the operation of

the measure coincident with those 100 hours. PPL Electric agrees with other parties' comments and discussions at the Workshop that Coincident Factors should be revised to agree with the June 1 – May 31 planning year specified by Act 129 for demand reductions. The Company also remains concerned that “Coincidence Factors” adopted from other jurisdictions, as well as algorithms that use such factors, reflect operation of measures coincident with a single or limited number of system demand hours and not with the highest 100 hours of summertime load.

4. Prospective Application of the TRM

PPL Electric agrees with the use of a Secretarial Letter process to periodically update the TRM. Consistent with its initial comments, PPL Electric agrees with other parties that the TRM should be updated on a defined, annual schedule. In order to allow sufficient time for EDCs to evaluate the impact of TRM changes, revise their energy efficiency programs and revise their measurement, verification, and evaluation processes to incorporate annual changes to the TRM, PPL Electric recommends the PUC finalize changes to the TRM by December 31 each year and that those changes become effective at the beginning of the next planning year (June 1).

Consistent with its initial comments, PPL Electric agrees with written comments of other parties and discussions at the Workshop that energy savings should not be retroactively changed if the TRM is revised. If sufficient lead time is provided for TRM changes, as described above, then PPL Electric agrees that TRM changes can apply to the future years' energy savings calculations; but such changes will not affect the savings reported in prior years.

5. Transmission and Distribution System Losses

In its initial comments, PPL Electric recommended that sections of the proposed TRM related to transmission and distribution losses should be deleted. The purpose of the TRM is to calculate savings associated with measures at the retail level which can then be used in the Total Resource

Cost ("TRC") Test. The issues of resource savings, avoided costs, and retail level versus generation level should be addressed in the TRC Test. However, consistent with its comments above, PPL Electric agrees with the written comments of other parties and discussions at the Workshop that the Transmission and Distribution System Losses section of the TRM should remain with the notation that it applies only to AEPS Act.

6. Custom Measures

Consistent with its initial comments, PPL Electric agrees with the written comments of other parties and discussions at the Workshop that the TRM is intended only for standard measures that warrant standard energy efficiency calculation methods and assumptions. More complex measures that involve uniqueness and/or whose results are measured directly should be treated as custom measures.

PPL Electric believes that the TRM should, for each measure included, provide a methodology, set of assumptions, and resultant kwh and kw quantities. However, the Company also believes that, if an EDC believes there are unique or unusual elements related to a particular measure that are not addressed in the TRM, the EDC should have the opportunity to propose other methodologies and/or assumptions as a "custom measure."

PPL Electric agrees with comments of other parties and discussions at the Workshop that the TRM should not specify or endorse (directly or implicitly) any software or other proprietary products for measuring or managing energy efficiency. The Company believes that software products, such the application proposed by Positive Energy in its written comments, may have significant value as custom measures, but involve significantly more uniqueness and complexity than the Company believes is appropriate for a TRM measure.

7. Net to Gross

PPL Electric agrees with comments of other parties and discussions at the Workshop that Net-to-Gross factors must be carefully

established for individual measures. For example, a program that involves Compact Fluorescent Light ("CFL") bulbs may have different participation rates depending upon the nature of the distribution process. In the case where the CFLs may be distributed as a reward for another action, customers may be more inclined to ignore the CFL than in the case where the customer is offered a rebate. In the case of a rebate, the customer has indicated by his/her purchase of the bulb an intent to install the bulb which is absent in the give-away approach.

In its initial comments submitted on March 12, PPL Electric recommended that Net-to-Gross factors not be included in the TRM. Instead, those factors should be addressed in each EDC's EE&C Plan as part of its measure-specific measurement, verification, and evaluation procedures. However, as an alternative, Net-to-Gross factors could be included in the TRM for specified distribution mechanisms. However, consistent with its initial comments, comments of other parties, and discussions at the Workshop, PPL Electric cautions that Net-to-Gross factors specified by other states in their TRMs may not be applicable to Pennsylvania because consumer behaviors that impact Net-to-Gross ratios such as "free ridership" may be significantly different. Finally, PPL Electric recommends that Net-to-Gross factors should also account for "spillover" effects which, depending upon circumstances, can offset some or all of the "free ridership". A simple example of "spillover" is where a consumer chooses to expand energy efficiency measures beyond those covered under an EDC program (such as buying additional CFLs).

III. Comments on Specific Measures

1. Residential Direct Load Control

PPL Electric agrees with comments submitted by other parties and discussions at the Workshop that direct load control ("DLC") measures such

as water heater and air conditioner cycling for residential customers can be covered in the TRM, but that other demand response measures should be considered “custom measures” and not included in the TRM. Consistent with the Company’s comments above, EDC’s should have the flexibility to file as custom measures residential direct load control measures which may have different cycle times, for example, than those included in the TRM.

2. Appliance Early Retirement

PPL Electric agrees with comments submitted by other parties and discussions at the Workshop that the early retirement of an appliance (i.e., it is replaced before the end of its useful life) should be covered in the TRM. However, PPL Electric does not agree that the exact age of the appliance (i.e. knowing the purchase date) needs to be obtained, verified, or recorded so that the remaining useful life can be specifically determined in order to calculate energy savings (i.e., the difference between energy consumption of the original appliance and a new appliance). Such information regarding the appliance being replaced is generally unavailable and, because it is based primarily on self-reports, tends to be unreliable. PPL Electric further believes it will be a costly, labor intensive process to obtain, verify, and track such information for each appliance that is replaced as part of an EDC energy efficiency program which could involve tens of thousands appliances per year. PPL Electric recommends, instead, that the TRM should assume a standard remaining life for appliances; for example, 8 years. If the appliance is replaced with a standard efficiency model, then the savings would be 8 times the difference in energy consumption of old appliance (per the TRM) and the energy consumption of a new appliance (per the TRM).

3. Compact Fluorescent Light bulbs

PPL Electric does not agree with comments submitted by other parties and discussions at the Workshop that the TRM should address disposal costs for CFL programs. In comments PPL Electric filed in December, 2008 in response to specific questions raised by the Bureau of

CEEP, the Company stated that the evaluation of measures (and by extension the credit provided in the TRM), should not reflect any externalities (such as disposal costs, carbon impact, etc.) that are not already monetized through Federal or State legislation or regulation. For example, costs to address Acid Rain are reflected in the energy costs that will be used in the analysis by virtue of the fact that the 1990 Federal Clean Air Act Amendments and associated rulemakings have established costs associated with sulfur dioxide and nitrogen oxide emissions and those costs are reflected in the price of wholesale energy. Similarly, the Commonwealth's support for renewable generation established in the AEPS Act is reflected as a component of the retail price of electricity. The Company strongly believes that the monetization of other environmental or societal factors, including the cost to dispose of CFLs, outside of specific legislation, is inappropriate, and that these issues are more appropriately addressed by legislation.

4. LED Traffic Signals

PPL Electric agrees with comments submitted by other parties and discussions at the Workshop that the TRM should include traffic signal lighting enhancements (to LED type lights). For the initial version of the TRM, the Company believes that the tables provided by PECO Energy with its initial comments are acceptable.

5. Advanced Meter Infrastructure (AMI)

PPL Electric does not agree with comments submitted by Elster Integrated Solutions and discussions at the Workshop that AMI should be included in the TRM. PPL Electric believes that if an EDC plans to utilize smart meters for measurement or verification of energy efficiency and or demand reduction savings, that issue should be addressed as part of the measurement and verification procedures in the EE&C Plan rather than in the TRM. The Company has installed smart meters on the premises of all 1.4 million of its customers and strongly believes that such technology will assist those customers in using energy wisely. However, in the Company's

experience, customer behaviors are influenced very little by the existence of a smart meter. Rather, behaviors are influenced through the use of software applications that transform meter data into information that is useful to customers, EDCs, and CSPs. Moreover, that influence can vary greatly from application to application. Consistent with the Company's comments above regarding the proposals of Positive Energy to include software applications in the TRM, PPL Electric endorses the concept that smart meters and software applications can produce significant energy and demand savings. However, these measures should be treated as custom measures and not as TRM measures.

6. Fuel Switching

PPL Electric agrees with comments submitted by other parties and discussions at the Workshop that fuel switching should be considered a "custom measure" and, therefore, not included in the TRM.

IV. Conclusion

For all of the reasons stated above, PPL Electric Utilities Corporation recommends that the Public Utility Commission proceed with development of the TRM consistent with PPL Electric Utilities Corporation's comments.

Respectfully submitted,



Paul E. Russell
Associate General Counsel
PPL Electric Utilities Corporation
Two North Ninth Street
Allentown, PA 18101
(610) 774-4254

Dated: March 30, 2009
at Allentown, Pennsylvania