



PPL Electric Utilities' Testimony
before the House Republican Policy Committee
August 22, 2011

Chairman Reed and members of the Policy Committee:

My name is Doug Krall, and I am the manager of regulatory strategy for PPL Electric Utilities.

Thank you for the opportunity to speak to you today about two important energy-related topics: energy efficiency and conservation programs under Act 129 and secondly, the existing Alternative Energy Portfolio Standards.

I'll first discuss Act 129, which not only addressed energy efficiency programs, but other areas, including default supply procurement and smart meters.

As you likely know, Act 129 took effect at a time when generation rate caps in Pennsylvania were ending. It was enacted to give customers more tools and options to control their electricity usage as a means to better manage anticipated increases in electricity prices.

Generation rate caps expired for PPL Electric Utilities' 1.4 million customers on December 31, 2009. Generation rate caps have since expired for all electric delivery companies at the end of 2010.

At this early stage, the competitive electric market is working. There are dozens of licensed suppliers offering service to customers of all sizes and increasing numbers of consumers are shopping for competitive supply at a savings. For PPL Electric, more than 40 percent of our customers have chosen an alternative supplier, representing 72 percent of our total electric load. And, some customers are exercising a choice to remain with the utility and receive default supply based on market prices. Those who do shop have available to them a growing variety of products, and we concur with those who recommend that products like time of use service are better offered by the competitive market than by default suppliers.

We believe the Energy Efficiency and Conservation (EE&C) programs developed pursuant to Act 129 are providing value to customers, giving them tools to reduce their electricity use and save money, all in a cost-effective manner. And, residential, business and institutional customers are taking advantage of the programs.

Even before this legislation, PPL Electric Utilities had a long-standing partnership with its customers regarding energy efficiency. Our Energy Analyzer service, for instance, takes advantage of our advanced meters and allows customers to track their energy use online, on a daily and hourly basis, and learn ways to save.

We are one of very few utilities in the nation that offer such a service to our customers. We believe informed customers make the most informed decisions about their usage and can be wise consumers. More than 180,000 customers have completed energy profiles with Energy Analyzer, and a study last year concluded participating customers took action to reduce their energy usage by an average of 2.9 percent.

Our customers, through actions taken under our EE&C programs, have already saved hundreds of thousands of kilowatt hours of electricity.

As an example, nearly 4.8 million compact fluorescent light bulbs are now in customer homes and businesses. We've recycled, or scheduled for pickup, about 27,000 older, inefficient refrigerators and portable air conditioners. And those appliances are recycled for other beneficial uses. And, we've issued more than 160,000 energy-efficient equipment rebates.

We were able to achieve the legislation's 1 percent energy reduction target by May 31, 2011 and are now concentrating on the much more challenging 3 percent reduction target for May 31, 2013, as well as the 4.5 percent peak demand reduction for the summer of 2012.

We believe the current EE&C offerings for customers will likely meet that threshold and deliver benefits valued at more than twice the cost of these programs. In the current economy, incentives and rebates can spur energy efficiency actions by consumers that pay benefits for years in the future. We will continue to review the effectiveness of our various programs as we work toward the next compliance targets.

We are an active participant in the PUC's Act 129 technical working group, and PPL Electric Utilities has an internal group along with our conservation service providers that focus on effective implementation of our EE&C program.

AEPS

Regarding Alternative Energy Portfolio standards, I'm addressing you on behalf of PPL Corporation.

Pennsylvania's Alternative Energy Portfolio Standard, enacted in 2004 and amended in 2007, requires each electric distribution company, or EDC, and electric generation suppliers, the EGSs, for the state's retail customers to supply 18 percent of its electricity using alternative energy by 2021. This year, 10 percent of PPL Electric's power supply portfolio will come from alternative energy sources.

PPL supports renewable energy as part of a comprehensive strategy for meeting future energy needs. But, we believe that investment in alternative energy projects should be driven by the market, with appropriate government policies that encourage private investment.

PPL Renewable Energy has been extensively involved in the development of several solar, wind and landfill methane energy projects in Pennsylvania.

PPL EnergyPlus purchases wind energy generated by projects at Bear Creek in Luzerne County and Locust Ridge in Schuylkill County.

PPL Generation is increasing capacity at existing nuclear and hydroelectric plants in Pennsylvania that generate electricity without carbon dioxide emissions.

Since its passage in 2004, there have been numerous attempts to amend the AEPS Act. PPL has consistently opposed such efforts.

Changes to the AEPS Act and constant attempts to amend the legislation create uncertainty in the renewable energy market. EDCs and EGSs need longer-term certainty for compliance with existing standards.

The market needs consistent rules to determine necessary levels of investment in new generation and price signals that respond to market forces, rather than to potential legislative changes.

We believe uncertainty deters investment in alternative generation sources, undermining the original intent of AEPS and resulting in additional costs to customers.

Government policies that pick winners and losers by setting mandates for certain forms of renewable energy lead to uneconomical investment and may unnecessarily increase electricity prices for consumers across Pennsylvania.

Renewable Energy Credit prices are currently low and consumers benefit from that. Now is not the time to increase costs to consumers.

We are not suggesting the Legislature eliminate the current AEPS standard. We are suggesting the current standard not be altered to allow the market sufficient time to respond, react and adjust to the Act's requirements.

We thank the committee for examining the impacts and results of state-mandated energy programs and look forward to responding to your questions.

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