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File #: 162080

February 15, 2024

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Petition of UGI Utilities, Inc. - Electric Division for Approval of Phase IV of its Energy Efficiency and Conservation Plan
Docket No. M-2023-3043230

Dear Secretary Chiavetta:

Attached for filing is a Joint Petition for Approval of Settlement of All Issues in the above-referenced proceeding. Copies are being provided as indicated on the Certificate of Service.

Respectfully submitted,

Megan E. Rulli

MER/kls
Attachment

cc: The Honorable Mark A. Hoyer *(via email; w/attachment)*
Certificate of Service

CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing 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).

VIA E-MAIL ONLY

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Date: February 15, 2024

Megan E. Rulli

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. – Electric Division for Approval of Phase IV of its Energy Efficiency and Conservation Plan	: : :	Docket No. M-2023-3043230

JOINT PETITION FOR APPROVAL OF SETTLEMENT OF ALL ISSUES

TO DEPUTY CHIEF ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

UGI Utilities, Inc. – Electric Division ("UGI Electric" or the "Company"), the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA"), all parties in the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners" or the "Parties"), hereby submit this Joint Petition for Approval of Settlement of All Issues ("Settlement") and respectfully request that Administrative Law Judge Mark A. Hoyer ("ALJ") and the Pennsylvania Public Utility Commission ("Commission") approve this Settlement without modification.

As set forth and explained below, the Joint Petitioners have agreed to a settlement of all issues in the above-captioned proceeding. The Settlement provides for the approval of UGI Electric's Phase IV Energy Efficiency and Conservation ("EE&C") Plan, as modified by the terms and conditions of the Settlement.

In support of this Settlement, the Joint Petitioners state the following:

I. <u>BACKGROUND</u>

1. On September 21, 2023, UGI Electric filed the above-captioned Petition with the Commission, which included the Company's supporting written direct testimony and exhibits. This filing was made pursuant to the Commission's December 23, 2009 Secretarial Letter at

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Docket No. M-2009-2142851 ("*December 23, 2009 Secretarial Letter*"), which provided guidance on voluntary Energy Efficiency and Conservation Plans ("EE&C Plans") submitted by electric distribution companies that are not subject to Act 129 of 2008, P.L. 1592, 66 Pa.C.S §§ 2806.1 and 2806.2 ("Act 129").

2. In its Petition, UGI Electric requested Commission approval of the Company's voluntary Phase IV EE&C Plan. The voluntary Phase IV EE&C Plan includes a portfolio of energy efficiency and conservation practices and peak load reduction and energy education initiatives that are anticipated to reduce customers' energy consumption and reduce peak load on UGI Electric's system.

3. On October 11, 2023, OSBA filed a Notice of Appearance, Public Statement, Answer, and Verification.

4. Also on October 11, 2023, OCA filed an Answer to the Petition.

5. On October 18, 2023, the Prehearing Order was issued by Deputy Chief Administrative Law Judge Mark A. Hoyer ("ALJ"), which, among other things, scheduled a prehearing conference for October 25, 2023, at 10:00 AM and directed the Parties to file prehearing memoranda on or before October 24, 2023.

6. On October 24, 2023, UGI Electric, OCA, and OSBA filed their prehearing memoranda.

7. On October 25, 2023, the prehearing conference was held before the ALJ, during which the Parties, among other things, agreed to a procedural schedule and certain modifications to discovery rules.

8. On October 25, 2023, a second Prehearing Order was issued that, among other things, adopted the procedural schedule agreed to by the Parties at the prehearing conference and established modified discovery rules.

9. On October 26, 2023, UGI Electric filed a Petition for Protective Order.

10. Also on October 26, 2023, the ALJ issued an Order granting the Petition for Protective Order.

11. On November 1, 2023, a hearing notice was issued scheduling the in-person evidentiary hearing for 10:00 AM on January 11, 2024, in Harrisburg, Pennsylvania.

12. On December 1, 2023, OCA and OSBA served their written direct testimony and exhibits.

13. On December 22, 2023, UGI Electric served its written rebuttal testimony and exhibits.

14. On January 9, 2024, OCA served its written surrebuttal testimony and exhibits.

15. On January 9, 2024, OSBA filed a letter stating that it would not be serving surrebuttal testimony.

16. Also on January 9, 2024, the ALJ issued a Hearing Type Change Notice, which converted the evidentiary hearing scheduled for January 11, 2024, from an in-person hearing to a telephonic evidentiary hearing.

17. On January 11, 2024, UGI Electric served its written rejoinder testimony.

18. The Joint Petitioners held several settlement conferences in this proceeding. On January 11, 2024, the Joint Petitioners advised the ALJ that settlement discussions were ongoing and requested that the telephonic hearing be delayed until 1:00 PM in order to facilitate settlement discussions. The ALJ granted this request.

19. On January 11, 2024, the evidentiary hearing was held at 1:00 PM, during which the Joint Petitioners advised the ALJ that they had reached a settlement in principle and the Parties' written testimony and exhibits were admitted into the record. The ALJ also directed the Parties to file a joint petition for settlement and statements in support of settlement by the scheduled Reply Brief due date of February 15, 2024.

20. The Joint Petitioners have been able to agree to a settlement of all issues that is in the public interest. The Joint Petitioners also are in full agreement that the Settlement is in the best interests of UGI Electric and its customers. The Settlement terms are set forth in the following Section.

II. SETTLEMENT

21. The Joint Petitioners agree as follows:

22. UGI Electric will include marketing that highlights the benefits and availability of weatherization services and information on the Appliance Rebate program in its energy efficiency kits. As part of the evaluation for residential programs identified in Paragraph 23 of this Joint Petition, UGI Electric will investigate adding a cost-equivalent non-water related measure, such as weather stripping or pipe insulation, to the kit. In addition, UGI Electric will meet with the Pennsylvania American Water Company to identify whether water efficiency measures included in their kits programs are being provided within the Company's overlapping service territory.

23. UGI Electric's evaluation Conservation Service Provider ("CSP") will conduct an evaluation of its residential programs in Program Year ("PY") 14 and non-residential programs in PY15. UGI Electric will file and serve the results of those evaluations to the statutory parties at this docket. As part of its residential program evaluation, UGI Electric will meet with PPL Electric to discuss administrative efficiencies related to weatherization programs and resources.

24. UGI Electric will report results for the Commercial and Industrial ("C&I") Incentive Program on a gross and net basis. UGI Electric will apply a Net-to-Gross ratio of 0.7 for the C&I Incentive Program.

25. UGI Electric shall continue to track and evaluate actual project savings for the Phase IV C&I Incentive Program's projects in a manner similar to that utilized in Phase II and Phase III, such that the Company will be able to determine estimated annual pre-usage and estimated annual post-usage and then calculate the difference between pre- and post-usage to get realized savings, with the realization rate calculated by dividing this value by the projected savings for the project. The three methods the Company may use to determine pre- and post-usage are raw usage comparison, baseload usage comparison, and adjusted usage comparison.

26. The following cost limits shall be placed on the C&I Incentive Program over the five-year term of the Phase IV EE&C Plan: (1) overall incentive spending shall be limited to $100 per first year MWh; and (2) overall non-incentive spending shall be limited to $110 per first year MWh. UGI Electric's internal EE&C staff expenses are not assigned to the C&I Incentive Program and, therefore, will not be included in the calculation of the annual non-incentive spending cost limit.

27. The Company's annual EE&C Plan reports will segregate results for the C&I programs between the Class 2 and Class 3 customer rate class groups. For each rate class group, the Company will present costs, savings and participation results for each pathway, namely the Prescriptive, Custom Incentive and Direct Install pathways. For the Prescriptive pathway, the standard results will include the number of customers served, as well as number of units. In addition, the Company will include the annual and Phase IV to-date incentive and non-incentive

spending values on a per first year MWh basis for each rate class group of the C&I Incentive Program in its annual reports.

28. After one full year of the Home Owner Managing Energy Savings ("HOMES") Rebate Program and the High Efficiency Electric Home Rebate Program ("HEEHRA") taking effect in Pennsylvania, UGI Electric will evaluate its Appliance Rebate Program to identify equipment efficiency thresholds that qualify for an EE&C rebate but do not qualify for an Inflation Reduction Act ("IRA") rebate as a result of efficiency level criteria. After that analysis has been completed, UGI Electric will provide the results of its findings, if any, to the Parties to this proceeding. UGI Electric will promote IRA HOMES and HEEHRA program availability as part of supporting the Department of Environmental Protection's roll out of measures targeting residential customer equipment through inclusion in its EE&C marketing materials. To the extent the equipment efficiency thresholds required to qualify for rebates in the UGI Electric Appliance Rebate Program are lower than the efficiency thresholds required to qualify for rebates in the HOMES or HEEHRA programs in Pennsylvania, UGI Electric agrees to update its marketing materials and its website with an appropriate disclosure to inform customers about the higher efficiency level required to qualify for rebates under both UGI Electric's Program and the HOMES or HEEHRA program.

29. A formalized marketing plan will be established annually, detailing how the Company will achieve the projections in its Phase IV EE&C Plan.

30. UGI Electric will modify its natural gas fuel switching program to provide a rebate of $1,000 for ENERGY STAR qualifying natural gas furnaces with an Annual Fuel Utilization Efficiency ("AFUE") between 95% and 97%, and a rebate of $1,500 for ENERGY STAR natural gas furnaces with an AFUE of 97% or higher. For natural gas boilers, UGI Electric will provide

a rebate of $1,000 for ENERGY STAR qualifying natural gas boilers, and a rebate of $1,500 for ENERGY STAR natural gas boilers with an AFUE of 95% or higher.

III. CONDITIONS OF SETTLEMENT

31. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission modifies the Settlement, then any Joint Petitioner may elect to withdraw from this Settlement and may proceed with litigation and, in such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission, and served upon all Joint Petitioners within five (5) business days after the entry of an order modifying the Settlement. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall have the same force and effect as if the Joint Petitioners had fully litigated this proceeding.

32. This Settlement is proposed by the Joint Petitioners to settle all issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing, and argument. The Settlement is made without any admission against, or prejudice to, any position which any Joint Petitioner may adopt in the event of any subsequent litigation of this proceeding.

33. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

34. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to

the extent necessary to effectuate the terms and conditions of this Settlement. This Settlement does not preclude the Joint Petitioners from taking other positions in proceedings of other public utilities.

35. If the presiding ALJ adopts the Settlement without modification, the Joint Petitioners agree they will waive the right to file exceptions to the ALJ's decision. If the Commission adopts the Settlement without modification, the Joint Petitioners agree that they waive their right to appeal or to seek reconsideration, rehearing, reargument, or clarification of the Commission's Order approving the Settlement.

IV. MISCELLANEOUS

36. Attached as Appendix A is the Pro Forma Tariff Supplement for UGI Electric's Phase IV Energy Efficiency and Conservation Rider, which the Joint Petitioners respectfully request become effective on one day's advance notice coincident with the effective date of the first quarterly default service rate filing following Commission approval of the Phase IV EE&C Plan.

37. Attached as Appendices B through D are Proposed Findings of Fact, Proposed Conclusions of Law, and Proposed Ordering Paragraphs, respectively.

38. Attached as Appendices E through G are the Statements in Support of the Settlement setting forth the bases upon which each of the Joint Petitioners believes the Settlement is fair, just, and reasonable and, therefore, in the public interest.

V. CONCLUSION

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the Honorable Administrative Law Judge Mark A. Hoyer and the Pennsylvania Public Utility Commission approve this Settlement including all terms and conditions thereof without modification;

2. That UGI Utilities, Inc. – Electric Division's Petition for approval of its Phase IV Energy Efficiency and Conservation Plan is granted as modified by this Settlement; and

3. That UGI Utilities, Inc. – Electric Division be permitted to file the Pro Forma Tariff Supplement attached to the Joint Petition for Settlement as Appendix A to become effective on one day's advance notice coincident with the effective date of the first quarterly default service rate filing following Pennsylvania Public Utility Commission approval of the Phase IV Energy Efficiency and Conservation Plan.

Respectfully submitted,

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Megan E. Rulli, Esquire
Post & Schell, P.C.
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Harrisburg, PA 17101-1601

February 15, 2024
Date

Michael S. Swerling, Esquire
UGI Corporation
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Counsel for UGI Utilities, Inc. – Electric Division

/s/ Darryl A. Lawrence

Melanie El Atieh, Esquire
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Harrisburg, PA 17101-1923

February 15, 2024
Date

Counsel for the Office of Consumer Advocate

/s/ Steven C. Gray

Steven C. Gray, Esquire
Rebecca Lyttle, Esquire
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February 15, 2024
Date

Counsel for the Office of Small Business Advocate

Appendix A

Pro Forma Tariff Supplement

UGI UTILITIES, INC. – ELECTRIC DIVISION

ELECTRIC SERVICE TARIFF

RULES AND RATES
FOR ELECTRIC DISTRIBUTION SERVICE AND
CHOICE AGGREGATION SERVICE

in the following service territory:

LUZERNE COUNTY

City of Nanticoke, and Boroughs of Courtdale, Dallas, Edwardsville, Forty-Fort, Harvey's Lake, Kingston, Larksville, Luzerne, New Columbus, Plymouth, Pringle, Shickshinny, Sugar Notch, Swoyersville, Warrior Run, West Wyoming and Wyoming.

First Class Townships of Hanover and Newport, and Second Class Townships, of Conyngham, Dallas, Fairmount, Franklin, Hunlock, Huntington, Jackson, Kingston, Lake, Lehman, Plymouth, Ross and Union.

WYOMING COUNTY

Townships of Monroe and Noxen

Issued:

Effective for Service Rendered on and after ________. Issued in accordance with the Order entered on _________ at Docket No. ____________.

Issued by:
Paul J. Szykman
Chief Regulatory Officer
1 UGI Drive
Denver, PA 17517

https://www.ugi.com/tariffs

NOTICE

THIS TARIFF MAKES CHANGES TO EXISTING RATES, RULES AND REGULATIONS
(PAGE 2).

LIST OF CHANGES MADE BY THIS SUPPLEMENT
(Page Numbers Refer to Official Tariff)

Rider E – Energy Efficiency and Conservation Rider, Pages 46-47.

- The Phase IV Energy Efficiency and Conservation rider has been added to include cost recovery for expenses related to the development and implementation of Phase IV of the Energy Efficiency and Conservation Plan approved by the Pennsylvania Public Utility Commission by Order entered ____ at Docket No. __________.

RIDER E

ENERGY EFFICIENCY AND CONSERVATION RIDER

GENERAL. The Company shall recover costs related to the Company's Phase IV Energy Efficiency and Conservation Plan ("Phase IV EECP") for 2024-2029 through a Phase IV Energy Efficiency and Conservation Rider ("Phase IV EEC Rider"). The rates under the Phase IV EEC Rider shall be computed separately for each of the three customer classes listed below. The Phase IV EEC Rider Rate for each class shall be as follows: **(C)**

Customer Class	Rate Schedules	Phase IV EEC Rider Rate (*¢/kWh)*
Class 1 – Residential	R, GS-5 and the residential portion of Rate Schedules OL, SOL, MHOL, or successor rate schedules	
Class 2 – Non Residential	All Non-Residential Rate Schedules except for Rate Schedules LP and HTP	
Class 3 – Non Residential	LP and HTP	

(C)

The Phase IV EEC Rider shall apply to all customers whether they are receiving generation service from the Company or not and shall be subject to the State Tax Surcharge. **(C)**

CALCULATION. The Phase IV EEC Rider shall be determined as follows: **(C)**

1. Costs to be recovered shall include Company incurred costs to implement its Commission approved Phase IV EECP during each plan year, including all costs incurred to develop and administer the Company's Phase IV EECP from June 1, 2024 until May 31, 2029. The costs of each Phase IV EECP program shall be directly assigned to the applicable customer class based upon projected spending levels.
2. The Residential Phase IV EEC Rider rate shall be calculated in accordance with the formula below and shall be rounded to the third decimal:

Residential Phase IV EEC Rider Rate = ((Cr / Sr) – (Er / Sr)) / (1-T) where

Cr = Projected Annual Residential Phase IV EECP Costs.

Sr = Projected Annual Residential Class Sales.

Er = Net over or under collection of the Residential Phase IV EEC Rider resulting from the difference between the Phase IV EEC Rider revenues received and the Phase IV EECP costs incurred. The over or under collection shall be calculated annually and include the actual over or under collection for the reconciliation period.

T = Total Pennsylvania gross receipts tax rate as reflected in the Company's base rates, expressed in decimal form.

(C) Indicates Change

1. The Phase IV Non-Residential EEC Rider rates shall be calculated in accordance with the formula below and shall be rounded to the third decimal: **(C)**

Non-Residential Phase IV EEC Rider Rate = ((Cn / Sn) – (En / Sn)) / (1-T) where

Cn = Projected Annual Non-Residential Phase IV EECP Costs.

Sn = Projected Annual Non-Residential Class Sales.

En = Net over or under collection of the Non-Residential Phase IV EEC Rider resulting from the difference between the Phase IV EEC Rider revenues received and the Phase IV EECP costs incurred. The over or under collection shall be calculated annually and include the actual over or under collection for the reconciliation period.

T = Total Pennsylvania gross receipts tax rate as reflected in the Company's base rates, expressed in decimal form.

Class 2 and Class 3 Non-Residential Phase IV EEC Rider rates shall be calculated and reconciled separately.

4. The Residential and Non-Residential rates under the Phase IV EEC Rider shall become effective on September 1. The Residential and Non-Residential rates under the Phase IV EEC Rider shall be updated and reconciled annually thereafter and filed with the Commission effective on thirty (30) days' notice. The Company reserves the right to make an interim filing to adjust the rates under the Phase IV EEC Rider to be effective on sixty (60) days' notice. **(C)**

5. Overcollections or undercollections existing at the end of the last year of the Phase III EE&C Plan (as of May 31, 2024) will be recovered/refunded over the one-year period following the end of the Phase III EE&C Plan. Any remaining balance will be recovered/refunded through the Phase IV EEC Rider's E-Factor. Overcollections or undercollections existing as of the last year of the Phase IV EE&C Plan will be recovered/refunded over the one-year period following the end of the Phase IV EE&C Plan ("Final Reconciliation Year"). If it is known that there will be a Phase V EE&C Plan at the end of the Final Reconciliation Year related to Phase IV, any remaining balance will be recovered/refunded through the Phase V EEC Rider's E-Factor. If there will be no Phase V EE&C Plan, any balance remaining for a customer class at the end of the Final Reconciliation Year will be trued up through a one-time bill credit/debit issued to the applicable customers during the second full billing month following the end of the Final Reconciliation Year. **(C)**

(C) Indicates Change

Issued:	Effective for Service Rendered on and after

Appendix B
Proposed Findings of Fact

APPENDIX B

PROPOSED FINDINGS OF FACT

1. UGI Utilities, Inc. – Electric Division ("UGI Electric" or the "Company") is a "public utility" and an "electric distribution company" ("EDC") as those terms are defined under the Public Utility Code, 66 Pa.C.S. §§ 102 and 2803, subject to the regulatory jurisdiction of the Public Utility Commission ("Commission"), and provides electric distribution, transmission, and default electric supply services to customers located in its certificated service territory. UGI Electric furnishes electric distribution service to approximately 62,000 total customers located in portions of Luzerne and Wyoming counties. (UGI Electric Petition ¶ 1.)

2. On September 21, 2023, UGI Electric filed a voluntary petition ("Petition") seeking approval of Phase IV of its Energy Efficiency and Conservation Plan for the time period beginning June 1, 2024, through May 31, 2029 ("Phase IV EE&C Plan" or "Plan").

3. On January 11, 2024, the evidentiary hearing was held, where the active parties' written testimony and exhibits were admitted into the record.

4. Also on January 11, 2024, UGI Electric informed the prevailing Administrative Law Judge ("ALJ") that the parties reached a settlement in principle ("Settlement") on all issues.

5. The Settlement is supported by the active parties in this case: UGI Electric, the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA").

6. UGI Electric's current Phase III EE&C Plan is set to end on May 31, 2024. (UGI Electric St. No. 1, p. 5.)

7. The Company proposed to implement Phase IV of the Plan over a five-year period, beginning June 1, 2024, and ending May 31, 2029. (UGI Electric St. No. 1, p. 5.)

8. The savings target for the Phase IV EE&C Plan was based on the statewide consumption reduction targets from the Commission's Final Implementation Order for Act 129 Phase IV dated June 18, 2020, issued at Docket No. M-2020-3015228. (UGI Electric St. No. 1, p. 9.)

9. Although UGI Electric is not subject to the requirements of Act 129, the energy-saving targets, expenditure guidelines, cost-effectiveness, and the customer equity guidelines outlined by Act 129 and the Commission's related December 23, 2009 Secretarial Letter defined the major parameters and constraints for developing the portfolio, issued at Docket No. M-2009-2142851. (UGI Electric St. No. 1, p. 11.)

10. UGI Electric's Plan stated that its proposed EE&C programs are targeted at all of UGI Electric's various customer segments and is designed to reduce overall electricity consumption by approximately 3.04% by 2029 compared to the Company's annual historic load for June 1, 2007, to May 31, 2008. (UGI Electric St. No. 1, p. 5.)

11. The Phase IV EE&C Plan incorporates a proposed savings target of 3.0% of 2008 sales, or 32,250 MWh, by 2029. (UGI Electric St. No. 1, p. 6.)

12. As set forth in the Company's originally filed Phase IV EE&C Plan, the Plan was expected to save 32,723 MWh over five years and cost approximately $10.5 million (approximately $2.1 million per year), or approximately 101% of the savings target. (UGI Electric St. No. 1, pp. 6, 8.)

13. The Company's projected annual spending is below the $2.5 million per year cap derived from 2% of 2008 revenue outlined in the Commission's December 23, 2009 Secretarial Letter. (UGI Electric St. No. 1, p. 19.)

14. The costs for the residential sector programs were originally projected to be $4.8 million over five years, and costs for the Commercial and Industrial ("C&I") sector programs were expected to be $3.9 million over five years, net of portfolio-wide administrative costs. (UGI Electric St. No. 1, p. 18.)

15. As originally filed, the Plan was expected to provide present value net Total Resource Cost ("TRC") benefits of $17.5 million with an overall TRC benefit-cost ratio ("BCR") of 2.24. (UGI Electric St. No. 1, p. 6.)

16. UGI Electric's analysis indicated the originally filed Plan would have a TRC BCR of 2.92 for the residential sector and a TRC BCR of 2.18 for the C&I sector. (UGI Electric St. No. 1, p. 19.)

17. The Phase IV EE&C Plan is cost-effective according to the TRC Test established by the Commission. (UGI Electric St. No. 1, p. 19.)

18. The Phase IV EE&C Plan consists of seven programs: (1) the Appliance Rebate Program; (2) the School Energy Education Program; (3) the Energy Kits Program; (4) the Appliance Recycling Program; (5) the Low-Income Program; (6) the Community Based Organization ("CBO") Marketing Program; and (7) the C&I Incentive Program. (UGI Electric Exh. 1, p. 1.)

19. The Phase IV EE&C Plan expands the measures offered through the Appliance Rebate Program, and has a projected increase in participation. (UGI Electric St. No. 1, p. 6.)

20. The Appliance Rebate Program's budget in Phase IV is $1.74 million over five years. The program's savings are projected to be 7,416 annual MWh, and are expected to deliver $6.3 million in present value net benefits with a TRC BCR of 3.13. (UGI Electric Exh. 1, p. 13.)

21. The Phase IV EE&C Plan expands the existing School Energy Education Program to an additional high school. (UGI Electric St. No. 1, p. 6.)

22. The School Energy Education Program is projected to save 2,352 MWh of energy at a cost of $1.3 million over the five years of Phase IV. The program is projected to provide $4.0 million in present value of net benefits, with a TRC BCR of 4.72. (UGI Electric St. No. 1, p. 15.)

23. In its Phase IV EE&C Plan, the Company added a new Energy Kits Program to provide energy saving guidance and energy saving kits to qualifying residential customers. (UGI Electric St. No. 1, p. 6.)

24. The Energy Kits Program is projected to save 426 MWh of energy over the five years of Phase IV. The program is projected to cost $381,250 and provide $329,361 in present value of net benefits, with a TRC BCR of 2.00. (UGI Electric Exh. 1; UGI Electric St. No. 1, pp. 12-13.)

25. Under the Appliance Recycling Program, the Phase IV EE&C Plan now allows for stand-alone pickup for dehumidifiers and room air-conditioners in the Appliance Recycling Program. (UGI Electric St. No. 1, p. 6.)

26. The Appliance Recycling Program is projected to save 2,565 MWh of energy at a cost of $1.1 million over the five years of Phase IV. The program is projected to provide $7,000 in present value of net benefits, with a TRC BCR of 1.01. (UGI Electric St. No. 1, p. 15.)

27. Under the Low-Income Program, the Company provides free installation of heat pump water heaters and smart thermostats at no cost to qualifying low-income customers. (UGI Electric St. No. 1, p. 11.)

28. The Low-Income Program is projected to save 159 MWh of energy at a cost of $245,000 over the five years of Phase IV. The program is projected to provide $20,000 in present value of net benefits, with a TRC BCR of 1.11. (UGI Electric St. No. 1, p. 12.)

29. The Phase IV EE&C Plan maintains the existing CBO Marketing Program, which cross-promotes the Company's EE&C programs with the intent of driving increased customer awareness and participation. (UGI Electric Exh. 1, p. 28.)

30. The proposed CBO Marketing Program is projected to cost $50,000 over five years. (UGI Electric Exh. 1, p. 29.)

31. The Phase IV EE&C Plan reworks the existing C&I Custom Incentive Program into three pathways: a prescriptive pathway, custom pathway, and direct install pathway for small business. (UGI Electric St. No. 1, p. 6.)

32. As filed, the proposed C&I Incentive Program was projected to cost $3.9 million over five years, savings of 19,804 MWh, delivery of $8.3 million in present value of net benefits, and a TRC BCR of 2.18. (UGI Electric St. No. 1, pp. 17-18.)

33. In rebuttal, UGI Electric made certain changes to its C&I Incentive Program projections after correcting a reference error discovered in the Direct Install Pathway projections. Specifically, UGI Electric updated the projections for the proposed C&I Incentive Program to reflect a projected cost of $1,926,731 over five years, savings of 10,190 MWh, delivery of $5,155,000 in present value of net benefits, and a TRC BCR of 2.73. (UGI Electric St. No. 1-R, pp. 17-18.)

34. The Company revised its overall portfolio projections to reflect the revisions made to the C&I Incentive projections, noting that the updated Phase IV portfolio projections include TRC net benefits of $14,344,081, and an overall BCR of 2.43. (UGI Electric St. No. 1-R, p. 12.)

35. UGI Electric proposes to utilize a separate rate mechanism to recover the budgeted costs for development and implementation of the Plan through the Phase IV EEC Rider. (UGI Electric St. No. 2, p. 3.)

36. Of the $8.5 million total Phase IV budget as revised in the Company's rebuttal testimony, UGI Electric proposed to allocate approximately $6.2 million over the five years to the residential customer class and approximately $2.3 million over the five years to the non-residential customer class. (UGI Electric Exhibit KMB-1R.)

37. As in Phases I, II, and III, the Company proposed to calculate separately the applicable Phase IV EE&C Plan costs for three general customer classes on its system: (1) residential; (2) non-residential customers (other than Rate Schedules LP and HTP), which include small and large C&I customers, and (3) Rate Schedule LP and HTP. (UGI Electric St. No. 2, p. 8.)

38. In its direct testimony, OCA recommended that the Company limit the Energy Efficiency Kits Program to one kit per account every ten years or, alternatively, for the Company to shift the costs associated with delivering energy efficiency kits to offset energy audit costs or weatherization rebates. (OCA St. 1, p. 24.)

39. In rebuttal, UGI Electric maintained that the inclusion of the Energy Kits Program in the Plan was appropriate, asserted that the measures included in the kits were sources of meaningful savings, and claimed that the market for energy savings kits was not oversaturated because the lifetime of the measures provided is only six years. (UGI Electric St. No. 1-R, pp. 34-35.)

40. In surrebuttal, OCA continued to recommend that the Energy Efficiency Kit Program funding be shifted to other Plan programs or toward the inclusion of weatherization

measures in the Plan and that the School Energy Kit Program be limited to "homes that have not received a kit in the past five years." (OCA St. 1SR, pp. 14-15.)

41. In rejoinder, the Company maintained that the Energy Efficiency Kit Program should not be defunded and stated that the market for the School Energy Kits program has not reached the point of oversaturation. (UGI Electric St. No. 1-RJ, p. 17.)

42. Under the Settlement, UGI Electric will include marketing that highlights the benefits and availability of weatherization services and information on the Appliance Rebate program in its energy efficiency kits. (Settlement ¶ 21.)

43. UGI Electric will also investigate adding a cost-equivalent non-water related measure, such as weather stripping or pipe insulation, to the kit and will meet with the Pennsylvania American Water Company ("PAWC") to identify whether water efficiency measures included in its kit programs are being provided within the overlapping service territory. (Settlement ¶ 21.)

44. The Company proposed to contract with a third-party evaluator to perform an evaluation on its programs during the Plan and to compile and provide an annual report no later than three months after each Program year ("PY") concludes. (UGI Electric St. No. 1, p. 21.)

45. In its direct testimony, OCA recommended that the Company file any evaluations performed on a program at the EE&C Plan docket. (OCA St. 1, p. 8.)

46. In rebuttal, UGI Electric maintained that a requirement to file any evaluations performed on a program at the Phase IV EE&C docket was unnecessary. (UGI Electric St. No. 1-R, p. 55.)

47. In surrebuttal, OCA continued to recommend that the Company file its program evaluations at the Phase IV EE&C Plan docket, similar to other EDCs subject to the requirements of Act 129. (OCA St. 1SR, p. 16.)

48. In rejoinder, UGI Electric agreed to file the results of its evaluation of the residential programs in PY 14 and non-residential programs in PY 15. (UGI Electric St. No. 1-RJ, p. 24.)

49. Under the Settlement, UGI Electric's evaluation Conservation Service Provider ("CSP") will conduct an evaluation of residential programs in PY 14 and non-residential programs in PY15. (Settlement ¶ 22.)

50. UGI Electric will file and serve the results of those evaluations to the statutory parties at this docket. (Settlement ¶ 22.)

51. As part of its residential program evaluation, UGI Electric will meet with PPL Electric Utilities Corporation ("PPL Electric") to discuss administrative efficiencies related to weatherization programs and resources. (Settlement ¶ 22.)

52. In its direct testimony, OCA recommended that the Company revise its savings projections for the Appliance Rebate Program and the Low-Income Program to be lower and more in line with historical program participation trends. (OCA St. 1, pp. 4, 11.)

53. OCA also recommended that the Company run a sensitivity analysis "to determine how historical levels of participation and increasing interest in electrification measures may impact the [Appliance Rebate Program's] costs and cost-effectiveness." (OCA St. 1, p. 20.)

54. In rebuttal, the Company maintained that its projections for participation in the residential programs were reasonable and obtainable, and opposed the requirement to run a sensitivity analysis. (UGI Electric St. No. 1-R, pp. 26, 50.)

55. In surrebuttal, OCA continued to recommend the Company perform a sensitivity analysis of the Plan "to reflect historical participation and spending levels, as well as the potential popularity of electrification measure[s]" due to Inflation Reduction Act of 2022 ("IRA") funding. (OCA St. 1SR, p. 4.)

56. In rejoinder, UGI Electric continued to oppose a sensitivity analysis. (UGI Electric St. No. 1-RJ, p. 3.)

57. Under the Settlement, a formalized marketing plan will be established annually, detailing how the Company will achieve its projections (Settlement ¶ 28.)

58. In its direct testimony, OCA recommended that the Company should be required to evaluate whether its Appliance Rebate Program measures meet the eligibility requirements of the IRA, recognizing that Pennsylvania has not yet established its IRA programs. (OCA St. 1, pp. 14-15.)

59. The OCA also recommended that the Company notify participating customers, through its website and marketing and rebate materials, whether selected measures are also eligible to receive IRA tax credits or rebates to provide customers with clarity on which measures have rebate opportunities. (OCA St. 1, p. 15.)

60. In rebuttal, the Company maintained that it had already identified which measures meet IRA eligibility requirements and that any further commitments related to the IRA would be premature as it is unknown the role EDCs will play in recovering IRA rebates. (UGI Electric St. No. 1-R, p. 51.)

61. In surrebuttal, OCA maintained its position that the Company should be required to evaluate whether its Appliance Rebate measures meet the eligibility requirements of the IRA and to notify customers regarding those measures. (OCA St. 1SR, p. 4.)

62. In rejoinder, the Company noted that many of the IRA's programs have not yet been implemented and maintained that the Company should not be required to design its EE&C Plan around the federal funding made available through the IRA or to market the IRA to its customers. (UGI Electric St. No. 1-RJ, pp. 22-23.)

63. Under the Settlement, after one full year of the Home Owner Managing Energy Savings ("HOMES") Rebate Program and the High Efficiency Electric Home Rebate Program ("HEEHRA") taking effect in Pennsylvania, UGI Electric will evaluate its Appliance Rebate Program to identify equipment efficiency thresholds that qualify for an EE&C rebate but do not qualify for an IRA rebate as a result of efficiency level criteria. (Settlement ¶ 27.)

64. After that analysis has been completed, UGI Electric will provide the results of its findings, if any, to the parties to this proceeding. (Settlement ¶ 27.)

65. UGI Electric will promote IRA HOMES and HEEHRA program availability as part of supporting the Pennsylvania Department of Environmental Protection's roll out of measures targeting residential customer equipment through inclusion in its EE&C marketing materials. (Settlement ¶ 27.)

66. To the extent the equipment efficiency thresholds required to qualify for rebates in the UGI Electric Appliance Rebate Program are lower than the efficiency thresholds required to qualify for rebates in the HOMES or HEEHRA programs in Pennsylvania, UGI Electric agrees to update its marketing materials and its website with an appropriate disclosure to inform customers about the higher efficiency level required to qualify for rebates under both UGI Electric's Program and the HOMES or HEEHRA program. (Settlement ¶ 27.)

67. As part of the Appliance Rebate Program, the Company proposed to include rebates for fuel switching measures, including rebates for customers switching from electric heating to an ENERGY STAR rated natural gas furnace or boiler. (UGI Electric Exh. 1, pp. 10, 12.)

68. Fuel switching measures are included in the Commission's current Technical Reference Manual ("TRM") for HVAC on page 71 and Domestic Hot Water Heating on page 142. (UGI Electric St. No. 1-R, p. 42.)

69. In its direct testimony, OCA opposed the inclusion of any fuel switching measures in the Plan. (OCA St. 1, p. 17.)

70. In rebuttal, the Company maintained that the fuel switching measures were appropriate to include in the plan, considering that fuel switching measures are included in the Commission's current TRM, statewide Act 129 plans, and the EE&C programs offered by other EDCs. (UGI Electric St. No. 1-R, p. 42.)

71. In surrebuttal, OCA continued to argue for the exclusion of fuel switching measures from the Plan, or in the alternative, that the Company should raise the efficiency level for eligible natural gas boilers from 90% to 95% Annual Fuel Utilization Efficiency ("AFUE"), and raise the efficiency level for natural gas furnaces from 95% to 97% AFUE. (OCA St. 1SR, p. 9.)

72. In rejoinder, UGI Electric maintained its position that the Company's proposed fuel switching measures were appropriate and noted that the proposed efficiency levels for the fuel switching measures already aligned with the well-known federal ENERGY STAR standards. (UGI Electric St. No. 1-RJ, p. 13.)

73. Under the Settlement, UGI Electric will modify its natural gas fuel switching program to provide a rebate of $1,000 for ENERGY STAR qualifying natural gas furnaces with

an Annual Fuel Utilization Efficiency ("AFUE") between 95% and 97%, and a rebate of $1,500 for ENERGY STAR natural gas furnaces with an AFUE of 97% or higher. (Settlement ¶ 29.)

74. For natural gas boilers, UGI Electric will provide a rebate of $1,000 for ENERGY STAR qualifying natural gas boilers, and a rebate of $1,500 for ENERGY STAR natural gas boilers with an AFUE of 95% or higher. (Settlement ¶ 29.)

75. The net-to-gross factor is designed to reflect differences between energy savings that are actually achieved exclusive of savings that would be achieved in the absence of an EE&C plan. (OSBA St. No. 1, p. 8, n.14.)

76. The Company did not employ net-to-gross ("NTG") ratios for its TRC Test evaluations in the proposed Plan. (OSBA St. No. 1, p. 8.)

77. In its direct testimony, OSBA recommended that the Plan should be modified to adopt a 0.7 NTG ratio, based on the 0.7 NTG ratio used by PPL Electric for its Small C&I calculations. (OSBA St. No. 1, pp. 8, 18.)

78. In rebuttal, the Company disagreed with the OSBA's recommendation to adopt PPL Electric's NTG ratio and argued that the Plan's NTG ratio should be derived from an actual study of the effects from a specific program. (UGI Electric St. No. 1-R, p. 21.)

79. Under the Settlement, UGI Electric will apply a NTG ratio of 0.7 for the C&I Incentive Program. (Settlement ¶ 23.)

80. In its direct testimony, OSBA recommended that the Company modify its forecasts for the Direct Install program to reflect providing EE&C services to businesses of all sizes within the Class 2 rate group. (OSBA St. No. 1, p. 18.)

81. OSBA also recommended that UGI Electric reduce utility costs associated with the Class 2 charges by reducing programs, modifying programs to target smaller projects, and shifting cost responsibility to the participants who benefit from the programs. (OSBA St. No. 1, p. 18.)

82. OSBA also recommended that the Company retain per-MWh limits on incentive costs and administrative costs for the C&I programs, and apply those costs separately on an average basis to both Class 2 and Class 3. (OSBA St. No. 1, p. 18.)

83. In rebuttal, the Company disagreed with OSBA's recommendations related to modifying forecasts to provide EE&C services to businesses of all sizes, stating that the Plan was in fact designed to capture a large portion of eligible customers and to get more savings from and reach more small business customers than previous phases. (UGI Electric St. No. 1-R, p. 3.)

84. The Company addressed OSBA's concerns regarding the costs associated with Class 2 charges and revised its calculations, which resulted in a proposed maximum charge in the revised programs of 0.154 cents per kWh. (UGI Electric St. No. 2-R, p. 6.)

85. In rebuttal, the Company disagreed with OSBA's recommendation to retain per-MWh limits on incentive costs and administrative costs, citing its intent to shift focus to smaller projects, which have a higher per project administrative cost per MWh. (UGI Electric St. No. 1-R, p. 14.)

86. Under the Settlement, UGI Electric will continue to track and evaluate actual project savings for the Phase IV C&I Incentive Program's projects in a manner similar to that utilized in Phase II and Phase III, such that the Company will be able to determine estimated annual pre-usage and estimated annual post-usage and then calculate the difference between pre- and post-usage to get realized savings, with the realization rate calculated by dividing this value by the projected savings for the project. (Settlement ¶ 24.)

87. The three methods the Company may use to determine pre- and post-usage are raw usage comparison, baseload usage comparison, and adjusted usage comparison. (Settlement ¶ 24.)

88. The Settlement places the following cost limits on the C&I Incentive Program over the five-year term of the Phase IV EE&C Plan: (1) overall incentive spending shall be limited to $100 per first year MWh; and (2) overall non-incentive spending shall be limited to $110 per first year MWh. (Settlement ¶ 25.)

89. UGI Electric's internal EE&C staff expenses are not assigned to the C&I Incentive Program and, therefore, will not be included in the calculation of the annual non-incentive spending cost limit. (Settlement ¶ 25.)

90. Under the Settlement, the Company's annual EE&C Plan reports will segregate results for the C&I programs between the Class 2 and Class 3 customer rate class groups. (Settlement ¶ 26.)

91. For each rate class group, the Company will present costs, savings and participation results for each pathway, namely the Prescriptive, Custom Incentive and Direct Install pathways. (Settlement ¶ 26.)

92. For the Prescriptive pathway, the standard results will include the number of customers served, as well as the number of units. (Settlement ¶ 26.)

93. In addition, the Company will include the annual and Phase IV to-date incentive and non-incentive spending values on a per first year MWh basis for each rate class group of the C&I Incentive Program in its annual reports. (Settlement ¶ 26.)

Appendix C

Proposed Conclusions of Law

APPENDIX C

PROPOSED CONCLUSIONS OF LAW

1. The Commission has jurisdiction over the subject matter and the parties to this proceeding. 66 Pa. C.S. §§ 2806.1, 2806.2.

2. On November 14, 2008, Act 129 became law in the Commonwealth and was made applicable to EDCs with 100,000 or more customers. Act 129 of 2008, P.L. 1592, 66 Pa.C.S §§ 2806.1 and 2806.2 ("Act 129").

3. UGI Electric has fewer than 100,000 customers and is therefore not formally subject to the energy efficiency requirements of Act 129. 66 Pa.C.S. § 2806.1(l).

4. Although Act 129 is not applicable to EDCs with fewer than 100,000 customers, the Commission recognized in the EE&C Secretarial Letter that the implementation of energy efficiency and conservation measures can assist all electric customers in mitigating retail electric rate increases and ensuring affordable and available electric service. *See Re: Voluntary Energy Efficiency and Conservation Program*, Docket No. M-2009-2142851 (Dec. 23, 2009) ("EE&C Secretarial Letter").

5. The EE&C Secretarial Letter encouraged smaller EDCs to file voluntary EE&C plans and provided guidance regarding the content and Commission review of such voluntary plans. *See* EE&C Secretarial Letter.

6. In the EE&C Secretarial Letter, the Commission directed that petitions for approval of voluntary EE&C plans must be filed in accordance with 52 Pa. Code § 5.41 and must contain the following components:

- A detailed plan and description of the measures to be offered;
- Sufficient supporting documentation and verified statements or testimony or both;

- Proposed energy consumption or peak demand reduction objectives or both, with proposed dates the objectives are to be met;
- A budget showing total planned expenditures by program and customer class;
- Tariffs and a section 1307 cost recovery mechanism; and
- A description of the method for monitoring and verifying plan results.

EE&C Secretarial Letter at 1; 66 Pa.C.S. § 1307.

7. Voluntary EE&C plans must measure and verify energy savings in the same manner as Act 129 mandated plans. EE&C Secretarial Letter at 2.

8. For Phase IV of Act 129, the evaluation, measurement and verification ("EM&V") of energy savings must be performed using the Technical Reference Manual ("TRM") established at Docket No. M-2019-3006867. *Implementation of the Alternative Energy Portfolio Standards Act of 2004: Standards for the Participation of Demand Side Management Resources – Technical Reference Manual 2021 Update*, Docket No. M-2019-3006867 (Order entered Feb. 4, 2021).

9. Voluntary plans, like their mandatory counterparts, must employ the Total Resource Cost ("TRC") Test, as defined in Act 129 and applied by the Commission to determine whether a certain proposed EE&C plan is cost-effective. *See* 66 Pa.C.S. § 1307; EE&C Secretarial Letter at 1-2.

10. The Company employed the TRC Test established in Docket No. M-2019-3006868. *See 2021 Total Resource Cost (TRC) Test*, Docket No. M-2019-3006868 (Order entered Dec. 19, 2019).

11. The Commission encouraged the smaller EDCs that file voluntary EE&C plans to use the Act 129 targets as guiding principles in establishing energy consumption and peak demand reduction objectives. EE&C Secretarial Letter at 2.

12. The voluntary consumption reduction objective is to be measured against the filing EDC's annual historical load for June 1, 2007, through May 31, 2008. EE&C Secretarial Letter at 2.

13. A voluntary EE&C plan's peak demand reduction objective should be measured against the filing EDC's historical peak load for the same time frame. EE&C Secretarial Letter at 2.

14. The Commission stated that it will require all smaller EDCs that voluntarily file a plan to submit an annual report to the Commission detailing the results of the EE&C plan, its cost-effectiveness, and any additional information required by the Commission. EE&C Secretarial Letter at 2.

15. Commission policy promotes settlements. 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and at the same time conserve administrative resources.

16. Settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. 52 Pa. Code § 69.401.

17. To accept a settlement, the Commission must determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. UGI Utilities, Inc. – Gas Division*, Docket Nos. R-2015-2518438, *et al.* (Order entered Oct. 14, 2016); *Pa. PUC v. Philadelphia Gas Works*, Docket No. M-00031768 (Order entered Jan. 7, 2004).

18. The Joint Petitioners have the burden to prove that the Settlement is in the public interest. *Pa. PUC v. Pike Cnty. Light & Power (Electric)*, Docket Nos. R-2013-2397237, C-2014-2405317, *et al.* (Order entered Sept. 11, 2014).

19. The decision of the Commission must be supported by substantial evidence. 2 Pa.C.S. § 704.

20. "Substantial evidence" is such relevant evidence that a reasonable mind might accept as adequate to support a conclusion. More is required than a mere trace of evidence or a suspicion of the existence of a fact sought to be established. *Norfolk & Western Ry. Co. v. Pa. PUC*, 413 A.2d 1037 (Pa. 1980); *Erie Resistor Corp. v. Unemployment Comp. Bd. of Review*, 166 A.2d 96 (Pa. Super. 1961); *Murphy v. Comm., Dept. of Public Welfare, White Haven Center*, 480 A.2d 382 (Pa. Cmwlth. 1984).

21. The Phase IV Plan submitted by UGI Electric, and the Settlement which modifies it, provide for reduced energy demand and consumption consistent with the requirements of Act 129 and the EE&C Secretarial Letter.

22. The Settlement reached by the parties provides effective EE&C strategies to reduce energy demand and consumption and is in the interest of UGI Electric, its customers, and the public.

Appendix D

Proposed Ordering Paragraphs

APPENDIX D

PROPOSED ORDERING PARAGRAPHS

1. That the Joint Petition for Approval of Settlement of All Issues filed at Docket No. M-2023-3043230 and dated February 15, 2024, is approved in its entirety and without modification.

2. That the *Petition of UGI Utilities, Inc. – Electric Division for Approval of Phase IV of its Energy Efficiency and Conservation Plan* for the period of June 1, 2024, through May 31, 2029, is approved, as modified by the terms and conditions of the Joint Petition for Approval of Settlement of All Issues.

3. That UGI Utilities, Inc. – Electric Division is permitted to file the Pro Forma Tariff Supplement attached as Appendix A to the Joint Petition for Approval of Settlement of All Issues to become effective on one day's advance notice coincident with the effective date of the first quarterly default service rate filing following Pennsylvania Public Utility Commission approval of the Phase IV EE&C Plan.

Appendix E

UGI Electric's Statement in Support

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. – Electric Division for Approval of Phase IV of its Energy Efficiency and Conservation Plan	:	Docket No. M-2023-3043230

UGI UTILITIES, INC. – ELECTRIC DIVISION'S
STATEMENT IN SUPPORT OF SETTLEMENT PETITION

TO ADMINISTRATIVE LAW JUDGE MARK A. HOYER:

I. INTRODUCTION

UGI Utilities, Inc. – Electric Division ("UGI Electric" or the "Company") hereby submits this Statement in Support of the Joint Petition for Approval of Settlement of All Issues ("Settlement") entered into by UGI Electric, the Office of Consumer Advocate ("OCA"), and the Office of Small Business Advocate ("OSBA"), in the above-captioned proceeding (hereinafter collectively referred to as the "Joint Petitioners"). UGI Electric respectfully requests that Administrative Law Judge Mark A. Hoyer ("ALJ") and the Pennsylvania Public Utility Commission ("Commission") approve the Settlement, including the terms and conditions thereof, without modification.

1. In this proceeding, UGI Electric presented its proposed Phase IV Energy Efficiency and Conservation ("EE&C") Plan, which includes a portfolio of energy efficiency and conservation practices and peak load reduction and energy education initiatives that are anticipated to reduce customers' energy consumption and reduce peak load on UGI Electric's system. The Settlement, if approved, will resolve all issues raised by the Joint Petitioners concerning the Phase IV EE&C Plan. Given the diverse interests of the Joint Petitioners and the active role they have taken in this proceeding, the fact that they have resolved their respective

issues in this proceeding, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest. The Settlement was achieved after a thorough review of UGI Electric's proposal in this proceeding. The Company responded to many interrogatories, and there were multiple rounds of testimony. The Joint Petitioners participated in a number of settlement discussions that ultimately led to the Settlement.

Further, the Joint Petitioners, through their counsel and experts, have considerable experience in EE&C Plan proceedings. OCA and OSBA are tasked with representing the public interest. This responsibility, combined with their and the Company's knowledge, experience, and ability to evaluate the strengths and weaknesses of their respective litigation positions, provided a strong base upon which to build a consensus resolving the disparity between the parties' positions on UGI Electric's Phase IV EE&C Plan.

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231(a). Settlements reduce the time and expense the parties must expend litigating a case and, at the same time, conserve precious administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *See Pa. PUC v. MXenergy Elec. Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R. 4th 58 (Order entered Dec. 5, 2013). To approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *See Pa. PUC v. Windstream Pa., LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Order entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Order entered July 22, 1991).

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners in this proceeding. Therefore, for the reasons explained in this Statement in Support, UGI Electric believes that the Settlement is just, reasonable, and in the public interest and, therefore, should be approved without modification.

In support thereof, UGI Electric states as follows:

II. DISCUSSION

A. ENERGY EFFICIENCY KITS

UGI Electric proposed to add a new residential program for Phase IV of its EE&C Plan, an Energy Kits Program promoted on the Company's website. (UGI Electric St. No. 1, p. 12.) As UGI Electric witness Theodore M. Love explained, the Energy Kits Program will "provide a website for customers to complete an online questionnaire that will result in a customized list of recommendations for saving energy, including referrals to other relevant programs." (UGI Electric St. No. 1, p. 12.) Eligible customers that indicate they use electricity for water heating through the self-assessment can then choose to receive a water saving kit shipped to their home at no cost, which includes low-flow bath and kitchen faucet aerators and a low-flow showerhead. (UGI Electric St. No. 1, p. 12.) Kits will be limited to one per account every five years. (UGI Electric St. No. 1, p. 12.) In addition, UGI Electric proposed to continue its School Energy Education Program in the Phase IV Plan, which provides energy efficiency toolkits to students, and to expand this program to an additional high school. (UGI Electric St. No. 1, p. 15.)

OCA argued that the Phase IV EE&C Plan was "heavily reliant on energy efficiency kits, with 21% of the residential energy savings projected to come through the two kit programs." (OCA St. 1, p. 23.) In addition, OCA raised concerns about the saturation level of energy kits in the Company's service territory because energy efficiency kits have been a part of the Company's previous EE&C Plans for 12 years. (OCA St. 1, p. 23.) Finally, OCA witness Stacy

Sherwood argued that weatherization measures would offer "deep, long-term energy savings" as compared to the "energy savings associated with water savings" provided by the energy kits. (OCA St. 1, p. 23.) Based on these concerns, OCA recommended that the Company limit the Energy Efficiency Kits Program to "one kit per account every 10 years" or, in the alternative, for the Company to shift the costs associated with delivering energy efficiency kits "to offset energy audit costs or weatherization rebates." (OCA St. 1, p. 24.)

In rebuttal, UGI Electric argued that the Energy Kits Program was a "modest portion of the overall portfolio budget" that "plays an important role in getting customers without school age children to engage with UGI Electric and achieve energy savings, all at a low cost to ratepayers." (UGI Electric St. No. 1-R, p. 35.) In response to OCA's claims related to weatherization, UGI Electric witness Mr. Love stated that "energy audit and weatherization rebate programs generally have lower cost-effectiveness than energy efficiency kit programs due to the costs associated with the level of savings." (UGI Electric St. No. 1-R, p. 35.) In addition, the Company maintained that the market for energy saving kits was not saturated, because although the Company has offered energy saving kits for 12 years, the lifetime of the measures is only 6 years, meaning "that only the kits provided to customers within the past six years would still be within their measure lifetime." (UGI Electric St. No. 1-R, p. 34.)

In its surrebuttal testimony, OCA reiterated its concerns with the Company's energy efficiency kit programs and continued to recommend that "the Energy Efficiency Kit budget should be shifted to promote other measures already proposed in the Plan or to fund the inclusion of weatherization measures," while the School Energy Kit Program should be limited to "homes that have not received a kit in the past five years." (OCA St. 1-SR, pp. 14-15.)

In rejoinder, the Company maintained that the Energy Efficiency Kit Program should not be defunded and argued that the market for the School Energy Kits program has not reached the point of oversaturation, with kits having been distributed to less than 25% of the Company's total residential customer base over the life of the program. (UGI Electric St. No. 1-RJ, p. 17.)

Under the Settlement, the Joint Petitioners have agreed that UGI Electric will include marketing that highlights the benefits and availability of weatherization services and information on the Appliance Rebate program in its energy efficiency kits. (Settlement ¶ 22.) In addition, as part of the evaluation for residential programs identified in Paragraph 23 of the Settlement, UGI Electric will investigate adding a cost-equivalent non-water related measure, such as weather stripping or pipe insulation, to the kit and will meet with the Pennsylvania American Water Company ("PAWC") to identify whether water efficiency measures included in their kits programs are being provided within the Company's overlapping service territory. (Settlement ¶ 22.)

These settlement provisions reflect a reasonable compromise of the parties' positions. The provisions address the concerns raised by OCA related to weatherization by ensuring the energy efficiency kits highlight the benefits and availability of weatherization services and information and by requiring the Company to investigate adding a cost-equivalent non-water related measure to the Energy Efficiency Kit Program. Finally, the Settlement addresses the OCA's oversaturation concerns by requiring the Company to work with PAWC to identify whether that utility is offering overlapping water efficiency measures. Thus, the settlement provisions are reasonable and in the public interest and, therefore, should be approved without modification.

B. EVALUATION OF RESIDENTIAL PROGRAMS

In its direct testimony, OCA recommended that the Company should file any evaluations performed on a program at the EE&C Plan docket, and to include as part of its EE&C Plan a description of the evaluation used, if that evaluation is used in lieu of the Technical Reference Manual ("TRM"). (OCA St. 1, p. 8.)

In rebuttal, UGI Electric maintained that a requirement to file any evaluations performed on a program at the Phase IV EE&C docket was unnecessary, considering that parties can adequately access the evaluations through the discovery process during the Phase V EE&C proceeding. (UGI Electric St. 1-R, p. 55.)

In surrebuttal, OCA continued to recommend that the Company file its program evaluations at the Phase IV EE&C Plan docket, similar to other Electric Distribution Companies ("EDCs") subject to requirements of Act 129. (OCA St. 1SR, p. 16.)

In rejoinder, UGI Electric agreed to file the results of its evaluation, performed by the Company's evaluation Conservation Service Provider ("CSP"), of the residential programs in Program Year ("PY") 14 and non-residential programs in PY 15. (UGI Electric St. 1-RJ, p. 24.)

Under the Settlement, UGI Electric's evaluation CSP will conduct an evaluation of its residential programs in PY14 and non-residential programs in PY15. (Settlement ¶ 23.) UGI Electric will file and serve the results of those evaluations to the statutory parties at this docket. (Settlement ¶ 23.) As part of its residential program evaluation, UGI Electric will meet with PPL Electric Utilities Corporation ("PPL Electric") to discuss administrative efficiencies related to weatherization programs and resources. (Settlement ¶ 23.)

These settlement provisions reflect a reasonable compromise of the parties' positions. The Settlement addresses the OCA's evaluation concerns by adopting the OCA's recommendation to file program evaluations at the Phase IV EE&C docket, consistent with

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EDCs subject to the requirement of Act 129. *See* 66 Pa. C.S. § 2806.1(i). In addition, the Company commits to exploring weatherization measures through discussions with PPL Electric, in response to OCA's recommendations to incorporate weatherization measures into the residential programs of the EE&C Plan. Thus, the settlement provisions are reasonable and in the public interest and, therefore, should be approved without modification.

C. MARKETING

OCA raised concerns with the Company's savings projections for the EE&C residential programs. Specifically, OCA witness Ms. Sherwood argued that "the Company's savings projections are not realistic compared to historical performance for measures offered under the Appliance Rebate Program and the Low-Income Program." (OCA St. 1, p. 4.) OCA recommended that the Company revise its projections to be lower and more in line with historical program participation trends. (OCA St. 1, p. 11.) In addition, Ms. Sherwood recommended that the Company run a sensitivity analysis "to determine how historical levels of participation and increasing interest in electrification measures may impact the [Appliance Rebate Program's] costs and cost-effectiveness." (OCA St. 1, p. 20.)

In rebuttal, the Company maintained that its projections for participation in the residential programs were reasonable and obtainable. (UGI Electric St. 1-R, p. 26.) Specifically, UGI Electric witness Mr. Love outlined the methods by which the Company plans to achieve its projected higher participation levels in its Low-Income Program, by increasing its engagement with the Community-Based Organizations ("CBOs") implementing the program, which had already increased participation successfully in PY 11. (UGI Electric St. 1-R, p. 26.) Further, the Company indicated that it planned to reach its participation goals for the Appliance Rebate Program by maintaining non-heat pump participation levels at historical levels and growing participation from heat pump measures that include ductless mini-split heat pumps ("DMHPs") and two new measures, heat pump water heaters and air-source heat pumps. (UGI Electric St. 1-R, p. 27.) Finally, the Company outlined its plan to meet the projected participation levels by "utilizing marketing budgets and leveraging tax credits and other incentives offered by the [Inflation Reduction Act of 2022 ('IRA')]." (UGI Electric St. No. 1-R, p. 28.)

In surrebuttal, OCA maintained its position that the "level of participation projected does not appear to be reasonable based on recent performance (within the last 3 years)." (OCA St. 1SR, p. 2.) As such, OCA continued to recommend that the Company perform a sensitivity analysis of the Plan "to reflect historical participation and spending levels, as well as the potential popularity of electrification measure[s]" due to IRA funding. (OCA St. 1SR, p. 4.)

In rejoinder, UGI Electric continued to assert its belief that a sensitivity analysis was unnecessary, considering that an analysis "would increase the administrative costs and tasks related to administering the Appliance Rebate Program and result in additional costs to the consumers" without providing a clear benefit. (UGI Electric St. No. 1-RJ, p. 3.)

Under the Settlement, a formalized marketing plan will be established annually, detailing how the Company will achieve the projections in its Phase IV EE&C Plan. (Settlement ¶ 29.) This settlement provision reflects a reasonable compromise of the parties' positions by requiring the Company to support its projected participation and savings goals through a detailed marketing plan that will help facilitate achievement of its goals. In addition, it avoids the additional program costs that would have been associated with a sensitivity analysis while still holding the Company accountable for planning and meeting its projections. Thus, the settlement provisions are reasonable and in the public interest and, therefore, should be approved without modification.

D. IMPACT OF THE INFLATION REDUCTION ACT

In its direct testimony, UGI Electric identified that the programs and initiatives under the IRA may affect the Plan's activity and cost-effectiveness, because the IRA "provides significant tax credits that overlap with offerings in the Plan, such as heat pump water heaters." (UGI Electric St. No. 1, p. 7.) The Company stated its intent to monitor the Home Energy Performance-Based Whole-House Rebates ("HOMES") and High-Efficiency Electric Home Rebate Act ("HEEHRA"), and to "watch the potential implementation of HOMES and HEEHRA in Pennsylvania for how they may interact and/or overlap with the Plan's offerings." (UGI Electric St. No. 1, p. 7.) The Company also noted that "it remains to be seen how many of UGI Electric's customers will take advantage of these tax credits and how those tax credits may affect the supply, distribution, and installation of efficient equipment in UGI Electric's service territory." (UGI Electric St. No. 1, p. 7.)

OCA argued that the Company should be required to evaluate whether its Appliance Rebate Program measures meet the eligibility requirements of the IRA. (OCA St. 1, p. 5.) OCA recommended that the Company should notify participating customers, through its website and marketing and rebate materials, whether their selected measures are also eligible to receive IRA tax credits or rebates. (OCA St. 1, pp. 5-6.) In addition, OCA witness Ms. Sherwood acknowledged the administrative burden that would fall on the Company to administer and monitor these IRA rebates, and as such stated that "it may make sense for UGI to partner with one of the EDCs for processing and documentation to lower impact to the program." (OCA St. 1, p. 16.)

In rebuttal, the Company maintained that it had already identified which measures meet IRA eligibility requirements, specifically noting that all heat pump and heat pump water heater measures currently meet eligibility requirements for the IRA. (UGI Electric St. No. 1-R, p. 51.)

UGI Electric witness Mr. Love further noted that "the Company cannot make any further commitments relating to the IRA at this time because it is unknown if EDCs will play any part in recovering IRA rebates, or what the processing and documentation requirements for EDCs will be to recover IRA rebates." (UGI Electric St. No. 1-R, p. 51.)

In surrebuttal, OCA maintained its position that the Company should be required to evaluate whether its Appliance Rebate measures meet the eligibility requirements of the IRA and to notify customers whether they may be eligible to receive IRA tax credits or rebates on the Company's website and marketing and rebate materials. (OCA St. 1SR, p. 4.)

In rejoinder, the Company: (1) noted that many of the IRA's programs have not yet been implemented and will not be implemented for at least one more year; and (2) maintained that the Company should not be required to design its EE&C Plan around the federal funding made available through the IRA or to market the IRA to its customers. (UGI Electric St. No. 1-RJ, pp. 22-23.)

Under the Settlement, after one full year of the HOMES Rebate Program and the HEEHRA taking effect in Pennsylvania, UGI Electric will evaluate its Appliance Rebate Program to identify equipment efficiency thresholds that qualify for an EE&C rebate but do not qualify for an IRA rebate as a result of efficiency level criteria. (Settlement ¶ 28.) After that analysis has been completed, UGI Electric will provide the results of its findings, if any, to the Parties to this proceeding. (Settlement ¶ 28.) UGI Electric will promote IRA HOMES and HEEHRA program availability as part of supporting the Pennsylvania Department of Environmental Protection's roll out of measures targeting residential customer equipment through inclusion in its EE&C marketing materials. (Settlement ¶ 28.) To the extent the equipment efficiency thresholds required to qualify for rebates in the UGI Electric Appliance

Rebate Program are lower than the efficiency thresholds required to qualify for rebates in the HOMES or HEEHRA programs in Pennsylvania, UGI Electric will update its marketing materials and its website with an appropriate disclosure to inform customers about the higher efficiency level required to qualify for rebates under both UGI Electric's Program and the HOMES or HEEHRA program. (Settlement ¶ 28.)

The Settlement reflects a reasonable compromise of the parties' positions. The Company commits to promoting IRA programs and, after the programs have been in place for a year, evaluating how its EE&C programs align with those IRA programs. In addition, by requiring UGI Electric to update its marketing materials and website regarding eligibility under both the EE&C programs and HOMES and HEEHRA programs, the Settlement is designed to address OCA's recommendation to provide customers with notice of the availability and eligibility for rebates. Thus, the settlement provisions are reasonable and in the public interest and, therefore, should be approved without modification.

E. FUEL SWITCHING MEASURES

As part of the Appliance Rebate Program, UGI Electric proposed to include rebates for fuel switching measures, including rebates for customers switching from electric heating to an ENERGY STAR rated natural gas furnace or boiler. (UGI Electric Exh. 1, pp. 10, 12.)

OCA opposed the inclusion of any fuel switching measures in the Company's Phase IV EE&C Plan and recommended to remove those measures from the Plan. (OCA St. 1, pp. 17, 19-20.) In support of this position, OCA argued that "there is no basis for utilizing electric ratepayer dollars to fund conversion from electric to natural gas measures, particularly in a voluntary electric EE&C program," and that "incentivizing electric to natural gas fuel switching contradicts the effort of the IRA to support and incentivize electrification." (OCA St. 1, pp. 18-19.)

In rebuttal, the Company maintained that fuel switching measures are included in the Commission's current TRM, statewide Act 129 plans, and the EE&C programs offered by other EDCs, including PPL Electric. (UGI Electric St. No. 1-R, p. 42.) In addition, UGI Electric witness Mr. Love noted that certain provisions of the IRA "incentivize natural gas HVAC equipment and insulation and air sealing measures for natural gas heated homes through the 25C tax credits and the Home Efficiency Rebate program." (UGI Electric St. No. 1-R, p. 43.) Finally, the Company stated that there is no basis or requirement that a program offered pursuant to Act 129 must align with federal initiatives such as the IRA. (UGI Electric St. No. 1-R, p. 43.)

In surrebuttal, OCA continued to recommend that fuel switching measures should be excluded from the Plan, alleging that the "inclusion of [fuel switching] measures in the TRM is not a sufficient basis to be included as part of a portfolio," and stating that the priority of the IRA is not to incentivize natural gas equipment but "to reduce the usage of fossil fuels." (OCA St. 1SR, pp. 5-6.) OCA also claimed that fuel switching measures were inappropriate because DMHP are more popular than fuel switching measures, the Company's gas division would benefit from switching from electric to natural gas heating, and UGI Electric's ratepayers could be harmed by the permanent removal of electric heating load from the system because it reduces sales. (OCA St. 1SR, pp. 6-7.) Further, if the Plan ultimately included fuel switching measures, OCA alternatively recommended that the Company raise the efficiency level for eligible natural gas boilers from 90% to 95% Annual Fuel Utilization Efficiency ("AFUE"), raise the efficiency level for natural gas furnaces from 95% to 97% AFUE, and match the offerings under PPL Electric's fuel switching program. (OCA St. 1SR, p. 9.)

In rejoinder, UGI Electric maintained its position that the Company's proposed fuel switching measures were appropriate, arguing that fuel switching measures are "fully supportive of stated IRA goals," that there is room for both DMHP and fuel switching under the Company's program, and that the "impact of [the] conversions will decrease UGI Electric's revenue by more than the added customers will increase UGI Gas's revenue." (UGI Electric St. No. 1-RJ, pp. 8-10.) The Company further stated that fuel switching will not harm UGI Electric's ratepayers because customers who take advantage of the program will continue to be UGI Electric customers and removing load from the electric distribution system is a fundamental purpose of Act 129. (UGI Electric St. No. 1-RJ, pp. 10-11.) Additionally, the Company noted that the proposed efficiency levels for the fuel switching measures already aligned with the well-known federal ENERGY STAR standards. (UGI Electric St. No. 1-RJ, p. 13.)

Under the Settlement, UGI Electric will modify its natural gas fuel switching program to provide a rebate of $1,000 for ENERGY STAR qualifying natural gas furnaces with an AFUE between 95% and 97%, and a rebate of $1,500 for ENERGY STAR natural gas furnaces with an AFUE of 97% or higher. (Settlement ¶ 30.) For natural gas boilers, UGI Electric will provide a rebate of $1,000 for ENERGY STAR qualifying natural gas boilers, and a rebate of $1,500 for ENERGY STAR natural gas boilers with an AFUE of 95% or higher. (Settlement ¶ 30.)

The Settlement reflects a reasonable compromise of the parties' positions. The Company commits to revising its fuel switching program to incentivize equipment with higher than ENERGY STAR rated efficiency, while maintaining the availability of fuel switching measures in the Plan. Thus, the settlement provisions are reasonable and in the public interest and, therefore, should be approved without modification.

F. NET-TO-GROSS RATIO

In its direct testimony, OSBA observed that the Company did not derive net-to-gross ("NTG") ratios for its TRC Test evaluations and recommended that UGI Electric use a 0.7 NTG value for its Small Commercial & Industrial ("C&I") calculations. (OSBA St. No. 1, p. 8.)

OSBA proposed this NTG ratio to align with the NTG ratio used by PPL Electric to make PPL Electric's TRC Test evaluations. (OSBA St. No. 1, p. 8.)

In rebuttal, the Company disagreed with the OSBA's recommendation, arguing that UGI Electric's Phase IV EE&C Plan's NTG ratio should be derived from an actual study of the effects from a specific program, not a proxy value from a separate program serving a different customer base. (UGI Electric St. No. 1-R, p. 21.)

Under the Settlement, UGI Electric will report results for the C&I Incentive Program on a gross and net basis. (Settlement ¶ 24.) UGI Electric will apply a Net-to-Gross ratio of 0.7 for the C&I Incentive Program. (Settlement ¶ 24.)

This settlement provision reflects a reasonable compromise of the parties' positions. The Company adopted the OSBA's recommendation and moving forward will use a 0.7 NTG value for its Small C&I calculations. Thus, the settlement provision is reasonable and in the public interest and, therefore, should be approved without modification.

G. COMMERCIAL AND INDUSTRIAL INCENTIVE PROGRAM

In the Phase IV EE&C Plan, UGI Electric proposed to continue its C&I Custom Incentive Program, with some modifications to the current program. For example, for Phase IV, the Company proposed three different pathways for customers to pursue under the C&I Incentive Program: prescriptive, custom, and direct install for small businesses. (UGI Electric St. No. 1, p. 16.) The "Custom Pathway" represents a continuation of the Phase III C&I Custom Incentive Program, while the Direct Install for Small Business Pathway is aimed at engaging small business customers, a traditionally underserved market for energy efficiency programs. (UGI Electric No. 1, pp. 16-17.) UGI Electric witness Mr. Love stated that the Company's C&I Incentive Program is "projected to achieve 19,804 annual MWh in savings and deliver $8.3

million in present value TRC net benefits with a TRC BCR of 2.18." (UGI Electric St. No. 1, p. 18.)

Based on its review of the data provided by the Company in this proceeding, OSBA recommended that the Company modify its forecasts for the Direct Install program to reflect providing EE&C services to businesses of all sizes within the Class 2 rate group; reduce utility costs associated with the Class 2 charges by reducing programs, modifying programs to target smaller projects, shifting cost responsibility to the participants who benefit from the programs; and retain per-MWh limits on incentive costs and administrative costs for the C&I programs, and apply those costs separately on an average basis to both Class 2 and Class 3. (OSBA St. No. 1, p. 18.)

In rebuttal, the Company disagreed with OSBA's recommendations related to modifying forecasts to provide EE&C services to businesses of all sizes, stating that the Plan was designed to capture a large portion of eligible customers and to get more savings from and reach more small business customers than previous phases. (UGI Electric St. No. 1-R, p. 3.) The Company also addressed OSBA's concerns regarding the charges associated with Class 2 charges and made revisions to its calculations that resulted in a proposed maximum charge in the revised programs of 0.154 cents per kWh, which was approximately 44% of the maximum rate of 0.35 cents per kWh proposed by OSBA witness Mr. Robert Knecht in his direct testimony. (UGI Electric St. No. 2-R, p. 6.) Finally, the Company disagreed with OSBA's recommendation to retain per-MWh limits on incentive costs and administrative costs, arguing that the proposal for Phase IV differs from Phase III for two reasons: (1) there is an anticipated drop-off in large projects along a major highway corridor in the Company's service territory; and (2) the Direct Install Pathway is being introduced to address opportunities within the small business sector more comprehensively. (UGI Electric St. No. 1-R, p. 14.) Given these changes in the Phase IV EE&C Plan, the Company anticipates shifting focus to smaller projects and higher per project administrative costs per MWh saved. (UGI Electric St. No. 1-R, p. 15.)

Under the Settlement, the parties have addressed the issues raised by OSBA concerning the C&I Incentive Program. First, UGI Electric will continue to track and evaluate actual project savings for the Phase IV C&I Incentive Program's projects in a manner similar to that utilized in Phase II and Phase III, such that the Company will be able to determine estimated annual pre-usage and estimated annual post-usage and then calculate the difference between pre- and post-usage to get realized savings, with the realization rate calculated by dividing this value by the projected savings for the project. (Settlement ¶ 25.) The three methods the Company may use to determine pre- and post-usage are raw usage comparison, baseload usage comparison, and adjusted usage comparison. (Settlement ¶ 25.)

In addition, the Settlement places the following cost limits on the C&I Incentive Program over the five-year term of the Phase IV EE&C Plan: (1) overall incentive spending shall be limited to $100 per first year MWh; and (2) overall non-incentive spending shall be limited to $110 per first year MWh. (Settlement ¶ 26.) UGI Electric's internal EE&C staff expenses are not assigned to the C&I Incentive Program and, therefore, will not be included in the calculation of the annual non-incentive spending cost limit. (Settlement ¶ 26.)

Furthermore, the Company's annual EE&C Plan reports will segregate results for the C&I programs between the Class 2 and Class 3 customer rate class groups. (Settlement ¶ 27.) For each rate class group, the Company will present costs, savings and participation results for each pathway, namely the Prescriptive, Custom Incentive and Direct Install pathways. (Settlement ¶ 27.) For the Prescriptive pathway, the standard results will include the number of customers served, as well as number of units. (Settlement ¶ 27.) Also, the Company will include the annual and Phase IV to-date incentive and non-incentive spending values on a per first year MWh basis for each rate class group of the C&I Incentive Program in its annual reports. (Settlement ¶ 27.)

These settlement provisions reflect a reasonable compromise of the parties' positions. The Settlement adopts the OSBA's recommendations placing cost limits on the C&I Incentive Program, directs the Company to continue tracking and evaluating actual project savings as the Company has done in previous Plan cycles, and requires UGI Electric to track costs, savings, and participation results by customer rate class group. These commitments demonstrate the Company's willingness to limit spending and maintain transparency in evaluating actual project costs and savings in its C&I programs. Thus, the settlement provisions are reasonable and in the public interest and, therefore, should be approved without modification.

H. MISCELLANEOUS

The Settlement also sets forth various provisions governing the interpretation and precedential nature of the Settlement as well as certain procedural rules that would apply if the ALJ and the Commission approve the Settlement with or without modification. (Settlement ¶¶ 31-35.) These settlement provisions are reasonable and in the public interest because they help clarify the Settlement, the parties' commitments thereunder, and the procedures that would apply under the various scenarios that may occur prior to the conclusion of this proceeding.

III. CONCLUSION

The Settlement resolves all of the issues that were raised during this proceeding. For the reasons explained above, the resolution of this proceeding in accordance with the terms of the Settlement is reasonable and in the public interest. As such, UGI Utilities, Inc. – Electric Division respectfully requests that the ALJ recommend approval of the Settlement and that the Pennsylvania Public Utility Commission approve the Settlement without modification.

Respectfully submitted,

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Date: February 15, 2024

Counsel for UGI Utilities, Inc. – Electric Division

Appendix F
OCA's Statement in Support

Appendix F

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. – Electric	:	M-2023-3043230
Division for Approval of Phase IV of its	:	
Energy Efficiency and Conservation Plan	:	

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF THE SETTLEMENT

The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval of Settlement of all Issues (Settlement), hereby files this Statement in Support (Statement) of the Settlement before the Honorable Deputy Chief Administrative Law Judge (ALJ) Mark Hoyer and the Pennsylvania Public Utility Commission (Commission). The OCA requests that the Commission approve the terms and conditions of the Settlement as being in the public interest for the following reasons:

I. INTRODUCTION

On September 25, 2023, UGI Utilities, Inc. – Electric Division (UGI Electric or Company) filed a Petition (Petition) for Approval of Phase IV of its voluntary Energy Efficiency and Conservation (EE&C) Plan for the period of June 1, 2024, through May 31, 2029 (Phase IV EE&C Plan or Plan). UGI Electric is not subject to the mandatory energy efficiency requirements of Act 129[1] because it serves fewer than 100,000 customers. 66 Pa.C.S. § 2806.1(l). In the Petition, the Company requests the Commission's approval to (1) establish and implement the voluntary Phase

[1] Act 129 of 2008, P.L. 1592, 66 Pa.C.S §§ 2806.1 and 2806.2 (Act 129). On November 14, 2008, Act 129 became law in the Commonwealth and was made applicable to electric distribution companies (EDCs) with 100,000 or more customers.

IV EE&C Plan for the period of June 1, 2024, through May 31, 2029; and (2) to recover the costs it will incur in the provision and management of the voluntary Plan through a Section 1307 automatic adjustment rate. Petition at ¶¶ 42-43.

On October 11, 2023, the OCA filed an Answer, and the Office of Small Business Advocate (OSBA) filed an Answer.

The Commission referred the Company's Petition to the Office of Administrative Law Judge (OALJ), which in turn assigned Deputy Chief ALJ Mark Hoyer as the presiding officer in the proceeding. On October 18, 2023, ALJ Hoyer issued a Prehearing Conference Order and directed the parties to file prehearing memoranda on or before 3:00 p.m. on October 24, 2023. The Company, OCA, and OSBA filed prehearing memoranda on October 24, 2023. ALJ Hoyer held the prehearing conference as scheduled on October 25, 2023, at which time ALJ Hoyer established a procedural schedule for the case and addressed other preliminary matters.

As directed in the Honorable ALJ Hoyer's Prehearing Order issued on October 25, 2023, the Parties submitted pre-filed written testimony and exhibits. On December 1, 2023, the OCA submitted the Direct Testimony of Stacy L. Sherwood (OCA St. No. 1), and the OSBA submitted the Direct Testimony of Robert D. Knecht (OSBA St. No. 1). On December 22, 2023, the Company submitted the Rebuttal Testimony of Theodore M. Love (UGI Electric St. No. 1-R), and the Rebuttal Testimony of Kimberly M. Bassininsky (UGI Electric St. No. 2-R). On January 9, 2024, the OCA submitted the Surrebuttal Testimony of Stacy Sherwood (OCA St. No. 1SR). The OSBA did not submit surrebuttal testimony. On January 11, 2024, prior to 9:00 am the Company submitted the Written Rejoinder Testimony of Theodore M. Love (UGI Electric St. No. 1-RJ).

On January 11, 2023, at 11:00 a.m., ALJ Hoyer convened the evidentiary hearing. Counsel for the OCA informed the ALJ that the Parties were actively discussing settlement and requested that the hearings be postponed until 1:00 pm. ALJ Hoyer granted the OCA's request. ALJ Hoyer reconvened the hearing at 1:00 p.m., and the Company's counsel advised the ALJ that a complete settlement of all issues had been reached. ALJ Hoyer conducted the hearing for the purpose of entering the Parties' testimonies into the record and to go over a schedule for the submission of a joint petition for settlement and statements in support from the Parties, which the ALJ set for February 15, 2024.

The OCA submits that the terms and conditions of the Settlement are in the public interest and should be approved without modification. The OCA addresses the key provisions of the Settlement that are relevant to the issues that the OCA raised in this matter, as set forth below. The OCA expects that other Parties will address those areas of the Settlement that touch on their respective issues.

II. THE COMMISSION'S POLICY ON SETTLEMENTS

When settlements can be achieved and are in the public interest, the Commission encourages parties to reach compromise and achieve settlement. *See* 52 Pa. Code § 5.231. A settlement, by definition, reflects a compromise of the parties' positions. When active parties in a proceeding reach a settlement, the principal issue for Commission consideration is whether the settlement, as supported by the evidentiary record, serves the public interest. *Pa. PUC v. CS Water and Sewer Associates,* 74 Pa. PUC 767, 711 (1991); *Pa. PUC v. Philadelphia Electric Company*, 60 Pa. PUC 1, 21 (1985).

Based on the OCA's analysis of the Petition, discovery responses received, and testimony by all parties, the proposed Phase IV EE&C Plan, as modified by the Settlement, represents a result that would be within the range of likely outcomes in the event of full litigation of the case and is in the public interest, particularly when accompanied by other important conditions contained in the Settlement.

The OCA submits that this Settlement, taken as a whole, is a reasonable compromise in consideration of likely litigation outcomes before the Commission. While the Settlement does not reach all the recommendations proposed by the OCA, the OCA recognizes that the Settlement is a product of compromise. As such, the OCA submits that the Settlement is in the public interest and should be approved by the Commission without modification.

III. THE SETTLEMENT IS IN THE PUBLIC INTEREST

A. Energy Efficiency Kits, Settlement ¶ 22

In its Plan, the Company proposed to add a new Energy Kits Program (Residential/Low-Income Customers) to Phase IV and to discontinue the Energy Efficient Lighting Program that was in Phase III. Petition Exh. 1 at 3. The Energy Kits program is an education program that involves an online questionnaire that will result in a customized list of recommendations for saving energy, including referrals to other relevant programs. For example, customers who indicate that they use electricity for water heating through the self-assessment can then choose to receive a water saving kit shipped to their home at no cost. This kit will include low-flow bath and kitchen faucet aerators and a low-flow showerhead. Kits will be limited to one per account every five years. UGI St. No. 1 at 12.

OCA witness Stacy Sherwood had several concerns with the use of energy efficiency kits. Ms. Sherwood testified that the Plan is heavily reliant on kits that have low in-service rates, which could mean that a majority of the measures funded through the program are never used. OCA St. 1 at 21-22. Ms. Sherwood also testified that the kits focus on secondary methods to create electric energy savings, such as through water saving measures. The Plan relies heavily on energy efficiency kits, with 21% of the residential energy savings projected to come through the energy efficiency kits. While energy savings can be achieved through water savings, weatherization measures would be more suitable to obtain long-lasting savings. OCA St. 1 at 23. Further, Ms.

Sherwood testified as to the potential saturation level of the energy efficiency kit offerings, as the kits have already been offered for 12 years. *Id*. Ms. Sherwood recommended that inclusion of a weatherization audit and rebate program that includes air sealing, duct sealing, and insulation should be considered. OCA St. 1 at 26.

The Parties agreed to settle this issue as follows:

> UGI Electric will include marketing that highlights the benefits and availability of weatherization services and information on the Appliance Rebate program in its energy efficiency kits. As part of the evaluation for residential programs identified in Paragraph 23 of this Joint Petition, UGI Electric will investigate adding a cost-equivalent non-water related measure, such as weather stripping or pipe insulation, to the kit. In addition, UGI Electric will meet with the Pennsylvania American Water Company to identify whether water efficiency measures included in their kits programs are being provided within the Company's overlapping service territory.

Settlement ¶ 22.

This Settlement provision is a reasonable step forward to educate customers on weatherization measures and the Appliance Rebate Program that may provide more long-lasting savings. Coupled with other important Settlement provisions, these terms are in the public interest and should be accepted.

B. Evaluation of Residential Programs, Settlement ¶ 23

OCA witness Sherwood testified as to her concerns over the lack of a detailed and formal evaluation process for the Company's Plan as it is not subject to the same evaluation requirements as Act 129 plans. OCA St. 1 at 11-12. As Ms. Sherwood testified:

> Without a formal evaluation using the EM&V process to verify the savings, the effectiveness of the programs is unclear. For instance, the reported energy savings may be over- or under-reported due to installation rate or usage assumptions. Additionally, there is no assessment of the program's free riders, which could indicate the necessity to discontinue certain programs or implement new measures.

OCA St. 1 at 12. Ms. Sherwood recommended that an evaluation of the first two years of the programs be conducted in time for the results to inform the Phase V plan development. Further, Ms. Sherwood recommended that the Company should file its annual program year results along with an evaluation of the program to be submitted in the current docket. *Id*.

The Parties agreed to resolve this issue as follows:

> UGI Electric's evaluation Conservation Service Provider ("CSP") will conduct an evaluation of its residential programs in Program Year ("PY") 14 and non-residential programs in PY15. UGI Electric will file and serve the results of those evaluations to the statutory parties at this docket. As part of its residential program evaluation, UGI Electric will meet with PPL Electric to discuss administrative efficiencies related to weatherization programs and resources.

Settlement ¶ 23.

This Settlement provision addresses the OCA's concerns on this issue. This provision also provides an opportunity for UGI to potentially coordinate weatherization activities with PPL in order to analyze any synergies that could be created. As such, the OCA submits that this provision is in the public interest and should be accepted.

C. Marketing, Settlement ¶ 29

OCA witness Sherwood testified that the Company's projections in several areas appear to be overly optimistic and may not be achieved. For one, forecasted participation levels for the Appliance Rebate Program exceed the historic participation levels. OCA St. 1 at 17-18. In addition, forecasted savings from the Appliance Rebate Program and the Low-Income Program may not be achievable based on the historic performance of those programs. OCA St. 1 at 4. As previously discussed, the effectiveness of the energy efficiency kits and the large reliance on savings in the Plan is a concern. OCA St. 1 at 21-22.

The Parties agreed to resolve these issues, as follows:

> A formalized marketing plan will be established annually, detailing how the Company will achieve the projections in its Phase IV EE&C Plan.

Settlement ¶ 29.

This Settlement provision is intended to work in conjunction with the reporting requirements that are included in Settlement paragraph 23. The marketing plan and the reporting requirements will work to inform all stakeholders as to the actual effectiveness of the Plan and how actual results match up with the Company's original forecasts. This level of information and transparency will aid the Company and other stakeholders in determining where additional outreach may be necessary in order to achieve Plan objectives. The OCA submits these provisions of the Settlement working together are in the public interest and should be accepted.

D. Impact of the Inflation Reduction Act, Settlement ¶ 28

OCA witness Sherwood testified that the Company indicated the Inflation Reduction Act may have an impact on the Phase IV Plan success. OCA St. 1 at 14. As Ms. Sherwood testified:

> As established through the IRA, there are tax credits currently available for residential, commercial, and industrial customers that invest in and install energy efficient electrification, including heat pumps and weatherization, in their homes and businesses. Additionally, the IRA has allocated to states funding for electrification rebates that will roll out during the Plan period. The Company indicates that it will monitor how Pennsylvania rolls out the IRA rebates for energy efficient equipment to see how it may interact or overlap with the program offerings.

OCA St. 1 at 14-15.

Ms. Sherwood testified that the IRA tax credits are conditioned on meeting certain efficiency levels for new appliances. OCA St. 1 at 15. Ms. Sherwood recommended that UGI check those efficiency levels against the Company's offerings in its Appliance Rebate Program and consider adjusting its own offerings to match the IRA efficiency levels, or at the least it should make sure that its marketing materials clearly delineate to customers that some of the Company's offerings may not qualify for IRA tax credits. *Id*. Further, as participation in the IRA programs will likely require significant documentation, monitoring and reporting requirements, the Company may wish to partner with another EDC to potentially ease the administrative burdens. OCA St. 1 at 15-16.

The Parties recognize that at this time it is uncertain how Pennsylvania will choose to roll out these IRA programs. Accordingly, the following Settlement provision was agreed to:

> After one full year of the Home Owner Managing Energy Savings ("HOMES") Rebate Program and the High Efficiency Electric Home Rebate Program ("HEEHRA") taking effect in Pennsylvania, UGI Electric will evaluate its Appliance Rebate Program to identify equipment efficiency thresholds that qualify for an EE&C rebate but do not qualify for an Inflation Reduction Act ("IRA") rebate as a result of efficiency level criteria. After that analysis has been completed, UGI Electric will provide the results of its findings, if any, to the Parties to this proceeding. UGI Electric will promote IRA HOMES and HEEHRA program availability as part of supporting DEP's roll out of measures targeting residential customer equipment through inclusion in its EE&C marketing materials. To the extent the equipment efficiency thresholds required to qualify for rebates in the UGI Electric Appliance Rebate Program are lower than the efficiency thresholds required to qualify for rebates in the HOMES or HEEHRA programs in Pennsylvania, UGI Electric agrees to update its marketing materials and its website with an appropriate disclosure to inform customers about the higher efficiency level required to qualify for rebates under both UGI Electric's Program and the HOMES or HEEHRA program.

Settlement ¶ 28.

This Settlement provision addresses some of the main concerns that the OCA has about the interaction of the Company's Plan and the new tax credits available under the IRA. Importantly, this provision will provide accurate information to customers as to the IRA programs and will help to ensure that customers have a full understanding of what rebates and/or tax credits may be available. The OCA submits that this provision is an important element of the Settlement and will aid customers in making informed decisions about their appliance choices – specifically, to the extent the equipment efficiency thresholds required to qualify for rebates in the UGI Electric

Appliance Rebate Program are lower than the efficiency thresholds required to qualify for rebates in the HOMES or HEEHRA programs, UGI Electric's added disclaimer will enable a customer to understand that if they wish to qualify for UGI Electric's rebate and the rebate offered under HOMES or HEEHRA, the customer would need to purchase an appliance that meets the higher efficiency thresholds required under the HOMES or HEEHRA programs. As such, this provision is in the public interest and should be accepted.

E. Fuel Switching Measures, Settlement ¶ 30

The Company's Plan includes offering rebates for natural gas furnaces, water heaters, and clothes dryers for those customers who choose to switch from electric to natural gas for those appliances. OCA St. 1 at 16-17. OCA witness Sherwood testified that fuel switching should not be a part of this Plan. OCA St. 1 at 19. In Ms. Sherwood's opinion, considering the goals of the IRA to incentivize electrification, providing rebates to customers to switch from electric to natural gas, using electric ratepayer funds, is not a reasonable component of a voluntary EE&C program. *Id*. Further, Ms. Sherwood explained that substantial energy efficiency gains could be obtained by providing higher incentives for customers to switch from electric resistance heating (e.g., electric furnaces, baseboard electric heaters, electric wall heaters) to more efficient types of electric heat, such as central heat pumps or mini split systems. *Id*.

Ms. Sherwood also testified that the Company's current Plan includes rebates for natural gas equipment that is not rated for optimal efficiency as other states have done. The Company had proposed to rebate natural gas furnaces that have an Annual Fuel Utilization Efficiency ("AFUE") of 95% and natural gas boilers with a 90% AFUE. Comparatively, Ms. Sherwood directed the Commission's attention to other states that have requirements that the equipment be equal to or greater than 97% AFUE for natural gas furnaces and 95% AFUE for natural gas boilers. OCA St. 1SR at 8 (footnote omitted).

Ms. Sherwood also noted that the planned rebates of $1,500 for natural gas furnaces or natural gas boilers are much higher than PPL's rebates for the same equipment, which are $200. *Id*. Ms. Sherwood concluded by recommending that fuel switching not be allowed as part of the Plan, but if the Commission were to allow it, the rebate levels should be lowered to be more consistent with PPL and the efficiency levels should be raised "to 97% AFUE for natural gas furnaces and 95% AFUE for natural gas boilers to encourage the adoption of the most efficient equipment." OCA St. 1SR at 9.

The Parties agreed to settle this issue as follows:

> UGI Electric will modify its natural gas fuel switching program to provide a rebate of $1,000 for ENERGY STAR qualifying natural gas furnaces with an Annual Fuel Utilization Efficiency ("AFUE") between 95% and 97%, and a rebate of $1,500 for ENERGY STAR natural gas furnaces with an AFUE of 97% or higher. For natural gas boilers, UGI Electric will provide a rebate of $1,000 for ENERGY STAR qualifying natural gas boilers, and a rebate of $1,500 for ENERGY STAR natural gas boilers with an AFUE of 95% or higher.

Settlement ¶ 30.

The fuel switching issue was the most contentious matter that was debated in this case. As part of an overall Settlement that included the resolution of all issues in this case, the OCA agreed to accept the provision dealing with fuel switching. This provision does provide increased incentives for higher efficiency equipment, as Ms. Sherwood recommended. Viewing the Settlement as a total package, this provision of the Settlement is reasonable and in the public interest.

F. Net-to-Gross Ratio

The OCA provided no testimony on this issue.

G. Commercial and Industrial Incentive Program

The OCA provided no testimony on this issue.

H. Miscellaneous

The OCA has no miscellaneous issues to address.

IV. CONCLUSION

The Settlement is the result of extensive negotiations to achieve a benefit for UGI Electric's ratepayers. For all of the foregoing reasons, the Office of Consumer Advocate submits that the terms and conditions of the Settlement are in the public interest and should be approved by the Commission without modification.

Respectfully Submitted,

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Dated: February 15, 2024

Appendix G
OSBA’s Statement in Support

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. – Electric Division for Approval of Phase IV of its Energy Efficiency and Conservation Plan	**: : :**	**Docket No. M-2023-3043230**

STATEMENT OF
THE OFFICE OF SMALL BUSINESS ADVOCATE
IN SUPPORT OF THE
JOINT PETITION FOR APPROVAL OF
SETTLEMENT OF ALL ISSUES

I. Introduction

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate ("OSBA") filed a protest and notice of intervention in response to the Petition of UGI Utilities, Inc. – Electric Division ("UGI Electric" or the "Company") for Approval of Phase IV of its Energy Efficiency and Conservation ("EE&C") Plan ("Petition") that was filed with the Pennsylvania Public Utility Commission ("Commission") on September 21, 2023.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Approval of Settlement of All Issues ("*Joint Petition*"). The *Joint Petition* addresses the issues raised by this office in this proceeding. Therefore, the OSBA submits this statement in support of the *Joint Petition*.

II. <u>The Commission's Policy on Settlements</u>

Section 5.231(a) of the Commission's regulations, 52 Pa. Code § 5.231(a) (Formal Proceedings; Hearings; Settlement and Stipulations; Offers of Settlement) states, as follows:

> It is the policy of the Commission to encourage settlements.

Similarly, Section 69.401 of the Commission's regulations, 52 Pa. Code § 69.104 (Settlement Guidelines and Procedures for Major Rate Cases – Statement of Policy; General) states, as follows:

> In the Commission's judgment, the results achieved from a negotiated settlement or stipulation, or both, in which the interested parties have had an opportunity to participate are often preferable to those achieved at the conclusion of a fully litigated proceeding.

III. <u>The Settlement is in the Public Interest</u>

G. <u>Commercial and Industrial Incentive Program</u>

1. The Target Market

UGI Electric's Commercial and Industrial ("C&I") Incentive Program targets all new and existing commercial and industrial facilities, including government and municipal customers. The program will be available for any type of new or replacement energy-efficient equipment. The program also covers retro-commissioning, repairs, optimization, and operational or process changes.

Small business customers are a traditionally under-served market for energy efficiency programs. Historically, the Company has seen much of the non-residential energy savings come from the *Large C&I* customer class – specifically through the Company's C&I Custom Incentive Program. As part of Phase IV of its Plan, UGI Electric has focused on increasing small business participation by expanding its program offerings and lowering the barriers to entry. This includes offering a "Direct Install for Small Business" pathway that will only be open to Small C&I customers.[1]

This program will allow UGI Electric to provide higher incentives and additional technical assistance that will ensure that these small business customers can achieve savings that will have a material impact on their operating costs. By leveraging the design of the Direct Install Pathway, the Company anticipates it will be able to reach this underserved community and ensure that all customer classes are served appropriately by the proposed Phase IV Plan.

UGI Electric expects to use a Conservation Service Provider ("CSP") to market and deliver the program to the different classes of customers served by the Company.

2. Program Description

For the proposed Phase IV, there will be three different pathways[2] for measures in the new C&I Incentive Program that small businesses can pursue, compared to the single "Custom Incentive" pathway in Phase III.

The first pathway, the "*Prescriptive Pathway*" will be the simplest path for customer participation. The Company will offer incentives for lighting in Phase IV of its plan. UGI Electric may expand to include other measures, such as refrigeration or heating, ventilation, and air conditioning ("HVAC") if deemed to be cost effective.

To participate, customers fill out a rebate application, and provide a valid UGI Electric account number and proof of purchase dated within 180 days of the submission date of the application. The rebate application will then be submitted to a program administrator who will then validate the application and provide a rebate. The timeline to process a rebate once a completed application for a finished, approved project has been submitted is generally 4-6

[1] *Joint Petition*, Paragraph 27.
[2] *Joint Petition*, Paragraph 27.

weeks. Custom projects require pre-submission and preliminary evaluation, often before the project is completed, so that the overall timeline for these rebates varies based on the nature of the project.

A key objective of this pathway is to provide a low-hassle approach to smaller EE&C investments, thereby making the program more attractive for smaller projects and smaller customers.

The second pathway, the "*Custom Pathway*," currently called the "*Phase III C&I Custom Incentive Program*," has been maintained. This pathway will expand upon, and address, efficiency measures not covered under the *Prescriptive Pathway*. Custom projects will be analyzed for savings and cost-effectiveness, and a custom rebate offer will be provided based on anticipated savings. The current projected rebate rate is $0.10 per first-year kWh saved.

After the project's installation, the program administrator will verify that the correct equipment was installed and pay the rebate.

The third pathway, the "*Direct Install for Small Business Pathway*," is only available for customers who are in the Small C&I customer classes.

Customers who choose this pathway will receive a free energy assessment including a report outlining recommended measures for lowering energy use and the incentive that will be available for completing the work. The Small C&I customer will also be referred to a network of vetted trade allies that can perform the work. After the work is performed and verified, the rebate will be paid.

This pathway has the highest incentive levels in the program and covers any measures that save electricity. A key objective of this pathway is to reduce both customer cost and procedural impediments associated with the *Custom Pathway*, thereby making EE&C investments more attractive to smaller businesses.

3. Program Effectiveness

The proposed C&I Incentive Program is projected to cost $1.9 million over five years and is projected to achieve 10,190 annual MWh in savings. Furthermore, it is projected to deliver $5.2 million in present value Total Resource Cost ("TRC") net benefits, with a TRC Benefit-Cost Ratio ("BCR") of 2.73, which indicates a very cost-effective program given that the threshold for a cost-effective program is a BCR of 1.0.

The tables below summarize the overall C&I Incentive Program budgets and cost-effectiveness, as well as the projected participation by pathway and rate category.[3]

[3] These tables are based on the C&I Incentive Program as updated in the Company's rebuttal testimony. The updates substantially addressed the concerns raised by OSBA witness Robert D. Knecht regarding the apparent focus in the filed case on larger projects for larger customers within the C&I rate class groups, and the anticipated quintupling of the EE&C charge for Small C&I customers. *See* OSBA Statement No. 1, at 14 and 16-17.

C&I Incentive Program						
Benefit/Cost Component	**PY 13**	**PY 14**	**PY 15**	**PY 16**	**PY 17**	**Total**
Savings (MWh)	1,637	2,084	2,156	2,156	2,156	10,190
Capacity Savings (MW)	0.273	0.353	0.364	0.364	0.364	1.718
Total Resource Cost	$578,093	$687,572	$743,325	$753,507	$763,892	$3,526,389
Direct Participant Cost	$257,785	$304,292	$335,611	$345,793	$356,178	$1,599,658
Direct Utility Costs	$320,308	$383,281	$407,714	$407,714	$407,714	$1,926,731
Customer Incentives	$130,408	$164,781	$173,464	$173,464	$173,464	$815,581
Administration	$164,900	$193,500	$209,250	$209,250	$209,250	$986,150
Marketing	$25,000	$25,000	$25,000	$25,000	$25,000	$125,000

TRC Test	**Value ($1,000)**
NPV Benefits	$8,129
NPV Costs	$2,974
Net Benefits	$5,155
TRC Benefit/Cost Ratio	2.73

Project	**PY 13**	**PY 14**	**PY 15**	**PY 16**	**PY 17**	**Total**
Prescriptive Units - Small C&I	250	330	330	330	330	1,570
Prescriptive Units - Large C&I	870	1,170	1,170	1,170	1,170	5,550
Small C&I Direct Install	6	10	13	13	13	55
Custom - Small C&I	1	1	1	1	1	5
Custom - Large C&I	1	1	1	1	1	5
Total	**1,128**	**1,512**	**1,515**	**1,515**	**1,515**	**7,185**

H. Miscellaneous

The proposals set forth in the *Joint Petition* would address the OSBA's concerns about the originally-proposed Phase IV Plan in several ways.

First, the Joint Petition states that UGI Electric will report results for the C&I Incentive Program on a gross and net basis and that UGI Electric will apply a Net-to-Gross ratio of 0.7 for the C&I Incentive Program.[4] This provision clarifies how the Company's proposed C&I Incentive Program's results will be reported, and essentially adopts OSBA witness Mr. Knecht's recommendation that UGI Electric use the same Net-to-Gross ratio that PPL Electric Utilities Corporation uses – which is 0.7.[5]

[4] *Joint Petition*, Paragraph 24.
[5] *See* OSBA Statement No. 1, at 8, 17.

Second, the *Joint Petition* requires that UGI Electric continue to track and evaluate actual project savings for the Phase IV C&I Incentive Program's projects in a manner like that utilized in Phase II and Phase III.[6] This provision will allow the Company to determine estimated annual pre-usage, estimated annual post-usage, and then calculate the difference between pre- and post-usage to get *realized savings*. The *realization rate* is then calculated by dividing *realized savings* by the *projected savings* for the project. The three methods the Company may use to determine pre- and post-usage are raw usage comparison, baseload usage comparison, and adjusted usage comparison.

This provision in the *Joint Petition* is consistent with commitments made in prior UGI Electric EE&C Plan proceedings and helps clarify the methods by which the Company will track and evaluate actual project savings under the proposed C&I Incentive Program. Furthermore, this provision addresses concerns raised by Mr. Knecht regarding potential differences between deemed savings and actual load reductions.[7]

Third, the *Joint Petition* addresses the OSBA's recommendation concerning the per-MWh limits that should be placed on incentive costs and administrative costs.[8] Specifically, the *Joint Petition* proposes that the following cost limits shall be placed on the C&I Incentive Program over the five-year term of the Phase IV EE&C Plan: (1) overall incentive spending shall be limited to $100 per first year MWh; and (2) overall non-incentive spending shall be limited to $110 per first year MWh.[9]

[6] *Joint Petition*, Paragraph 25.
[7] *See* OSBA Statement No. 1, at 5.
[8] *See* OSBA Statement No. 1, at 5, 18.
[9] *Joint Petition*, Paragraph 26.

UGI Electric's internal EE&C staff expenses are not assigned to the C&I Incentive Program and, therefore, will not be included in the calculation of the annual non-incentive spending cost limit.

Fourth, the *Joint Petition* states that the Company's annual EE&C Plan reports will segregate results for the C&I programs between the Class 2 and Class 3 customer rate class groups.

For each rate class group, the Company will present costs, savings, and participation results for each pathway, namely the *Prescriptive*, *Custom Incentive*, and *Direct Install pathways*. For the *Prescriptive pathway*, the standard results will include the number of customers served, as well as the number of units. In addition, the Company will include the annual and Phase IV to-date incentive and non-incentive spending values on a per first year MWh basis for each rate class group of the C&I Incentive Program in its annual reports.[10]

This provision of the *Joint Petition* is designed to increase transparency, evaluate the effectiveness of the new pathways, and better enable the OSBA and other parties to track and evaluate the participation of Class 2 and Class 3 customers, particularly the smaller customers within those rate class groups.

[10] *Joint Petition*, Paragraph 27.

IV Conclusion

The proposed Phase IV Commercial & Industrial Incentive Program includes the following benefits:

- Enabling the installation of high-efficiency equipment by UGI Electric's C&I customers in new and existing facilities.
- Enabling equipment repairs, optimization, and process changes that reduce electricity consumption.
- Increasing customer awareness of the features and benefits of energy efficient equipment.
- Increasing the market penetration of high-efficiency equipment and leverage existing programs in the market to reach more customers, particularly small business customers.
- Enabling participating small businesses to have lower energy bills.
- Obtaining a total energy reduction of approximately 10,190 MWh.

Therefore, for the reasons set forth in the *Joint Petition*, as well as the factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the ALJ and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,

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