

COMMONWEALTH OF PENNSYLVANIA



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July 6, 2023

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Petition of Philadelphia Gas Works for
Approval of Demand-Side Management
Plan for FY 2024-2026
and
Philadelphia Gas Works Universal Service
and Energy Conservation Plan for 2014-
2016 52 Pa. Code § 62.4 – Request for
Waivers
Docket No. P-2014-2459362

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Answer in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

/s/ Gina L. Miller
Gina L. Miller
Assistant Consumer Advocate
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Enclosures

cc: Office of Administrative Law Judge (crainey@pa.gov)

Office of Special Assistants (ra-osa@pa.gov)

*348631

CERTIFICATE OF SERVICE

Re: Petition of Philadelphia Gas Works :
for Approval of Demand-Side Management :
Plan For FY 2024-2026 :
: Docket No. P-2014-2459362
Philadelphia Gas Works Universal Service :
and Energy Conservation Plan For 2014-2016, :
52 Pa. Code § 62.4- Request for Waivers :

I hereby certify that I have this day served a true copy of the following document, the Office of Consumer Advocate's Answer, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 6th day of July 2023.

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Dated: July 6, 2023
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Philadelphia Gas Works	:	
for Approval of Demand-Side Management	:	
Plan For FY 2024-2026	:	
	:	Docket No. P-2014-2459362
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and Energy Conservation Plan For 2014-2016,	:	
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ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE

I. INTRODUCTION

On July 29, 2010, as a part of the settlement of its base rate proceeding at Docket Nos. R-2009-2139884, P-2009-2097639, the Public Utility Commission approved Phase I of Philadelphia Gas Works' (PGW or Company) Demand Side management (DSM) program for a five-year period ending August 31, 2015. Petition at 1-2. On December 23, 2014, PGW filed a Petition for Approval of Demand-Side Management Plan (DSM) for FY 2016- 2020 (Phase II Plan) and Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, 52 Pa. Code § 62.4- Request for Waivers. *Id.* at 1. On May 6, 2020, PGW filed its Phase III Implementation Plan for Fiscal Years 2021-2023. The Commission approved a settlement of that Phase III Plan by Order entered May 6, 2021. *Id.*

On June 16, 2023, PGW filed its Demand Side Management Implementation Plan Fiscal Years 2024-2026 to cover the period September 1, 2023 to August 31, 2026. (DSM Phase IV). PGW also filed an update to its DSM Phase III Technical Reference Manual (TRM) as Appendix D to the Plan. PGW proposes to continue five of the existing DSM programs: (1) Residential Equipment Rebates Program, prescriptive residential heating

equipment rebates to replace heating equipment at the end of its operational life; (2) Commercial Equipment Rebates program, prescriptive commercial heating and cooking equipment rebates targeted towards replacement at the end of its operational life; (3) Residential Construction Grants program, to work with and provide incentives to homebuilders, building owners, engineers, architects, and contractors to incorporate natural gas energy efficiency into the design of their projects and go beyond building energy code standards; (4) Smart Thermostat Marketplace, a program that offers direct sales of rebate-discounted ENERGY STAR certified smart thermostats to eligible PGW customers; and (5) Low Income Smart Thermostats program that will provide ENERGY STAR certified smart thermostats in the homes of eligible low-income PGW customers at no cost to the customer. *See* Petition at 16-29. PGW proposes to adjust some incentive amounts for residential and commercial rebates and increase efficiency requirements for some equipment. According to PGW, such changes are necessary to account for inflationary pressures and COVID-19-induced supply chain issues. *Id.* at 5. The OCA will be reviewing the type and amount of adjustments and the validity of the basis for the adjustments in this case.

PGW also proposes to add two new programs: (1) EnergySense Kits (ESK) a program to help customers save energy and money by providing energy-saving measures that can be self-installed. This program will be free for all PGW residential customers. According to PGW, the program fills a gap by providing energy savings to the customers that do not qualify for PGW's Home Comfort weatherization program and (2) a Small Business Assessments program to encourage PGW small business customers to use prescriptive rebate programs by providing free walk-through energy assessments that recommend energy efficiency upgrades and provide a limited number of free and low-cost energy efficiency improvements. Petition at 6.

In its Petition, PGW projects that the budget for all seven of the above-mentioned programs will be \$2,477,238 in 2024, \$2,510,014 in 2025, and \$2,585,014 in 2026, for a total projected budget of \$7,572,267. *Id.* at 7. PGW projects that the program will save, on an annual basis, approximately 45,151 BBTus of natural gas in 2024, 46,788 BBTus of natural gas in 2025, and 46,788 BBTus of natural gas in 2026 for a total savings of 138,727 BBTus of natural gas during the proposed plan term. *Id.* at 8. From a cost-effectiveness standpoint, PGW claims that under the Total Resource Cost test, the DSM IV will have a combined present value of net benefits of \$15.72 million (in 2023 dollars). *Id.* at 9.

The OCA submits the following Answer in response.

II. ANSWER

A. PGW's Plan Design, Implementation, And Cost Recovery

PGW proposes the continuation of its Phase III DSM Plan with several important modifications. Petition at 4-15. PGW proposes to begin Phase IV on September 1, 2023 and end on August 31, 2026. Petition at 5-7. PGW proposes the following goals for its Phase IV:

(1) reduce customer bills; (2) maximize customer value; and (3) help the Commonwealth and the City of Philadelphia reduce greenhouse gas emissions and reduce PGW's overall carbon footprint.

Petition at 4.

As explained above, aside from continuing five programs that exist in its current DSM, PGW is now proposing to implement an EnergySense Kits Program and a Small Business Assessments Program. *See* Petition at 16-29. The OCA will review the cost, benefits, and eligibility criteria for all seven of the proposed programs to determine the efficiency and effectiveness of the DSM as proposed. Additionally, PGW generally claims that it is adjusting

some incentive amounts for residential and commercial rebates and increasing efficiency requirements for some equipment. *Id.* at 6. At this time, the OCA does not have adequate information about the extent of and basis for such adjustments, and therefore further information about the adjustments is necessary and must be evaluated. PGW states that it anticipates spending a total of \$7.5 million over the three years of the Phase IV Plan. Petition at 7. The Company indicates that the \$7.5 million is comprised of approximately \$4.45 million in customer incentives, \$2 million in administration costs, \$720,000 in marketing costs, \$225,000 in inspection costs, and \$175,000 in evaluation costs over the three-year term. *Id.* The OCA submits that the Commission should thoroughly review PGW's proposals to determine if they are just and reasonable and consistent with the law. In particular, the OCA has concerns about administrative costs that exceed 26% of the projected total costs and almost 50% of the projected customer incentives.

The OCA submits that the Commission must thoroughly review PGW's program proposals. Issues that must be considered include, but are not limited to: (1) whether the Phase IV program should be continued beyond the sunset date of August 2026, and if it is to continue, whether it should continue beyond 2026 in the form of a triennial Plan; (2) the cost-effectiveness of the programs and DSM Plan, including an examination of PGW's proposed administrative costs; (3) the proposed design of the programs; (4) customer education about energy conservation in the Phase IV Plan; (5) any necessary changes to the implementation of the programs; (6) any necessary changes to the proposed tracking, measurement and verification and reporting tools developed to analyze and to report the effectiveness of the programs; and (7) the proposed costs of the DSM Plan, including the potential future cost impacts to customer bills. The Commission must evaluate whether the proposed Phase IV plan is reasonable, cost-effective

and in the best interests of the consumers who will be paying for the program through rates. The Commission must also ensure that all costs are prudent and result in rates that are just and reasonable. In addition to these issues, the Commission should examine how and whether PGW's program complements funding that will be available due to the federal Inflation Reduction Act's Home Energy Rebate Program which will be administered in Pennsylvania by the Energy Programs Office within the Department of Environmental Protection.

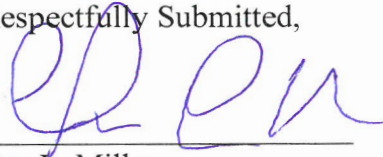
B. Technical Reference Manual

As part of its Petition, PGW has filed an update to its approved DSM Phase III Technical Reference Manual (TRM), which is attached to the Petition as Appendix D. Petition at 13; Appendix D. According to PGW, it evaluated the TRM based on the results of billing analyses, and third-party reviews. PGW claims that where an energy efficiency measure's actual savings continually varied from the savings calculated, that is reviewed the calculation for improvements. Aside from updating certain calculations, PGW updated existing measures, incorporated market information and available research to allow estimates to be updated if new or improved data becomes available. *Id.* at 14. The OCA will review the changes that PGW proposes to the TRM to gauge whether they will culminate in more accurate projections to the benefit of customers.

III. CONCLUSION

The Office of Consumer Advocate respectfully requests that PGW's Petition for Approval of the DSM IV Implementation Plan be sent to the Office of Administrative Law Judge for the development of a record to determine whether PGW has adequately supported its proposed plan.

Respectfully Submitted,



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DATED: July 6, 2023
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re:	Petition of Philadelphia Gas Works	:	
	for Approval of Demand-Side Management	:	
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		:	Docket No. P-2014-2459362
	Philadelphia Gas Works Universal Service	:	
	and Energy Conservation Plan For 2014-2016,	:	
	52 Pa. Code § 62.4- Request for Waivers	:	

VERIFICATION

I, Patrick M. Cicero, hereby state that the facts set forth in the Office of Consumer Advocate's Answer to the Petition of Philadelphia Gas Works for Approval of its 2024-2026 Demand Side Management Plan, are true and correct (or are true and correct to the best of my knowledge, information, and belief) and that I expect to be able to prove the same at a hearing held in this matter. I understand that the statements herein are made subject to the penalties of 18 Pa. C.S. § 4904 (relating to unsworn falsification to authorities).

DATED: July 6 2023

Signature: 

Patrick M. Cicero
Consumer Advocate

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