

December 8, 2008

**VIA EXPRESS MAIL**

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

**Re: Energy Efficiency and Conservation Program and EDC Plans,  
Docket No. M-2008-2069887**

Dear Secretary McNulty;

Enclosed, please find an original and fifteen copies of the combined comments of UGI Utilities, Inc., UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. filed in response to the Commission's November 26, 2008 Secretarial Letter issued in the above docket. In conformance with the instructions set forth in the November 26, 2008 Secretarial Letter, a copy of these comments has also been sent electronically to ra-Act129@state.pa.us.

Very truly yours,



Mark C. Morrow

Counsel for UGI Utilities, Inc.,  
UGI Penn Natural Gas, Inc. and  
UGI Central Penn Gas, Inc.

BEFORE THE PENNSYLVANIA  
PUBLIC UTILITY COMMISSION

Energy Efficiency and Conservation :  
Program and EDC Plans : Docket No. M-2008-2069887

---

JOINT COMMENTS OF UGI UTILITIES, INC.,  
UGI PENN NATURAL GAS, INC. AND UGI  
CENTRAL PENN GAS, INC.

---

UGI Utilities, Inc., UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. (collectively "UGI Gas Distribution"), which are certificated natural gas distribution companies serving approximately 550,000 natural gas distribution customers in Pennsylvania, appreciate this opportunity to submit comments in response to the Commission's November 26, 2008 Secretarial Letter in the above-captioned matter. The Electric Division of UGI Utilities, Inc. has joined in the comments provided by the Energy Association of Pennsylvania ("EAP") in response to the Secretarial Letter, and UGI Gas Distribution wishes to supplement the EAP responses to the Secretarial Letter's questions pertaining to the Total Resource Test, and in particular Question 3(k) which provides:

*The gas industry raised some interesting points on the net impact of displacing natural gas heating equipment (space and water) with electric heating equipment. Should the TRC test include parameters to capture the consequences of net energy gains and losses in delivering alternate fuel to customers?*

Initially, UGI Gas Distribution assumes Question 3(k) intended to indicate the gas industry proposed that gas equipment could displace electric equipment to meet the electric generation and peak load reduction goals of Act 129, and not vice versa.

UGI Gas Distribution believes that the public interest would best be served if the electric generation and peak load reduction goals of Act 129 are met in the most cost-effective manner. As a result of the inherent efficiency gains associated with the direct end use of natural gas or other alternate fuels in many applications, as well as customer willingness in many instance to contribute towards the costs of direct end use equipment because of a preference for such equipment, the direct end use of natural gas or other alternate fuels may often be the most cost effective means of meeting the goals of Act 129, and should be actively considered and addressed in Act 129 compliance plans and accommodated under applicable administrative rules and procedures.

Turning to Question 3(k), the Total Resource Cost Test (“TRC test”) can evaluate the effectiveness of a fuel switching program to meet the goals of Act 129, and this issue is addressed in the *California Standard Practice Manual – Economic Analysis of Demand-Side Programs and Projects* (July 2002). UGI Gas Distribution supports the recommendations of EAP to establish a working group to develop a common understanding of the TRC test and believes such a group could best address the issue of fuel substitution.

In addition, UGI Gas Distribution believes that the Commission’s Technical Reference Manual (“TRM”) needs to be updated to quantify the expected saving associated with common fuel substitution measures, and that the Commission should facilitate the completion of this work in an expeditious manner to make sure that the TRM is available as guide to facilitate the consideration of fuel substitution measures in evaluating Act 129 compliance programs, and should include alternate fuel

representatives as interested stakeholders in future TRM meetings.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark C. Morrow', written over a horizontal line.

Mark C. Morrow  
(Attorney I.D. No. 33590)  
460 North Gulph Road  
King of Prussia, PA 19406  
Tel. 610.768.3628  
Fax: 610.992.3258  
morrowm@ugicorp.com

Counsel for UGI Utilities, Inc.  
UGI Penn Natural Gas, Inc. and  
UGI Central Penn Gas, Inc.

Dated: December 8, 2008