UGI
CORPORATION

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December 19, 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 reply comments of UGI Utilities, Inc., UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. filed in accordance with the provisions of 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.

460 NORTH GULPH ROAD, KING OF PRUSSIA, PA 19406

BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION

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

JOINT REPLY 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 reply comments in the above-captioned matter.

I. Measuring required reductions in peak demand.

At the December 10, 2008 stakeholder meeting, some participants argued that reductions in peak demand, or the capability of reductions in peak demand, should be determined by the 100 hours of highest demand in the summer period or some extended summer period rather than the 100 hours of highest demand determined on an annual basis because the cost of peaking power is allegedly higher during summer, rather than winter, peaks. UGI Gas Distribution believes that this these proposal should be rejected because they are contrary to the plain requirements of Act 129, make assumptions concerning peak power prices that may not be true over time or in every EDC service territory and would disadvantage potential direct end use fuel alternatives.

66 Pa.C.S. §2806.1(d)(1) provides, in pertinent part:

> By May 31, 2013, the weather-normalized demand of the retail customers of each electric distribution company shall be reduced by a minimum of 4.5% of annual system peak demand in the 100 hours of highest demand. The reduction shall be measured against the electric distribution company's peak demand for June 1, 2007, through May 31, 2008. (Emphasis added.)

The plain language of the Section 2806.1(d)(1) requires reductions in annual system peak demand in the 100 hours of highest demand, and not reductions in a seasonal system peak demand. This plain language cannot be disregarded.

Moreover, it is not clear that the assumption underlying this suggestion – that summer peak prices will always be higher than winter peak prices - will always be true in the future or on all EDC systems. By way of example, UGI Utilities, Inc. – Electric Division, although not subject to the provisions of Act 129, experienced higher peak prices in 2007 during the winter period then it did during the summer period.

In addition, adopting a summer or modified summer seasonal peak reduction target, while excluding winter peaks, would place potentially cost effective alternative direct end use fuels, such as natural gas and propane, at a competitive disadvantage since such direct end use fuels can more easily shave winter heating, rather than summer cooling, demands.

II. Avoided costs under the total resource test.

66 Pa.C.S. §2806.1(m) defines the "total resource cost test" as:

> a standard test that is met if, over the effective life of each plan not to exceed 15 years, the net present value of the avoided monetary cost of supplying electricity is greater than the net present value of the monetary cost of the energy efficiency conservation measures.

In applying this test to determine the cost effectiveness of measures utilized to reduce peak demand, the Commission should establish a standard based on the costs of obtaining power from a natural gas fired peaking facility, since such a facility is most likely to be displaced on the margin by peak demand reductions. In applying this test to determine the cost effectiveness of measures used to reduce overall demand, the Commission should establish a standard based on the costs of a combined cycle gas powered electric generation plant since it is representative of the typical plant that would currently be built to meet increases in general load. Anticipated savings associated with avoided transmission and distribution costs should also be considered.

The Commission should also develop projected costs of natural gas and propane which could be used in evaluating the cost effectiveness of fuel substitution measures in meeting Act 129 requirements under the Total Resource Test.

Respectfully submitted,

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