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June 25, 2012

**VIA FIRST CLASS MAIL**

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

**Re: Energy Efficiency and Conservation Program,  
Docket No. M-2012-2289411**

Dear Secretary Chiavetta:

Enclosed, please find a copy of the comments of the UGI Distribution Companies which were e-filed at the above docket today. In accordance with the provisions of the Commission's May 11, 2012, Tentative Order at this docket, copies of these comments have been e-mailed in word format to Megan Good at [megagood@pa.gov](mailto:megagood@pa.gov) and Kriss Brown at [kribrown@pa.gov](mailto:kribrown@pa.gov).

Should you have any questions concerning these comments, please feel free to contact me.

Very truly yours,

Mark C. Morrow

Counsel for the  
UGI Distribution Companies

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Energy Efficiency and Conservation Program : Docket No. M-2012-2289411

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**COMMENTS OF THE  
UGI DISTRIBUTION COMPANIES**

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The Distribution Companies (“UGI Distribution”), comprised for purposes of this filing of UGI Utilities, Inc. – Gas Division, UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc., appreciate this opportunity to submit comments to the above docket. UGI Distribution provides natural gas distribution service to in excess of 594,000 customers in Pennsylvania, and is the largest provider of natural gas distribution service in the Commonwealth.

In its April 17, 2012, comments submitted at this docket, UGI Distribution noted the significant potential that fuel substitution measures could play in meeting Act 129 goals in a cost-effective manner, and thanked the Commission and its staff for the efforts they have taken to recognize fuel substitution as an available measure to meet Act 129 goals.<sup>1</sup> Thereafter, on May 8, 2012, the Commission released the *2012 Pennsylvania Statewide Residential End-Use and Saturation Study* and the *2012 Pennsylvania Statewide Commercial & Industrial End Use & Saturation Study*. These were followed by the May 10, 2012, *Electric Energy Efficiency Potential for Pennsylvania* study (“Efficiency Potential Study”). In a May 8, 2012, Secretarial Letter, the Commission scheduled a June 5, 2012, stakeholders meeting so that a question and answer session could be held with the Statewide Evaluator on the topics of the baseline studies and Efficiency Potential Study, and indicated that comments concerning the studies could be

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<sup>1</sup> An accompanying American Gas Association study - “*Squeezing Every BTU*” - showed the potential for energy savings on a national level.

submitted in response to the Commission's Tentative Implementation Order, subsequently entered on May 11, 2012.

The Efficiency Potential Study Excluded Fuel Switching

At the June 5, 2012 stakeholders meeting, the SWE indicated that while the Efficiency Potential Study studied the future savings potential for all existing EDC programs, those measures identified in the Technical Reference Manual ("TRM") and certain other potential measures identified by Commission staff, the potential of fuel switching measures was not considered even though two existing Act 129 programs include fuel switching measures and fuel switching is addressed in the TRM. It was also indicated that the budget for the Efficiency Potential Study was exhausted and that additional studies could not be performed without additional funding.

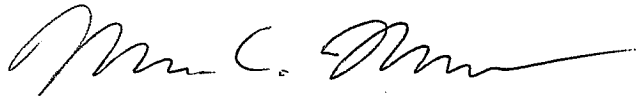
The Commission and EDCs Should Consider the  
Potential Benefits of Fuel Switching Programs in  
Developing Second Round Act 129 Programs

UGI Distribution urges EDCs and the Commission to consider the potential for fuel substitution programs to meet, in a cost effective manner, any second round energy efficiency goals that the Commission may establish. The Commonwealth is now a major producer of natural gas and is reaping many economic benefits from this abundant locally-produced resource. Numerous efforts are underway to examine ways in which this resource can be used within the Commonwealth to further benefit its economy, rather than being exported to other markets. The inclusion of fuel substitution programs in Act 129 programs would provide the dual benefit of enabling EDCs to meet their Act 129 goals in a cost-effective manner, while encouraging the use of locally produced gas in the Commonwealth.

Where natural gas is available, or can be extended in an economical manner, customers are provided with a powerful additional tool to manage their electric power costs through fuel substitution. As the *2012 Pennsylvania Statewide Residential End-Use and Saturation Study* shows, many homes in the PPL and First Energy service territories are using electricity for space and hot water heating, tasks which can be performed with far greater efficiency by natural gas where it is available. Encouraging the direct end use of gas for heating purposes can enable the Commonwealth's electric generation resources can be freed up to meet increased consumer regional demand for power, while helping to support the continued expansion and improvement of the Commonwealth's natural gas distribution grid.

Once again, UGI Distribution applauds the Commission's efforts in recognizing fuel substitution as a resource for meeting Act 129 goals, and looks forward to working with EDCs and the Commission to make fuel substitution measures a vital part of any second round Act 129 programs.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Mark C. Morrow". The signature is fluid and cursive, with a long horizontal stroke at the end.

Mark C. Morrow

Counsel for the  
UGI Distribution Companies