



October 18, 2011

VIA FIRST CLASS MAIL

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

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Re: Pennsylvania Public Utility Commission, et al. v. UGI Central Penn Gas, Inc., Docket Nos. R-2010-2214415; C-2011-2223870 (OCA); C-2011-2225011(OSBA); C-2011-2225026 (Bob Cummings) and C-2011-2228493 (Raymond Howlin)

Dear Secretary Chiavetta:

Enclosed for filing, please find a copy of the Energy Efficiency and Conservation Plan ("EE&C Plan") of UGI Central Penn Gas, Inc. ("CPG") which was e-filed with the Commission today, along with a copy of the e-filing receipt. This filing is being submitted for Commission consideration and approval consistent with ordering paragraph 5(b) of the Commission's Opinion and Order in the above-captioned matter, entered on August 19, 2011.

CPG had proposed an EE&C program in the above-captioned base rate proceeding, along with associated cost and lost revenue recovery mechanisms, and subsequently reached a comprehensive settlement of issues at this docket addressing, amongst other things, modifications to CPG's proposed EE&C program and associated cost and lost revenue recovery provisions. In its August 19, 2011 Opinion and Order the Commission stated:

we approve the framework of CPG's EE&C Plan and the collection of costs, as approved by the Recommended Decision. However, before implementing the EE&C Plan, CPG is directed to seek approval of a final design through a

supplemental filing with the Commission. In this filing and any resulting proceedings, CPG and the other Joint Petitioners should address the following issues:

- ***Program description:*** CPG should provide a clear description of each measure, including, but not limited to, information on target customers and market potential, customer eligibility and any eligibility restrictions, and implementation strategy.
- ***Program savings:*** CPG is to describe in detail how program savings will be calculated for each proposed measure. CPG should describe the measurement, verification (EM&V) and evaluation protocols to be used for each measure.
- ***Program cost effectiveness:*** CPG is to provide a cost – benefit analysis for each measure and the program as a whole, based on the Commission's Total Resource Cost test (TRC test) established at Docket No. M-2009-2108601. TRC methodologies and assumptions for costs and revenues are to be described for each measure.
- ***Program incentives:*** CPG is to demonstrate that incentive levels are just and reasonable in relation to incentive cost impacts on non-participants, and relative to energy efficiency program practices by other utilities or state agency providers. CPG should provide sufficient information to allow Commission staff to calculate and verify what percent of measure costs are covered by any applicable incentive payments.
- ***Fuel Switching:*** CPG is to report on the number of units installed that involve fuel switching for each measure. CPG should also establish a process to record what type of unit was replaced and its fuel type.
- ***Program budget:*** CPG is to provide an overall budget for each measure and the Plan as a whole. Assumptions with regard to measure participation, measure costs, administrative costs and methodology for direct and indirect cost allocation should also be provided. CPG should provide clarification on how the settlement spending caps for each program measure will be impacted if and when the pilot program is delayed in Year 1. As an example, can spending be increased in Year 2 above the annual spending cap, if spending is delayed and below \$900,000 in Year 1?
- ***Education & Communication:*** CPG should provide descriptions of how each measure will be marketed to customers through their education and communication channels. Costs for marketing should be provided for each measure and the Plan in its entirety. CPG should demonstrate that

marketing costs are reasonable when compared with other utility industry energy efficiency programs.

- **Reporting:** *CPG should provide the Commission with an annual report within three months following the end of each Plan year. Such a report should provide detail concerning the costs and savings for each measure, the actual TRC for each measure, proposed changes to the Plan, and any proposed changes to the TRC test and EM&V protocols or assumptions in its Plan.*
- **Low-income programs:** *CPG is to clearly describe what program measures are targeted toward low-income customers, and how these program measures “supplement” the existing Low-Income Usage Reduction Program of CPG.*

In ordering paragraph 5 of its August 19, 2011 Opinion and Order, in turn, the Commission directed:

- b. *That UGI Central Penn Gas, Inc. file and serve a detailed proposed Energy Efficiency and Conservation Plan, as described by this Opinion and Order, within sixty (60) days of the entry of this Opinion and Order for the Commission’s consideration and approval.*
- c. *That following approval of the revised Energy Efficiency and Conservation Plan to be filed pursuant to Ordering Paragraph No. 5(b), UGI Central Penn Gas, Inc. shall file an annual report with the Commission, within three months following the end of each program year, providing detailed costs and savings for each measure, the actual Total Resource Cost test for each measure, any proposed changes to the approved Energy Efficiency and Conservation Plan, and any proposed changes to the Total Resource Cost test and/or Evaluation Measurement and Verification protocols or assumptions in the Energy Efficiency and Conservation Plan.*
- d. *That UGI Central Penn Gas, Inc. track its actual expenditures attributable to its Energy Efficiency and Conservation Plan, and the amounts recovered in base rates attributable to its Energy Efficiency and Conservation Plan, and file a statement of revenue and expenses with the Commission as part of the annual reports described in Ordering Paragraph 5(c).*
- e. *That upon approval of UGI Central Penn Gas, Inc.’s revised Energy Efficiency and Conservation Plan, the investigation at Docket No. R-2010-2214415 be terminated and the case be marked closed.*

- f. That upon approval of UGI Central Penn Gas, Inc.'s revised Energy Efficiency and Conservation Plan, the formal Complaints filed at Docket No. C-2011-2223870 by the Office of Consumer Advocate, at Docket No. C-2011-2225011 by the Office of Small Business Advocate, at Docket No. C-2011-2225026 by Bob Cummings, and at Docket No. C-2011-2228493 by Raymond Howlin, be dismissed.

CPG addresses each of the bulleted issues identified in the Commission's Opinion and Order in the table below.

Commission Order	CPG Compliance Response
<p>Program description: CPG should provide a clear description of each measure, including, but not limited to, information on target customers and market potential, customer eligibility and any eligibility restrictions, and implementation strategy.</p>	<p>Please see Section 2 ("Program Descriptions"), pages 7 through 45 for specific information on each proposed measure.</p>
<p>Program savings: CPG is to describe in detail how program savings will be calculated for each proposed measure. CPG should describe the measurement, verification (EM&V) and evaluation protocols to be used for each measure.</p>	<p>Program savings will be calculated utilizing the deemed savings approach for each individual measure. For the EM&V protocols to be used please reference Section 5 ("Quality Assurance, Evaluation, Measurement & Verification ("EM&V") and Reporting") found on pages 49 and 50 of the Plan. Additional EM&V information is contained within the individual Program Descriptions in Section 2.</p>
<p>Program cost effectiveness: CPG is to provide a cost – benefit analysis for each measure and the program as a whole, based on the Commission's Total Resource Cost test (TRC test) established at Docket No. M-2009-2108601. TRC methodologies and assumptions for costs and revenues are to be described for each measure.</p>	<p>Please reference Section 2 ("Program Descriptions") of the Plan for the TRC test results for each individual measure. Additionally, please see Section 3 ("Cost Effectiveness of the Plan and Program Summary Chart") for a summary of TRC results.</p>
<p>Program incentives: CPG is to demonstrate that incentive levels are just and reasonable in relation to incentive cost impacts on non-participants, and relative to energy efficiency program practices by other utilities or state agency providers. CPG should provide sufficient information to allow Commission staff to calculate and verify what percent of measure costs are covered by any applicable incentive payments.</p>	<p>Proposed incentive levels for each program measure are identified within Section 2 of the Plan. The proposed incentive levels within this Plan are commensurate with others in the state. The cost impacts to non-participants were reviewed and approved in CPG's rate case at this instant docket. Section 2 also provides detail which allows the calculation of percent of measure costs covered by any applicable incentive payment.</p>

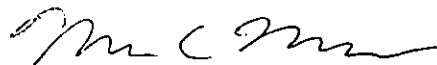
<p>Fuel Switching: CPG is to report on the number of units installed that involve fuel switching for each measure. CPG should also establish a process to record what type of unit was replaced and its fuel type.</p>	<p>CPG will include in its annual report the number of measures that involve fuel switching and identification of the replaced fuel and appliance. This information will be reported by the participant and recorded during claim process.</p>
<p>Commission Order</p>	<p>CPG Compliance Response</p>
<p>Program budget: CPG is to provide an overall budget for each measure and the Plan as a whole. Assumptions with regard to measure participation, measure costs, administrative costs and methodology for direct and indirect cost allocation should also be provided. CPG should provide clarification on how the settlement spending caps for each program measure will be impacted if and when the pilot program is delayed in Year 1. As an example, can spending be increased in Year 2 above the annual spending cap, if spending is delayed and below \$900,000 in Year 1?</p>	<p>Table 1-1 on page 5 of the Plan provides a summary of the proposed program budget. CPG will manage the program based on an overall three year budget of \$2.7 million as the primary target, recognizing that annual spending deviations will occur. In order to assure that any approval delay does not impact on program spending, CPG will officially begin the three year Plan period three months following Commission approval.</p>
<p>Education & Communication: CPG should provide descriptions of how each measure will be marketed to customers through their education and communication channels. Costs for marketing should be provided for each measure and the Plan in its entirety. CPG should demonstrate that marketing costs are reasonable when compared with other utility industry energy efficiency programs.</p>	<p>Program marketing and customer education initiatives and related costs for each measure are documented within Section 2. Marketing costs for the entire EE&C Plan represent approximately 7.5% of the total budget. This appears to be in alignment with other similarly structured utility energy efficiency programs. A sampling of current electric and natural gas EE&C programs in Pennsylvania indicates marketing cost predominantly falling in the 5% to 10% range.</p>
<p>Reporting: CPG should provide the Commission with an annual report within three months following the end of each Plan year. Such a report should provide detail concerning the costs and savings for each measure, the actual TRC for each measure, proposed changes to the Plan, and any proposed changes to the TRC test and EM&V protocols or assumptions in its Plan.</p>	<p>Section 5 (“Quality Assurance, Evaluation, Measurement & Verification (“EM&V”) and Reporting”) found on pages 49 and 50 of the Plan provides details on intended reporting format and frequency for costs, savings, TRC data and proposed changes. Additional reporting information for each program measure can be found in Section 2.</p>
<p>Low-income programs: CPG is to clearly describe what program measures are targeted toward low-income customers, and how these program measures “supplement” the existing Low-Income Usage Reduction Program of CPG.</p>	<p>Each of the Residential measures offered in this plan are available to all low income customers. To the extent that funding levels for CPG’s existing Low Income Usage Reduction Program (“LIURP”) are projected to be exhausted, EE&C measures under this Plan will be coordinated to provide supplemental opportunities for customers unable to avail themselves of LIURP energy savings measures, at the customer’s election. Moreover,</p>

	low-income customers who do not qualify for LIURP or choose not to participant in LIURP will find the EE&C program helpful as a supplemental opportunity for conservation initiatives.
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Copies of UGI's EE&C Plan have been reviewed in advance with the Office of Consumer Advocate and the Office of Small Business Advocate, and have been served upon the persons indicated on the attached certificate of service.

Should you have any questions concerning this filing, please feel free to contact me.

Very truly yours,



Mark C. Morrow

Counsel for UGI Central Penn Gas, Inc.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission :	R-2010-2214415
Office of Consumer Advocate :	C-2011-2223870
Office of Small Business Advocate :	C-2011-2225011
Bob Cummings :	C-2011-2225026
Raymond Howlin :	C-2011-2228493
	:
v.	:
	:
UGI Central Penn Gas, Inc.	:

CERTIFICATE OF SERVICE

I hereby certify that I have, this 18th day of October, 2011, served a true and correct copy of the foregoing document in the manner, and upon the persons, indicated below in accordance with the requirements of § 1.54 (relating to service by a participant):

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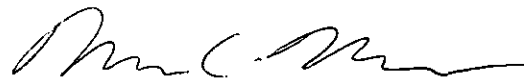
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Mark C. Morrow

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

UGI Central Penn Gas, Inc.

Energy Efficiency and Conservation Plan

Docket No. R-2010-2214415

October 18, 2011

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SECTION 1: PLAN OVERVIEW

UGI Central Penn Gas, Inc. (“CPG” or the “Company”) has constructed an Energy Efficiency and Conservation Plan (“EE&C Plan” or “Plan”) which is designed to provide its customers with an enhanced opportunity to reduce natural gas consumption by providing economic incentives which will lower the customer’s cost of implementation. The EE&C Plan includes a portfolio of energy efficiency, conservation, and consumption reduction measures, programs, and education initiatives. The portfolio includes the following programs:

1. High Efficiency New Homes Program (Residential Sector; Including Low Income Customers)
2. High Efficiency Heating Upgrade Program (Residential Sector; Including Low Income Customers)
3. High Efficiency Water Heater Upgrade Program (Residential Sector; Including Low Income Customers)
4. Keystone HELP Energy Loan Program (Residential Sector; Including Low Income Customers)
5. Energy Education Program (Residential Sector; Including Low Income Customers)
6. Commercial and Industrial Combined Heat and Power Program (Commercial and Industrial Sector/Governmental Customers)
7. Commercial and Industrial Custom Incentive Program (Commercial and Industrial Sector/Governmental Customers)

All of the programs are voluntary, at the customer’s choice. The programs offer CPG’s customers a wide range of energy efficiency and conservation measures to decrease natural gas consumption and, in turn, customers’ natural gas costs.

In the initial design of its EE&C Plan, CPG utilized the Commission’s Secretarial Letter¹ issued to smaller Electric Distribution Companies (“EDCs”) with regard to energy reduction and other Plan parameters as a general guide. Subsequent to review as part of CPG’s Base Rate Case filing at Docket No. R-2010-2214415, CPG modified a number of design parameters. These modifications were primarily reductions to participant levels and reductions to program measure rebates. CPG’s EE&C Plan, outlined herein:

¹ RE: Voluntary Energy Efficiency and Conservation Program, Docket No. M-2009-2142851, Secretarial Letter issued December 23, 2009.

- includes programs and individual measures designed to reduce CPG customers' annual natural gas consumption by approximately 73,000 Mcf at the end of the three year plan;
- is designed to expend approximately 0.6% of CPG's total annual revenues for the annual period ending September 30, 2010, which equates to a total program cost of approximately \$2.7 million;
- within the \$2.7 million budget, proposes a residential class expense of \$1.5 million and a non-residential expense of \$1.2 million;
- offers energy efficiency and conservation programs to all residential customer classes and the majority of Commercial and Industrial customer classes (Rate IS and Rate XD classes are excluded);
- is a cost-effective plan based on Total Resource Cost ("TRC") Test criterion;
- anticipates the use of internal CPG staff and Conservation Service Providers ("CSPs"), as necessary, to implement the programs, monitor their progress, and verify the Plan results;
- includes procedures to measure, evaluate, and verify performance of the programs and the Plan as a whole; and
- details a process for an annual evaluation of the Plan results

The EE&C Plan contains a variety of programs that are key components to achieving the desired energy consumption reductions and associated cost savings. In choosing the portfolio of programs, CPG considered the Commission-approved efficiency programs utilized by other Pennsylvania natural gas distribution companies ("NGDC"), as well as other available cost-effective energy efficiency and conservation measures, considering CPG's size and particular service territory.

The EE&C Plan is the product of significant input from internal CPG staff and CPG's expert EE&C advisor, Paul Raab. CPG has attempted to incorporate reasonable ideas, insights, program features, and implementation details to the extent possible and feasible.

CPG utilized the expertise of in-house staff combined with the energy efficiency expertise of a consultant who has worked in the energy efficiency and conservation field for many years. Cognizant of the guidelines in the Commission's Secretarial Letter and the related requirements of Act 129, CPG and its consultant, Mr. Paul Raab, initially used an approximate 2% of annual revenues² expenditure guideline. This budget amount was subsequently reduced to approximately 0.6% of annual revenues, or \$900,000 annually

² CPG utilized annual revenues for the twelve-month period ended September 30, 2010.

through settlement with the parties in CPG's Base Rate Case proceeding. CPG also adopted an energy consumption reduction target of approximately 24,500 Mcf per year in constructing a portfolio of measures and programs targeting the vast majority of customer classes on the CPG system. For each customer segment, a set of programs was developed in order to provide a range of program options with the goal of meeting the identified energy consumption reduction target.

The process for development of the Plan consisted of the following basic elements:

1. establishing a set of guiding principles;
2. assessing energy efficiency and conservation resource potentials;
3. developing and balancing the portfolio;
4. refining the Plan consistent with the Total Resource Cost ("TRC") objectives set forth in the Commission's Secretarial Letter and Act 129, generally;
5. refining the Plan based on CPG's Base Rate Case settlement at Docket No. R-2010-2214415;
6. final refinement based on feedback from the Office of Consumer Advocate and the Office of Small Business Advocate.

Because CPG is committed to a long-term investment in energy efficiency, the following guiding principles aided the development of CPG's Plan content:

1. Customer Service – The Plan was developed in a way that is easy to understand to enable customers to take energy efficiency actions that will save money and support the environment.
2. Proven Solutions and Sustainable Savings – The Plan focuses on proven, cost-effective energy efficiency measures as part of an extensive path to long-term and sustainable energy efficiency.
3. Flexibility – The Plan provides customers flexibility by offering a wide variety of programs in which they can participate. To support customers' actions, the Plan provides numerous measures, customer education initiatives, energy efficiency information, financial incentives, and services. For the Company, the Plan provides flexibility by allowing CPG to consider the results of the programs and determine whether any adjustments are necessary in order to achieve the desired energy savings on a whole and/or maintain Plan cost-effectiveness, provided however, the Company will not, without Commission approval, add new programs or deviate significantly from the approved program parameters.

4. Accessibility to Low Income Customers – The Plan allows for Low Income customers who are not already receiving assistance through CPG’s Low Income Usage Reduction Program (“LIURP”) or Customer Assistance Program (“CAP”), to apply for participation in any of the proposed Residential measures. Should funding be exhausted from either the LIURP or CAP programs, or a low income customer does not qualify for either program, the proposed residential EE&C measures would be available.

A summary of the program measures by class is set forth below. The information shown is for the entire three year Plan period (2012 through 2014).

Table 1-1

Customer Segment	Program Measure	Program Description	Estimated Annual Energy Savings (Mcf)	Budget (\$)	Total Resource Cost ("TRC") Test	
Residential	New Homes: High Efficiency Space and Water Heating	Contractors building new homes who install a high efficiency natural gas furnace or boiler along with a high efficiency natural gas water heater are eligible for incentive payment.	5,500	\$171,656	1.47	
	Existing Homes: High Efficiency Space Heating	Customers in an existing home who install a high efficiency natural gas furnace or boiler are eligible for incentive payment.	14,500	\$525,483	1.09	
	Existing Homes: High Efficiency Water Heating	Customers in an existing home who install a high efficiency natural gas water heater are eligible for incentive payment.	14,800	\$249,064	2.28	
	Keystone HELP Loan Financing	Customers who obtain an energy loan through the Keystone HELP program are eligible to receive an incentive equal to the total financing cost of the loan.	2,900	\$310,746	1.27	
	Energy Education	Provides educational information to customers on ways to reduce their energy usage.	0	\$107,114	0	
	Administrative Expenses				\$136,406	
	Total Residential			37,700	\$1,500,469	1.37
Commercial and Industrial	Combined Heat and Power ("CHP")	Customers installing natural gas fired combined heat and power units with such installations using waste heat from the CHP process for a useful purpose would be eligible for an incentive payment of \$1,500 per kilowatt of capacity up to a maximum rebate of \$100,000 per participating customer per year.	7,600	\$330,000	1.21	
	Custom	Customers installing natural gas fired equipment which provides an overall facility efficiency gain, would be eligible for an incentive payment equal to 80% of the avoided cost of the project up to a maximum rebate of \$100,000 per participating customer per year. Project must meet or exceed a TRC of 1.0.	28,000	\$760,483	1.58	
	Administrative Expenses				\$109,048	
	Total Commercial and Industrial			35,600	\$1,199,531	1.52
Plan Totals			73,300	\$2,700,000	1.44	

The programs are detailed in Section 2 (Program Descriptions) of this Plan. All of the Programs are cost-effective under the TRC test, as demonstrated in Section 3 of the Plan (Cost Effectiveness).

All programs are expected to begin implementation approximately three months after Commission approval. If implemented by that date, the first annual report would be provided approximately 15 months after implementation, with subsequent reports being provided on an annual basis thereafter.

CPG understands that customer engagement is critical to the success of the Plan. CPG also understands that certain barriers exist to customer participation, not the least of which is the current economic situation. With these risks in mind, CPG developed a number of customer programs that provide tangible customer benefits. Ongoing customer support throughout the Plan process will be a crucial function performed by CPG staff and the CSPs that CPG engages to promote and implement the Plan. Finally, coordination with trade allies and other market participants through outreach, training, and education to raise customer awareness of CPG's available programs stands to minimize the risks associated with Plan implementation. A more complete description of CPG's implementation and management strategy is provided in Section 4 ("Program Management") of this EE&C Plan.

CPG anticipates employing tracking, reporting, and analyses of program progress that will enable ongoing monitoring, management, analysis, and reporting with regard to Plan activities. CPG will focus on anticipation, prevention, and detection of problems or errors with regard to Plan implementation so as to minimize impediments to Plan success. CPG anticipates working closely with its CSPs to ensure that qualified individuals are performing the required actions to carry out the Plan. In addition, CPG will comply with the Commission's requirement in its Final Order and accompanying Joint Motion³ to submit an annual report regarding Plan results. A more detailed description of CPG's reporting and tracking systems and quality assurance, evaluation, measurements, and verification is provided in Section 5 ("Quality Assurance, Evaluation, Measurement & Verification and Reporting").

³ Joint Motion of Chairman Robert F. Powelson and Commissioner James H. Cawley at Docket No. R-2010-2214415 dated August 11, 2011.

SECTION 2: PROGRAM DESCRIPTIONS

A. RESIDENTIAL SECTOR PROGRAMS

1. New Homes: High Efficiency Space and Water Heating

Objectives

1. Provide customers with opportunities to reduce their energy costs and increase their energy efficiency.
2. Encourage new home builders to install high-efficiency natural gas space and water heating equipment during new home construction.
3. Encourage the use of high-efficiency/ENERGY STAR-rated equipment
4. Promote strategies that encourage and support market transformation for high-efficiency appliances and equipment
5. Achieve approximately 391 installed measures through 2014, with a total reduction of approximately 5,514 Mcf.

Target Market

This program will be available to all home builders engaged in the construction of new residential homes. CPG will be utilizing a consistent implementation strategy, incentive mechanism, and administrative process.

The table below outlines eligibility parameters for the residential sector.

Customer Eligibility Parameters

Customer type	Residential
Building Type	Single family home
Building Vintage	New construction
Building ownership	Customer owned

Program Description

The program promotes the purchase and installation of high-efficiency space and water heating appliances during the home building process. The Program provides home builders with financial incentives to offset the higher purchase costs of energy-efficient equipment and offers information on the features and benefits of energy-efficient equipment. Targeted equipment includes natural gas furnaces, boilers and water heaters (ENERGY STAR-labeled equipment is specified where available). The home builder must install both space and water heating appliances to be eligible for this incentive.

Implementation Strategy

CPG will select a qualified CSP (“Rebate CSP”) through a Request for Proposal (“RFP”) to provide customer intake, eligibility verification, rebate processing, and tracking. Home builders will be required to submit a program application with documentation of the equipment purchase and installation(s) for verification and rebate processing. CPG will provide overall strategic direction and program management for the program and promotional, education, trade ally support, and other administrative functions.

Key steps in program participation

1. Home builders may be directed to the program through CPG’s customer education activities or the Company website.
2. Home builders will be responsible for filling out program applications and ensuring the required documentation is submitted to the program CSP for processing.
3. The CSP and CPG staff will review documentation to verify the new home will be a CPG account and the installed equipment meets the minimum efficiency standard.
4. The CSP shall process rebate checks for qualified equipment and submit those checks directly to the home builder.

Risks and Risk Management Strategy

The table below presents key market risks to an effective program as well as the strategies the program will use to address each risk.

Risks and Risk Management Strategies

Market Risks	Management Strategies
Higher first cost of energy-efficient equipment	<ul style="list-style-type: none">• Offer rebates to offset higher incremental cost.• Educate customers and contractors on the long-term energy cost-saving benefits of higher efficiency equipment.• Market program and general efficiency awareness to contractors and customers.• Add new programs or measures and/or increase eligible equipment efficiency levels as technology improves.
Changing technology may impact lifecycle cost	
Economic environment may limit contractor and/or customer’s ability to purchase energy-efficient equipment and appliances	
Contractors choose to buy less-efficient equipment	<ul style="list-style-type: none">• Provide web-based information with downloadable forms and brochures.• Promote general efficiency awareness to contractors, customers and trade allies.

Anticipated Costs to Participants

Home builder incremental costs (*i.e.*, the cost differential between standard and high-efficiency measures) will vary depending on the type of equipment purchased and the efficiency level of eligible equipment selected. In general, rebates are designed to cover a portion of the home builder’s incremental cost.

Ramp-up and Education Strategy

This program relies on both home builder education and trade ally information for promotion. CPG will work with home builders and trade allies to promote the program. This education strategy may include:

1. Promote program in CPG's customer bill insert
2. Communicate and provide access to program information on the Company's website
3. Educate using appropriate media forms and communication channels
4. Outreach and coordination of advertising with trade allies
5. Publish and distribute program brochure

Eligible Measures and Incentive Strategy

The program provides a financial incentive in the form of a rebate on a per-unit basis to home builders installing qualifying equipment. Rebates will be a fixed amount per appliance, paid by check to home builders who complete a rebate application, submit the required documentation of the equipment purchase to CPG's CSP, and receive CSP approval.

The table below shows CPG's proposed list of eligible equipment, incentive levels, and efficiency qualifications. The following table shows the list of equipment deemed appropriate for the residential sector. The home builder must install both space heating AND water heating appliances to be eligible for the rebate.

Eligible Measures		
Measure	Eligibility Rating	Incentive
Natural Gas Furnace; OR Natural Gas Boiler	Energystar Rated	
<u>AND</u> Natural Gas Water Heater	Energystar Rated	
Total Incentive		\$400

At this time, CPG does not anticipate changes to its eligible measures or incentives during the Plan period. However, CPG will perform an annual review of its programs and may adjust measures, rebate levels, performance criteria, and/or eligibility ratings in the future as market conditions change. CPG will review actual results from this program and determine whether any adjustments are needed to achieve the desired energy savings on a whole and/or maintain Plan cost effectiveness. The Company reserves the right to close this program and/or institute an incentive reservation process in the event program participation is anticipated to reach maximum target levels or Plan expenses are forecast to exceed overall Plan target levels.

Implementation Schedule and Milestones

Planning and implementation tasks and schedule for this program follow. Some tasks will be led by CPG; other tasks will be led by the program CSP, with oversight from CPG.

Program Schedules and Milestones

Schedule	Milestones
Weeks 1 to 2	Finalize detailed work scopes, selection criteria and QC protocols for CSP
Weeks 2 to 5	Issue RFP for CSP
Week 6	Secure CSP
Week 7	Execute program implementation contract with selected CSP
Weeks 6 to 10	Conduct outreach to home builders and customers
Weeks 6 to 9	Develop tracking procedures
Weeks 6 to 12	Program training
Weeks 6 to 12	Finalize education material and program applications
> Week 12	Launch Program

Evaluation, Measurement, and Verification (“EM&V”)

CPG will strive to continuously improve the success of its Plan in order to enhance QC, evaluate, measure and verify procedures to track program activities, monitor performance and progress toward targets, and take corrective action when warranted.

Quality Control (“QC”) will be integral to the delivery of all programs in CPG’s EE&C Plan. QC measures will be deployed at various stages of program design and implementation and will include, but not be limited to, the following:

- Ongoing tracking of program activities and costs through CPG employees and various CSPs
- Applying rigorous screening and qualifying protocols in engaging CSPs
- Checking 3% of rebate claims processed by the CSP to verify participant action

QC processes will strive to:

- Prevent errors from beginning to end in any given program process

- Detect and correct errors as early as possible
- Eliminate the causes of errors as well as the errors themselves
- Establish a correction plan based on best practices and lessons learned

The program CSP, or CPG staff if no CSP involvement is indicated, will track all of the data necessary to verify all program activities and outcomes. For this program, this data will include:

- Participant information (as available): account number, rate class, copy of most recent natural gas bill, and contact information
- Measure information: make and model number of new appliance, type and quantity of measures installed, and efficiency rating
- Expenditures and energy savings
- New construction information: developer contact information, builder contact information, and confirmation of new account activation (most recent bill)

The CSP shall provide periodic reports to CPG for measurement and verification.

CPG will on an annual basis report to the Commission within three months after the end of each program year. The report will include:

- Measured energy savings (Number of installed measures x Deemed savings per measure per TRC)
- Number of participants
- Identification of any proposed program changes

Administrative Requirements

A member of CPG staff will oversee this program, supported by other internal staff. Anticipated administrative requirements and participant roles for the program follow.

1. Internal CPG staff will have overall program implementation responsibility.
2. The CSP will process applications, provide rebates, and provide information for the preparation of reports.
3. CPG staff will create an education program using appropriate media forms and communication channels to generate awareness for the program

Estimated Participation

Participation levels were developed based on CPG budget estimates.

Projected Participation

New Homes Program	Year 1	Year 2	Year 3	Total
No. of Participants	128	130	133	391

Program Budget, Costs and Cost-Effectiveness

Over the three-year planning horizon, the program is expected to achieve natural gas consumption savings of approximately 5,514 Mcf. The annual budget allocation, cumulative energy savings through 2014, and overall program cost-effectiveness for the residential customer sector are shown in the table below.

Benefits/Cost Component	Year 1	Year 2	Year 3	Total
Savings (Mcf)	1,804	1,834	1,876	5,514
Total Resource Cost	\$ 100,962	\$ 102,612	\$ 104,862	\$ 308,436
Direct Participant Costs	\$ 95,850	\$ 97,500	\$ 99,750	\$ 293,100
Indirect Utility Costs	\$ 5,623	\$ 5,338	\$ 5,093	\$ 16,054
Direct Utility Costs	\$ 56,232	\$ 57,112	\$ 58,312	\$ 171,656
Customer Incentives	\$ 51,120	\$ 52,000	\$ 53,200	\$ 156,320
CSP Labor				\$ -
CSP Materials and Supplies				\$ -
Communications	\$ 5,112	\$ 5,112	\$ 5,112	\$ 15,336

[Note: Total Resource Cost equals Direct Participant Costs plus Overhead (CSP Labor, CSP Materials and Supplies, and Communications). Direct Participant Costs are before financial incentives/rebates.]

TRC Test	Year 1	Year 2	Year 3	Total
TRC NPV Benefits	\$ 149,788	\$ 148,358	\$ 146,789	\$ 444,935
TRC NPV Costs	\$ 106,585	\$ 100,887	\$ 96,039	\$ 303,511
TRC Net Benefits	\$ 43,203	\$ 47,471	\$ 50,750	\$ 141,424
TRC Benefit/Cost Ratio	1.41	1.47	1.53	1.47

Other Information

Contractors who install or commit to installing qualifying equipment under this program on or after the first of the month following Commission approval of this Plan will qualify for rebates. Installations must be made during the life of the Plan.

2. Existing Home: High Efficiency Space Heating

Objectives

1. Provide customers with opportunities to reduce their energy costs and increase their energy efficiency
2. Encourage customers to replace their existing low efficiency space heating equipment with higher efficiency natural gas equipment.
3. Provide monetary incentive for the customer to purchase the high efficiency natural gas space heating equipment.
4. Obtain participation of approximately 1,900 customers through 2014, with a total energy reduction of approximately 14,500 Mcf.

Target Market

This program targets existing residential customers. The table below outlines eligibility parameters.

Customer Eligibility Parameters

Customer type	Residential
Building Type	Any dwelling unit
Building Vintage	Existing
Building ownership	Owner or tenant with owner approval

Program Description

The program promotes the purchase and installation of high-efficiency space heating appliances for customers in existing residences. The program provides customers with financial incentives to offset the higher purchase costs of energy-efficient equipment and offers information on the features and benefits of energy-efficient equipment. Targeted equipment includes natural gas furnaces and boilers (ENERGY STAR–labeled equipment is specified where available).

Implementation Strategy

CPG will select a qualified CSP (“Rebate CSP”) through a Request for Proposal (“RFP”) to provide customer intake, eligibility verification, rebate processing, and tracking. Customers will be required to submit a program application with documentation of the equipment purchase and installation(s) for verification and rebate processing. CPG will provide overall strategic direction and program management for the program and promotional, education, trade ally support, and other administrative functions.

Risks and Risk Management Strategy

The table below presents key market risks to an effective program as well as the strategies the program will use to address each risk.

Risks and Risk Management Strategies

Market Risks	Management Strategies
Higher first cost of energy-efficient equipment	<ul style="list-style-type: none"> • Offer rebates to offset higher incremental cost. • Educate customers on the long-term energy cost-saving benefits of higher efficiency equipment. • Market program and general efficiency awareness to customers. • Add new programs or measures and/or increase eligible equipment efficiency levels as technology improves.
Changing technology may impact lifecycle cost	
Economic environment may limit customer's ability to purchase energy-efficient equipment and appliances	
Customers choose to buy less-efficient equipment	<ul style="list-style-type: none"> • Provide web-based information with downloadable forms and brochures. • Promote general efficiency awareness to customers and trade allies.

Anticipated Costs to Participating Customers

Customer incremental costs (*i.e.*, the cost differential between standard and high-efficiency measures) will vary depending on the type of equipment purchased and the efficiency level of eligible equipment selected by the customer. In general, rebates are designed to cover a portion of the customer incremental cost.

Ramp-up and Education Strategy

This program relies on both customer education and point-of-sale dealer and installer information for promotion. CPG will work with area HVAC contractors to promote the program. This education strategy may include:

1. Promote program in CPG's customer bill insert
2. Communicate and provide access to program information on the Company's website
3. Educate using appropriate media forms and communication channels
4. Outreach to and coordinated advertising with trade allies
5. Publish and distribute program brochure

Eligible Measures and Incentive Strategy

The program provides a financial incentive in the form of a rebate on a per-unit basis to customers installing qualifying equipment. Rebates will be a fixed amount per appliance, paid by check to customers who complete a rebate application, submit the required documentation of the equipment purchase to CPG's CSP, and receive CSP approval.

The table below shows CPG's proposed list of eligible equipment, incentive levels, and efficiency qualifications. The following table shows the list of equipment deemed appropriate for the residential sector. Residential customers may claim a rebate for each listed measure.

Eligible Measures

Measure	Eligibility Rating	Incentive
Natural Gas Furnace	Energystar Rated	\$300
Natural Gas Boiler	Energystar Rated	\$300

At this time, CPG does not anticipate changes to its eligible measures or incentives during the Plan period. However, CPG will perform an annual review of its programs and may adjust measures, rebate levels, performance criteria, and/or eligibility ratings in the future as market conditions change. CPG will review actual results from this program and determine whether any adjustments are needed to achieve the desired energy savings on a whole and/or maintain Plan cost effectiveness. CPG will review actual results from this program and determine whether any adjustments are needed to achieve the desired energy savings on a whole and/or maintain Plan cost effectiveness. The Company reserves the right to close this program and/or institute an incentive reservation process in the event program participation is anticipated to reach maximum target levels or Plan expenses are forecast to exceed overall Plan target levels.

Implementation Schedule and Milestones

Planning and implementation tasks and schedule for this program follow. Some tasks will be led by CPG; other tasks will be led by the program CSP, with oversight from CPG.

Program Schedules and Milestones

Schedule	Milestones
Weeks 1 to 2	Finalize detailed work scopes, selection criteria and quality assurance protocols for CSP
Weeks 2 to 5	Issue RFP for CSP
Week 6	Secure CSP
Week 7	Execute program implementation contract with selected CSP
Weeks 6 to 10	Conduct outreach to contractors and merchants
Weeks 6 to 9	Develop tracking procedures
Weeks 6 to 12	Program training
Weeks 6 to 12	Finalize customer education material and program applications

Evaluation, Measurement, and Verification (“EM&V”)

CPG will strive to continuously improve the success of its Plan in order to enhance quality control, evaluate, measure and verify procedures to track program activities, monitor performance and progress toward targets, and take corrective action when warranted.

Quality control (“QC”) will be integral to the delivery of all programs in CPG’s EE&C Plan. QC measures will be deployed at various stages of program design and implementation to ensure the highest industry standards of operational efficiency. These measures will include, but not be limited to, the following:

- Ongoing tracking of program activities and costs through CPG employees and various CSPs
- Applying rigorous screening and qualifying protocols in engaging CSPs
- Checking 3% of rebate claims processed by the CSP to verify participant action

QC processes will strive to:

- Prevent errors from beginning to end in any given program process
- Detect and correct errors as early as possible
- Eliminate the causes of errors as well as the errors themselves
- Establish a correction plan based on best practices and lessons learned

The program CSP, or CPG staff if no CSP involvement is indicated, will track all of the data necessary to verify all program activities and outcomes. For this program, this data will include:

- Participant information (as available): account number, rate class, copy of most recent natural gas bill, and contact information
- Measure information: make and model number of new appliance, type and quantity of measures installed, and efficiency rating
- Expenditures and energy savings

The CSP shall provide periodic reports to CPG for measurement and verification.

CPG will conduct a self-review on an annual basis and report to the Commission within three months after the end of each program year. The self-review steps will include:

- Compile all records and compare it against the target for the year

- Adjust program measures based on effectiveness of the various measures
- Adjust education channels, messages, and trade ally groups, based on effectiveness
- Adjust budgets for various measures accordingly based on consumer demand

Administrative Requirements

A member of CPG staff will oversee this program, supported by other internal staff. Anticipated administrative requirements and participant roles for the program follow.

1. Internal CPG staff will have overall program implementation responsibility.
2. The CSP will process applications, provide rebates, and provide information for the preparation of reports.
3. CPG staff will create an education program using appropriate media forms and communication channels to generate awareness for the program

Estimated Participation

Participation levels were developed based on CPG budget estimates.

Projected Participation

Existing Homes Program: Space Heating	Year 1	Year 2	Year 3	Total
No. of Participants	626	637	651	1,914

Program Budget, Costs and Cost-Effectiveness

Over the three-year planning horizon, the program is expected to achieve natural gas consumption savings of 14,527 Mcf. The annual budget allocation, cumulative energy savings through 2014, and overall program cost-effectiveness for the residential customer sector are shown in the table below.

Benefits/Cost Component	Year 1	Year 2	Year 3	Total
Savings (Mcf)	4,747	4,842	4,938	14,527
Total Resource Cost	\$ 359,663	\$ 366,543	\$ 373,561	\$ 1,099,767
Direct Participant Costs	\$ 344,025	\$ 350,906	\$ 357,924	\$ 1,052,855
Indirect Utility Costs	\$ 17,201	\$ 16,368	\$ 15,576	\$ 49,145
Direct Utility Costs	\$ 172,013	\$ 175,140	\$ 178,330	\$ 525,483
Customer Incentives	\$ 156,375	\$ 159,503	\$ 162,693	\$ 478,571
CSP Labor				\$ -
CSP Materials and Supplies				\$ -
Communications	\$ 15,638	\$ 15,638	\$ 15,638	\$ 46,914

[Note: Total Resource Cost equals Direct Participant Costs plus Overhead (CSP Labor, CSP Materials and Supplies, and Communications). Direct Participant Costs are before financial incentives/rebates.]

TRC Test	Year 1	Year 2	Year 3	Total
TRC NPV Benefits	\$ 394,871	\$ 392,078	\$ 386,733	\$ 1,173,682
TRC NPV Costs	\$ 376,864	\$ 357,861	\$ 339,887	\$ 1,074,612
TRC Net Benefits	\$ 18,007	\$ 34,217	\$ 46,846	\$ 99,070
TRC Benefit/Cost Ratio	1.05	1.10	1.14	1.09

Other Information

Customers who install or commit to installing qualifying equipment under this program on or after the first of the month following Commission approval of this Plan will qualify for rebates. Installations must be made during the life of the Plan.

3. Existing Home: High Efficiency Water Heating

Objectives

1. Provide customers with opportunities to reduce their energy costs and increase their energy efficiency
2. Encourage customers to replace their existing low efficiency natural gas water heating equipment with higher efficiency equipment.
3. Provide monetary incentive for the customer to purchase the high efficiency water heating equipment.
4. Obtain participation of approximately 2,300 customers through 2014, with a total energy reduction of approximately 14,800 Mcf.

Target Market

This program targets existing residential customers. The table below outlines eligibility parameters.

Customer Eligibility Parameters

Customer type	Residential
Building Type	Any dwelling unit
Building Vintage	Existing
Building ownership	Owner or tenant with owner approval

Program Description

The program promotes the purchase and installation of high-efficiency water heating appliances for customers in existing residences. The program provides customers with financial incentives to offset the higher purchase costs of energy-efficient equipment and offers information on the features and benefits of energy-efficient equipment. Targeted equipment includes natural gas water heaters (ENERGY STAR-labeled equipment is specified where available).

Implementation Strategy

CPG will select a qualified CSP ("Rebate CSP") through a Request for Proposal ("RFP") to provide customer intake, eligibility verification, rebate processing, and tracking. Customers will be required to submit a program application with documentation of the equipment purchase and installation(s) for verification and rebate processing. CPG will provide overall strategic direction and program management for the program and promotional, education, trade ally support, and other administrative functions.

Risks and Risk Management Strategy

The table below presents key market risks to an effective program as well as the strategies the program will use to address each risk.

Risks and Risk Management Strategies

Market Risks	Management Strategies
Higher first cost of energy-efficient equipment	Offer rebates to offset higher incremental cost. Educate customers on the long-term energy cost-saving benefits of higher efficiency equipment. Market program and general efficiency awareness to customers Add new programs or measures and/or increase eligible equipment efficiency levels as technology improves
Changing technology may impact lifecycle cost	
Economic environment may limit customer's ability to purchase energy-efficient equipment and appliances	
Customers choose to buy less-efficient equipment	Provide web-based information with downloadable forms and brochures. Promote general efficiency awareness to customers and trade allies

Anticipated Costs to Participating Customers

Customer incremental costs (*i.e.*, the cost differential between standard and high-efficiency measures) will vary depending on the type of equipment purchased and the efficiency level of eligible equipment selected by the customer. In general, rebates are designed to cover a portion of the customer incremental cost.

Ramp-up and Education Strategy

This program relies on both customer education and point-of-sale dealer and installer information for promotion. CPG will work with area HVAC contractors and retailers to promote the program. This education strategy may include:

1. Promote program in CPG's customer bill insert
2. Communicate and provide access to program information on the Company's website
3. Educate using appropriate media forms and communication channels
4. Outreach to and coordinated advertising with trade allies
5. Publish and distribute program brochure

Eligible Measures and Incentive Strategy

The program provides a financial incentive in the form of a rebate on a per-unit basis to customers installing qualifying equipment. Rebates will be a fixed amount per appliance, paid by check to customers who complete a rebate application, submit the required documentation of the equipment purchase to CPG's CSP, and receive CSP approval.

The table below shows CPG's proposed list of eligible equipment, incentive levels, and efficiency qualifications. The following table shows the list of equipment deemed appropriate for the residential sector. Residential customers may claim a rebate for each listed measure.

Eligible Measures		
Measure	Eligibility Rating	Incentive
Natural Gas Water Heater	Energystar Rated	\$100

At this time, CPG does not anticipate changes to its eligible measures or incentives during the Plan period. However, CPG will perform an annual review of its programs and may adjust measures, rebate levels, performance criteria, and/or eligibility ratings in the future as market conditions change. CPG will review actual results from this program and determine whether any adjustments are needed to achieve the desired energy savings on a whole and/or maintain Plan cost effectiveness. CPG will review actual results from this program and determine whether any adjustments are needed to achieve the desired energy savings on a whole and/or maintain Plan cost effectiveness. The Company reserves the right to close this program and/or institute an incentive reservation process in the event program participation is anticipated to reach maximum target levels or Plan expenses are forecast to exceed overall Plan target levels.

Implementation Schedule and Milestones

Planning and implementation tasks and schedule for this program follow. Some tasks will be led by CPG; other tasks will be led by the program CSP, with oversight from CPG.

Program Schedules and Milestones	
Schedule	Milestones
Weeks 1 to 2	Finalize detailed work scopes, selection criteria and quality assurance protocols for CSP
Weeks 2 to 5	Issue RFP for CSP
Week 6	Secure CSP
Week 7	Execute program implementation contract with selected CSP
Weeks 6 to 10	Conduct outreach to contractors and merchants
Weeks 6 to 9	Develop tracking procedures

Weeks 6 to 12	Program training
Weeks 6 to 12	Finalize customer education material and program applications
> Week 12	Launch Program

Evaluation, Measurement, and Verification (“EM&V”)

CPG will strive to continuously improve the success of its Plan in order to enhance quality control, evaluate, measure and verify procedures to track program activities, monitor performance and progress toward targets, and take corrective action when warranted.

Quality control (“QC”) will be integral to the delivery of all programs in CPG’s EE&C Plan. QC measures will be deployed at various stages of program design and implementation to ensure the highest industry standards of operational efficiency. These measures will include, but not be limited to, the following:

- Ongoing tracking of program activities and costs through CPG employees and various CSPs
- Applying rigorous screening and qualifying protocols in engaging CSPs
- Checking 3% of rebate claims processed by the CSP to verify participant action

QC processes will strive to:

- Prevent errors from beginning to end in any given program process
- Detect and correct errors as early as possible
- Eliminate the causes of errors as well as the errors themselves
- Establish a correction plan based on best practices and lessons learned

The program CSP, or CPG staff if no CSP involvement is indicated, will track all of the data necessary to verify all program activities and outcomes. For this program, this data will include:

- Participant information (as available): account number, rate class, copy of most recent natural gas bill, and contact information
- Measure information: make and model number of new appliance, type and quantity of measures installed, and efficiency rating
- Expenditures and energy savings

The CSP shall provide periodic reports to CPG for measurement and verification.

CPG will conduct a self-review on an annual basis and report to the Commission within three months after the end of each program year. The self-review steps will include:

- Compile all records and compare it against the target for the year
- Adjust program measures based on effectiveness of the various measures
- Adjust education channels, messages, and trade ally groups, based on effectiveness
- Adjust budgets for various measures accordingly based on consumer demand

Administrative Requirements

A member of CPG staff will oversee this program, supported by other internal staff. Anticipated administrative requirements and participant roles for the program follow.

1. Internal CPG staff will have overall program implementation responsibility.
2. The CSP will process applications, provide rebates, and provide information for the preparation of reports.
3. CPG staff will create an education program using appropriate media forms and communication channels to generate awareness for the program

Estimated Participation

Participation levels were developed based on CPG budget estimates.

Projected Participation

Existing Homes Program: Water Heating	Year 1	Year 2	Year 3	Total
No. of Participants	741	756	771	2,268

Program Budget, Costs and Cost-Effectiveness

Over the three-year planning horizon, the program is expected to achieve natural gas consumption savings of 14,788 Mcf. The annual budget allocation, cumulative energy savings through 2014, and overall program cost-effectiveness for the residential customer sector are shown in the table below.

Benefits/Cost Component	Year 1	Year 2	Year 3	Total
Savings (Mcf)	4,833	4,928	5,027	14,788
Total Resource Cost	\$ 155,664	\$ 158,613	\$ 161,613	\$ 475,890
Direct Participant Costs	\$ 148,252	\$ 151,200	\$ 154,200	\$ 453,652
Indirect Utility Costs	\$ 8,154	\$ 7,758	\$ 7,382	\$ 23,294
Direct Utility Costs	\$ 81,538	\$ 83,013	\$ 84,513	\$ 249,064
Customer Incentives	\$ 74,126	\$ 75,600	\$ 77,100	\$ 226,826
CSP Labor				\$ -
CSP Materials and Supplies				\$ -
Communications	\$ 7,413	\$ 7,413	\$ 7,413	\$ 22,239

[Note: Total Resource Cost equals Direct Participant Costs plus Overhead (CSP Labor, CSP Materials and Supplies, and Communications). Direct Participant Costs are before financial incentives/rebates.]

TRC Test	Year 1	Year 2	Year 3	Total
TRC NPV Benefits	\$ 358,870	\$ 356,547	\$ 351,472	\$ 1,066,889
TRC NPV Costs	\$ 163,818	\$ 155,487	\$ 147,606	\$ 466,911
TRC Net Benefits	\$ 195,052	\$ 201,061	\$ 203,866	\$ 599,978
TRC Benefit/Cost Ratio	2:19	2:29	2:38	2:28

Other Information

Customers who install or commit to installing qualifying equipment under this program on or after the first of the month following Commission approval of this Plan will qualify for rebates. Installations must be made during the life of the Plan.

4. Keystone HELP Energy Loan Financing Program

Objectives

1. Provide customers with opportunities to reduce their energy costs and increase their energy efficiency
2. Encourage customers to replace their existing low efficiency natural gas space and water heating equipment with higher efficiency equipment.
3. Provide monetary incentive for the customer to purchase high efficiency space and/or water heating equipment.
4. Eligible customers would receive a rebate check in the amount of the total interest on their Keystone HELP energy loan.
5. Obtain participation of approximately 416 customers through 2014, with a total energy reduction of approximately 2,915 Mcf.

Target Market

This program targets existing residential customers. The table below outlines eligibility parameters. Customers receiving a rebate under this measure will not be able to simultaneously participate in the New Homes or Existing Homes measures.

Customer Eligibility Parameters

Customer type	Residential
Building Type	Any dwelling unit
Building Vintage	Existing
Building ownership	Owner or tenant with owner approval

Program Description

The program provides customers with the opportunity to take advantage of the existing Keystone HELP energy loan program by offering rebates to customers to fully offset the estimated financing costs of the Keystone HELP loan. In essence, the customer would be receiving a 0% financing rate. These loans are intended strictly for the purchase of high efficiency space and water heating equipment. The Keystone HELP energy loan program is administered by AFC First Financial Corporation based in Allentown, PA. Funds for these loans are provided through the Pennsylvania Department of Environmental Protection, the Pennsylvania Housing Finance Agency and the Pennsylvania Treasury Department. The program provides customers with financial incentive to offset the higher purchase costs of energy-efficient equipment. Targeted equipment includes natural gas space and water heaters (Equipment must meet the minimum efficiency guidelines established by AFC First Financial).

Implementation Strategy

AFC First Financial will provide customer intake, eligibility verification, rebate processing, and tracking. Customers will be required to submit a loan application with documentation of the equipment purchase and installation(s) for verification and rebate processing. CPG will provide overall strategic direction and program management for the program and promotional, education, trade ally support, and other administrative functions.

Risks and Risk Management Strategy

The table below presents key market risks to an effective program as well as the strategies the program will use to address each risk.

Risks and Risk Management Strategies

Market Risks	Management Strategies
Higher first cost of energy-efficient equipment	<ul style="list-style-type: none">• Offer rebates to offset higher incremental cost.• Educate customers on the long-term energy cost-saving benefits of higher efficiency equipment.• Market program and general efficiency awareness to customers.• Work with CSP to modify program if appropriate.
Changing technology may impact lifecycle cost	
Economic environment may limit customer's ability to purchase energy-efficient equipment and appliances	
Customers choose to buy less-efficient equipment	<ul style="list-style-type: none">• Provide web-based information with downloadable forms and brochures.• Promote general efficiency awareness to customers and trade allies.

Anticipated Costs to Participating Customers

Customer incremental costs (*i.e.*, the cost differential between standard and high-efficiency measures) will vary depending on the type of equipment purchased and the efficiency level of eligible equipment selected by the customer. Rebates under this program are designed to cover 100% of the financing cost of the energy loan.

Ramp-up and Education Strategy

This program relies on both customer education and point-of-sale dealer and installer information for promotion. CPG will work with area HVAC contractors and retailers to promote the program. This education strategy may include:

1. Promote program in CPG's customer bill insert
2. Communicate and provide access to program information on the Company's website
3. Educate using appropriate media forms and communication channels
4. Outreach to and coordinated advertising with trade allies
5. Publish and distribute program brochure

Eligible Measures and Incentive Strategy

The program provides a financial incentive in the form of a rebate equal to the financing cost of the Keystone HELP energy loan. Rebates will be paid by check to customers who are approved by AFC First Financial to receive the Keystone HELP loan and after verification that the high efficiency natural gas space and/or water heating appliances have been installed.

The table below shows the current list of eligible equipment and efficiency qualifications required by the Keystone HELP program.

Eligible Measures		
Measure	Eligibility Rating	Incentive
Natural Gas Space and Water Heating Equipment	Equipment must meet or exceed Energystar rating	Interest Free Financing

At this time, CPG does not anticipate changes to its eligible measures or incentives during the Plan period. However, CPG will perform an annual review of its programs and may adjust measures, rebate levels, performance criteria, and/or eligibility ratings in the future as market conditions change. CPG will review actual results from this program and determine whether any adjustments are needed to achieve the desired energy savings on a whole and/or maintain Plan cost effectiveness. The Company reserves the right to close this program and/or institute an incentive reservation process in the event program participation is anticipated to reach maximum target levels or Plan expenses are forecast to exceed overall Plan target levels.

Implementation Schedule and Milestones

Planning and implementation tasks and schedule for this program follow. Some tasks will be led by CPG; other tasks will be led by the program CSP, with oversight from CPG.

Program Schedules and Milestones	
Schedule	Milestones
Weeks 1 to 2	Finalize detailed work scopes, selection criteria and quality assurance protocols for CSP
Weeks 2 to 5	Conduct outreach to contractors and merchants
Week 6	Develop tracking procedures
Weeks 6 to 12	Program training

Weeks 6 to 12	Finalize customer education material and program applications
> Week 12	Launch Program

Evaluation, Measurement, and Verification (“EM&V”)

UGI will strive to continuously improve the success of its Plan in order to enhance quality control, evaluate, measure and verify procedures to track program activities, monitor performance and progress toward targets, and take corrective action when warranted.

Quality control (“QC”) will be integral to the delivery of all programs in CPG’s EE&C Plan. QC measures will be deployed at various stages of program design and implementation to ensure the highest industry standards of operational efficiency. These measures will include, but not be limited to, the following:

- Ongoing tracking of program activities and costs through CPG employees and various CSPs
- Applying rigorous screening and qualifying protocols in engaging CSPs
- Checking 3% of rebate claims processed by the CSP to verify participant action

QC processes will strive to:

- Prevent errors from beginning to end in any given program process
- Detect and correct errors as early as possible
- Eliminate the causes of errors as well as the errors themselves
- Establish a correction plan based on best practices and lessons learned

The program CSP, or CPG staff if no CSP involvement is indicated, will track all of the data necessary to verify all program activities and outcomes. For this program, this data will include:

- Participant information (as available): account number, rate class, copy of most recent natural gas bill, and contact information
- Measure information: make and model number of new appliance or appliances, type and quantity of measures installed, and efficiency rating
- Expenditures and energy savings

The CSP shall provide periodic reports to CPG for measurement and verification.

CPG will conduct a self-review on an annual basis and report to the Commission within three months after the end of each program year. The self-review steps will include:

- Compile all records and compare it against the target for the year
- Adjust program measures based on effectiveness of the various measures
- Adjust education channels, messages, and trade ally groups, based on effectiveness
- Adjust budgets for various measures accordingly based on consumer demand

Administrative Requirements

A member of CPG staff will oversee this program, supported by other internal staff. Anticipated administrative requirements and participant roles for the program follow.

1. Internal CPG staff will have overall program implementation responsibility.
2. The CSP will process applications, provide rebates, and provide information for the preparation of reports.
3. CPG staff will create an education program using appropriate media forms and communication channels to generate awareness for the program

Estimated Participation

Participation levels were developed based on CPG budget estimates.

Projected Participation

Keystone HELP Energy Loan Financing Rebate	Year 1	Year 2	Year 3	Total
No. of Participants	136	138	142	416

Program Budget, Costs and Cost-Effectiveness

Over the three-year planning horizon, the program is expected to achieve natural gas consumption savings of 2,915 Mcf. The annual budget allocation, cumulative energy savings through 2014, and overall program cost-effectiveness for the residential customer sector are shown in the table below.

Benefits/Cost Component	Year 1	Year 2	Year 3	Total
Savings (Mcf)	953	967	995	2,915
Total Resource Cost	\$ 150,368	\$ 152,749	\$ 157,329	\$ 460,446
Direct Participant Costs	\$ 141,144	\$ 143,340	\$ 147,732	\$ 432,216
Indirect Utility Costs	\$ 3,500	\$ 3,336	\$ 3,181	\$ 10,017
Direct Utility Costs	\$ 101,468	\$ 103,099	\$ 106,179	\$ 310,746
Customer Incentives	\$ 92,244	\$ 93,690	\$ 96,582	\$ 282,516
CSP Labor				\$ -
CSP Materials and Supplies				\$ -
Communications	\$ 9,224	\$ 9,409	\$ 9,597	\$ 28,230

[Note: Total Resource Cost equals Direct Participant Costs plus Overhead (CSP Labor, CSP Materials and Supplies, and Communications). Direct Participant Costs are before financial incentives/rebates.

TRC Test	Year 1	Year 2	Year 3	Total
TRC NPV Benefits	\$ 74,966	\$ 74,087	\$ 73,729	\$ 222,782
TRC NPV Costs	\$ 61,624	\$ 58,313	\$ 55,837	\$ 175,775
TRC Net Benefits	\$ 13,342	\$ 15,774	\$ 17,892	\$ 47,008
TRC Benefit/Cost Ratio	1.22	1.27	1.32	1.27

Other Information

Customers who install or commit to installing qualifying equipment under this program on or after the first of the month following Commission approval of this Plan will qualify for rebates. Installations must be made during the life of the Plan.

5. Energy Efficiency Education Program

Objectives

1. Educate customers on various ways to reduce their energy consumption through relatively simple changes in equipment and behavior.
2. Provide energy efficiency materials through bill inserts, local media advertisements and company website.
3. Obtain tangible energy savings through low or no cost methods.

Target Market

This program targets all existing residential customers.

Program Description

The program is intended to reach out to all customers in its service territory in an effort to provide information on ways they can reduce their natural gas usage and monthly energy costs through relatively simple changes. These changes would cover items such as the incorporation of programmable setback thermostats, lowering water heater temperature controls, increasing insulation levels in their homes, and others. CPG intends to employ various means of customer communication in this endeavor including, but not limited to, company website, bill inserts and local media advertisements.

Implementation Strategy

CPG internal staff will manage this program and be responsible for the development and distribution of all materials and program cost tracking.

Anticipated Costs to Participating Customers

There are no intended costs to consumers under this program measure.

Administrative Requirements

A member of CPG staff will oversee this program, supported by other internal staff. Anticipated administrative requirements and participant roles for the program follow.

1. Internal CPG staff will have overall program implementation responsibility.
2. CPG staff will develop and disseminate program materials using appropriate media forms and communication channels to generate awareness for the program

Estimated Participation

N/A

Program Budget, Costs and Cost-Effectiveness

Because this program is solely designed to act as a supplement to the remaining measures and does not provide an opportunity to measure energy savings, the TRC value is assumed to be zero. The annual budget allocation is shown in the table below.

Benefits/Cost Component	Year 1	Year 2	Year 3	Total
Savings (Mcf)				-
Total Resource Cost	\$ 35,000	\$ 35,700	\$ 36,414	\$ 107,114
Direct Participant Costs				\$ -
Indirect Utility Costs	\$ 10,147	\$ 9,635	\$ 9,274	\$ 29,056
Direct Utility Costs	\$ 35,000	\$ 35,700	\$ 36,414	\$ 107,114
Customer Incentives	\$ -	\$ -	\$ -	\$ -
CSP Labor				\$ -
CSP Materials and Supplies				\$ -
Communications	\$ 35,000	\$ 35,700	\$ 36,414	\$ 107,114
[Note: Total Resource Cost equals Direct Participant Costs plus Overhead (CSP Labor, CSP Materials and Supplies, and Communications). Direct Participant Costs are before financial incentives/rebates.]				

TRC Test	Year 1	Year 2	Year 3	Total
TRC NPV Benefits	\$ -	\$ -	\$ -	\$ -
TRC NPV Costs	\$ 45,147	\$ 42,370	\$ 39,906	\$ 127,422
TRC Net Benefits	\$ (45,147)	\$ (42,370)	\$ (39,906)	\$ (127,422)
TRC Benefit/Cost Ratio	0:00	0:00	0:00	0:00

B. COMMERCIAL AND INDUSTRIAL SECTOR PROGRAMS

1. Commercial and Industrial Custom Incentive Program **(Commercial and Industrial Sector/Governmental Customers)**

Objectives

The objectives of the Commercial and Industrial (“C&I”) Custom Incentive Program include:

1. Encourage the installation of high-efficiency equipment not included in CPG’s other EE&C Programs by C&I customers in new and existing facilities
2. Encourage equipment repairs and optimization and operational or process changes that reduce natural gas consumption.
3. Encourage a “whole facility” approach to energy-efficiency
4. Increase customer awareness of the features and benefits of energy efficient equipment
5. Increase the market penetration of high-efficiency equipment
6. Support emerging technologies and non-typical efficiency solutions in cost-effective applications
7. Obtain approximately 87 participants through 2014, with a total annual reduction of approximately 28,000 Mcf

Target Market

CPG’s C&I Custom Incentive Program targets all new and existing commercial and industrial facilities. The program will be available for any type of new or replacement energy-efficient equipment not eligible for a prescriptive rebate through CPG’s other EE&C Programs. The program also covers retro-commissioning, repairs, optimization, and operational or process changes. All measures, packages of measures, and process changes must be cost-effective, as substantiated through a technical analysis.

The Plan includes the C&I sector, which includes governmental customers. CPG expects to use a consistent implementation strategy, incentive mechanism, and administrative process to deliver the program across these market sectors. The table below outlines eligibility parameters for the C&I sector.

Customer Eligibility Parameters

Customer type	Commercial and Industrial ⁴
Building Type	Commercial and Industrial
Building Vintage	Existing and new construction
Building ownership	Owner or tenant with owner approval

Program Description

This Custom Incentive Program provides a delivery channel and financial incentives to customers installing a variety of custom measures suited to their particular business needs. To qualify for financial incentives, eligible customers will be required to provide documentation that their proposed efficiency upgrades pass CPG's cost-effectiveness threshold and technical criteria.

CPG will encourage customers building new facilities to pursue advanced building performance certification such as LEED or ENERGY STAR Buildings.

Implementation Strategy

CPG's staff will work with customers to identify, evaluate and approve custom projects. CPG will establish an outreach campaign to potential trade allies to promote the program.

Since the C&I Custom program is available to a wide variety of commercial and industrial customers with significantly varied usage levels, CPG will promote the custom program through a variety of channels such as newspaper, radio, and magazine advertising. In addition, CPG's local staff will reach out to C&I customers to inform them about the program and the savings it could provide.

CPG plans to retain CSP(s) on an as-needed basis who are C&I energy efficiency experts to help evaluate and analyze proposed projects. As required, the CSP will study the customer's proposal and will provide an unbiased third-party opinion on the feasibility, energy efficiency and savings, and the TRC project values. Retaining a third-party CSP will ensure that the project meets TRM and Quality Control standards.

CPG's staff will provide overall strategic direction and program management for the program and perform evaluation and other administrative functions. The project development process for the Custom Incentive Program is more fluid than other programs and may not follow a precise work path. The following workflow is an example of a typical scenario through which an equipment-based custom efficiency project may proceed:

⁴ Excludes Rate IS and Rate XD customers

1. Customers may be directed to the program through education efforts, or other CPG EE&C programs
2. A trade ally (e.g., energy services firms, engineering firms, providers of energy efficiency products and services, etc.) works with the customer to evaluate their facility's energy efficiency opportunities and develop potential project ideas
3. A professional engineering firm or other qualified contractor, under contract to the customer, performs a detailed technical study of potential projects and evaluates their cost-effectiveness
4. CPG and/or CSP evaluate the customer's technical study report to qualify projects, which involves confirming project incremental cost, potential energy savings data, and evaluating TRC test results.
5. Customers will schedule installation of eligible high-efficiency equipment upgrades, operational or process changes, or other eligible measures directly with an installation contractor
6. Verifying equipment installation, operational, or process changes or other eligible work for all participants, which will be a part of the measurement and verification process
7. Processing rebates for qualified equipment or extensive building efficiency projects

Program Schedules and Milestones

Schedule	Milestones
Weeks 1 to 4	Execute and sign RFP with a professional engineering firm with energy efficiency evaluation expertise
Weeks 1 to 4	Finalize outreach to merchants and trade allies
Weeks 1 to 4	Finalize tracking procedures
Weeks 1 to 4	Program training
Weeks 1 to 4	Finalize customer education material and program applications and website.
	Launch Program

Risk and Risk Management Strategy

The table below presents key market risks to an effective Custom Incentive Program, as well as the strategies the program will use to address each risk.

Market Risks and Management Strategies

Market Risks	Management Strategies
Higher first cost of energy efficient equipment	<ul style="list-style-type: none"> • Offer customized incentives on equipment and consider technical study offered by customer to offset higher costs
Not a high priority; limited access to discretionary cash/credit	
Lack of program awareness and “emergency replacement” scenario among target customers	<ul style="list-style-type: none"> • Education strategy focused on decision makers and facility operators. • Education of equipment dealers, distributors, and installers or other trade allies
Procurement policies that specify low first cost instead of life cycle cost	
Tenant/landlord issues	

Customer incremental costs (*i.e.*, the cost differential between standard and high-efficiency measures) will vary depending on the type of equipment or project installed or other work performed. Rebates are designed to return up to 80% of the TRC net benefits of the proposed project up to the remaining budget amount, but no greater than the direct participant cost of the program measure. In addition, CPG reserves the right to limit the rebate amount to \$100,000 to any individual customer per program year. Funds will be allocated on a first come-first served basis.

Ramp-up and Education Strategy

This Incentive Program is expected to be an attractive option for C&I customers with more complex buildings and building equipment (*e.g.*, data centers and industrial process facilities) and for larger customers.

CPG’s staff will create an education strategy, which may include:

1. Communicate and provide access to program information on the Company’s website
2. Coordinate education opportunities with trade allies
3. Target education to high-potential market sectors

Eligible Measures and Incentive Strategy

The table below shows CPG’s proposed incentive levels. As noted above, CPG reserves the right to limit the rebate amount to \$100,000 to any individual customer per program year.

Eligible Equipment Measures		
Measure	Eligibility Rating	Incentive (Up to Remaining Budget Amount)
Custom Measure	TRC >1	Up to 80% of TRC net benefit

At this time, CPG does not anticipate changes to its eligible measures or incentives during the Plan period. However, CPG will perform an annual review of its programs and may adjust measures, rebate levels, performance criteria, and/or eligibility ratings in the future as

market conditions change. CPG will review actual results from this program and determine whether any adjustments are needed to achieve the desired energy savings on a whole and/or maintain Plan cost effectiveness. The Company reserves the right to close this program and/or institute an incentive reservation process in the event program participation is anticipated to reach maximum target levels or Plan expenses are forecast to exceed overall Plan target levels.

Implementation Schedule and Milestones

Given the nature of the C&I Custom Incentive Programs, planning and implementation tasks and schedule for the C&I Custom Incentive Program will be determined as needed.

Evaluation, Measurement, and Verification

UGI will strive to continuously improve the success of its Plan in order to enhance quality control, evaluate, measure and verify procedures to track program activities, monitor performance and progress toward targets, and take corrective action when warranted.

Quality control will be integral to the delivery of all programs in CPG's EE&C Plan. QC measures will be deployed at various stages of program design and implementation to ensure the highest industry standards of operational efficiency. These measures will include, but not be limited to, the following:

- Ongoing tracking of program activities and costs through CPG employees and various CSPs
- Applying rigorous screening and qualifying protocols in engaging CSPs
- Checking all custom projects to verify participant action

QC processes will strive to:

- Prevent errors from beginning to end in any given program process
- Detect and correct errors as early as possible
- Eliminate the causes of errors as well as the errors themselves
- Establish a correction plan based on best practices and lessons learned

The program CSP, or CPG staff if no CSP involvement is indicated, will track all of the data necessary to verify all program activities and outcomes. For the C&I Custom program, this data may include:

- Participant information: account number, rate class, copy of most recent natural gas bill, EE&C customer segment, and contact information
- Project information: site (facility) location, project specifications, total project cost, project application date, project approval date, and project completion date
- Measure information: make and model number of new appliance, type and quantity of measures installed, efficiency rating, and service rendered

- Expenditures, energy savings, and peak load impacts
- Trade ally information, if available: contact information, dates of program involvement, and installation standards used
- New construction information: developer contact information, builder contact information, and confirmation of new account activation (most recent bill)

CPG will track the energy usage for custom measures and compare it to historical trends, adjusted for weather and other relevant factors. Customers must provide detailed engineering studies with proposed measures efficiency rating, the TRM values for various proposed measures, and the costs associated with each component. CPG will make a decision based on the cost-effectiveness of the total proposal and the TRM values. Customer information will be collected for verification and auditing.

CPG anticipates self-review on an annual basis and reports to the Commission within three months after the end of each program year. The self-review steps will include:

- Compile all records and compare them against the target for the year
- Conduct on-site inspections of all custom measure installations to verify accuracy and prevent fraud
- Adjust program measures based on effectiveness of the various measures
- Adjust education channels, messages, and trade ally groups, based on effectiveness
- Adjust budgets of various measures accordingly, based on consumer demand

Administrative Requirements

CPG staff will oversee this program.

Estimated Participation

Participation levels were estimated based on internal evaluation of the existing Commercial and Industrial customer base.

Projected Participation

	Year 1	Year 2	Year 3	Total
No. of Participants	28	29	30	87

Program Budget, Costs, and Cost-Effectiveness

Over the three-year planning horizon, the program is expected to achieve natural gas consumption savings of approximately 28,000 Mcf. The annual budget allocation, cumulative Mcf savings, and overall program cost-effectiveness for the commercial and industrial customer sectors are shown in the table below.

Benefits/Cost Component	Year 1	Year 2	Year 3	Total
Savings (Mcf)	9,324	9,324	9,324	27,972
Total Resource Cost	\$ 443,812	\$ 458,102	\$ 472,221	\$ 1,374,135
Direct Participant Costs	\$ 420,000	\$ 435,000	\$ 450,000	\$ 1,305,000
Indirect Utility Costs	\$ 26,193	\$ 23,749	\$ 21,350	\$ 71,292
Direct Utility Costs	\$ 261,931	\$ 254,119	\$ 244,434	\$ 760,484
Customer Incentives	\$ 238,119	\$ 231,017	\$ 222,213	\$ 691,349
CSP Labor				\$ -
CSP Materials and Supplies				\$ -
Communications	\$ 23,812	\$ 23,102	\$ 22,221	\$ 69,135

[Note: Total Resource Cost equals Direct Participant Costs plus Overhead (CSP Labor, CSP Materials and Supplies, and Communications). Direct Participant Costs are before financial incentives/rebates.]

TRC Test	Year 1	Year 2	Year 3	Total
TRC NPV Benefits	\$ 775,123	\$ 781,590	\$ 781,911	\$ 2,338,624
TRC NPV Costs	\$ 470,005	\$ 450,328	\$ 431,104	\$ 1,351,437
TRC Net Benefits	\$ 305,118	\$ 331,262	\$ 350,807	\$ 987,186
TRC Benefit/Cost Ratio	1.65	1.74	1.81	1.73

Other Information

Customers that install qualifying equipment under this program during the life of the Plan will qualify for rebates. Customers who submit qualified and approved projects to CPG will receive a budget commitment for their proposal. Receipt of the funds is contingent on project completion during the life of the Plan.

2. Combined Heat and Power (Commercial and Industrial Sector/Governmental Customers)

Objectives

The Combined Heat and Power program has several objectives:

1. Increase energy efficiency by using Combined Heat and Power (“CHP”) for electricity generation and use of waste heat
2. Make significant contribution to CPG’s energy savings goals
3. Encourage optimization and operational or process changes that reduce natural gas consumption
4. Encourage a “whole facility” approach to energy efficiency
5. Increase customer awareness of the features and benefits of electric distributed generation systems
6. Support emerging technologies and non-typical efficiency solutions in cost-effective applications
7. Obtain participation by approximately 3 customers through 2014, with a total reduction of approximately 7,644 Mcf

Program Description

CPG will encourage energy efficiency on a total fuel cycle basis by promoting the use of natural gas distributed electricity generation where the direct end use of natural gas is more efficient and cost-effective under the TRC test.

Program Components

- C&I combined heat and power

Target Market

CPG’s C&I CHP Program will target all new and existing commercial and industrial facilities. All measures, packages of measures, and process changes must be cost-effective as substantiated through a technical analysis.

The Plan includes the C&I market sectors, which includes governmental customers. CPG expects to use a consistent implementation strategy, incentive mechanism, and administrative process to deliver the program across these market sectors. The table below outlines eligibility parameters for the C&I sector.

Customer Eligibility Parameters

Customer type	Commercial and Industrial ⁵
Building Type	Commercial and industrial
Building Vintage	Existing and new construction
Building ownership	Owner or tenant with owner approval

Program Description

This CHP Program provides a delivery channel and financial incentives to customers installing a distributed electricity generation system. To qualify for financial incentives, eligible customers will be required to provide documentation that their proposed CHP system passes CPG's cost-effectiveness threshold and technical criteria.

Incentives of \$1,500 per kW of CHP system will be offered up to \$100,000 per customer per program year.

Implementation Strategy

CPG's staff will work with customers to identify, evaluate, and approve custom projects. CPG will reach out to potential trade allies to promote the program.

CPG's staff will provide overall strategic direction and program management for the program and perform evaluation and other administrative functions. The project development process for the CHP Program is more fluid than other programs and may not follow a precise work path. The following workflow is an example of a typical scenario through which an equipment-based custom efficiency project may proceed:

1. Customers may be directed to the program through education efforts or other CPG EE&C programs
2. A trade ally (e.g., energy services firms, engineering firms, providers of energy-efficiency products and services, etc.) works with the customer to evaluate their facility's energy efficiency opportunities and develop potential project ideas
3. A professional engineering firm or other qualified contractor, under contract to the customer, performs a detailed technical study of potential projects and evaluates their cost-effectiveness
4. CPG evaluates the customer's technical study report to qualify projects. This involves confirming project incremental cost and potential energy and capacity savings data and evaluating cost-effectiveness
5. Customers will schedule installation of CHP equipment with an installation contractor

⁵ Excludes Rate IS and Rate XD customers

6. Verifying equipment installation, operational, or process changes or other eligible work for all participants, which will be a part of the measurement and verification process
7. Processing rebates for qualified equipment

No changes in the implementation strategy are expected in different program years.

Risk and Risk Management Strategy

The table below presents key market risks to an effective CHP program, as well as the strategies the program will use to address each risk.

Market Risks and Management Strategies	
Market Risks	Management Strategies
Higher first cost of CHP system	<ul style="list-style-type: none"> • Offer customized incentives on CHP equipment and technical study to offset higher costs
Not a high priority; limited access to discretionary cash/credit	
Lack of program awareness and “emergency replacement” scenario among target customers	<ul style="list-style-type: none"> • Education strategy focused on decision makers and facility operators. • Education to high energy users who can use the waste heat produced by the CHP system
Low awareness	
Procurement policies that specify low first cost instead of life cycle cost	
Tenant/landlord issues	

Ramp-up and Education Strategy

This program is expected to be an attractive option for C&I customers, which includes governmental customers, with high energy usage that have a use for the heat generated by the CHP system (*e.g.*, colleges and retirement homes).

CPG’s staff will create an education strategy, which may include:

1. Communicate and provide access to program information on the Company’s website
2. Coordinate advertising opportunities with trade allies
3. Targeted education to high-potential market sectors

Eligible Measures and Incentive Strategy

Measure	Incentive
Combined Heat & Power	\$1,500 per kW of CHP system up to \$100,000 per customer per program year

At this time, CPG does not anticipate changes to its eligible measures or incentives during the Plan period. However, CPG will perform an annual review of its programs and may adjust measures, rebate levels, performance criteria, and/or eligibility ratings in the future as market conditions change. CPG will review actual results from this program and determine whether any adjustments are needed to achieve the desired energy savings on a whole and/or maintain Plan cost effectiveness. The Company reserves the right to close this program and/or institute an incentive reservation process in the event program participation is anticipated to reach maximum target levels or Plan expenses are forecast to exceed overall Plan target levels.

Implementation Schedule and Milestones

Given the nature of the C&I CHP Program, planning and implementation tasks and schedule for the Program may differ from the plan below.

Program Schedules and Milestones

Schedule	Milestones
Weeks 1 to 4	Develop program customer education website
Weeks 1 to 4	Finalize outreach to merchants
Weeks 1 to 4	Finalize tracking procedures
Weeks 1 to 4	Program training
Weeks 1 to 4	Finalize customer education material and program applications
	Launch Program

Evaluation, Measurement, and Verification

CPG will strive to continuously improve the success of its Plan in order to enhance quality control, evaluate, measure and verify procedures to track program activities, monitor performance and progress toward targets, and take corrective action when warranted.

Quality control will be integral to the delivery of all programs in CPG's EE&C Plan. QC measures will be deployed at various stages of program design and implementation to ensure the highest industry standards of operational efficiency. These measures will include, but not be limited to, the following:

- Ongoing tracking of program activities and costs through CPG staff
- Checking 100% of installations to verify participant action

QC processes will strive to:

- Prevent errors from *beginning* to end in any given program process
- Detect and correct errors as early as possible
- Eliminate the causes of errors as well as the errors themselves
- Establish a correction plan based on best practices and lessons learned

CPG staff will track all of the data necessary to verify all program activities and outcomes. For the C&I CHP Program, this data will include:

- Participant information: account number, rate class, copy of most recent electric bill, copy of most recent natural gas bill, EE&C customer segment, and contact information
- Project information: site (facility) location, project specifications, total project cost, project application date, project approval date, and project completion date
- Expenditures, savings, and peak load impacts
- New construction information: developer contact information, builder contact information, and confirmation of new account activation (most recent bill)

CPG anticipates self-review on an annual basis and reports to the Commission within three months after the end of each program year. The self-review steps will include:

- Compile all records and compare it against the target for the year
- Check all installations to verify installation of CHP systems and prevent fraud and adjust program measures, based on effectiveness of the various measures
- Adjust education channels, messages, and trade ally groups, based on effectiveness
- Adjust budgets of various measures accordingly, based on consumer demand

Administrative Requirements

CPG staff will oversee this program.

Estimated Participation

Participation levels were developed by balancing competing concerns. The levels were set low enough so as to be achievable, but not so high as to become too costly relative to CPG's other program budgets.

Projected Participation

Combined Heat & Power	Year 1	Year 2	Year 3	Total
No. Of Participants	1	1	1	3

Program Budget, Costs, and Cost-Effectiveness

Over the three-year planning horizon, the program is expected to achieve natural gas consumption savings of approximately 7,644 Mcf. The annual budget allocation, cumulative Mcf savings, and overall program cost-effectiveness for the commercial and industrial customer sectors are shown in the table below.

Benefits/Cost Component	Year 1	Year 2	Year 3	Total
Savings (Mcf)	2,548	2,548	2,548	7,644
Total Resource Cost	\$ 170,000	\$ 170,000	\$ 170,000	\$ 510,000
Direct Participant Costs	\$ 160,000	\$ 160,000	\$ 160,000	\$ 480,000
Indirect Utility Costs	\$ 11,000	\$ 10,280	\$ 9,608	\$ 30,888
Direct Utility Costs	\$ 110,000	\$ 110,000	\$ 110,000	\$ 330,000
Customer Incentives	\$ 100,000	\$ 100,000	\$ 100,000	\$ 300,000
CSP Labor				\$ -
CSP Materials and Supplies				\$ -
Communications	\$ 10,000	\$ 10,000	\$ 10,000	\$ 30,000
[Note: Total Resource Cost equals Direct Participant Costs plus Overhead (CSP Labor, CSP Materials and Supplies, and Communications). Direct Participant Costs are before financial incentives/rebates.]				

TRC Test	Year 1	Year 2	Year 3	Total
TRC NPV Benefits	\$ 393,781	\$ 385,742	\$ 377,272	\$ 1,156,794
TRC NPV Costs	\$ 333,868	\$ 317,375	\$ 300,880	\$ 952,122
TRC Net Benefits	\$ 59,913	\$ 68,367	\$ 76,392	\$ 204,672
TRC Benefit/Cost Ratio	1.18	1.22	1.25	1.21

**SECTION 3: COST EFFECTIVENESS OF PLAN
AND PROGRAM SUMMARY CHARTS**

In accordance with the Commission's Secretarial Letter to small EDCs, CPG designed its Plan to offer programs that meet the TRC test. The Plan as a whole, and all of the individual programs in the Plan, are cost-effective according to the TRC guidelines established by the Commission.

CPG's analysis indicates a TRC benefit-to-cost ratio of 1.44 for the proposed portfolio. The Program Efficiency Analysis Summary is provided in the table, below. The analysis reveals that for the complement of Residential Programs, the TRC Benefit/Cost Ratio is 1.37. The TRC Benefit/Cost Ratio for the Commercial and Industrial Programs is 1.52. The total Plan TRC Benefit/Cost Ratio is 1.44. This benefit-to-cost ratio exceeds the 1.00 minimum TRC test parameter applied to the larger EDCs EE&C Plans in the Act 129 proceedings.

The table below provides a summary of the program costs and benefits for the entire portfolio of programs.

TRC Test Results by Program				
Measures	NPV Benefit	NPV Cost	Net TRC Benefit	Benefit/Cost Ratio
High Efficiency New Homes Program	\$ 444,936	\$ 303,512	\$ 141,424	1.47
High Efficiency Heating Upgrade Program	\$ 1,173,682	\$ 1,074,612	\$ 99,070	1.09
High Efficiency Water Heater Upgrade Program	\$ 1,066,889	\$ 466,911	\$ 599,978	2.28
Keystone Help Program	\$ 222,782	\$ 175,775	\$ 47,008	1.27
Energy Education Program	\$ -	\$ 109,566	\$ (109,566)	0.00
Total Residential	\$ 2,908,289	\$ 2,130,375	\$ 777,913	1.37
C&I Combined Heat and Power	\$ 1,156,794	\$ 952,122	\$ 204,672	1.21
C&I Custom	\$ 2,338,624	\$ 1,351,437	\$ 987,186	1.73
C&I Total	\$ 3,495,418	\$ 2,303,560	\$ 1,191,859	1.52
Total Portfolio	\$ 6,403,707	\$ 4,433,935	\$ 1,969,772	1.44

SECTION 4: PROGRAM MANAGEMENT AND IMPLEMENTATION STRATEGIES

A. SUMMARY OF CPG'S ANTICIPATED MANAGEMENT AND IMPLEMENTATION STRATEGIES

1. Description of types of services to be provided by CPG, as well as consultants and Conservation Service Providers

CPG's implementation strategy will rely on the use of internal CPG staff and CSPs, along with market participants and other entities engaged in energy efficiency to promote, deliver, and support the effective implementation of its energy efficiency and conservation programs. Given its small size, CPG anticipates utilizing its own staff for many functions. CPG will also utilize several CSPs to deliver services in support of its programs.

Market participants and trade allies will be integral to the deployment of CPG's EE&C Plan. Those entities will be relied upon to engage customers, promote the programs, evaluate the projects, furnish and install energy-efficient equipment, and provide energy efficiency services outlined in the EE&C Plan. The primary objective being energy consumption reduction, CPG will balance cost, value, choice, and energy and capacity savings in order to achieve the goals of its EE&C Plan.

The respective roles of the CSPs, trade allies, and market partners are identified in the respective program descriptions in Section 2 of the Plan.

2. Risk Management Strategies

CPG is aware of the risk factors associated with potential performance of its EE&C Plan. It carefully considered factors such as the uncertainty of customer participation and willingness to undertake conservation measures in the current economic climate. The three general categories of risk include: technical, financial, and market.

CPG recognizes that technical risks regarding certain measures may arise from defects in materials or workmanship, improper installation, or equipment failure once implemented. CPG intends to employ quality assurance measures and evaluation and valuation processes as part of its EE&C Plan. The EM&V process will aid in identifying technical problems and risks and in pinpointing improvements that may be considered in the annual review process.

Financial risks associated with Plan implementation include the level of Plan costs, including measure and installation costs or administrative costs. CPG anticipates that ongoing monitoring of program activities and expenditures as well as interim adjustments based on current data will aid in mitigating financial risk. The EM&V process will inform the need to adjust or eliminate measures or entire programs as experiences are gained with

the implementation of the EE&C Plan. CPG anticipates identifying such changes in its annual report to the Commission.

Finally, market risks do exist with regard to implementation of the EE&C Plan, including the ability to have the program reach its intended target markets, the program's ability to achieve the projected market penetration, and behavioral risks such as free-ridership. Obviously, uncertainties regarding consumers' willingness to participate in CPG's EE&C Plan will impact the success of the entire Plan. As with other risks identified above, the Company's close monitoring of its EE&C Plan will assist it in detecting and correcting barriers to participation and the need to refocus education efforts to gain greater customer participation, if necessary. CPG anticipates that adjustments may be made to outreach and program education strategies, including adjusting the incentive levels identified presently in the EE&C Plan, changing its portfolio of measures, or reworking the EE&C Plan as a whole.

CPG views the EM&V portion of its Plan as crucial to identify potential Plan adjustments given the risks identified above. The annual review process will be a significant aspect of the EE&C Plan that will drive program changes, as necessary.

3. Human Resource and Contractor Resource Staffing Issues

CPG anticipates, in large part, utilizing its internal staff to accomplish its EE&C Plan. CPG also anticipates utilizing CSPs, trade allies, and market partners to augment its existing internal staff and to provide specific technical expertise not presently found within CPG's corporate complement. CPG has laid the groundwork to establish relationships with contractors in its service territory and CSPs in order to fully implement the array of programs identified in its EE&C Plan. In addition to utilizing the outside service providers, CPG anticipates leveraging the additional EE&C staffing identified in the recent Energy Efficiency and Conservation filing by its affiliate, UGI Electric.⁶ CPG has developed a staffing plan which delineates resources needed to implement the Plan and carry it through to completion. The implementation strategy with regard to each program is detailed in the program descriptions contained in Section 2 of the Plan.

CPG will utilize an RFP program to find and employ appropriate CSPs. CPG has appropriately incorporated internal administrative costs into its EE&C Plan budget. Implementation schedules with regard to each program are identified in the program descriptions section of the Plan. See Section 2 of the Plan.

Administrative costs for CPG's Plan constitute approximately 10% of the total Plan budget. These costs were developed based on CPG's best estimate and available information regarding employment of the energy efficiency programs contained in its Plan.

⁶ UGI Electric EE&C Plan, Docket No. M-2010-2210316

SECTION 5: QUALITY ASSURANCE, EVALUATION, MEASUREMENTS, AND VERIFICATION AND REPORTING

Particular quality assurance and evaluation, measurements, and verification processes for each program are detailed in the program descriptions in Section 2 of the Plan. Quality Control will be integral to the design and delivery of all programs in CPG's EE&C Plan. QC measures will be deployed at various stages of program implementation to ensure the highest standards of operational efficiency. These measures will include, but not be limited to the following:

- Ongoing tracking of program activities and costs through CPG employees and various CSPs
- Applying rigorous screening and qualifying protocols to engaging CSPs
- Conducting measure verification to prevent and/or identify fraud

These QC processes will strive to:

- Prevent errors from beginning to end in any given program process
- Detect and correct errors as early as possible
- Eliminate the causes of errors as well as the errors themselves
- Establish a correct plan based on best practices and lessons learned

The program CSP, or CPG staff if no CSP involvement is indicated, will track all of the data necessary to audit and verify all program activities outcomes. For each program in the Plan, this data may include, but not be limited to, the following:

- Participant information: account number, rate class, copy of most recent electric bill, if applicable, copy of most recent natural gas bill, EE&C customer segment, and contact information
- Project information: site (facility) location, project specifications, total project cost, project application date, project approval date, and project completion date
- Program information: program code, program type (rebate, custom, point of sale, etc.), CSP involved, incentive type, and amount
- Measure information: make and model number of new appliance, type and quantity of measures installed, efficiency rating, and service rendered
- Expenditures and energy savings
- Trade ally information: contact information, dates of program involvement, and installation standards used

- Retailer information: retail location, contact information, and type and quantity of products sold
- New construction information: developer contact information, builder contact information, and confirmation of new account activation (most recent bill)

CSPs shall provide periodic reports to CPG for measurement and verification.

CPG will conduct a self-review on an annual basis and report to the Commission within three months after the end of each program year.

**SECTION 6: ENERGY EFFICIENCY AND CONSERVATION PROGRAM COST
RECOVERY**

By virtue of the Commission's Opinion and Order in CPG's Base Rate Case at Docket No. R-2010-2214415, CPG utilized an annual budget of approximately \$900,000, which equates to a total of approximately \$2.7 million over the three years of the Plan. The budget includes the annual spending projections for each of the program measures, as well as the Company's annual administrative costs to implement and administer the Plan each year. Additionally, as stipulated in CPG's Base Rate Case settlement at Docket No. R-2010-2214415, all costs for this program will be recovered through CPG distribution rates on a non-reconcilable basis.

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission,	:	Docket Nos. R-2010-2214415
et al.	:	C-2011-2223870
v.	:	C-2011-2225011
	:	C-2011-2225026
UGI Central Penn Gas, Inc.	:	C-2011-2228493

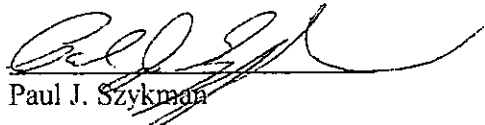
VERIFICATION

Paul J. Szykman, deposes and says that he is Vice President - Rates for UGI Utilities, Inc. - Gas Division, that he is duly authorized to and does make this Verification on behalf of UGI Central Penn Gas, Inc.; that the facts set forth in the Energy Efficiency and Conservation Plan of UGI Central Penn Gas, Inc. are true and correct to the best of his knowledge information and belief; and that this verification is made subject to the penalties of 18 Pa.C.S. §4904 (relating to unsworn falsification to authorities).

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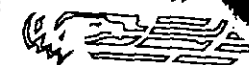

Paul J. Szykman



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