

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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November 16, 2011

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

RE: Pennsylvania Public Utility Commission,  
*et al.*

v.

UGI Central Penn Gas, Inc. –  
General Rate Increase  
Docket No. R-2010-2214415

Dear Secretary Chiavetta:

Enclosed please find the Comments of the Office of Consumer Advocate on the UGI Central Penn Gas Energy Efficiency and Conservation Plan in the above-referenced proceeding.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "Jennedy S. Johnson".

Jennedy S. Johnson  
Assistant Consumer Advocate  
PA Attorney I.D. # 203098

Enclosures  
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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Pennsylvania Public Utility Commission, *et al* :  
v. : Docket No. R-2010-2214415, *et al*  
UGI Central Penn Gas, Inc. :

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COMMENTS OF THE OFFICE OF CONSUMER  
ADVOCATE ON THE UGI CENTRAL PENN GAS  
ENERGY EFFICIENCY AND CONSERVATION PLAN

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Dated: November 16, 2011  
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## I. INTRODUCTION

As part of its Base Rate Case filing at Docket No. R-2010-2214415, UGI Central Penn Gas, Inc. (CPG or Company) proposed a three-year plan consisting of a portfolio of seven new Energy Efficiency and Conservation (EE&C) programs for residential and commercial customers. Pursuant to the procedural schedule for the base rate proceeding, the OCA filed the testimony of its witness Christina R. Mudd, who proposed a series of changes to the Company's EE&C Plan, including a substantial budget reduction. See OCA St. 5 and 5-S. The base rate case, including the EE&C Plan, was resolved with a Joint Settlement (Settlement) of all issues.

The Settlement made several significant modifications to the Company's Plan. For example, in its filing, the Company proposed a three-year budget of \$8.4 million (\$2.8 million/year). CPG Statement 10 at 2-5. As part of the Settlement, the Company reduced its EE&C budget to \$900,000 per year and will recover those costs in base rates instead of through a surcharge, as initially proposed. Settlement ¶ 31. The Company also agreed to discuss the program changes addressed by OCA witness Mudd in her testimony prior to the development of CPG's final EE&C Plan for residential customers. Settlement ¶ 33. This provided the OCA with the opportunity to further discuss with CPG conservation and energy efficiency projects that are both cost effective and that take into account other regulatory developments.

The Joint Settlement was approved by the Pennsylvania Public Utility Commission (Commission) on August 19, 2011. In its Order, the Commission directed the Company to seek approval of a final design for its EE&C Plan in a subsequent filing. The Company filed its revised EE&C Plan on October 18, 2011. The OCA submits these Comments in response the Company's Revised EE&C Plan.

The OCA submits that the Company's EE&C Plan is generally acceptable. The OCA recommends, however, that the Commission consider modifying certain aspects of the Company's plan. Specifically, the OCA would draw the Commission's attention to the Company's program to provide rebates to customers to offset financing costs associated with the Keystone Help Loan program, the lack of specific program options designed to address the needs of low income customers, and the projected participation levels and the size of incentive payments. These comments also address how the Company complied with the directives in the Commission's Order.

## **II. COMMENTS**

### **A. Offset of Financing Costs for Customers Using The Keystone Help Loan Program**

The Company's Keystone Help program is designed to provide customers a rebate that will offset the estimated financing costs incurred by the customers when they take out a Keystone Help loan. These loans are available to residential customers to pay for energy efficient space and water heating equipment. OCA St. 5 at 9. Ms. Mudd raised concerns in her testimony that the Company's proposed program provides a higher incentive payment than its High Efficiency rebate program, yet delivers the same energy savings. Id. Therefore, the Company's Keystone Help program was more expensive to administer than the High Efficiency rebate program, which provides equal energy benefits. Further, in the original design, participants in this program would be eligible to receive a rebate in the High Efficiency programs as well. Id. Ms. Mudd testified that this could lead to double-counting of energy reduction benefits and overstating the cost-effectiveness of the program. Id.

The Company has modified the program to address some of the OCA's concerns. First, the Company's revised EE&C Plan states, "Customers receiving a rebate under this measure will not be able to simultaneously participate in the New Homes or Existing Home measure." Revised EE&C Plan at 25. This provision eliminates the concern about the double-counting of benefits. Next, the Company scaled back its expected participation rate to just 25 percent of what was initially proposed. This results in a more reasonably scoped program. Finally, the average rebate was also decreased.

The OCA appreciates these modifications but remains concerned about the average rebate level in the program. The Company's program, with an average customer rebate of approximately \$675, remains a more expensive option than the High Efficiency rebate programs, where proposed customer incentives are \$350 for space heating and \$100 for water heating. While providing assistance with the financing costs associated with Keystone Help Loan program and encouraging its use for customers who need assistance with upfront costs could be beneficial, the average rebate level of \$675 remains too high. The OCA submits that the rebate payments established in this program should be designed, and perhaps capped, to be more closely aligned to the payments in the High Efficiency rebate programs. Otherwise, the Company risks creating an incentive for all customers to use the loan programs even when they may otherwise be able to afford the upfront costs.

**B. Low Income Programs**

The Company's revised EE&C Plan does not add any programs specific to low income customers. In her testimony, OCA witness Mudd recommended that the Company address the needs of low income customers through existing support channels, specifically the

Low Income Usage Reduction Program, the Weatherization Program, and/or Local Housing Authorities. OCA St. 5 at 21-22. Alternatively, Ms. Mudd recommended that the Company propose specific programs and incentives directed to assist low income customers. Id. The OCA remains concerned that the Company has failed to address the needs of its low income customers in this EE&C Plan.

In the Opinion and Order approving the Settlement, the Commission specifically required that CPG address the needs of low income customers and required that the following information be contained in the EE&C 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.

The Company does not present any energy efficiency programs directed toward low income customers and simply states in a summary table that EE&C program activities will be “coordinated to provide supplemental opportunities for customers unable to avail themselves of LIURP [Low Income Usage Reduction Program] energy savings measures.” Revised EE&C Plan at 5. The lack of any specific program for low income customers is contrary to the Commission’s Order. The OCA respectfully requests that the Commission require the Company to establish EE&C programs that target low income customers.

**C. Incentive Levels and Participation Rate Assumptions**

In her testimony, OCA witness Mudd discussed her concern that the participation levels used by the Company were unrealistic, in particular for the first few years during which the programs will need time to ramp up. OCA St. 5 at 9-11. In its revised EE&C Plan, the Company has substantially scaled-back its projected participation levels. For most programs, the

revised participation levels are in line with comments and recommendations provided by OCA. The OCA remains concerned, however, that CPG has not allowed time for program ramp up so that year 1 participation levels are nearly the same as in year 2 and 3. The OCA is concerned that such projections are not realistic, as it will take time to develop and market the programs.

Ms. Mudd was also concerned that the incentive levels proposed by the Company in its initial filing were higher than those offered by any other NGDC in Pennsylvania and in other jurisdictions. OCA St. 1 at 16-18. Therefore, Ms. Mudd recommended that the incentive payments be adjusted downward. Id. In its revised plan, the Company made downward adjustments to all incentives, consistent with the OCA's recommendations, save for the New Home program where incentive levels are higher than the OCA recommendation. For the New Home program, CPG decreased the incentive by \$150/participant and set the incentive equal to the sum of the water and space heat rebates. The OCA finds this to be a reasonable approach.

#### **D. Commission Order**

In its Order, the Commission listed nine specific requirements for UGI's EE&C program. Order at 17-18. While the revised EE&C Plan addresses most of the items listed by the Commission, a few notable exceptions exist. As was mentioned above, the Company has failed to include any low income-specific programs. Additionally, the Company failed to provide detailed descriptions of the following items which were requested by the Commission:

1. Total Resource Cost (TRC) methodologies and assumptions for costs and revenues for each measure,
2. Documentation on how program savings will be calculated for each proposed measure, and sources of data providing estimated or deemed savings, and

3. Documentation demonstrating 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.

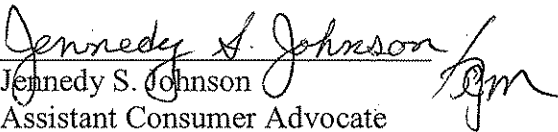
In her review of the Company's revised filing, Ms. Mudd was able to derive most of the underlying assumptions used in the TRC tests by referring to data provided by the Company in Interrogatories issued in the Base Rate Case. Providing adequate underlying data with the filing, though, is necessary for review of the specific budget and TRC cost estimates. The Company should be required to include these details in all future filings.

Finally, some of the budget figures contained in the program descriptions appear to be in error. For example, the total cost of customer incentives for a program in a given year should be equal to the product of the number of participants and the incentive. Looking at Year One of the High Efficiency Space Heating Program, the Company predicts that there will be 626 participants receiving an incentive of \$300/participant ( $626 \times \$300 = \$187,800$ ). The table on page 18 lists the costs as \$156,375 (a \$31,425 discrepancy). The TRC remains positive in both cases, but without additional detail as to the methodology and assumptions underlying the calculations it is unclear as to whether there is some adjustment that occurs in the calculation, or simply an error.

### III. CONCLUSION

The revised Energy Efficiency and Conservation Plan filed the by the Company has been scaled back considerably from the Company's initial filing. The revised, more detailed plan proposes a three-year program budget of \$1.5 million that is based on more reasonable expected participation rates and lower rebates. Additionally, the programs selected make use of strategies that have proven to be effective in reducing natural gas consumption. The OCA respectfully requests that the Company be required to add programs directed to low income customers and to provide the assumptions and data underlying the program costs and design.

Respectfully Submitted,

  
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CERTIFICATE OF SERVICE

Pennsylvania Public Utility Commission :  
*et al.* :

v. :

Docket No. R-2010-2214415

UGI Central Penn Gas, Inc. :  
General Rate Increase :

I hereby certify that I have this day served a true copy of the Comments of the Office of Consumer Advocate on the UGI Central Penn Gas Energy Efficiency and Conservation Plan upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 16th day of November 2011.

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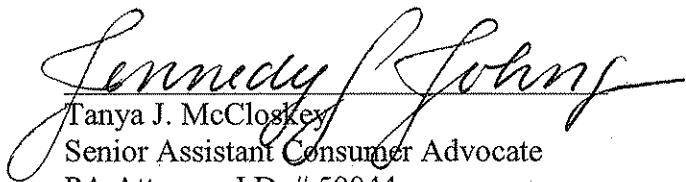
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