

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17105**

**PENNSYLVANIA PUBLIC UTILITY
COMMISSION, OFFICE OF CONSUMER
ADVOCATE, OFFICE OF SMALL BUSINESS
ADVOCATE, BOB CUMMINGS AND
RAYMOND HOWLING v. UGI CENTRAL
PENN GAS, INC.**

**Public Meeting August 11, 2011
2214415-ALJ
Docket No. R-2010-2214415**

**JOINT MOTION OF
CHAIRMAN ROBERT F. POWELSON
AND COMMISSIONER JAMES H. CAWLEY**

Before the Commission for consideration is the Recommended Decision of Administrative Law Judges Susan D. Colwell and Eranda Vero (ALJs) approving the Joint Petition for Settlement in the above-captioned case. As part of its filing initiating this matter, UGI Central Penn Gas, Inc. (CPG) proposed an energy efficiency and conservation (EE&C) plan.

Through this plan, CPG proposed offering a portfolio of EE&C measures to residential as well as commercial and industrial customers. The budget for the proposed plan was \$2.8M and was to be recovered through a reconcilable rider. As part of the settlement process, the budget was reduced to \$900,000, which is to be recovered through base rates.

The Commission clearly has the authority to consider EE&C programs for utilities under its jurisdiction¹ and has approved such programs in the past.² Had CPG's program been proposed in the past, the level of detail contained in the rate filing, settlement agreement and statements in support may have been enough for this Commission to make a determination that the program was in the public interest. However, in 2008, the Legislature enacted Act 129, which mandated the establishment of EE&C programs for Pennsylvania's large electric distribution companies (EDCs). Act 129 requires much more rigorous review of EDC EE&C programs than had occurred previously.

When reviewing the EE&C portion of the settlement, the ALJs noted:

The Commission does not have a review process in place for EE&C plans filed by gas companies. The contrast between the strict standards of Act 129 and the Commission directives derived from it as applied to the electric industry, and the lack of review and monitoring for consistency, effectiveness of programs, and for inclusion of programs specific to low-income customers when evaluating the gas industry, is striking. The difference is pointed out here so that the Commission may consciously evaluate whether to continue the disparate treatment between EDCs and gas companies or to institute measures designed to diminish the disparity as more gas companies file EE&C plans.³

¹ 66 Pa. C.S. §§ 1319(a) and 1505(b).

² Historically, EE&C was referred to as "demand side management."

³ *Pennsylvania Public Utility Commission, Office Of Consumer Advocate, Office Of Small Business Advocate, Bob Cummings and Raymond Howling V. UGI Central Penn Gas, Inc.*, Docket No. R-2010-2214415 at al., Recommended Decision at 27.

While the Legislature only mandated EE&C programs for electric utilities and did not address gas utilities, we agree with the sentiment expressed in the ALJs' decision and believe that we must look to the framework established by Act 129 when evaluating gas utilities' EE&C plans. That is not to say, however, that Act 129 should be applied wholesale to EE&C programs proposed by gas utilities. The Commission faced a similar issue when examining whether Pennsylvania's smaller EDCs, which were exempted from Act 129, should be encouraged to file EE&C programs. At that time, the Commission stated:

[W]e recognize that the Act 129 program contains a complexity and comprehensiveness that may not be appropriate for small EDCs, due to the costs of such programs that must be supported by a smaller customer base. Nevertheless, in evaluating each voluntary EE&C plan, the Commission will be looking to the Act 129 program and applying elements of that program where it is prudent and cost-effective.⁴

We believe the same standard should be applied to gas utilities. To that end, we approve the framework of the EE&C plan and the collection of costs, as approved by the Recommended Decision, but do not believe that the parties have presented sufficient details for the Commission to give final approval of the plan. Therefore, following final design of the EE&C plan, but before implementation, the parties are directed to seek final approval through a filing with the Commission. In this filing and any resulting proceedings, the parties should address the following issues:

- **Program description:** Applicants 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:** Applicants are to describe in detail how program savings will be calculated for each proposed measure. Applicant should describe the measurement, verification (EM&V) and evaluation protocols to be used for each measure.
- **Program cost effectiveness:** Applicants are 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:** Applicants are 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. Applicants 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:** Applicants are to report on the number of units installed that involve fuel switching for each measure. Applicants should also establish a process to record what type of unit was replaced and its fuel type.
- **Program budget:** Applicants are to provide an overall budget for each measure and the program as a whole. Assumptions with regard to measure participation, measure costs,

⁴ RE: *Voluntary Energy Efficiency and Conservation Program*, Docket No. M-2009-2142851, Secretarial Letter issued December 23, 2009.

administrative costs and methodology for direct and indirect cost allocation should also be provided. Applicants should provide clarification on how the settlement spending caps for each program 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:** Applicants should provide descriptions of how each measure will be marketed to customers through their education and communication channels. Costs for these programs should be provided for each measure and the program in its entirety. Applicant should demonstrate that marketing costs are reasonable when compared with other utility industry energy efficiency programs.
- **Reporting:** Applicants should provide the Commission with an annual report within three months following the end of each program year. Such a report should detail 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:** Applicants are to clearly describe what programs are targeted towards low-income customers and how this program "supplements" the existing Low-Income Usage Reduction Program of UGI-CPG.


As this Motion approves the recovery of the costs associated with the proposed EE&C plan in the instant case, CPG is directed to file the details of its EE&C plan within 60 days of the entry of a Final Order in this matter. The Commission will endeavor to expedite its review and approval of the plan so as to avoid delaying this matter any longer than is necessary. Because these rates will be implemented before final approval of the plan, we will require that CPG separately account for the EE&C recovery in rates and actual expenditures.

Lastly, we should note that in the future, it would be the Commission's strong preference to have the costs for any EE&C programs recovered through a reconcilable rider, as was originally proposed by CPG in this case. It is only because of the relatively small dollar amount of the instant program and the fact that it was included as part of a comprehensive settlement that we are allowing recovery through base rates here.

THEREFORE, WE MOVE THAT:

1. The Recommended Decision of Administrative Law Judges Susan D. Colwell and Eranda Vero is approved as modified by this Motion
2. The Office of Special Assistants prepare an Opinion and Order consistent with this Motion.


ROBERT F. POWELSON
CHAIRMAN


JAMES H. CAWLEY
COMMISSIONER

DATED: August 11, 2011