

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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January 12, 2015

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

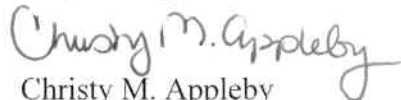
RE: Petition of Philadelphia Gas Works for  
Approval of Demand-Side Management  
Plan for FY 2016-2020  
and  
Philadelphia Gas Works Universal Service  
and Energy Conservation Plan for 2014-  
2016 52 Pa. Code § 62.4 – Request for  
Waivers  
Docket No. P-2014-2459362

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Answer, in the above-referenced proceeding.

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

Respectfully Submitted,

  
Christy M. Appleby  
Assistant Consumer Advocate  
PA Attorney I.D. # 85824

Enclosures

cc: Office of Administrative Law Judge  
Office of Special Assistants  
Joseph Magee, Bureau of Consumer Services  
Grace McGovern, Bureau of Consumer Services

200612

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of Philadelphia Gas Works	:	
For Approval of Demand-Side Management	:	
Plan For FY 2016-2020	:	
	:	Docket No. P-2014-2459362
Philadelphia Gas Works Universal Service	:	
And Energy Conservation Plan	:	
For 2014-2016, 52 Pa. Code § 62.4-	:	
Request for Waivers	:	

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ANSWER  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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**I. INTRODUCTION**

On December 23, 2014, Philadelphia Gas Works (PGW or Company) filed its Petition of Philadelphia Gas Works for Approval of Demand-Side Management Plan (DSM) for FY 2016-2020 (Phase II Plan) and Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, 52 Pa. Code § 62.4- Request for Waivers. On July 29, 2010 Phase I of the Company's DSM program was approved for a five-year period ending August 31, 2015 as a part of the settlement of its base rate proceeding at Docket Nos. R-2009-2139884, P-2009-2097639. Petition at 1-2. In its Phase II Plan, PGW proposes to continue five of the existing seven DSM programs: (1) Customer Responsibility Program (CRP) Home Comfort Program (formerly ELIRP), the weatherization program for the highest usage customers in PGW's customer assistance program, CRP; (2) Residential Equipment Rebates Program, prescriptive residential heating equipment rebates to replace heating equipment at the end of its operational life; (3) Commercial Equipment Rates program, prescriptive commercial heating and cooking equipment

rebates targeted towards replacement at the end of its operational life; (4) Efficient Building Grants program, custom project grants for existing commercial and multifamily buildings; and (5) Efficient Construction Grants program, custom project grants for new and gut rehabilitated commercial and multifamily buildings and single family homes. Petition at 3-4. PGW proposes to reduce the spending level for each of these programs from Phase I to Phase II due to concerns regarding reduced revenues that resulted from Phase I conservation efforts. Id. at 4.

PGW also proposes to add two new programs: (1) a Low-Income Multifamily Program as part of the CRP Home Comfort Program pursuant to the Commission's Order at Docket No. M-2013-2366301 regarding PGW's Universal Service and Energy Conservation Plan for 2014-2016 (Universal Service Plan Order) and (2) a fuel switching program, the DSM Efficient Fuel-Switching Program, to promote "cost-effective energy efficiency and conservation programs, including micro-combined heat and power "Micro-CHP") and other energy efficient natural gas appliances" for commercial and industrial customers. Id.; see, Universal Service Plan Order at 74.

In its Petition, PGW estimates that the Phase II programs will cost approximately \$25 million, including \$22.7 million for the conservation programs and \$2.3 million for the load management program and the costs will continue to be recovered in the same manner as Phase I. Petition at 5. Phase II of the program would increase the rates for non-CRP residential customers by 0.6% to 0.7% higher (or an average annual bill of \$5.80) for each year of the program through 2020. Id. at ¶ 48. PGW projects that the program will save approximately 227 BBtus of natural gas during the first five years of Phase II and approximately 4,390 BBtus over the lifetime of the measures installed. Id.

In addition to the costs of the program itself, PGW proposes to recover costs for a Conservation Adjustment Mechanism (CAM) and a Performance Incentive Mechanism. Id. at 5-6. PGW proposes to recover the market-rate program expenses, CAM, and Performance Incentive costs through the Efficiency Cost Recovery Surcharge (ECRS) applicable to all volumes of gas delivered. Id. The CAM would be designed calculate the lost margin associated with reduced usage from the conservation efforts of the programs. PGW states that the CAM would be used to expand the conservation programs beyond the Phase II program that PGW is proposing. Petition at 6. PGW also proposes that the ECRS include performance incentives “that would accrue to PGW based on achieving and surpassing targeted program goals.” Id.

The Commission’s Order in the Company’s Universal Service Plan proceeding required PGW to propose waivers of 52 Pa. Code §§58.5 and 58.11(a) regarding its inclusion of the Low Income Usage Reduction Program (LIURP) weatherization component of its Universal Service Plan in its DSM Plan. Universal Service Plan Order at 74; 52 Pa. Code §§58.5 and 58.11(a). PGW has requested that the Commission’s “[a]pproval of any and all waivers of Chapter 58 as necessary to permit the CRP Home Comfort program to satisfy these regulatory requirements or, in the alternative an order exempting PGW’s CRP Home Comfort program from the provisions of Chapter 58.” Petition at 54(a).

PGW has proposed to convene stakeholder collaborative meetings in order to attempt to resolve any issues related to the Petition. PGW proposes to submit a collaborative report with recommendations by March 6, 2015 and has proposed that other parties will submit comments in response by March 21, 2015. PGW requests a Commission Order by April 9, 2015. The Company requests that the Plan be permitted to go into effect without interruption starting September 2015. PGW states “[a]t that time, the PUC could assign to the Office of

Administrative Law Judge those aspects of the Phase II Plan (if any) for which the PUC determines evidentiary hearings are needed prior to final resolution.” Petition at 7, ¶¶ 51-53.

The OCA submits the following Answer in response.

## **II. ANSWER**

### **A. PGW’s Plan Design, Implementation, And Cost Recovery**

PGW proposes the continuation of its Phase II DSM Plan with several important modifications. Petition at ¶ 10-11. PGW proposes to begin Phase II on September 1, 2015 and end on August 31, 2020. Petition at ¶ 11. Thereafter, PGW proposes that the programs would continue with triennial implementation plans filed. *Id.* PGW proposes the following goals for its Phase II:

(1) cost-effectively reduce customer bills; (2) maximize customer value; and (3) reduce harmful Greenhouse Gas Emissions. Additionally, through the new Efficient Fuel Switching program, PGW seeks to further support the goals above by attaining cost-effective net energy usage reductions, while also achieving an ancillary goal of seeding nascent markets for new natural gas applications.

Petition at ¶ 12. PGW proposes the continuation of five Phase I programs including: (1) CRP Home Comfort; (2) Residential Equipment Rebate Program; (3) Efficient Building Grants Program; (4) Commercial Equipment Rebates Program; and (5) the Efficient Construction Grants. Petition at ¶ 15. The Company proposes to add an Efficient Fuel Switching Program to provide support for the installation of cost-effective conservation measures for small and medium commercial and industrial customers. *Id.* at ¶¶ 20-28.

PGW also proposes to add a new low-income Multifamily program to the CRP Home Comfort Program pursuant to the Universal Service Plan Order. Petition at ¶ 18. The program would be “targeted to low-income multifamily housing building owners, providing similar direct install or comprehensive treatments currently provided to multifamily properties in PGW’s

existing Building Grants program.” Id. The Company states that many of these properties will be master-metered on commercial rates, with residents who are not otherwise eligible for CRP, but the costs of the program would still be recovered through the Universal Service Charge rider. Id. The OCA submits that the recovery of costs through the Universal Service Charge rider for a commercial master-metered program must be thoroughly reviewed to determine if such a proposal will result in just and reasonable rates for all non-CAP customers that pay the costs in the Universal Service Charge.

PGW states that it anticipates that the Company will spend a total of \$25 million, including \$22.7 million for the continuation of the conservation programs and \$2.3 million for the Efficient Fuel Switching Load Management Program, over the five years of the Phase II Plan. Petition at ¶ 29. The Company proposes to recover the administrative, operational and evaluation costs in the same manner as its Phase I program, but includes two cost elements, a CAM to recover the lost margins associated with reduced throughput by customers in Phase II and Performance Incentives. Petition at ¶¶ 33-42. The OCA submits that the Commission should thoroughly review PGW’s proposal to include the two new cost elements to determine if they are just and reasonable and consistent with the law.

The OCA submits that the Commission must thoroughly review PGW’s proposals. Issues that must be considered include, but are not limited to: (1) whether the Phase II program should be continued beyond the sunset date of August 2015, and if it is to continue, whether it should continue beyond 2020 in the form of a triennial Plan; (2) the cost-effectiveness of the programs and DSM Plan; (3) the proposed design of the programs, including the proposal to maintain the Company’s Low-Income Usage Reduction Program, CRP Home Comfort Program within the DSM Plan and the proposed new Low-Income Multifamily Program; (4) customer

education about energy conservation in the Phase II Plan; (5) any necessary changes to the implementation of the programs; (6) any necessary changes to the proposed tracking, measurement and verification and reporting tools developed to analyze and to report the effectiveness of the programs; and (7) the proposed costs of the DSM Plan, including the potential future cost impacts to customer bills, PGW's proposal for a CAM and Performance Incentives, and PGW's proposal to recover the costs of its Low-Income Multifamily program, including commercial master-metered customers, through the Universal Service Charge rider. The Commission must evaluate whether the continuation in Phase II of the program is reasonable, cost-effective and in the customers' best interests. The Commission must also ensure that all costs are prudent and result in rates that are just and reasonable.

B. Proposed Procedure

PGW proposes a collaborative stakeholder process in order to discuss the Phase II Plan with interested stakeholders. Petition at ¶ 51. PGW states that the goal is to identify issues upon which agreement can be reached in order to continue forward with Phase II of the program expeditiously. *Id.* at ¶52. PGW proposes to submit a collaborative report with recommendations by March 6, 2015 and has proposed that other parties will submit comments in response by March 21, 2015. Petition at ¶ 53. PGW requests a Commission Order by April 9, 2015. *Id.* The Company requests that the Plan be permitted to go into effect without interruption starting September 2015. *Id.* Petition at PGW states “[a]t that time, the PUC could assign to the Office of Administrative Law Judge those aspects of the Phase II Plan (if any) for which the PUC determines evidentiary hearings are needed prior to final resolution.” *Id.*

The OCA agrees to the proposal for a collaborative process to attempt to resolve issues with respect to PGW's Petition and can participate in that process. A collaborative may be best

suitable to reviewing and addressing the complex issues associated with such programs and should facilitate a better understanding of the underlying analyses and issues.

In the event that the collaborative does not successfully resolve all issues, however, PGW has proposed that Phase II of the program should go forward and that any unresolved issues be directed to the Office of Administrative Law Judge. The OCA opposes any procedure which automatically would allow Phase II of the program to go into effect without a Final Order from the Commission on all issues. The OCA understands that there may be some value to continuing the current programs without interruption but implementing a new Plan should not be undertaken without final Commission approval. The OCA urges the Commission allow for a reasonable schedule that affords the parties a meaningful opportunity to be heard on all issues in advance of any implementation of Phase II of the program.

C. Waivers

PGW has requested that the Commission's "[a]pproval of any and all waivers of Chapter 58 as necessary to permit the CRP Home Comfort program to satisfy these regulatory requirements or, in the alternative an order exempting PGW's CRP Home Comfort program from the provisions of Chapter 58." Petition at 54(a). The Commission's Order in the Company's Universal Service Plan proceeding required PGW to propose waivers of 52 Pa. Code §§58.5 and 58.11(a) regarding its inclusion of the Low Income Usage Reduction Program (LIURP) weatherization component of its Universal Service Plan in its DSM Plan. Universal Service Plan Order at 74; 52 Pa. Code §§58.5 and 58.11(a).

The Commission should review the proposed waivers to determine whether the waivers are necessary, the timeframe for granting the waivers, and whether the removal of the LIURP

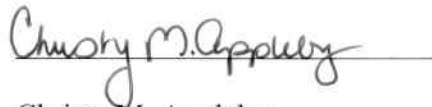


program from the Universal Service Plan will produce results are in the best interests of both low-income customers and the non-CAP customers who pay the costs of the program.

### III. CONCLUSION

The Office of Consumer Advocate looks forward to working with the parties through the collaborative process. The OCA respectfully requests that if the parties are unable to reach agreement, that the matter be set for hearings, and that Phase II of the program should not be implemented until such time that the Commission has issued a Final Order of all issues in the matter.

Respectfully Submitted,



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CERTIFICATE OF SERVICE

Petition of Philadelphia Gas Works :  
For Approval of Demand-Side Management :  
Plan For FY 2016-2020 :  
 : Docket No. P-2014-2459362  
Philadelphia Gas Works Universal Service :  
And Energy Conservation Plan :  
For 2014-2016, 52 Pa. Code § 62.4- :  
Request for Waivers :

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Answer, 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 12<sup>th</sup> day of January 2015.

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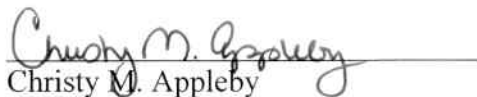
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