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File #: 162080

April 21, 2016

***VIA ELECTRONIC FILING***

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**Re: Petition of UGI Utilities, Inc. - Electric Division for Approval of Phase II of its Energy Efficiency and Conservation Plan - Docket No. M-2015-2477174**

Dear Secretary Chiavetta:

Enclosed for filing is the Joint Petition for Approval of Settlement in the above-referenced proceeding. Copies will be provided as indicated on the Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink, appearing to be 'DR', with a long horizontal flourish extending to the right.

Devin Ryan

DTR/jl  
Enclosures

cc: Honorable David A. Salapa

## CERTIFICATE OF SERVICE

I hereby certify that a true and correct copy of the foregoing has been served upon the following persons, in the manner indicated, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

### VIA E-MAIL & FIRST CLASS MAIL

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Consultant for OSBA  
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Cambridge, MA 02140

Stacey Sherwood  
Exeter Associates, Inc.  
10480 Little Patuxent Parkway  
Columbia, MD 21044

Date: April 21, 2016



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Devin T. Ryan

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of UGI Utilities, Inc. – Electric           :  
Division for Approval of Phase II of its           :  
Energy Efficiency and Conservation Plan           :     Docket No. M-2015-2477174

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**JOINT PETITION FOR  
APPROVAL OF SETTLEMENT**

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TO ADMINISTRATIVE LAW JUDGE DAVID A. SALAPA:

**I.     INTRODUCTION**

UGI Utilities, Inc. – Electric Division (“UGI Electric” or the “Company”), the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), all parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners”), hereby file this Joint Petition for Approval of Settlement (“Settlement”) and respectfully request that Administrative Law Judge David A. Salapa (the “ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve UGI Electric’s voluntary Phase II Energy Efficiency and Conservation Plan (“Phase II EE&C Plan” or “EE&C Plan”) subject to the terms and conditions of the Settlement.

This Settlement resolves all of the issues raised by the parties to the instant proceeding. In support of the Settlement, the Joint Petitioners state the following:

**II.    BACKGROUND**

1.     On April 9, 2015, UGI Electric filed the above-captioned Petition with the Commission. This filing was made pursuant to the Commission’s December 23, 2009 Secretarial Letter at Docket No. M-2009-2142851 (“December 23, 2009 Secretarial Letter”), which provided guidance on voluntary Energy Efficiency and Conservation Plans submitted by

electric distribution companies that are not subject to Act 129 of 2008, P.L. 1592, 66 Pa.C.S §§ 2806.1 and 2806.2 (“Act 129”).

2. In its Petition, UGI Electric requested Commission approval of the Company’s voluntary Phase II EE&C Plan. The voluntary Phase II EE&C Plan includes a portfolio of programs and conservation practices, fuel switching measures and energy education initiatives that are designed to encourage energy efficiency.

3. On April 29, 2015, OSBA filed a Notice of Appearance, Notice of Intervention, Public Statement, Answer, and Verification.

4. On May 1, 2015, UGI Electric served its written direct testimony in support of its voluntary Phase II EE&C Plan.

5. On May 4, 2015, OCA filed a Notice of Intervention, Public Statement, and Answer.

6. On May 8, 2015, UGI Electric served written supplemental direct testimony.

7. On October 1, 2015, UGI Electric served further supplemental direct testimony and filed redline and clean versions of its Amended Phase II EE&C Plan to address issues identified by OSBA in discovery.

8. On December 21, 2015, a Notice was issued scheduling the prehearing conference in this proceeding for January 21, 2016.

9. A prehearing conference was held as scheduled on January 21, 2016, before the ALJ. A litigation schedule was agreed to by the parties and adopted in the Prehearing Order issued by the ALJ on January 21, 2016.

10. On February 23, 2016, OCA and OSBA served their written direct testimony.

11. On March 10, 2016, UGI Electric served its written rebuttal testimony.

12. On March 18, 2016, the Company served a revision to its written rebuttal testimony.

13. On March 21, 2016, OSBA served its written surrebuttal testimony.

14. The Joint Petitioners engaged in formal and informal discovery throughout the proceeding.

15. As a result of settlement discussions, the Joint Petitioners were able to reach a settlement in principle on March 29, 2016. The settlement in principle provides a reasonable resolution of the issues and concerns raised by the Joint Petitioners.

16. The Joint Petitioners agreed to waive cross-examination of all witnesses.

17. An evidentiary hearing was held on April 5, 2016, at which the Joint Petitioners moved their respective testimony and exhibits into the record.

18. As a result of the efforts described above, the Joint Petitioners have agreed to a settlement that provides a reasonable resolution of the issues among them. The Joint Petitioners are in full agreement that the Settlement is in the public interest as a reasonable resolution of their respective interests and should be approved. The Settlement agreed to by the Joint Petitioners is set forth in the following Section III.

### **III. SETTLEMENT**

19. UGI Electric's Phase II EE&C Plan is approved except as modified below.

20. UGI Electric shall adopt procedures to monitor actual savings (rather than calculating deemed savings) for participants in its Phase II Commercial and Industrial ("C&I") Custom Incentive Program. When monitoring actual savings, the Company may account for factors affecting the participants' usage, including extraordinary weather and load fluctuations.

21. As part of its compliance filing in this proceeding, the Company shall revise the table on page 57 of the Phase II EE&C Plan to be consistent with the table presented in

**Attachment A.** The revised table will also include a footnote stating that incentives may not exceed \$100,000 or 50% of project costs. UGI Electric also will update any other aspects of its EE&C Plan affected by this revised table.

22. UGI Electric corrected the mis-assignment of costs identified in OSBA-II-4(d) in its annual April 1, 2016 filing. The Company has adopted procedures to ensure that future program costs are correctly assigned to the appropriate rate class groups. On page 1 of Schedules 4, 5, and 6 of the April 1, 2016 filing, UGI Electric showed that in January 2016, \$48,539 was reallocated to Class 1 customers, -\$546,443 was debited to Class 2 customers, and \$541,475 was credited to Class 3 customers.

23. C&I customers will continue to be eligible to receive incentives from the Company for an HVAC Tune-up once every three years. If UGI Electric petitions the Commission for approval of a Phase III EE&C Plan, and if the Company determines that the HVAC Tune-up Program should continue in that proposed Phase III EE&C Plan, UGI Electric will include the following information with its proposed Phase III EE&C Plan:

- a. The number of customers participating in the Phase II HVAC Tune-up Program, by year, by rate class, and split between first-time and repeat participants; and
- b. An evaluation of the net-to-gross ratio for the HVAC Tune-up Program.

24. Parties shall retain their rights to contest the incurrence of conservation service provider (“CSP”) and administrative expenses for the C&I Custom Incentive Program related to CHP projects if no CHP projects are undertaken.

25. The Company shall split program administration costs for the CHP component of the C&I Custom Incentive Program between Class 2 and Class 3 customers based on actual CHP project expenditures, once actual CHP projects are undertaken.

26. As part of its compliance filing in this proceeding, UGI Electric shall include water heater setback savings in Appendix A of the Phase II EE&C Plan.

27. UGI Electric shall increase the Residential Appliance Rebate Program's incentive budget by \$122,280, from \$137,045 to \$259,325.

28. UGI Electric shall monitor the Residential Appliance Rebate Program's progress throughout Phase II and will make adjustments to the program, including its participation rates, if the Company deems it necessary.

29. UGI Electric shall track information, including but not limited to, the number of measures installed and water heating source, for the School Energy Education and Home Energy Audit Programs throughout Phase II. The Company plans to utilize that data when evaluating whether to make adjustments to its current EE&C programs and when developing its Phase III EE&C Plan.

#### **IV. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

30. Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements lessen the time and expense the parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See id.* § 69.401. In order to accept a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. York Water Co.*, Docket No. R-00049165 (Order Entered Oct. 4, 2004); *Pa. PUC v. C.S. Water and Sewer Assocs.*, 74 Pa. P.U.C. 767 (1991).

31. This Settlement was achieved by the Joint Petitioners after an investigation of UGI Electric's Phase II EE&C Plan filing, including informal and formal discovery and the filing of testimony by the Joint Petitioners.

32. Approval of the Settlement will lessen the time and expenses that the Joint Petitioners and the Commission must expend on the proceedings.

33. The Joint Petitioners will further supplement the reasons that the Settlement is in the public interest in their Statements in Support, which are attached hereto as **Attachments B, C, and D**. In their respective Statements in Support, each Joint Petitioner explains why, in its view, the Settlement is fair, just, and reasonable and reflects a reasonable compromise of the disputed issues in this proceeding.<sup>1</sup>

#### **V. SETTLEMENT CONDITIONS**

34. The Settlement is conditioned upon the Commission's approval of the terms and conditions contained in this Settlement without modification. If the Commission modifies the Settlement, any Joint Petitioner may elect to withdraw from the Settlement and may proceed with litigation and, in such event, the Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five business days after the entry of an Order modifying the Settlement.

35. This Settlement is proposed by the Joint Petitioners to settle all of the issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue, the Joint Petitioners reserve their respective procedural rights to evidentiary hearings, submission of additional testimony and exhibits, cross-examination of witnesses, briefing, and

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<sup>1</sup> It is noted that, because certain Joint Petitioners only participated with regard to certain issues in this proceeding, some of the Statements in Support may be limited in the scope of issues addressed.



argument of their respective positions. The Settlement is made without any admission against, or prejudice to, any position that any Joint Petitioner may adopt in the event of any subsequent litigation of these proceedings, or in any other proceeding.

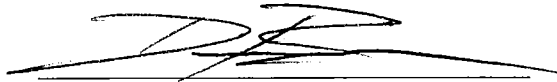
36. The Joint Petitioners acknowledge that the Settlement reflects a compromise of competing positions and does not necessarily reflect any Joint Petitioner's position with respect to any issues raised in this proceeding. The terms and conditions of the Settlement are limited to the facts of this specific case and are the product of compromise for the sole purpose of settling this case. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the parties may advance on the merits of the issues in future proceedings. This Settlement does not preclude the Joint Petitioners from taking other positions in other EDCs' EE&C proceedings or any other proceeding.

37. If the ALJ adopts the Settlement without modification, the Joint Petitioners waive their right to file Exceptions. Further, if the Commission adopts the Settlement without modification, the Joint Petitioners agree that they: (1) will not initiate or join in any challenge to the Settlement; and (2) waive their right to appeal or to seek reconsideration, rehearing, reargument, or clarification of the Commission's order approving the Settlement.

## **VI. CONCLUSION**

WHEREFORE, UGI Utilities, Inc. – Electric Division, the Office of Consumer Advocate, and the Office of Small Business Advocate respectfully request that Administrative Law Judge David A. Salapa and the Pennsylvania Public Utility Commission approve this Joint Petition for Approval of Settlement without modification.

Respectfully submitted,



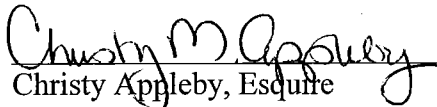
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4/21/2016

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*Counsel for UGI Utilities, Inc. – Electric Division*

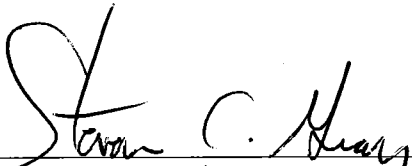


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4/20/16

Date

*Counsel for the Office of Consumer Advocate*



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4/21/16

Date

*Counsel for the Office of Small Business Advocate*

# Attachment A

### Attachment A

<b>Total Measures and Costs</b>				
<b>Measure</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
Other Custom Projects	20	20	20	60
<b>Total</b>	<b>20</b>	<b>20</b>	<b>20</b>	<b>60</b>

<b>Benefits/Cost Component</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
Savings (MWh)	3,141	3,141	3,141	9,423
Capacity Savings (MW)	-	-	-	-
Total Resource Cost	\$2,188,800	\$ 2,188,800	\$2,188,800	\$6,566,400
Direct Participant Costs	\$ 1,940,000	\$ 1,940,000	\$1,940,000	\$5,820,000
Direct Utility Costs	\$750,120	\$750,120	\$750,120	\$2,250,360
Customer Incentives	\$501,320	\$501,320	\$501,320	\$1,503,960
CSP Labor	\$ 247,800	\$ 247,800	\$ 247,800	\$ 743,400
CSP Materials and Supplies	\$	\$-	\$	\$ -
Communications	\$ 1,000	\$1,000	\$ 1,000	\$ 3,000
[Note: Total Resource Cost equals Direct Participant Costs plus Overhead (CSP Labor, CSP Materials and Supplies, and Communications)]				

<b>TRC Test</b>	<b>Year 1</b>	<b>Year 2</b>	<b>Year 3</b>	<b>Total</b>
TRC NPV Benefits	\$ 3,018,589	\$ 2,907,657	\$2,802,316	\$8,728,562
TRC NPV Costs	\$ 2,293,390	\$ 2,180,928	\$2,073,923	\$6,548,242
TRC Net Benefits	\$ 725,199	\$726,729	\$728,393	\$2,180,321
TRC Benefit/Cost Ratio	1.32	1.33	1.35	1.33
[Note: TRC NPV Benefits includes electricity savings from fuel switching. TRC NPV Costs include the additional natural gas cost.]				

# Attachment B

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of UGI Utilities, Inc. – Electric :  
Division for Approval of Phase II of its : Docket No. M-2015-2477174  
Energy Efficiency and Conservation Plan :

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**UGI UTILITIES, INC. – ELECTRIC DIVISION  
STATEMENT IN SUPPORT OF  
JOINT PETITION FOR  
APPROVAL OF SETTLEMENT**

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TO PENNSYLVANIA PUBLIC UTILITY COMMISSION:

**I. INTRODUCTION**

UGI Utilities, Inc. – Electric Division (“UGI Electric” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Approval of Settlement (“Settlement”) entered into by UGI Electric, the Office of Consumer Advocate (“OCA”), and the Office of Small Business Advocate (“OSBA”), all parties to the above-captioned proceeding (hereinafter, collectively the “Joint Petitioners”). The Settlement represents a full resolution of all issues and concerns raised in the instant proceeding. The Joint Petitioners agree that UGI Electric’s Phase II Energy Efficiency and Conservation Plan (“Phase II EE&C Plan” or “EE&C Plan”) should be approved, subject to the terms and conditions of the Settlement.

The Settlement reflects a carefully balanced compromise of the interests of all of the Joint Petitioners. UGI Electric submits that the Settlement should be approved without modification because it is in the public interest, just and reasonable, and supported by substantial evidence. For the reasons explained below, UGI Electric respectfully requests that Administrative Law

Judge David A. Salapa (the “ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve the Company’s Phase II EE&C Plan subject to the terms and conditions of the Settlement.

**II. COMMISSION POLICY FAVORS SETTLEMENT**

Commission policy promotes settlements. *See* 52 Pa. Code § 5.231. Settlements reduce the time and expense that parties must expend litigating a case and, at the same time, conserve administrative resources. The Commission has indicated that settlement results are often preferable to those achieved at the conclusion of a fully litigated proceeding. *See* 52 Pa. Code § 69.401. The Commission has explained that parties to settled cases are afforded flexibility in reaching amicable resolutions, so long as the settlement is in the public interest. *Pa. PUC v. MXenergy Electric Inc.*, Docket No. M-2012-2201861, 2013 Pa. PUC LEXIS 789, 310 P.U.R.4th 58 (Order Entered Dec. 5, 2013). In order to approve a settlement, the Commission must first determine that the proposed terms and conditions are in the public interest. *Pa. PUC v. Windstream Pennsylvania, LLC*, Docket No. M-2012-2227108, 2012 Pa. PUC LEXIS 1535 (Order Entered Sept. 27, 2012); *Pa. PUC v. C.S. Water and Sewer Assoc.*, Docket No. R-881147, 74 Pa. PUC 767 (Order Entered July 22, 1991).

**III. THE SETTLEMENT IS IN THE PUBLIC INTEREST**

**A. GENERAL**

The Settlement reflects a carefully balanced compromise of the competing interests of all of the active parties in this proceeding. The Joint Petitioners agree that the Settlement is in the public interest. (Settlement ¶ 18) The fact that the Settlement is unopposed in this proceeding, in and of itself, provides strong evidence that the Settlement is reasonable and in the public interest, particularly given the diverse interests of these parties and the active roles they have taken in this proceeding.

The Settlement was achieved only after a comprehensive investigation of UGI Electric's Phase II EE&C Plan. In addition to informal discovery, UGI Electric responded to numerous formal discovery requests, many of which included several subparts. The active parties submitted multiple rounds of testimony, including the Company's direct testimony, other parties' direct testimony, the Company's rebuttal testimony, and OSBA's surrebuttal testimony. Further, the parties participated in numerous settlement discussions and negotiations that ultimately led to the Settlement.

Finally, the parties in this proceeding, their counsel, and their expert consultants have considerable experience in Commission proceedings. Their knowledge, experience, and ability to evaluate the strengths and weaknesses of their litigation positions provided a strong base upon which to build a consensus in this proceeding on the settled issues.

## **B. RESIDENTIAL PROGRAMS**

UGI Electric's Phase II EE&C Plan contains seven programs for Residential customers: (1) Appliance Rebate; (2) School Energy Education; (3) Energy Efficient Lighting; (4) Appliance Recycling; (5) Fuel Switching; (6) Home Energy Audit; and (7) Residential Low-Income Water Heater Pilot. (UGI Electric Exh. 1, p. ii) As with all programs in the EE&C Plan, these programs are designed to offer UGI Electric's customers a wide range of measures to decrease electric consumption and, in turn, decrease their electric costs. (UGI Electric Exh. 1, p. 2)

OCA proposed certain minor modifications or requested clarifications regarding UGI Electric's Phase II EE&C Plan for Residential customers. First, OCA witness Sherwood stated that the incentive budget for the Appliance Rebate Program was too low to achieve the projected level of savings. (OCA St. No. 1, p. 10) Consequently, Ms. Sherwood recommended that the incentive budget for this program be increased by \$122,280 to better match the projected level of



participation. (OCA St. No. 1, p. 10) Second, Ms. Sherwood questioned whether the projected participation rates for the Appliance Rebate Program were too high. (OCA St. No. 1, p. 8) Third, Ms. Sherwood argued that the School Energy Education and Home Energy Audit Programs should not assume 100% installation rates and recommended that the Company track installation rates for these programs and utilize that information going forward. (OCA St. No. 1, p. 9)

In Rebuttal, UGI Electric witness Meilinger agreed with Ms. Sherwood that the incentive budget for the Appliance Rebate Program should be increased by \$122,280. (UGI Electric St. No. 1-R, p. 2) This increased budget will assist the Company in attracting new participants and achieving its savings targets and can be accommodated within the annual EE&C Plan budget of \$2.5 million. (UGI Electric St. No. 1-R, p. 2) Moreover, Mr. Meilinger explained that although the projected participation rates for the Appliance Rebate Program were higher, the Company believed it could achieve those levels of participation in Phase II. (UGI Electric St. No. 1-R, p. 3) Notwithstanding, the Company will monitor the program's progress throughout Phase II and make any necessary adjustments. (UGI Electric St. No. 1-R, p. 3) Finally, Mr. Meilinger stated that the Company would track and analyze installation rates for the School Energy Education and Home Energy Audit Programs throughout Phase II and that UGI Electric would utilize that data when evaluating its current programs and developing its Phase III EE&C Plan. (UGI Electric St. No. 1, p. 4)

Under the Settlement, the parties agreed that the Company would increase the budget for the Appliance Rebate Program by \$122,280. (Settlement ¶ 27) In addition, UGI Electric will monitor the Residential Appliance Rebate Program's progress throughout Phase II and will make adjustments to the program, including its participation rates, if the Company deems it necessary.

(Settlement ¶ 28) The Company also will track information for the School Energy Education and Home Energy Audit Programs as suggested by OCA witness Sherwood and utilize that data when evaluating whether to make adjustments to its current programs and when developing the Phase III EE&C Plan. (Settlement ¶ 29) In sum, these Settlement provisions are designed to improve the Company's Phase II EE&C programs for Residential customers. For these reasons, these Settlement provisions are just and reasonable and should be adopted without modification.

### **C. COMMERCIAL AND INDUSTRIAL PROGRAMS**

The Company's Phase II EE&C Plan contains three programs for Commercial and Industrial ("C&I") customers: (1) C&I Custom Incentive; (2) HVAC Tune-up; and (3) Fuel Switching. OSBA raised several issues and proposals concerning UGI Electric's C&I programs that were addressed by the Company in its testimony and in the Settlement.

#### **1. C&I Custom Incentive Program**

OSBA witness Knecht recommended that UGI Electric monitor the actual load reductions achieved by Class 2 customers participating in the C&I Custom Incentive Program. (OSBA St. No. 1, p. 5) Mr. Knecht also argued that the Company should try to keep its incentives as low as possible. (OSBA St. No. 1, p. 5) Further, Mr. Knecht argued that the amount of incentives shown in the table on page 57 of the Phase II EE&C Plan was incorrect because the incentive costs should be no more than 50% of the incremental costs of the customers' projects. (OSBA St. No. 1, p. 7) Finally, Mr. Knecht contended that the costs of changing this table, as well making any other revisions resulting from those changes, should not be recovered from ratepayers. (OSBA St. No. 1, pp. 7-8)

In response, UGI Electric stated that it will monitor actual load reductions and report those reductions, in aggregate, in the Company's annual reports. (UGI Electric St. No. 1-R, p. 5) The Company also explained that it always strives to be efficient with EE&C Plan expenditures

because, among other things, it recognizes that these costs are ultimately born by ratepayers. (UGI Electric St. No. 1-R, p. 6) Moreover, UGI Electric prepared an alternate table that it believed would address Mr. Knecht's concerns with the table on page 57 of the EE&C Plan. (UGI Electric St. No. 1-R, p. 7; UGI Electric St. No. 2-R, pp. 7-8; UGI Electric Exh. PHR-1R) Although the Company was willing to replace the table on page 57 with the alternate table, as well as make any other necessary revisions from that change, UGI Electric argued that the costs of making those revisions should be recovered as administrative expenses. (UGI Electric St. No. 1-R, pp. 7-8)

The Settlement contains several provisions that address OSBA's concerns with the C&I Custom Incentive Program. The Company will adopt procedures to monitor actual savings (rather than calculating deemed savings) for participants in the program. (Settlement ¶ 20) When monitoring those savings, UGI Electric may account for factors affecting the participants' usage, including extraordinary weather and load fluctuations. (Settlement ¶ 20) Additionally, UGI Electric will replace the table on page 57 of the EE&C Plan with the alternate table presented in its Rebuttal Testimony, a copy of which is attached to the Settlement. (Settlement ¶ 21) The Company also will add a footnote clarifying that incentives may not exceed \$100,000 or 50% of project costs and update any other aspects of the Phase II EE&C Plan affected by the revised table. (Settlement ¶ 21) Based on the foregoing, these Settlement provisions represent a reasonable compromise of the Joint Petitioners' positions on the C&I Custom Incentive Program and should be approved without modification.

## **2. Combined Heat and Power**

OSBA witness Knecht also had concerns with the Company's Combined Heat and Power ("CHP") component of the C&I Custom Incentive Program. He argued that the CHP component has not been shown to be cost-effective on its own and that merging the CHP component with

the C&I Custom Incentive Program made evaluation of the program more difficult. (OSBA St. No. 1, pp. 11-12) He also criticized the Company's incurrence of administrative costs for the Phase I CHP Program without obtaining any participants. (OSBA St. No. 1, p. 11) On these grounds, Mr. Knecht recommended that the CHP component be terminated or, alternatively, limited to Class 3 customers. (OSBA St. No. 1, p. 12)

In Rebuttal, UGI Electric observed that the Commission has recognized the untapped benefits of CHP and encouraged electric and natural gas utilities to pursue CHP. (UGI Electric St. No. 1-R, p. 9) Moreover, the Company did not believe that the performance of the Phase I CHP Program was indicative of the potential for CHP projects in Phase II, considering that a conservation service provider ("CSP") was only utilized for the CHP Program in the final year of Phase I. (UGI Electric St. No. 1-R, p. 9) Furthermore, UGI Electric explained the reasons behind its incurrence of administrative costs for the CHP Program. (UGI Electric St. No. 1-R, p. 10) The Company also explained that although Mr. Knecht had concerns about the cost-effectiveness of the CHP component, individual EE&C programs and measures do not need to be cost-effective on their own; rather, cost-effectiveness is evaluated on a portfolio level. (UGI Electric St. No. 1-R, pp. 10-11) Notwithstanding, the Company has a cost-effective screening process in place for every project under the C&I Custom Incentive Program, including CHP projects. (UGI Electric St. No. 1-R, p. 11) Finally, UGI Electric explained that Mr. Knecht's alternative recommendation (i.e., limiting participation to Class 3 customers) should be rejected because Class 2 customers will not pay for the incentive or administrative costs incurred by Class 3 customers participating in the CHP component of the C&I Custom Incentive Program. (UGI Electric St. No. 1-R, p. 11)

Under the Settlement, the Joint Petitioners retain their rights to contest the incurrence of CSP and administrative expenses for the C&I Custom Incentive Program related to CHP projects if no CHP projects are undertaken. (Settlement ¶ 24) Moreover, the Settlement provides that the Company will split program administration costs for the CHP component between Class 2 and Class 3 customers based on actual CHP project expenditures. (Settlement ¶ 25) In sum, these Settlement provisions respond to OSBA's concerns about the CHP component of the C&I Custom Incentive Program, particularly the administrative expenses incurred for that component. As a result, these provisions are just and reasonable and should be approved without modification.

### **3. HVAC Tune-up**

OSBA witness Knecht argued that the HVAC Tune-up Program should be terminated, arguing that it is a subsidized utility program that is not economically justified. (OSBA St. No. 1, pp. 8-11) He also contended that incentives should not be paid to customers every three years for them to perform HVAC maintenance because it is already cost-effective for them to do. (OSBA St. No. 1, pp. 8-9) Alternatively, if the program is approved, he recommended a customer only be permitted to participate in the program one time, not every three years. (OSBA St. No. 1, p. 11)

The Company disagreed with Mr. Knecht's characterization of the HVAC Tune-up Program for several reasons. (UGI Electric St. No. 1-R, pp. 12-13; UGI Electric St. No. 2-R, pp. 1-7) As explained by UGI Electric, many customers need more than education to take steps to reduce their energy consumption, even if it would be cost-effective for them to take those steps without incentives. (UGI Electric St. No. 1-R, p. 13) Moreover, the Company believed that Mr. Knecht's arguments about the cost-effectiveness of the program were based on the Participant Test, not the Total Resource Cost Test utilized by the Commission. (UGI Electric St. No. 2-R,

pp. 1-6) UGI Electric also explained that placing a limit on customer participation in the HVAC Tune-up Program would be inconsistent with Commission policies. (UGI Electric St. No. 2-R, pp. 6-7) Further, utilities in other states have HVAC Tune-up Programs that allow customers to participate more than once in their lifetime, and imposing OSBA's proposed restriction would require that the program eventually be terminated due to a limited market. (UGI Electric St. No. 1-R, pp. 13-14)

The Settlement reflects a compromise with respect to OSBA's concerns and proposals regarding the HVAC Tune-up Program. C&I customers will continue to be eligible for incentives once every three years. (Settlement ¶ 23) If the HVAC Tune-up Program is proposed as part of the Phase III EE&C Plan, the Company will provide information about repeat customers in the Phase II HVAC Tune-up Program and an evaluation of the net-to-gross ratio for the HVAC Tune-up Program. (Settlement ¶ 23)

#### **D. MISCELLANEOUS**

OSBA witness Knecht noted that UGI Electric had misallocated costs to Class 2 customers in Phase I. (OSBA St. No. 1, p. 3) These costs were related to the Phase I C&I Custom Incentive Program. (OSBA St. No. 1, p. 3 n.7) As a result, Mr. Knecht recommended that the Company adopt appropriate procedures to verify allocation of costs for all programs and provide a schedule showing the magnitude of the misallocation in Phase I and how it was corrected. (OSBA St. No. 1, pp. 3-4) In addition, Mr. Knecht noted that Appendix A to the Company's Amended Phase II EE&C Plan did not include water heater setback savings. (OSBA St. No. 1, p. 4)

In the Company's rebuttal, Mr. Meilinger explained that the misallocation occurred due to an internal Company miscommunication and that UGI Electric has adopted appropriate procedures to ensure that future program costs are properly allocated. (UGI Electric St. No. 1-R,

pp. 18-19) Further, the magnitude of the misallocation, along with the corrected expenses by rate class, would be filed as part of UGI Electric's annual Energy Efficiency and Conservation Rider ("EEC Rider") filing on April 1, 2016. (UGI Electric St. No. 1-R, p. 19) Lastly, the Company would include water heater setback savings in Appendix A of the Phase II EE&C Plan as part of its compliance filing. (UGI Electric St. No. 1-R, p. 20)

The Settlement memorializes these commitments by the Company, which adopt OSBA's proposals. (Settlement ¶¶ 22, 26) Based on the foregoing, these provisions are just and reasonable and should be adopted without modification.

#### **IV. CONCLUSION**

The Settlement is the result of a detailed examination of UGI Electric's Phase II EE&C Plan, substantial discovery requests, multiple rounds of testimony, numerous settlement discussions, and compromise by all parties. UGI Electric believes that fair and reasonable compromises have been achieved on the settled in this case, particularly given the fact that the active parties have such diverse and competing interests in this proceeding and have reached an agreement on all issues. UGI Electric fully supports this Settlement and respectfully requests that Administrative Law Judge David A. Salapa and the Pennsylvania Public Utility Commission:

- (i) Approve Joint Petition for Approval of Settlement without modification; and
- (ii) Approve UGI Electric's Phase II EE&C Plan subject to the terms and conditions of the Joint Petition for Approval of Settlement.

Respectfully submitted,



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Dated: April 21, 2016

Counsel for UGI Utilities, Inc. – Electric  
Division



# Attachment C

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc.- Electric :  
Division for Approval of Phase II of its : Docket No. M-2015-2477174  
Energy Efficiency and Conservation Plan :

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STATEMENT OF THE  
OFFICE OF CONSUMER ADVOCATE  
IN SUPPORT OF SETTLEMENT

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The Office of Consumer Advocate (OCA), one of the signatory parties to the Joint Petition for Approval of Settlement (Settlement), finds the terms and conditions of the Settlement to be in the public interest for the following reasons:

**I. INTRODUCTION**

On April 9, 2015, UGI Utilities, Inc. – Electric Division (UGI or Company) filed a Petition with the Public Utility Commission (Commission) seeking approval of a Phase II Energy Efficiency and Conservation Plan for the period of June 1, 2015, through May 31, 2018 (Phase II EE&C Plan). As the Company notes in its Petition, UGI is not formally subject to the energy efficiency requirements of Act 129 of 2008, because it has fewer than 100,000 customers. 66 Pa. C.S. §2806.1(1). The Commission approved the Company’s voluntary Phase I EE&C Plan, with modifications, in its Order entered October 19, 2011. Petition of UGI Utilities Inc. – Electric Division for Approval of its Energy Efficiency And Conservation Plan, Docket No. M-2010-2210316 (Order entered Oct. 19, 2011) (Phase I Order).

On October 1, 2015, the Company submitted the Supplemental Direct Testimony of Brian J. Meilinger, Paul H. Raab, and William J. McAllister and filed its Amended Phase II EE&C Plan.

The matter was referred to the Office of Administrative Law Judge, and Administrative Law Judge (ALJ) David A. Salapa was assigned to the proceeding. On January 21, 2016, a Prehearing Conference was held, at which time a procedural schedule was established and other preliminary matters were addressed.

On February 23, 2016, the OCA submitted the Direct Testimony of Stacy Sherwood (OCA St. No. 1), and the OSBA submitted the Direct Testimony of Robert D. Knecht (OSBA St. No. 1). On March 10, 2016, the Company submitted the Rebuttal Testimony of Brian J. Meilinger (UGI Electric St. No. 1-R) and Paul H. Raab (UGI Electric St. No. 2-R). On March 18, 2016, the Company submitted the revised Rebuttal Testimony of Brian J. Meilinger (UGI Electric St. No. 1-R). On March 21, 2016, OSBA served its written Surrebuttal Testimony (OSBA St. No. 2).

In accordance with the Commission's Rules and Regulations at 52 Pa. Code § 5.231, the parties undertook discussions in an attempt to reach a settlement. On March 29, 2016, the parties informed ALJ Salapa that a settlement in principle had been reached on all issues. A hearing was held on April 5, 2016 for the purposes of admitting the testimony into the record.

The OCA submits that the terms and conditions of the Settlement are in the public interest and should be approved. The OCA addresses the key provisions of the Settlement as set forth below.

## **II. SETTLEMENT**

### **A. Residential Appliance Rebate Program (Settlement at ¶¶ 27-28)**

The Settlement provides that the Company will increase the Residential Appliance Rebate Program's incentive budget by \$122,280, from \$137,045 to \$259,325. Settlement at ¶ 27. The Settlement also provides that the Company will monitor the program's progress through

Phase II and the Company will make adjustments to the program, including its participation rates, if the Company deems that it is necessary. Settlement at ¶ 28. The OCA submits that both of these provisions of the Settlement are reasonable and should be approved.

In its filing, the Company proposed a three year incentive budget of \$137,045 for its Appliance Rebate Program. OCA witness Sherwood, however, testified that the proposed budget did not correspond with the forecasted participation and proposed rebates. OCA St. 1 at 10. Ms. Sherwood recommended that “in order to achieve the proposed energy savings, the annual incentive budget should average \$86,442, for a total three-year incentive budget of \$259,325.” Id. In Rebuttal, Company witness Meilinger adopted the OCA’s recommendation to increase the Appliance Rebate Program budget by \$122,280. UGI Electric St. 1-R at 3.

The OCA submits that the proposed increase to the Appliance Rebate Program budget is in the public interest and should be approved. As OCA witness Sherwood testified, the total Amended Plan will still produce a Total Resource Cost (TRC) test above 1.0 with the adjustment. OCA St. 1 at 10. Ms. Sherwood testified that “[i]ncreasing the incentive budget will not impact the TRC of the individual or overall program, as incentives are viewed as a pass-through in the TRC calculation.” Id. at 11. The amended Appliance Rebate Program budget will also still maintain an Amended Plan cost lower than the 2 percent annual budget of \$2.5 million, so there is room in the annual funding cap to accommodate this budget increase. Id. at 10-11.

C. School Energy Education and Home Energy Audit Programs (Settlement at ¶ 29)

The Settlement provides that the Company will track information, including but not limited to, the measures installed and water heating source, for the School Energy Education and Home Energy Audit Programs through Phase II. Settlement at ¶ 29. The Company will utilize

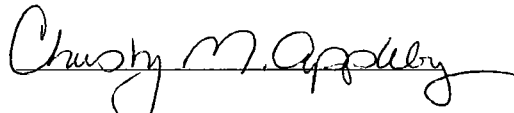
the data to evaluate whether to make adjustments to its current Energy Efficiency and Conservation (EE&C) programs and when developing its Phase III EE&C Plan. Id.

OCA witness Sherwood expressed reservations in her Direct Testimony regarding the participation assumptions for the implementation of measures from the energy efficiency kits in the School Energy Education program and the Home Energy audit. OCA St. 1 at 9. She recommended that the Company track the installation rates and utilize those installation rates in future plan Phases. Id. In the Rebuttal Testimony of Mr. Meilinger, the Company adopted the OCA's recommendation to track the installation rates for its School Energy Education program and Home Energy audit program. UGI Electric St. 1-R at 4. Mr. Meilinger agreed that "tracking installation rates will provide the Company with valuable information that can increase the accuracy of its projected savings going forward. Id. The OCA submits that this proposal should be approved and will allow the Company to more accurately track the installation rates and the water heating sources for its School Energy Education and Home Energy audit program designs in the current Plan and in future phases of the Plan.

### III. CONCLUSION

The Office of Consumer Advocate submits that the terms of the Settlement are in the public interest and in the interest of UGI's ratepayers. Based on the above reasons, the Office of Consumer Advocate submits that the proposed Settlement should be approved.

Respectfully Submitted,



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DATE: April 21, 2016  
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# Attachment D

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>Pennsylvania Public Utility Commission</b>	:	
	:	
v.	:	<b>Docket No. M-2015-2477174</b>
	:	
<b>Petition of UGI Utilities, Inc. - Electric Division</b>	:	
<b>For Approval of Phase II of its Energy</b>	:	
<b>Efficiency And Conservation Plan</b>	:	

**STATEMENT OF  
THE OFFICE OF SMALL BUSINESS ADVOCATE  
IN SUPPORT OF THE  
JOINT PETITION FOR APPROVAL OF SETTLEMENT**

**Introduction**

The Small Business Advocate is authorized and directed to represent the interests of the small business consumers of utility services in the Commonwealth of Pennsylvania under the provisions of the Small Business Advocate Act, Act 181 of 1988, 73 P.S. §§ 399.41 - 399.50. Pursuant to that statutory authority, the Office of Small Business Advocate (“OSBA”) filed a notice of intervention and answer to the Petition of UGI Utilities, Inc. – Electric Division (“UGI” or the “Company”) for Approval of Phase II of its Energy Efficiency and Conservation (“EE&C”) Plan (“Petition”) that was filed with the Pennsylvania Public Utility Commission (“Commission”) on April 9, 2015.

The OSBA actively participated in the negotiations that led to the proposed settlement and is a signatory to the Joint Petition for Approval of Settlement (“*Joint Petition*”). The OSBA submits this statement in support of the *Joint Petition*.



## The Joint Petition

The *Joint Petition* sets forth a comprehensive list of issues that were resolved through the negotiation process. The following issues were of particular significance to the OSBA when it concluded that the *Joint Petition* was in the best interests of UGI's small business customers.

### **1. Actual Savings versus Deemed Savings**

In his direct testimony, OSBA witness Robert D. Knecht reviewed the savings actually achieved by UGI in Phase I of the Company's Customer Incentive Program. Mr. Knecht testified, as follows:

At OSBA's request, I developed a simple review of the specific Class 2 customers who participated in the Phase I Custom Incentive Program, generally comparing actual customer consumption before and after program expenditures were made.

My analysis generally indicated that the *actual load reduction at participating customers was less than* that credited by the Company.

However, due to data limitations, I concluded that my analysis was not sufficiently rigorous to support a conclusion that the savings were materially overstated or that the program was not cost-effective. I therefore limit my recommendations to encouraging the Company to review its actual achieved load reductions as it moves forward with this program.

OSBA Statement No. 1, at 5 (emphasis added) (formatting added).

The *Joint Petition* addresses Mr. Knecht's concerns:

UGI Electric shall adopt procedures to monitor actual savings (rather than calculating deemed savings) for participants in its Phase II Commercial and Industrial ("C&I") Custom Incentive Program. When monitoring actual savings, the Company may account for factors affecting the participants' usage, including extraordinary weather and load fluctuations.

*Joint Petition*, at Paragraph 20.

Thus, the *Joint Petition* proposes to monitor actual savings in order to determine whether the Custom Incentive programs targeted at non-residential customers in the Company's EE&C Plan are cost-effective. In addition, the *Joint Petition* proposes to normalize those savings for extraordinary events which may skew the data. This should have the effect of providing a higher degree of accuracy of the savings recorded.

Consequently, the proposal to monitor actual savings, as set forth in the *Joint Petition*, is consistent with the testimony of Mr. Knecht and is a fair and rational resolution of this issue.

## **2. The Table on Page 57**

Mr. Knecht addressed the OSBA's concerns with the UGI summary table set forth on page 57 of the Company's proposed plan, as follows:

Unfortunately, while the text of the EE&C Plan indicates that customers will be required to make at least a 50 percent contribution to incremental costs, the Company's modeling of costs and benefits for the EE&C Plan does not. ***The Company's table at page 57 of the Phase II EE&C Plan implies that the average contribution of a customer who benefits from the program will be minimal.***

\* \* \*

As shown, the Company's exhibit demonstrates that, in Phase I, the share of costs borne by beneficiaries was 65.7 percent, consistent with the Company's representations regarding the magnitude of rebates. For Phase II, however, that value falls to 3.8 percent, ***implying that over 96 percent of the costs for this program will be provided by ratepayers who receive no benefit.***

OSBA Statement No. 1, at 6 (emphasis added).

Mr. Knecht continued:

Based on informal communications with the Company, I understand that the Company's table in the EE&C Plan does not reflect the intent of the Company. However, the Company did not correct this error in its October Plan Update.

I am advised by counsel that OSBA will take the position in this proceeding that the EE&C Plan values and modeling for Phase II should be amended to make it clear that beneficiary contributions are at least 50 percent of incremental costs.

OSBA Statement No. 1, at 7.

The *Joint Petition* proposes to address the OSBA's concerns by correcting the Company's table and updating any parts of UGI's proposed plan that are affected by this correction:

As part of its compliance filing in this proceeding, the Company shall revise the table on page 57 of the Phase II EE&C Plan to be consistent with the table presented in **Attachment A**. The revised table will also include a footnote stating that incentives may not exceed \$100,000 or 50% of project costs. UGI Electric also will update any other aspects of its EE&C Plan affected by this revised table.

*Joint Petition*, at Paragraph 21 (emphasis in original) (formatting added).

Therefore, the *Joint Petition* proposes to satisfy the OSBA's concerns in two ways. First, by correcting the Company's table on page 57 to reflect that ratepayers will provide only a maximum of 50% of the costs of a particular benefit. Second, by stating explicitly that such incentives will not exceed \$100,000 or 50% of the costs.

The two actions proposed by *Joint Petition*, are consistent with the testimony of Mr. Knecht and are fully supported by the OSBA.

### **3. Errors in the Company's Original Filing**

Mr. Knecht uncovered numerous errors in UGI's original EE&C Petition during the discovery phase of this proceeding. As a result of these errors, the Company submitted an updated version of its proposed EE&C Plan on October 1, 2015. The errors were enumerated in Mr. Knecht's direct testimony. *See* OSBA Statement No. 1, at 3-4. Regarding these errors, Mr. Knecht explained:

The Company corrected most of these errors in the updated EE&C Plan dated October 1, 2015, ('October Plan Update') although some remain...

In OSBA-II-4(d), the Company admitted that a significant share of costs in the non-residential program were incorrectly charged to Class 2 customers rather than to Class 3 customers. The Company indicates that it will correct this error in a future filing, if it has not already done so.

I recommend that the Company adopt the appropriate procedures to ensure that future program costs are correctly assigned to the appropriate rate class groups.

OSBA Statement No. 1, at 3 (footnote omitted) (formatting added).

The *Joint Petition* acknowledges the significant mis-assignment of costs by the Company, as follows:

UGI Electric corrected the mis-assignment of costs identified in OSBA-II-4(d) in its annual April 1, 2016 filing. The Company has adopted procedures to ensure that future program costs are correctly assigned to the appropriate rate class groups. On page 1 of Schedules 4, 5, and 6 of the April 1, 2016 filing, UGI Electric showed that in January 2016, \$48,539 was reallocated to Class 1 customers, -\$546,443 was debited to Class 2 customers, and \$541,475 was credited to Class 3 customers.

*Joint Petition*, at Paragraph 22.

The OSBA supports the *Joint Petition's* acknowledgement that the mis-assignment of program costs to the various customer classes has been corrected. Furthermore, the OSBA fully supports the *Joint Petition's* proposal to require UGI to adopt procedures so that such errors do not occur in the future.<sup>1</sup>

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<sup>1</sup> Mr. Knecht identified one other error that was not corrected in the Company's October 1, 2015, update of its EE&C Plan:

The filed Appendix A to the EE&C Plan failed to reflect the inclusion of water heater setback savings, according to the Company's response to OSBA-I-13(c). This error does not appear to have been corrected in the October Plan Update.

OSBA Statement No. 1, at 4.

#### 4. Subsidizing HVAC Tune-Ups

Mr. Knecht expressed his concern that requiring customers to subsidize multiple HVAC tune-ups for a relatively small number of beneficiaries would not be a reasonable use of EE&C Plan funds. Mr. Knecht stated, as follows:

Subsidizing HVAC tune-ups, however, is not justified by either capital cost or landlord/tenant issues. The HVAC tune-ups are generally regular maintenance programs that must be repeated every two or three years. As such, the costs are relatively modest, meaning that major capital investments are not required. Similarly, because the benefits of the tune-up are relatively short-term, the ratepayer will likely obtain most or all of the energy saving benefit from the program. Moreover, because HVAC tune-ups are part of a normal, sensible maintenance program, it is likely that many beneficiaries of the program would have had the tune-ups done in the absence of the subsidies, because it is simply in their economic interest to do so.

Thus, the potential justification for subsidizing HVAC tune-ups is that customers are ignorant of the fact that they can obtain an economic benefit from an HVAC tune-up that exceeds the cost. It is unlikely that building owners and ratepayers are ignorant of the energy saving benefits of regular HVAC maintenance.

OSBA Statement No. 1, at 8-9 (footnotes omitted).

There was a considerable difference of opinion on this matter between the Company and the OSBA. The *Joint Petition* proposes a compromise on the issue:

C&I customers will continue to be eligible to receive incentives from the Company for an HVAC Tune-up once every three years. If UGI Electric petitions the Commission for approval of a Phase III EE&C Plan, and if the Company determines that the HVAC Tune-up Program should continue in that proposed Phase III EE&C Plan, UGI Electric will include the following information with its proposed Phase III EE&C Plan:

- a. The number of customers participating in the Phase II HVAC Tune-up Program, by year, by rate class, and split between first-time and repeat participants; and

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The *Joint Petition* proposes to fix this error. See *Joint Petition*, at Paragraph 26.

- b. An evaluation of the net-to-gross ratio for the HVAC Tune-up Program.

*Joint Petition*, at Paragraph 23.

The OSBA has little enthusiasm for the Company's proposal, which is unique among Pennsylvania electric distribution companies. *See* OSBA Statement No. 3, at 9-11. Specifically, UGI proposes to continue to offer not only HVAC tune-ups, but to offer repeated, heavily-subsidized service calls to the same customer. The OSBA believes that customers can or should recognize the economic value of low-cost regular HVAC maintenance, and customers should pay for such basic maintenance without needing subsidies from other ratepayers.

Nevertheless, the OSBA supports the *Joint Petition's* proposal on this issue, because an assessment of the net-to-gross ratio contemplated in the *Joint Petition* should determine whether these programs are paying customers to undertake basic HVAC system maintenance that they would undertake on their own. Under the terms of the *Joint Petition*, if UGI files for a Phase III EE&C Plan, the Company will provide the necessary, detailed data that will allow the parties to evaluate the efficacy of UGI's HVAC tune-up program.

## **5. UGI's Combined Heat and Power Program**

Mr. Knecht observed the following, regarding the Company's Combined Heat and Power ("CHP") Program that was instituted in UGI EE&C Phase I program:

The CHP program has not, to date, attracted any participants, despite incurring some \$50,000 in program costs, which were duly passed on to ratepayers.

OSBA Statement No. 1, at 3.

Mr. Knecht continued, as follows:

I am concerned that UGI Electric spent some \$50,000 on its Phase I CHP program, split roughly equally between Class 2 and Class 3,

with no customer participation. Absent a clear showing of customer interest, continuing this program into Phase II would appear to be simply throwing good money after bad.

Also, I note that the Company's response to OSBA-II-2(c) indicates that the Company has retained a new CSP for the CHP program, which suggests that there is some chance that the Company will now incur more program administrative costs with no guarantee that it will attract participating customers.

Further, the Company declines to provide an economic evaluation of the CHP program compared to the rest of the Custom Incentive program (OSBA-II-2(e)), which makes it impossible to evaluate the magnitude of the proposed subsidies relative to overall program costs.

OSBA Statement No. 1, at 11-12 (formatting added).

If the CHP Program is to continue, Mr. Knecht stated:

I recommend that this program be limited to Class 3 customers. This program is likely to be more applicable to larger customers, and this restriction would avoid further burdening small business customers with administrative costs for a program with no Class 2 participants.

OSBA Statement No. 1, at 12.

The *Joint Petition* proposes that the CHP Program will continue, with the plan that the Company will identify cost-effective CHP opportunities and not spend ratepayers' money on program administration alone. Furthermore, the *Joint Petition* proposes two solutions to address the concerns raised by Mr. Knecht. First, the *Joint Petition* states, as follows:

Parties shall retain their rights to contest the incurrence of conservation service provider ('CSP') and administrative expenses for the C&I Custom Incentive Program related to CHP projects if no CHP projects are undertaken.

*Joint Petition*, at Paragraph 24.

Second, the *Joint Petition* states:

The Company shall split program administration costs for the CHP component of the C&I Custom Incentive Program between Class 2 and Class 3 customers based on actual CHP project expenditures, once actual CHP projects are undertaken.

*Id.*, at Paragraph 25.

The *Joint Petition* proposes two compromises in order to address Mr. Knecht's concerns. First, the *Joint Petition* would allow the OSBA to argue the inclusion of certain costs if no CHP projects are undertaken, as has been the situation to date. Second, the *Joint Petition* would more accurately assign administrative costs between Class 2 and Class 3 customers.

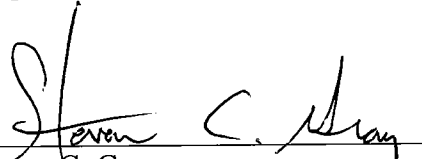
The OSBA supports the proposals of the *Joint Petition* as reasonable resolutions to these CHP issues.



**Conclusion**

Therefore, for the reasons set forth in the *Joint Petition*, as well as the additional factors that are enumerated in this statement, the OSBA supports the proposed *Joint Petition* and respectfully requests that the Administrative Law Judge and the Commission approve the *Joint Petition* in its entirety.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Steven C. Gray", written over a horizontal line.

Steven C. Gray  
Assistant Small Business Advocate  
Attorney ID No. 77538

Office of Small Business Advocate  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101

Dated: April 21, 2016