

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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January 31, 2019

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

Re: Petition of UGI Utilities, Inc. – Electric
Division for Approval of Phase III of its
Energy Efficiency and Conservation Plan
Docket No. M-2018-3004144

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Statement in Support of Settlement in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in black ink that reads "Christy M. Appleby".

Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824
E-Mail: CApplby@paoca.org

Enclosures:

cc: Honorable Benjamin J. Myers
Certificate of Service
*265829

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Petition of UGI Utilities, Inc. – Electric :
Division for Approval of Phase III of its : Docket No. M-2018-3004144
Energy Efficiency and Conservation Plan :

STATEMENT OF THE
OFFICE OF CONSUMER ADVOCATE
IN SUPPORT OF SETTLEMENT

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 August 21, 2018, UGI Utilities, Inc. – Electric Division (UGI Electric or Company) filed a Petition with the Public Utility Commission (Commission) seeking approval of a Phase III Energy Efficiency and Conservation Plan for the period of June 1, 2019 through May 31, 2024 (Phase III 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).

On September 7, 2018, the Office of Small Business Advocate filed a Notice of Intervention, Public Statement, and Answer. On September 10, 2018, the OCA filed a Notice of Intervention, Public Statement, and Answer. On September 26, 2018, Commission on Economic Opportunity (CEO) filed a Petition to Intervene.

The matter was referred to the Office of Administrative Law Judge, and Administrative Law Judge (ALJ) Benjamin Myers was assigned to the proceeding. On September 19, 2018, a

Prehearing Order was issued by the ALJ, which among other things, scheduled a Prehearing Conference for October 10, 2018. On October 10, 2018, a Prehearing Conference was held, at which time a procedural schedule was established and other preliminary matters were addressed.

On November 6, 2018, the OCA submitted the Direct Testimony of Stacy L. Sherwood (OCA St. No. 1); the OSBA submitted the Direct Testimony of Robert D. Knecht (OSBA St. No. 1); and CEO submitted the Direct Testimony of Eugene M. Brady (CEO St. No. 1). On November 28, 2018, the Company submitted the Rebuttal Testimony of Theodore M. Love (UGI Electric St. No. 1-R). On December 12, 2018, the OCA submitted the Surrebuttal Testimony of Stacy Sherwood (OCA St. No. 1-SR), and the OSBA submitted the Supplemental Direct Testimony and Surrebuttal Testimony of Robert Knecht (OSBA St. No. 1-S).

In accordance with the Commission's Rules and Regulations at 52 Pa. Code Section 5.231, the parties undertook discussions in an attempt to reach settlement. On December 18, 2018, the parties informed ALJ Myers that a settlement had been reached on all issues. The hearing on December 19, 2018 was canceled.

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. Phase III Plan Term

The Settlement provides that UGI's Phase III Plan will be approved for UGI Electric's proposed five-year term from June 1, 2019 through May 31, 2024. Settlement at ¶ 22. The five-year term, however, will include the conditions that:

after two years, if the Company has not met 75 percent of its forecasted energy savings for those first two years of the Plan (i.e., $7,592 \text{ MWh} \times 0.75 = 5,694 \text{ MWh}$),

or the Company has achieved 75 percent or more of its forecasted energy savings for those first two years and the Plan does not have a Total Resource Cost (“TRC”) Test benefit-cost ratio above 1.0 for Plan Year (“PY”) 1 and PY 2 total as calculated by August 30, 2021, the Company can either file a Petition to Amend its Plan or choose, in its sole discretion to conclude the EE&C Plan after the first three years of Phase III. If the Company chooses to conclude the Phase III EE&C Plan after PY 3, UGI Electric will file a letter at this docket by December 1, 2021, advising the Commission and the parties that the Phase III EE&C Plan will conclude on May 31, 2022. If a Petition to Amend is filed under this paragraph, the parties agree that the Phase III EE&C Plan will remain in effect until such time as the Commission takes action on the Petition to Amend the Phase III EE&C Plan, or May 31, 2024, whichever is earlier.

Settlement at ¶ 22. The OCA submits that these provisions are reasonable, address the OCA’s concerns raised in Ms. Sherwood’s testimony, and should be approved.

In her testimony, OCA witness Sherwood identified concerns with the Company’s proposed five-year Plan term. OCA St. No. 1 at 8-10. Ms. Sherwood stated that she had concerns with UGI Electric’s “optimism” regarding the Company’s projected program participation as compared to prior years, the longevity of the proposed program, and the cost-effectiveness of the residential portfolio should the projected targets not be met. OCA St. No. 1 at 9. Ms. Sherwood recommended that the Commission approve the Plan for a three-year program cycle, and if the programs were found to be cost-effective during those years, she recommended that the Commission offer an expedited approval for an additional two years. OCA St. No. 1 at 9.

Ms. Sherwood’s concerns were to ensure that “ratepayers are funding a cost-effective program.” OCA St. No. 1 at 10. The OCA submits that the proposed Settlement will address the OCA’s identified concerns because the Settlement will provide a benchmark to review the Plan’s performance after Program Years 1 and 2. The review will determine whether the Company is either meeting 75% of its forecasted savings or whether the Company is achieving a Total Resource Cost (TRC) test benefit-cost ratio of 1.0. See, Settlement at ¶ 22. The Settlement will help to ensure that the program continues to be cost-effective. The Company will either amend

the Plan to implement new programs that are cost-effective or the Company will conclude the program after Program Year 3. The OCA submits that the Settlement provision will help to ensure that the programs in Phase III will continue to be cost-effective.

B. Emerging Technology Program (ETO)

UGI Electric included a proposed \$600,000 budget for an Emerging Technology Program (ETO). The Plan stated that the purpose of the ETO was to “promote new and emerging technologies and energy saving techniques” and “serve as a way for UGI Electric to test future program strategies and offerings that may eventually lead to additional stand-alone programs.” Plan at 35. The Plan did not propose specific ETO programs, but provided examples of potential programs such as additional cross-platform marketing opportunities, pilots for solar heaters for manufactured homes, home energy reports, energy efficiency kits and an on-line audit. Plan at 36. The proposed \$600,000 budget would equal approximately eight percent of the total five-year plan budget. OCA St. No. 1 at 16. The Settlement proposes to eliminate the ETO program and redirect the proposed funds as follows: (1) \$10,000 annually (or a total of \$50,000 over five years) towards community based organizations that will promote the EE&C programs; (2) \$140,000 to launch one or more residential programs in PY 2 through PY 5, including a low-income program by no later than June 1, 2020; and (3) \$250,000 for evaluation, measurement and verification. Settlement at ¶ 23(a)-(c). Under the Settlement, the remaining \$160,000 budget would be eliminated. Settlement at ¶ 23 (d).

The OCA supports redirecting the ETO program funding. In her testimony, OCA witness Sherwood identified concerns with the lack of specificity in the ETO. OCA St. No. 1 at 16-18; OCA St. No. 1-SR at 6-8. The Company’s proposed ETO did not provide forecasts for the number of customers, energy savings, or budgets for the initiatives. OCA St. No. 1 at 16. Ms. Sherwood

recommended in her testimony that the Company provide additional specificity regarding the programs proposed and the Company did not provide details for the pilots, how the pilots would be conducted, or how the results would be evaluated. OCA St. No. 1-SR at 7-8.

The proposal to direct \$10,000 annually (or \$50,000 over the five year program) towards community-based organizations that promote EE&C programs should be approved. Settlement at ¶ 23(a). The community-based organizations have the ability to work directly with impacted consumers and inform them about the benefits of the programs. In particular, their work with low-income customers will help to provide greater outreach for the program that is to be developed pursuant to Paragraph 23(b) of the Settlement.

The OCA submits that the Settlement's proposal in Paragraph 23(b) to re-direct \$140,000 of the budget to launch one or more residential programs in PY 2 through PY 5, including a low-income program, is in the public interest and should be approved. In its Phase III Plan, UGI Electric proposed to eliminate or phase-out the three Phase II programs that required no cost for low-income customers to participate. OCA St. No. 1 at 1. These programs included: (1) phase-out of the low-income customer participation in the Energy Efficient Lighting program for those in the UGI Electric Customer Assistance Program (CAP); (2) the Appliance Recycling Program; and (3) the program for Low Income Usage Reduction Program (LIURP) participants to replace an electric water heater with a natural gas water heater, if a natural gas line is already present in the home. OCA St. No. 1 at 11. OCA witness Sherwood did not have concerns about the elimination of the proposed programs, but instead, Ms. Sherwood's concerns were that the Company did not commit to replace the eliminated programs with new low-income customer programs. OCA St. No. 1 at 12. In its filing, UGI Electric proposed that it *might* include a low-income program offering such as energy efficiency kits or targeted home energy reports to low-

income customers but did not commit to a specific program or program budget. OCA witness Sherwood and CEO witness Brady recommended that the Company implement a replacement low-income program to begin in 2019. See also, CEO St. No. 1.

The Settlement requires that a low-income program be implemented by June 1, 2020. Settlement at ¶ 23(b). Each of the Act 129 programs contains a low-income program component, and in fact, the Phase III Act 129 programs establish a mandatory 5.5% target for the low-income programs. See, Phase III Implementation Order, Docket No. M-2014-2424864 at 69 (June 11, 2015); see also, CEO St. No. 1 at 5-6. As the Settlement states, “the residential low-income program will provide an opportunity for the Company to offer additional and/or different measures than those offered through the Company’s Low Income Usage Reduction Program (“LIURP”).” Settlement at ¶ 23(b). The OCA submits that low-income customers should also be able to benefit from the Phase III Plan at no cost to them.

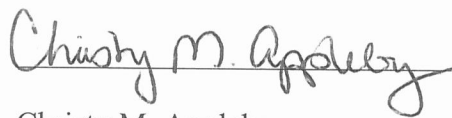
The Settlement would also set aside \$250,000 of the proposed ETO budget for an EM&V component. Settlement at ¶ 23(c). The EM&V would be conducted after the third year of the Phase III EE&C Plan and will only be conducted if the Company moves forward with a Program Year 4. Settlement at ¶ 23(c). The proposal adopts OCA witness Sherwood’s recommendation to include an evaluation, verification, and measurement (EM&V) component in the Phase III Plan. Ms. Sherwood stated “[w]ithout a formal evaluation to verify the savings, the effectiveness of the programs is unclear.” OCA St. No. 1 at 16. For example, she stated that one potential problem is that the reported energy savings may be over- or under-reported due to installation rates or usage assumptions. OCA St. No. 1 at 16. The OCA submits that this EM&V proposal and budget should be approved and will allow the Company to more accurately evaluate the cost-effectiveness of the program.

The OCA submits that the Settlement's proposed redirection of the proposed ETO funding is in the public interest and should be approved. The Settlement's two proposed replacement initiatives will each provide benefits to the customers as discussed above. The EM&V proposal will ensure the integrity of the program going-forward.

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: January 31, 2019
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CERTIFICATE OF SERVICE

Re: Petition of UGI Utilities, Inc. – :
Electric Division for Approval of : Docket No. M-2018-3004144
Phase III of its Energy Efficiency :
and Conservation Plan :

I hereby certify that I have this day served a true copy of the following documents, the Office of Consumer Advocate’s Statement in Support of Settlement, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 31st day of January 2019.

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