

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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IRWINA. POPOWSKY
Consumer Advocate

November 29, 2010

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 its Energy
Efficiency and Conservation Plan
Docket No. M-2010-2210316

Dear Secretary Chiavetta:

Enclosed for filing is the Answer of Office of Consumer Advocate, in the above-referenced proceeding.

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

Respectfully Submitted,

A handwritten signature in cursive script that reads "David T. Evrard".

David T. Evrard
Assistant Consumer Advocate
PA Attorney I.D. # 33870

Enclosures

cc: Administrative Law Judge
Office of Special Assistants

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consumption on the part of its customers. Plan at 1. Five of the programs are targeted to the Company's residential (including low-income) customers, and four are targeted to its commercial, industrial and governmental customers. Those targeted to residential customers are: Appliance Rebate Program, School Energy Education Program, Compact Fluorescent Lighting Campaign, Appliance Recycling Program, and Home Energy Efficiency Incentives. The programs targeted to commercial, industrial and governmental customers are: Appliance Rebate Program, Commercial and Industrial Custom Incentive Program, HVAC Tune-Up Program, and Combined Heat and Power Fuel Switching. Plan at 1.

All of the programs targeted to residential customers will be available to UGI's low-income customers. However, the Compact Fluorescent Lighting Campaign will make special provision for these customers by providing free CFL bulbs to those enrolled in the Company's Customer Assistance Program (CAP). Petition at 10; Plan at 23.

UGI has designed its programs to achieve an energy consumption reduction goal of 1% per year through 2014. The Company estimates this cumulative 3% reduction will amount to approximately 40,868 MWh. Plan at 2. UGI also anticipates that its Plan will produce peak load reductions although the Company did not design its programs to achieve specific peak load reduction targets. Id.

UGI has structured its Plan with a spending target equal to approximately 2% of its annual revenues for the period ending May 31, 2008. Id. This amounts to a total Plan expenditure, over three years, of \$8.6 million. Id. UGI proposes to recover the costs of its Plan through an Energy Efficiency and Conservation (EEC) Rider. Petition at 11; Plan at 2. This will be a reconcilable surcharge added to customers' monthly bills.³ The majority of the Company's

³ UGI proposes to incorporate the charge into its overall distribution rates rather than have it appear as a separate line item on the customer bill.

costs will be incurred to implement the Plan; however, the Company intends to seek recovery of the costs of creating, designing and gaining Commission approval of the Plan as well. Petition at 10-11; Plan at 76. The costs of the programs and measures under the Plan will be allocated to the customer class that benefits from a specific program and measure. Plan at 2. UGI proposes a cost recovery cap for the Residential class of \$5.4 million, plus or minus \$0.5 million, and a cap of \$3.2 million, plus or minus \$0.5 million, for its non-residential classes. Plan at 76.

In addition to the EEC Rider, the Company also proposes a Conservation Development (CD) Rider under which it will seek recovery of the lost revenues associated with the Plan, that is, the revenues it loses as a result of the reduced consumption generated by the Plan. Plan at 77-78. Like the EEC Rider, this would be a reconcilable surcharge added to customer bills.⁴ The CD Rider will remain in effect until the Company's next base rate compliance filing. Plan at 78.

UGI has employed the Commission's Total Resource Cost (TRC) test to gauge the cost-effectiveness of its programs. The Company has determined that the benefit-to-cost ratio for its entire portfolio of programs is 2.04. For its residential programs, the benefit/cost ratio is 2.5 and for its non-residential programs it is 1.49. Plan at 70.

UGI's program includes procedures to measure, evaluate and verify performance of the programs and the Plan as a whole. In addition, the Company will conduct an annual review of the Plan and provide a report to the Commission. Plan at 74.

II. ANSWER

The Office of Consumer Advocate (OCA) begins by commending UGI for its initiative in proposing this voluntary EE&C Plan. A well-structured and cost-effective plan can enable customers to reduce their energy costs on both an individual customer basis and on a system-

⁴ Like the EEC Rider, this charge will also be incorporated into overall distribution charges and will not appear as a separate line item on the customer bill.

wide basis. Energy efficiency and conservation programs can also be an important part of UGI's default service procurement portfolio, enabling the Company to meet the goals of Act 129 for reasonable and stable prices over time.

The OCA has undertaken a preliminary examination of UGI's proposed EE&C Plan and compared it to the requirements and guidance set forth in the Commission's December 23, 2009 Secretarial Letter. In general, the OCA finds that UGI has incorporated the six elements required by the Secretarial Letter: (1) a detailed plan with a description of the EE&C measures to be offered; (2) supporting documentation and testimony; (3) proposed energy consumption objectives; (4) a budget showing total planned expenditures by program and customer class; (5) tariffs and proposed section 1307 cost recovery mechanism; (6) a method for monitoring and verifying plan results. In addition, the Company has adopted targets for both energy consumption reduction and overall plan expenditures that are consistent with the targets mandated by Act 129, that is, a consumption reduction of 3% in 3 years and an overall expenditure level of 2% of annual revenues.

While UGI's proposed Plan appears to meet the provisions of the Secretarial Letter, the OCA submits that more extensive analysis of the Plan is necessary to determine if the Plan could be improved or modified to advance the interests of customers and the public interest generally. The OCA further submits that the individual programs, as well as the overall plan, must be reviewed to determine if the programs are reasonable and will properly achieve the stated goals.

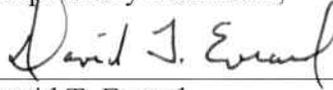
The OCA would note that there is one element of UGI's Plan to which it objects. UGI has proposed to recover lost revenues through the CD Rider. Although the Plan is being submitted on a voluntary basis, the OCA submits that the recovery of lost revenues is authorized neither by the Commission's Secretarial Letter nor by the provisions of Act 129. In fact, Section

2806(k)(2) and (3) of the Public Utility Code, 66 Pa.C.S. §2806(k)(2) and (3), provide specifically that decreased revenues of an electric distribution company due to reduced energy consumption or changes in energy demand are not to be recoverable under an automatic adjustment clause. Reduced revenues that result from such initiatives may be recognized prospectively for ratemaking purposes by way of the revenue and sales data used for calculating rates in a subsequent base rate proceeding under section 1308 of the Public Utility Code, 66 Pa.C.S. §1308. The OCA submits that the voluntary nature of UGI's Plan cannot contravene the clear direction of the General Assembly with regard to the recovery of lost revenues. Accordingly, the OCA submits that this element of UGI's Plan must be rejected.

III. CONCLUSION

The OCA submits that UGI's Plan requires While UGI's EE&C Plan requires further examination to determine if the overall plan is reasonable. In addition, UGI's proposal to recover revenues lost as a result of energy consumption reductions is unlawful under the Public Utility Code and must be rejected.

Respectfully Submitted,



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Dated: November 29, 2010

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CERTIFICATE OF SERVICE

Petition of UGI Utilities Inc. – Electric :
Division for Approval of its Energy : Docket No. M-2010-2210316
Efficiency and Conservation Plan :

I hereby certify that I have this day served a true copy of the foregoing document, Answer of the Office of Consumer Advocate, 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 29th day of November 2010.

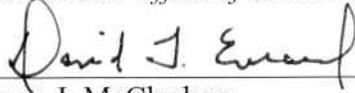
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