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October 28, 2011

VIA E-FILING AND FIRST CLASS MAIL

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

**Re: Implementation of the Alternative Energy Portfolio Standards Act of 2004:
Standards for the Participation of Demand Side Management Resources –
Technical Reference Manual 2012 Update, Docket No. M-00051865**

Dear Secretary Chiavetta:

Enclosed for filing, please find an E-filing copy of the comments of the UGI Distribution Companies, composed for the purposes of this submission of UGI Utilities, Inc. – Gas Division, UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc. Copies of these comments have also been served electronically on Gregory A. Shawley at atgshawley@pa.gov and Kriss Brown at kribrown@pa.gov.

Should you have any questions concerning this filing, please feel free to contact me.

Very truly yours,

A handwritten signature in black ink, appearing to read "Mark C. Morrow", written in a cursive style.

Mark C. Morrow

Counsel for the UGI Distribution Companies

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Implementation of the Alternative Energy :
Portfolio Standards Act of 2004: :
Standards for the Participation :
of Demand Side Management Resources – : Docket No. M-00051865
Technical Reference Manual 2012 Update :

**COMMENTS OF THE UGI
DISTRIBUTION COMPANIES**

The UGI Distribution Companies (“UGI”), comprised for the purposes of this filing of UGI Utilities, Inc. – Gas Division, UGI Penn Natural Gas, Inc. and UGI Central Penn Gas, Inc., appreciate this opportunity to submit comments in response to the Commission’s proposed 2012 Technical Reference Manual (“TRM”) update.

SUMMARY

Briefly, UGI:

- Appreciates and applauds the Commission for including standards for measuring Act 129 energy efficiency gains for residential conversions from electric water heaters and electric space heating to natural gas water heaters and space heaters, and the recognition that source to site efficiencies should form the basis for measuring efficiency gains under the Total Resource Cost (“TRC”) test. However, UGI believes that the roster of fuel switching measures in the 2012 TRM should be expanded to include, at a minimum, commercial water heater conversions (since similar standards for residential water heater conversions have already been developed), and that future updates should include additional fuel substitution standards developed in consultation with an expanded number of stakeholders, including natural gas distribution company (“NGDC”) representatives,

since it is nearly impossible to meaningfully address the addition of new standards or develop a full understanding of existing standards through the tentative order comment process.

- Believes, now that the Commission has approved an Energy Efficiency and Conservation (“EE&C”) plan for at least one smaller Electric Distribution Company (“EDC”) that is not subject to ACT 129 requirements,¹ and has approved a number of natural gas EE&C plans for NGDCs² that involve measures evaluated under the TRC, it should expand the stated purpose of the TRC in Section 1.1 to include establishing standards for smaller EDC and NGDC EE&C programs, and expand the membership of the Technical Working Group (“TWG”) to include, at a minimum, interested NGDC representatives. Such representation would also provide a more balanced perspective in developing future fuel substitution standards for Act 129 programs.
- Believes the TRC should include a section establishing uniform protocols for projecting electric and gas costs for purposes of TRC Test calculations performed for EDC and NGDC EE&C programs.
- Appreciates the Commission’s discussion on pages 11-12 of the Tentative Order that Act 129 incentives should not act “as marketing devices that incentivize fuel switching for the primary purpose of increasing market share, as opposed to incentivizing efficient use of energy” and that “the focus of the rebates should be to encourage the purchase of high efficiency appliances by those customers who had already decided to change energy

¹ *Petition of UGI Utilities, Inc. – Electric Division for Approval of its Energy Conservation and Efficiency Plan*, Docket No. M-2010-2210316 (Order entered October 19, 2011).

² *Pa.PUC v. PECO Energy Company – Gas Division, et al.*, Docket No. R-2010-2161592 *et al.* (Opinion and Order entered December 29, 2010); *Pa.PUC v. Philadelphia Gas Works and Philadelphia Gas Works’ Revised Petition For Approval of Energy Conservation and Demand Side Management Plan*, Docket Nos. R-2009-2139884 *et al.* and P-2009-2097639 (Opinion and Order entered July 29, 2010).

sources.” However, UGI is not aware of any method to really determine if customers switching from an alternate, and potentially more efficient, energy source were influenced by any Act 129 measures. At a minimum, UGI believes that EDCs which were ordered by the Commission in their Act 129 Plan orders to track and report on numbers of Act 129 program measure recipients converting from alternate energy sources should comply with these tracking and reporting requirements so that the Commission and others can assess potential overall net efficiency impacts. Longer term, UGI believes EDCs and NGDCs, applying uniform rules, should be permitted to include fuel substitution measures in their EE&C Plans where the conversions result in cost-effective efficiency gains on a full fuel cycle basis, but not claim efficiency gain credits when the conversion does not result in a cost-effective gains in efficiency as measured under the TRC Test.

COMMENTS

The financial and environmental benefits of promoting energy efficiency are well recognized, and the objective of policy makers should be to promote the overall energy efficiency of the economy in a cost-effective manner. To promote energy efficiency, of course, standards are needed for measuring efficiency and of assessing the costs and benefits of alternative policy measures. In recent years, great progress has been made, at both the federal and state level, in developing these standards, and the Commission’s proposed 2012 TRM reflects this progress.

One area of progress has been in recognizing that for energy efficiency to be meaningfully measured and assessed, the total fuel cycle, from energy production to ultimate use, must be measured, and not just the energy efficiency of individual appliances converting energy into heat at the end of the cycle. Recently, following up on recommendations of the

National Academy of Sciences, the DOE has adopted a statement of policy recognizing that energy conservation information presented to consumers should reflect efficiency measured on a full-fuel-cycle, rather than a primary (or site), basis. *Energy Conservation Program for Consumer Products and Certain Commercial and industrial Equipment: Statement of Policy for Adopting Full-Fuel-Cycle Analyses into Energy Conservation Standards Program*, Docket No. EERE-2010-BT-NOA-0028, RIN 1904-AC24, August 18, 2011 Federal Register, Vol. 76, No. 160. The United States Environmental Protection Agency has also developed source to site standards for measuring the relative efficiency of gas and electric building heating systems as part of its Energy Star Performance rating system. These analyses can be accessed at <http://www.energystar.gov/ia/business/evaluate-performance/site-source.pdf>.³

Another area of progress in Pennsylvania has been the adoption by the General Assembly of the TRC Test for measuring the cost-effectiveness of EDC Act 129 measures, the Commission's refinement of the TRC Test, and the Commission's use of the TRC Test for measuring the cost effectiveness of smaller EDC and NGDC voluntary EE&C program measures.

UGI particularly welcomed the Commission's inclusion in the TRM of standards for measuring the efficiency gains associated with Act 129 measures, voluntarily adopted by EDCs, designed to encourage electric to gas water heater and electric heating to gas space heating conversions, which under the TRC Test analysis implicitly reflect the total fuel cycle efficiencies of gas heating. Now that the Commission has developed fuel switching standards for residential electric to gas water heating conversions, UGI believes the Commission should, at a minimum, develop and include in the 2012 TRM standards for commercial and industrial water heating conversions as well. Moreover, UGI believes the Commission should expand the membership of

³ This analysis shows that gas is over three times more energy efficient on a source to site basis than electric resistance heating, and more efficient than air source heat pumps. Since the study uses national data, it understates the relative efficiencies of gas compared to heat pumps in the northeast, where more coal is used to generate electricity and temperatures are colder causing air heat pumps to use back-up electric resistance heaters when temperatures fall below 30 degrees.

the TWG to include, at a minimum, NGDC members to help develop further fuel substitution standards and to provide the statewide evaluator and the Commission with additional perspective and insights on fuel substitution and other conservation issues, since an after-the-fact comment process is not an effective or convenient means of developing new standards or assessing all of the assumptions that underlie the proposed revisions.

Since the Commission now uses the TRC Test, initially developed to assess Act 129 measures, when evaluating voluntary smaller EDC and NGDC EE&C programs, UGI believes the Commission should expand the scope of TRM in Section 1.1 to recognize that the TRM standards should also be used for such EE&C programs, and expand the membership of the TWG to include smaller EDC and NGDC representatives who wish to contribute.

Since the development of TRM standards for fuel substitution measures requires the development of electric and gas price projections for the application of the TRC Test, and NGDC EE&C programs also require the development of gas price projections, UGI believes that it would be helpful in the development of future TRM editions to establish uniform standards for making electric and gas price projections that are based on publicly available information.

UGI also appreciates the Commission's recognition that Act 129 programs should not create artificial incentives for customers to switch from more efficient fuel sources to high efficiency electric appliances that may actually be less efficient when evaluated on a full fuel cycle basis. However, UGI is not aware of any definitive means of determining if a customer was or was not influenced by an Act 129 measure to make such a counter-productive switch. For the Commission to fairly evaluate whether Act 129 measures are having the unintended effect of causing fuel switches that defeat the goal of promoting energy efficiency, UGI believes the Commission must, at a minimum, enforce the requirements it placed on EDCs in their Act 129

Orders to track and report on those customers receiving Act 129 measures that switching to electric from an alternative energy source. Such information has not yet been made publicly available, to UGI's knowledge, and would help shed light on whether such unintended consequences are occurring. Longer term, however, UGI believes that the ultimate solution to this problem would be for the Commission to permit both EDCs and NGDCs to incent and recognize efficiency gains, measured on a full fuel cycle basis, resulting from conversions from alternate fuels. For example, if electric lights are more efficient than natural gas lights on a full fuel cycle basis, an EDC should be permitted to develop and implement cost-effective EE&C measures to encourage the conversion of gas lights to electricity. Similarly, NGDCs should be permitted, in their EE&C programs, to encourage through cost-effective measures the conversion of electric appliances to gas where gas is more efficient on a full fuel cycle basis.

Respectfully submitted,



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Dated: October 28, 2011