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January 10, 2013

Via Hand Delivery

Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: Pennsylvania Public Utility Commission v. Philadelphia Gas Works,
Docket Nos. R-2009-2139884; P-2009-2097639

Dear Secretary Chiavetta:

In accordance with Paragraph 24 of the Joint Petition For Settlement of the above proceeding, which was approved by the Commission by Order entered July 29, 2010, enclosed for filing please find the original of Philadelphia Gas Works' ("PGW") FY 2012 Demand Side Management ("DSM") Program Annual Report.

Please contact me if you have any questions

Very truly yours,

Daniel Clearfield

DC/lww
Enclosure

cc: Cert. of Service w/enc.

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Demand Side Management Program Annual Report

FY 2012 Results

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January 10, 2013

Prepared by Philadelphia Gas Works (PGW) with assistance from Green Energy Economics Group, Inc. (GEEG)

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1. Overview

1.1. Introduction

This report discusses the results from PGW's implementation of its Demand Side Management (DSM) portfolio of energy-efficiency programs in Fiscal Year 2012¹.

PGW's DSM program was approved by the Pennsylvania Public Utility Commission ("PUC") by order entered on July 29, 2010². PGW committed to filing implementation plans four months prior to the start of the next program year to report on the progress of the program's implementation to date and to describe its operation plans and budget for the subsequent year. In its first Implementation Plan, filed for the FY 2011 program year, PGW also proposed to prepare and file an annual report four months after a program year ends (December 31). This Report is the second such Annual Fiscal Year Report.

This report provides quantitative tables and qualitative narratives on program operations for the three DSM programs launched by the end of FY 2012: the Enhanced-Low Income Retrofit Program (ELIRP), the Residential Heating Efficiency Rebate Program (RHER) and the Commercial and Industrial Retrofit Program (CIRI). While no further programmatic activity occurred, PGW did begin laying the groundwork for the September 1, 2012 launches of its Commercial and Industrial Equipment Rebates (CIER) and High Efficiency Construction Incentives (HECI) programs.

1.2. Summary of Results

In FY 2012, PGW managed two cost-effective residential programs, began the ramp-up of the commercial and industrial retrofit program, and finalized designs and prepared to launch the remaining three programs in the DSM portfolio. PGW spent \$7.1 million on DSM programming, approximately 90% of the FY 2012 budget filed by PGW in its FY 2012 Implementation Plan. PGW achieved estimated first year gas savings of over 50,000 MMBtus and 1.1 million MMBtus over the lifetime of the measures installed. Although the full DSM portfolio was cost-effective through FY 2012, several factors contributed to PGW not achieving targeted savings levels, primarily being ELIRP contractor underperformance, increased incentive and marketing costs to raise participation in RHER, and long lead times for CIRI projects. These and other results are discussed in greater detail in the sections below.

Ultimately, PGW has implemented the programs in a way that will ensure the proper processes and controls are in place before increasing to full capacity. In the meantime, there has been a continued focus on collecting data, modifying designs, and increasing outreach to continually improve the programs' outcomes and cost-effectiveness.

¹ September 1, 2011 through August 31, 2012

² The DSM program was originally branded as "EnergySense" in FY 2011 for customer marketing purposes. This DSM marketing name has now been updated to "EnergySense Conservation" to reflect the fact that the EnergySense brand now covers additional PGW customer programming beyond DSM. Only approved DSM program activities are funded through the DSM surcharge.

TABLE 1. DSM COSTS AND BUDGETS BY PROGRAM³

Program	FY 2012		
	Actual	Goal	%
Enhanced Low Income Retrofit	\$6,076,990	\$6,076,554	100%
Residential Heating Equipment Rebates	\$395,897	\$825,321	48%
Comprehensive Residential Retrofit Incentives	\$-	\$-	
High Efficiency Construction Incentives (Residential)	\$-	\$-	
Residential Total	\$6,472,887	\$6,901,875	94%
Commercial and Industrial Retrofit Incentives	\$43,768	\$163,304	27%
Commercial and Industrial Equipment Rebates	\$13,640	\$-	
High Efficiency Construction Incentives (Nonresidential)	\$-	\$-	
Non-residential Total	\$57,408	\$163,304	35%
Portfolio-wide Costs	\$586,884	\$808,000	73%
UTILITY TOTAL	\$7,117,178	\$7,873,179	90%
Participant Costs	\$332,125	\$1,022,819	32%
Total	\$7,449,304	\$8,895,998	84%

TABLE 2. DSM COSTS AND BUDGETS BY CATEGORY

Category	FY 2012		
	Actual	Goal	%
Customer Incentives/Measure Installation Costs	\$5,045,916	\$5,865,504	86%
Administration and Management	\$589,154	\$501,862	117%
Marketing and Business Development	\$114,961	\$494,000	23%
Contractor Costs	\$1,327,692	\$940,395	141%
Inspection and Verification	\$39,455	\$71,418	55%
On-site Technical Assessment	\$-	\$-	
Evaluation	\$-	\$-	
UTILITY TOTAL	\$7,117,178	\$7,873,179	90%
Participant Costs	\$332,125	\$1,022,819	32%
Total	\$7,449,304	\$8,895,998	84%

³ All PGW Efficiency Cost Recovery Surcharge collections are shown in Appendix A. FY 2012 over-collections will be refunded to the appropriate customer classes in FY 2013.

TABLE 3. PORTFOLIO-WIDE INCREMENTAL FIRST YEAR GAS SAVINGS (MMBTUS)

Program	FY 2012		
	Actual	Goal	%
Enhanced Low Income Retrofit	42,114	86,221	49%
Residential Heating Equipment Rebates	8,568	31,636	27%
Comprehensive Residential Retrofit Incentives	-	-	
High Efficiency Construction Incentives (Residential)	-	-	
Residential Total	50,682	117,857	43%
Commercial and Industrial Retrofit Incentives	-	5,382	0%
Commercial and Industrial Equipment Rebates	-	-	
High Efficiency Construction Incentives (Nonresidential)	-	-	
Non-residential Total	-	5,382	0%
Portfolio-wide Costs	-	-	
PORTFOLIO TOTAL	50,682	123,239	41%

TABLE 4. PORTFOLIO-WIDE INCREMENTAL LIFETIME GAS SAVINGS (MMBTUS)

Program	FY 2012		
	Actual	Goal	%
Enhanced Low Income Retrofit	900,642.1	1,293,315.8	70%
Residential Heating Equipment Rebates	189,502.9	699,421.8	27%
Comprehensive Residential Retrofit Incentives	-	-	
High Efficiency Construction Incentives (Residential)	-	-	
Residential Total	1,090,145.0	1,992,737.6	55%
Commercial and Industrial Retrofit Incentives	-	80,729.2	0%
Commercial and Industrial Equipment Rebates	-	-	
High Efficiency Construction Incentives (Nonresidential)	-	-	
Non-residential Total	-	80,729.2	0%
Portfolio-wide Costs	-	-	
PORTFOLIO TOTAL	1,090,145.0	2,073,466.9	53%

TABLE 5. NON-GAS BENEFITS

Program	FY 2012		
	Actual	Goal	%
First Year Electric Energy Savings Installed (kWh)	565,447.0	424,976.0	133%
Lifetime Electric Energy Savings Installed (kWh)	12,955,268.2	7,106,139.3	182%
Summer Peak Demand Savings Installed (kW)	204.9	325.1	63%
First Year Water Savings Installed (million gallons)	2.3		
Lifetime Water Savings Installed (million gallons)	22.3		

TABLE 6. TOTAL RESOURCE COST TEST RESULTS FROM INCEPTION (2009\$)

Program	FY 2012			
	PV of Benefits	PV of Costs	PV of Net Benefits	BCR
Enhanced Low Income Retrofit	\$5,574,856	\$5,338,019	\$236,837	1.04
Residential Heating Equipment Rebates	\$1,025,617	\$630,286	\$395,332	1.63
Comprehensive Residential Retrofit Incentives	\$-	\$-	\$-	
High Efficiency Construction Incentives (Residential)	\$-	\$-	\$-	
Residential Total	\$6,600,473	\$5,968,305	\$632,169	1.11
Commercial and Industrial Retrofit Incentives	\$-	\$37,466	\$(37,466)	-
Commercial and Industrial Equipment Rebates	\$-	\$11,676	\$(11,676)	-
High Efficiency Construction Incentives (Nonresidential)	\$-	\$-	\$-	
Non-residential Total	\$-	\$49,142	\$(49,142)	-
Portfolio-wide Costs	\$-	\$507,888	\$(507,888)	-
PORTFOLIO TOTAL	\$6,600,473	\$6,525,334	\$75,139	1.01

2. Enhanced Low-Income Retrofit Program

The Enhanced Low-Income Retrofit Program seeks to obtain cost-effective energy savings for low-income customers who participate in PGW's Customer Responsibility Program (CRP). A secondary goal of the program is to reduce the overall long-term cost of CRP as paid by all firm customers. The program seeks to achieve these goals and make customers' homes more energy efficient and comfortable by:

- Repairing or replacing older and less efficient heating systems.
- Providing comprehensive weatherization services.
- Educating customers on ways to reduce their energy use along with basic health and safety information.
- Raising awareness of energy conservation and encouraging the incorporation of energy saving behavior.
- Targeting high-use customers to maximize impact and increase cost-effectiveness.
- Streamlining the delivery mechanism through the use of implementation contractors.

2.1. Overview

FY 2012 was the first full program year for ELIRP, which had launched to replace PGW's existing Conservation Works Program (CWP) as the Company's Low-Income Usage Reduction Program (LIURP) in January of 2011.

For reasons discussed in the FY 2011 Annual Report, PGW was only able to spend approximately 50% of the budgeted low income weatherization program funding in that launch year. In FY 2012, with the full ramp-up already underway, PGW ELIRP contractors were able to achieve targeted production levels for the year.

2.2. Discussion of Results

TABLE 7. ELIRP RESULTS FOR FY 2012

	FY 2012		
	Actual	Goal	%
PARTICIPATION			
Open Cases	80		
Closed Cases	1,998	1,740	115%
Total Cases	2,078		
COSTS (Nominal)			
Non-Incentive Spending	\$1,263,908	\$966,733	131%
Administration and Management	\$-		
Marketing and Business Development	\$-		
Contractor Costs	\$1,225,553		
Inspection and Verification	\$38,355		
On-site Technical Assessment	\$-		
Evaluation	\$-		
Measure Installation	\$4,813,082	\$5,109,821	94%
Total Program Spending	\$6,076,990	\$6,076,554	100%
Participant Costs	\$-	\$-	
Total Cost	\$6,076,990	\$6,076,554	100%
SAVINGS			
First Year MMBtus	42,114	86,221	49%
Lifetime MMBtus	900,642	1,293,316	70%
First Year kWh	387,432		
Lifetime kWh	227,266		
Summer Peak Demand kW	205		
First Year Water (Million Gallons)	2.27		
Lifetime Water (Million Gallons)	22.28		

2.2.1. Program Costs

PGW spent slightly over \$6 million on all ELIRP activities in FY 2012, 100% of its planned budget. PGW had initially expected program Conservation Service Providers (CSPs) administrative charges to be approximately 15% of total program costs. In FY 2012, that number was closer to 21%. PGW will work with the CSPs to identify methods to reduce administrative costs so as to direct as much total spending as possible to in-home weatherization activities and to increase the program's gas savings and resulting cost-effectiveness.

2.2.2. Measures

The majority of installations include air sealing and/or insulation in the basement and attic. Since program inception, approximately 19% of homes received a heating system tune-up or a new furnace or boiler. In homes where comprehensive treatment is inappropriate due

to poor conditions (principally, serious health and safety and water issues) the CSPs install basic measures, such as a programmable thermostat, pipe insulation, or a carbon monoxide detector, as feasible.

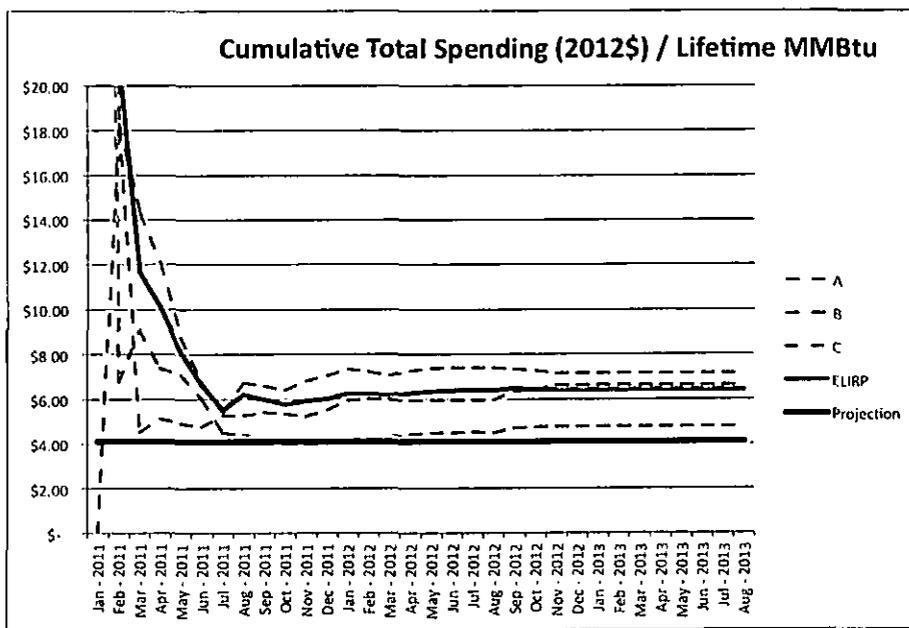
2.2.3. Cost-Effectiveness

TABLE 8. COST-EFFECTIVENESS RESULTS FOR ELIRP (INCEPTION THROUGH FY 2012)

PRESENT VALUE (2009\$)	Actual
Benefits	\$5,574,856
Costs	\$5,338,019
Net Benefits	\$236,837
BCR	1.04

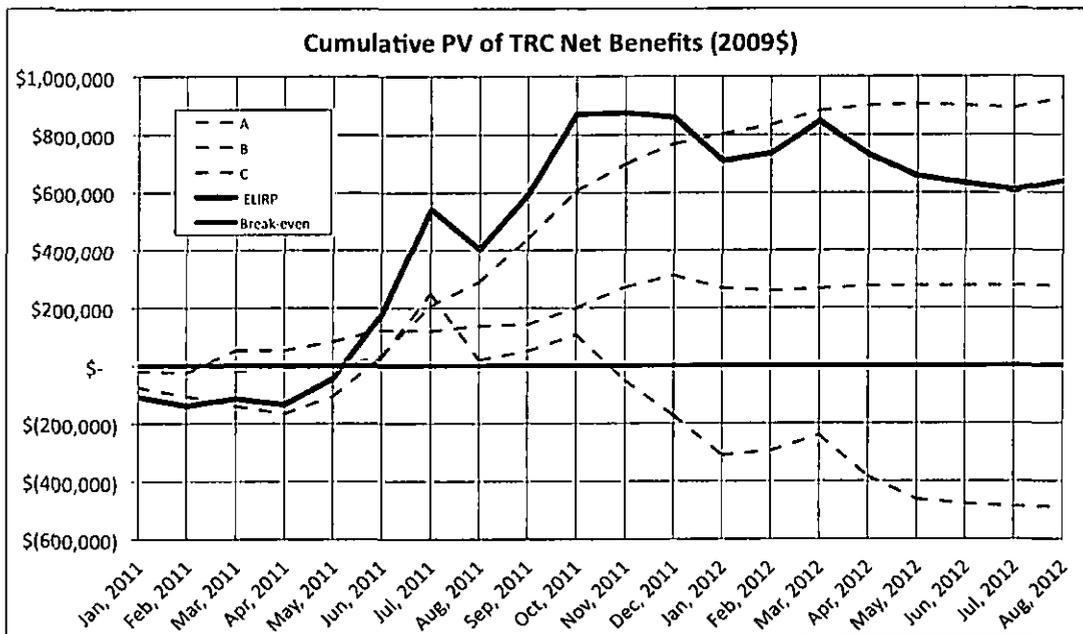
In FY 2012, PGW achieved increased ELIRP programmatic cost-effectiveness, in terms of PV TRC Net Benefits and TRC Benefit-to-Cost-Ratio (BCR), as shown in the table and figure above. However, the program is still not achieving targeted levels. As the program is now ramped-up to full production levels, overall cost-effectiveness can be summarized by the average dollar spent to save a single lifetime MMBtu. As shown in Figure 1 below, this metric is higher than initially projected. The three dotted-lines marked A through C represent individual CSP performance, the solid blue line represents overall program performance.

FIGURE 1. CUMULATIVE TOTAL SPENDING (2012\$)/LIFETIME MMBTU



CSPs, and the program as a whole, have not yet achieved targeted spending per MMBtu savings levels set to obtain overall program cost-effectiveness. The causes are higher than anticipated CSP overhead costs and lower than expected CSP in-home weatherization performance. A significant portion of this overall program underperformance can be attributed to one specific program CSP, as demonstrated below in Figure 2. PGW has already taken corrective action through the summer 2012 performance based funding reallocations. These CSP evaluations and funding reallocations will continue to assist PGW in improving ELIRP performance in both the short and long-terms, as discussed in section 2.3.3 below.

FIGURE 2. CUMULATIVE TRC NET BENEFITS FOR ELIRP (INCEPTION THROUGH FY 2012)



2.2.4. Variance

The individual explanations for the variances are discussed in detail below along with strategies PGW has for addressing them.

2.2.4.1. Rejection Rates

High rejection rates have hindered ELIRP’s effectiveness. Rejections first occur when the CSPs are unable to contact and engage customers to initiate the scheduling process. CSPs initially rejected cases if they received no response after calling a customer twice and sending a letter. This pattern is typical of similar programs researched, in which participants do not volunteer, but are selected without prior notice. Customers rejected for inability to make contact will be placed back in future assignments to the ELIRP CSPs so long as they continue to meet the primary program eligibility criteria.

Customer refusals are increasingly accounting for a larger percentage of overall rejections. Given the goals of the ELIRP, as PGW's LIURP, and established precedents, PGW has developed a detailed customer refusal policy based on statewide best practices in FY 2012. Customers are provided several notifications of their agreement to accept weatherization services as part of their enrollment in PGW's Customer Assistance Program (CAP), as consistent with PGW's Universal Service and Energy Conservation Plan and ELIRP policies. Customers who refuse to accept these services are given several warnings of the potential for their removal from CAP for non-compliance. While PGW has not yet removed CAP customers due to ELIRP non-compliance, this mechanism will be strongly considered in FY 2013 if rejection rates continue at current pace.

Finally, substantial health, safety, and structural issues continue to lead to case rejections, and likely always will for this customer group. PGW is continuing attempts to identify third-party funding opportunities to address these pre-treatments issues, allowing ELIRP work to proceed on cost-effective weatherization activities.

2.2.4.2. Contractor Performance

The primary contractor under-performance issue appears to be CSPs focusing on misguided activities, and/or not pursuing all available opportunities for in-home cost-effective gas savings. CSPs are provided a list of eligible measures, a Contractor Tool containing savings calculations and cost-effectiveness thresholds, pre-usage information, and overall performance goals. It is up to CSPs to seek the deepest, cost-effective savings in every home entered. Through ongoing inspections and mentoring, along with funding allocations to the better performers, PGW expects to continue incrementally improving contractor performance as the program continues.

TABLE 9. SUMMARY OF BARRIERS AND SOLUTIONS FOR ELIRP

Barrier to Success	Strategy to Overcome Barrier
High Rejection Rates	Seek out third-party funding opportunities to address the pre-treatment issues currently preventing ELIRP weatherization. Notification and enforcement of PGW's Low Income Usage Reduction Program customer non-compliance policy.
Contractor Performance	Ongoing CSP mentoring. Performance evaluation and funding reallocations to shift funding to better performing CSPs as already demonstrated by the September 2012 funding reallocation. The next evaluation and funding reallocation is scheduled for late Winter 2013.

2.3. FY 2012 Program Activities

As the ELIRP program had fully ramped up during FY 2012, much of the year was dedicated to program analyses to continually identify opportunities for improvement.

2.3.1. Quality Assurance

PGW continued performing and monitoring third-party quality assurance (QA) inspections of ELIRP homes, along with mentoring sessions for the CSP staff on specific issues. Additionally, PGW, along with program implementation consultants, shadowed field inspections with each of the three CSPs to observe the QA inspector's performance and understanding of the PGW program design.

Recurring quality issues with one of the program CSPs were identified earlier in the year, which led to an immediate doubling of inspection rates for that CSP until the issues were resolved. The following table shows the number of on-site inspections and hours of mentoring performed by PGW's third-party inspector for all CSPs. Overall, PGW inspected 11.3% of closed jobs.

TABLE 10. ELIRP AUDITS AND ON-SITE MENTORING (FY 2012)

Fiscal Year	Audits	Hours of Mentoring
2011	44	22.5
2012	140	28.5
Inception-to-Date	188	51

2.3.2. Data Analysis

Once the ELIRP database had been developed to provide, accept, store, and track all program activity data, PGW began developing a variety of queries and reports to validate data integrity. These efforts resulted in scrubbing existing data to ensure accuracy and in the development of additional data controls to prevent similar data issues going forward.

The range of data now available for the ELIRP program activities has also allowed PGW to perform additional analyses to focus on specific program developments. These analyses are providing a better understanding of the program activities, and opportunities for improvement to achieve even greater savings and cost-effectiveness levels.

2.3.3. CSP Evaluations

Two additional CSP performance evaluation and funding reallocation cycles were performed in FY 2012; the first at the mid-year point in February resulted in reallocation of \$420,000 (approximately 7% of total annual program funding) of initially allocated funding to the best performing CSP.

This mid-year reallocation was viewed as the final "test run" to make sure all parties understood how the model works. The second evaluation and reallocation was performed in the final month of FY 2012 to reset funding allocations for FY 2013. This was the first full reallocation based purely on CSP metrics at that point in time and no other issues, such as ramp-up ability for newer CSPs, which previously had been considered a legitimate mitigating factor. This evaluation resulted in the reallocation of approximately \$2.7mm or 41% of the total annual program funding for FY 2013.

PGW expects to continue the semi-annual evaluations and reallocations to motivate CSPs to continue improving performance. However, going forward, the mid-year reallocation may likely result in significantly less reallocation amounts, with the pre-FY reallocation serving as the primary tool for appropriately setting funding levels at the start of each program year.

2.3.4. Partnerships

PGW has continued its partnership with PA CareerLink Philadelphia to connect local unemployed workers with weatherization training programs and then onto employment with the PGW CSPs. To date, the CSPs have hired 21 full-time, entry-level weatherization technicians.

PGW has also continued the partnership with the Philadelphia Department of Public Health (PDPH) Green & Healthy Homes and Lead Poison Prevention Programs. In this initiative, PGW and PDPH attempt to identify homes that are eligible for both programs to coordinate services and achieve significant synergies as a result. Unfortunately, no good candidate homes have been identified to date, due to the differences in respective program intake and eligibility requirements. PGW will continue to work with PDPH in FY 2013 to identify barriers that may be addressed in order to develop a set of mutual pilot cases.

PGW also continued to pursue partnerships with other agencies and programs to potentially obtain 3rd party funding streams to address the pre-existing structural issues that are currently inflating rejection rates and preventing comprehensive ELIRP weatherization work.

2.3.5. CY 2011 Impact Evaluation

PGW has started the process for a third-party impact evaluation of the ELIRP program performance. PGW has retained the services of Applied Public Policy Research Institute for Study and Evaluation (APPRISE) to perform the evaluation on the 2011 Calendar Year in order to provide an evaluation consistent with PUC requirements.

3. Residential Heating Efficiency Rebate Program

The Residential Heating Equipment Rebates program (RHER) offers prescriptive rebates on premium efficiency heating equipment to increase the penetration of these technologies in the homes of PGW's customers. The program has the following objectives:

- Promote the selection of premium efficiency furnaces and boilers at the time of purchase of residentially-sized gas heating equipment.
- Increase consumers' awareness of the breadth of energy efficiency opportunities in their homes.
- Strengthen PGW's relationship with customers as a partner in energy efficiency.
- Encourage market actors throughout the supply chain to provide and promote high efficiency options.
- Align incentives with other programs.
- Aid in market transformation towards highest-efficiency options.

3.1. Overview

RHER launched in April 2011, and is open to any PGW customer who purchases residential-sized heating equipment (generally 300,000 Btu or less)⁴. Customers who use a licensed contractor to install the eligible, premium efficiency equipment will receive rebates to offset most of the incremental cost of the higher efficiency equipment. The following table shows the rebates offered through RHER.

TABLE 11. RHER REBATES OFFERED IN FY 2012

Measure	Rebate
Natural Gas Furnace w/ AFUE \geq 94% Purchased before 2/16/2012	\$250
Natural Gas Furnace w/ AFUE \geq 94% Purchased after 2/17/2012	\$500
Natural Gas Boiler w/ AFUE \geq 94% Purchased before 2/16/2012	\$1,000
Natural Gas Boiler w/ AFUE \geq 94% Purchased after 2/17/2012	\$2,000
Programmable Thermostat (must accompany furnace or boiler rebate)	\$30

⁴ All Customers upon whom the DSM Efficiency Costs Surcharge will be levied are eligible to participate in EnergySense Conservation programs.

3.2. Discussion of Results

The RHER program is continuing to under-perform against targeted program participation levels. Specific variance causes and PGW responses are addressed in the Variance section below. The program is clearly cost-effective, as demonstrated by the program's Benefit-Cost-Ratio of 1.63. Program participation levels are increasing as additional communication and outreach activities have begun generating increased market awareness, as demonstrated in Figure 3 below. There remains room for program improvement, given the 48% program spending rate against budgeted goals. However it is worth noting that this is a marked increase on the 15% achievement rate of FY 2011, with a 244% larger budget goal.

PGW spent 48% of its budget and achieved 27% of the projected annual savings. As described in further detail below, PGW invested heavily in raising program participation through extensive marketing and by doubling incentives. This paid off in a steady increase in monthly program participation.

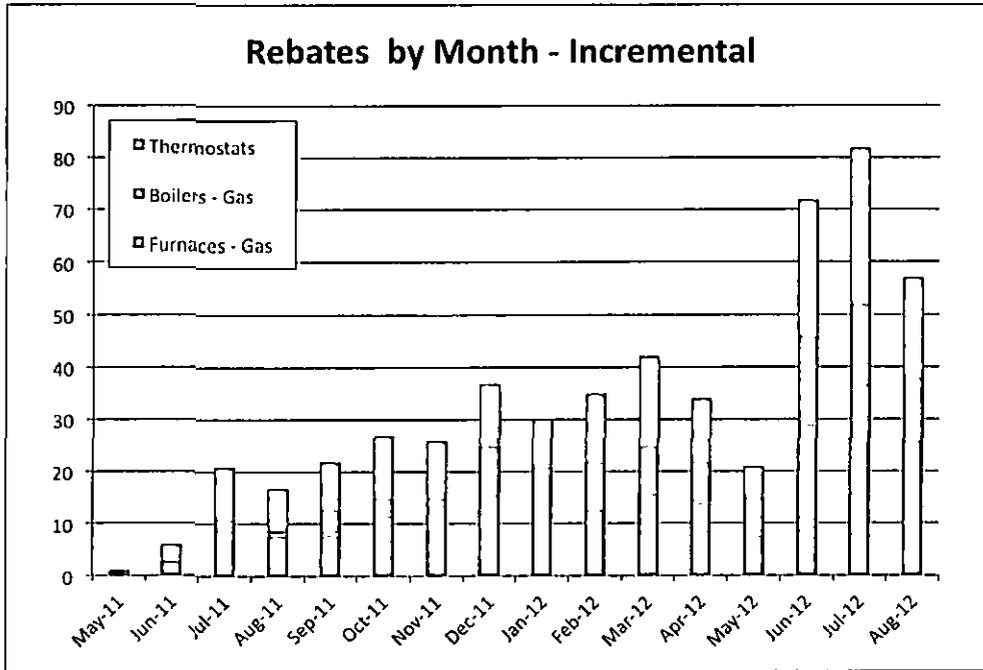
TABLE 12. RHER RESULTS FOR FY 2012

	FY 2012		
	Actual	Goal	%
PARTICIPATION			
Pending Applications	10		
Rejected Applications	126		
Completed Applications	309	719	43%
Total Applications	445		
COSTS (Nominal)			
Non-Incentive Spending	\$163,063	\$146,951	111%
Administration and Management	\$2,270		
Marketing and Business Development	\$111,709		
Contractor Costs	\$47,984		
Inspection and Verification	\$1,100		
On-site Technical Assessment	\$-		
Evaluation	\$-		
Customer Incentives	\$232,834	\$678,370	34%
Total Program Spending	\$395,897	\$825,321	48%
Participant Costs	\$332,125		
Total Costs	\$728,023		
SAVINGS			
First Year MMBtus	8,568	31,636	27%
Lifetime MMBtus	189,503	699,422	27%
First Year kWh	50,400		
Lifetime kWh	1,008,000		
Measures			
Furnaces	202		
Boilers	107		
Programmable Thermostats	176		

In FY 2012, PGW updated RHER accounting for costs and savings based on payment of rebate checks, instead of when rebate claims had been approved. This meant that the

number of rebates that were counted for FY 2011 went from 39 (\$15,150 in spending) to 24 (\$9,630 in spending), with the difference counted in FY 2012. Going forward, all spending and savings values will be associated only with those rebates for which payment was issued. The “pending applications” in Table 12 are those applications that were approved, but for which payment had not yet been issued.

FIGURE 3. REBATE ACTIVITY SINCE INCEPTION



3.2.1. Program Costs

In FY 2012, PGW spent almost \$396,000 on RHER, approximately 48% of its planned budget. Together, fixed costs for Administration and Management as well as additional Contractor Costs were \$50,254. Variable costs for marketing and customer incentives were \$344,543. The difference between budgeted and actual costs is discussed further in the “Variance” section below.

3.2.2. Measures

In FY 2012, PGW provided 107 boiler rebates and 202 furnace rebates. PGW also provided 176 thermostat rebates, which are only available with the purchase of a premium-efficiency furnace or boiler. The program continues to display a significantly positive response to thermostats (57% of valid applications).

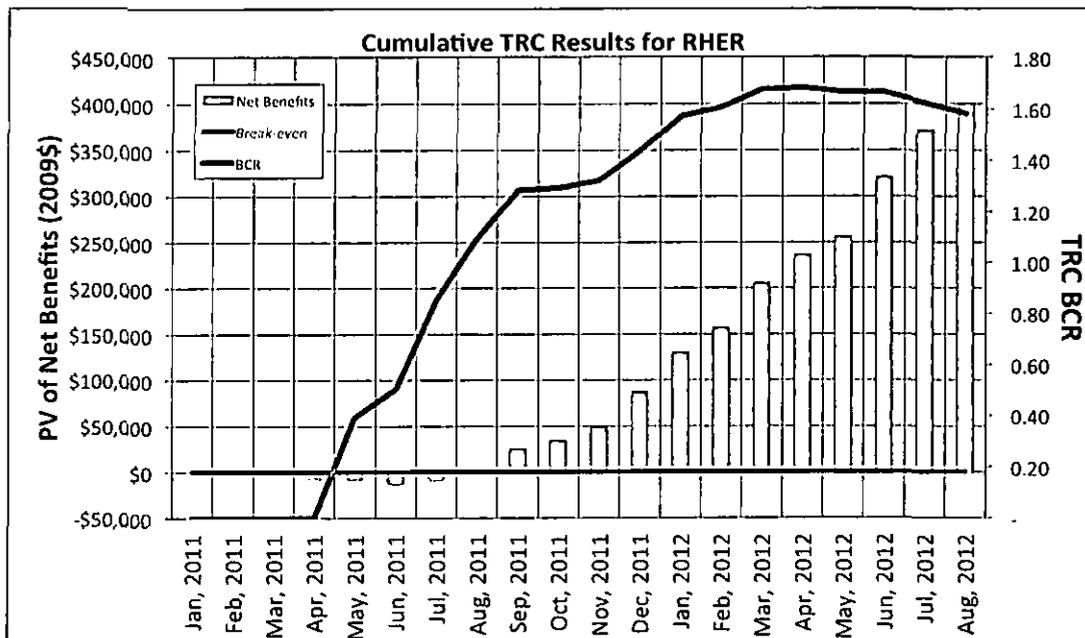
3.2.3. Cost-Effectiveness

Table 13 and Figure show the TRC results for RHER.

TABLE 13. COST-EFFECTIVENESS RESULTS FOR RHER (INCEPTION THROUGH FY 2012)

PRESENT VALUE (2009\$)	Actual
Benefits	\$1,025,617
Costs	\$630,286
Net Benefits	\$395,332
BCR	1.63

FIGURE 4. CUMULATIVE TRC NET BENEFITS FOR RHER (INCEPTION THROUGH FY 2012)



3.2.4. Variance

The Residential Rebate program’s activity levels are continuing to trend upwards, based on what PGW believes is a “slow-burn” of program awareness and participation resulting from marketing efforts to date. However, PGW did not meet program targets for FY 2012 due to under-subscription. PGW has identified three primary issues resulting in under-performance to date, which provide opportunities for improvement going forward:

3.2.4.1. Incentive Economics

Originally, rebates were designed to be in line with those offered by other jurisdictions in the region. However, PGW set efficiency thresholds higher than most other programs (94% AFUE for RHER vs. 90% AFUE for many programs). As participation levels in the program remained relatively low post the initial launch, PGW undertook an updated incremental cost analysis in FY 2012 to determine whether the initial rebate values were high enough to compel action.

The updated analysis found that the incremental labor and material costs were 60% higher than original assumptions for furnaces without BFM fans.⁵ The analysis also found that boilers had incremental labor and material costs that were 35% higher than previous estimates. Given these higher incremental costs and the low participation levels, the rebate amounts were increased to a value that would cover a greater percentage of the incremental costs while also still maintaining the overall cost-effectiveness of the program. This increase effectively doubled the existing rebate values, which contributed to increased program activity levels which continue to trend upwards.

3.2.4.2. Communications and Marketing

The activity trending to date does support the consumer awareness “slow burn” as described above. However, PGW has continued to undertake additional marketing activities to increase program participation. The primary focus has continued to be on HVAC contractors to ensure they are aware of the program and its benefits for their customers. PGW has continued hosting HVAC contractor educational events and contracted an Outreach Vendor to provide tabling events at HVAC equipment suppliers throughout the region where contractors purchase the equipment.

Additionally, in FY 2012, PGW increasingly focused on direct consumer outreach through the following aggressive marketing efforts:

- Outreach to neighborhood centers and district offices
- Advertisements on Philadelphia’s subway and regional rail platforms
- Internet ads
- Radio ads
- A new EnergySense Conservation marketing microsite supported by an EnergySense brand billboard campaign

These campaigns will continue to urge customers to take advantage of PGW’s rebate program to save money on the upfront costs now, so they can save even more on their annual heating bills over the lifetime of the new equipment.

3.2.4.3. Rejection Rates

In FY 2012, the RHER program experienced a rejection rate of 27%. PGW analyzed the rejections and identified missing AHRI information as the primary cause. In an effort to make the application process easier for customers, PGW representatives began researching and providing any missing AHRI information. PGW is continuing to examine potential methods for addressing other rejection causes.

Throughout FY 2012, PGW also undertook additional activities to streamline processes and identify key points where rejection rates could be reduced; these included:

1. Eliminating rejections related to missing contractor contact information.
2. Calling customers who had an application issue that could be resolved over the phone.

⁵ “BFM” stands for Brushless Fan Motor (also known as Electronically Commutated Motors “ECMs”), and is an optional feature that increases the electrical efficiency of a furnace. Furnaces with BFMs were found to have almost exactly the same incremental labor and material costs as previous estimates.

3. Contacting customers who have not yet re-submitted their applications in order to address any questions or issues.
4. Including a link to a "Before You Submit Checklist" on the rebate website.
5. Revising the application form to make it easier to understand and act upon.

TABLE 14. SUMMARY OF BARRIERS AND SOLUTIONS FOR RHER

Barrier to Success	Strategy to Overcome Barrier
Incremental Cost Economics	Increase rebates
Customer under-subscription	Increase marketing
Application rejection rates	Allow call representatives to manually look up AHRI information if missing from the application rather than rejecting.

Since increasing outreach efforts and addressing rejection rates, PGW has already experienced a 100% increase in processed rebates over the last four months compared to monthly FY 2011 activity. The Company expects these trends to continue upwards towards the projected goals as the increased marketing and outreach activities continue.

As is the case with ELIRP, this RHER variance represents a significant portion of activity essential to achieving the overall energy usage reduction goals set forth in the Company's approved plans. Accordingly, PGW may seek approval to add this unspent funding to increase the final years' RHER budgets, thereby allowing sufficient time to identify and address the issues that prevented PGW from realizing the pace of activity originally planned for FY 2011 and FY 2012.

3.3. FY 2012 Program Activities

FY 2012 RHER activities focused on ongoing and increased efforts in order to raise program participation. Full FY 2012 developments are detailed below.

3.3.1. Increased Rebate Levels

As discussed above in Incentive Economics, PGW increased rebate values for furnaces and boilers in February, 2012 to increase program participation levels.

3.3.2. Target Equipment Adaptations

No changes were made to the type or efficiency levels of the equipment offered by RHER in FY 2012.

3.3.3. Data Management

Through FY 2012, PGW maintained utilization of the Helgeson (the RHER program rebate processor) database intake and tracking system. This system allows PGW access to all program activity data and output reports.

In FY 2012, PGW also developed the capability to transfer and house all program data within the Company's internal databases for long-term storage, analysis, and reporting purposes.

3.3.4. Quality Assurance and Verifications

In addition to ongoing application data QA/QC protocols performed by Helgeson, PGW also began performing random on-site equipment verifications in FY 2012 to confirm that appropriate equipment had been purchased and is present at the premise as documented in the customer application. PGW will continue routinely performing these random equipment verifications to ensure program integrity.

3.3.5. Contractor Engagement

As discussed in the FY 2011 Annual Report and in the Variance section above, HVAC contractors continued to be the most effective communications channel for the RHER program in FY 2012. PGW continued to emphasize contractor engagement, through equipment supplier tabling sessions and contractor educational events, throughout FY 2012.

TABLE 15. SOURCE OF RHER REFERRALS TO DATE

Source	Count	Percentage
Family/Friend	33	5%
HVAC/Plumber	331	54%
Internet	35	6%
Newspaper Ads	4	1%
Other	22	4%
PGW Gas Bill	134	22%
Radio Ads	29	5%
Retail Store	1	0%
TV Ads	4	1%
www.pgworks.com	24	4%
Total	617	

3.3.6. Consumer Marketing

The increased consumer marketing activities, discussed in the Variance section above, continued through FY 2012, and will be further increased in FY 2013.

3.3.7. Partnerships

PGW continued the cross-promotion partnership with EnergyWorks, the low-interest energy-efficiency financing program provided by the City of Philadelphia and the five surrounding counties.

3.3.8. FY 2011 Impact Evaluation

PGW has started the process for a third-party impact evaluation of the RHER program performance. PGW has retained the services of Applied Public Policy Research Institute for Study and Evaluation (APPRISE) to perform the evaluation, and the initial report, on the initial 17 month long implementation period from April 1, 2011 through August 31, 2012 is expected to be completed in late 2013.

4. Commercial and Industrial Retrofit Program

The Commercial and Industrial Retrofit Incentives Program (CIRI) promotes natural gas energy efficiency retrofit investments by PGW's multi-family residential, commercial, and industrial customers. The program provides technical assistance and customized financial incentives of up to \$75,000 for cost-effective gas-saving investments including high-efficiency heating system replacements, improved system controls, and building thermal performance enhancements. The program also assists participants in arranging financing for the balance of project costs through partnerships with third-party lenders. The program has the following objectives:

- Save natural gas through cost-effective energy efficiency retrofit projects.
- Make comprehensive energy-efficiency retrofits affordable by combining customized financial incentives with third-party financing to provide participating customers with immediate positive cash flow.
- *Promote a better understanding of energy efficiency options available to PGW's nonresidential customers.*

4.1. Overview

CIRI seeks to encourage property owners and managers to conduct energy audits of their facilities and identify cost-effective energy saving retrofit opportunities. The first phase of the program targeted energy efficiency opportunities in multi-family buildings. As the program ramps up during FY 2013, additional commercial and industrial customer classes will be targeted.

PGW utilized a project economic and financial analysis tool to assess the cost-effectiveness of applicant projects. Based on the results of this analysis, PGW selected eligible projects for participation, and designed customized incentives for the projects. PGW explained the results of the technical and financial assessment of the retrofit investment to customers, demonstrating the impact of its customized incentive offers on the projects' financial performance. Though PGW offered to work with customers to arrange third party loans, no customers requested this assistance.

4.2. Discussion of Results

To date, PGW has received 10 applications, but has yet to issue an incentive grant for a successful comprehensive conservation project. As described in the FY 2012 Implementation Plan, PGW committed to focusing on multifamily retrofits in the first year of CIRI, and then expanding the scope to all Commercial and Industrial properties in FY 2013 when the program ramps up beyond the FY 2012 incentive budget of \$75,000. As a result of this focus, 7 of the 10 CIRI applications were for multi-family facilities.

TABLE 16. CIRI PROGRAM ACTIVITY FOR FY 2012

CIRI Program Activity September 1, 2011 – August 31, 2012	
Total Applications	10
Application Rejections	
Ineligible Due To Rate Class Type	2
Project Not Comprehensive	1
Customer Not Responsive	3
Customer Placed Project on Hold	1
Applications Under Review	2
Incentive Offers	1

PGW issued one incentive offer in FY 2012, for an office building that retrofitted its boiler with a high-efficiency unit. Through its Technical Assessment Provider, PGW identified several measures to combine with this equipment retrofit in order to achieve a comprehensive project, and recommended an incentive offer based on this retrofit package. *By the close of FY 2012, the project was awaiting customer approval for the recommended project.*

Two CIRI applications for multifamily affordable housing facilities remained under review at the end of FY 2012. PGW, in coordination with its technical assessment provider and the relevant project applicants, have since identified cost-effective packages of energy efficiency retrofits for consideration and potential implementation in FY 2013.

For several reasons, including property ownership arrangement and funding availability, many multi-family property owners are reluctant or unable to proceed with comprehensive retrofits, even if incentives are available to buy down project costs. The primary hurdle is the high upfront cost of the efficiency investments. Even though the incentives can make a material difference and the projects will ultimately result in significant savings over the long term, securing the funding to cover or greatly reduce the total upfront costs has been problematic.

PGW has sought assistance from various lending alternatives that would assist in providing funding for the participant's share of retrofit upfront costs. However, customer demand for this financing has not materialized due to the nature of the multi-family properties involved, in which there is limited interest in providing additional owner funding for discretionary improvement projects, and limited interest in seeking and/or ability to acquire financing to fund such improvements. Many owners are either unwilling or unable to assume loans or have loans in place preventing them from assuming additional debt.

It is PGW's role, through CIRI, to provide incremental incentives to encourage property owners to pursue comprehensive retrofit projects. However, PGW has found that incentives alone are not sufficient to close projects in the absence of funding to assist with the majority of the upfront costs. These difficulties impeding multifamily efficiency projects are not

unique to PGW's DSM program. In FY 2012 PGW participated in a Pennsylvania statewide working group to discuss potential solutions for addressing these projects in the wake of the American Recovery and Reinvestment Act funding. While PGW has not completed any multifamily efficiency projects to date, lessons learned and opportunities discussed provide *encouragement for ongoing efforts in FY 2013.*

Finally, several project applications that were received and analyzed in FY 2012 focus on single, high-efficiency equipment purchases. While these stand-alone high efficiency purchases certainly make sense for some property owners, particularly in the case of end-of-life replacements, these transactions are a better fit within the Commercial and Industrial Equipment Rebates (CIER) program, which had not launched until FY 2013. As CIRC seeks to promote comprehensive, whole-building retrofits including an array of natural gas saving measures, stand-alone efficiency replacements are not being considered for customized incentives.

In FY 2013, PGW's CIRC marketing activities will seek to target a larger pool of commercial and industrial properties, for which comprehensive retrofits will be more viable.

4.3. Program Activities

FY 2012 activities consisted of market research and establishing application and workflow protocols with the program contractors. During the final months of FY 2012, PGW developed new marketing strategies to leverage the upcoming CIER program as an inroad for CIRC projects. Developments to date are detailed below.

4.3.1. Selection of Technical Assistance Contractor

PGW selected Practical Energy Solutions to serve as the CIRC program Technical Assistance Provider to provide services including but not limited to: verifying customers' project savings claims, identifying further retrofit opportunities, and estimating project measures' costs and savings.

4.3.2. Data Management

PGW and its DSM implementation consultant have developed a project analyzer that *captures the projected costs and savings for all measures proposed within every project.* This tool will be utilized in making funding award decisions between multiple, competing project alternatives, as well as to set customized incentive levels for individual projects based on the agreed upon mix of measures.

Additionally, all data stored within and calculated by this tool will be stored by PGW to be used in developing program-wide analysis reports.

4.3.3. Quality Assurance

Every completed project will be thoroughly inspected before the incentive payment is provided.

4.3.4. Marketing

Per the FY 2011 and FY 2012 Implementation Plans, PGW has committed to accomplishing “retrofits to three multi-family buildings -- two with smaller multi-family buildings⁶ and one with a large multi-family building⁷.” PGW actively sought to identify, assist, and complete these eligible multi-family retrofit projects, and will actively document all such efforts; however this effort faced the aforementioned challenges.

Through its partnerships with EnergyWorks and PHFA (detailed in section 4.3.5), PGW identified numerous affordable housing, multi-family facilities that could be ideal candidates for efficiency retrofits. Many of these properties had audits conducted through funding from the American Recovery and Reinvestment Act, paid for by PHFA. PGW conducted direct outreach to the owners of many of these properties.

Although few of these leads have resulted in CIRC applications, important market knowledge was gained through the targeting of multi-family building owners. This market knowledge will help guide PGW’s expanded target market communications in FY 2013.

PGW will continue attempting to identify and fund eligible multi-family projects through CIRC and all other future, relevant EnergySense Conservation programs (namely, Commercial and Industrial Equipment Rebates and High Efficiency Construction Incentives) on an ongoing basis. However, as discussed above, the marketing strategy for FY 2013 will be expanded to reach a larger target market using synergies with these other programs.

4.3.5. Partnerships

4.3.5.1. EnergyWorks

As described above in the RHER section 3.3.7, the EnergyWorks program also assists in providing low-interest financing products for larger commercial and industrial efficiency projects. Similarly, the match between upfront incentives and low-interest financing programs could be a good fit in this commercial and industrial application as well.

Any funding partnerships would be applied on a project-by-project basis. PGW expects that both EnergyWorks and the PGW EnergySense Conservation programs will continue to make the other aware of relevant projects and will attempt to work together in closing projects that are eligible for both.

4.3.5.2. Pennsylvania Housing Finance Agency (PHFA)

PHFA currently provides funding assistance for multi-family residential energy-efficiency projects through the Smart Rehab program. PGW has been meeting with PHFA to learn best practices for funding energy-efficiency projects within this market, and to discuss specific projects which may serve as ideal models for potential funding and financing partnerships between the two programs.

⁶ From 4 to 20 units

⁷ Over 20 units

4.3.6. Combining Funding Years

As described in the FY 2013 Implementation Plan, PGW is proceeding to roll over unspent FY 2012 CIRI Launch Year incentive funding into FY 2013 in order to more effectively manage the program's subscription rates and provide continuous service.

5. Commercial and Industrial Equipment Rebates

The Commercial and Industrial Equipment Rebates Program (CIER) will issue prescriptive rebates on premium efficiency gas appliances and heating equipment to increase the penetration of these measures in the facilities of PGW's nonresidential customers. The program has the following objectives:

- Promote the selection of premium efficiency models at the time of purchase of commercial and industrial sized gas heating equipment.
- Increase business customers' awareness of the breadth of energy efficiency opportunities in their properties.
- Strengthen PGW's relationship with business customers as partners in energy efficiency.
- Encourage market actors throughout the supply chain to provide and promote high efficiency options.
- Align incentives with other programs.
- Aid in market transformation towards highest-efficiency options.

Eligible customers will use a certified contractor to install the premium efficiency equipment and receive cash rebates to offset most of the incremental cost of the higher efficiency equipment.

5.1. Overview

CIER, which launched in the beginning of FY 2013, is open to any PGW customer who purchases commercial- and industrial-sized heating and cooking equipment for a DSM eligible property. Customers who use a licensed contractor to install the eligible, premium efficiency equipment will receive rebates to offset some of the incremental cost of the higher efficiency equipment. The following table shows the rebates offered through CIER.

TABLE 17. CIER REBATE AMOUNTS

Natural Gas Boilers

Size (kbtu/h)	85% Efficient	90% Efficient
300-499	\$800	\$2,900
500-699	\$1,400	\$3,600
700-899	\$2,000	\$4,200
900-1099	\$2,600	\$4,800
1100-1299	\$3,200	\$5,400
1300-1499	\$3,800	\$6,000
1500-1699	\$4,400	\$6,600
1700-1999	\$5,200	\$7,400
2000-2199	\$6,000	\$8,100
2200-2500	\$6,300	\$8,400

Natural Gas Cooking Equipment

Measure Name	Minimum Efficiency	Rebate Amount
Commercial Gas Convection Oven	ENERGY STAR®	\$500
Commercial Gas Fryer	ENERGY STAR®	\$1,000
Commercial Gas Fryer (large vat)	ENERGY STAR®	\$1,200
Commercial Gas Steam Cooker	ENERGY STAR®	\$500
Commercial Gas Griddle	ENERGY STAR®	\$500
High-Efficiency Pre-Rinse Spray Valve	<= 1.6 Gallons Per Minute (GPM)	\$25

5.2. Discussion of Results

There was no CIER program service activity in FY 2012.

5.3. Program Activities

As the CIER program did not launch until the start of FY 2013, FY 2012 was spent researching the commercial and industrial retrofit market, identifying key stakeholders and potential partnerships, and meeting with relevant programs and agencies to identify potential hurdles ahead of time. Developments to date are detailed below.

5.3.1. Selection of Rebate Processor

PGW selected Helgeson Enterprises, Inc. for all phases of rebate processing, including intake, review, approval, quality assurance, customer assistance, and processing of rebate checks.

5.3.2. Data Management

Helgeson has a fully developed data tracking system closely linked to its rebate processing. PGW has set-up automatic electronic access to Helgeson's system through a web-portal, allowing real-time confirmation of customer eligibility and imports of custom program activity datasets. PGW uses this data to generate reports that allow program administrators to track progress, performance and costs.

PGW is currently developing the capability to transfer and house this data within the Company's internal database for long-term warehousing and analytical purposes.

5.3.3. Quality Assurance and Inspections

The HVAC installation Philadelphia Contractor's license number and contact information must be included on the application. Helgeson is utilizing protocols and software in order to detect and prevent potential cases of fraud; examples include recognition to prevent duplicate account numbers and addresses from redeeming more than one rebate. Helgeson's staff is also trained to recognize forged proof of purchases and other counterfeit attempts.

In addition to Helgeson's fraud prevention, PGW will perform on-site visits for a random selection of projects to verify that the documented measures are present and are covered by the program. The verification will include two parts:

1. Validation of application information
 - a. Validate customer data is correct
 - b. Check that equipment matches information on application
 - c. Confirm with customer the information regarding the installation contractor
2. Checking on quality of rebate processing service
 - a. Collect feedback from customer

5.3.4. Marketing

There were no updates to planned marketing of the CIER program.

5.3.5. Partnerships

In addition to the existing partnerships with EnergyWorks and PHFA, PGW has established the following partnership for CIER.

5.3.5.1. ENERGY STAR®

ENERGY STAR is a joint program of the U.S. Environmental Protection Agency and the U.S. Department of Energy that promotes energy efficient products and practices. In an effort to promote the CIER commercial food service rebates for ENERGY STAR rated equipment, PGW became an ENERGY STAR Energy Efficiency Program Sponsor in FY 2012. This partnership has allowed PGW to stay up-to-date with ENERGY STAR activities, and will allow it to be included in its national registries of rebates and incentives.

6. High Efficiency Construction Incentives Program

The High Efficiency Construction Incentives Program (HECI) promotes natural gas energy efficiency in the new construction and gut rehab markets, both for residential and non-residential new construction projects. The program provides technical assistance and prescriptive financial incentives for projects that go beyond building code. Incentives increase for projects the more a project saves natural gas compared to the code baseline. The program has the following objectives:

- Save natural gas through cost-effective energy efficiency new construction and gut rehabilitation projects.
- Promote a better understanding of energy efficiency options available in the new construction and gut rehabilitation markets.

6.1. Overview

HECI will seek to convince homebuilders, building owners, engineers, architects, and contractors to incorporate natural gas conservation measures into the design of their projects and go beyond the standards dictated by the building code. Single-home residential properties meeting the target efficiency level will be eligible for a flat incentive per property. Commercial, industrial and multi-family facilities will be eligible for a sliding-scale incentive based on the level of gas conservation achieved.

6.2. Discussion of Results

There was no HECI program service activity in FY 2012.

6.3. Program Activities

As the HECI program did not launch until the start of FY 2013, FY 2012 was spent researching the relevant market, identifying key stakeholders and potential partnerships, and meeting with relevant programs and agencies to identify potential hurdles ahead of time. Developments to date are detailed below.

6.3.1. Program Design

As finalized in FY 2012, the HECI program will consist of two types of incentives based on gas conservation achieved beyond baseline building code: a more prescriptive rebate design for single-family residential buildings, and a customized incentive design for commercial and industrial buildings. Both types of incentives will be calculated to cover most of the incremental costs of the efficiency measures, and to offset additional design costs incurred to add the efficiency measures to the building plan. Incentive issuance will be based on *projected savings for the buildings, as modeled by PGW's technical assessment provider.*

Single-family homes will be eligible for prescriptive, \$750 incentives per-house, for building to conserve 20% or more gas beyond the consumption level resulting from building code. The incentive amount was designed to address over 50% of the incremental costs for residential new construction projects in coordination with heating system rebates offered through RHER. This design is intended to provide a prescriptive rebate for developers building multiple houses on the same model.

Commercial, industrial and multi-family facilities will be eligible for a customized, sliding scale incentive based on the level of savings, with a maximum per-project incentive of \$60,000. This design is intended to incentivize building developers to go beyond standard energy conservation measures, and seek creative solutions for their facilities to achieve a high level of energy conservation. Please see below for the incentive and savings levels.

TABLE 18. PROPOSED HECI INCENTIVES

Proposed HECI Incentive - Commercial and Industrial	Incentives to Owner (Per-First Year MMBtu Saved)
≥ 5% to < 10% more efficient than code	\$ 5.00
≥ 10% to < 20% more efficient than code	\$ 13.00
≥ 20% to < 30% more efficient than code	\$ 24.00
≥ 30% more efficient than code	\$ 40.00

6.3.2. Selection of Technical Assistance Provider

PGW selected ICF Resources, LLC to serve as the HECI program Technical Assistance Provider to provide services including but not limited to: verifying customers’ project savings claims, identifying further savings opportunities, and estimating project measures’ costs and savings.

6.3.3. Data Management

PGW’s HECI program Technical Assistance Provider will utilize building modeling software to conduct analysis on projected resource savings for all gas conservation measures proposed within every project. This analysis will be utilized in making funding award decisions between multiple, competing project alternatives, and in establishing the customized incentive levels for individual projects.

The contractor will provide bi-weekly reports to PGW with all project incentive awards, efficiency measure savings and project descriptions. This data will be stored by PGW to be used in developing program-wide analysis reports.

6.3.4. Quality Assurance

A sample of all residential projects, and all commercial, industrial and multi-family projects, will be inspected by the Technical Assistance Contractor before the incentive payment is issued.

6.3.5. Marketing

Marketing the HECI program will occur in tandem with activities for the CIRI and CIER programs. This marketing strategy is a two-tiered approach to reach individuals that influence buying decisions, and customers who make the final decision to purchase eligible equipment. This strategy will seek to build general awareness about the PGW EnergySense Conservation program, while separately targeting markets of customers likely to be receptive to the program, and is discussed further above in the CIER section 5.3.4.

In addition to the strategies outlined in the CIER marketing section, marketing for HECI will target specific collaborator organizations involved primarily in new construction. Identification of these organizations began in late FY 2012 and drew from existing PGW

organizational relationships, in addition to new contacts. The outreach list will be further refined as marketing begins in FY 2013. Examples include the American Society of Heating, Refrigerating and Air-Conditioning Engineers (ASHRAE), The Building Industry Association, and the Greater Philadelphia Association of Energy Engineers.

6.3.6. Partnerships

PGW has continued ongoing partnership efforts with EnergyWorks and PHFA as described in the RHER and CIRI sections above.

7. Comprehensive Residential Retrofit Incentive Program

The Comprehensive Residential Retrofit Incentive Program (CRRRI) whole home gas energy efficiency retrofit program targets the non-low income residential market. The CRRRI program builds off lessons learned from the ELIRP program and has the following goals:

- Save natural gas through cost-effective residential retrofits
- Achieve reductions of 20% or more in annual gas heating consumption on average among all participants

7.1. Overview

CRRRI provides incentives to customers for implementing natural gas saving measures in their home, such as air sealing, better insulation, and heating system replacements. *Customers will be eligible for an incentive based on first-year MMBtu savings above a certain threshold.* PGW, through a third-party administrator, will oversee a network of contractors approved to perform work under CRRRI.

7.2. Discussion of Results

There was no CRRRI program service activity in FY 2012.

7.3. Program Activities

As CRRRI is not scheduled to launch until spring 2013, FY 2012 was spent researching the relevant market, finalizing program design, identifying key stakeholders and potential partnerships, and meeting with relevant programs and agencies to identify potential hurdles ahead of time. Developments to date are detailed below.

7.3.1. Program Design

PGW residential customers will be eligible to receive a subsidized energy audit, currently estimated to cost participants approximately \$150, from a list of approved conservation service providers (CSPs). These CSPs will perform the audit and provide a recommended package of cost-effective energy efficiency measures designed to save at least 20% of a customer's gas usage. If the customer decides to proceed, the CSP will perform the work at the customer's expense. PGW will then pay \$50 per MMBtu of first-year gas savings in incentives, based on PGW deemed savings calculations. A portion of the incentive will go to the CSP to incentivize closing cases.

7.3.2. Contractor Network

PGW will establish a CSP contractor network in order to maintain a high level of quality control and provide a consistent customer experience. The contractor network will be overseen by a Program Administrator that will be responsible for training contractors, maintaining the network, processing customer rebates, and performing inspections and verification. CSPs in the network will be appropriately trained by the Program Administrator to ensure program effectiveness.

7.3.3. Marketing

Program marketing will be performed by PGW, the Program Administrator, and CSPs.

7.3.4. Partnerships

PGW is currently attempting to establish a relationship with lending institutions capable of providing low-interest energy-efficiency financing products to assist those customers who may not have upfront funding for the proposed projects.

Appendix A

Cost Recovery Reconciliation

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Table A.1 - USC Cost Recovery (September 2011 through August 2012)

<u>Month</u>		<u>Applicable</u>	<u>USC</u>	<u>USC</u>	<u>USC</u>	<u>Monthly</u>	<u>Cumulative</u>
<u>FY 11 Reconciliation</u>		<u>Volumes</u>	<u>Charge</u>	<u>Revenue</u>	<u>Expenses</u>	<u>Over/(Under)</u>	<u>Over/(Under)</u>
				<u>Billed</u>		<u>Recovery</u>	<u>Recovery</u>
							(\$19,456,833)
September 2011	Actual	1,243,318	\$2.6303	\$3,270,298	\$(1,776,432)	\$5,046,730	(\$14,410,103)
October	Actual	1,499,912	\$2.4645	\$3,696,534	\$(479,526)	\$4,176,060	(\$10,234,043)
November	Actual	3,467,643	\$2.4645	\$8,546,006	\$7,859,442	\$686,564	(\$9,547,479)
December	Actual	4,807,618	\$2.3581	\$11,336,845	\$12,360,614	\$(1,023,769)	(\$10,571,248)
January 2012	Actual	7,635,779	\$2.2517	\$17,193,483	\$23,480,623	\$(6,287,140)	(\$16,858,388)
February	Actual	7,349,262	\$2.2517	\$16,548,332	\$21,967,214	\$(5,418,882)	(\$22,277,270)
March	Actual	5,390,044	\$2.2341	\$12,041,898	\$16,124,260	\$(4,082,362)	(\$26,359,633)
April	Actual	3,274,281	\$2.2165	\$7,257,444	\$7,867,859	\$(610,415)	(\$26,970,048)
May	Actual	2,203,045	\$2.2165	\$4,883,049	\$2,287,506	\$2,595,543	(\$24,374,505)
June	Actual	1,356,436	\$2.1618	\$2,932,344	\$(135,191)	\$3,067,535	(\$21,306,970)
July	Actual	1,134,465	\$2.1071	\$2,390,432	\$(2,227,455)	\$4,617,886	(\$16,689,083)
August	Actual	1,080,620	\$2.1071	\$2,276,974	\$(2,311,644)	\$4,588,618	(\$12,100,465)

Table A.2 - USC Expenses (September 2011 through August 2012)

<u>USC Expenses</u>	<u>Sep-11</u>	<u>Oct-11</u>	<u>Nov-11</u>	<u>Dec-11</u>	<u>Jan-12</u>	<u>Feb-12</u>
CWP/ELIRP Expense		\$3,921	\$4,084	\$1,142,166	\$35,823	\$1,870,894
CWP/ELIRP Labor		\$10,394	\$6,916	\$6,313	\$8,765	\$10,114
CRP Discount		\$(2,800,522)	\$(1,491,657)	\$5,408,379	\$10,821,473	\$19,679,942
CRP Forgiveness		\$803,980	\$742,602	\$684,391	\$613,413	\$609,441
Senior Citizen Discount		\$205,795	\$258,529	\$618,193	\$881,140	\$1,310,232
Bad Debt Expense Offset*		\$-	\$-	\$-	\$-	\$-
Total		\$(1,776,432)	\$(479,526)	\$7,859,442	\$12,360,614	\$23,480,623

<u>USC Expenses</u>	<u>Mar-11</u>	<u>Apr-11</u>	<u>May-11</u>	<u>Jun-11</u>	<u>Jul-11</u>	<u>Aug-11</u>
CWP/ELIRP Expense	\$466,719	\$592,217	\$2,983	\$854,096	\$123,492	\$200,257
CWP/ELIRP Labor	\$7,890	\$6,312	\$6,322	\$11,289	\$10,091	\$7,896
CRP Discount	\$13,961,195	\$6,047,343	\$1,131,502	\$(1,907,831)	\$(3,173,984)	\$(3,364,973)
CRP Forgiveness	\$731,545	\$655,411	\$799,351	\$693,787	\$648,269	\$688,237
Senior Citizen Discount	\$956,911	\$566,576	\$347,348	\$213,468	\$164,677	\$156,939
Bad Debt Expense Offset*	\$-	\$-	\$-	\$-	\$-	\$-
Total	\$16,124,260	\$7,867,859	\$2,287,506	\$(135,191)	\$(2,227,455)	\$(2,311,644)

<u>USC Expenses</u>	<u>Total</u>
CWP/ELIRP Expense	\$6,428,584
CWP/ELIRP Labor	\$98,614
CRP Discount	\$63,230,841
CRP Forgiveness	\$8,308,927
Senior Citizen Discount	\$6,950,305
Bad Debt Expense Offset*	\$-
Total	\$85,017,271

*Bad Debt Expense Offset Applicable When Actual CRP Participation Exceeds 84,000

Table A.3 - Efficiency Cost Recovery Surcharge (September 2011 through August 2012)

Residential & PHA GS

RESIDENTIAL & PHA GS

		Actual <u>Sep-11</u>	Actual <u>Oct-11</u>	Actual <u>Nov-11</u>	Actual <u>Dec-11</u>	Actual <u>Jan-12</u>	Actual <u>Feb-12</u>
FY 2011 Over-Collection							
Volume Billed		815,328	1,000,881	2,519,255	3,580,810	5,873,552	5,663,270
ECR Surcharge		\$ 0.0174	\$ 0.0158	\$ 0.0158	\$ 0.0290	\$ 0.0421	\$ 0.0421
Revenue Billed		\$ 14,187	\$ 15,814	\$ 39,804	\$ 103,664	\$ 247,277	\$ 238,424
RHER	Expense	\$ 19,403	\$ 14,453	\$ 38,570	\$ 20,187	\$ 25,197	\$ 29,162
RHER	Labor	\$ 1,833	\$ 1,220	\$ 1,113	\$ 1,546	\$ 1,784	\$ 1,113
HECI	Expense	\$ 32	\$ 33	\$ 170	\$ 249	\$ 32	\$ 523
HECI	Labor	\$ 84	\$ 56	\$ 51	\$ 71	\$ 82	\$ 51
CRR1	Expense	\$ 306	\$ 319	\$ 1,630	\$ 2,396	\$ 307	\$ 5,026
CRR1	Labor	\$ 811	\$ 540	\$ 492	\$ 684	\$ 789	\$ 492
Total		\$ 22,469	\$ 16,620	\$ 42,027	\$ 25,133	\$ 28,190	\$ 36,368
Monthly Over/(Under)		\$ (8,282)	\$ (806)	\$ (2,222)	\$ 78,531	\$ 219,086	\$ 202,056
Cumulative Over/(Under)		\$ (8,282)	\$ (9,088)	\$ (11,310)	\$ 67,221	\$ 286,307	\$ 488,363

		Actual <u>Mar-12</u>	Actual <u>Apr-12</u>	Actual <u>May-12</u>	Actual <u>Jun-12</u>	Actual <u>Jul-12</u>	Actual <u>Aug-12</u>
FY 2011 Over-Collection							
Volume Billed		4,200,454	2,442,871	1,610,077	924,224	759,990	695,862
ECR Surcharge		\$ 0.0491	\$ 0.0560	\$ 0.0560	\$ 0.0473	\$ 0.0386	\$ 0.0386
Revenue Billed		\$ 206,032	\$ 136,801	\$ 90,164	\$ 43,716	\$ 29,336	\$ 26,860
RHER	Expense	\$ 23,809	\$ 37,580	\$ 18,436	\$ 65,819	\$ 29,247	\$ 114,725
RHER	Labor	\$ 1,391	\$ 1,113	\$ 1,115	\$ 1,991	\$ 1,780	\$ 1,392
HECI	Expense	\$ 24	\$ 307	\$ 24	\$ 906	\$ 73	\$ 481
HECI	Labor	\$ 64	\$ 51	\$ 51	\$ 92	\$ 82	\$ 64
CRR1	Expense	\$ 233	\$ 2,947	\$ 233	\$ 8,709	\$ 701	\$ 4,625
CRR1	Labor	\$ 616	\$ 492	\$ 493	\$ 881	\$ 787	\$ 616
Total		\$ 26,137	\$ 42,490	\$ 20,352	\$ 78,397	\$ 32,669	\$ 121,903
Monthly Over/(Under)		\$ 179,895	\$ 94,311	\$ 69,812	\$ (34,682)	\$ (3,334)	\$ (95,043)
Cumulative Over/(Under)		\$ 179,895	\$ 274,206	\$ 344,018	\$ 309,336	\$ 306,003	\$ 210,959

**Table A.4 - Efficiency Cost Recovery Surcharge (September 2010
through February 2011)**

Commercial & PHA

COMMERCIAL & PHA

FY 2011 Over-Collection		Actual Sep-11	Actual Oct-11	Actual Nov-11	Actual Dec-11	Actual Jan-12	Actual Feb-12
Volume Billed		379,865	439,026	830,817	1,064,342	1,529,860	1,465,433
ECR Surcharge		\$ 0.0141	\$ 0.0144	\$ 0.0144	\$ 0.0201	\$ 0.0257	\$ 0.0257
Revenue Billed		\$ 5,337	\$ 6,322	\$ 11,964	\$ 21,340	\$ 39,317	\$ 37,662
RIER	Expense	\$ 196	\$ 146	\$ 390	\$ 204	\$ 255	\$ 295
RIER	Labor	\$ 19	\$ 12	\$ 11	\$ 16	\$ 18	\$ 11
CIRI	Expense	\$ 121	\$ 126	\$ 644	\$ 946	\$ 121	\$ 11,819
CIRI	Labor	\$ 320	\$ 213	\$ 195	\$ 270	\$ 312	\$ 195
CIER	Expense	\$ 17	\$ 18	\$ 91	\$ 134	\$ 17	\$ 282
CIER	Labor	\$ 46	\$ 30	\$ 28	\$ 38	\$ 44	\$ 28
IIECI	Expense	\$ 32	\$ 33	\$ 170	\$ 249	\$ 32	\$ 523
IIECI	Labor	\$ 84	\$ 56	\$ 51	\$ 71	\$ 82	\$ 51
Total		\$ 834	\$ 635	\$ 1,579	\$ 1,929	\$ 881	\$ 13,203
Monthly Over/(Under)		\$ 4,503	\$ 5,687	\$ 10,385	\$ 19,411	\$ 38,437	\$ 24,458
Cumulative Over/(Under)		\$ 45,241	\$ 50,928	\$ 61,313	\$ 80,723	\$ 119,160	\$ 143,618
FY 2011 Over-Collection		Actual Mar-12	Actual Apr-12	Actual May-12	Actual Jun-12	Actual Jul-12	Actual Aug-12
Volume Billed		1,037,940	741,422	531,945	382,859	332,808	341,577
ECR Surcharge		\$ 0.0280	\$ 0.0302	\$ 0.0302	\$ 0.0344	\$ 0.0385	\$ 0.0385
Revenue Billed		\$ 29,010	\$ 22,391	\$ 16,065	\$ 13,151	\$ 12,813	\$ 13,151
RIER	Expense	\$ 5,875	\$ 1,067	\$ 4,005	\$ 199	\$ 16	\$ 7,618
RIER	Labor	\$ 14	\$ 11	\$ 11	\$ 20	\$ 18	\$ 14
CIRI	Expense	\$ 3,317	\$ 2,339	\$ 92	\$ 3,440	\$ 10,356	\$ 21,282
CIRI	Labor	\$ 243	\$ 195	\$ 195	\$ 348	\$ 311	\$ 243
CIER	Expense	\$ 13	\$ 165	\$ 13	\$ 489	\$ 39	\$ 7,079
CIER	Labor	\$ 35	\$ 28	\$ 28	\$ 49	\$ 44	\$ 35
IIECI	Expense	\$ 24	\$ 307	\$ 24	\$ 906	\$ 73	\$ 481
IIECI	Labor	\$ 64	\$ 51	\$ 51	\$ 92	\$ 82	\$ 64
Total		\$ 9,586	\$ 4,163	\$ 4,420	\$ 5,542	\$ 10,939	\$ 36,816
Monthly Over/(Under)		\$ 19,425	\$ 18,228	\$ 11,645	\$ 7,609	\$ 1,874	\$ (23,666)
Cumulative Over/(Under)		\$ 163,043	\$ 181,271	\$ 192,917	\$ 200,525	\$ 202,399	\$ 178,734

**Table A.5 - Efficiency Cost Recovery Surcharge (September 2010
through February 2011)**

Industrial

INDUSTRIAL

FY 2011 Over-Collection		Actual <u>Sep-11</u>	Actual <u>Oct-11</u>	Actual <u>Nov-11</u>	Actual <u>Dec-11</u>	Actual <u>Jan-12</u>	Actual <u>Feb-12</u>
Volume Billed		42,818	43,580	72,363	91,294	124,564	119,367
ECR Surcharge		\$ (0.0077)	\$ (0.0222)	\$ (0.0222)	\$ 0.0293	\$ 0.0807	\$ 0.0807
Revenue Billed		\$ (328)	\$ (967)	\$ (1,606)	\$ 2,670	\$ 10,052	\$ 9,633
CIRI	Expense	\$ 12	\$ 13	\$ 67	\$ 98	\$ 13	\$ 205
CIRI	Labor	\$ 33	\$ 22	\$ 20	\$ 28	\$ 32	\$ 20
CIER	Expense	\$ 17	\$ 18	\$ 91	\$ 134	\$ 17	\$ 282
CIER	Labor	\$ 46	\$ 30	\$ 28	\$ 38	\$ 44	\$ 28
Total		\$ 108	\$ 83	\$ 206	\$ 299	\$ 106	\$ 535
Monthly Over/(Under)		\$ (436)	\$ (1,051)	\$ (1,812)	\$ 2,372	\$ 9,946	\$ 9,098
Cumulative Over/(Under)		\$ (436)	\$ (1,487)	\$ (3,299)	\$ (927)	\$ 9,019	\$ 18,117
FY 2011 Over-Collection		Actual <u>Mar-12</u>	Actual <u>Apr-12</u>	Actual <u>May-12</u>	Actual <u>Jun-12</u>	Actual <u>Jul-12</u>	Actual <u>Aug-12</u>
Volume Billed		86,012	53,109	45,539	40,521	36,572	37,864
ECR Surcharge		\$ 0.1224	\$ 0.1641	\$ 0.1641	\$ 0.2121	\$ 0.2600	\$ 0.2600
Revenue Billed		\$ 10,528	\$ 8,715	\$ 7,473	\$ 8,592	\$ 9,509	\$ 9,845
CIRI	Expense	\$ 10	\$ 120	\$ 10	\$ 356	\$ 29	\$ 189
CIRI	Labor	\$ 25	\$ 20	\$ 20	\$ 36	\$ 32	\$ 25
CIER	Expense	\$ 13	\$ 165	\$ 489	\$ 13	\$ 39	\$ 7,079
CIER	Labor	\$ 35	\$ 28	\$ 28	\$ 49	\$ 44	\$ 35
Total		\$ 82	\$ 334	\$ 546	\$ 454	\$ 144	\$ 7,328
Monthly Over/(Under)		\$ 10,446	\$ 8,382	\$ 6,927	\$ 8,138	\$ 9,364	\$ 2,517
Cumulative Over/(Under)		\$ 28,562	\$ 36,944	\$ 43,871	\$ 52,009	\$ 61,374	\$ 63,890

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of PGW's DSM Program Annual Report upon the participants listed below in accordance with the requirements of § 1.54 (relating to service by a participant).

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Date: January 10, 2013


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