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January 31, 2019

***VIA ELECTRONIC FILING***

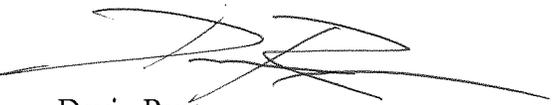
Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2nd Floor North  
P.O. Box 3265  
Harrisburg, PA 17105-3265

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

Dear Secretary Chiavetta:

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

Respectfully submitted,



Devin Ryan

DTR/jl  
Enclosures

cc: Certificate of Service  
Honorable Benjamin J. Myers

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**JOINT PETITION FOR APPROVAL OF SETTLEMENT**

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**TO ADMINISTRATIVE LAW JUDGE BENJAMIN J. MYERS:**

UGI Utilities, Inc. – Electric Division (“UGI Electric” or the “Company”), the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and the Commission on Economic Opportunity (“CEO”), all parties in the above-captioned proceeding (hereinafter collectively referred to as the “Joint Petitioners”), hereby submit this Joint Petition for Approval of Settlement (“Settlement”) and respectfully request that Administrative Law Judge Benjamin J. Myers (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve this Settlement without modification.

As set forth and explained below, the Joint Petitioners have agreed to a settlement of all issues in the above-captioned proceeding. The Settlement provides for the approval of UGI Electric’s Phase III Energy Efficiency and Conservation (“EE&C”) Plan, as modified by the terms and conditions of the Settlement.

In support of this Settlement, the Joint Petitioners state the following:

**I.     BACKGROUND**

1.     On August 21, 2018, UGI Electric filed the above-captioned Petition with the Commission, which included the Company’s supporting written direct testimony and exhibits. This filing was made pursuant to the Commission’s December 23, 2009 Secretarial Letter at

Docket No. M-2009-2142851 (“December 23, 2009 Secretarial Letter”), which provided guidance on voluntary Energy Efficiency and Conservation Plans (“EE&C Plans”) submitted by electric distribution companies that are not subject to Act 129 of 2008, P.L. 1592, 66 Pa.C.S §§ 2806.1 and 2806.2 (“Act 129”).

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

3. On September 7, 2018, OSBA filed a Notice of Appearance, Public Statement, Answer, and Verification.

4. On September 10, 2018, OCA filed a Notice of Intervention, Public Statement, and Answer.

5. On September 19, 2018, the Prehearing Order was issued by the ALJ, which, among other things, scheduled a prehearing conference for October 10, 2018, at 10:00 AM and directed the parties to file prehearing memoranda on or before October 5, 2018.

6. On September 26, 2018, CEO filed a Petition to Intervene.

7. On October 4, 2018, OSBA filed its prehearing memorandum.

8. On October 5, 2018, UGI Electric, OCA, and CEO filed their prehearing memoranda.

9. On October 10, 2018, the prehearing conference was held before the ALJ, during which the parties, among other things, agreed to a procedural schedule and certain modifications to discovery rules.

10. On October 12, 2018, a hearing notice was issued scheduling the in-person evidentiary hearing for 10:00 AM on December 19, 2018, in Harrisburg, Pennsylvania.

11. Also on October 12, 2018, a Scheduling Order was issued that, among other things, adopted the procedural schedule agreed to by the parties at the prehearing conference, established modified discovery rules, and granted CEO's Petition to Intervene.

12. On November 6, 2018, OCA, OSBA, and CEO served their written direct testimony and exhibits.

13. On November 28, 2018, UGI Electric served its written rebuttal testimony and exhibits.

14. On December 12, 2018, OCA and OSBA served their written surrebuttal testimony and exhibits.

15. On December 17, 2018, UGI Electric filed a Petition for Protective Order.

16. The Joint Petitioners held several settlement conferences in this proceeding. As a result of these conferences and the efforts of the Joint Petitioners to examine the issues raised by the parties, a settlement in principle was achieved by the Joint Petitioners prior to the date for the evidentiary hearings.

17. On December 18, 2018, the Joint Petitioners advised the ALJ of the settlement in principle.

18. Thereafter, the ALJ advised the parties that the evidentiary hearings would be canceled and that the parties' written testimony and exhibits could be admitted into the record by stipulation. The ALJ also directed the parties to file a joint petition for settlement and statements in support by the scheduled Reply Brief due date of January 31, 2019.

19. On December 20, 2018, the ALJ issued an Order granting the Petition for Protective Order.

20. The Joint Petitioners have been able to agree to a settlement of all issues. The Joint Petitioners are in full agreement that the Settlement is in the best interests of UGI Electric and its customers. The Settlement is set forth in the following Section.

## **II. SETTLEMENT**

21. The Joint Petitioners agree as follows:

22. UGI Electric's Phase III EE&C Plan shall be approved for a five-year term with the condition 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 MWh x 0.75 = 5,694 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.

23. The Emerging Technology and Outreach ("ETO") Program will be eliminated, and the \$600,000 budget amount for the ETO Program will be redirected as follows:

a. UGI Electric will set aside approximately \$10,000 annually (a total of \$50,000 over five years) for community based organization ("CBO") marketing to cross-

promote EE&C programs, such as the Appliance Recycling and Appliance Rebate Programs. Such costs shall only be recovered from Class 1 customers.

b. The Company will set aside \$140,000 to launch one or more residential customer programs in PY 2 through PY 5, including a residential low-income customer program by no later than June 1, 2020. The residential low-income program shall not be specifically limited to the measures offered under the three existing low-income programs that are being eliminated or phased out as part of the Phase III EE&C Plan. 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"). The parties acknowledge that this low-income program is not LIURP and is not subject to the provisions of Chapter 58 of the Commission's regulations. Such costs shall only be recovered from Class 1 customers.

c. The Company will set aside \$250,000 for evaluation, measurement, and verification. To the extent that the Phase III EE&C Plan is set to continue for the full five-year term per Paragraph 22, UGI Electric's Phase III EE&C Plan shall be subject to a formal evaluation, measurement, and verification ("EM&V") process after the third year of the Phase III EE&C Plan. The costs of the EM&V process will be allocated to the customer classes in the same manner as other portfolio-wide costs. To the extent that the Phase III EE&C Plan is set to end after PY 3 per Paragraph 22, then UGI Electric's Phase III EE&C Plan shall not be subject to a formal EM&V process after the third year of the Phase III EE&C Plan, and the Company shall not incur any costs related to such EM&V process.

d. The remaining \$160,000 that was proposed to be included it an ETO

Program budget will be eliminated.

24. At least 30 days prior to launching the residential and low-income program(s) discussed in Paragraph 23(b), UGI Electric shall provide a written notification to the Commission's Bureau of Technical Utility Services ("TUS") and the parties to Phase III EE&C Plan proceeding. The notification will include a description of the proposed program(s), projections for customer participation, expenses, cost-effectiveness, and details on how the program(s) will be evaluated and verified upon completion. The annual reports will detail the implementation of the program(s), findings from the program(s), and the Company's evaluation and verification of the program(s)' results.

25. UGI Electric shall continue to track and evaluate actual project savings for Phase II and Phase III C&I Custom Incentive projects in a manner similar to that presented this proceeding, such that the Company will be able to determine estimated annual pre-usage and estimated annual post-usage and then calculate the difference between pre- and post-usage to get realized savings, with the realization rate calculated by dividing this value by the projected savings for the project. The three methods the Company may use to determine pre- and post-usage are raw usage comparison, baseload usage comparison, and adjusted usage comparison. .

26. The following cost limits shall be placed on the C&I Custom Incentive Program over the five-year term of the Phase III EE&C Plan: (1) overall incentive spending shall be limited to \$100 per first year MWh; and (2) overall non-incentive spending shall be limited to \$110 per first year MWh. UGI Electric's internal EE&C staff expenses are not assigned to the C&I Custom Incentive Program and, therefore, will not be included in the calculation of the annual non-incentive spending cost limit. These cost limits will be reflected in the Compliance version of the Phase III EE&C Plan. In addition, the Company will include the annual and Phase

III to-date incentive and non-incentive spending values on a per first year MWh basis for the C&I Custom Incentive Program in its annual reports.

27. As part of the Phase III EE&C Plan, UGI Electric shall require that any rebate application in the Appliance Rebate Program or the C&I Custom Incentive Program be submitted within 180 days of the measure's installation date.

28. As part of its compliance filing in this proceeding, UGI Electric shall use, for all electric avoided costs, PPL Electric's electric avoided costs. To the extent that the Phase III EE&C Plan is set to continue for the full five-year term per Paragraph 22, UGI Electric shall, within three months following the Commission's issuance of its Phase IV TRC Test Order, file an update to its Phase III EE&C Plan with revised projections for PY 4 and PY 5 using the electric avoided costs established for PPL Electric for Phase IV of Act 129.

29. The Phase II EEC Rider tariff language will be modified such that overcollections or undercollections existing at the end of the last year of the Phase II EE&C Plan will be recovered/refunded over the one-year period following the end of the Phase II EE&C Plan. Any remaining balance will be recovered/refunded through the Phase III EEC Rider's E-Factor.

30. The Phase III EEC Rider tariff language will be modified such that overcollections or undercollections existing as of the last year of the Phase III EE&C Plan will be recovered/refunded over the one-year period following the end of the Phase III EE&C Plan ("Final Reconciliation Year"). If it is known that there will be a Phase IV EE&C Plan at the end of the Final Reconciliation Year related to Phase III, any remaining balance will be recovered/refunded through the Phase IV EEC Rider's E-Factor. If there will be no Phase IV EE&C Plan, any balance remaining for a customer class at the end of the Final Reconciliation

Year will be trued up through a one-time bill credit issued to the applicable customers during the second full billing month following the end of the Final Reconciliation Year.

31. The Phase III EEC Rider tariff language will be modified to remove references to Rate IH, which was eliminated in the Company's recent base rate case, and to add Rate HTP to Class 3 in the Rider.

32. The Company will reflect an adjustment on Class 2 EE&C revenues in the amount of \$652,587 and GSR-1 default service revenues in the amount of (\$652,587) as part of the first default service and Phase II EEC Rider reconciliations that can be made in accordance with the Company's tariff following Commission approval of this Settlement. This \$652,587 adjustment amount relates to a reversal of the transfer of Class 2 over-recovery amounts of \$652,587 to the default service rates in January 2016. In addition, the Company will reflect an adjustment in Class 2 EE&C revenues in the amount of \$192,087, which consists of an adjustment to GSR-1 default service revenues in the amount of (\$124,008) and a (\$68,078) adjustment to GSR-1 default service deferred energy account, with such amounts being related to the correction for the March-May 2015 period.

### **III. CONDITIONS OF SETTLEMENT**

33. This Settlement is conditioned upon the Commission's approval of the terms and conditions contained herein without modification. If the Commission modifies the Settlement, then any Joint Petitioner may elect to withdraw from this Settlement and may proceed with litigation and, in such event, this Settlement shall be void and of no effect. Such election to withdraw must be made in writing, filed with the Secretary of the Commission and served upon all Joint Petitioners within five (5) business days after the entry of an order modifying the Settlement. The Joint Petitioners acknowledge and agree that this Settlement, if approved, shall

have the same force and effect as if the Joint Petitioners had fully litigated this proceeding and that the rates established hereunder are Commission-made, just and reasonable rates.

34. This Settlement is proposed by the Joint Petitioners to settle certain issues in the instant proceeding. If the Commission does not approve the Settlement and the proceedings continue to further hearings, the Joint Petitioners reserve their respective rights to present additional testimony and to conduct full cross-examination, briefing and argument. The Settlement is made without any admission against, or prejudice to, any position which any Joint Petitioner may adopt in the event of any subsequent litigation of this proceeding.

35. This Settlement may not be cited as precedent in any future proceeding, except to the extent required to implement this Settlement.

36. This Settlement is being presented only in the context of this proceeding in an effort to resolve the proceeding in a manner which is fair and reasonable. The Settlement is the product of compromise. This Settlement is presented without prejudice to any position which any of the Joint Petitioners may have advanced and without prejudice to the position any of the Joint Petitioners may advance in the future on the merits of the issues in future proceedings except to the extent necessary to effectuate the terms and conditions of this Settlement.

37. Attached as Appendix "A" is the Statement in Support of the Settlement by UGI Electric setting forth the bases upon which the Company believes the Settlement is fair, just, and reasonable and, therefore, is in the public interest. The Statements in Support of Settlement by OCA, OSBA, and CEO are being filed separately.

38. If the ALJ adopts the Settlement without modification, the Joint Petitioners waive their rights to file Exceptions.

**IV. CONCLUSION**

WHEREFORE, the Joint Petitioners, by their respective counsel, respectfully request as follows:

1. That the Honorable Administrative Law Judge Benjamin J. Myers and the Pennsylvania Public Utility Commission approve this Settlement including all terms and conditions thereof without modification;
2. That UGI Utilities, Inc. – Electric Division’s petition for approval of its Phase III Energy Efficiency and Conservation Plan is granted as modified by this Settlement; and
3. That the petition at Docket No. M-2018-3004144 be terminated and marked closed.

Respectfully submitted,



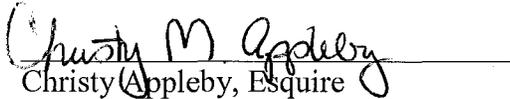
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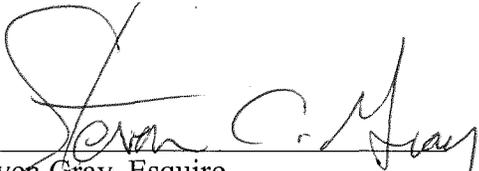


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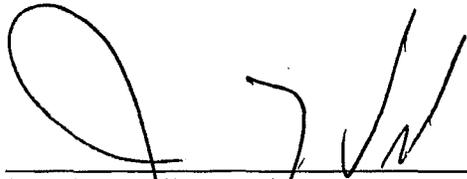


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January 31, 2019

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1/31/19

*Counsel for the Commission on Economic  
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# **APPENDIX “A”**

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**UGI UTILITIES, INC. – ELECTRIC DIVISION’S  
STATEMENT IN SUPPORT OF SETTLEMENT PETITION**

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**TO ADMINISTRATIVE LAW JUDGE BENJAMIN J. MYERS:**

**I.     INTRODUCTION**

UGI Utilities, Inc. – Electric Division (“UGI Electric” or the “Company”) hereby submits this Statement in Support of the Joint Petition for Approval of Settlement (“Settlement”) entered into by UGI Electric, the Office of Consumer Advocate (“OCA”), the Office of Small Business Advocate (“OSBA”), and the Commission on Economic Opportunity (“CEO”), parties in the above-captioned proceeding (hereinafter collectively referred to as the “Joint Petitioners”). UGI Electric respectfully requests that Administrative Law Judge Benjamin J. Myers (“ALJ”) and the Pennsylvania Public Utility Commission (“Commission”) approve the Settlement, including the terms and conditions thereof, without modification.

In this proceeding, UGI Electric presented its proposed Phase III Energy Efficiency and Conservation (“EE&C”) Plan, which consists of a portfolio of energy efficiency programs and conservation practices, fuel switching measures, and energy education initiatives that are designed to encourage energy efficiency. The Settlement, if approved, will resolve all issues raised by the Joint Petitioners concerning the Phase III EE&C Plan. Given the diverse interests of the Joint Petitioners and the active role they have taken in this proceeding, the fact that they have resolved their respective issues in this proceeding, in and of itself, provides strong evidence

that the Settlement is reasonable and in the public interest. The Settlement was achieved after a thorough review of UGI Electric's proposal in this proceeding. The Company responded to many interrogatories, and there were multiple rounds of testimony. The Joint Petitioners participated in a number of settlement discussions that ultimately led to the Settlement.

It is to be further emphasized that the Joint Petitioners, through their counsel and experts, have considerable experience in EE&C Plan proceedings. OCA and OSBA are tasked with representing the public interest. This responsibility, combined with their and the Company's knowledge, experience, and ability to evaluate the strengths and weaknesses of their respective litigation positions, provided a strong base upon which to build a consensus resolving the disparity between the parties' positions on UGI Electric's Phase III EE&C Plan.

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

The Settlement reflects a carefully balanced compromise of the interests of the Joint Petitioners in this proceeding. Therefore, for the reasons explained in this Statement in Support, UGI Electric believes that the Settlement is just, reasonable, and in the public interest and, therefore, should be approved without modification.

In support thereof, UGI Electric states as follows:

## **II. DISCUSSION**

### **A. LENGTH OF PHASE III EE&C PLAN**

UGI Electric proposed a five-year term for Phase III of its EE&C Plan, which would commence June 1, 2019, and end May 31, 2024. (UGI Electric St. No. 1, p. 5, lines 6-9) As the current Phase II EE&C Plan is set to expire on May 31, 2019, the Phase III EE&C Plan “would allow customers to continue taking advantage of energy savings initiatives on an uninterrupted basis and would allow UGI Electric’s customers to stay competitive with other customers in Pennsylvania that have access to electric efficiency programs offered under Act 129.” (UGI Electric St. No. 1, p. 5, lines 6-12) As UGI Electric witness Theodore M. Love explained, “Going to a five-year term will provide UGI Electric’s Phase III EE&C Plan with the same term length as the Act 129 Phase III EE&C Plans,” and “less frequent filings will reduce the administrative burden on UGI Electric, which is appropriate, given the size of UGI Electric’s operations.” (UGI Electric St. No. 1, p. 10, line 21 to p. 11, line 2)

OCA disagreed with a five-year term and proposed to limit the Phase III EE&C Plan to a three-year term, with a potential two additional years if the EE&C Plan were found to be cost-effective through an “expedited process.” (OCA St. No. 9, lines 19-22) Some of the reasons the OCA disagreed with the five-year term were alleged “limited measure offerings” and concerns about the Company’s projected participation rates. (OCA St. No. 9, lines 6-22)

In rebuttal, UGI Electric continued to maintain that a five-year term was appropriate for Phase III of its EE&C Plan because the five-year term was consistent with Phase III of Act 129 and would reduce the administrative burden on the Company in making more frequent filings. (UGI Electric St. No. 8, lines 1-10) Moreover, in the Commission’s Phase III Act 129 Final Implementation Order, the Commission concluded that “a five-year program provides additional benefits, such as savings in costs, time and resources related to litigating and administering the EE&C Plans” and that “a longer program provides more consistency and continuity, further enhancing the customer experience and increasing the potential for customer engagement in the program.” (UGI Electric St. No. 1, p. 8, lines 11-18) Considering the size of UGI Electric compared to the larger electric distribution companies (“EDCs”), including the much larger EE&C administrative cost budgets for the Act 129 EDCs, concerns about administrative burden and “consistency and continuity” are further increased for UGI Electric. (UGI Electric St. No. 1, p. 8, line 20 to p. 9, line 1) Lastly, UGI Electric identified potential issues with OCA’s proposed “expedited process” for an additional two years, including the timeframe it takes for parties to provide comments on and for the Commission to approve the proposed extension of the EE&C Plan. (UGI Electric St. No. 1, p. 10, line 6 to p. 12, line 17)

In its surrebuttal testimony, OCA clarified its proposed “expedited process” for approval of a two-year extension of the EE&C Plan. OCA recommended that UGI “file its extension request approximately four months before the conclusion of the third program year to allow time to both receive Commission approval and for the Company to complete any necessary administrative work to continue with the fourth program year, if approval is granted.” (OCA St. No. 1-SR, p. 3, lines 18-23) Moreover, OCA witness Sherwood agreed with UGI witness Love that the “expedited approval process could become another litigated EE&C Plan proceeding.”

(OCA St. No. 1-SR, p. 4, lines 1-2) However, she claimed “that should only occur if the stakeholders have significant concerns regarding the performance” of the EE&C Plan, such as “whether the Company is achieving less than 75 percent of its forecasted participation and energy savings at the time of the extension filing.” (OCA St. No. 1-SR, p. 4, lines 2-6)

Under the Settlement, the Joint Petitioners have agreed that the Phase III EE&C Plan shall be approved for a five-year term with the condition 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 MWh x 0.75 = 5,694 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. (Settlement ¶ 22) 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. (Settlement ¶ 22) If a Petition to Amend is filed, 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 ¶ 22)

These settlement provisions reflect a reasonable compromise of UGI Electric’s and OCA’s positions. While UGI Electric advocated for a firm, five-year term for the Phase III EE&C Plan, OCA proposed an initial three-year term due to concerns it had about the Plan’s performance. Under these settlement provisions, if the EE&C Plan underperforms in the first two years, the Phase III EE&C Plan can either end after three years or have changes

implemented for the remaining two years. Thus, the settlement provisions are in the public interest and should be approved.

## **B. PROGRAM OFFERINGS, MARKETING, AND EVALUATION**

The Settlement also addresses concerns raised by parties regarding the Company's proposed program offerings, marketing initiatives, and EE&C Plan evaluation procedures, specifically: (1) the proposed Emerging Technology and Outreach ("ETO") program; (2) outreach to community-based organizations ("CBOs"); (3) a residential low-income program; and (4) a formal evaluation, measurement, and verification ("EM&V") process. As explained in Section II.B.5. below, the ETO Program is being eliminated, and most of the funding allocated to the ETO Program is being set aside to fund each of these other initiatives.

### **1. Emerging Technology and Outreach (ETO) Program**

In the proposed Phase III EE&C Plan, UGI Electric reworked the Customer Education Program from Phase II and expanded it into a new program called the ETO Program. (UGI St. No. 1, p. 18, lines 2-3) The ETO Program would have funded "crosscutting marketing activities for existing programs and pilot projects for new and emerging technologies or saving techniques." (UGI St. No. 1, p. 18, lines 3-5) The program was projected to cost \$600,000 over five years (an average of \$120,000 per year), and the Company anticipated allocating 80% of this funding to the residential sector, including-low income, and 20% to the Commercial and Industrial ("C&I") sector. (UGI St. No. 1, p. 18, lines 5-8) The Phase III EE&C Plan included a list of initiatives that may be offered through this program. (UGI St. No. 1, p. 18, lines 8-10) While UGI Electric did not project any savings for this program, if any verifiable savings were to result from program activity, the Company would have included those results in future annual reports. (UGI St. NO. 1, p. 18, lines 10-12)

OCA and OSBA raised issues regarding the ETO Program as proposed by the Company. OCA witness Sherwood recommended that the Company file forecasts for the number of customers, energy savings, or budgets for the initiatives, as well as the estimated impact of the Plan's cost-effectiveness and get Commission approval before piloting programs under the ETO Program. (OCA St. No. 1, p. 16, line 19 to p. 17, line 22) OSBA witness Knecht argued that there should be no charge to C&I sector customers for the ETO Program until the Company can demonstrate that it can operate C&I programs that are comparably cost-effective to other EDCs' programs. (OSBA St. No. 1, p. 13, line 10 to p. 14, line 15)

UGI Electric disputed these claims and recommendations in its rebuttal testimony. In response to OCA's recommendation, UGI Electric stated that it would agree with OCA if it were a larger utility. (UGI Electric St. No. 1-R, p. 19, lines 15-16) However, as a smaller utility, the administrative burden and risk of having programs disapproved can have a negative impact and "stifle the progress of the energy efficiency investment for UGI Electric's customers." (UGI Electric St. No. 1-R, p. 19, line 16 to p. 20, line 6) Concerning OSBA's recommendation, UGI Electric disputed that the Company's C&I programs have not been comparably cost-effective to other EDCs' programs. (UGI Electric St. No. 1-R, p. 22, line 20 to p. 23, line 6) The Company has consistently reported a TRC BCR above 2.0 over the past six program years, which was higher than other EDCs' values, ranging from 1.33 to 1.91. (UGI Electric St. No. 1-R, p. 22, lines 20-23) And although the Phase III EE&C Plan is projected to have a TRC BCR of 1.28, this drop is almost entirely due to a drop in avoided costs. (UGI Electric St. No. 1-R, p. 22, line 23 to p. 23, line 3)

OSBA and OCA then submitted surrebuttal testimony. OCA averred that more details were needed on the potential pilots to be offered under the ETO Program, including, at a

minimum, “the standards the Company will use to determine what to pilot, how pilots will be conducted, and how the results will be evaluated to assure ratepayers that their funds will be utilized appropriately.” (OCA St. No. 1-SR, p. 7, line 8 to p. 8, line 4) OSBA also continued to dispute the Company’s comparison of its past performance with C&I programs to other EDCs. (OSBA St. No. 1-S, p. 14, line 23 to p. 15, line 2)

## **2. Community-Based Organization (CBO) Outreach**

In its direct testimony, CEO recommended that UGI Electric be required to partner with CBOs for outreach, marketing, and delivery of the Company’s EE&C programs. (CEO Statement No. 1, p. 8, lines 2-10, 17-19)

UGI Electric explained in rebuttal that although it is not opposed to working with CBOs to promote or administer EE&C programs, the usage of CBOs should not be an overriding goal or requirement of an EE&C Plan. (UGI Electric St. No. 1-R, p. 6, lines 1-4) Indeed, “[t]here are many for-profit service providers that specialize in the provision of energy efficiency programs, and “[i]f one such for-profit provider is better able to serve the Company’s market needs, then a CBO should not be “given preference in program administration only on the basis that it is a CBO.” (UGI Electric St. No. 1-R, p. 6, lines 4-7)

## **3. Residential Low-Income Program**

Although the Phase III EE&C Plan did not include a specific program designed for low-income customers, the Company was mindful in developing its Phase III EE&C Plan to include programs and measures, such as its ETO Program, that could aid its low-income customers in reducing their energy consumption, even though the Company is not subject to the requirements of Act 129. (UGI Electric St. No. 1, p. 6, lines 12-21) Moreover, UGI Electric explained that it discontinued its Residential Low-Income Water Heater Pilot Program from Phase II going into Phase III, due to low participation and cost-effectiveness. (UGI Electric St. No. 1, p. 14, lines 2-

3) Even though the service was offered at no cost to the customers, the Company only saw two participants in PY 6 and one participant in PY 5 of Phase II. (UGI Electric St. No. 1, p. 6, lines 3-6) In addition, the program has not been able to maintain a TRC BCR above 1.0, as it was initially projected to, and its cost-effectiveness does not improve using Phase III avoided costs. (UGI Electric St. No. 1, p. 6, lines 6-9)

OCA and CEO submitted direct testimony about how the Phase III EE&C Plan would address residential low-income customers. CEO argued that UGI Electric should be required to obtain 5.5% of savings from low-income customers, similar to the large Act 129 EDCs. (CEO St. No. 1, p. 5, line 5 to p. 7, line 4; p. 8, lines 14-15) CEO also contended that the Company should continue with the Home Energy Audit Program that it planned to discontinue and claimed there were ways to improve its outreach to low-income customers. (CEO St. No. 1, p. 7, line 11 to p. 8, line 2) Further, OCA recommended that the Company should offer kits for low-income customers as a stand-alone program under the suite of residential programs, instead of a potential pilot program under the ETO Program. (OCA St. No. 1, p. 17, lines 17-22)

In rebuttal, UGI Electric explained that it has not been subject to any low-income savings requirement in the past and that “[r]equiring such an effort going forward would severely limit the EE&C Plan’s cost-effectiveness, as low-income programs run by other electric distribution companies EDCs in Pennsylvania are generally not cost-effective.” (UGI Electric St. No. 1-R, p. 4, lines 10-19) Moreover, the Company incorporated measures designed to address the low-income market in its Phase III EE&C Plan design, the Company maintained that weatherization services are best addressed through UGI Electric’s Low-Income Usage Reduction Program (“LIURP”). (UGI Electric St. No. 1-R, p. 4, lines 7-9; p. 5, lines 7-10) Indeed, the LIURP budget was recently proposed to increase in the amount of \$150,000 per year, which represents

an approximately 120% increase over the current year's budget of \$124,750. (UGI Electric St. No. 1-R, p. 5, lines 5-7) Therefore, the Company explained that it would be prudent to "focus low-income weatherization services under the auspices of the Company's LIURP," rather than "[c]reating a duplicative program, with duplicative administrative and reporting structures, that [would] compete with the limited market already targeted by the Company's established LIURP." (UGI Electric St. No. 1-R, p. 5, lines 7-14) Finally, as to OCA's recommendation to establish a stand-alone low-income kits program, UGI Electric explained that such a program would be similar to the Home Energy Audit Program, which had a low benefit-cost ratio, and that "the Company would like to examine the opportunities that may exist in offering kits to low-income customers through a smaller pilot effort under the ETO before proposing a stand-alone program." (UGI Electric St. No. 1-R, p. 18, lines 9-13)

OCA's surrebuttal testimony argued that UGI Electric's efforts to increase LIURP funding should not have an effect on the Phase III EE&C Plan. (OCA St. No. 1-SR, p. 10, lines 3-5) As a result, OCA argued that "UGI Electric's EE&C Plan should have a low-income program or measure offering that is above and beyond the residential program offerings." (OCA St. No. 1-SR, p. 10, lines 5-6)

#### **4. Evaluation, Measurement, and Verification (EM&V)**

In its direct testimony, OCA witness Sherwood claimed that there needed to be an additional process to verify the reported savings and installation rates in UGI Electric's annual reports. (OCA St. No. 1, p. 15, line 22 to p. 16, line 7) Therefore, OCA recommended that the Phase III EE&C Plan be subjected to a formal EM&V process on a three-year cycle. (OCA St. No. 1, p. 16, lines 12-14)

In rebuttal, UGI Electric argued that the cost of such a formal EM&V process could be significant for a small EE&C portfolio with a variety of different programs. (UGI Electric St.

No. 1-R, p. 20, lines 18-20) Moreover, the Company would continue to report results on an annual basis, which would enable stakeholders to evaluate the progress and cost-effectiveness of those programs, without the need for additional, unnecessary, and costly evaluations. (UGI Electric St. No. 1-R, p. 21, lines 9-12)

OCA maintained in surrebuttal testimony that the formal EM&V process is necessary and claimed that the cost would be approximately 3% of the total EE&C Plan expenditures (*i.e.*, approximately \$216,000). (OCA St. No. 1-SR, p. 8, lines 8-17) Furthermore, OCA contended that a formal EM&V “could provide valuable insight to UGI Electric in planning its next iteration of the EE&C Plan” and would provide “reassurance to regulators and stakeholders on the effectiveness of the Company’s efforts.” (OCA St. No. 1-SR, p. 9, lines 5-8)

## **5. Settlement**

Under the Settlement, the ETO Program will be eliminated, and the \$600,000 budget amount for the ETO Program will be redirected as follows: (1) 10,000 annually (a total of \$50,000 over five years) for CBO marketing to cross-promote EE&C programs; (2) \$140,000 to launch one or more residential customer programs in PY 2 through PY 5, including a residential low-income customer program by no later than June 1, 2020; and (3) \$250,000 to conduct a formal EM&V of the Phase III EE&C Plan after PY 3 only if the EE&C Plan is going to continue for the full five-year term. (Settlement ¶ 23(a)-(c)) The remaining \$160,000 out of the ETO Program’s \$600,000 budget will be eliminated. (Settlement ¶ 23(d)) Further, the costs of the CBO marketing and the one or more residential customer programs will only be recovered from Class 1 customers in accordance with cost causation principles. (Settlement ¶ 23(a)-(b))

Moreover, the Settlement sets forth additional conditions for the one or more residential programs to be launched in PY 2 through PY 5 under Paragraph 23(b). Specifically, the residential low-income program shall not be specifically limited to the measures offered under

the three existing low-income programs that are being eliminated or phased out as part of the Phase III EE&C Plan. (Settlement ¶ 23(b)) The residential low-income program also will provide an opportunity for the Company to offer additional and/or different measures than those offered through the Company's LIURP. (Settlement ¶ 23(b)) The parties also acknowledge that this low-income program is not LIURP and is not subject to the provisions of Chapter 58 of the Commission's regulations. (Settlement ¶ 23(b)) Additionally, at least 30 days prior to launching the residential and low-income program(s) discussed in Paragraph 23(b), UGI Electric shall provide a written notification to the Commission's Bureau of Technical Utility Services ("TUS") and the parties to Phase III EE&C Plan proceeding. (Settlement ¶ 24) The notification will include a description of the proposed program(s), projections for customer participation, expenses, cost-effectiveness, and details on how the program(s) will be evaluated and verified upon completion. (Settlement ¶ 24) The annual reports will detail the implementation of the program(s), findings from the program(s), and the Company's evaluation and verification of the program(s)' results. (Settlement ¶ 24)

These settlement provisions reflect a reasonable compromise of the parties' positions. Other parties criticized the ETO Program and advocated that UGI Electric devote funding to CBO marketing, a residential low-income program, and a formal EM&V process. These settlement provisions address those concerns and provide the Company with the necessary funding to incorporate those proposals, as modified by the Settlement. Thus, the settlement provisions are reasonable and in the public interest and, therefore, should be approved without modification.

### **C. C&I CUSTOM INCENTIVE PROGRAM**

In the Phase III EE&C Plan, UGI Electric proposed to continue its C&I Custom Incentive Program, with some modifications to the current program. For example, the Company proposed

increasing the maximum incentive to \$0.18 per kWh. (UGI Electric St. No. 1, p. 17, lines 10-11) Although UGI Electric projected that, overall, incentives would remain at the current level of \$0.12 per kWh, the Company explained that it may in the future adjust incentive levels higher or lower for individual projects based on the mix of measures, financial characteristics, or other such considerations. (UGI Electric St. No. 1, p. 17, lines 15-19) UGI Electric also would still limit the rebate amount to the lesser of \$100,000 or 50% of the customer project cost. (UGI Electric St. No. 1, p. 17, lines 19-21) The Company also proposed to merge the Small Commercial Fuel Switching Program into the C&I Custom Incentive Program to streamline administrative and reporting responsibilities. (UGI Electric St. No. 1, p. 16, lines 21-22)

In its direct testimony, OSBA noted that the Company was required, under the settlement approved in the Company's Phase II EE&C Plan proceeding, to "adopt procedures to monitor actual savings (rather than calculating deemed savings) for participants" in the Phase II C&I Custom Incentive Program. (OSBA St. No. 1, p. 10, lines 21-28) Based on its review of the data provided by the Company in this proceeding, OSBA recommended that the Company continue to track and evaluate actual project savings for Phase II and Phase III participants, in a manner similar to that presented in this proceeding." (OSBA St. No. 1, p. 4, lines 21-25; p. 10, line 21 to p. 11, line 10) Further, OSBA recommended that the following cost limits be placed on the C&I Custom Incentive Program on an annual basis: (1) incentives limited to \$90 per first annual MWh; and (2) non-incentive spending limited to \$100 per annual MWh. (OSBA St. No. 1, p. 17, lines 14-19)

In rebuttal, the Company agreed with OSBA's recommendation to continue tracking and evaluating actual project savings for Phases II and Phase III C&I Custom Incentive projects in a manner similar to that presented in this proceeding. (UGI Electric St. No. 1-R, p. 26, lines 16-

21) However, UGI Electric disagreed with OSBA's proposed cost limits for the C&I Custom Incentive Program for several reasons. (UGI Electric St. No. 1-R, p. 23, line 22 to p. 25, line 5) Indeed, the Company has taken several steps to ensure that its programs meet their energy savings targets at the lowest cost, such as: (1) making its CSP contract for the C&I Custom Incentive Program performance-based for the post ramp-up period (*i.e.*, if the CSP does not capture the targeted kWh savings, then the CSP is not compensated); (2) instituting a 2% budget cap based on 2008 revenues, which equates to an approximately \$2.5 million cap on annual spending; and (3) reporting annual expenditures in the Company's annual reports. (UGI Electric St. No. 1-R, p. 23, line 22 to p. 24, line 9)

OSBA continued to maintain in surrebuttal testimony that its proposed cost limits should be imposed on the C&I Custom Incentive Program. (OSBA St. No. 1-S, p. 2, line 4 to p. 3, line 23) In general, OSBA questioned the prudence of requiring parties to file a complaint to challenge excessive spending, rather than imposing the proposed cost limits on the program. (OSBA St. No. 1-S, p. 2, line 4 to p. 3, line 23)

Under the Settlement, the parties have addressed the issues raised by OSBA concerning the C&I Custom Incentive Program. First, as explained by the Company in testimony, UGI Electric shall continue to track and evaluate actual project savings for Phase II and Phase III C&I Custom Incentive projects in a manner similar to that presented this proceeding, such that the Company will be able to determine estimated annual pre-usage and estimated annual post-usage and then calculate the difference between pre- and post-usage to get realized savings, with the realization rate calculated by dividing this value by the projected savings for the project. (Settlement ¶ 25) Specifically, the three methods the Company may use to determine pre- and

post-usage are raw usage comparison, baseload usage comparison, and adjusted usage comparison. (Settlement ¶ 25)

As for OSBA's proposed cost limits, the Settlement institutes the following cost limits on the C&I Custom Incentive Program over the five-year term of the Phase III EE&C Plan: (1) overall incentive spending shall be limited to \$100 per first year MWh; and (2) overall non-incentive spending shall be limited to \$110 per first year MWh. (Settlement ¶ 26) Because UGI Electric's internal EE&C staff expenses are not assigned to the C&I Custom Incentive Program, they will not be included in the calculation of the annual non-incentive spending cost limit. (Settlement ¶ 26) These cost limits will be reflected in the Compliance version of the Phase III EE&C Plan. (Settlement ¶ 26) In addition, the Company will include the annual and Phase III to-date incentive and non-incentive spending values on a per first year MWh basis for the C&I Custom Incentive Program in its annual reports. (Settlement ¶ 26)

Thus, these settlement provisions reflect a reasonable compromise of the parties' positions. The Settlement memorializes UGI Electric's commitment to continue tracking and evaluating custom projects as it has presented in this proceeding. Moreover, the Settlement imposes cost limits on the C&I Custom Incentive Program, although they are higher than those originally proposed by OSBA. Therefore, these settlement provisions are reasonable and in the public interest and should be approved without modification.

#### **D. REBATE APPLICATION DEADLINE**

OSBA's direct testimony noted a potential concern about the Company's issuance of incentives in 2017 for measures installed in 2015. (OSBA St. No. 1, p. 11, lines 13-15) Although OSBA was still investigating the prudence of these incentives, OSBA questioned whether those projects should have received incentives, when those customers appeared to

undertake those “energy efficiency investments without requiring subsidies from the utility.” (OSBA St. No. 1, p. 11, lines 16-18)

Under the Settlement, as part of the Phase III EE&C Plan, UGI Electric shall require that any rebate application in the Appliance Rebate Program or the C&I Custom Incentive Program be submitted within 180 days of the measure’s installation date. (Settlement ¶ 27) The purpose of the deadline is to reduce free-ridership, meaning that customers actually undertake the EE&C projects due to the receipt of the Company’s incentives. Moreover, the 180-day rebate application deadline is consistent with the deadline established under the Commission’s *Final Implementation Order* for Phase III of Act 129. See *Energy Efficiency and Conservation Program*, Docket No. M-2014-2424864, p. 142 (Order entered June 19, 2015) (“*Final Implementation Order*”). Therefore, this settlement provision is reasonable and in the public interest and, thus, should be approved without modification.

#### **E. AVOIDED COSTS**

OSBA witness Knecht outlined his understanding of the Company’s method for deriving avoided costs and contended that UGI Electric’s avoided costs are overstated, based on a strict interpretation of the Commission’s guidelines and the 2015 TRC Test Order. (OSBA St. No. 1, p. 18, line 1 to p. 22, line 21) Therefore, he recommended that the Commission determine whether UGI Electric needs to comply with the parameters that are required of the Act 129 EDCs under a “strict” interpretation of the 2015 TRC Test Order and, if so, there should be modifications made to the avoided cost computation. (OSBA St. No. 1, p. 22, line 24 to p. 23, line 5) In fact, Mr. Knecht suggested that UGI Electric use the avoided transmission and distribution (“T&D”) costs of “either PPL Electric or FirstEnergy” or “an average of the two,” as “UGI Electric’s service territory lies geographically between the PPL Electric and Penelec service territories”; however, because the SWE used the same avoided T&D costs for all of the

FirstEnergy Companies, “Penelec may not be an appropriate proxy.” (OSBA St. No. 1, p. 21, lines 7-8; p. 21 n.24)

In rebuttal, the Company explained that although it followed the guidance of the 2015 TRC Test Order to determine cost-effectiveness of the Phase III EE&C Plan, UGI Electric is not subject to the requirements of Act 129. (UGI Electric St. No. 1-R, p. 25, lines 16-19) Moreover, the Company noted OSBA’s recognition that the Act 129 EDCs take different approaches to blending in long-term forecasts and in sources of futures prices. (UGI Electric St. No. 1-R, p. 26, lines 1-4) Further, in contrast to the Act 129 EDCs, the statewide evaluator (“SWE”) did not develop avoided transmission and distribution (“T&D”) costs for UGI Electric, so the Company based these costs on Company-specific avoided T&D projects. (UGI Electric St. No. 1-R, p. 26, lines 4-8)

OSBA’s surrebuttal testimony continued to argue that the Company’s method for calculating avoided costs should be modified and disputed the Company’s reasoning. (OSBA St. No. 1-S, p. 4, line 2 to p. 8, line 21) Although OSBA witness Knecht recognized that calculating avoided T&D costs can be a “complicated problem,” he still considered “using the Commission-approved avoided T&D cost values for neighboring EDCs” as a better approach. (OSBA St. No. 1-S, p. 8, lines 22-26)

The Settlement resolves these issues and states that as part of its compliance filing in this proceeding, UGI Electric shall use, for all electric avoided costs, PPL Electric’s electric avoided costs. (Settlement ¶ 28) Furthermore, to the extent that the Phase III EE&C Plan is set to continue for the full five-year term per Paragraph 22, UGI Electric shall, within three months following the Commission’s issuance of its Phase IV TRC Test Order, file an update to its Phase

III EE&C Plan with revised projections for PY 4 and PY 5 using the electric avoided costs established for PPL Electric for Phase IV of Act 129. (Settlement ¶ 28)

These settlement provisions are consistent with OSBA's recommendation for UGI Electric to use the avoided costs of a neighboring utility, preferably PPL Electric. This approach simplifies the calculation of the Company's avoided costs and should produce more consistent results. Thus, the settlement provisions are reasonable and in the public interest and, therefore, should be approved without modification.

#### **F. EEC RIDER TARIFF LANGUAGE AND RECONCILIATION**

In its testimony, OSBA raised concerns over the Company's EEC Rider tariff language and reconciliation. OSBA first noted that due to a re-assignment of Phase I EE&C costs between the customer classes, the E-factors for Class 1 (residential) customers were increased by \$48,539 and Class 2 (Small C&I) customers were credited by \$546,443 in January 2016. (OSBA St. No. 1-S, p. 9, lines 13-15) In accordance with the Company's tariff, E-factor balances are recovered or refunded through default service rates. (OSBA St. No. 1-S, p. 9, lines 19-22) UGI Electric's default service rates are divided into two categories: (1) GSR-1, which applies to residential customers and certain Small C&I customers; and (2) GSR-2, which applies to larger customers. (OSBA St. No. 1-S, p. 10, lines 10-13) Therefore, when the balances are transferred to default service rates under the tariff, Class 2 (Small C&I) customers would be sharing the refund with residential customers. Upon review of the Company's records, the parties concluded that the total credit to be reallocated to Class 2 customers as a result of the January 2016 Phase I EE&C reassignment amounts to \$652,587.

In addition, OSBA witness Knecht stated that there was a miscalculation of actual E-factor revenues for the period March-May 2015, which resulted in an overcollection in the amount of \$192,087 for Class 2 customers. (OSBA St. No. 1-S, p. 12, lines 12-13) As noted by

UGI Electric, that incremental balance would be transferred to the GSR calculation effective March 1, 2019. (OSBA St. No. 1-S, p. 12, lines 12-13) OSBA claimed that if this miscalculation is allowed to be addressed, then the assignment of the remaining E-Factor balances to the default service rates should be corrected as well. (OSBA St. No. 1-S, p. 12, lines 13-16)

Further, OSBA witness Knecht noted a “housekeeping matter” concerning the Phase III EEC Rider tariff language. (OSBA St. No. 1-S, p. 14, lines 9-10) Specifically, Rate IH was eliminated in the Company’s recent base rate case, and Rate HTP should be included in Class 3 in the EEC Rider. (OSBA St. No. 1-S, p. 14, lines 10-16)

The Settlement addresses the concerns raised by OCA regarding the EEC Rider reconciliation and the treatment of remaining E-Factor balances when transitioning from one EE&C phase to another.

First, the Phase II EEC Rider tariff language will be modified such that overcollections or undercollections existing at the end of the last year of the Phase II EE&C Plan will be recovered/refunded over the one-year period following the end of the Phase II EE&C Plan. (Settlement ¶ 29) Any remaining balance will be recovered/refunded through the Phase III EEC Rider’s E-Factor. (Settlement ¶ 29)

Second, the Phase III EEC Rider tariff language will be modified such that overcollections or undercollections existing as of the last year of the Phase III EE&C Plan will be recovered/refunded over the one-year period following the end of the Phase III EE&C Plan (“Final Reconciliation Year”). (Settlement ¶ 30) If it is known that there will be a Phase IV EE&C Plan at the end of the Final Reconciliation Year related to Phase III, any remaining balance will be recovered/refunded through the Phase IV EEC Rider’s E-Factor. (Settlement

¶ 30) If there will be no Phase IV EE&C Plan, any balance remaining for a customer class at the end of the Final Reconciliation Year will be trued up through a one-time bill credit issued to the applicable customers during the second full billing month following the end of the Final Reconciliation Year. (Settlement ¶ 30)

Third, to address the transfer of the remaining Class 2 over-recovery amounts of \$652,587 to the default service rates in January 2016, the Company will reflect an adjustment on Class 2 EE&C revenues in the amount of \$652,587 and GSR-1 default service revenues in the amount of (\$652,587) as part of the first default service and Phase II EEC Rider reconciliations that can be made in accordance with the Company's tariff following Commission approval of this Settlement. (Settlement ¶ 32) In addition, the Company will reflect an adjustment in Class 2 EE&C revenues in the amount of \$192,087, which consists of an adjustment to GSR-1 default service revenues in the amount of (\$124,008) and a (\$68,078) adjustment to GSR-1 default service deferred energy account, with such amounts being related to the correction for the March-May 2015 period. (Settlement ¶ 32)

Finally, the Settlement addresses the elimination of Rate IH and the addition of Rate HTP to Class 3, as noted by OSBA witness Knecht. Specifically, the Phase III EEC Rider tariff language will be modified to remove references to Rate IH, which was eliminated in the Company's recent base rate case, and to add Rate HTP to Class 3 in the Rider. (Settlement ¶ 31)

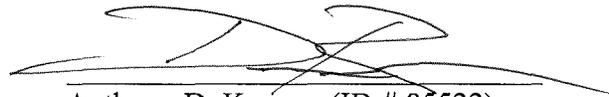
In conclusion, these settlement provisions reflect a reasonable compromise on the issues raised by OSBA concerning the EEC Rider's reconciliation and the treatment of end-of-phase E-factor balances. The Settlement is designed to address both past and future treatment and reconciliation of the EEC Rider, so that the issues raised by OSBA do not occur again. Further, to the extent there were miscalculations by the Company, the Settlement will correct them.

Thus, these settlement provisions are reasonable and in the public interest and, therefore, should be approved without modification.

### **III. CONCLUSION**

The Settlement resolves all of the issues that were raised during this proceeding. For the reasons explained above, the resolution of this proceeding in accordance with the terms of the Settlement is in the public interest.

Respectfully submitted,



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Dated: January 31, 2019

Counsel for UGI Utilities, Inc. – Electric  
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**CERTIFICATE OF SERVICE**

**Docket No. M-2018-3004144**

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

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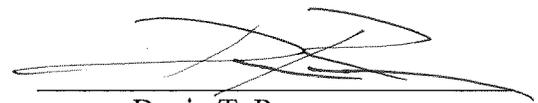
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