BEFORE THE PENNSYLVANIA
PUBLIC UTILITY COMMISSION

Act 129 Energy Efficiency and Conservation Program Phase III	**Docket No. M-2014-2424864**

COMMENTS OF THE
COALITION FOR AFFORDABLE UTILITY SERVICE AND ENERGY EFFICIENCY IN PENNSYLVANIA (CAUSE-PA)

Submitted By:
THE PENNSYLVANIA UTILITY LAW PROJECT
On behalf of CAUSE-PA

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I. Introduction

These comments are submitted by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), through its attorneys at the Pennsylvania Utility Law Project, pursuant to the Pennsylvania Public Utility Commission (PUC) Secretarial Letter dated October 23, 2014, inviting interested parties to comment on issues related to a possible Phase III for Act 129 Energy Efficiency and Conservation Programs.[1]

CAUSE-PA is a statewide unincorporated association of low-income individuals which advocates on behalf of its members to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating, and telecommunication services. CAUSE-PA membership is open to moderate and low-income individuals residing in the Commonwealth of Pennsylvania who are committed to the goal of helping low-income families maintain affordable access to utility services and achieve economic independence and family well-being.

CAUSE-PA is interested in the creation, development, and implementation of effective energy efficiency and conservation programs, targeted to assist low-income Pennsylvanians, which promote long term affordability of electricity and, in turn, the health and welfare of households across the state. To that end, the bulk of the comments submitted by CAUSE-PA focus on programmatic aspects which – if adopted and effectively implemented – will ensure that Phase III programs are appropriately designed and targeted to achieve verified, long-term savings for low-income Pennsylvanians.

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[1] *Act 129 Energy Efficiency and Conservation Program Phase III*, Secretarial Letter, Docket No. M-2014-2424864 (Oct. 23, 2014).

II. Low-Income Sector Carve-Out

A robust low-income carve-out is a necessary and essential component of Act 129. Families and individuals with limited economic resources have the highest energy burden, but have the least ability to pay.[2] This dichotomy not only harms low income individuals and families – it also contributes to the overall cost of energy for all Pennsylvanians through increased uncollectible accounts and ongoing programmatic costs. Often, this translates to secondary societal costs due to a rise in food insecurity,[3] poor health, [4] dangerous living conditions,[5] and homelessness.[6] Effective design and implementation of a Phase III low income

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[2] LIHEAP-eligible households pay between 17 and 22 percent of their income on energy costs. Economic Opportunity Studies, Meg Power, The Burden of Residential Energy Bills on Low-Income Consumers (Mar. 20, 2008), *available at* http://www.opportunitystudies.org/repository/File/energy_affordability/Forecast_Burdens_08.pdf.

[3] Heating and cooling is intimately tied to home habitability and, as a result, low-income families often go to great lengths to pay energy bills -- often forgoing food, medicine, and medical care to stay warm. A 2011 survey of LIHEAP recipients conducted by the National Energy Assistance Directors' Association (NEADA) revealed that, to pay for energy, 24% of LIHEAP recipients went without food, 37% went without medical or dental care, and 34% did not fill or took less than the prescribed dosage of medication. NEADA, *2011 National Energy Assistance Survey* (Nov. 2011), *available at* http://www.neada.org/news/nov012011.html.

[4] *Id.*; see also Deborah A. Frank et al., The Low Income Home Energy Assistance Program and Nutritional and Health Risks Amony Children Less than 3 Years of Age, 118 AAP Pediatrics, 1293-1302 (2006); Child Health Impact Working Group, *Unhealthy Conseqhences: Energy Costs and Child Health: A Child Health Impact Assessment of Energy Costs and the Low Income Home Energy Assistance Program* (Boston: Nov. 2006).

[5] "Space heaters accounted for 33% of 2007-2011 reported home heating fires, 81% of home heating fire civilian deaths, 70% of home heating fire civilian injuries, and 51% of home heating fire direct property damage." Nat'l Fire Protection Ass'n, Fire Analysis & Research Division, *Home Fires Involving Heating Equipment*, at ix & 33 (Oct. 2013). While there are no state-wide statistics on space heater-related fires in Pennsylvania, we can see that the national statistics are on par with statewide statistics by looking to the local news carriers, which regularly report on space-heater related fires, injuries, and deaths. See, e.g., CW15, *Extension Cord Powering Space Heater Believed to Cause Blaze in Harrisburg* (March 20, 2014), http://www.cw15.com/news/features/top-stories/stories/extension-cord-powering-space-heater-believed-cause-blaze-harrisburg-7136.shtml; CBS 21 News, *Space Heater may be Cause of Lancaster Co. Fire* (Nov. 17, 2014), http://www.local21news.com/news/features/top-stories/stories/official-space-heater-may-cause-lancaster-co-fire-13398.shtml; CBS 21 News, *Dog Saves 3 People From House Fire* (Nov. 19, 2014), http://www.local21news.com/news/features/top-stories/stories/dog-saves-3-people-house-fire-13460.shtml; Fox 43 News, Stove Used to Heat Home Sparks Rowhome Fire in Harrisburg (Jan. 7, 2014), http://fox43.com/2014/01/07/stove-used-to-heat-home-sparks-rowhome-fire-in-harrisburg/. In January 2014, a local news outlet reported that in just 24 hours, the Harrisburg Fire Department responded to over 20 fire emergencies, many of which were due space heaters and kitchen stoves being used to heat homes. WGAL News 8, *Harrisburg Fire Department Urges Safe Use of Space Heaters, Stoves* (Jan. 7, 2014), *available at*

carve-out can significantly reduce the energy burden of low income individuals and families across the state, and would in turn contribute to the decrease in cost for all ratepayers.

Continuing to incorporate a robust low-income carve-out is not only important public policy for all the reasons stated above, it is also a statutory mandate set forth by the General Assembly as an integral part of the Act 129 design.[7] The intent of the legislature to ensure that every rate class benefits from energy efficiency and conservation is not only clear in the language of the statute, it also rings true when looking at the legislative history of the Act, which was debated at length. While the legislature argued over the technical approach to the legislation, each Representative and Senator who rose to speak to their respective chambers noted the importance of the Act in controlling costs for consumers through wide-spread usage reduction.[8] If the Commission extends Act 129 programming into a third phase – which CAUSE-PA urges it to do – we believe that it is imperative to ensure that low income programs are designed and implemented to fulfill the intent of the General Assembly in authorizing the creation of universal energy efficiency and conservation programs across the state.

CAUSE-PA submits that, to maximize the impact of the low income carve-out, the Commission should require EDCs to include detailed plans for the design, implementation, and

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http://www.wgal.com/news/susquehanna-valley/dauphin/harrisburg-fire-department-urges-safe-use-of-space-heaters-stoves/23821264.

[6] Research conducted by the University of Colorado, Denver, in 2006 found that the inability to pay for home energy is a leading cause of homelessness for families with children. Colorado Interagency Council on Homelessness et al., *Colorado Statewide Homeless Count* (2007).

[7] 66 Pa. C.S. § 2806.1(b)(1)(i)(G) ("The plan shall include specific energy efficiency measures for households at or below 150% of the federal poverty income guidelines. The number of measures shall be proportionate to those households' share of the total energy usage in the service territory.").

[8] *See* PA H.R., House Journal at 386-403 (Feb. 11, 2008); PA H.R., House Journal at 430-432 (Feb. 12, 2008); PA S., Senate Journal at 2626-2631 (Oct. 8, 2008); Pa. H.R., House Journal at 2323-2328 (Oct. 8, 2008). The transcripts of the debate, as reported in the Senate and House Journals, are available at http://www.legis.state.pa.us/cfdocs/billInfo/bill_history.cfm?syear=2007&sind=0&body=H&type=B&bn=2200.

coordination of low-income sector programs within their Phase Three plans. Each low-income sector plan should be required to include the following elements, listed below, most of which are more fully addressed within the body of these comments.

- Increase the percentage of required low-income energy savings to reflect the actual percentage of low income usage within the residential sector.
- Do not allow EDCs to attribute unverified savings accumulated from non-low-income residential programs to low-income savings goals.
- Require EDCs to set a program budget sufficient to achieve the designated low-income energy savings targets.
- Direct low-income programs to households with incomes of 150% FPIG or below.
- Ensure that EDC expenditures within the low-income sector are in addition to and in coordination with expenditures made under 52 Pa. Code Ch. 58 (relating to residential low income usage reduction programs).
- Require EDCs to submit clear and detailed plans outlining the specific process it will use and the steps it will take to coordinate its Act 129 programs with other programs administered or overseen by the EDC, the Commission, and/or another federal or state agency.
- Continue encouraging EDCs to create innovative elements to their Act 129 low income program portfolio which expand and leverage the existing resources of LIURP and the Weatherization Assistance Program by targeting important and presently inadequately addressed issues, such as the use of *de facto* electric heating and the treatment of multifamily buildings housing low-income residents at affordable rents;

a. Increase the percentage of required savings in the low-income sector to a level that is proportionate to the actual percentage of low income usage.

CAUSE-PA commends the Commission for adjusting the low income carve-out in Phase II to require proportional energy savings, and urges the Commission to continue requiring EDCs to fulfill the carve-out through proportional savings, rather than proportional measures alone.

Unlike higher income households, low-income households are not able to be incentivized to take on energy efficiency because, absent full subsidization, these households lack the financial resources to do so. Rather than counting measures alone, the specific savings requirements adopted in Phase II required EDCs to be more strategic and thoughtful in program planning to ensure that appropriate levels of savings were achieved. In Phase III, the Commission should continue to require that both the measures and savings required of EDCs from the low income sector are proportionate to overall low income usage to ensure that low income individuals receive a level of energy efficiency and conservation assistance that, at a minimum, is on par with the sector's usage.

While we strongly assert that savings targets should continue in Phase III, CAUSE-PA maintains that the *4.5%* of savings required to be achieved during Phase II, in the low-income sector *is insufficient, and should be increased to reflect the range of overall low-income household consumption.* The Low-Income Working Group estimated that, in 2009, the percentage of total consumption by low income populations was between **7.84 and 9.51%,** which is significantly higher than the percentage used for the Phase II low income savings target.[9] It is therefore in keeping with the goals of Act 129 to promote an increase of energy savings for this sector and to take steps now to prevent low-income households from falling further behind in achieving proportionately meaningful energy savings. The time is at hand for the Commission to evolve Phase III in a manner that ensures that low income consumers receive a verifiable and appropriately designated proportional level of energy savings.

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[9] Pa. PUC, *Report of the Act 129 Low-Income Working Group*, at 6, T.1, Docket No. M-2009-2146801 (2010). This estimate is consistent with national estimates, which peg low income household usage at approximately one-third of overall residential consumption. Nat'l Residential Energy Efficiency Program, Energy Programs Consortium, Bringing Residential Energy Efficiency to Scale, at 4 (2009).

b. Do not allow EDCs to attribute unverified savings accumulated from non-low-income residential programs to low-income savings goals.

In addition to increasing the low-income savings requirements, the Commission should not permit EDCs to achieve low-income energy savings targets by attributing savings from other programs that may not actually benefit low income households. There are several reasons for this:

- the current method used for attribution to the low-income sector is not sufficiently accurate or verifiable,
- the attribution of savings from other programs does not incentivize the creation of new and innovative programs for low income populations, and
- general residential program efficiency measures is provided at a financial cost, which low-income households cannot absorb.

First, data suggests that general residential lighting and rebate programs do not reach low income individuals, which makes the attribution of savings from those programs to the low income sector questionable. As explained at the 2013 International Energy Program Evaluation Conference, "lighting program [savings] estimates are plagued by uncertainty. ... Existing evaluation methods are expensive, questionable in terms of their validity, and produce results that are unpredictable."[10] Essentially, EDCs are allowed to attribute an estimate of an already estimated savings program (an upstream lighting program), thereby producing a percentage of savings for attribution that is both questionable and unverifiable.

[10] Tami Buhr & Stan Mertz, *The Revenue Neutral Sales Model: A New Approach to Estimating Lighting Program Free Ridership*, presented at The 2013 International Energy Program Evaluation Conference, *available at* http://www.opiniondynamics.com/wp-content/uploads/2013/08/The-Revenue-Neutral-Sales-Model-A-New-Approach-to-Estimating-Lighting-Program-Free-Ridership1.pdf.

Looking to the 2013 Statewide Residential Baseline Study, we further see how the attribution harms the effectiveness of Act 129 programs in reaching low income customers, as it fails to incentivize the development of targeted programs to serve this unique population after the basic lighting and rebate programs reach saturation. Low income homes have far fewer sockets to fill with alternative light bulbs, so saturation is reached well before saturation of the general residential market. The same is true of appliance rebates and hard building measures, perhaps even to a greater extent than lighting, because the upfront costs are an insurmountable barrier for most in the low-income population. And, the low income population are less likely to own their home and, as a result, are less likely than homeowners to purchase appliances or hard building measures, which require landlord approval as well as capital to invest in such improvements.[11]

Low income renters and homeowners alike do not have expendable income to devote to energy efficiency beyond simple, low-cost lighting. This is seen in the disparity between low income participation in general residential lighting programs versus rebate programs for higher cost equipment rebates.[12] As the level of low income saturation for rebate and lighting programs grows, there will be a tremendous drop-off in participation of low income households in any general residential programs, thereby substantially impacting the savings attributable to the low income sector.[13] When participation of low income households reaches full saturation, there must

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[11] "Only 46% of households with income below 200% of poverty own their homes, compared to 67% of all households. … 50% [of low-income households] rent their homes, compared to 31 percent overall." Nat'l Residential Energy Efficiency Program, Energy Programs Consortium, *Bringing Residential Energy Efficiency to Scale*, at 5 (2009).

[12] Statewide Evaluation Team, *Presentation at Annual Stakeholder Meeting: 2013 Statewide Residential Baseline Study*, at slide 33-34 (July 10, 2014) (comparing participation of low-income vs. non low-income and renters vs. nonrenters).

[13] Market saturation is a basic concept in business. Once saturated, markets often must shift to service-based models for the business to continue to thrive. The same is true in for energy efficiency programs. Now that energy efficiency programs have neared saturation for low-income participation in lighting and rebate programs, energy efficiency programs serving the low income sector must look to hard, service-based measures to continue achieving energy savings for this class.

be other fully implemented programs for low income individuals to pick up the slack in lost savings.

Attributed savings are further problematic because households at or below 150% do not have the financial resources available to invest in the energy efficiency measures which are part of the general residential Act 129 portfolio. Each of the Pennsylvania energy assistance programs directed to low-income households[14] (renters and homeowners alike) appropriately charge no fees to the participating household to access energy efficiency measures. It is difficult to conceive that an informed low-income household would knowingly pay for a measure in a general residential Act 129 program which would also be available to that household at no charge within the low-income sector program. To the extent that a household does apply its limited financial resources to participate in general residential programs and pays for the measures, they are diverting funds needed for other basic necessities, including the payment of basic utility service. Each Pennsylvania low-income energy efficiency and conservation program, including those required by Act 129, recognizes that these households are struggling monthly to meet their basic and essential living expenses and require full and complete subsidization of energy efficiency measures. Thus, CAUSE-PA urges the Commission to require that Phase III low income savings targets be met exclusively through verifiable low income household participation in programs operated within the low-income sector.

To the extent that the Commission continues to permit any level of energy savings derived from the general residential or multifamily sector to be attributable to the low-income sector in Phase III, CAUSE-PA submits that the Commission should require that, at a minimum,

[14] LIURP, Act 129 low-income sector programs, the Weatherization Assistance Program, and the LIHEAP Crisis Interface Program.

4.5% of the low-income energy savings only be derived from low-income programs, and that the additional energy savings necessary to achieve the full proportional percentage of total consumption (approximately 7.84 to 9.51%) may be achieved through other programs.

c. Continue to require that low-income programs serve populations with an income that is at or below 150% of FPIG.

CAUSE-PA continues to assert that the low-income programs should continue to target the most vulnerable of the low-income population, which continues to be individuals who are at or below 150% of FPIG. CAUSE-PA readily acknowledges that households within 151-250% FPIG are often faced with difficult economic conditions and are often not financially equipped to pay for needed and important energy efficiency services. We are sympathetic to their needs, and have in the past suggested ways that the Commission could address those needs. However, our position that the low-income carve out continue to be directed to households with income at or below 150% FPIG is based on the following:

- The statute, 66 Pa. C.S. § 2806.1(b)(1)(i)(G) specifically designates that the low-income sector EE&C programs are to be directed to households with income at or below 150% FPIG.
- The needs of the statutorily targeted group of households (150% FPIG or below) are great, and have not yet been fully addressed. The current low income population (150% FPIG or below) comprises of over 1.2 million EDC heating and non-heating households, but the combined efforts of both Act 129 low income programs and LIURP weatherization programs have not yet been able to achieve satisfactory energy efficiency reduction to these targeted households. The

termination rate of this population also remains high when compared to the rest of the residential population: In 2013, the overall termination rate was 4.5% for the residential class, compared to 16.1% for confirmed low-income households (at or below 150% FPIG).[15]

- Households with income at or below 150% of FPIG, who are payment troubled, may enroll in a Customer Assistance Program (CAP). These CAP participants bear a unique burden to maintain energy usage at reduced levels to avoid being removed from CAP and to prevent using an amount of energy that would exceed the maximum energy credits, causing the household to pay full tariff rates.

CAUSE-PA is concerned that, as a practical matter, expansion of the carve-out will hinder effective coordination with existing Universal Services and energy efficiency / weatherization programs – both within and outside of the Commission's jurisdiction. For these reasons, we believe that – in Phase III – the low income carve-out should continue to be set at 150% or below FPIG.

d. Require EDCs to create specific programs within its portfolio of programs for low income customers to address *de facto* heating.

Act 129 provides significant flexibility to both the Commission and to EDCs in the manner in which cost effective energy savings may be achieved, while at the same time enabling the Commission to focus on finding solutions for significant challenges which are not currently and cannot adequately be addressed through other low-income energy efficiency programs, such as the Weatherization Assistance Program and LIURP. CAUSE-PA respectfully suggests that the

[15] Pa PUC, *Report on 2013 Universal Service Programs and Collections Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies*, at 9 (2013), http://www.puc.state.pa.us/General/publications_reports/pdf/EDC_NGDC_UniServ_Rpt2013.pdf.

Commission take this opportunity, during the planning stage for Act 129 Phase III implementation, to consider methods of addressing some of these challenges which are complementary, but not duplicative of currently existing programs. For example, incentives should be provided to EDC's and customers to enable, through repair or replacement, the reduction in the utilization of *de facto* electric heating, such as electric space heaters, with a more efficient central heating system. Likewise, the Commission should provide directives in its Phase III Order for EDCs to adopt a coordinated, cross-sector affordable multifamily housing program capable of reaching this classically underserved population

De facto electric space heating is one area of significant concern which is not currently being adequately addressed. The term *"de facto* heating" is used to describe when customers use portable space heaters as their primary heating source because they do not have use of their central heating system. The situation most often occurs when the customer's central heating system is broken and in need of repair, or when the delivery of natural gas or other non-utility delivered heating fuel, such as fuel oil, wood or coal has been terminated or depleted. Using portable space heaters for whole-house heating is a potentially unaffordable and unsafe alternate central heating source. The number of customers doing so has risen dramatically over the past several years.[16] In the aggregate, d*e facto* electric space heating is a source of significant energy inefficiency. Addressing the reduction of *de facto* heating provides the Commission and EDCs a path to achieve energy usage reductions, ratepayer cost reductions and safer living conditions.

The essential problem presented is that *de facto* heating most generally occurs within low-income households that are unable to pay for furnace repair or replacement, oil delivery, or

[16] On November 13, 2014, PECO informed its Universal Services Advisory Committee that "The number of De-Facto heating accounts increased significantly in 2010. That number has continued to rise." Fn, slide 14. The same slide indicated that PECO had 380 de facto accounts in program year 2002, and in program year 2013 the number of de facto accounts had climbed to 1,026.

restoration of natural gas service. For these low-income households the use of electric space heating is often the last and only remaining alternative to freezing during the winter. In the short term, purchasing space heaters is significantly cheaper than furnace repair or replacement, the cost of a minimum delivery amount of fuel oil, or being able to pay a past due balance, or a deposit and reconnection fee to a Natural Gas Distribution Company (NGDC.) However, in the long term, the direct and indirect cost to that household and to other ratepayers becomes expensive. Space heaters are inefficient, sometimes unsafe, and quite costly to operate. Users of electric space heating are generally paying a more expensive non-heating electric rate than consumers using a central heating system. Furthermore, if that household participates in a CAP, their maximum CAP credit level is set at a lower level than if they were designated as a heating customer; leading to depletion of CAP credits and potential removal from CAP rates. The resulting full tariff rates create an unaffordable energy burden requiring additional subsidization by other rate payers. Ultimately, once April arrives and the moratorium has ended, service termination will be more likely.

CAUSE-PA recommends that in Phase Three the Commission direct each EDC to develop innovative pilot programs within each of its EE&C plans directed to the reduction of the utilization of inefficient space heating and the replacement with more efficient alternatives. We note and appreciate that this important issue of growing concern has received recent EDC attention. PECO has recently initiated a time and size limited de facto pilot of less than 6 months duration for 100 of its de facto customers with the use of its DSP funds; and PPL indicated, at its most recent Act 129 Stakeholder meeting, on November 19, 2014, that it is considering addressing de facto heating in its Phase III Plan, These initiatives are welcome, however, it has been more than five years since the Commission's Universal Service Coordination Working

Group[17] noted its the growing concern regarding de facto heating and recommended that it be addressed. CAUSE-PA submits that it is now time for the Commission to require each EDC to address de facto heating in its Phase III plan. It is further submitted that each EDC should coordinate its efforts to reduce de facto energy usage with its LIURP program, Weatherization Assistance Programs, the LIHEAP/ DCED Crisis intervention program, and each natural gas distribution company within its service territory. De facto space heating is not simply inefficient; it is dangerous and potentially life-threatening for the households which employ it, and for their neighbors. The Commission should act now to reverse the trend of increasing dependence on de facto space heating and require that it be significantly addressed as part of an EDC Phase III plan.

III. Carve-Out for the Government, Educational, and Non-Profit Sector

a. The Government, Educational, and Non-Profit Sector Carve-Out is mandated by statute and should continue. CAUSE-PA supports the direction provided by the Commission to include Multi-Family Affordable Housing within this sector.

CAUSE-PA commends the Commission for recognizing in its final Phase II implementation Order that multifamily housing has been underserved and for encouraging Pennsylvania utilities to recognize the available potential for energy savings in multifamily housing.[18] Moreover, we applaud the Commission's decision to allow utilities to count energy savings achieved through low-income multifamily programs against the Government, Educational, Nonprofit requirement.

[17]Report filed November 18, 2009, at Docket No. M-2009-2107153.

[18] Pennsylvania Public Utility Commission, Act 129 Implementation Order, Docket No. M-2012-2289411 (issued August 2, 2012) at p.49.

Multifamily housing energy efficiency programs are undoubtedly challenging to effectively design and administer. But including this subset of housing is critical, particularly for low income households, as they are more likely to reside in a multifamily home. According to a study by ACEEE, multifamily housing nationwide has the potential to yield $3.4 billion in energy savings. Multifamily programs should be pursued, as the sector represents an essential component to a utility's overall portfolio of energy efficiency programs. In particular, the attribution of proportional savings, in excess of the required 4.5% savings to the low income sector from multifamily programs, should be aggressively pursued. Energy savings that benefit non-low income multifamily units and multifamily building owners fall respectively within the residential, nonprofit and government, or commercial and industrial sectors, and should be attributed to those sectors accordingly.

Energy efficiency improvements in affordable multifamily residential buildings will supplement the benefits which are provided directly to low-income ratepayers (which should continue through existing low-income utility programs) and otherwise benefit low-income residents through reduced utility costs, increased affordable housing, and benefits to health and safety In properties where owners pay the utility bill, energy efficiency improvements will lower operating costs, reducing the need for owners to raise rents. All Pennsylvania taxpayers will benefit through reduced demand on the state's energy system and increased economic output.

As a result of positive encouragement by the Commission in Phase II, several Pennsylvania utilities included new or improved multifamily programs in their 2013-2015 EE&C plans filed with the Commission.

- PECO created the Smart Multi-Family Solutions program designed for retrofit and replacement projects in both master-metered common areas and individually-metered units of multifamily facilities. Doing so created a single program to addresses both residential and commercial meters which was intended to simplify the process owners must go through to access energy efficiency incentives for an entire multifamily building.[19]
- Duquesne Light similarly created a simplified, one-stop-shop for owners of low-income multifamily properties seeking energy efficiency services. Its Multifamily Housing Retrofit Program provides energy efficiency audits and financial incentives, assistance to owners in evaluating potential measures and soliciting contractors, and support for owners in integrating funding from non-utility sources.[20]
- PPL Electric created a Master Metered Low-Income Multifamily Housing Program. The program provides direct installation, financial incentives, and rebates for electricity efficient improvements in low-income multifamily buildings. The program offers higher incentives than typically offered through other utility programs in order to best engage building owners with limited available capital.[21]

These are positive first steps. However, more is needed. CAUSE-PA recommends separate attribution of savings and supports the creation of a cross-sector multifamily housing energy efficiency program. We join with the comments of The Energy Efficiency for All Coalition – comprised of KEEA, PULP, ACTION Housing, Regional Housing Legal Services,

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[19] Nat'l Housing Trust et al., *Partnering for Success: An Action Guide for Advancing Utility Energy Efficiency Funding for Multifamily Rental Housing*, at 27 (March 2013), http://www.nhtinc.org/downloads/partnering-for-success-action-guide.pdf.

[20] *Id.* at 27; see also PECO, PECO Program Years 2013-2015 Act 129 – Revised Phase II Energy Efficiency and Conservation Plan, PA PUC Docket No. M-2012-2289411 (January 24, 2013).

[21] *Id.* at 27; *see also* PPL Electric Utilities, Energy Efficiency and Conservation Plan, PA PUC Docket No. M-2012-2289411

the National Housing Trust, and the National Resource Defense Counsel – in submitting that a comprehensive, cross-sector multifamily housing energy efficiency program is only possible if it is coordinated in delivery, yet verifiable in terms of attributed savings. We suggest the Commission consider the following approaches Phase III:

b. Encourage Pennsylvania Utilities to do more to assist owners of low-income multifamily housing in accessing resources for energy efficiency upgrades by creating a "one-stop" shop.

Owners of multifamily properties often must apply separately to a utility's residential and commercial programs, as a building could have a mix of master meters (requiring participation in the commercial utility program) and individual tenant meters (requiring participation in the residential utility program. Further, an electric utility's program might address lighting and appliances, but may do nothing to address inefficient heating plant or the building envelope. A gas utility's program would not, by definition, address lighting and plug loads, thus forcing the owner of a building to apply to two separate companies to address the whole building. As a result of these and other barriers, most owners of multifamily housing find it extremely difficult to access utility energy efficiency programs.

If utilities revised their programs so that multifamily owners could achieve true one-stop shopping and obtain services that address the full range of efficiency needs, more multifamily buildings would be weatherized and low income ratepayers would secure additional energy savings.

A report authored by ACEEE and Elevate Energy identified the creation of a one-stop shopping experience as a best-in-class element for multifamily efficiency programs. According to the report "several successful multifamily programs provide customers with a one-stop-shop experience that promotes concierge-style service to lead customers through every element of the audit and retrofit process. The approach increases the number of customers that complete the retrofit process and receive incentives." Arizona's Public Service program for multifamily housing uses such a one-stop delivery mechanism,[22] as does a California Program called the Ratepayer Integrated On-Bill Payment Program (RIOPP),[23] and the Energy Savers program, a Chicago-based energy efficiency program for owners of multifamily buildings run in partnership by Elevate Energy and the Community Investment Corporation.[24]

c. Encourage Pennsylvania utilities to do more to identify workable financing mechanisms for utilities and owners of low-income multifamily housing that are not related to on-bill financing.

Owners of low-income multifamily housing are unlikely to have access to significant upfront capital to make energy efficient upgrades. Energy efficiency programs that limit the need for upfront capital from the owner are more likely to succeed in this sector. In addition, a second reason the multifamily market is difficult to serve is because of the split incentive barrier. When utility payments are divided between the building owner and the tenants, the benefits of energy savings are also split. When individual apartments are separately metered, residents benefit from the savings that result from energy efficiency investments that the owner paid for with capital improvements. This reduces the incentive of building owners to make such investments.

These challenges can be addressed in a number of ways, including loans from public sector institutions that do not and should not include on-bill financing. For example, the Pennsylvania Housing Finance Agency (PHFA) and Community Development Financial

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[22] *See* Elevate Energy & ACEEE Report, *Multifamily Technical Assistance Report: Arizona Public Service Multifamily Energy Efficiency*, at 4 (Nov. 2014)
[23] *See* Jack Markowski, Anne Evens & Matt Schwartz, Volume 10 Community Investment Review, Issue 1, 2014.
[24] *Id.*

institutions can make bridge loans to owners of multifamily affordable housing to cover the cost of energy efficiency upgrades. These loans would be repaid by utility rebates and other incentives. This approach would require utilities to provide documentation that the incentives will be available if the owners install the energy efficiency measures.

d. Look to other states for guidance on how to include affordable multifamily properties in their Act 129 portfolios:

MINNESOTA

In Minnesota, the Division of Energy Resources (DER) is the state agency responsible for overseeing utility programs to ensure that ratepayer dollars are used effectively and energy savings are reported as accurately as possible. The DER facilitated the eligibility of multifamily buildings for energy efficiency funding by providing guidance clarifying the process of designating buildings with five or more units as low income.[25] The DER determined that meeting any one of the following features would qualify a multifamily building as low income:

- An appearance on the U.S. Department of Energy's Weatherization Assistance Program (WAP) list of eligible buildings
- Designated as a Low Income Renter Certification (LIRC) property based on MN Housing's data on the number of low-income units in a building
- Use restriction contracts that specify a certain percent of units within a development are rented to tenants with annual income 60% or less of AMI

MARYLAND

In Maryland, master-metered multifamily buildings were ineligible for funding through low-income energy efficiency programs. When the PSC began evaluating the proposed merger of Exelon Corporation and Constellation Energy Group, it decided that as a condition of

[25] *See* Minnesota Department of Commerce Division of Energy Resources, *CIP Program Recommendations: Meaning of Low-Income in CIP Programming* (May 7, 2012).

approval of the merger, Exelon would be required to capitalize a $113 million Customer Investment Fund (CIF) to benefit ratepayers of Constellation's subsidiary, Baltimore Gas & Electric (BG&E), through investments in energy efficiency and utility payment assistance. In March 2012, the PSC invited specific proposals for how the funding should be distributed. On November 8, 2012, the PUC issued its final ruling on the allocation of CIF funds providing an additional $9 million for energy efficiency improvements in multifamily affordable housing including master-metered properties.[26]

RHODE ISLAND

Multifamily stakeholders faced barriers when trying to access comprehensive energy efficiency services. Multifamily buildings could qualify for energy incentives under various National Grid residential and commercial programs depending on the mix of meters at the property and the type of efficiency improvements needed. To rectify this, National Grid proposed a new and improved process for serving multifamily housing that includes a single point-of-contact for property owners and better coordination among the various energy efficiency programs that provide incentives for multifamily housing. They hired a Multifamily Program Manager to help customers understand and apply for all eligible incentives, so as to comprehensively address efficiency improvements for living spaces, common areas, and exterior lighting. Available incentives include building shell measures such as air sealing and insulation, heating and domestic hot water, cooling, lighting, and appliances. The program offers no-cost

[26] Nat'l Housing Trust et al., *Partnering for Success: An Action Guide for Advancing Utility Efficiency Funding for Multifamily Rental Housing*, at 34 (March 2013), http://www.nhtinc.org/downloads/partnering-for-success-action-guide.pdf.

services and measures for low income multifamily buildings, defined as housing owned by public housing authorities or that receive state or federal government subsidies.[27]

IV. Adjust the Total Resource Cost Test to Account for Non-Energy Savings

As a practical matter, low income energy efficiency measures that are capable of producing meaningful savings will always cost more, as low income individuals are unable to contribute to the cost of the measures. Low income families simply do not have the financial resources necessary to purchase large appliances, new windows, or other hard measures. But we have reached a point in energy efficiency programming that lower-cost, consumable measures – such as light bulbs and power-strips – are nearing exhaustion for low income households, which have fewer light sockets and electric outlets than other residential customers. So, to continue to make progress in reducing energy consumption of low income individuals and families, it is critical that EDCs begin to shift their efforts to deeper, more costly measures.

To further the move toward the inclusion of meaningful energy efficiency programs for low income populations in Phase III, CAUSE-PA recommends that the Commission reconsider its decision in Phase II to reject inclusion of quantifiable non-energy benefits in the Total Resource Cost test.[28] CAUSE-PA recognizes that part of the Commission's rationale for rejecting the inclusion of non-energy benefits in Phase II was based on statutory language limiting the TRC to "avoided monetary costs of supplying electricity." However, we assert that many of the non-energy savings in the low-income population do amount to "avoided monetary costs" associated with supplying electricity to this population. For example, the reduction in energy usage as a result of energy efficiency measures decreases the overall cost of providing universal services through programs such as utility-run Customer Assistance Programs (CAP)

[27] *Id.* at 37.
[28] *2012 PA Total Resource Cost (TRC) Test*, Order, at 5-9, PUC Docket No. M-2012-2300653 (Aug. 30, 2012).

and the federal Low Income Heating Assistance Program (LIHEAP). The demand for generation, transmission, and distribution also decreases when energy efficiency measures are adopted, which would undeniably reduce the cost of supplying energy.

If Pennsylvania were to adopt certain quantifiable non-energy benefits into its TRC, it would join the ranks of many other states which have already adopted such factors: Maine, Vermont, New Hampshire, Massachusetts, Rhode Island, Connecticut, New York, Delaware, Maryland, Illinois, Colorado, Wyoming, Montana, Utah, New Mexico, Idaho, Oregon, Washington, and California.[29] These states have adopted a broad range of cost/benefit tests to achieve for their states a more accurate accounting method for calculating the costs and benefits of particular energy efficiency programs and projects. And, as a result, have been able to make additional progress in providing meaningful savings to low-income customers. For example, Colorado and New Mexico both use a low income benefit multiplier of 1.25 for low income programs to account for the reduction in the cost of serving that population.[30] Missouri and California the concept a step further and exempt low income programs from the states' respective cost tests.[31]

CAUSE-PA urges the Commission to consider adopting a quantifiable non-energy benefit assessment in its TRC for Phase III. Doing so would allow Pennsylvania to take the next

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[29] Lisa Skumatz, SERA, Webinar Presentation: States with NEBS Considered in C/E Tests (Dec. 2014) (used with permission from author, on file with PULP); see also Nat'l Efficiency Screening Project, Nat'l Home Performance Council, *The Resource Value Framework: Reforming Energy Efficiency Cost-Effectiveness Screening* (Aug. 16, 2014); Jenniger Thorne Amann, ACEEE, *Valuation of Non-Energy Benefits to Determine Cost-Effectiveness of Whole-House Retrofits Programs: A Literature Review* (May 2006), https://www.aceee.org/files/pdf/conferences/workshop/valuation/A061.pdf.
[30] H. Gil Peach, The TRC and Low Income, NV Energy DSM Collaborative (May, 2012) (on file with PULP); see also In re Application of Public Service Company of CO for Approval of a Number of Strategic Issues Relating to its DSM Plan, Order, CO PUC Docket No. 10A-554EG (March 2011).
[31] MO Rev. Stat. § 393.1075; CA Public Utility Commission, CA Standard Practice Manual: Economic Analysis of Demand-Side Programs and Projects (Oct. 2001).

step in energy efficiency planning and program administration to help reduce the cost to all residential customers – regardless of their income level.

V. Require a Higher Level of Coordination

Act 129 specifically requires, the "electric distribution company shall coordinate measures under this clause with other programs administered by the Commission or another federal or state agency."[32] CAUSE-PA submits that there is significant opportunity to achieve greater energy savings through deeper, more comprehensive whole home treatments through enhanced coordination activities that may be undertaken by an EDC. Coordination may be achieved on a number of levels and should be distinguished from simple collaboration.

Households in the low-income group may have overlapping eligibility, to some degree, with a select group of LIURP recipients. Eligibility may also overlap with DCED's Weatherization Assistance Program (WAP) and LIHEAP Crisis Interface Program recipients. In order to leverage and maximize the benefits of income eligibility overlap, the Commission could consider directing that EDCs coordinate, wherever possible, the provision of EE&C measures with these other programs. Coordination by EDC's will enable individual low-income households to receive deeper, more comprehensive measures which may have been otherwise unavailable through a single program or entity. It will also enhance efficiency in service delivery for both energy efficiency provider as well as the household.

EDCs may well use the same community based organizations (CBOs) or other entity to deliver efficiency services for their LIURP and Act 129 programs. These same organizations may also provide services for the DCED weatherization assistance program. This can enable a closer level of coordination so that a single audit is performed rather than multiple audits. From

[32] 66 Pa. C.S. § 2806.1(b)(1)(I)(G).

the perspective of a low-income household this degree of coordination will reduce the fatigue associated with multiple audits and multiple home visits from the CBO. For example, if a CBO or other energy efficiency service provider is in the home of a low-income household for an energy efficiency audit and sees measures that could be funded through an NGDC or EDC's LIURP, Act 129 program, or through WAP, the contractor should be required to make a referral back to the utility for approval to install appropriate remedial measures.

The joint and collaborative efforts of the PUC, DHS, and DCED, the state agencies which administer and provide oversight of the various low-income energy efficiency, conservation and weatherization programs, would further this effort significantly. In its 2009 Report, the Commission's Universal Service Coordination Working Group developed protocols for coordination of services within the low-income category. The Working Group made a number of recommendations to the Commission regarding better and more effective coordination.[33] CAUSE-PA recommends that in Phase III, the Commission reconvene its Universal Service Coordination Working Group with invitations extended to DCED and DHS to develop a joint plan aimed toward reducing administrative barriers and emphasizing the efficient coordination of energy efficiency services and measures. Where appropriate, existing policies and protocols could be modified or expanded.

VI. CONCLUSION

CAUSE-PA thanks the Commission for the opportunity to provide comments on this important issue. We believe that in Phase III, Act 129 programs have the potential to make a

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[33] Among the recommendations were the Joint Delivery of Low Income Usage Reduction Program (LIURP), Act 129, Weatherization Assistance Program (WAP); Communications and Coordination; Websites; and Single Source of Information and Eligibility Screening.

meaningful impact on energy usage, thereby reducing the energy burden and increasing the quality of life of low income households across the Commonwealth. We urge the Commission to adopt the recommendations we presented throughout the above comments, and look forward to presenting further comment to the Commission in response to its forthcoming Tentative Order.

Respectfully submitted,

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