

**PENNSYLVANIA UTILITY LAW PROJECT**

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**December 8, 2015**

**VIA ELECTRONIC FILING (E-FILING)**

Secretary Rosemary Chiavetta  
Pennsylvania Public Utility Commission  
P.O. Box 3265  
Harrisburg, PA 17105-3265

**RE: Petition of Philadelphia Gas Works for :  
Approval of Demand-Side Management :  
Plan for FY 2016-2020, and Philadelphia : P-2014-2459362  
Gas Works Universal Service and Energy :  
Conservation Plan for 2014-2016, 52 Pa.Code :  
§ 62.4 – Request for Waivers :**

Dear Secretary Chiavetta:

Please accept for filing, on behalf of CAUSE-PA, the Reply Brief and Certificate of Service in the above referenced proceeding.

Please feel free to contact me directly should you have any questions.

Very truly yours,



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Enclosure

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**Petition of Philadelphia Gas Works for** :  
**Approval of Demand Side Management Plan for** :  
**FY 2016-2020** :  
 :  
**&** :  
 : **Docket No. P-2014-2459362**  
**Philadelphia Gas Works Universal Service** :  
**and Energy Conservation Plan for 2014-2016** :  
**52 Pa. Code §62.4 – Request for Waivers** :  
 :

**REPLY BRIEF OF  
THE COALITION FOR AFFORDABLE UTILITY SERVICES AND  
ENERGY EFFICIENCY IN PENNSYLVANIA (“CAUSE-PA”)**

**PENNSYLVANIA UTILITY LAW PROJECT**

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**December 8, 2015**

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## **I. INTRODUCTION AND STATEMENT OF THE CASE**

Before the Pennsylvania Public Utility Commission (“Commission”) are the Petitions of Philadelphia Gas Works (PGW) for Approval of PGW’s Demand-Side Management (DSM) Plan (DSM Plan or Plan) for FY 2016-2020 and its Universal Service and Energy Conservation Plan (USECP) for 2014-2016 52 Pa. Code Sec. 62.4 – Request for Waivers (together, “Petition”).

On November 19, 2015, the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania (CAUSE-PA) submitted its Main Brief. Main Briefs were also submitted by PGW, the Office of Consumer Advocate (OCA), the Office of Small Business Advocate (OSBA), the Public Utility Commission’s Bureau of Investigation and Enforcement (I&E), the Philadelphia Industrial and Commercial Gas Users Group (PICGUG), and the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (collectively “TURN”). CAUSE-PA now files this Reply Brief in response to the Main Briefs of PGW, I&E, OCA, and the OSBA.

The Commission should not permit PGW to reduce the current level of funding for its LIURP – titled the PGW CRP Home Comfort Program -- or waive or exempt PGW from the LIURP regulatory requirements set forth at 52 Pa. Code § 58. Neither PGW nor any of the other parties raises any argument in their Main Brief to justify or support this reduction. Additionally, PGW’s advances no argument supporting its indefinite, contingent, and undeveloped proposal for an on-bill repayment program. In addition, OSBA incorrectly asserts that PGW’s LIURP program has been ineffective, and both the OCA and I&E misinterpret the intent and realities of PGW’s proposed low-income multifamily program.

In all, nothing in any of the Main Briefs effectively counters the arguments advanced by CAUSE-PA and TURN in this proceeding. CAUSE-PA maintains its position, for the reasons

advanced here and more fully in its Main Brief: PGW must continue to provide essential LIURP programs at current or enhanced funding levels, adhere to regulatory requirements, and refrain from experiments which threaten to erode low income economic security and protections.

## **II. PROCEDURAL HISTORY**

CAUSE-PA incorporates by reference the Procedural History set forth in its Main Brief.

## **III. LEGAL STANDARDS**

CAUSE-PA incorporates by reference the Legal Standards set forth in its Main Brief.

## **IV. CONTINUATION OF DSM PLAN**

In its Main Brief, CAUSE-PA asserted that any approval of PGW's DSM Plan must be contingent upon the Commission (1) requiring, at a minimum, the continued current funding level of CRP Home Comfort and (2) rejecting PGW's proposal to dramatically reduce its funding for the DSM CRP Home Comfort budget, eviscerating its LIURP. This remains CAUSE-PA's position.

In its brief, PGW advanced several scenarios if one or more aspects of its DSM are not approved. Among the scenarios presented is a transition process if PGW discontinues or the Commission orders the discontinuation of non-LIURP DSM programs. (PGW Main Br. at 31.) Under either scenario, PGW asserts that it "would file an amendment to its current Universal Service Plan proposing a budget through December 2016 and requesting an expedited decision." (Id.) CAUSE-PA agrees that if PGW discontinues its DSM program (either on its own or because of a Commission decision) that its LIURP must remain intact. Were this to occur, any change in LIURP budget, program priorities or parameters must be dealt with through a proposed amendment to PGW's currently filed and approved Universal Service and Energy

Conservation Plan (USECP).<sup>1</sup> PGW's USECP was approved by the Commission's Final Order, dated August 22, 2014, and is approved through the end of 2016. Most significantly, however, any alteration of the plan must first be approved by the Commission and, until such approval occurs, PGW is required to operate CRP Home Comfort – and all other aspects of its USECP – under the terms of the current USECP, a plan which funds CRP Home Comfort at \$7.6 million annually consistent with PGW's projected budget and needs assessment.

## **V. PROPOSED NON-LIURP PROGRAMS**

### **A. Summary of Briefing Party's Position**

In its main brief, CAUSE-PA opposed PGW's tentative proposal to create a non-specific mechanism for On-Bill Repayment directed to a sector of PGW's vulnerable residential customers. Nothing in PGW's main brief changes CAUSE-PA's opposition. CAUSE-PA continues to take no position on the other non-LIURP programs that have been proposed by PGW and the parties in this proceeding.

### **B. Proposed Non-LIURP Programs**

As in its main brief, CAUSE-PA takes no position on the non-LIURP Programs, including the Residential Equipment Rebates, Efficient Construction Grants, Efficient Building Grants, Commercial Equipment Rebates, or Home Rebates programs.

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<sup>1</sup> See *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, Submitted in Compliance with 52 Pa Code § 62.4*, Final Order, at Docket No. M-2013-2366301 (Aug. 22, 2014). (“PGW USECP 2014-2016 Order”).

**C. Proposed New Pilot Program – Efficient-Fuel Switching**

As in its main brief, CAUSE-PA takes no position on the proposed Efficient-Fuel Switching Pilot.

**D. PGW On-Bill Repayment Program Proposal**

CAUSE-PA continues to oppose PGW’s proposed On Bill Repayment (OBR) for PGW’s residential customers. In its Main Brief, PGW asserts that CAUSE-PA’s and the OCA’s “outright refusal to even consider engaging in a process to develop OBR is unreasonable,” (PGW Br. at 41), and that its objections are “premature, rely on conjecture about how the OBR may be structured.” (*Id.*) Respectfully, what is unreasonable is PGW’s request for the Commission to sanction a proposal that is contingent upon an undesignated level of cost recovery, is without specific requirements or framework, and which may be unilaterally vetoed by PGW for any specified reason. What PGW suggests is that, *if its CAM is approved*, the utility would develop “a working group of stakeholders and industry experts to research and propose an OBR mechanism that would offer PGW customers a simple and accessible financing option for Energy Sense projects.” (PGW St. 2 at 7; CAUSE-PA St. 1 at 20-21). According to PGW, the utility would then implement a final OBR model developed through the discussions of the working group *if* “all critical PGW criteria are met.” (PGW St. 2 at 7:3-9). Significantly, PGW never defines, either in its testimony or its brief, which criteria it considers to be critical and under what circumstances it would utilize its “veto” to not pursue the OBR proposed by the work group.

CAUSE-PA stands by its objections outlined more fully in testimony and its Main Brief. The Commission should not allow PGW to put residential customers at risk through pursuit of an unproven, unjustified endeavor without even a hint at what might be in store. CAUSE-PA and



the OCA provided ample justification through testimony to highlight their respective concerns, and that information is outlined fully in their respective Main Briefs (CAUSE-PA Main Br. at 12-15; OCA Main Br. at 22-28). Nothing in PGW's Main Brief overcomes those concerns. CAUSE-PA stands by its assertion that PGW's OBR proposal should be rejected because it lacks clarity and could create great risks and added costs for customers that far outweigh any potential benefits.<sup>2</sup>

**E. OCA Confirmed Low-Income Outreach Proposal**

Other than the issues raised in its Main Brief, CAUSE-PA takes no position on whether to approve the OCA's proposal for targeted marketing of non-LIURP programming to confirmed low income populations and relies on the arguments advanced in its Main Brief on these issues.

**VI. DSM COST RECOVERY MECHANISMS**

As in its Main Brief, CAUSE-PA takes no position on PGW's mechanisms for recovering DSM costs through a Universal Service Charge and Efficiency Cost Recovery Surcharge.

**VII. PGW PROPOSED TWO NEW COST RECOVERY ELEMENTS FOR ECRS**

**A. Summary of Briefing Party's Position**

CAUSE-PA opposes PGW's request for a conservation adjustment mechanism (CAM) and performance incentives, and concurs with OCA, I&E, and OSBA witnesses who oppose the CAM. Furthermore, CAUSE-PA relies on the arguments outlined in its Main Brief in opposition to PGW's proposed CAM. (CAUSE-PA Main Br. at 15-17).

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<sup>2</sup> Contrary to PGW's implied assertion in its brief, CAUSE-PA has not in any way asserted that it would not continue to actively participate in any aspect of development of PGW's DSM or USECP if the Commission were to adopt PGW's OBR proposal. To be sure, although strongly opposing PGW's OBR proposal, CAUSE-PA will continue to actively participate in whatever Commission process may be developed concerning the parameters of such an OBR program, so as to ensure that its concerns are heard and adequately addressed by PGW and the Commission.

**B. Performance Incentives**

Nothing in PGW’s Main Brief overcomes CAUSE-PA’s position that PGW should not be granted performance incentives for successfully operating its DSM. CAUSE-PA agrees with the testimony of I&E witness Maurer and OCA witness Colton and relies on the arguments outlined in its Main Brief in opposition to PGW’s proposed performance incentives. (CAUSE-PA Main Br. at 17).

**VIII. DSM II BUDGET**

**A. Summary of Briefing Party’s Position**

For the reasons stated more fully in its Main Brief, CAUSE-PA continues to oppose PGW’s proposal to significantly cut funding to CRP Home Comfort, its required LIURP. Maintaining LIURP/CRP Home Comfort<sup>3</sup> funding at or above current budget levels is critical and essential to the approval of PGW’s DSM II budget.

**B. Proposed Budgets (Non-LIURP Programs)**

As in its Main Brief, CAUSE-PA takes no position on PGW’s proposed budgets for its non-LIURP DSM programs.

**C. PGW Proposed Budget for CRP Home Comfort Program (LIURP)**

In its Main Brief, as with its testimony, PGW continues to misrepresent the reality of its CRP Home Comfort Program’s current funding, its own needs assessment, and the proposal advanced by CAUSE-PA. Specifically, PGW erroneously asserts that “CAUSE-PA proposed significant increases to the LIURP budget,” (PGW Main Br. at 60), and that this request “must

be rejected as [it] lack[s] any supporting data and [is] not legally supportable,” (*Id.* at 61). PGW is incorrect as to each of these positions.

First, neither CAUSE-PA nor the OCA proposed to increase CRP Home Comfort, but rather support PGW *maintaining* the current levels of LIURP funding which have been meeting a demonstrated level of need. (CAUSE-PA Main Br. at 9). It was PGW who proposed to gut its current LIURP funding by approximately 75%. PGW made this proposal without any analysis on the impact it would have on its low-income CRP customers, or any demonstration that the needs within its service territory have been reduced. PGW’s argument relies on the idea that only the LIURP funding level it *proposed* in this case is relevant, and that its current level of LIURP service and funding is irrelevant to any future LIURP expenditures. This is simply untrue. LIURP funding cannot be reduced unilaterally.<sup>4</sup>

In the most recent USECP, the Commission approved PGW’s proposed LIURP budget of \$7,600,000 in 2014; \$7,600,000 in 2015; and \$7,600,000 in 2016.<sup>5</sup> Most significantly, PGW’s LIURP budget proposal within the PGW USECP - reviewed and approved by the Commission in August 2014 - are comparable to PGW’s *actual LIURP expenditures* within its DSM. According to PGW’s recent annual DSM reports, the Company spent \$7.898 million on LIURP in 2014 and \$7.538 million in 2013. (OCA ST-2, at 6:21-22). When the Commission in PGW’s USECP reserved the issue of the continued proper funding level of LIURP on a forward going basis,<sup>6</sup> it did so in the context of PGW’s proposal outlined in its USECP filing, as well as the current regulations at Chapter 58 that require funding to remain at the same levels unless there is a

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<sup>4</sup> 52 Pa. Code § 58.4(c) (setting out specific factors for revision of LIURP funding)

<sup>5</sup> PGW USECP 2014-2016 Order at 69.

<sup>6</sup> PGW USECP 2014-2016 Order ¶ 12 at 74.

specific proceeding, with notice to the public and opportunity for review, to reduce the funding levels.<sup>7</sup>

In its Main Brief, PGW takes the position that its LIURP budget was never based on a needs assessment, and that “there is no basis upon which to support a claim that PGW is somehow required to maintain the DSM Phase I settlement budget level for its LIURP.” (PGW Br. at 64.). PGW is incorrect. First, regardless of how its LIURP budget was established, PGW cannot reduce it without following the requirements set forth in 52 Pa. Code § 58.4(c).

Furthermore, as outlined in CAUSE-PA’s Main Brief, PGW acknowledges the significant unmet need for usage reduction among the low-income households within its service territory. In its most recent USECP, PGW told the Commission that as of March 31, 2013, there were 76,151 customers enrolled in CRP. Assuming that all CRP customers are potentially eligible for [LIURP], the estimated number who still need treatment as of March 31, 2013 is 71,625, which is the difference between the number of customers currently enrolled in CRP and the number who received treatment in the prior two years. (OCA ST-2 at 7:11-15).<sup>8</sup>

Second, PGW’s continued attempt to justify its budget as meeting the LIURP regulatory requirements of .02% of jurisdictional revenue is misguided. This is not the correct standard. As outlined in CAUSE-PA’s Main Brief, the Commission recently rejected a similar assertion by UGI Gas in its review of the UGI Gas LIURP budget, and explained that “the 0.2% of ‘jurisdictional revenues’ is a **starting point or floor for LIURP budgets, rather than a ceiling.**”<sup>9</sup> Moreover, section 58.4(a) of the Commission’s regulations provide that any proposal

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<sup>7</sup> 52 Pa. Code § 58.4(a).

<sup>8</sup> PGW’s USECP filing reported that there were in fact 76,151 customers enrolled in CRP, not 71,151. *See* PGW USECP 2014-2016 Order at 6.

<sup>9</sup> *UGI Utilities, Inc.- Gas Division, UGI Utilities, Inc.-Electric Division, UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc., Universal Service and Energy Conservation Plan for 2014-2017 Submitted in Compliance*

to reduce the existing LIURP budget “**shall**” be subject to public notice and input.<sup>10</sup> As discussed at length in CAUSE-PA’s Main Brief, PGW’s current LIURP has a continuing funding level of \$7,600,000, and PGW proposed continuing funding at similar levels in its currently approved USECP. PGW is now attempting to dramatically reduce these funding levels by approximately 75%. For it to do so, it must comply with the LIURP regulations.

More to the point, however, there is a significant and continuing need for low income usage reduction services among PGW’s customers. (OCA St-2 at 7:11-15). PGW has shown no reduction in that need or in the funding requirements that would be needed to appropriately address that need. As such, PGW has not met the requirements to justify a LIURP budget reduction. Furthermore, the Commission has recently recognized that abrupt funding changes in essential universal services cause significant hardship for low-income households:

[W]e find that such immediate cessation of the present funding mechanism, without there being an alternative funding mechanism in place, could negatively impact Columbia’s entire customer base. As CAUSE-PA points out, the Hardship Fund program aids in decreasing terminations and the corresponding uncollectible expenses associated with those terminations. When a utility experiences uncollectible expenses, such costs are ultimately borne by all of the utility’s ratepayers.<sup>11</sup>

While the Commission’s decision in Columbia Gas of Pennsylvania rate case, cited above, dealt with proposed funding changes to Columbia’s hardship fund, the same concerns are valid for PGW’s LIURP proposal. This is precisely the reason why the regulations require any funding change to be based on the factors set forth in § 58.4(c) of the LIURP regulations, factors that are unaddressed by PGW in this proceeding.

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with 52 Pa. Code § 54.74 and § 62.4., Final Order, Docket No. M-2013-2371824, at 69-70 (Jan. 15, 2015) (emphasis added).

<sup>10</sup> 52 Pa. Code § 58.4(a).

<sup>11</sup> Pa. PUC v. Columbia Gas of Pennsylvania, Docket No. R-2015-2468056 (Opinion and Order entered December 3, 2015) at 49 (citing Bolt v. Duquesne Light Co., Docket No. Z-8712758 (Order entered April 8, 1988)).

While not directly questioning the funding level of LIURP, OSBA's Main Brief questions the program's effectiveness by asserting that "massive spending for energy conservation measures for CRP customers over the past 15 years has resulted in virtually no load reduction." (OSBA Main Br. at 17.). In support of this proposition, the OSBA cites to its witness Robert Knecht's testimony which examines CRP customer consumption contrasted with non-CRP-customer consumption. (OSBA Statement No. 3, p. 4.) The OSBA's comparison is ineffectual. OSBA's witness compared the entire residential heating customer base to the CRP population, rather than comparing pre-LIURP household usage with post-LIURP household usage for those households who are eligible for and receive LIURP-related services. When the proper comparison is done, PGW's LIURP evaluations show "with high statistical confidence, that there were substantial energy savings for [LIURP] participants." (PGW St. 3-R at 3.)

More significantly, the positive net benefits of the PGW's LIURP have already been recognized by the Commission.

The Commission recognizes that the cost-benefit analysis methodology has merit. The longer lifespan allows for a whole house approach to a job and the installation of deeper measures on a premise. The Commission has recently supported this approach. *See Act 129 Phase II Implementation Order*, Docket No. M-2012-2289411, at 20. PGW asserts that the trend in weatherization best practices throughout the country is to focus on the whole house treatment for energy efficiency rather than prescriptive measures such as programmable thermostats and pipe insulation. 2013 DSM Annual Report at 7.

PGW's more comprehensive approach, if approved going forward, would also allow homes to receive weatherization treatments that would provide deeper energy savings and have more long term benefits.

According to the information taken from the PGW DSM 2012 and 2013 Annual Reports, in Table 2 below, the ELIRP program is cost-effective in terms of TRC Net Benefits and TRC Benefit-to-Cost Ratio (BCR). 2012 DSM Annual Report at 7; 2013 DSM Annual Report at 7.<sup>12</sup>

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<sup>12</sup> PGW USECP 2014-2016 Order at 50-51.

Furthermore, PGW's LIURP expenditures during Phase I of its DSM are projected to reduce the size of PGW's CRP subsidy by more than \$54 Million (PV in 2014 dollars) over the lifetime of the measures. (Hearing Exh. No. 1 at 1). PGW has described its reduction in the CRP subsidy as a direct impact **realized by all firm customers who fund the CRP – including those about whom the OSBA is concerned.** (CAUSE-PA St. 1 at 9). These continued reductions in the cost of the CRP subsidy through targeted usage reduction programming comports with the goal of a successful low-income conservation and efficiency program: to reduce low-income energy usage in a safe, effective, and efficient manner. Given these real savings – dollar savings to all firm customers, and significant energy savings to LIURP recipients – the OSBA's concerns are misplaced.

For all of the foregoing reasons, and for those set out more fully in its Main Brief, CAUSE-PA submits that the Commission should not permit PGW to reduce its LIURP budget. Without evidence from PGW showing the current funding level is inappropriate to meet the needs of its low-income consumers, the Commission should require the CRP Home Comfort budget to remain at or above \$7.6 million per year for the duration of the DSM II.

#### **IX. CRP HOME COMFORT PROGRAM (LIURP)**

In its Main Brief, I&E opposes PGW's proposed Low-Income Multifamily (LIME) program because it targets savings to both building owners and low-income tenants. (I&E Main Br. at 17). Similarly, the OCA raises concerns about the funding of PGW's LIME. These concerns are misplaced and should not prohibit the adoption of this essential program.

Additionally, for the reasons stated more fully below, nothing in PGW's Main Brief overcomes the concerns raised by CAUSE-PA and the OCA regarding PGW's request for waivers from key Chapter 58 regulations. Those requests should be denied.

Finally, PGW's arguments in its main brief opposing the expansion of LIURP eligibility to include vulnerable *de facto* heating customers and former CRP customers, as well as reestablishing a Restore Now program to include former CRP customers currently without natural gas service, are without merit and should not prevent the initiation and expansion of these programs.

**A. Continuation of CRP Home Comfort as PGW's LIURP within DSM II Portfolio**

CAUSE-PA relies on the arguments made in its Main Brief as to this issue and reiterates simply that it continues to object to any attempt by PGW to circumvent its LIURP responsibilities merely because its LIURP program appears in PGW's DSM II Portfolio as opposed to its USECP. No matter where the issue is considered, PGW's LIURP must remain funded at a level adequate to meet the needs of its low income customers within its service territory. Funding for LIURP must not be arbitrarily established, or used as a bargaining chip in the context of a newly proposed CAM. Rather, LIURP must be appropriately funded based upon a legitimate and periodic needs assessment, as specifically set forth in the Pennsylvania Code.

**B. CRP Home Comfort Program Eligibility Criteria**

As explained more thoroughly below in section IX.D (*De Facto* Heating Proposal) and IX.E (Restore Service Program), *de facto* and former CRP customers are currently ineligible for PGW's LIURP, despite strong evidence that these programs are capable of producing deep savings for low income customers and residential ratepayers alike (CAUSE-PA St. 1, at 15), and could resolve significant public health and safety issues which persist in vulnerable, low-income communities. (CAUSE-PA St. 1, at 19).



### C. PGW Proposed New Low-Income Multifamily (LIME) Program<sup>13</sup>

As explained at length in its Main Brief, CAUSE-PA supports PGW's proposal to initiate a pilot program to serve low-income multifamily properties, subject to the caveats addressed by CAUSE-PA Witness Mitch Miller in his testimony.<sup>14</sup> PGW's proposed LIME will provide energy usage assessments and direct install energy efficiency measures to low-income multifamily properties. (PGW St. 2 at 7).

In their Main Briefs, both the OCA and I&E supported PGW's LIME program for individually-metered, tenant paid utilities. (OCA Main Br. at 75; I&E Main Br. at 17-18.) No other party actively opposed the implementation of LIME for this population. Thus, if the Commission is inclined to limit PGW's LIME program to this group of tenants, it should require PGW to file a new LIME proposal for this group rather than reject LIME in its entirety.

Although I&E and the OCA support a limited LIME program as referenced above, both express concerns about PGW's LIME proposal because it also includes multifamily master-metered properties. For its part, I&E states that the LIME program must be rejected because funding through the universal service charge should be limited only to residential customers. (I&E Main Br. at 17). The OCA shares this concerns and notes that universal service funding is limited to those programs that are designed to, among other things, help residential low-income

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<sup>13</sup> As of the writing of this brief, Friday, December 4, 2015, although negotiations among the parties was ongoing, there continues to be no consensus on these issues. CAUSE-PA makes its arguments here based on the litigation position of the parties. CAUSE-PA stands by its position presented in testimony, in its Main Brief, and in this Reply Brief.

<sup>14</sup> Mr. Mitchell testified:

[A]lthough PGW describes the program as including "comprehensive", and "direct install" cost effective measures, PGW then indicates that it expects the majority of installations will include low cost measures such as low-flow faucet aerators, low-flow shower heads, programmable thermostats, hot water heater turndowns and pipe wrap. (PGW ST 2 at 8:18-30.)

(CAUSE-PA ST 1 at 18:6-9). While CAUSE-PA supports LIME, Mr. Miller recommends that PGW extend the program's reach by providing a greater level of comprehensive measures. (CAUSE-PA ST 1 at 18:10-11).

customers reduce or manage energy consumption in a cost-effective manner. (OCA Main Br. at 77).

While the Commission must be cognizant of these concerns generally, CAUSE-PA submits that PGW is unique among utilities regulated by the PUC in that it recovers universal service program costs from both residential and non-residential ratepayers, whereas all other utilities recover these costs only from residential ratepayers.<sup>15</sup> In suggesting that PGW implement a LIME program targeting master metered affordable multifamily housing, the Commission recognized this very fact:

The Commission has recently recognized that low-income multifamily housing is often underserved and is excluded from traditional LIURP program eligibility if it is master-metered and classified as commercial. . . . Often, individually metered multifamily premises do not meet the usage thresholds for LIURP eligibility either. PGW is in the unique position of recovering funding for the ELIRP program, in part, through non-residential ratepayers. All other utility companies with LIURP programs recover funding solely through their residential ratepayers. Currently, twenty percent (20%) of PGW's ELIRP funding comes from the commercial sector. . . .

The Commission agrees with the parties who raised the issue that PGW has not addressed the low-income multifamily housing stock in its ELIRP program design. Accordingly, we direct PGW, to the extent that the ELIRP program continues beyond August 2015, either as part of the DSM or as part of the USECP, to develop a program and designate a portion of the ELIRP budget to specifically serve low-income multifamily properties. The Commission recognizes that this could significantly impact the overall program cost-effectiveness but notes that commercial ratepayers, which include many multifamily accounts, have been supporting ELIRP and other PGW weatherization programs for years without receiving any direct benefits.<sup>16</sup>

Given this reality, CAUSE-PA submits that in the context of PGW and its unique universal service funding mechanism, the concerns of the OCA and I&E are misplaced.

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<sup>15</sup> PGW, as a CNGDC, recovers universal service program costs differently from NGDCs, because PGW has no stockholders. The ELIRP and CRP programs are recovered through a surcharge that is assessed in the following manner: residential (75 percent), commercial (20 percent), industrial (2 percent), municipal service (2 percent) and Philadelphia Housing Authority (1 percent). These distributions can change annually.

<sup>16</sup> PGW USECP 2014-2016 Order at 57-58 (internal footnotes and citations omitted).

Thus, the Commission should approve PGW's LIME program subject to the suggested modifications made by CAUSE-PA's witness.

**D. Chapter 58 Waiver Requests**

CAUSE- PA continues to oppose PGW's request for a waiver of Section 58.4(a) and Section 58.10 of the LIURP Regulations. Nothing in PGW's Main Brief advances its argument as to why such waivers are needed, prudent, or acceptable. Chapter 58 clearly sets forth the standard for regulatory waiver or exemption: "[a] covered utility alleging special circumstances may petition the Commission to exempt its required usage reduction program from this chapter."<sup>17</sup> PGW has shown no "special circumstances" warranting waiver of section 58.4 and, thus, failed to provide the necessary basis for the Commission to grant such a waiver.

For the reasons specified in its Main Brief, CAUSE-PA therefore respectfully submits that the Commission must deny PGW's request for a waiver of Sections 58.4(a) and 58.10.

**E. De Facto Electric Heating Proposal**

CAUSE-PA has proposed that PGW take a more active role in addressing *de facto* heating. (CAUSE-PA St. No 1 at 5). *De facto* heating occurs when a low-income customer relies on non-gas heating as a primary source of heating even though the residence is configured to be heated primarily with gas service.<sup>18</sup> Mr. Miller recommends that PGW investigate the possibilities for remediation of *de facto* heating and then provide a report and recommendations

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<sup>17</sup> 52 Pa. Code § 58.18.

<sup>18</sup> PGW's unwillingness to explore *de facto* remediation is confounding, given PGW's concern with loss of distribution revenues posed by DSM activities that reduce demand. Addressing *de facto* heating circumstances through DSM represents an opportunity to increase distribution revenues while improving the use of safe and efficient home heating fuel.

for action to the parties and stakeholders. (CAUSE-PA St. No. 1 at 20). PGW opposes this request.

In its Main Brief, PGW asserts that it should not have to direct its services to “customers of a different utility in order to reduce electricity usage.” (PGW Main Br. at 81.) This argument is hollow. The *de facto* proposal is primarily concerned with the low-income households who are unable to maintain or reconnect their natural gas services and who are reliant on expensive, inefficient, and potentially unsafe *de facto* heating *within the PGW service territory*. (CAUSE-PA St. No. 1 Sur. at 6). The fact that the households to be served by this proposal rely upon PECO’s electric service, or the use of potentially unsafe home heating fuels, does not remove them from PGW’s service territory. To suggest that these households simply turn to PECO for all of their needs, since they remain PECO customers after losing PGW service, callously disregards the efficiency concerns of, and health and safety impacts upon, the families who - but for a gas shut off - would still be eligible for LIURP treatment from PGW.

As addressed more fully in its main brief, contrary to PGW’s view, CAUSE-PA’s proposal does not inappropriately expand the DSM program. Section 58.1 of the Pennsylvania Code states that LIURP programs are intended to reduce residential energy bills and the incidence and risk of customer payment delinquencies. And, in section 58.7(d), utilities are expressly “encouraged to propose pilot programs” to achieve such a result.<sup>19</sup> The programs are also intended to result in improved health, safety, and comfort levels for program recipients. These are purposes that would be fulfilled by *de facto* heating program.

Moreover, as highlighted in CAUSE-PA’s Main Brief, now is the time to address these issues. PECO has committed \$700,000 to begin addressing these issues, and PGW, as part of its

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<sup>19</sup> 52 Pa. Code § 58.4(d).

LIURP programming, has an explicit requirement to coordinate across utilities. Section 58.14 of the LIURP regulations provides that “[c]ustomers of covered gas utilities and covered electric utilities shall have coordinated provision of comprehensive program services.”<sup>20</sup> Similarly, section 58.7 provides that “[a] covered utility shall coordinate program service with existing resources in the community.”<sup>21</sup> PECO’s commitment to deploying additional resources to address *de facto* heating presents a fortuitous and time sensitive opportunity for PGW to investigate the potential for collaboration to address this important issue.<sup>22</sup>

#### **F. Restore Service Program**

PGW’s lone objection to a restore service program is that it does not address how arrears would be paid. (PGW Main Br. at 82.) This is an insufficient objection. These customers are currently without service and are paying nothing to PGW; adding them back to the system, with LIURP prioritization and reenrollment in CRP, would allow the household to have a significantly better chance of maintaining payments. As pointed out in CAUSE-PA’s Main Brief, PGW’s own data shows that there are significant numbers of CRP customers who are terminated solely for non-payment prior to the receipt of LIURP services and who remain shut off during the cold weather season and for years following the termination. (Hearing Exh. No. 1 at 5; CAUSE-PA St. 1, Appendix C). The utility’s data also shows that significant numbers of these customers would have been eligible for LIURP services but for the termination. (Hearing Exh. No. 1 at 6;

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<sup>20</sup> 52 Pa. Code § 58.14(c) (Inter-utility Coordination).

<sup>21</sup> 52 Pa. Code § 58.7.

<sup>22</sup> In addition to the three year commitment to expend \$700,000 per year on a *de facto* heating group, the CAP Rate Design settlement also commits PECO to an annual provision of \$1 Million in additional funds to its LIURP for a three year period. PECO has the discretion to use these additional funds for its *de facto* heating program if PECO determines that there is demand for additional *de facto* heating services and that such additional expenditures can be made within *de facto* heating program requirements. PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4, M-2012-2290911 (Final Order entered July 8, 2015). Pursuant to the settlement, these expanded resources are only scheduled to be available from 2017-2019.

CAUSE-PA St. 1, Appendix C, D). A review of CRP customers who received LIURP services versus those who did not during the period 2011-2014 reveals that CRP customers who received LIURP services are less likely to be shut off for non-payment and more likely to restore service following a shut off. (Hearing Exh. No. 1 at 5-7; CAUSE-PA St. 1, Appendix C, D).

For these reasons, and for the reasons stated more fully in CAUSE-PA's Main Brief, PGW should establish a restore service program for CRP customers without service, but who were eligible for LIURP services prior to service termination. Such a program would address PGW's termination crisis and increase CRP enrollment.

## **X. OTHER ISSUES**

### **A. OSBA Opinion Concerning the Restructure of CRP to Include a Price Signal**

For the reasons stated in CAUSE-PA's Main Brief, the Commission should reject the OSBA's proposal regarding CRP to the extent that it contemplates restructuring CRP to include a price signal.

## **XI. CONCLUSION**

For the reasons stated herein, and more fully in its main brief, CAUSE-PA supports the continuation of PGW's DSM subject to the following conditions:

1. The Commission should deny PGW's proposal to drastically reduce the budget for PGW's mandated LIURP, and establish a budget of at least \$7,600,000 per year;
2. The Commission should deny PGW's request for waivers from Section 58.4(a) and 58.10 of the LIURP regulations;

3. The Commission should deny PGW's request for a conservation adjustment mechanism;
4. The Commission should deny PGW's request for performance incentives; and,
5. The Commission should require PGW to develop a *de facto* electric heating strategy and restore service program to address vulnerable *de facto* heating customers and former PGW CRP customers who are without natural gas service and who can be served by PGW's LIURP.

Respectfully Submitted,  
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Dated: December 8, 2015

**BEFORE THE PENNSYLVANIA PUBLIC UTILITIES COMMISSION**

Petition of Philadelphia Gas Works for :  
Approval of Demand-Side Management :  
Plan for FY 2016-2020, and Philadelphia : P-2014-2459362  
Gas Works Universal Service and Energy :  
Conservation Plan for 2014-2016, 52 Pa.Code :  
§ 62.4 – Request for Waivers :

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served copies of the **Reply Brief of the Coalition for Affordable Utility Service and Energy Efficiency in Pennsylvania** upon the parties of record in the above captioned proceeding in accordance with the requirements of 52 Pa. Code § 1.54 in the manner and upon the persons listed below.

**VIA EMAIL or FIRST CLASS MAIL**

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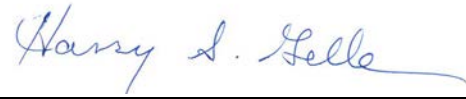
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