



**PULP**

PENNSYLVANIA

UTILITY LAW PROJECT

March 10, 2021

**VIA E-FILE**

The Honorable F. Joseph Brady  
Administrative Law Judge  
Pennsylvania Public Utility Commission  
801 Market Street, Suite 4063  
Philadelphia, PA 19107  
[fbrady@pa.gov](mailto:fbrady@pa.gov)

**Re: Petition of Philadelphia Gas Works for Approval of Demand Side Management Plan for FY 2014-2016, 52 Pa. Code § 62.4 – Request for Waivers**

*Docket No. P-2014-2459362*

Dear Judge Brady,

Attached, please find the **Revised Statement of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania in Support of the Joint Petition for Settlement**, for consideration in the above noted proceeding.

Pursuant to the Commission's Emergency Order issued on March 20, 2020, and as indicated on the attached Certificate of Service, service on the parties was accomplished by email only.

Respectfully submitted,

Elizabeth R. Marx  
*Counsel for CAUSE-PA*

*CC: Secretary Rosemary Chiavetta (via e-File)  
Certificate of Service*

**BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Philadelphia Gas Works for :  
Approval of Demand Side Management, : Docket No. P-2014-2459362  
Plan for FY 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 **Revised Statement in Support of CAUSE-PA** upon the parties of record in the above captioned proceeding in accordance with the requirements of 52 Pa. Code § 1.54, as modified by the Commission’s March 20 Emergency Order, in the manner and upon the persons listed below.

**VIA EMAIL**

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Respectfully Submitted,  
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March 10, 2021

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Petition of Philadelphia Gas Works :  
for Approval of Demand-Side Management : Docket No. P-2014-2459362  
Plan for FY 2016-2020 :

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**REVISED STATEMENT OF THE COALITION FOR AFFORDABLE UTILITY  
SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA IN SUPPORT OF THE  
JOINT PETITION FOR SETTLEMENT**

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The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), a signatory party to the Joint Petition for Settlement (Joint Petition or Settlement), respectfully requests that the Pennsylvania Public Utility Commission (Commission) approve the proposed Settlement in this proceeding without modification or delay. CAUSE-PA asserts that the incremental progress achieved in this Settlement to serve PGW’s low income consumers represents a reasonable level of progress in light of the legal and procedural posture in this proceeding. For the reasons stated more fully below, CAUSE-PA asserts that the terms and conditions of the proposed Settlement are in the public interest and should be approved.

**I. INTRODUCTION**

CAUSE-PA intervened in this proceeding to ensure that low income consumers have equitable access to Philadelphia Gas Works’ (PGW) proposed Demand Side Management programming (DSM), which low income consumers contribute to through rates. (CAUSE-PA St. 1 at 14). While not subject to the energy efficiency and conservation program standards in Act

129,<sup>1</sup> CAUSE-PA nevertheless asserts that PGW’ voluntary, rate-payer supported DSM programs must be just, reasonable, and in the public interest to be approved – and should align with the requirements of Act 129 to provide a proportionate level of efficiency benefits to low income consumers – *irrespective of a utility’s Low Income Usage Reduction Program (LIURP)*. (See CAUSE-PA St. 1 at 16-19)<sup>2</sup>. CAUSE-PA’s expert witness Jim Grevatt explained through testimony that, as originally proposed, PGW’s DSM lacked any programming capable of reaching PGW’s low income consumers, and that substantial amendments to the portfolio were necessary to ensure that low income consumers could access PGW’s proposed DSM programs. (CAUSE-PA St. 1 at 10-11, 18). Without specific low income programming, PGW’s DSM would not be just, reasonable, or in the public interest. (See CAUSE-PA St. 1 at 15).

The proposed Settlement is in the public interest in that it includes a number of provisions that will incrementally improve the availability of energy efficiency and conservation measures to low income consumers through PGW’s voluntary DSM, and sets forth steps to track, review, and improve upon these provisions in potential future phases of PGW’s DSM. While the Settlement does not adopt all of CAUSE-PA’s positions, it is a substantial improvement over PGW’s originally proposed DSM - which did not include any programming designed to specifically reach low income consumers. Importantly, the Settlement will avoid substantial costs to the parties, the Commission, and PGW’s ratepayers to fully litigate the issues in this proceeding – through and including the distinct possibility of appeal. The Settlement will also help ensure that these

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<sup>1</sup> See 66 Pa. C.S. § 2806.1, et seq.

<sup>2</sup> See 66 Pa. C.S. § 1301; 66 Pa. C.S. § 2806.1(b)(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 the households’ share of the total energy usage in the service territory. The electric distribution company shall coordinate measures under this clause with other programs administered by the commission or another Federal or State agency. **The expenditures of an electric distribution company under this clause shall be in addition to expenditures made under 52 Pa. Code Ch. 58** (relating to residential low-income usage reduction programs).”).

incremental improvements will be timely implemented, and creates a path for further improvements in PGW’s DSM programming if there is a subsequent Plan proposed for FY 2024 and beyond. For these reasons, and notwithstanding the fact that CAUSE-PA’s positions were not fully adopted, we assert that the proposed Settlement strikes an appropriate balance of the many interests and should be approved.

## **II. BACKGROUND**

CAUSE-PA adopts the background as set forth in paragraphs 1-10 of the Joint Petition. By way of further background, CAUSE-PA submitted the expert testimony of Mr. Jim Grevatt in this proceeding, analyzing the details of PGW’s proposed Demand Side Management program plan and its alignment with applicable laws and important policy goals and objectives, and providing recommendations for adjustments to address identified issues. (CAUSE-PA St. 1).

Through testimony, Mr. Grevatt explained that PGW serves a substantial number of low income customers who are unable to afford utility service, and are in dire need of energy efficiency measures to help control their usage and, in turn, reduce their monthly electric bills – especially in light of the economic devastation created by the COVID-19 pandemic. (CAUSE-PA St. 1 at 11-13). He explained that PGW’s low income customers pay for the DSM programs through rates, but – as originally proposed – could not reasonably access the measures provided through the program. (CAUSE-PA St. 1 at 14). As Mr. Grevatt noted, PGW’s mandatory Low Income Usage Reduction Program (LIURP) is not a substitute for offering a proportionate level of programming through a DSM that is accessible to low income customers. (CAUSE-PA St. 1 at 17-18)<sup>3</sup>. Mr. Grevatt conducted an analysis of PGW’s portfolio cost assumptions, and

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<sup>3</sup> See 66 Pa. C.S. § 2806.1(b)(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 the households’ share of the total energy usage in the service territory. The electric distribution company shall

concluded that PGW's portfolio could accommodate low income programming at a level consistent with the low income programming required for electric utilities pursuant to Act 129. (CAUSE-PA St. 1 at 20-22).

Mr. Grevatt also critiqued PGW's prescriptive rebate approach, as opposed to a custom program, and explained that this rebate-based approach would detract from the accessibility of PGW's programming for affordable housing providers. (CAUSE-PA St. 1 at 23-25). Finally, Mr. Grevatt raised concerns about PGW's reliance on equipment rebates which entrench reliance on natural gas, as opposed to building shell measures that could improve overall building energy usage regardless of future heating type. (CAUSE-PA St. 1 at 28-29).

### **III. CAUSE-PA SUPPORT FOR THE SETTLEMENT**

The following terms of the Settlement address the issues of concern raised by CAUSE-PA as explained in Mr. Grevatt's testimony, and reflect a balanced compromise of the interests in this proceeding while preserving the parties' scarce resources. As explained in the section above, PGW's originally proposed DSM did not include any dedicated low income programming. The Settlement proposes to address this stark omission by adding a modest level of dedicated low income programming to PGW's DSM, and setting explicit requirements for tracking, reporting, and stakeholder engagement designed to ensure that PGW makes additional

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coordinate measures under this clause with other programs administered by the commission or another Federal or State agency. **The expenditures of an electric distribution company under this clause shall be in addition to expenditures made under 52 Pa. Code Ch. 58 (relating to residential low-income usage reduction programs).**") As Mr. Grevatt explained, LIURP has very specific eligibility criteria, and is only accessible to those with higher than average usage – which excludes many low income families who would could substantially reduce their energy usage – and their bills – through adoption of energy efficiency and conservation measures. (CAUSE-PA St. 1 at 17-18).

incremental improvements to its low income DSM program offerings as part of any future DSM programming.

**Low Income Smart Thermostat Program – Paragraph 13**

Paragraph 13 of the Settlement creates a new, low income smart thermostat offering within its DSM – funded at \$60,000 per program year. (Joint Pet. at para. 13(a) to (c)). The program will run for two years, starting in September 2021 through the end of PGW’s proposed DSM (FY 2022 and 2023). Through this new low income program offering, PGW will provide a free smart thermostat, along with installation assistance and education, to between 300-600 low income PGW consumers. (Pet. at para. 13). PGW will contract with a third-party vendor to administer the program, and provide targeted outreach – including to populations for whom English is not a primary language.

While this offering will not reach a proportionate level of PGW’s income eligible population<sup>4</sup>, it will provide meaningful energy and bill savings for those households who are able to participate. According to PGW’s estimates, smart thermostats can save consumers an estimated 8% on heating usage. (PGW Proposed DSM at 6). At this level of energy savings, the low income thermostat program has the potential to drive appreciable bill savings for low income consumers, many of whom struggle profoundly to afford home energy costs. (See CAUSE-PA St. 1 at 9 (discussing energy insecurity in PGW service territory)). Further, introduction of this incremental improvement in Phase III may also help allow PGW, the Commission, and stakeholders to evaluate the effectiveness of this offering for future phases.

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<sup>4</sup> The program will reach a maximum of 600 customers per program year, which is less than half of one percent of PGW’s 147,014 confirmed low income customers reported in the 2019 Universal Service Report. See Pa. PUC, Report on Universal Service Programs & Collections Performance 2019, at 5.



**Enhanced Low Income Equipment Incentives – Paragraph 17**

In addition to the low income smart thermostat program, paragraph 17 of the Settlement provides for enhanced incentive levels for low income customers to obtain efficient heating equipment measures, including furnaces, boilers, and water heaters. (Joint Pet. at para. 17). There is no specific budget allotted for these enhanced incentives, though participation will be limited to the first 400 low income consumers each year in FY 2022 and 2023. If fully subscribed, the enhanced low income equipment rebates will cost up to \$140,000 per year at the highest incremental incentive level (\$350 x 400 participants) – or up to \$280,000 for FY 2022 and 2023.

Without enhanced incentive levels, PGW’s standard residential equipment rebate program will otherwise be inaccessible to low income consumers. Standard residential efficiency rebate levels are designed to cover only a portion of the incremental cost between a less efficient equipment model and an efficient equipment model, and “rely on customers being able to contribute to the cost of the efficiency measures.” (CAUSE-PA St. 1 at 10). Low income consumers most often lack the discretionary income to afford the upfront cost of basic heating equipment, let alone the incremental cost of purchasing a more efficient model. (Id.)

Pursuant to the Settlement, PGW will cover the full incremental cost for high efficiency residential furnaces, boilers, and tankless water heaters for up to 400 low income consumers in FY 2022 and 2023. While low income consumers will still need to pay for the upfront basic equipment cost, these enhanced incentive levels (between 30% to 100% of the incremental costs, depending on the measure) are an improvement over the general residential incentive levels. Thus, the Settlement will help make efficient heating equipment more affordable to up to 800 low income consumers in PGW’s service territory. While this is only approximately one half of

one percent (0.5%) of PGW's confirmed low income customers, the rebates will help these households to better afford to adopt meaningful energy efficiency measures, which will in turn help them to achieve additional bill savings that they may not otherwise be able to achieve.

Importantly, the Settlement provides that enhanced rebates will be made available to nonprofits and affordable housing agencies that are installing heating or water heating equipment in low income homes. (Joint Pet. at para. 17). Low income consumers most often lack the resources necessary to purchase basic heating equipment on their own. If their furnace or hot water heater breaks, low income households often either go without service for a period of time or turn to social service providers for help. By providing enhanced efficiency rebates to nonprofit and affordable housing agencies that are installing this type of equipment in low income homes, the Settlement will help to leverage scarce resources across the City of Philadelphia to increase the level of efficiency achieved for some of the city's many low income households.

**Reporting and Stakeholder Provisions – Paragraphs 18 & 19**

The Settlement requires PGW to specifically track and report on low income participation rates, and host a collaborative meeting at least three months in advance of filing any future DSM plan to review participation rates and discuss changes to ensure that low income households are able to access the programs. (Joint Pet. at paras. 18-19). This is a critical provision of the Settlement, in that it will allow for check-points to assess whether PGW is successfully reaching low income consumers and will inform the need for additional incremental program reforms to PGW's low income program offerings if it were to propose a Phase IV DSM Plan for FY 2024 and beyond.

### **Proportionality of Low Income Program Offerings in PGW's DSM**

As Mr. Grevatt explained in testimony, between 30.6% and 41.2% of PGW's residential customer class are low income, meaning they have a total gross household income that is at or below 150% of the federal poverty level (FPL). (CAUSE-PA St. 1 at 11). For context, a family of four at 150% FPL has a gross household income of \$39,300, and a family of four at 50% FPL has a gross household income of \$13,100. (CAUSE-PA St. 1 at 12). A full time worker making minimum wage (40 hours/week, \$7.25/hour) has a gross annual income of \$15,080. (Id.)

If fully subscribed, low income efficiency programming included in the Settlement could (at most) provide up to \$200,000 in low income energy efficiency incentives each year in FY 2022 and 2023 – or \$400,000 over the remaining two years of PGW's proposed DSM. This amounts to approximately 5.6% of PGW's overall \$7.1 million proposed DSM budget. (PGW Proposed DSM at 7, T.1, Projected Portfolio Budget by Program).

PGW's low income DSM program offerings will only serve a small fraction of PGW's low income customers, and the level of programming for low income consumers is not proportionate to the number of non-low income customers projected to be served or the amount of energy PGW's low income customers consume. However, in balance, CAUSE-PA believes the amendments to PGW's originally proposed DSM plan included in the Settlement represent reasonable, incremental improvement over the initially proposed plan, and set forth appropriate steps to allow for additional assessment and further reforms in potential future program phases.

### **Other Considerations for Settlement – Paragraphs 21, 22, and 23**

In addition to making substantive improvements to PGW's DSM to provide dedicated programming to low income consumers, the Settlement avoids the potential for protracted

litigation and possible appeal at great expense to all the parties, PGW ratepayers, and the Commission. At the same time, the Settlement explicitly preserves the rights of the parties to further their original positions in future litigation. (Joint Pet. at paras. 21-23). Given the short time between now and the end of PGW's proposed DSM in 2023, and the other factors discussed throughout, we believe that achieving incremental improvements in this proceeding that can be built upon in the next proceeding is a reasonable and prudent course of action that will conserve the scarce resources of the parties, the Commission, and PGW ratepayers.

#### **IV. CONCLUSION**

CAUSE-PA submits that the proposed Settlement, which was achieved by the Joint Petitioners after an investigation of PGW's filing and the exchange of expert testimony, is in the public interest, and should be approved. Acceptance of the Settlement avoids the necessity of further administrative and possibly appellate proceedings regarding the settled issues at what would have been a substantial cost to the Joint Petitioners, the Commission, and PGW's customers. Accordingly, CAUSE-PA respectfully requests that the Commission approve the Settlement.

Respectfully submitted,  
**PENNSYLVANIA UTILITY LAW PROJECT**  
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March 10, 2021