**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

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|  | Public Meeting held October 6, 2016 |
| Commissioners Present:  Gladys M. Brown, Chairman  Andrew G. Place, Vice Chairman  John F. Coleman, Jr.  Robert F. Powelson  David W. Sweet |  |
| Petition of Philadelphia Gas Works for Approval of Demand-Side Management Plan for FY 2016-2020, and Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, 52 Pa. Code § 62.4 – Request for Waivers | P-2014-2459362 |

**FINAL OPINION AND ORDER**

**BY THE COMMISSION:**

# I. Matter Before the Commission

Before the Pennsylvania Public Utility Commission (Commission) for consideration and disposition are the Comments filed by the Philadelphia Gas Works (PGW), the Office of Consumer Advocate (OCA), the Commission’s Bureau of Investigation and Enforcement (I&E) and the Joint Comments of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and the Tenant Union Representative Network & Action Alliance of Senior Citizens of Greater Philadelphia (TURN *et al.*) (collectively, the Joint Commenters) on August 15, 2016, in response to our Tentative Opinion and Order (Tentative Order or T.O.) entered on August 4, 2016, in the above captioned proceeding. The Commission had issued the Tentative Order to provide for comments from the Parties to this proceeding in response to the Commission directed modification to PGW’s annual Low Income Usage Reduction Program (LIURP) budget as set forth in the Tentative Order.

On consideration of the Comments submitted by the Parties, we shall affirm our Tentative Order consistent with the discussion herein.

# II. History of the Proceeding

On December 23, 2014, PGW filed a Petition seeking approval of its Demand-Side Management (DSM) Plan for FY 2016-2020 and of various waivers of Chapter 58 of our Regulations. This Petition served as a request to institute Phase II of PGW’s initial five-year DSM Plan (Phase II DSM Plan) beginning on September 1, 2015, and ending on August 31, 2020. PGW Petition at 1-2. Numerous Parties filed Answers to the Petition, Petitions to Intervene, and Notices of Intervention, and, as such, the Petition for the Phase II DSM Plan was assigned to the Office of Administrative Law Judge (OALJ).

On April 10, 2015, PGW filed a Petition to Extend Demand Side Management Plan at Docket No. P-2009-2097639 to implement a Demand Side Management Bridge Plan (DSM Bridge Plan) for its Phase I DSM Plan while the current matter was in litigation.

On May 7, 2015, we issued an Order approving PGW’s DSM Bridge Plan for an interim period effective September 1, 2015, through either: (1) August 31, 2016; or, (2) upon the effective date of a Phase II compliance plan filed in response to a final Commission Order at Docket Number P-2014-2459362, whichever is earlier.

On October 28, 2015, an evidentiary hearing was held as scheduled. During that hearing, counsel for each Party stated on the record that they agreed to waive cross-examination of all other party witnesses and moved to have their pre-served testimony and/or exhibits admitted into the record. Accordingly, all Parties’ testimony and/or exhibits were admitted into the record during the hearing.

Various Parties filed Main Briefs (M.B.) on November 19 and 20, 2015. Additionally, several Parties filed Reply Briefs (R.B.) on December 8, 2015, when the record was then closed.

On March 18, 2016, the Commission issued the Recommended Decision (R.D.) of Administrative Law Judges (ALJs) Christopher P. Pell and Marta Guhl, in which the ALJs granted PGW’s Petition, in part, and denied it, in part.

PGW filed Exceptions to the Recommended Decision on April 7, 2016. The OCA, the Office of Small Business Advocate (OSBA), I&E, and CAUSE-PA filed Replies to Exceptions on April 18, 2016. On this same date, TURN *et al.* filed a Letter in which it supported and adopted the Replies to Exceptions of CAUSE-PA.

As previously noted, we issued the Tentative Order seeking comments on August 4, 2016. Comments were submitted on August 15, 2016, by PGW, the OCA, I&E and the Joint Commenters.

On August 25, 2016, PGW submitted a letter stating that due to the lead time in LIURP contracting, no changes in the level of services related to a changed budget would be required until the beginning of November 2016. PGW further stated that in the event a Final Order establishing the LIURP budget for Fiscal Year 2017 is not issued by approximately September 30, 2016, the Company expects that it may need to file for additional input from the Commission regarding the ongoing spending while this proceeding remains open.

On August 29, 2016, due to the fact that the Phase II DSM Plan was still under consideration by the Commission, the Commission issued a Secretarial Letter tentatively directing PGW to extend the LIURP component of its Phase I DSM Plan until the effective date of a Phase II DSM compliance plan filed in response to a final Commission order at the instant docket.[[1]](#footnote-1) The Commission stated that under the circumstances, this is reasonable, appropriate, and consistent with applicable statutes and regulations and in the public interest. The Commission provided for the parties to file comments to this tentative directive by August 30, 2016, stating that absent any adverse comments, the Secretarial Letter shall become binding.

On August 30, 2016, PGW submitted a letter in response to the August 29 Secretarial Letter stating that the Company’s LIURP program will continue with no changes in the level of LIURP services pending a final order from the Commission approving a LIURP budget for Fiscal Year 2017 and thereafter.

**III. The Tentative Order**

In the Tentative Order entered on August 4, 2016, the Commission considered the Exceptions filed by the various Parties in response to the ALJs’ Recommended Decision in this proceeding and made final determinations on every issue raised during the litigation of the PGW Petition with one exception. Concerning the issue of PGW’s Customer Responsibility Program (CRP) Home Comfort Program or LIURP budget, we stated that we were not in agreement with the ALJs’ recommendation that the annual budget amount of $7.6 million currently in place under PGW’s Phase I DSM Plan should remain in place during the Phase II DSM Plan. However, we further concluded that the LIURP budget proposal made by the Company in its rejoinder testimony of $15.9 million over the term of Phase II was inadequate as adoption of that amount would result in an unacceptable decrease from the currently existing budget amount of $7.6 million per year. *See* T.O. at 66.

As we determined that there were no viable, acceptable alternatives presented by the Parties during the proceeding for an appropriate and reasonable LIURP Budget going forward, we instead proposed a Commission determined amount based upon a needs assessment for PGW generically based upon information contained within the most recent Universal Service and Energy Conservation Plan (USECP) filings for each of our major jurisdictional natural gas distribution companies (NGDCs). In our Tentative Order we described this process as follows:

Using this information, we shall perform two separate calculations that directly take into account the four factors of a needs assessment contained within our Regulations which we shall utilize to determine the appropriate LIURP budget for PGW on a going forward basis. The first calculation we propose to be utilized in this determination is the calculation of the Job Completion Rate. This methodology utilizes PGW’s total number of eligible customers, the rate of job completion for the entire state, and PGW’s historical costs per project to determine a reasonable budget approximation for the Company. In this calculation we first determine the expected number of completed jobs per year by multiplying PGW’s total number of eligible LIURP Customers of 71,625 by the state’s average job completion rate which is 2.5%. Then, we utilize this result, 1,791 jobs, and multiply it by the average cost per job for PGW of $3,605. This needs based calculation method results in a total estimated LIURP budget result for PGW of $6,455,203.

The second calculation we propose to be utilized in this determination is the Historical Cost Budget calculation. In this methodology we shall utilize PGW’s historical program cost, the average cost of a job in the state, and PGW’s average cost per job to determine a reasonable budget approximation for the Company. In this calculation we first determine the expected number of jobs to be completed each year by dividing the state average cost per job of $5,203 into the historical total program cost for PGW of $7,600,000. Then we utilize this result and multiply it by the average cost per job for PGW of $3,605. This needs based calculation method results in an estimated total LIURP budget result for PGW of $5,265,808.

We shall next determine the average of the results of the two calculations explained above which results in an estimated calculated LIURP budget amount of $5,860,506 for PGW. Therefore, we shall direct PGW to utilize this amount for its future LIURP budget as it represents a reasonable result which is in the public interest.

T.O. at 67-68.

We then directed that pursuant to our Regulations at 52 Pa. C.S. § 5.408, official notice of these new facts and calculations be placed on the record of the proceeding and that the Parties to this proceeding be afforded the opportunity to comment on this $5,860,506 LIURP budget directive for PGW. We further directed that interested Parties shall submit any comments within ten days of the date of entry of the Tentative Order. We also sought comments to address PGW’s LIURP budget based upon the total cost of LIURP eligible projects and to address a reasonable expectation of the time necessary to meet that need, considering the rate impact of a higher budget on PGW’s customers. Additionally, we concluded that it was important to consider how the Commission should address PGW’s LIURP funding on a going forward basis considering that our other jurisdictional NGDCs consider LIURP funding within their USECP Plans, not within DSM proceedings. T.O. at 68-70, 90.

Finally, we noted that to the extent a larger budget for the LIURP Program was approved by the Commission, PGW may need to reevaluate the recommended budget for the voluntary portion of its DSM Phase II Plan. Therefore, we acknowledged PGW’s position on this issue, and recognized that the Company may need to request some revision to its proposed voluntary DSM Programs to ensure that its pipeline replacement program and other core operations are adequately funded. T.O. at 70-71.

**IV. Comments to the Tentative Order**

As previously noted, Comments in response to our Tentative Order were submitted on August 15, 2016, by PGW, the OCA, I&E and the Joint Commenters. We shall address the Comments by issue in the following sections.

1. **LIURP Budget Directive**
2. **PGW Comments**

In its Comments, PGW requests only one modification to the Commission’s determination – an update to the number used for PGW’s total LIURP eligible customers. PGW notes that in its calculations, the Commission utilized 71,625 as the total LIURP eligible customers. PGW requests that the Commission replace this number with a more updated number of 35,000 as provided in the record of this proceeding and consistent with the Company’s most recently filed USECP Plan for 2017‑2020. Alternatively, PGW avers that the Commission could replace this number with the most current number of CRP customers as of June 30, 2016, who have not yet received LIURP weatherization treatments. PGW Comments at 5-6.

PGW recognizes that while utilizing 35,000 as the total LIURP eligible customers would result in a nominal downward adjustment of the calculation of PGW’s LIURP budget, there are several reasons to make this adjustment. First, PGW states that the Commission number of 71,625 is taken from the Company’s currently effective 2014‑2016 USECP which relies on information as of March 31, 2013, and assumes that all CRP customers who had not received LIURP weatherization treatment in the prior two years were eligible for LIURP treatment. PGW asserts that in this proceeding, it provided updated information through June 2014 and estimated that 35,000 CRP customers would be eligible for LIURP weatherization pursuant to Section 58.4(c)(1). According to PGW, this amount represents the top 50 percent by usage of the total approximate CRP customer base at the time the petition in this proceeding was filed. PGW opines that rather than using an outdated number to calculate its LIURP budget, the Commission should utilize the more updated estimate developed on the record in this proceeding. *Id.* at 6-7.

Next, PGW asserts that even using 35,000 would still overestimate the eligible LIURP population because as explained on the record, this amount was to be further refined by applying the LIURP selection criteria including removing customers who: (1) received treatments over a prior period; (2) lacked enough billing months for proper energy usage analysis; and, (3) had other usage analysis factors. PGW notes that application of such factors would be consistent with the numbers relied upon by the Commission for total LIURP eligible customers for other NGDCs which do factor in the application of eligibility requirements. *Id.* at 8-9.

Next, the Company states that while it recommends that the Commission utilize 35,000 for the total LIURP eligible customers for PGW, if the Commission is not inclined to use this number then it suggests that the Commission utilize the number of CRP customers as of June 30, 2016, less the number of weatherization treatments provided over the last two years. PGW notes that as reported to the Commission in its most recent Customer Assistance Program (CAP) enrollment reporting numbers, the most current number of CRP customers as of June 30, 2016, is 51,169. PGW asserts that reducing this number by the number of LIURP weatherization services performed in the past two years results in total LIURP eligible customers of 46,809. However, PGW opines that this number applies no usage or other legitimate eligibility criteria to determine true LIURP eligibility and, therefore, seriously overstates the actual number of eligible customers who could benefit from the program. While PGW supports using the 35,000 number developed in the record of this proceeding, at the very least the Commission should update the number in the Tentative Order with the 46,809 amount. *Id.* at 9-10.

PGW provides that utilizing the 35,000 number, or its preferred approach, the LIURP budget would be reduced to $4,211,019. Utilizing its alternative quantity of 46,809 customers results in a LIURP budget of $4,743,389. While PGW recognizes that its proposed modification results in a downward adjustment of the Commission directed LIURP budget of $5,860,506, the intent is to utilize current numbers even if the current numbers used are still overly inclusive, and they present a more accurate picture of the current situation. *Id.* at 11.

**2. I&E Comments**

In its Comments, I&E states the basis for the Commission’s needs assessment calculation is sound and opines that it appropriately satisfies the elements of 52 Pa. Code § 58.4 regarding natural gas utility’s usage reduction program funding. As such, I&E states that it does not object to the resulting $5,860,506 annual LIURP budget. However, I&E notes that it also recognizes that a central tenet of the Natural Gas Choice and Competition Act (Choice Act) is that universal service and energy conservation policies are to be operated in a cost-effective manner. *See* 66 Pa. C.S. § 2203(8). I&E claims that its concerns of the cost-effectiveness of PGW’s LIURP drove its opposition to any increase in the DSM Phase II budget beyond the as-filed amount set forth in PGW’s Petition. I&E asserts that an increase in LIURP funding would come at the detriment of PGW’s non-CRP customers. I&E opines that the burden on PGW’s customers from the Company’s universal service budget is compounded by the fact that PGW does not have shareholders to help absorb any impact of an increased budget. As such, I&E states that the resulting increased costs would undoubtedly fall upon the already overburdened non-CRP ratepayers. I&E Comments at 6-7.

I&E maintains that any increase in the DSM Phase II budget beyond its as-filed amount would likely be extremely detrimental to the already overburdened ratepayers who must pay such costs. I&E points out that in the past the Commission recognized the need to control PGW’s DSM costs by confining PGW’s initial DSM annual budget to no more than one percent of the Company’s total projected gross intrastate operating revenue. I&E states that it agrees with PGW’s initial position that the proposals for PGW to increase the DSM Phase II budget are not currently sustainable for PGW. Therefore, I&E asserts that while it does not dispute the Commission’s calculation, it is imperative that the LIURP budget be evaluated in terms of PGW’s customer’s ability to pay for the increase to the LIURP budget. According to I&E, when setting the LIURP budget, the Commission must keep in mind both the needs of PGW’s service territory and the ability of the ratepayers in that service territory to fund the LIURP. *Id.* at 7-8.

**3. OCA Comments**

In its Comments, the OCA submits that PGW’s LIURP should be maintained at the $7.6 million historic level as this current budget provides significant benefits to CRP participants and non-CRP ratepayers. The OCA asserts that PGW’s LIURP has been shown to benefit PGW’s overall operations and that comparisons to other Pennsylvania utilities’ LIURP programs and budgets as proposed in the Tentative Order fail to capture the unique demographic and economic realities found in PGW’s service territory. The OCA points out that the Tentative Order arrives at the budget amount of $5.8 million using the statewide average for job completion in its first calculation and the statewide average job cost rate in the second calculation, which are then applied to specific components of PGW’s costs. The OCA claims that the Commission has previously recognized that each service territory is unique and may require different LIURP programs to address the individual needs of the service territory. For example, the OCE cites *Guidelines for Universal Service and Energy Conservation Program,* 1997 Pa. PUC LEXIS 43, \*29, Order (July 10, 1997) (*1997 Guidelines Order)* wherein we stated that “it is necessary that the needs of the EDC’s territory to be assessed.” According to the OCA, PGW’s service territory is unique in many respects, particularly as to the size and demographics. OCA Comments at 3-6.

The OCA states that a needs assessment was part of this proceeding and part of the USECP case when the question of the $7.6 million budget was considered. According to the OCA, the evidence presented in this case demonstrates that PGW is distinct in its needs for the low-income community from any other Pennsylvania utility and fully supports an annual budget of $7.6 million for LIURP. The OCA points out that PGW’s service territory is distinctly different in its demographic and economic make-up from other Pennsylvania utilities due to the level of poverty within its territory. The OCA opines that the use of the Tentative Order calculation based on statewide averages does not capture the need within PGW’s territory and does not result in a LIURP program that is appropriately funded and available in PGW’s service territory. As such, the OCA submits that PGW’s LIURP budget should remain at the $7.6 million amount. *Id.* at 6-7.

Next, the OCA reiterates that the Commission’s use of statewide averages to create an estimated LIURP budget of $5,860,506 is inappropriate. The OCA asserts that in the first calculation, the Commission utilizes a statewide average job completion rate of 2.5 percent, which is substantially lower than PGW’s actual job completion rate of 2.94 percent. As such, the OCA claims that using the statewide average job completion rate artificially deflates the productivity of PGW’s weatherization vendors. According to the OCA, PGW’s job completion rate is distinct from other utilities, in part, because of PGW’s unique arrangement with its vendors, which provides incentives for greater savings and productivity achieved. The OCA opines that reducing PGW’s job completion rate to the statewide average essentially eliminates the benefits to ratepayers of its incentives approach. *Id.* at 10-12.

The OCA further states that the Tentative Order’s use of the statewide average of job costs is also inappropriate. The OCA avers that the age and type of needs within the housing stock, and hence the time it takes to complete a job, may also vary dramatically. The OCA notes that Philadelphia has some of the oldest housing stock in Pennsylvania and that this housing stock would reasonably be expected to have a greater need of energy efficiency investments than housing statewide and cannot be represented by statewide averages. According to the OCA, by using statewide averages, the two analyses used by the Commission do not sufficiently recognize the unique characteristics of PGW’s service territory. The OCA maintains that an analysis of the needs assessment must include both an analysis of the costs of the individual service territory and the unique characteristics of the demographics of the low-income community in the PGW service territory. Contrary to the Commission’s proposed $5.8 million LIURP budget, the OCA posits that the existing $7.6 million budget is based upon PGW’s actual costs in its service territory and about meeting the specific needs of the low-income community in PGW’s service territory. *Id.* at 12-13.

**4. Joint Commenters Comments**

In its Comments, the Joint Commenters state that the Commission improperly rejected the ALJs’ recommendation to maintain an annual LIURP budget of $7.6 million during PGW’s Phase II DSM Plan. The Joint Commenters aver that the Commission did not consider the ample evidence produced in this proceeding which clearly demonstrates that there is a need for at least a $7.6 million annual LIURP budget in PGW’s service territory. The Joint Commenters claim that the Tentative Order did not properly take into consideration the number of eligible customers as required by 52 Pa. Code § 58.4(c)(1) as they claim that the vast majority of PGW’s LIURP eligible customers have not received services and that PGW’s projected population of LIURP-eligible customers is understated. The Joint Commenters further claim that the Tentative Order did not properly take into consideration the expected customer participation rates for eligible customers as required by 52 Pa. Code § 58.4(c)(2). Joint Commenters Comments at 10-13.

Next, the Joint Commenters claim that the Tentative Order incorrectly asserted that a $7.6 million LIURP budget would simply continue an agreed upon budget amount that PGW implemented within the context of its last base rate case. The Joint Commenters assert that this is an incorrect conclusion that is not based on record evidence. The Joint Commenters maintain that a review of the evidence demonstrates that the need for an annual LIURP budget of $7.6 million or higher and is not simply the product of settlement negotiations during PGW’s last base rate case. According to the Joint Commenters, PGW proposed a LIURP budget of $7.6 million in its last USECP proceeding and the Commission approved that budget. The Joint Commenters opine that PGW’s $7.6 million LIURP budget is supported by both the record in this proceeding and the record in PGW’s USECP proceeding. *Id.* at 15-16.

Next, the Joint Commenters assert that the Commission’s LIURP budget calculation is not based on a needs assessment in PGW’s service territory, as required by Commission Regulation and the Choice Act. The Joint Commenters claim that, without precedent, the Commission elected to perform its own needs assessment to guide its decision on PGW’s Phase II DSM Plan. The Joint Commenters aver that it is ironic that the Commission created this entirely new needs assessment formula because PGW’s existing budget was not based upon a needs assessment, and then utilizes an assessment that relies on averages of data from other service territories which were established through varied methods of analysis and the unique population and needs in each of those individual service territories. The Joint Commenters point out that based on the chart included within the Tentative Order, PGW’s total population of LIURP eligible customers greatly exceeds that of all of the other NGDCs listed. The Joint Commenters aver that PGW’s service territory, the City of Philadelphia, is not an average Pennsylvania service territory as there is a distinct and far greater need for LIURP there than any other area in the state. *Id.* at 16-17.

The Joint Commenters submit that all of the evidence required to conduct a needs assessment in PGW’s service territory is on the record in this proceeding. They assert that the Commission has not provided any explanation as to why it finds the record evidence insufficient or how the evidence in this proceeding differs from what the Commission routinely reviews in its evaluation of universal service and energy conservation plans. In contrast to the record evidence, the Joint Commenters opine that the Commission’s needs assessment is premised on three calculations, none of which is supported by the record. According to the Joint Commenters, the effect of the Commission’s unsubstantiated formula is to reduce the PGW LIURP budget by more than $1.7 million per year. Given PGW’s average cost per job, the Joint Commenters claim this reduction will decrease the number of homes PGW anticipated treating annually from 2,108 to 1,625 LIURP jobs. The Joint Commenters assert that the Commission’s calculations are unreasonable, as they are not based on either the actual cost to PGW of performing LIURP measures, or the actual historical job completion rate PGW has experienced. The Joint Commenters opine that given the immense need, and particular circumstances there can be no evidence-based argument that a reduction in LIURP is appropriate for PGW. *Id.* at 17-19.

**5. Disposition**

Based upon our review of the various Comments of the Parties, we shall affirm our proposal in the Tentative Order to direct PGW to establish a LIURP budget at an amount of $5,860,506. As discussed below, this budget will be utilized for the 2017 fiscal year only. We are not persuaded by the Comments of PGW to further reduce the existing $7.6 million LIURP budget or the Comments of the OCA and the Joint Commenters that the existing $7.6 million budget should be maintained. We find that based upon the unique circumstances of this proceeding, these proposals are not reasonable nor are they in the public interest. Additionally, none of the LIURP budgets for which the Parties are advocating are adequately supported by needs assessments. We further find that PGW’s proposal to significantly reduce the number of LIURP eligible customers is unreasonable and results in an inadequate LIURP budget within the City of Philadelphia, PGW’s service territory. Furthermore, while we are cognizant of the concerns expressed by the OCA and the Joint Commenters in their Comments that the proposal in the Tentative Order is flawed as it utilizes statewide averages for certain parameters, we note that these Commenters failed to provide a viable alternative within their Comments for the Commission to consider, except to continue to claim that the existing $7.6 million budget should be maintained. We determined in our Tentative Order that continuance of the $7.6 million budget was not appropriate and the Comments received fail to cause us to reconsider that conclusion.

In consideration of the Comments received, we conclude that the process we proposed in the Tentative Order, which represents an average of two separate and distinct calculations, results in a reasonable approximation of an appropriate, needs-based LIURP budget amount of $5,860,506 for PGW for the 2017 fiscal year. We note that our calculations utilized PGW’s total number of LIURP eligible customers, PGW’s historical average cost of LIURP job and PGW’s historical total LIURP budget amount and were not solely based upon statewide average components. However, it is important to note that this solution was designed to determine a reasonable LIURP budget compromise amount for PGW under the unusual circumstances of this litigated proceeding and does not represent Commission precedent to be utilized in other proceedings. We recognize the unique nature of PGW’s service territory in comparison to our other jurisdictional NGDCs and our conclusion on this issue in this proceeding represents a unique solution to a complex and controversial issue.

Additionally, we find that based on applicable law and existing guidelines, the factors leading to the existing $7.6 million annual budget, and our recommended $5,860,506 LIURP budget, should be revisited in a timely manner in order to provide for the appropriate funding for PGW’s LIURP on a going forward basis. Based upon our review of the substantial Comments received from the Parties, as well as the record in this proceeding, we find that it is necessary to provide for further Commission review of PGW’s LIURP budget, specifically in connection with PGW’s currently-filed USECP filing for the 2017 to 2020 time period.[[2]](#footnote-2) However, we do not believe such review should affect PGW’s implementation of LIURP, so we direct PGW to utilize the Commission-proposed $5,860,506 budget for its LIURP program only during the 2017 fiscal year pending a decision in this additional review.

Accordingly, we direct that PGW’s LIURP budget, which includes the budget of its proposed Low-Income Multifamily (LIME) Program, be referred to the Commission’s Bureau of Consumer Services (BCS) for further review in conjunction with PGW’s currently-filed USECP for the 2017-2020 time period. We further direct BCS to perform a current needs assessment utilizing the information provided in PGW’s USECP for 2017-2020 to determine an up-to-date budget that not only reflects the appropriate pool of eligible customers, but also, as discussed in the Electricity Generation Customer Choice and Competition Act (Competition Act), appropriately funds PGW’s LIURP in a cost-effective manner.

While we recognize and appreciate the arguments of PGW and I&E regarding the unique nature of PGW as a city-owned natural gas distribution company with certain limitations, we note that we take into account all factors in weighing our decisions and their effects not only on low-income customers, but also on a utility’s entire customer base. While BCS is well-suited to recommend the amount at which LIURP is “appropriately funded” per the Competition Act to aid the Commission in maintaining cost-effective programs, any recommendations we receive from BCS will be released for public comments in conjunction with PGW’s pending USECP 2017-2020 filing. We hereby encourage all interested parties to weigh in on the appropriate balance in providing these programs, especially in a territory such as PGW’s.

**B. Reasonable Timeline**

**1. PGW Comments**

PGW states that the total nominal cost to provide weatherization to 35,000 eligible LIURP customers using the current average cost for job of $3,605 would equal $126,175,000. Also, the total nominal cost to weatherize 71,625 LIURP eligible customers would equal $258,208,125. PGW asserts that requiring PGW’s customers to bear such costs in an expedited timeframe would be unreasonable. PGW avers that aside from not being affordable in the short-term, such a requirement would undermine the benefits that PGW’s customers receive from LIURP which are accrued over the lifetime of the measures. PGW Comments at 13-14.

Utilizing the 71,625 eligible LIURP customers proposed by the Commission and a 2.94% job completion rate as presented by the Commission, PGW estimates it would take approximately 34 years to treat all eligible customer homes.[[3]](#footnote-3) PGW asserts that if it calculates the Commission-assumed job completion rate based on the budget in the Tentative Order of $5,860,506 and uses the cost per job in the same order, it would take approximately 44 years to treat all eligible customers’ homes.[[4]](#footnote-4) According to PGW, either result is below the statewide average among NGDCs, excluding PGW, of approximately 46 years to treat all eligible customers at the rate presented in the Commission’s needs assessment with all assumptions remaining constant. PGW notes that although this is a simplistic view that does not consider inflation or other variables affecting the population of eligible homes, it does lead to the conclusion that PGW’s pace is reasonable. *Id.* at 15.

1. **OCA Comments**

In its Comments, the OCA submits that the timeline for total saturation of providing a one-time treatment to currently identified eligible LIURP customers would be approximately 45 years. However, the OCA claims that this is not the proper analysis or the end of the inquiry because the single point in time number of 71,625 customers is understated due to the fact that CRP participants change from year to year, but also within the year, so there is a continuing mix of new and old participants. Also, the OCA asserts that using CRP customers as the only eligibility criterion misses customers whose consumption would be within the highest 30 percent of users but do not participate in CRP. The OCA points out that the Commission’s Regulations for the needs assessment includes seven factors not limited to CAP or CRP participation. *See,* 52 Pa. Code § 62.4. Third, the OCA states that once a home is weatherized, a home may need weatherization again as measures deteriorate over time and new structural problems arise. According to the OCA, homes that have been treated through LIURP will need to be treated again before the total saturation of eligible LIURP customers has been achieved. As the timeline for LIURP saturation is a moving target, and as a lower LIURP budget may move the LIURP saturation target further away due to a lower number of jobs being completed in a given year, the OCA submits that the current $7.6 million budget should be maintained to optimize the LIURP saturation opportunity. OCA Comments at 19-21.

**3.** **Joint Commenters Comments**

In their Comments, the Joint Commenters state that the Tentative Order did not properly take into consideration a plan for providing program services within a reasonable period of time as required by 52 Pa. Code § 58.4(c)(4). The Joint Commenters asserts that the evidence established that, at the $7.6 million budget level, PGW is able to provide LIURP services to less than three percent of its eligible customers. According to the Joint Commenters, at this completion rate it would take PGW more than 30 years to provide LIURP services to all of its eligible customers. At the Commission’s proposed LIURP budget of $5.86 million per year, the Joint Commenters opine that total saturation would result within roughly 45 years. As that period is beyond the life expectancy of the installed measures, the Joint Commenters maintain that total saturation would never, in fact, occur. The Joint Commenters assert that while the ALJs’ approval of the $7.6 million LIURP budget only slightly shortened PGW’s long road to meeting the actual needs of low-income weatherization in its service territory, it did attempt to ensure that the service gap would not grow by extending by decades the period of time for PGW to provide LIURP measures. The Joint Commenters opine that given the immense need and already long period of time it will take PGW to reach total saturation under a $7.6 million annual LIURP program, the ALJs’ recommendation to maintain PGW’s LIURP on its current pace was appropriate. Joint Commenters Comments at 13-14.

**4. Disposition**

Based upon our review of the record evidence and the Comments provided, we conclude that our adoption of the Commission directed LIURP budget of $5,860,506 for the 2017 fiscal year will result in a reasonable timeframe to weatherize LIURP eligible customers pending BCS’s further review of PGW’s LIURP in conjunction with its 2017-2020 USECP. As pointed out by PGW, the Company’s estimated timeframe of 44 years is below the statewide average among our other jurisdictional NGDCs of approximately 46 years. We conclude that this result reasonably balances the needs of PGW’s LIURP eligible customers and the ability of the other customers in PGW’s service territory to fund the recommended LIURP budget. However, as explained, *supra,* the post-2017 LIURP budget is being referred to BCS for further review in conjunction with PGW’s pending USECP filing, and therefore, the timeframe to weatherize LIURP eligible customers also may be adjusted in that proceeding.

1. **Rate Impact of Higher Budget**
2. **PGW Comments**

PGW states that based on its analysis, it projects that the average annual bill impact of providing LIURP at the Commission’s recommended budget, and offsetting this number by the projected CRP subsidy gas commodity savings realized, would be $8.94 per residential customer; $176.39 per industrial customer; and $55.30 per commercial customer. By comparison, PGW claims that utilizing its recommended amount of LIURP customers of 35,000 the average annual bill impact of providing LIURP would be $6.61 per residential customer; $130.36 per industrial customer; and $40.87 per commercial customer. Utilizing the amount of all current CRP customers less those already treated, PGW estimated the average annual bill impact to be $7.37 per residential customer; $145.34 per industrial customer; and $45.56 per commercial customer. PGW Comments at 18.

PGW avers that while some may not view these numbers as significant, they must be viewed in the context of the specific characteristics of PGW’s service territory. PGW maintains that PGW’s universal service program will remain as the highest cost universal service program of all the NGDC programs and its LIURP will remain among the highest NGDC program whether or not the Commission updates its calculated budget regarding PGW’s total LIURP eligible customers. PGW asserts that its customer base is a particularly vulnerable one with approximately 30.8 percent confirmed low-income which is higher than any other Pennsylvania electric or gas utility. PGW points out that not all of these low income customers are enrolled in CRP, and firm customers who are not enrolled in CRP pay for the LIURP program through the USC meaning that PGW’s customers will be impacted by the costs of an increased LIURP budget. *Id.* at 18-19.

**2. OCA Comments**

In its Comments, the OCA submits that ratepayers’ bills are actually lower than they otherwise would be because of PGW’s LIURP program and claims that curtailing the Company’s existing spending would, in fact, negatively impact PGW’s customers. The OCA points out that the LIURP program has consistently had a Total Resource Cost (TRC) of over 1.00. According to the OCA, in year 2014, the TRC for LIURP was 1.26 meaning that for every dollar spent during 2014, $1.26 of benefits were returned. The OCA asserts that in the Company’s Five-year Phase I Plan Report, the Company represented that through June 2014, LIURP represented 74 percent of the total DSM expenditures and 70 percent of the total present benefits of the DSM portfolio. Also, the OCA asserts that the evidence demonstrates that in fact, the CAP subsidy that other customers pay has been reduced by approximately $54 million over the lifetime of the measures installed as a result of LIURP in the DSM portfolio. OCA Comments at 14.

The OCA notes that the use of a $7.6 million LIURP budget does not represent an increase in rates for ratepayers but maintains the current level of spending that is already included in their rates. The OCA maintains that both PGW and its ratepayers benefit from the LIURP budget of $7.6 million as a reduced budget provides reduced benefits, reduces the off-set to the CAP shortfall, and, therefore, ultimately results in higher ratepayer distribution rates. According to the OCA, the record evidence demonstrates that LIURP is a cost-effective program which provides significant, demonstrated benefits to both CRP participants and to the ratepayers who pay the costs of the program. The OCA asserts that the Phase I LIURP budget of $7.6 million has resulted in actual savings to the CAP shortfall for ratepayers and will continue to result in savings over the lifetime of the measures. As such, the OCA recommends that PGW’s LIURP budget be maintained at $7.6 million per year. *Id.* at 14-16.

Next, the OCA submits that its recommended LIURP budget level will not impact PGW’s proposed pipeline replacement efforts as PGW is already expending the $7.6 million and has not identified any problems. Also, the OCA asserts that the costs of the statutorily-mandated LIURP program, and the other three universal service program components, are recovered through a straight pass-through to rate payers through the Universal Service Charge, and claims that LIURP produces savings for the Company by reducing other operating costs. The OCA opines that the LIURP program will generate reduced arrearages for treated customers which will benefit the utility and reduce expenses such as uncollectibles and cash working capital. As such, the OCA asserts that the underlying premise within the Tentative Order that the LIURP program will harm PGW is flawed. *Id.* at 16-19.

**3.** **Disposition**

Upon our consideration of the Comments received, we conclude that our adoption of the reduced LIURP annual budget of $5,860,506 for the 2017 fiscal year will reduce the impact of the currently existing LIURP on PGW’s remaining firm customers who pay the costs of LIURP through the USC. As such, we affirm the adoption of the $5,860,506 LIURP budget for 2017 as being reasonable and in the public interest, pending the result of the referral of the post-2017 LIURP budget amount to BCS in conjunction with PGW’s pending USECP filing.

1. **Future Process for Addressing LIURP Funding**
2. **PGW Comments**

PGW states that given the LIURP regulatory waivers that have already been reviewed and granted in this proceeding and the Commission’s clear preference for fully removing LIURP from the DSM and re-incorporating it back into the USECP, the Company has reconsidered its position on this issue and can now support such a modification for a number of reasons. PGW offers that although there are administrative efficiencies to be gained by combining the programs, other aspects of its LIURP could be better served as part of a proceeding that reviews other, more similar universal service programs. PGW cites as an example that the cost effectiveness and related calculations used in low income programs can recognize differences from those used in market-rate programs and such alternative processes could be better addressed in a USECP. Additionally, PGW opines that incorporating LIURP back into the USECP would provide the Commission with sufficient facts in that proceeding to make determinations regarding program changes. PGW Comments at 20.

Next, PGW submits that while it now supports removing the LIURP program from its DSM effective September 1, 2016, returning the LIURP program to PGW’s USECP does raise two important issues that need to be addressed, the first being the syncing of the different timing between the two plans and the second being the administrative costs involved. As to the timing issue, PGW states that the DSM programs operate on a fiscal year basis (September 1 to August 31) while the USECP operates on a calendar year basis. PGW notes that its current USECP under consideration by the Commission would be effective January 1, 2017, through December 31, 2020, while the DSM Plan in this proceeding would be authorized beyond fiscal year 2020. Therefore, PGW avers that the approved budgets for the LIURP would need to be synced with the approved budget for the USECP. To accomplish this, PGW proposes to prorate the LIURP budget approved in this proceeding for the open time in the currently pending USECP which is September 1, 2020 through December 31, 2020. PGW states that following the Commission’s Final Order in this proceeding, the Company proposes to file a compliance revision to the relevant USECP 2017-2020 section in that proceeding addressing this issue. *Id.* at 21.

As to the administrative costs issue, PGW states that because its LIURP has been included within the DSM Plan for administrative efficiency and other economic benefits, administrative costs for the LIURP and DSM programs have been calculated over the entire portfolio of programs within the DSM Plan. According to PGW, removing the LIURP program from its DSM Plan will require PGW to evaluate overall portfolio administrative costs based on the program structure of the USECP and the DSM Plan to determine where efficiencies are best met. Given the cost efficiencies that are achieved by handling the portfolio administrative costs of LIURP through the DSM Plan, the Company proposes that for now the administrative costs of the LIURP budget continue to remain combined with the DSM Plan and allocated across the programs proportionally. PGW requests that the Commission allow the increase to the LIURP administrative costs consistent with the final budget approved by the Commission in this proceeding. *Id.* at 21-22.

**2. I&E**

In its Comments, I&E states that it is not opposed to LIURP being removed from future DSM filings. I&E notes that during the course of this proceeding, it did not take a position on whether future LIURP funding issues should be addressed in PGW’s USECP proceedings instead of the existing practice of addressing them in DSM proceedings. However, I&E now opines that the inclusion of LIURP issues has made the DSM proceeding protracted and complicated, and it would not oppose any future LIURP issues be addressed only in USECP proceedings. I&E posits that placing LIURP within its traditional purview of the USECP proceeding would provide a more appropriate avenue for the analysis and consideration that LIURP funding warrants. Also, I&E opines that returning PGW’s LIURP to a USECP proceeding would allow for greater input and oversight from the Commission’s Bureau of Consumer Services than may have been afforded in the context of this adversarial proceeding. I&E Comments at 8-9.

I&E states that while it acknowledges that in the past PGW has touted the benefits of including LIURP in the DSM, it opines that those benefits have not materialized. I&E asserts that PGW previously argued that removing LIURP from the DSM would create confusion and administrative difficulties and disrupt the cost efficiencies established for the DSM programs. However, I&E opines that in this case, the inclusion of LIURP has created confusion and administrative difficulties as is evident in the length of this proceeding and through the Commission’s determination that the record lacked evidence regarding LIURP funding. Furthermore, I&E states that it is unclear whether and to what extent any DSM cost efficiencies have been produced by inclusion of LIURP. I&E avers that PGW’s rationale is not compelling, and as such, I&E is not opposed to PGW’s LIURP being removed from its future DSM proceedings and returned to USECP proceedings. *Id.* at 10.

**3. OCA Comments**

The OCA states that it identified efficiencies in including the LIURP program within the DSM portfolio and would suggest retaining these efficiencies. If the Commission moves the LIURP program to the USECP proceeding, the OCA avers that it has some concerns. Specifically, the OCA is concerned that the record evidence presented regarding the LIURP budget has been more extensive in this litigated proceeding than a typical USECP proceeding. The OCA maintains that PGW’s most recent triennial plan did not include discovery, expert testimony or an evidentiary record. The OCA explains that the information presented consisted of the Company’s filing, the Commission’s Tentative Order, Comments from interested stakeholders and Reply Comments, with the Commission issuing a Final Order in the matter based solely upon this information. In contrast, the instant proceeding produced expert testimony of nine witnesses and a total of seventeen sets of discovery from the various Parties. Also, the OCA notes that one day of hearings was held and Main Briefs and Reply Briefs were submitted. The OCA offers a potential alternative of keeping the LIURP program in the DSM portfolio to maintain the efficiencies, but direct PGW to include the information the Commission finds necessary in the record of the DSM proceeding. OCA Comments at 21-22.

**4. Disposition**

Upon our review and consideration of the Comments on this issue, we note that both PGW and I&E now support the transition of PGW’s LIURP back into the USECP process. We agree and conclude that the issues related to PGW’s mandatory LIURP are more appropriately considered within a proceeding that reviews other similar universal service type issues, not within the context of a voluntary DSM plan. On that issue, we agree with I&E that the inclusion of LIURP within its traditional purview in USECP proceedings provides a more appropriate avenue for the analysis and consideration that LIURP funding warrants. Therefore, we direct PGW to submit an amendment to its Proposed 2017-2020 USECP that reflects the $5,860,506 LIURP budget for the 2017 fiscal year, as well as the additional LIURP details as customarily required in a normal USECP filing. These details would include a program description, jobs estimation and an updated needs assessment. This amendment is to be filed within fifteen days of the entry date of this Order. BCS will then review PGW’s Proposed 2017-2020 USECP in its entirety and provide to the Commission its recommendations. We direct BCS to include in its recommendations to this Commission regarding PGW’s 2017-2020 USECP not only a revised budget for the 2018-2020 program years of LIURP, but also a proposed methodology for assuring the timeframes for LIURP and the USECP are aligned. We reiterate that, upon Commission approval, stakeholders will be provided an opportunity to comment on BCS’s recommendations as part of the 2017-2020 USECP proceeding.

**E. Waiver Request Comments**

1. **OCA Comments**

In its Comments, the OCA submits that the Tentative Order raises concerns regarding Sections 58.4 and 58.5 of the Commission’s Regulations, 52 Pa. Code §§ 58.4, 58.5. While the OCA states that it supports the Commission’s determination not to grant the requested waiver of Section 58.4, it avers that the required public notice has not been provided for a decrease in the LIURP budget. The OCA notes that Section 58.4(a) requires public notice of any decrease in LIURP. However, the OCA points out that the Commission concluded to decrease the LIURP budget to $5.8 million without this further public notice. The OCA submits that public notice be required. OCA Comments at 22‑23.

The OCA notes that the Commission did grant a waiver of Section 58.5, but avers that the ALJs’ approval of this waiver was based upon maintaining the level of the LIURP funding at $7.6 million. *See* R.D. at 173. The OCA points out that Section 58.5 requires that “not more than 15% of a covered utility’s annual budget for its usage reduction program may be spent on administrative costs,…” 52 Pa. Code § 58.5. The OCA notes that the Commission correctly stated that the OCA did not object to this waiver request but expressed concern about the administrative cost levels. *See* T.O. at 110. The OCA states that PGW was able to support its administrative expenses, even though in excess of 20% of the budget, because of the successful process used to reallocate the LIURP budget between conservation providers based on “high performance.” The OCA supported this process but asserts that the Company has indicated that with its reduced budget it would no longer be using this existing process. According to the OCA, the Tentative Order does not identify that the OCA’s lack of opposition to the high administrative costs was tied to the $7.6 million budget level. The OCA opines that to the extent that the Commission grants a LIURP budget that is lower than $7.6 million, the administrative efficiencies will be diminished. As such, the OCA submits that to the extent a lower LIURP budget is permitted, PGW should not be granted a waiver of Section 58.5. *Id.* at 23-24.

The OCA requests that these inconsistencies be addressed in the Commission’s Final Order. *Id.* at 22.

**2.** **Joint Commenters Comments**

The Joint Commenters submit that the Commission’s calculations are not in accord with Section 58.4 of the Commission’s LIURP Regulations prior to reducing PGW’s LIURP budget to $5,860,506. The Joint Commenters explain that Section 58.4(a) provides: “Proposed funding revisions that would involve a reduction in program funding shall include public notice found acceptable to the Commission’s Bureau of Consumer Services, and the opportunity for public input from affected persons or entities.” 52 Pa. Code § 58.4(a). The Joint Commenters point out that the ALJs appropriately rejected PGW’s request to waive the requirements of 58.4 and that the Commission correctly agreed with the ALJs in the Tentative Order. However, the Joint Commenters state that by issuing a Tentative Order which reduces the level of PGW’s LIURP funding, the Commission has implicitly granted PGW’s waiver request and inexplicably ignored 52 Pa. Code § 58.4(a), the importance of this public notice and the due process provision. As such, the Joint Commenters maintain that the Commission’s LIURP budget directive was not based upon a process which comported with Section 58.4 and cannot be shown to comply with the Commission’s LIURP regulations. Joint Commenters Comments at 19‑21.

**3. Disposition**

Based upon our review and consideration of the Comments received on this issue, we note the concerns expressed by the OCA and CAUSE-PA in regard to the public notice requirements within 52 Pa Code § 58.4(a). However, upon further review of their concerns, and based upon the unique circumstances of this proceeding, we conclude that sufficient “public notice” has been provided in this proceeding that PGW’s LIURP budget is being reduced from the currently existing budget of $7.6 million within DSM Phase I. *See Chester Water Auth. v. Pa. PUC*, 581 Pa. 640; 868 A.2d 384 (2005) -Constitutional procedural due process is a flexible concept and, thus, implicates procedural protections as each particular situation demands.

As such, we shall continue to deny PGW’s requested waiver of 52 Pa. Code § 58.4(a). We find that the “public notice” requirement has been satisfied due to the fact that the decision to reduce the LIURP budget was decided upon at the Commission’s Public Meeting and that through the Tentative Order process the opportunity for public input from affected persons has been provided. Additionally, we note that the reduced LIURP budget is only effective for the 2017 fiscal year, pending BCS’s review of PGW’s LIURP in conjunction with its USECP and associated recommendations which, upon Commission approval, will be released publicly for stakeholder comment.

In regard to the OCA’s Comments regarding the granting of PGW’s requested waiver of 52 Pa. Code § 58.5, we first note that our Tentative Order did indicate that the OCA’s non-opposition of this waiver request was conditioned on maintaining the $7.6 million LIURP budget. *See* T.O. at 109. However, we are not convinced by the allegations of the OCA that our adoption of the reduced LIURP budget will somehow result in reduced administrative efficiencies. We note that the Company has stated that it evaluates and reallocates funding for its efficiency contractors based on the cost-effectiveness and the level of savings of the contractors’ projects and that it is also actively exploring ways to reduce the ongoing overhead costs of the LIURP program. The adoption of a somewhat reduced LIURP budget should not alter PGW’s efforts to reduce administrative costs in any way. Therefore, we shall continue to support the recommendation of the ALJs that PGW’s request for a waiver of Section 58.5 of the Commission’s Regulations be granted.

**F. Judicial Notice Comments**

In its Comments, the Joint Commenters state that the Tentative Order adopts newly proposed calculations for determining need based upon information contained within the most recent USECP Program filings for each of the major jurisdictional NGDCs and directed that official notice of these new facts and calculations be placed on the record of this proceeding pursuant to 52 Pa. Code § 5.408. The Joint Commenters assert that the Commission’s use of judicial notice here is inappropriate, as it notices new facts which are not pertinent to a needs assessment in PGW’s service territory and utilizes those facts in a new methodology and calculations for determining need for LIURP services that is contrary to its existing Regulations for LIURP funding determinations. The Joint Commenters opine that the Commission should not take notice of this new methodology as its ramifications in this proceeding are significant and depart from the legislative intent of the Choice Act to meet the need for low-income universal service in each service territory. The Joint Commenters further opine that its ramifications beyond this proceeding are equally troubling, and could have the effect of reducing or increasing LIURP funding without a supporting needs assessment from the territory being served, and without supporting the needs of the customers of the applicable NGDC. Joint Commenters Comments at 22-23.

Next, the Joint Commenters state that in addition to being imprudent, the Commission’s use of judicial notice at this time raises other concerns. The Joint Commenters note that PGW filed this petition on December 23, 2014, and for well over a year the Parties have cycled through multiple stages of litigation, filed voluminous testimony, engaged in extensive discovery, multiple rounds of briefing and exceptions. As such, the Joint Commenters opine that changes of this magnitude at this time and in this manner, are ill-advised and improper. According to the Joint Commenters, the Commission’s proposed methodology could potentially affect all NGDC LIURP programs, and is worthy of thorough and careful consideration involving all potential stakeholders. Therefore, the Joint Commenters assert that this issue highlights the need for a statewide rulemaking to establish more specific standards and requirements for the USECP programs across the state, and the concurrent need to ensure that USECP Plans are thoroughly vetted through a proceeding before the Commission that is on the record as is done with other type proceedings, including DSM, Default Service Procurement and Act 129 Energy Efficiency Plans. *Id.* at 23-24.

**Disposition**

We conclude that pursuant to 52 Pa. Code § 5.408 the Commission has the distinct authority to provide for official and judicial notice of facts not appearing in the evidence in the record. We further conclude that via the issuance of the Tentative Order we properly notified the Parties of our official and judicial notice of facts pursuant to 52 Pa. Code § 5.408(b), and that we properly provided the opportunity for adversely affected Parties to challenge such action pursuant to Pa. Code §§ 5.408(c) and (d). We note that we took this unusual action based upon the unique circumstances of this proceeding and based upon our determination that there was no reasonable proposal presented by any party to the proceeding that was in the public interest. Therefore, we shall reject the Comments of the Joint Commenters that our actions in this regard were inappropriate or improper. We also reject the allegation of the Joint Commenters that our proposed methodology within the Tentative Order could potentially affect all NGDC LIURP programs. As we have previously stated, our proposal in this proceeding is based solely on the unique circumstances of this litigated DSM proceeding and does not represent precedent that would influence other NGDC universal service proceedings.

**G. Low Income Multifamily (LIME) Program**

In its Comments, the Joint Commenters request that the Commission clarify that approval of the LIME budget to address multifamily housing energy efficiency needs is in addition to the approved LIURP budget. The Joint Commenters note that in the Tentative Order, the Commission upheld PGW’s LIME proposal, as agreed to in the PGW/I&E Stipulation. The Joint Comments assert that unfortunately, the directive in that Stipulation did not clarify whether the LIME would be part of the approved LIURP budget, or would be included as a separate budget amount. Throughout this proceeding, the Joint Commenters argued that the LIME budget allocation should be developed as a supplement and an addition to the currently existing LIURP budget. The Joint Commenters opine that in light of the significant budget reduction set forth by the Commission in its Tentative Order, this issue becomes even more critical. The Joint Commenters maintain that not only will LIURP resources be significantly stretched if the budget is reduced, the influx of multifamily units will further reduce the reach of the program. Therefore, the Joint Commenters urge the Commission to clarify that, while some of the Costs of the LIME are to be allocated through the USC and some of the costs through the ECRS and the property owners, none of those costs are to be included in the approved LIURP budget. Joint Commenters Comments at 24-25.

**Disposition**

In consideration of this Comment, we note that in our Tentative Order it was clearly established that a portion of PGW’s LIURP budget would be allocated to initiate the LIME program. The LIME program was not meant to be a program above and beyond PGW’s LIURP as the Commission directed PGW to include such a plan within its LIURP program to specifically serve low-income multifamily properties. *See Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016 Submitted in Compliance with 52 Pa. Code § 62.4,* Docket No. M-2013-2366301 (Order entered August 22, 2014 at 57). Therefore, the Joint Commenters requested clarification that the LIME budget is in addition to the proposed LIURP budget is in error and shall be rejected. We note that our referral of PGW’s LIURP to BCS includes the LIME Program, as it is one facet of the entire LIURP. Therefore, the LIME Program will be considered by BCS as part of its LIURP review and budget recommendations.

**V. Conclusion**

For the foregoing reasons we shall affirm our Tentative Opinion and Order of August 4, 2016, as modified, consistent with the discussion in the body of this Final Opinion and Order; **THEREFORE,**

**IT IS ORDERED:**

1. That our Tentative Opinion and Order entered August 4, 2016, is adopted, as modified, consistent with this Final Opinion and Order.

2. That the Philadelphia Gas Works shall file a Compliance Filing in response to this Final Opinion and Order within fifteen (15) days of the date of entry of this Order.

3. That the budget for the Philadelphia Gas Works’ Low-Income Usage Reduction Program for the 2017 Fiscal Year is set at $5,860,506. The 2017 Fiscal Year amount, which is set at $5,860,506, shall be subject to modification in future fiscal years, based on the results and adopted recommendations from the Commission’s Bureau of Consumer Services as part of the Philadelphia Gas Works’ Universal Service and Energy Conservation Plan for 2017-2020, at Docket No, M-2016-2542415.

4, That the Philadelphia Gas Works’ Low-Income Usage Reduction Program budget, including the Low-Income Multifamily Program, be referred to the Commission’s Bureau of Consumer Services for further review as part of the Philadelphia Gas Works’ Universal Service and Energy Conservation Plan for 2017-2020, at Docket No. M-2016-2542415.

5. That the Commission’s Bureau of Consumer Services include in its recommendations regarding the Philadelphia Gas Works’ Universal Service and Energy Conservation Plan for 2017-2020, a budget for the remaining years of the Low-Income Usage Reduction Program as well as a methodology for aligning the timeframes for this program and the Philadelphia Gas Works’ USECP.

6. That any directive, requirement, disposition, or the like contained in the body of this Final Opinion and Order that is not the subject of an individual Ordering Paragraph, shall have the full force and effect as if fully contained in this part.

7. That the proceeding at Docket No. P-2014-2459362 be marked closed.

**BY THE COMMISSION,**



Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: October 6, 2016

ORDER ENTERED: November 1, 2016

1. It should be noted that in its Comments the Joint Commenters requested that the Commission take immediate action to ensure that PGW’s Phase I Plan LIURP is not subject to an abrupt curtailment of its current level of activities on August 31, 2016. Joint Commenters Comments at 8-10. [↑](#footnote-ref-1)
2. *See Philadelphia Gas Works Universal Service and Energy Conservation Plan 2017-2020*, submitted April 28, 2016, at Docket No. M-2016-2542415. [↑](#footnote-ref-2)
3. (71,625 eligible customers/2,108 anticipated annual jobs = 33.98). [↑](#footnote-ref-3)
4. ($5,860,506/3,605 cost per job = 1625.66; 71,625/1625.66 = 44.06). [↑](#footnote-ref-4)