ECKERT SEAMANS
ATTORNEYS AT LAW

Eckert Seamans Cherin & Mellott, LLC
213 Market Street
8th Floor
Harrisburg, PA 17101

TEL 717 237 6000
FAX 717 237 6019
www.eckertseamans.com

Deanne M. O'Dell
717.255.3744
dodell@eckertseamans.com

February 15, 2017

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

Re: Philadelphia Gas Works Universal Service Plan for 2017-2020 Submitted in Compliance with 52 Pa. Code § 62.4, Docket No. M-2016-2542415

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Supplemental Information Submitted by Philadelphia Gas Works in Response to January 26, 2017 Tentative Order with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,

Deanne M. O'Dell

Deanne M. O'Dell

DMO/lww
Enclosure

cc: Cert. of Service w/enc.

{L0671004.1}

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's Supplemental Information in Response to 1/26/17 Tentative Order upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via Email and/or First Class Mail

Christy M. Appleby, Esq.
Darryl Lawrence, Esq.
Office of Consumer Advocate
5th Floor, Forum Place Bldg.
555 Walnut Street
Harrisburg, PA 17101-1921
cappleby@paoca.org
dlawrence@paoca.org

Josie B. H. Pickens, Esq.
Robert W. Ballenger, Esq.
Community Legal Services, Inc.
North Philadelphia Law Center
1410 West Erie Avenue
Philadelphia, PA 19102
JPickens@clsphila.org
rballenger@clsphila.org

Sharon Webb, Esq.
Office of Small Business Advocate
Commerce Building, Suite 202
300 North 2nd Street
Harrisburg, PA 17101
swebb@state.pa.us

Charis Mincavage, Esq.
McNEES, WALLACE, NURICK
100 Pine Street
P.O. Box 1166
Harrisburg, PA 17108-1166
cmincava@mwn.com

Joseph Minott
Logan Welde
Clean Air Council of Philadelphia
135 South 19th St., Suite 300
Philadelphia, PA 19103
joe_minott@cleanair.org
lwelde@cleanair.org

Patrick M. Cicero, Esq.
Elizabeth R. Marx, Esq.
The Pennsylvania Utility Law Project
118 Locust Street
Harrisburg, PA 17101
pulp@palegalaid.net

Richard Kanaskie, Esq.
Gina Lauffer, Esq.
Carrie Wright, Esq.
Bureau of Investigation & Enforcement
PA Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120
rkanaskie@pa.gov
ginlauffer@pa.gov
carwright@pa.gov

Louise Fink Smith, Esq.
Law Bureau
PA Public Utility Commission
P.O. Box 3265
400 North Street, 3rd Floor
Harrisburg, PA 17105-3265
Finksmith@pa.gov

Joseph Magee
James Farley
Sarah Dewey
Bureau of Consumer Services
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265
jmagee@pa.gov
jafarley@pa.gov
sdewey@pa.gov

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Deanne M. O'Dell

Dated: February 15, 2017

Deanne M. O'Dell, Esq.

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2017-2020 Submitted in Compliance with 52 Pa. Code § 62.4	: : : :	Docket No. M-2016-2542415

SUPPLEMENTAL INFORMATION SUBMITTED BY PHILADELPHIA GAS WORKS IN RESPONSE TO JANUARY 26, 2017 TENTATIVE ORDER

Daniel Clearfield, Esquire
Attorney ID #26183
Deanne M. O'Dell, Esquire
Attorney ID #81064
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
(717) 237-6000 (phone)
(717) 237-6019 (fax)

Attorneys for Philadelphia Gas Works

Of Counsel:
Brandon J. Pierce, Esquire
Senior Attorney
Philadelphia Gas Works
800 West Montgomery Ave
Philadelphia, PA 19122

Date: February 15, 2017

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I. INTRODUCTION

On April 28, 2015, Philadelphia Gas Works ("PGW") filed its Universal Service and Energy Conservation Plan ("USECP") for the four-year period of January 1, 2017 through December 31, 2020. By Tentative Order entered January 26, 2017, the Commission identified fourteen issues as needing additional input. Regarding these fourteen issues, the Commission directed PGW to provide supplemental information for further evaluation and also invited interested stakeholders to submit comments and reply comments upon review of PGW's supplemental information. Consistent with these directives, the requested supplemental information (where available) and PGW's views regarding the program policy issues upon which the Commission seeks input are set forth in detail below.

PGW is firmly committed to meeting the needs of all its ratepayers including: (1) low-income customers who qualify for various assistance programs; and, (2) all firm customers (which include low-income customers who do not qualify for assistance programs) who pay for the costs of the various assistance programs. PGW has offered customer assistance programs to customers since before PGW came under the Commission's jurisdiction and has been offering its Commission-approved USECP since 2003. In PGW's service territory, approximately one third of its ratepayers are confirmed low-income[1] and a portion of the rest have incomes that are just above the poverty level. Therefore, when considering changes to PGW's current universal service programs, it is important to ensure that the changes result in measurable benefits to justify any resulting increase in costs that non-participating customers may be required to pay to

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[1] Approximately 34.4% of PGW's customers are confirmed low-income and this is the highest proportionate number of low income customers of all Pennsylvania's utilities – electric or gas. *Pennsylvania Public Utility Commission 2015 Report on Universal Service Programs and Collections Performance*, at 7-8 ("Universal Service Report 2015").

implement the changes. It is with these considerations in mind that PGW offers this feedback on the Commission's Tentative Order. To the extent the Commission requires PGW to undertake modifications of its current Customer Responsibility Program ("CRP") and/or Low-Income Usage Reduction Program ("LIURP") for which PGW will incur costs to implement, PGW respectfully requests approval to recover the costs through its Universal Service and Energy Conservation surcharge ("USC").

In addition, PGW's proposal includes various pilot programs and customer enhancement modifications which are designed to provide a reasonable benefit to customers, improve the effectiveness of the various programs, and increase PGW internal efficiencies while not unnecessarily increasing costs. By proposing some of these initiatives as pilots, PGW seeks the flexibility to evaluate whether the programs are satisfying objectives and should be continued or modified going forward. To that end, PGW respectfully reserves the right to withdraw any of these pilot proposals if additional costly burdens are required or a pre-determination is made here that the pilot proposals must continue indefinitely.

II. BACKGROUND

Unlike other utilities, the Commission approved PGW including its LIURP program[2] as part of Demand-Side Management ("DSM") Plan in 2010.[3] PGW's DSM Phase I Plan (which first included LIURP) was approved for a five-year term through August 31, 2015 (to coincide with PGW's fiscal year from September 1 through August 31). During its review of PGW's

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2 The program name of PGW's LIURP is CRP Home Comfort. The predecessor program names were the Conservation Works Program ("CWP") and the Enhanced Low Income Retrofit Program ("ELIRP").

3 *Philadelphia Gas Works' Revised Petition For Approval of Energy Conservation and Demand Side Management Plan*, Docket Nos. R-2009-2139884, P-2009-2097639, Opinion and Order entered July 29, 2010 at 3. ("*DSM I Final Order*"). PGW's initial petition for a DSM Plan was consolidated with PGW's base rate filing and both proceedings were resolved through a full settlement with all parties.

USECP for 2014-2016, the Commission acknowledged that PGW could address LIURP issues in the context of its DSM Plan but also specified certain LIURP related issues that were to be addressed in that proceeding.[4] The DSM proceeding which was to include LIURP was initiated by PGW on December 23, 2014 ("*DSM Continuation Petition*").[5]

All issues regarding PGW's *DSM Continuation Petition* were litigated before two Administrative Law Judges ("ALJs") although PGW did reach a Stipulation with the Bureau of Investigation and Enforcement ("I&E") regarding PGW's proposed Low-Income Multifamily ("LIME") Program that the Commission directed it to offer in the *USECP 2014-2016 Final Order.*[6] In support of its *DSM Continuation Petition*, PGW submitted thirteen pieces of testimony and sixteen exhibits sponsored by four witnesses (including two industry experts) which were admitted into the record. The parties also engaged in multiple rounds of discovery and settlement discussions. As directed by the *USECP 2014-2016 Final Order*, PGW served the Commission's Bureau of Consumer Services ("BCS") with copies of all documents filed in the proceeding and invited BCS to settlement discussions as related to the LIURP program.

In its Tentative Opinion and Order entered August 4, 2016 ("*DSM Continuation Tentative Order*"), the Commission resolved many issues regarding PGW's proposed continuation of its DSM programming but sought further comments from parties about its newly

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4 *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, Final Order entered August 22, 2014. ("*USECP 2014-2016 Final Order*").

5 Recognizing that the litigation schedule developed to address the *DSM Continuation Petition* would not likely result in a Commission order to continue the DSM programs past the August 31, 2015 expiration date, the Commission granted PGW's request for a DSM Bridge Plan to allow the programs to continue pending the Commission's final order regarding the *DSM Continuation Petition. Philadelphia Gas Works' Revised Petition for Approval of Energy Conservation and Demand Side Management Plan*, Docket No. P-2009-2097639, Opinion and Order entered May 7, 2015. As part of approving the DSM Bridge Plan, the Commission also approved a program funding level for the programs, including PGW's LIURP program.

6 A copy of this Stipulation was included in the Reply Briefs of both PGW and I&E which were filed on December 8, 2015. A copy of the PGW/I&E LIME Stipulation is attached hereto as Exhibit A.

calculated budget for LIURP.[7] Upon review of the comments, the Commission ultimately elected in its Final Order ("*DSM Continuance Final Order*") to set the LIURP budget for the 2017 fiscal year and directed BCS to review PGW's USECP for 2017-2020 in its entirety and provide the Commission its recommendations.[8]

In furtherance of this directive, PGW was directed to (and did) amend its then pending USECP for 2017-2020 (which is the subject of this proceeding) to provide the up-to-date information required by the regulations, perform a needs assessment based on this data, and propose a budget for its CRP Home Comfort Program.[9] Upon review of PGW's Amended USECP 2017-2020, the Commission issued its Tentative Order which requested the supplemental information that PGW provides herein.

III. SUPPLEMENTAL INFORMATION

A. Issue No. 1: Expanding Eligibility for CRP Based on Most Affordable Bill Payment Option

PGW offers a robust percent of income payment plan which calculates an asked-to-pay amount for participants based on their percent of income within the ranges established by the Commission's Customer Assistance Programs ("CAP") Policy Statement.[10] If a customer's

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7 *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*, Docket No. P-2014-2459362, Tentative Opinion and Order entered August 4, 2016 ("*DSM Continuation Tentative Order*").

8 *DSM Continuation Final Order* at 27.

9 First Amended USECP 2017-2020 at 11-15 and 26. Page numbers cited in this response are referencing the red-lined version of the First Amended USECP 2017-2020.

10 *See* 52 Pa. Code §§ 69.261, et seq. Though a policy statement does not establish a binding norm, it announces the agency's tentative future intentions to provide guidance to the industry in developing the covered processes and procedures. *See, e.g., Department of Environmental Resources v. Rushton Mining Co., 139 Pa. Commw. 648, 591 A.2d 1168* (Pa. Cmwlth.), *petition for allowance denied*, 529 Pa. 626, 600 A.2d 541 (1991).

budget bill plus payment agreement (if applicable) ("Budget Plus") is calculated at an amount less than what would be asked-to-pay through CRP participation, then the customer is currently ineligible to participate in CRP and he/she is required to pay the calculated budget amount.

The Commission, like PGW, is concerned about the recent trend in declining participation rates in PGW's CRP program.[11] PGW fully shares the goals of the Commission to ensure that its CRP program is providing value to customers and reaching customers who would be best served through the program; however, this recent participation trend does not necessarily indicate that all low-income customers are ill-served by CRP as there are other factors that impact participation. In recent years, gas costs have tended to be lower and PGW's service territory has experienced some generally warmer trends. As such, participation in CRP may not be beneficial for a particular customer. If that customer's Budget Plus monthly payment amount is less than the customer would be required to pay in CRP, then participation in CRP is not the more affordable option for that customer.

PGW hired a consultant (selected through a Request for Proposals, "RFP," process) to consider, among other things, whether it should propose modifications of CRP to allow customers to enroll in CRP at their average bill amount. Ultimately, PGW elected not to propose to modify its CRP as suggested.[12] The consultant that performed the evaluation, H. Gil Peach & Associates ("Peach")[13] was directed to review PGW's CRP and consider CRP policies (to

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11 Tentative Order at 11 and 35-27. The issue raised in the Tentative Order about PGW's outreach to participants in the Senior Citizen Discount ("SCD") for potential participation in CRP is discussed below in Section III.N, *infra* at 43. Both issues, however, are related to the apparent concern of the Commission about PGW's recent trend in decreasing CRP participation rates.

12 First Amended USECP at 2017-2020 at 4.

13 Peach was awarded the contract to review PGW's CRP pursuant to a Request for Proposals ("RFP") process. In business since 1988, Peach has been all over the United States and Canada, bringing perspective and knowledge to its projects. Peach has done hundreds of these projects in many different organizations and jurisdictions. *See* http://peachandassociates.com/

include the one BCS informally requested as discussed here).[14] The evaluation of the Peach Study is broader than the specific suggestion of BCS and includes a more expansive review of CRP policies.

Regarding the informal request of BCS and PGW's recommendation not to make the change, the Tentative Order requests that PGW: (1) provide details about its evaluation of this proposal; (2) include a cost breakdown estimate that explains how the change would result in the increased program costs; and, (3) provide responses to additional specified data related to this issue.[15]

In support of its recommendation not to pursue this change to its CRP, PGW stated that the estimated cost of BCS' informal suggestion would be approximately $26 million.[16] Upon further review of this estimate and based on the description of this issue contained in the Tentative Order, PGW believes revision and clarification is needed. PGW's initial understanding of BCS' informal suggestion was that BCS's suggestion (and goal) was to have all low-income customers included in CRP, including those who are not currently on CRP but for whom the program would be beneficial as currently structured.

1. Details Regarding Outside Expert Evaluation of BCS Proposal

Request: Provide details about the evaluation of this proposal and include a cost breakdown estimate that explains how the change would result in the increased program costs.

PGW Response: Relevant for this issue, the Peach Study evaluated: (1) inclusion of all low-income customers on a modified CRP; and, (2) the current affordability of PGW's CRP program. As described in Attachment B, the Peach Study estimated that: (1) the cost of

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[14] This initial evaluation was subsequently amended. The full evaluation with the amendment is attached hereto as Attachment B ("Peach Study"). Although the evaluation included in the Peach Study is broader than the specific suggestion of BCS and includes a more expansive review of CRP policies, the full Peach Study is being included herein in the interests of transparency.

[15] Tentative Order at 12-13.

[16] First Amended USECP 2017-2020 at 4.

adding low-income customers who are not active on CRP but for whom the program would be beneficial on CRP (as currently structured) could be approximately $26,302,840;[17] (2) the cost of modifying active CRP customers' monthly amount to the average bill amount could be approximately $648,000;[18] and (3) the cost of adding low-income customers who are not on CRP at the average bill amount (with arrearage forgiveness) could be approximately $5,027,742.[19] In contrast, the results of Peach's analysis of the affordability of PGW's CRP program show that an adjustment of PGW's current percentage tiers (lower the 8% to 7% and lower the 10% to 9%) could improve affordability for customers at a combined cost of approximately $1.7 million a year. However, a proposal to modify percentages of income was not made until the financial impacts of other changes to CRP (such as the one discussed above) could be studied.

As supported by the results of the Peach Study, expanding CRP as suggested would provide certain customers with an energy burden amount that is lower than what would be calculated under the current policy statement on customer assistance programs. Arguably there may be an inherent unfairness in such result. Currently, the customer who has a Budget Plus payment amount that is lower than the CRP asked-to-pay amount is asked to pay the Budget Plus. Thus, this Budget Plus monthly payment amount is already less than the percent of income deemed affordable under the CAP Policy Statement. To the extent that Budget Plus customer's new CRP asked-to-pay amount removes any arrearage payment that the Budget Plus customer would have been paying outside of CRP, the customer's bill could be reduced to one that is an even lower percentage of income. PGW's understanding is that the CAP Policy Statement percentages are deemed by the Commission to be affordable and this result seems inconsistent when contrasted with other CRP customers who will continue to pay the fixed percent of income as calculated consistent with the CRP guidelines.

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17 Attachment B, Peach Study at 26. While the description on page 26 erroneously indicates that the data in Table 4 represents moving accounts where the average amount would be more beneficial than the CRP amount or budget/payment agreement amount onto CRP, the 42% indicated in Table 4 represents the customers who are not on CRP but who would benefit from participation in CRP as currently structured.

18 Attachment B, Peach Study at 28.

19 Attachment B, Peach Study, Amendment at 2.

PGW would note that making the BCS suggested changes to PGW's current CRP will also require operational and significant system changes. The Peach Study did not take into any consideration any necessary costs that would be incurred to revise CRP. Therefore, PGW requests that if it is required to make these changes, it be allowed cost recovery through its USC surcharge.

2. Additional Data Requests

In its Tentative Order, PGW was also requested to provide the below data.

Request: How many low-income customers were denied CRP enrollment in 2013, 2014, and 2015 due to the CRP rate not being the most advantageous?

PGW Response: PGW does not track the requested information. However, PGW has provided data pertaining to low-income customers and payment agreements in its submission for the Universal Services Reporting Requirements in years 2013-2015. The following data represents the number of confirmed low-income payment agreements issued during the requested years. However, this data has significant limitations; customers may elect to enter a payment agreement instead of applying for CRP and there could be a number of reasons why customers would want to do so.

i. 2013: 37,883[20]
ii. 2014: 53,491[21]
iii. 2015: 52,309[22]

Request: Of the number of low-income customers denied CRP enrollment due to the CRP rate not being the most advantageous: (1) how many were entered into payment arrangements; (2) how many of these payment arrangements were broken; (3) how many were ineligible for further payment arrangements and were rejected based on their budget bill amount; and, (4) of this number, identify how many had arrears within the specifically provided monetary ranges.

PGW Response: As noted above, PGW does not track the requested information regarding the number of low-income customers denied CRP enrollment on the basis that the CRP rate is not the most advantageous. As a result, PGW is also unable to provide the range of

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20 *Pennsylvania Public Utility Commission 2013 Report on Universal Service Programs and Collections Performance* at 17. ("Universal Service Report 2013").

21 *Pennsylvania Public Utility Commission 2014 Report on Universal Service Programs and Collections Performance* at 10. ("Universal Service Report 2014").

22 Universal Service Report 2015 at 10.

arrears associated with the aforementioned accounts. However, the number of payment troubled confirmed low-income customers during those years are as follows:

i. 2013: 15,695[23]
ii. 2014: 19,840[24]
iii. 2015: 25,442[25]

Request: How many low-income customers with usage levels above 2,125 CCF were denied CRP Home Comfort enrollment in 2013, 2014, and 2015 because they could not enroll in CRP due to the CRP rate not being the most advantageous?

PGW Response: PGW does not track the requested information.

Request: The total amount of deferred arrears and in-program arrears for CRP customers at the end of 2013, 2014, and 2015, broken down by income level (i.e., 0-50%, 51-100%, and 101-150%).

PGW Response: Provided below is the requested data pertaining to the deferred arrears and in-program arrears of CRP customers broken down by year and participation level.

Deferred Arrears

Level	2013	2014	2015
$25 min	$1,772,349	$1,570,173	$2,709,106
0-50%	$11,855,628	$10,505,288	$11,283,441
51-100%	$20,339,783	$20,202,960	$18,450,713
101-150%	$8,438,741	$8,420,041	$6,370,157

In-Program Arrears

Level	2013	2014	2015
$25 min	$104,753	$85,057	$132,792
0-50%	$1,761,106	$1,353,084	$1,286,857
51-100%	$6,320,605	$5,007,387	$4,191,555
101-150%	$3,273,826	$2,427,391	$1,682,339

B. Issue No. 2: CRP Pilot Consumption Proposal

For this universal service plan period, PGW proposes to implement a pilot program which will impose maximum consumption limits for CRP participants with higher than average

23 Universal Service Report 2013 at 18.

24 Universal Service Report 2014 at 9.

25 Universal Service Report 2015 at 9.

usage.[26] While expressing support for the concept of PGW's proposed consumption limit pilot to control the cost of CAP programs, the Commission in its Tentative Order asked PGW for the following information.[27]

Request: How and when will CRP participants be informed of this consumption limit once implemented?

PGW Response: PGW will do a mailing to all active CRP customers. For customers who subsequently join CRP, they will be notified at the time of application.

Request: What will happen if CRP participants continue to exceed the consumption limit after energy education and weatherization services are provided?

PGW Response: This program is designed as a pilot in order to assist PGW in developing a Reason Analysis for apparent excess energy use. Any policy developed will be based on that Reason Analysis. PGW will analyze the results of this pilot and its pilot Conservation Incentive and will propose a final consumption limit policy in its next Universal Service and Energy Conservation Plan (i.e. 2021-2023). PGW also proposed in its USECP that in 2019 or 2020, it will conduct a stakeholder meeting to examine the consumption incentive program's interests at that time and discuss possible next steps.

Request: What is the projected annual cost of the proposed "Reason Analysis" for evaluating the causes of excess gas usage?

PGW Response: Preliminarily, PGW believes it has the internal resources to complete this analysis. If it is determined that a consultant's expertise is required, PGW will utilize an RFP process (if required under municipal requirements) or obtain quotes to establish the budget. PGW has not proposed cost recovery for this Reason Analysis through its USC surcharge.

PGW continues to support implementation of this pilot. Also worth noting is that OSBA supported implementation of some type of consumption pilot during the *DSM Continuation Proceeding*.[28] As a result, the record of the *DSM Continuation Proceeding* includes various parties' position on this issue. For its part, PGW does not agree with the view that CRP customers' usage would necessarily be wholly unaffected by a price signal, that energy usage

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26 First Amended USECP 2017-202 at 19-20.

27 Tentative Order at 14.

28 *DSM Continuation Tentative Order* at 139-142.

reductions by each CRP customer are unattainable without LIURP treatment, that the inclusion of a price signal would necessarily undermine the purposes of CRP or that just because PGW's CRP is a percent of income plan it cannot include any price signals.[29]

C. Issue No. 3: Use of External Sources to Verify CRP Household Information

In its Tentative Order, the Commission requests that PGW provide additional information regarding its use of external sources to verify CRP household. Specifically, the Commission questioned whether PGW is using credit reporting information as part of its periodic review of CRP accounts and, if so, to explain how its process complies with the Federal Credit Reporting Act ("FCRA") requirements.[30]

This issue was first raised during the process approving PGW's 2014-2016 USECP when CAUSE-PA suggested that PGW be required to identify the external sources it uses to verify household composition and income and the data collection and maintenance standards used by those services.[31] CAUSE-PA expressed specific concern about reliance on unregulated, private data brokers and ensuring that any reports relied upon by PGW are consistent with the standards of the FCRA.[32] In response to CAUSE-PA's concerns, PGW responded that it does not use unregulated data brokers or credit reports to verify household composition and income.[33]

Consistent with this representation, PGW's process of verifying household income for CRP participants has not changed. With respect to use of credit reporting agencies and CRP participation, PGW does not utilize credit reports for any purpose, whether to obtain income

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[29] *Petition of Philadelphia Gas Works for Approval of Demand Side Management Plan for FY 2016-2020*, Docket No. P-2014-2459362, PGW Reply Brief dated December 8, 2016 at 94.

[30] Tentative Order at 15.

[31] CAUSE-PA Comments, Docket No. M-2013-2366301 at 5-6.

[32] CAUSE-PA Comments, Docket No. M-2013-2366301 at 6.

[33] PGW Reply Comments, Docket No. M-2013-2366301 at 29.

verification or otherwise. PGW may, however, submit a soft inquiry to a credit reporting agency (such as Experian or Transunion) to check such factors as residency and to perform death audits in order to ensure that incidents of fraud do not occur within the program. In the event there is an indicator of fraud or death, a letter will be sent to the customer asking them to contact the Company within two weeks to confirm the information obtained. Applicants authorize PGW to perform these checks at the time of application.[34] PGW does not, however, receive any detailed credit report from the credit agency and does not use these soft inquires to verify household composition and/or income.

Although the Federal Trade Commission ("FTC") has primary responsibility for governmental enforcement of the FCRA[35] and the Commission has concluded in other cases that the issues related to FCRA are beyond its jurisdiction,[36] PGW recognizes that the Commission reviewed PECO's use of credit reports from Experian to screen CAP households for potential fraud and directed PECO to amend its process to meet the requirements of FCRA regarding adverse action taken based on a consumer report.[37] Consistent with this direction to PECO, PGW will provide customers with FCRA rights in writing (even though they may not be applicable in this instance) in writing before removing a customer from CRP for fraud or evidence of death found from an inquiry. Customers will be provided with notification at least

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34 First Amended USECP 2017-2020 at 9. As part of signing the CRP application, applicants authorize PGW to: (1) verify the information they provide through internal and third party sources, including City and State records; and, (2) obtain additional information from any source for review. *See* http://www.pgworks.com/uploads/pdfs/CRP_Application-English.pdf.

35 15 U.S.C. § 1681s.

36 *Patrice Archer v. UGI Utilities, Inc.* Docket No. C-20078337, Final Order entered February 18, 2009 (the issue of notice under the FCRA is beyond the Commission's jurisdiction); and, *Joseph Rogers v. PECO Energy Company,* Docket No. C-00003599, Opinion and Order entered January 12, 2001; Order Denying Request for Rescission entered April 23, 2001 (claims regarding information reported to a credit reporting agency are beyond the scope of the Commission's jurisdiction).

37 *PECO Energy Company Universal Service and Energy Conservation Plan for 2016-2018,* Docket No. M-2015-2507139, Opinion and Order entered August 11, 2016.

two weeks prior to their CRP removal in order to give them sufficient time to dispute with PGW the information obtained by PGW as a result of the information provided by the credit agency in response to PGW's inquiry.

D. Issue No. 4: Use of Annual Tax Returns as Proof of Current Income for Self-Employed Customers

In its Tentative Order, the Commission requested that PGW accept annual tax returns as proof of income for self-employed customers.[38] Consistent with this request, PGW will discontinue the practice of requiring quarterly tax returns and will begin accepting annual tax returns as proof of income for self-employed customers effective as of March 2017.

E. Issue No. 5: Required Cure Payments to Re-Enroll in CRP

In its Tentative Order, the Commission requested that PGW explain what amounts it will require a customer to pay prior to re-enrollment into CRP (i.e. CRP Cure).[39] For customers who are voluntarily or involuntarily removed from CRP, PGW requires the customers to "cure" their CRP payments in order to re-enroll. The cure amount is calculated by counting the number of bills generated on the account since the time of removal and multiplying that number by the customer's asked-to-pay CRP amount. After that amount is determined, PGW combines that amount with the total amount of unpaid CRP bills at the time of their removal (i.e. CRP arrears) and subtracts any payments applied to the account since their removal from CRP. Thus, the calculation results in the same amount (if any) that would have been due if the customer had never been removed from CRP. A cure payment is calculated as though the customer had remained on CRP and was making payments under that program.

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[38] Tentative Order at 15-16.

[39] Tentative Order at 17.

F. Issue No. 6: Additional Details Regarding Proposed On-Line CRP Application Process

PGW is currently developing an enhancement to accept CRP applications online.[40] This process will be designed to automate only the CRP application process and work assignments for employees handling applications. The automation of this process is expected to: (1) improve the customer experience; (2) make applying for CRP easier for customers; (3) make CRP more attractive to customers; (4) increase security for submitted information; and, (5) improve internal workflow. While the Commission expresses support for this initiative, the Tentative Order asks PGW to provide responses to the following questions.[41]

Request:* *Will customers be able to securely submit requested documentation through its website?

PGW Response: Yes. PGW's proposal is expected to allow customers to securely submit requested documentation (e.g. paystubs, identification, tax returns) through a website or other type of portal or electronic submission.

Request:* *Will customers be able to use the tool to complete CRP re-certifications and applications for CRP Home Comfort or the Hardship Fund?

PGW Response: Customers are also expected to be able to use the online tool to complete new CRP applications and CRP re-certifications. In addition, the online tool will allow for electronic communications between PGW and the CRP applicant and secure electronic signature of the CRP Application form by the customer. However, this CRP application process will not be used for applications for the CRP Home Comfort or the Hardship Fund and has not been budgeted to do so. CRP Home Comfort services are not applied for, but are provided to customers who meet certain eligibility criteria. Hardship Funds are provided through the Utility Emergency Services Fund ("UESF"), which is an organization separate from PGW.

This enhancement is a capital project approved by the Philadelphia Gas Commission, and – as required by municipal rules – PGW put this work out for RFP. Because implementation is expected to be time-consuming and relatively costly (and PGW has not sought recovery of these

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40 First Amended USECP 2017-2020 at 17.

41 Tentative Order at 17.

costs), PGW has elected to limit the tool to CRP at this time because it is expected that automation of the CRP process will provide the most benefit to CRP applicants and participants as well as the Company. Moreover, given the delay in receiving approval for this USECP as well as other delays experienced by PGW, this process will not be automated by August 2017 (implementation is currently expected sometime in Fiscal Year 2018).

G. Issue No. 7: Transition of LIURP Services from DSM Back Into USECP (Explanation of Administrative Costs)

The Commission directed PGW in the *DSM Continuation Final Order* to file an amendment to its USECP for 2017-2020 to remove LIURP from its DSM and incorporate it back into the USECP.[42] Accordingly, PGW's First Amended USECP 2017-2020 proposes a pro-rated budget of $2,165,482 for the calendar months of September 2017-December 2017. The pro-rated budget accommodates the four month offset between the use of PGW's Fiscal Year (which runs from September 1 to August 31) for DSM and the use of calendar year for PGW's universal service plan.[43] In its Tentative Order, the Commission concludes that "the pro-rated budget….appears to be a satisfactory approach."[44]

PGW's proposed LIURP budget also includes administrative expenses (including labor) and proposes that the administrative costs of the LIURP budget would continue to remain combined with the DSM Plan and allocated across the programs proportionally for now because removing LIURP from the DSM Plan will require PGW to evaluate overall portfolio administrative costs based on the program structure of the USECP and the DSM Plan to

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42 *DSM Continuation Final Order* at 27.

43 First Amended USECP 2017-2020 at 26.

44 Tentative Order at 22.

determine where efficiencies are best met and should remain combined.[45] In its Tentative Order, the Commission requested that PGW "provide specific information" related to its program and administrative costs and "indicate which costs, or which portion of the costs, are associated with DSM or USECP."[46]

As stated in the USECP, PGW has proposed that it will evaluate overall portfolio administrative costs through its implementation of LIURP from FY 2017 – FY 2020 to determine where efficiencies are best met and could be proposed to remain combined.[47] This comprehensive review will provide PGW with the information necessary to determine how the program administrative costs should be allocated in future universal service plan filings while maintaining cost efficiencies. These efficiencies include administering the programs with shared staff members, and hiring consultants to provide shared services for both the LIURP and DSM programs, which provides, for example, an advantage in negotiating contracts for the services.

The administrative costs of $710,939 (which are included in the LIURP budget) are a portion of the total $920,000 in administrative costs that PGW proposed to budget for the DSM Plan which it anticipated would also include LIURP. With the approval of PGW's DSM Plan and the removal of LIURP from DSM, the current approved budget for the DSM Plan continues to include a total of $920,000 with the caveat that a portion of the portfolio-wide costs will be allocated proportionately to the DSM programs and LIURP.[48]

These costs include PGW labor and overhead, marketing and communications, program development consultants, and database and software costs for reporting. PGW proposes to

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[45] First Amended USECP 2017-2020 at 24.

[46] Tentative Order at 22.

[47] First Amended USECP 2017-2020 at 23.

[48] *See* Philadelphia Gas Works EnergySense Demand Side Management Portfolio Phase II Compliance Plan Fiscal Years 2017-2020 filed at Docket No. P-2014-2459362 on December 27, 2016 at 7.

continue allocating administrative costs using the same method that has been approved by the Commission previously[49] which calculates the administrative cost contribution for each program based on program's proportion of the budget.

The following budgets are PGW's projected program administrative cost allocations between the LIURP and DSM programs; currently PGW's DSM program is much smaller in size and spend than the proposed LIURP single family and LIME programs. The projections reflect PGW's current activity estimates and are subject to changes from actual program activity which alters overall budget proportions.

Estimated Administrative Cost Allocations	**FY 2017**	**CY 2018***	**CY 2019**	**CY 2020****	**FY 2017 - CY 2020**
Market Rate (non-LIURP) DSM Programs***	$209,061	$265,157	$190,907	$216,025	$881,150
Single Family Programs of LIURP	$696,376	$867,473	$669,458	$674,057	$2,907,364
LIME Program of LIURP	$14,563	$18,037	$13,635	$13,918	$60,153
LIURP Total (which includes both single family and LIME programs)	$710,939	$885,510	$683,093	$687,975	$2,967,517
Administrative Cost Cap	$920,000	$1,150,667	$874,000	$904,000	$3,848,667

* Includes September 2017 – December 2017, for which the single family LIURP allocation is projected not to exceed $232,062 and the LIME allocation is projected not to exceed $4,917 for a total of $236,980.
**Assumes for purposes of this chart only a continuation of the DSM programs at the current levels from September 2020 – December 2020.
***Programs that provide incentives that cover a portion of efficiency services purchased on the open market are considered "market rate," in contrast to the low-income weatherization program in which PGW funds the entire efficiency investment.

H. Issue No. 8: Additional Details Regarding Proposed CRP Home Comfort Health and Safety Pilot

As part of its CRP Home Comfort program, PGW proposed to pilot a new policy for contractors to spend up to $2,000 per-project on the installation of health and safety measures with the goal of installing measures that will achieve at least 25% savings and target the highest

49 As explained in Section II, PGW's LIURP program was approved as part of the various DSM proceedings as permitted to be continued by the Commission in its *USECP 2014-2016 Final Order*. *See, supra,* at 3.

usage homes.[50] As a preliminary matter, PGW notes that this pilot proposal is consistent with the Commission's recent recognition that routine health and safety measures do not have a separate allowance limit or threshold even though "there are numerous homes that could benefit from minor repairs or renovations that enable the installed weatherization measure to function as intended."[51] Because, among other reasons, this would be a new policy for PGW's existing CRP Home Comfort program, PGW specifically proposed this work on a temporary pilot basis for this universal service plan's years only with the intent of evaluating its actual implementation to determine whether or not PGW would propose continuation in future universal service plan years.[52]

The Commission has stated that it is "very supportive" of the proposed pilot and agreed with the proposed parameters for the pilot; however, the Commission requested additional responses regarding the following requests.[53]

Request: What is the proposed duration of the pilot including the "success metrics to move it from pilot to permanent?"

PGW Response: As proposed by PGW, the health and safety pilot proposal would be implemented only for the years covered by this universal service plan's years and only if the proposed budget for the pilot is included as part of the total LIURP budget and the LIURP budget is not increased to accommodate the costs of this pilot.[54] Assuming the pilot moves forward, PGW currently has no intent to continue the pilot health and safety program after December 2020. Rather, PGW intends to study the impacts of the pilot. Under its proposal, PGW will examine the results of the program and, among other things, if, in accordance with 52 Pa. Code § 62.3(b)(1), this pilot program helps low-

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50 First Amended USECP 2017-2020 at 27.

51 PECO 2016-2018 USECP, M-2015-2507139 at 50.

52 First Amended USECP 2017-2020 at 5-6. PGW also specifically stated that the proposed pilot is "not intended as a modification (permanent or otherwise) to LIURP" and "if the spend for this proposal is not permitted to be included as part of the LIURP spend or the LIURP budget is increased to accommodate this program," then the proposed pilot was to be deemed withdrawn. *Id.* at 5-6.

53 Tentative Order at 22-23.

54 First Amended USECP 2017-2020 at 5-6.

income customers maintain affordable gas service, PGW may consider proposing an extension of this program or a similar program in its next universal service plan filing.

To evaluate the effectiveness of the proposed pilot, PGW will consider how the pilot impacted the ability of PGW to meet two key objectives. First, PGW will evaluate whether the pilot helps decrease the number of cases that are deferred from comprehensive weatherization due to pre-existing health and safety issues. These projects reflect missed opportunities and cause PGW's conservation service providers to leave the homes without addressing all weatherization opportunities. Second, PGW will evaluate whether the pilot increases the number of projects that would provide deep savings greater than 25%. PGW expects that more homes could be eligible for comprehensive treatment that can result in deep savings if health and safety issues preventing weatherization are resolved. These are preliminarily identified metrics which may change if the pilot is implemented and as PGW and its contractors gain more experience with these measures.

The Commission's regulations "encourage" utilities to propose pilot programs that achieve the purposes of residential low-income usage reduction.[55] The proposed pilot is consistent with this by providing a more innovative approach for PGW to assess projects for comprehensive treatment. To continue to encourage PGW to make such proposals, PGW requests that the Commission grant it the flexibility to determine how to evaluate this pilot and to determine whether or not to continue the pilot.

Request: Provide clarification regarding any regulatory waivers needed to implement this program.

PGW Response: As explained further below, the extent to which the following waivers are necessary is not entirely clear and, therefore, PGW included a general waiver request in its USECP.[56] However, and in response to the Tentative Order, a more detailed analysis of the specific regulatory sections is below. PGW requests such waivers through the end of this USECP (i.e. December 31, 2020). PGW is not requesting any future waivers for the health and safety pilot program, or the continuation of the health and safety pilot program after December 31, 2020.

1. 52 Pa Code § 58.11(a)

Section 58.11(a) of the Commission's regulations require "...[t]he installation of a program measure is considered appropriate if...the energy savings derived from the installation

[55] 52 Pa. Code § 58.4(d).

[56] *See* First Amended USECP 2017-2020 at 27 ("[t]o the extent that a regulatory waiver of §§ 58.11, 58.12 and/or 58.18 is required to provide the above proposal, PGW requests approval of any such waivers.") With respect to the full LIURP program PGW proposed that "[i]n the LIURP proceeding, PGW was granted waivers of 52 Pa. Code §§ 58.5, 58.9, and 58.11, and proposes the continuation of such waivers through the termination date of this USECP." First Amended USECP 2017-2020 at 26. These waivers would be requested on the same grounds as litigated during the *DSM Continuation Proceeding*.

will result in a simple payback of 7 years or less. A 12-year simple payback criterion shall be utilized for the installation of side wall insulation, attic insulation, space heating system replacement, water heater replacements and refrigerator replacement when the expected lifetime of the measure exceeds the payback period."[57] PGW uses TRC cost-effectiveness to determine what measure to include in a project rather than a 12-year simple payback criteria and, for this reason, has already been granted a waiver by the Commission of this regulation for this universal service plan period.[58] The waiver of this section provides PGW the flexibility to implement its TRC cost-effectiveness test which has worked effectively to date and is consistent with both current DSM industry standards and the approach used by the Commission for Act 129 electric energy efficiency programs.

Regarding the health and safety pilot, PGW proposes to omit the costs of the proposed health and safety measure up to a per-project cap that would otherwise prevent a project from being assessed as cost-effective under the TRC. The evaluation criteria of Section 58.11 does not align with either the current Commission-approved measurements that PGW uses to evaluate its LIURP or how the proposed health and safety measures would be evaluated pursuant to those measures. Therefore, and to the extent the waiver of this regulation that has already been granted is not considered to extend to the health and safety pilot, PGW requested a further waiver. As with the other waivers requested herein, the waiver would only apply through the approved universal service plan period.

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57 52 Pa. Code § 58.11(a).

58 *DSM Continuation Tentative Order* at 106-108. PGW specifically requested that this (and the other waivers already granted by the Commission) be continued through this universal service plan period. First Amended USECP 2017-2020 at 26.

2. 52 Pa Code § 58.12

Section 58.12 permits "expenditure on program measures to include incidental repairs to the dwelling necessary to permit proper installation of the program measures or repairs to existing weatherization measures which are needed to make those measures operate effectively."[59] The regulations do not specifically identify what types of expenditures are to be included within the "incidental repairs" category. PGW generally considers minor house repairs to be "incidental repairs" within the meaning of this regulation and PGW already addresses those types of incidental repairs in its LIURP services.

As part of its proposed health and safety pilot, however, PGW contemplates extensive health and safety home measures that would be beyond "incidental repairs." To the extent required, PGW specifically requests a waiver of 58.12 to permit it to include the costs of its proposed health and safety measures in its LIURP budget for the reasons discussed above.

3. 52 Pa Code § 58.18

Section 58.18 allows a utility alleging special circumstances to seek an exemption for its usage reduction program from the LIURP regulations.[60] PGW is not proposing exemption of its LIURP from the LIURP chapter. However, if the Commission concludes that permitting PGW to include the costs of its proposed health and safety measures with its LIURP budget is outside its current regulations, then PGW specifically requests that it be permitted to move forward with the pilot pursuant to Section 58.18. In support of this request, PGW notes that its proposal is being offered on a pilot basis, as the Commission encourages utilities to do in 52 Pa. Code § 58.4(d). To be able to implement the pilot and evaluate its effectiveness, the costs of the pilot

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59 52 Pa. Code § 58.12.

60 52 Pa Code § 58.18.

need to be recovered from the LIURP budget. To the extent this outcome is not contemplated by either applying or waiving Section 58.12 of the regulations, PGW requests that the Commission permit the pilot to move forward as proposed through application of this regulation.

I. Issue No. 9: Additional Details Regarding Proposed Pilot Conservation Incentive Program

This pilot program was first approved by the Commission in its *USECP 2014-2016 Final Order* and its purpose is to use a bill credit to positively incent CRP customers to reduce energy consumption.[61] As part of this proceeding, PGW proposes to continue the pilot in this universal service plan period. In its Tentative Order, the Commission requests PGW to provide additional information in response to the questions below.[62]

Request: When did the pilot begin?

PGW Response: Pursuant to the directives of the Commission in its *USECP 2014-2016 Final Order*, PGW convened a stakeholder process in the fall of 2014 to determine whether any changes should be made to PGW's initial proposal. No changes were made as a result of this process and the pilot commenced shortly thereafter. There were no budgetary restrictions imposed. However, as PGW continues to evaluate the pilot to include whether or not there is value in continuing it in a future universal service plan period, budgetary restrictions may be proposed and PGW may request cost recovery for the program.

Request: Describe the outreach to customers informing them about the pilot.

PGW Response: Communications to the customers included: an advance mailing to all CRP customers who may be eligible describing the incentive and providing conservation tips; and distributing a flyer to customers at PGW district offices and through the LIURP that explained the incentive and provided conservation tips.

Request: Provide an estimated (or known) number of participants and whether there were any budgetary restrictions.

PGW Response: There has been one pay-out to date pursuant to this pilot – 6,375 customers received a $100 incentive, for a total of $637,500. There are no budgetary restrictions.

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61 *USECP 2014-2016 Final Order* at 43.

62 Tentative Order at 23.

Request: Provide an analysis of the pilot to date.

PGW Response: The one pay-out has not provided sufficient information to analyze this pilot which is why in its USECP 2017-2020 PGW has proposed to continue the pilot and further analyze it. Specifically, PGW proposes analyzing the Pilot Consumption Limit Reason Analysis and this Conservation Incentive Program Pilot together and will propose a final consumption limit policy in its next Universal Service and Energy Conservation Plan (i.e. 2021-2023). PGW also proposed in its USECP 2017-2020 that in 2019 or 2020, it will conduct a stakeholder meeting to examine the consumption incentive program and discuss possible next steps.[63]

Overall, a Conservation Incentive may not be the best way to reduce usage as there are some possible limitations to an incentive, including, but not limited to: (1) establishing an accurate baseline for a home; and, (2) determining causation for the reduction in energy usage – for example, behavioral changes may not be the reason for reduced usage as there may be other events occurring in the household that naturally result in less energy consumption, such as a reduction in the number of members in the house. In the future, once it has studied the results of both this pilot as well as the Conservation Incentive Program Pilot and discussed them with BCS, PGW may want to utilize a motivational/education pilot program that is not linked to payment of an incentive.

J. <u>Issue No. 10: Additional Details Regarding Proposed LIME Program</u>

In its *USECP 2014-2016 Final Order*, the Commission directed PGW to include a new Low-Income Multifamily ("LIME") program as part of its CRP Home Comfort program and directed PGW to "designate a portion of the [LIURP] budget" for the new program.[64] In doing so, the Commission recognized that multifamily accounts include commercial ratepayers but indicated that recovering costs through LIURP was deemed appropriate since PGW recovers costs for its LIURP program, in part, from non-residential ratepayers.

Consistent with the Commission's directive, PGW's *DSM Continuation Petition* proposed a new LIME program as part of its CRP Home Comfort program. During the related litigation PGW and I&E reached a stipulation regarding the LIME program ("PGW/I&E LIME

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63 First Amended USECP 2017-2020 at 20.

64 *USECP 2014-2016 Final Order* at 57.

Stipulation").[65] As a result of that stipulation, PGW modified its original LIME proposal as follows: (1) PGW will convene a stakeholder collaborative to receive input from interested parties about the program; (2) a 75% confirmed low-income residency will be required for properties to be eligible for LIME treatments; and, (3) 100% of the costs for confirmed low-income customer usage will be recovered through the USC while 33% of the costs for all other customer usage (whether commercial or non-low-income customers) will be recovered through the Efficiency Cost Recovery Surcharge ("ECRS") and the remaining costs for this other customer usage will be funded by property owners.[66]

Upon review of PGW's proposed LIME program as modified by the PGW/I&E LIME Stipulation, the ALJs concluded that PGW's proposed modifications to its initial proposal were an "adequate solution" to the concerns raised by the other parties and recommended that the Commission approve the LIME program.[67] Upon review of this recommendation, the Commission agreed that PGW's proposed LIME program (as modified by the PGW/I&E LIME Stipulation) is reasonable and in the public interest.[68] The Commission also modified its prior directive from the *USECP 2014-2017 Final Order* regarding funding for the LIME to permit some of the costs to be recovered through the ECRS and the property owners consistent with the PGW/I&E LIME Stipulation.

In its Tentative Order, the Commission requests clarification regarding the following points: (1) explain whether FY17 is the correct year for the LIME program to reconsider the

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65 A copy of the PGW/I&E LIME Stipulation was attached to the reply briefs of PGW and I&E in the *DSM Continuation Proceeding* and is included herein as Attachment A.

66 See Attachment A, PGW/I&E LIME Stipulation. PGW recovers the costs of its non-LIURP DSM programs through the ECRS applicable to all volumes of firm gas delivered.

67 *DSM Continuation Tentative Order* at 98.

68 *DSM Continuation Tentative Order* at 101.

75% threshold of building occupants being low-income; (2) identify the signatory parties and clarify language related to making program changes with signatory parties' approval; and, (3) clarify what portion of the LIURP designated administrative and programmatic costs, if any, are associated with the LIME program.[69]

As explained above, although PGW's proposed settlement of issues raised about its proposed LIME proposal were shared among all the parties, I&E was the only signatory on the stipulation upon which PGW proposed to revise its initial LIME proposal. Therefore, PGW's reservation of the right to decrease the threshold of confirmed low-income in subsidized housing beginning in FY 2017 with "either the unanimous approval of the signatory parties. . . or by Commission Order" specifically applies to I&E as the only other signatory of the stipulation. However, a requirement of the stipulation is that "PGW will convene a stakeholder collaborative to receive input from interested parties"[70] which, therefore, contemplates that any interested party will be able to provide input regarding the program.

In the *DSM Continuation Proceeding*, OCA recommended that PGW be required to treat properties that have at least 75% of its residents defined as low-income.[71] While the PGW/I&E LIME Stipulation adopted this approach it also included a process allowing PGW to lower this threshold if it is not resulting in adequate participation.[72] Because this is a new program and this issue is contained in a negotiated settlement that has already been approved by the Commission, PGW proposes to maintain the term as it is written. While technically it does permit PGW to

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69 Tentative Order at 24.

70 PGW/I&E LIME Stipulation, Attachment A at 1(a).

71 *DSM Continuation Tentative Order* at 96-97.

72 Attachment A, PGW/I&E LIME Stipulation at ¶1(b). PGW's initial proposal was to target low-income multifamily buildings with at least 50% of residents at or below 150 percent of the Federal Poverty Level. PGW Main Brief at 74; PGW St. 2 at 7-8; PGW Exh. TML-4 at 89; PGW St. 2-R at 30.

immediately propose to lower the threshold, PGW can only do so "after a showing of cause for program incentive budget under-spending" and with the approval of I&E (or by Commission Order).[73]

The $120,048 LIME budget is the programming budget and does not include administrative costs which are allocated at the portfolio-level. As explained above in Section III.G, the administrative costs for LIURP will be allocated proportionally based on the program's contribution to the total combined LIURP and DSM budget.[74] The LIME program administrative cost allocation is estimated not to exceed an average of $13,809 per year from September 2016 through December 2020.

K. Issue No. 11: Process Regarding Tracking Quick-Fix CARES Referrals

In its *USECP 2014-2016 Final Order*, the Commission commended PGW for enhancing its CARES program to provide ongoing tracking of quick-fix referrals.[75] In its Tentative Order, the Commission asked PGW to provide the following information.[76]

Request: Has PGW implemented a tracking mechanism and, if not, when and will it be implemented in the future?

PGW Response: PGW does have a process to track quick-fix cases, however, it is currently not being used fully because it has proven to be overly time consuming to complete. A new process will be implemented by spring 2017. Once this enhancement is implemented, PGW will be able to successfully track the number of quick-fix cases handled on an annual basis.

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73 PGW/I&E LIME Stipulation at 1(b).

74 *See, supra* at 22.

75 *USECP 2014-2016 Final Order* at 58.

76 Tentative Order at 26.

L. Issue No. 12: Hardship Fund Policy

PGW provides Hardship Funds by matching grants paid by the Utility Emergency Service Fund ("UESF")[77] to customers whose service is terminated or in danger of being terminated in the form of a bill credit which is recovered through PGW's uncollectible expense.[78] PGW has not proposed any modifications to the prior Commission-approved process related to the Hardship Fund policy. In its Tentative Order, the Commission expresses concerns about denying Hardship Fund benefits based on the amount of deferred arrears in a CRP account and asks PGW to provide further information in response to the requests below.[79]

Request: Identify the number of customers rejected for Hardship Fund grants in 2014 and 2015 because the grant amount would not eliminate their deferred arrearage balance

PGW Response: PGW also has not tracked the number of customers rejected for Hardship Fund grants in 2014 and 2015 because the grant amount would not eliminate their deferred arrearage. To PGW's knowledge, UESF does not track this information.

Request: Explain how PGW will modify its Hardship Fund policy and eliminate this requirement; or, alternatively, explain and provide support why PGW cannot make this change.

PGW Response: PGW appreciates this recommendation, and although it has not studied it, believes it may have real value for customers. However, PGW does not have the authority to modify the Hardship Fund to eliminate the requirement that a Hardship Fund grant must satisfy a CRP customer's deferred arrearage balance as a precondition for eligibility. UESF was created in 1983 by Mayor William J. Green III and Philadelphia City Council. The arrearage balance policy has been a long-standing UESF

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77 *See* https://uesfacts.org/

78 First Amended USECP 2017-2020 at 30. The bill credit provided through this process is recovered by writing off the designated amount which is accounted for in PGW's uncollectible (or "bad debt") expense. PGW is a municipal utility regulated on the Cash Flow Method of ratemaking and its only "shareholder" is the City of Philadelphia. As such, all expenses incurred or revenues forgone affect PGW's cash flow and are reflected in its revenue requirement. Thus, the uncollected amount for the Company Hardship Fund donation is included as a part of the overall uncollectible expense which is factored into PGW's rates that are approved by the Commission in PGW's base rate cases. *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016, Submitted in Compliance with 52 Pa. Code § 62.4*, Docket No. M0291302366301, Letter of PGW dated July 8, 2014 providing additional information in response to Commission Secretarial Letter dated June 27, 2104 at 2-3.

79 Tentative Order at 28.

policy/requirement (according to UESF this this policy has been in effect since the early 1980s).

In response to this Tentative Order recommendation, PGW has engaged in discussions with UESF. PGW has been informed by UESF that one of the purposes of UESF grants has been to provide the customer with a clean slate – no gas debt. This has been especially important because recipients of a UESF grant are unable to reapply for assistance for two years. PGW has asked UESF to examine whether it would consider modifying certain of their policies – to allow a Hardship Fund grant to be paid to a CRP customer but not applied to all CRP deferred arrears, and removing the two year stay out requirement. UESF has expressed some concerns with a modification (e.g. how much arrearage should be allowed to remain) but is open to considering and further discussing these changes. UESF's Board of Directors would have to authorize such changes. PGW proposes a continuation of these discussions and implementation of these modifications if UESF finds they will benefit customers and UESF's Board approves them.

M. Issue No. 13: Needs Assessment Including Calculation of Customers Eligible for CRP Home Comfort Program

1. Overview of LIURP Eligibility Calculation

In its Tentative Order, the Commission expresses concerns with PGW's needs assessment centered on the view that the number of customers PGW identified as needing LIURP (21,349) is "unrealistic" and stating that the Commission does "not agree" with this estimate.[80] To that end, the Tentative Order addresses each of the criteria offered by PGW to determine the appropriate pool of LIURP eligible customers and explains its view about whether the number offered by PGW is reasonable or should be adjusted. The Commission invites comments from PGW on each of these adjustments. PGW will address each of these categories further below. At the outset, however, PGW offers these overall comments for the Commission's consideration regarding the calculation of LIURP eligible customers and PGW's view of its purpose.

Importantly, the number of LIURP eligible customers PGW provided does not present a single, exclusionary list of customers that will be used for program implementation purposes and does not represent the total universe of customers who could ever become eligible for LIURP.

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80 Tentative Order at 31.

Rather, it provides a point-in-time snapshot of the number of customers who are estimated to be eligible for LIURP services. PGW's estimation of need was based in large part on real data. The eligibility of customers may fluctuate weekly or even daily as households change, customers move, or other circumstances cause the customer to become temporarily or permanently ineligible for LIURP. Because of this, PGW strives to keep its list of eligible customers current so as to be able to provide the most up-to-date information for budget allocation purposes and to avoid customer confusion about eligibility. This is achieved by conducting a bi-annual selection process to create a list of eligible customers who will be prioritized and used by PGW's Conservation Service Providers ("CSPs") to implement LIURP weatherization services. Therefore, PGW has significant current and actual data available regarding the characteristics of its customers and whether or not they are realistically eligible at this present time for LIURP services.

As the Commission acknowledges in its Tentative Order, it has specifically approved as legitimate criteria for other utilities ten of the exclusions PGW relied upon.[81] The Commission, however, appears to view PGW's application of all ten exclusions as too "stringent."[82] While PGW will specifically address each of the exclusions further in the sections below, each of these exclusions has been independently evaluated by PGW to ascertain whether or not it makes sense for PGW's service territory based on the data available to PGW. Based on this evaluation, PGW determined that its available actual program data and experience to date support application of these exclusions. Also important to consider is that PGW applied its actual data in a hierarchical order to calculate its needs assessment. As such, every adjustment was made to the total after the

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81 Tentative Order at 32.

82 Tentative Order at 32.

prior step was applied. Following this logic ensures that adjustments are only applied to unique accounts.

Nonetheless, as explained further in the sections below, PGW has considered the feedback offered in the Tentative Order and proposes to accept many of the suggested revisions while offering some proposed modifications to other suggested revisions. Accepting PGW's suggested revisions to the calculations offered in the Tentative Order will result in a total number of 67,367 LIURP eligible customers for purposes of this needs assessment.

2. Analysis of Specific Exclusions Applied to Derive Number of LIURP Eligible Customers

Regarding the specific elements used to calculate the total LIURP eligible customers, a comparison of PGW's analysis and the BCS adjustment appears in Table 4 in the Tentative Order.[83] Following that format and, as discussed further below, PGW offers the below revised needs assessment. Following the table, PGW offers its comments on each of the adjustments.

Comparison PGW Original Needs Assessment, Tentative Order Proposals and PGW revised Needs Assessment based on Tentative Order

	Individual Reduction Criteria		Explanation of BCS Adjustment	BCS Adjusted #	PGW Revised #	PGW Revised # Explanation
1	Estimated Low-Income	178,899		178,899	178,899	
2	"Identified Low-Income"	120,762	PGW used current data: Use old CLI from USR	161,961	161,961	No change from the BCS figure.
3	Lower Usage (Less than 50%)	-61,123		-61,123	-80,981	Revised to reflect 50% of the CLI figure used by BCS.
4	**SUBTOTAL**	**59,639**		**100,838**	**80,981**	
5	"Usage not...significant"	-4,809	Unclear if already counted	+4,809	-6,530	Revised to use an adjustment factor as % of eligible customers up to this point.
6	Non-CRP Low-Income customers	-9,812	Must include non-CRP	+9,812	+9,812	No change from the BCS figure.
7	**SUBTOTAL**	**45,018**		**115,459**	**84,263**	
8	Less than 12 months...	-1,349	Year to year can change, so recommend counting half of this total. Total = 20,206/2 = 10,103	-10,103	-7,354	Revised to remove the "Can't treat due to issues" variable addressed in Row 12 below. Total = 14,707/2 = 7,354
9	Termination in prior year...	-2,118				
10	Less than 1 year residency...	-6,080				
11	Treated comprehensively...	-5,160				
12	Can't treat "due to issues"...	-5,499			-5,768	Revised to use half of the adjustment factor % used in the original PGW # (15%/2=7.5%).
13	**SUBTOTAL**	**24,812**		**105,356**	**71,141**	
14	Rental premises...	-3,093	Accepted by BCS	-3,093	-3,093	No change from the BCS figure.
15	Weatherization under another program...	-370	Accepted by BCS	-370	-680	Revised to use an adjustment factor as % of eligible customers up to this point.
16	**TOTAL Needs Assessment**	**21,349**		**101,893**	**67,367**	

***Numbers are rounded*

(a) Table 4, Row 2: Identified Low-Income

The Commission questions why PGW elected not to use the number of identified low-income (also referred to as confirmed low-income) figure that was included in the 2015

[83] Tentative Order at 31.

Universal Service Report.[84] By not using this number, the Tentative Order believes PGW is "under-representing" the number of confirmed low-income customers.[85] The number of identified low-income customers included in the Universal Service Report is based on an average of the 12 months of month-end data through December 2015.[86] PGW's initially proposed number of identified low-income customers differs from this because it was based on PGW's latest customer data available. PGW offered this as it is more accurate and timely view of eligibility. In deference to the Commission's expressed desire in the Tentative Order to utilize the information in the Universal Service Report, PGW utilizes this data as set forth in its revised needs assessment provided above in Section 0.[87]

(b) Table 4, Row 3: Lower Usage (Less than 50%) and Table 4, Row 5: Usage Not Significant

PGW's exclusion of 61,123 customers below median usage was based on the actual usage of customers that PGW identified as confirmed low-income (i.e. 120,762). The Commission's tentative rejection of this number and proposed replacement of it with 161,961 leaves PGW unable to calculate the median usage for the estimated 161,961 confirmed low-income customers proposed in the Tentative Order. Therefore, PGW proposes to split the population in half to identify the number for lower usage (the originally proposed number was 50.6% as opposed to the 50% proposed here). This would result in the removal of 80,981 customers below the 50th percentile for purposes of this step of the calculation.

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84 Tentative Order at 32.

85 Tentative Order at 32.

86 Universal Service Report 2015 at 6.

87 *See, supra* at 32.

In the next screening step, PGW excluded 4,809 actual customers whose weather normalized usage was not statistically significant and could not be properly evaluated for cost effectiveness.[88] In its Tentative Order, the Commission questioned whether these customers were already represented in the prior screening step.[89] The answer to this question is no. The removal of customers whose usage is not statistically significant is a separate step from identifying customers in the top-50% of usage and is applied only after customer in the top-50% of usage are identified and removed. As further explained in PGW's First Amended USECP 2017-2020, its method of calculating statistical significant of historical usage is determined by calculating the coefficient of determination (R-squared) between heating consumption and heating degree days.[90] This calculation is necessary to remove customers where the weather normalized usage was not reliably calculated. Statistically significant usage calculations are required to reliably evaluate the energy saving measures through an energy assessment. Customers with usage patterns that are not statistically significant may be returned to the list of customers eligible for treatment at a future selection date when their weather normalized usage becomes statistically significant.

For these reasons, PGW does not support adding the 4,809 back in to the total, as set forth in the Tentative Order. The removal of 4,809 customers was based on actual data – using actual data in this response is not possible given the modifications discussed above. Rather, as detailed in in its revised needs assessment provided above in Section 0,[91] PGW proposes to remove 8.1 % of customers from the top 50% of high usage customers (this would align with the

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88 First Amended USECP 2017-2020 at 12.

89 Tentative Order at 33.

90 First Amended USECP 2012-2020 at 12, n. 12.

91 *See, supra* at 32.

originally proposed number, which was 8.1% of the high usage customers), who are expected not to have statistically significant usage.

(c) Table 4, Row 6: Limiting CRP Home Comfort Eligibility to CRP Participants

As the final step of calculating its proposed needs assessment (after all other exclusions were applied), PGW removed 9,812 as non-CRP participants who are ineligible for LIURP treatment. In its Tentative Order, the Commission disagrees with excluding non-CRP customers from the needs assessment. According to the Tentative Order, "all eligible low-income customers must be considered for CRP Home Comfort, regardless of CRP status" to account for the potential changing circumstances of customers that may influence eligibility during the years covered by the Universal Service Plan.[92] For the reasons explained below, PGW continues to believe that the exclusion of non-CRP customers from LIURP is sound but a needs assessment is different than program eligibility parameters. PGW has not excluded CRP customers from its needs assessment, particularly since this is a point-in-time assessment. PGW appreciates the fact that a needs assessment does not necessitate a LIURP spend, or proscribe eligibility parameters; however, PGW has addressed below the reasons why PGW continues to believe (at least at this time) that non-CRP customers should not be eligible for LIURP.

(i) Consistent with the Commission's initial determination on this issue in the DSM Continuation Tentative Order, PGW continues to recommend excluding non-CRP customers from LIURP participation at this time

The Commission recently approved limiting LIURP participation to CRP customers during the litigation of PGW's *DSM Continuation Petition*.[93] Based on the record developed in

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92 Tentative Order at 33.

93 *DSM Continuation Tentative Order* at 91.

the DSM proceeding, the ALJs in that proceeding recommended rejecting OCA's proposal to include non-CRP customers in LIURP treatment.[94] The Commission ultimately concluded that the ALJs' recommendation was "reasonable" and adopted it.[95]

Expanding eligibility requirements to non-CRP customers in this USECP unnecessarily adds a layer of costly administrative complexity because PGW will no longer be able to use CRP eligibility as an initial screen to determine LIURP eligibility. Thus, PGW would be required to revise existing screening process to develop new protocols to determine LIURP eligibility of non-CRP participants. Beyond the cost to make this expansion, there are other sound reasons for continuing to limit LIURP to CRP participation including: (1) there are sufficient high use CRP participants available today that need LIURP weatherization treatments (regardless of how this is factored into the needs assessment); and, (2) offering LIURP services to non-CRP customers would likely erode the benefit received by non-CRP customers in terms of reduced subsidy costs that can be achieved through weatherizing the homes of CRP participants.

Providing LIURP weatherization services to CRP participants who then have a reduced cost of energy provides benefits for non-CRP customers. This is because the non-CRP customers subsidize the CRP program and the more cost-effective and efficient the CRP program, the more value provided to these non-CRP customers in the form of lower subsidies. Expanding LIURP to non-CRP participants would likely erode this financial benefit to non-CRP customers because weatherization performed for non-CRP customers does not positively impact the CRP subsidy paid by the non-CRP customers. (In addition, providing LIURP weatherization services to non-CRP customers could impact the overall cost effectiveness of the LIURP

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94 *DSM Continuation Tentative Order* at 92.

95 *DSM Continuation Tentative Order* at 93.

program). Given: (1) the particular dynamics of PGW's service territory (which includes a significant number of low-income non-CRP customers who pay for the CRP program); and, (2) the fact that PGW customers bear – by far – the highest average annual universal services spend per customer in the Commonwealth;[96] PGW recommends that the Commission continue the approach approved in the DSM proceeding and allow PGW to continue to limit LIURP to CRP participants at this time.

However, PGW's view at this moment in time should not be interpreted as PGW arguing that LIURP should always remain limited to CRP customers. PGW is committed to the needs of its low-income customers and will continue to analyze participation criteria and eligibility.

(ii) If Commission declines to accept PGW's preferred view on this issue, then PGW specifically requests as waiver of Section 59.10(a)(1)

To the extent the Commission accepts PGW's view on this issue, PGW specifically requests a waiver to Section 58.10(a)(1), so it can continue to set eligibility criteria for customers based on participation in its CRP. Such a waiver was not required in past Universal Service and Energy Conservation Plans wherein PGW used the same eligibility criteria, which was approved by the Commission. The financial composition of PGW's service territory, the fact that there is still significant availability for treatment among CRP customers, and the costs borne by all firm customers for its universal service programs, should warrant a special circumstance under Section 58.18, to allow PGW to use CRP participation as additional eligibility criteria to prioritize LIURP treatments for 2017-2020.

96 Universal Service Report 2015 at 58.

(iii) If the Commission rejects PGW's preferred view and its request for a waiver, then PGW requests the right to recover the costs associated with changing this long-standing, Commission-approved policy

If the Commission determines that PGW should weatherize the homes of non-CRP customers, PGW should receive recovery of the costs associated with changing this long-standing, Commission-approved, eligibility criterion. In order to expand CRP Home Comfort beyond CRP customers, PGW will incur income verification costs to cover non-CRP customers and requests recovery of such costs in its USC surcharge. Currently, PGW accepts income amounts provided by non-CRP customers without proof of income documentation or financial/other assistance – they just tell PGW the income amount and PGW accepts it as correct. In order to provide free weatherization paid for by other ratepayers, this process would not be sufficient. PGW has not had time to obtain competitive pricing for such income verification and to analyze the expected number of customers for whom it would require LIURP income verification. While CRP income verification is done in-house, PGW does not have the internal capacity or systems in place for LIURP income verification. One way of avoiding related costs would be for PGW to include LIHEAP recipients from the current or most recent LIHEAP season as eligible recipients of LIURP since the Department of Human Services has already verified income status. These customers would otherwise be subject to the same eligibility screening criteria currently used to identify and prioritize participants.

(d) Table 4, Rows 8-11: Insufficient Usage, Terminations, New Customers, Treated Comprehensively

In these screening steps, PGW removed customers: (1) who have less than 12-months concurrent usage (1,349); (2) were terminated from service in the prior year (2,118); (3) had less than one year residency in the home (6,080); and, (4) received comprehensive weatherization service in the prior seven years (5,160).[97] These removals were based on actual data. In its Tentative Order, the Commission suggests that only half of the total of these categories of customers (10,103) be removed on the basis that "year-to-year ineligible status could change during the remaining three years" of the universal service plan period.[98] PGW will not object to the Commission's change to divide these adjustments in half, as reflected in its revised needs assessment provided above in Section 0.[99]

(e) Table 4, Row 12: Cannot Treat Due to Various Issues

There are a range of issues that would prevent weatherization from proceeding at a customer's home. PGW's removal of 5,499 customers was based on its best estimate from program experience to-date and reflected a reduction of the then-remaining total number by 15%. In its Tentative Order, the Commission proposes to combine this category with the preceding four categories and divide the full total by half. While PGW has accepted that proposal as described in the preceding section, PGW's initial proposal calculated the number for this category was based on a percentage factor and not a count of actual customers. Therefore, the Commission's recommended change to reduce this adjustment by half can be done in the calculation for this category separately and applied to the number that that has been calculated up to this point in the needs assessment.

Thus, consistent with the intent of the Tentative Order to reduce the total of the previous four categories by half, PGW proposes in its revised needs assessment to reduce the original

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97 First Amended USECP 2017-2020 at 13-14.

98 Tentative Order at 34.

99 *See, supra* at 32.

reduction of 15% for this category in half and apply that 7.5% to the remaining eligible customer count.

(f) **Table 4, Row 14: Rental Premises (i.e. Landlord Refusals)**

In this step of the needs assessment, PGW excluded half of the customers who reside in rental premises and for whom it is expected that landlords will not authorize LIURP treatment.[100] The Commission finds that this deduction to be reasonable.[101] The 3,093 removed as a result of this process was based on a count of actual customers that met all criteria up to this point in the calculation of PGW's original needs assessment. The Tentative Order proposed adjustments to the confirmed low-income number, consumption number and statistically significant number (which PGW is accepting) remove the ability of PGW to re-calculate this number based on actual data. Therefore, PGW maintains the number initially proposed as set forth in its revised needs assessment provided above in Section 0.[102]

(g) **Table 4, Row 15: Weatherization under Another Program**

PGW initially proposed to remove 370 customers from the needs assessment calculation at this point in the process to reflect those customers who had received weatherization services pursuant to another program.[103] The Commission finds this deduction to be reasonable.[104] PGW initially calculated this number based on a percentage of the total that existed at this point in the overall needs assessment calculation. As such, PGW is able to revise the figure consistent with the new methodology proposed in the Tentative Order by applying the percentage factor to the

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100 First Amended USECP 2017-2020 at 14.

101 Tentative Order at 34.

102 *See, supra* at 32.

103 First Amended USECP 2017-2020 at 14.

104 Tentative Order at 34.

new total. Accordingly, in the PGW proposed revised needs assessment, PGW has used the same adjustment percentage from its original needs assessment (1%) but applied the factor to the updated number of eligible customers calculated up to this point in the revised needs assessment.[105]

N. Issue No. 14: Additional Details Regarding Outreach Regarding CRP Enrollment

In its Tentative Order, the Commission expresses concern that it appears that PGW is proposing to no longer include targeted CRP outreach to participants in the Senior Citizen Discount program ("SCD") and asked PGW to provide responses to the following questions.[106]

Request: Has PGW discontinued its outreach to SCD participants?

PGW Response: No. PGW has not, and does not intend to discontinue CRP outreach to SCD customers. When identifying an outreach population for CRP, all low-income customers that would benefit from the program are included regardless of whether or not they currently receive the senior citizen discount. Customers on the SCD receive 20% off their total bill and it is not needs-based. Although the Commission discontinued the SCD, participation by active customers and eligible households was grandfathered.

Request: Share the findings of PGW's annual analysis of its CRP outreach efforts.

PGW Response: The outreach performed under the 2014-2016 USECP resulted in approximately 15,300 customers enrolling in CRP – while all of these may not be a direct result of the outreach – it can be assumed that at least some are connected. Provided below is a breakdown of PGW's outreach efforts by year as well as the number of participants enrolled in CRP after receiving PGW's CRP outreach materials.

Year	Outreach Population	Customers Enrolled	% Enrolled
2014	33,902	6,689	19.73%
2015	17,156	5,453	31.78%
2016	12,646	3,168	25.05%
Total	**63,704**	**15,310**	**24.03%**

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105 *See, supra* at 32.

106 Tentative Order at 37.

O. Issue No. 15: Any Changes PGW is Unwilling or Unable to Make

PGW has set forth above where its proposal differs from or disagrees with changes in the Tentative Order or disagrees with policies set forth in the Tentative Order.

IV. CONCLUSION

PGW appreciates the opportunity to provide this supplemental information to the Commission regarding its universal service plan and looks forward to working with the Commission and interested stakeholders in ensuring that its universal service programs provide measureable benefits to participants and non-participants.

Respectfully submitted,

Deanne M. O'Dell

Daniel Clearfield, Esquire
Attorney ID #26183
Deanne M. O'Dell, Esquire
Attorney ID #81064
Eckert Seamans Cherin & Mellott, LLC
213 Market Street, 8th Floor
Harrisburg, PA 17101
(717) 237-6000 (phone)
(717) 237-6019 (fax)

Attorneys for Philadelphia Gas Works

Of Counsel:
Brandon J. Pierce, Esquire
Senior Attorney
Philadelphia Gas Works
800 West Montgomery Ave
Philadelphia, PA 19122

Date: February 15, 2017

ATTACHMENT A:
PGW/I&E LIME EXECUTED SETTLEMENT AGREEMENT

ATTACHMENT A

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
and	:	
Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016 52 Pa Code § 62.4 – Request for Waivers	:	

STIPULATION

Philadelphia Gas Works ("PGW") and the Bureau of Investigation and Enforcement ("I&E") (the "Stipulating Parties") hereby enter into this Stipulation regarding the issues identified below in the above-captioned proceeding. The Stipulating Parties agree to have this Stipulation admitted as evidence of their agreement and further stipulate and agree as follows:

1. Regarding PGW's proposed Low-Income Multifamily ("LIME") Program:

   a) PGW will convene a stakeholder collaborative to receive input from interested parties;

   b) The low income residency requirement will be revised to subsidized housing with 75% confirmed low income. PGW reserves the right to decrease this percentage beginning in FY 2017 but only after a showing of cause for program incentive budget under-spending, and with either the unanimous approval of the signatory parties, to be obtained by written consent, or by Commission Order;

   c) Program costs for the LIME will be through PGW's Universal Services Charge ("USC") applicable to all volumes of firm gas delivered and LIME project costs will be recovered: (i) 100% for confirmed low income customer usage through the USC; (ii) 33% of project costs for all other customer usage through the Efficiency Cost Recovery Surcharge ("ECRS"); and, (iii) remainder of project costs will be funded by property owners.

d) The Stipulating Parties acknowledge that the LIME cost recovery provisions are not consistent with the Commission's Final Order approving PGW's Universal Service and Energy Conservation Plan for 2014-2016[1] and ask the Commission to modify or revise its prior directive to the extent necessary to approve this proposed resolution.

2. I&E does not object to continuing PGW's CRP Home Comfort (LIURP) as part of PGW's DSM Plan (to the extent PGW continues to offer a DSM Plan).

3. I&E does not object to implementation of all PGW proposed non-LIURP programs.

AGREED TO BY:

Deanne M. O'Dell

Daniel Clearfield, Esq.
Deanne O'Dell, Esq.
Eckert Seamans
For Philadelphia Gas Works

AGREED TO BY:

Gina L. Lauffer, Esquire
Carrie B. Wright, Esquire

For the Bureau of Investigation & Enforcement, Pennsylvania Public Utility Commission

Dated: December 4, 2015

[1] *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, Final Order entered August 22, 2014 at 57. The Commission directed the LIME program to be included as part of PGW's LIURP and the costs of PGW's LIURP are recovered through the USC.

ATTACHMENT B:

H. GIL PEACH & ASSOCIATES POLICY EVALUATION

PHILADELPHIA GAS WORKS – May 2016

2015 CUSTOMER RESPONSIBILITY PROGRAM POLICY EVALUATION

Peach, H. Gil, Mark Thompson & Erika Lehmann

H. Gil Peach & Associates, LLC

Vision Statement

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Telephone: (503) 645-0716 EIN: 93-1323715
Fax: (503) 946-3064

H. Gil Peach, Ph.D.
hgilpeach@scanamerica.net

Suggested citation: Peach, H. Gil, Mark Thompson & Erika Lehmann, *PGW Customer Responsibility Program 2015 Policy Evaluation, an Independent Third-Party Evaluation of Philadephia Gas Work's Customer Responsibility Program.* Beaverton, Oregon: H. Gil Peach & Associates LLC, Monograph 2016-05-01, May 2016.

2015 Customer Responsibility Program Policy Evaluation

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Executive Summary

This report develops information for consideration of several possible Customer Responsibility Program (CRP) policy options, including Affordability considerations, Maximum CAP Credits or a Usage cap, Recertification Improvements, CAP Plus, Payment Troubled Customers, Self-Certification, Enrollment of Customers in CRP at an Average Bill Amount, and Arrearage Treatment. The first objective of the study is to develop useful information. In a few cases, we recommend against some policy options as incompatible with the Customer Responsibility Program which is a percentage of income payment plan (PIPP) design.

In particular, a CAP Plus approach is incompatible with a PIPP design when a utility is successful in helping a large percentage of customers generate federal LIHEAP dollars. If the percentage and total LIHEAP dollars are small, then collecting an amount equal to federal assistance in the previous year from all customer in a low-income program results in small monthly payments. If the percentage and total of LIHEAP dollars are large, collecting an amount equal to federal assistance in the previous year from all customers in a low-income program interferes meaningfully with program affordability.

Also, Self-Certification does not appear reasonable for a deep percentage of income payment program like CRP.

The other policy options appear to offer possibilities for exploration.

Affordability

Assessment of affordability involves assessing the percentage of income used for the three program tiers (currently 8%, 9% and 10%) and for the subgroup with a minimum bill of $25 per month.[1]

Analysis of Existing Percentage of Income Payment Levels

The specific focus of this analysis is the affordability of different percentage of income payment plan (PIPP) tiers. In Figure 1 the scale on the left side of the figure shows the percentage of customers active by month over calendar year 2015. The cases included are all households with Active status in CRP in December of 2014. The scale on the bottom of the figure shows months during 2015.

[1] Guidance from the Pa. Code § 69.265 (2)(i)(B) CAP design elements for these levels is 5-8%, 7-10% and 9-10%. The minimum bill is also guidance from the Pa. Code (§ 69.265 (3)(i)(A Control Features): .A CAP participant payment for a gas heating account should be at least $18-$25 a month.)

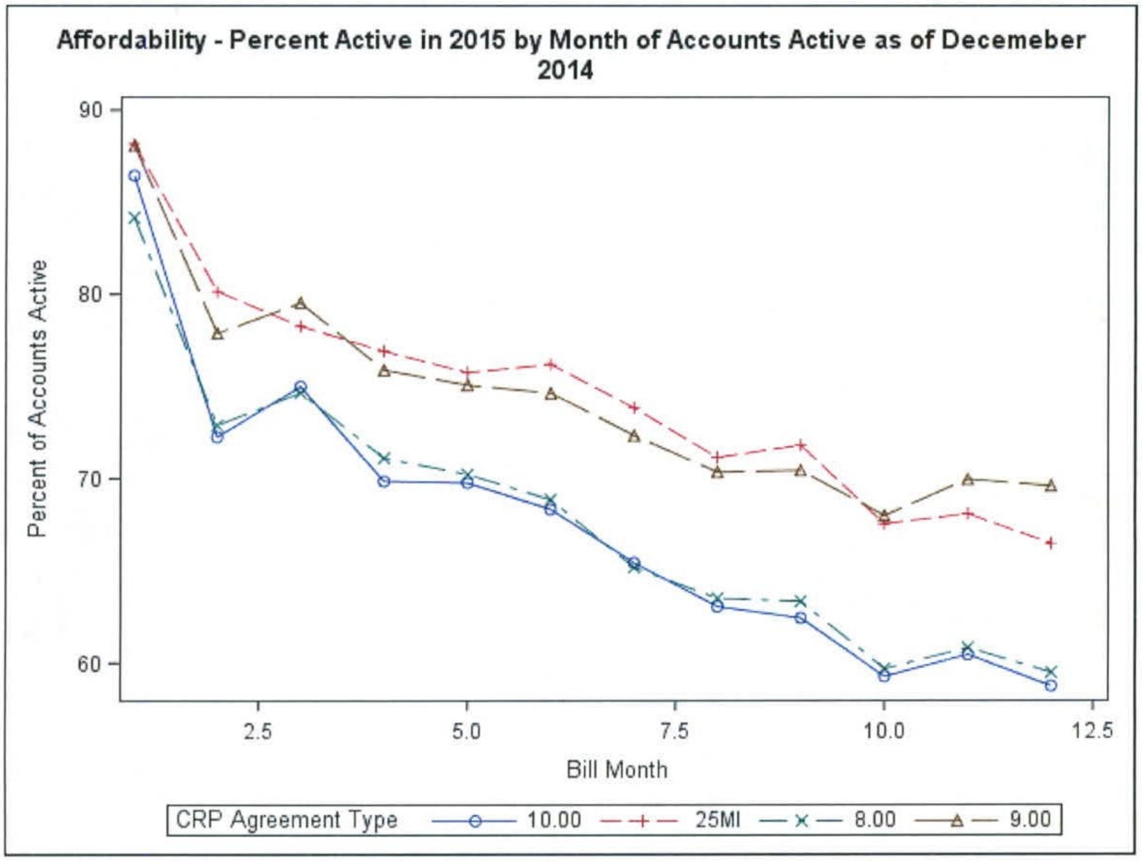

Figure 1: Changes in Percent Active (Calendar 2015).

As shown, accounts in the nine percent (9%) payment tier and accounts at the $25/month minimum payment tier follow almost exactly the same pattern. A similar pattern, but moved down in terms of percentage of accounts active, is followed by the two bottom curves in the diagram. These are the eight percent (8%) and ten percent (10%) percentage of income payment tiers. Program attrition from Active status is less for the $25 minimum payment tier and the 9% tier than for the 8% tier and the 10% tier.

Figure 1 shows the 9% tier performing better in terms of retention of Active status than the other two primary percentage of income tiers.[2] We interpret this to mean that affordability may be better in this tier in relation to income than it is for the 8% tier or for the 10% tier. In other words, if we were looking to adjust tiers for affordability to CRP customers we would look at lowering the 8% tier to 7% and the 10% tier to 9% and then

[2] We use "Active" status for the analysis because leaving Active status is the highest level indicator for customer problems. Alternatively, "Suspended" status or categories for different levels of processing in the payment system could be used. We feel that "Active" is the best level to use for this analysis since it is the highest level. We know these customers were at a level of full program participation in December 2014 with no indication of a payment problem.

see if the distance between the curves decreases. A key to interpreting the pattern in Figure 1 may be the Pa. Code guidance information referenced in footnote 1: the 9% percentage of income payment plan is the middle value in its range, while the 8% and 10% percentage of income payment levels are at the top of their respective ranges.

The curiously high performance of the $25 minimum bill customers may be attributed to receiving a LIHEAP grant. Due to these homes being in the lowest Federal Poverty Level, they tend to be awarded the largest grant amounts. Since this amount is applied to their CRP "asked to pay" amount first, and then to future bills, the grant amount tends to satisfy CRP monthly bills for multiple months before being exhausted or returned to DHS.

Cost of Moving the Top Tier from 10% to 9%

Because the current 10% percentage of income payment plan top tier is small (approximately 6,400 customers) and the average payment difference is also small ($13 less per month), based on 2015 data the cost per month is about $83,100 and the yearly cost is approximately $997,000.[3]

Cost of Moving the Bottom Tier from 8% to 7%

Because the current 8% percentage of income payment plan bottom tier is small (approximately 9,500 customers) and the average payment difference is also small ($6 less per month), the cost per month is about $56,000 and the yearly cost is approximately $682,056.[4]

Moving Certain Budget Customers into CRP

We understand that BCS may prefer that the company cover the cost of modifying CRP to include customers at an average monthly bill amount if that amount is lower than the CRP amount into CRP (with any arrearage forgiven through CRP), or some other modification. This would have an effect on the estimates for conversion of the current 10% and 8% tiers discussed above. Therefore, the determination of whether to modify percentages of income should not be made at this time, until the impacts of other changes to CRP that increase the subsidy paid by other customers are studied.

[3] Data extracted by PGW from CRP Customer Information System in mid-January 2016, filename: CRP_master_accts.txt.

[4] Data extracted by PGW from CRP Customer Information System in mid-January 2016, filename: CRP_master_accts.txt.

Maximum CAP Credits/Consumption Limits/Usage Caps

For this analysis, we focus on both energy (measured in hundreds of cubic feet of natural gas or CCF) and on CAP credits.[5] Analysis is based on customer data.

- The CCF analysis is relevant since it is based on household gas use.
- The CAP credit analysis is relevant since dollars relate directly to affordability.

Affordability is used in two different senses: first, affordability to the customer on CRP and, second, affordability of the program to the non-CRP customers who pay for it year after year through the CRP subsidy.

- We run each analysis (CCF and CAP credit) three ways. First on 2015 customer records (one-year analysis), then on 2014 and 2015 customer records (two-year analysis) and finally on 2013-2015 customer records (three year analysis).
- We look at customers who have twelve bill records and twelve periods on CRP.[6]

Each of the resulting statistical distributions of CRP customers shows a strong skew towards the right (the red curve in each graph from Figure 2 – Figure 7). This is the standard pattern for both natural gas and electric consumption and cost distributions.[7]

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[5] In this section we limit the analysis to CRP customers. We don't include non-CRP customers in the analysis because our focus is the high end (right hand tail) of the frequency distribution of CRP home energy use (rather than on a comparison of CRP and non-CRP customers). It is more relevant to study each CRP customer's usage in comparison with other CRP customers – as opposed to in comparison with non-CRP customers' usage – because CRP customers likely share more household similarities, such as the quality of the housing stock.

[6] We have examined other ways to structure the data including twelve or more billing periods on CRP in a year and all data in the dataset find the results to be reasonably stable across all approaches. We use customers who received 12 bills and were active in CRP for 12 months in any calendar year included in the analysis (2013 through 2015). This is a subset of CRP customers. In order to analyze what happens to customers we need them to be stable for a year. If they are "on and off" CRP it is not possible to talk about annual CAP credits and it is not relevant to discuss consumption for customers who may be missing some months of the year. The decision to limit analysis to customers with 12 bills for the year could have been, alternatively, 12 or more bills for the year. But keeping the analysis at 12 bills keeps the analysis simple and clean.

[7] See, for example, Figure 1, Iso-Probability Curves, P. 550 in Monette, Jean, "A Descriptive Model of Electricity Consumption," *OMEGA, The International Journal of Management Science*, Vol. 2, No. 4, 1974, Pp. 549-552. Also for pricing at the HUB level, see Figure 5, P. 9 in Graves, Frank C & Steven H. Levine, Managing Natural Gas Price Volatility: Principles and Practices across the Industry. The Brattle Group, Prepared for the American Clean Skies Foundation, November 2010 (http://www.cleanskies.org/wp-content/uploads/2011/08/ManagingNGPriceVolatility.pdf). The right skew distribution is characteristic at different levels of analysis throughout the energy industry. Typically, for example homes need some basic quantity of energy use, but there are always a small number of homes with higher use, often (in a low-income analysis) due to poor housing stock and the relative lack of decent, safe, sanitary and well- constructed dwellings for low-income households in relation to the numbers of households in need of energy-efficient housing (see footnote 10).

We have overlaid a normal curve (the blue curve) in each graph to provide a visual reference for what a non-skewed distribution of the data would look like.

Usage is weather normalized so that results better represent a typical weather year. For the three CCF usage charts weather normalized total usage (NTU) (Figure 2, Figure 3 and Figure 4):

- In each CCF analysis, the highest annual energy consumption is 9,879 CCF.
- Mean annual energy use is similar (1,191 CCF, 1,186 CCF and 1,172 CCF).
- The medians are similar (1,122 CCF, 1,119 CCF and 1,106 CCF).
- The standard deviations are similar (518 CCF, 514 CCF and 519 CCF).

The three distributions are essentially the same. The skew is visible in the right tail where the red curve crosses over the blue (normal) curve l. The cutoff is set at the 95th percentile for each distribution (five percent of the CCF is located in the right tail). The area to the left of the cutoff line contains the other ninety-five percent. The skew is a problem in that it represents apparently excess energy use. It is not a major problem, but it is a problem to be managed on an ongoing basis.[8]

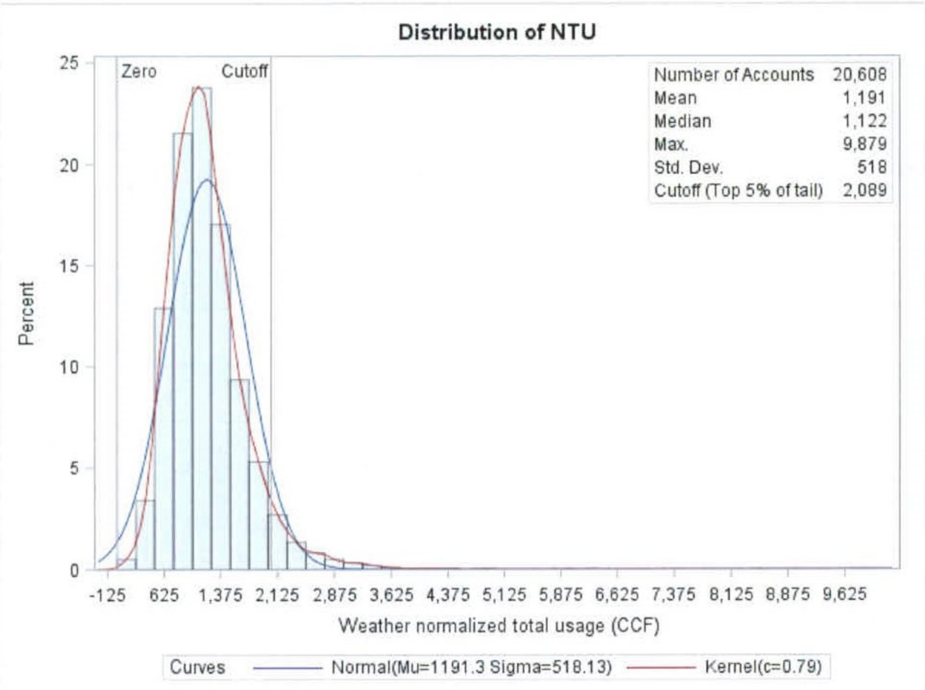

Figure 2: One-Year Analysis – 2015 Customers in CRP (weather normal total usage (NTU) in CCF).

[8] We overlay a normal curve for comparison rather than a comparison to non-CRP homes. We maintain the focus on understanding the CRP distributions (see footnote 5).

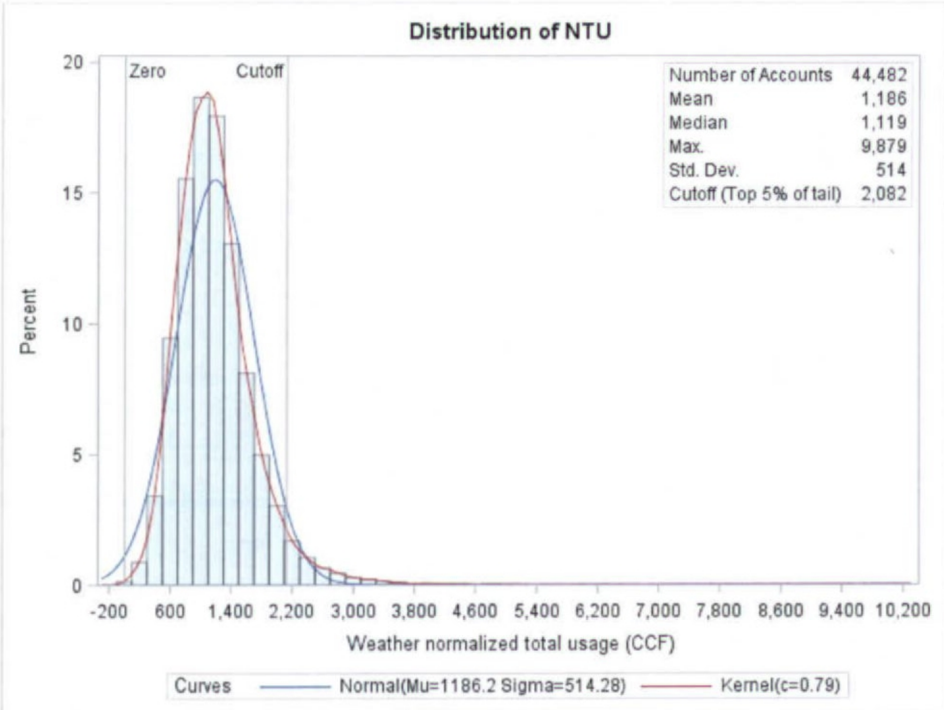

Figure 3: Two-Year Analysis – 2014 and 2015 Customers in CRP (weather normal total usage (NTU) in CCF).

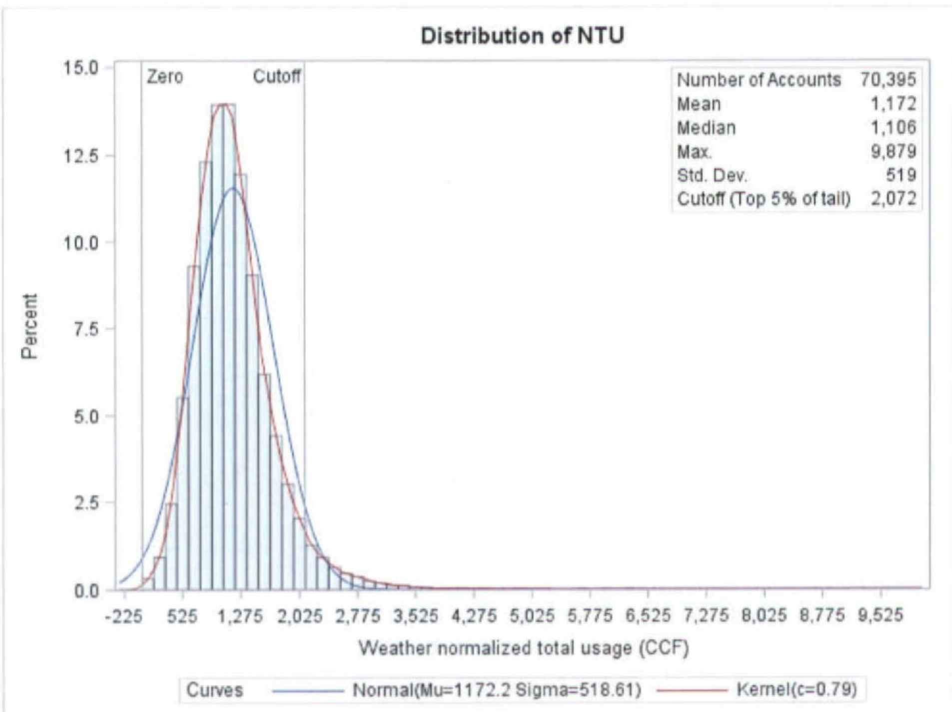

Figure 4: Three-Year Analysis – 2013 - 2015 Customers in CRP (weather normal total usage (NTU) in CCF).

For the CAP credit analysis:

- The maximum annual CAP credit for the one-year 2015 analysis is $9,455 (Figure 5). The maximum annual CAP credit for both the two-year and the three-year analysis is $12,300 (Figure 6 and Figure 7).

- The mean annual CAP credit for 2015 is $697. For 2014 and 2015 together, it is $768. For 2013-2015 it is $781

- The median CAP credit for 2015 is $611, for 2014 and 2015 it is $680 and for 2013-2015 the median annual CAP credit is $691.

- The standard deviation for 2015 is $605 (Figure 5), for the two-year analysis it is $644 (Figure 6) and for the three-year analysis it is $659 (Figure 7)

The pattern for each of the three CAP credit distributions is the same, though the values for CAP credit show a slight increasing tendency. The right skew can be seen where the red curve crosses the blue (normal) curve in the right tail. The area under the red curve beyond the cutoff represents apparently excess energy use. This is about one twentieth of the CRP energy use, so the problem is not large.

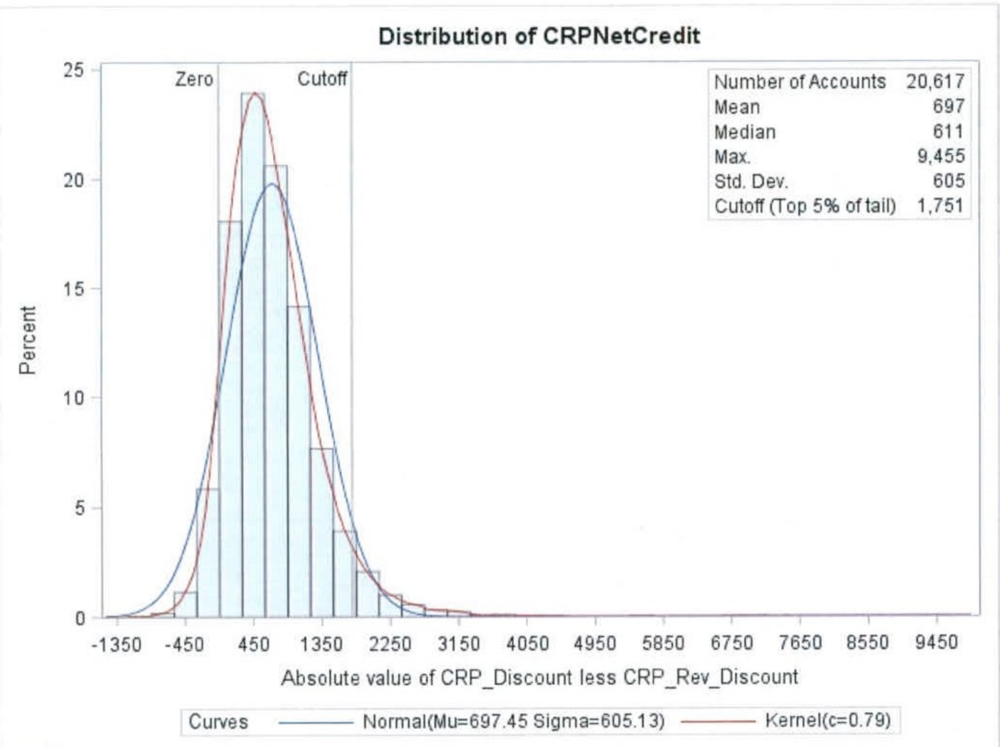

Figure 5: One-Year Analysis – 2015 Cap Credit ($).

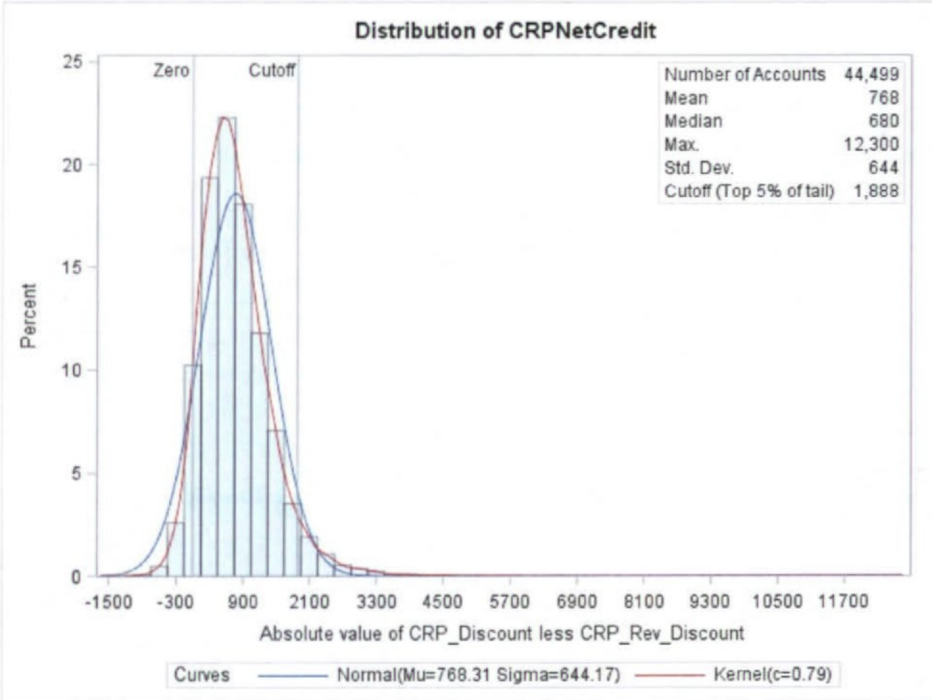

Figure 6: Two-Year Analysis – 2014 and 2015 Cap Credit ($).

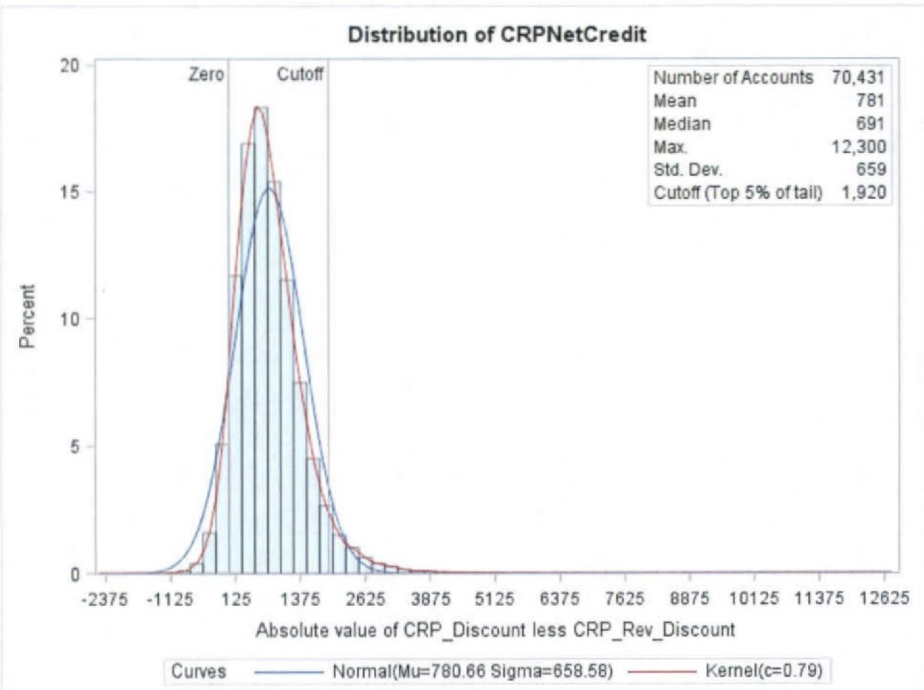

Figure 7: Three-Year Analysis – 2013-2015 Cap Credit ($).

The similarity of the three CCF distributions and the three CAP credit distributions underlies their stability and that the problem of setting a limit to energy use or a maximum CAP credit could be approached through either key quantity.

In principle, a percentage of income payment plan (PIPP) should cover energy consumption, and we know that in some homes consumption cannot be properly controlled due to housing characteristics. However, looking at the long tail running to the right in Figure 2 through Figure 7, we can see energy usage and CAP credit amounts that may be excessive and so warrant investigation. Energy consumption distributions are typically skewed to the right for many reasons, including housing characteristics and household behavior. At the same time, in each of the graphs, we can see that cases in the right tail beyond the cutoff are not enough to drive the CRP subsidy beyond reasonable levels.[9]

The purpose of this analysis is to move towards developing an information base for future policy maximum limits decisions to insure that charges transferred to the non-CRP customers who pay for the CRP program can be reasonably contained, so as not to become either inequitable or unaffordable to participants and to non-participants. The long right tail is a flag for the need for investigation related to homes outside a reasonable consumption limit for the CRP population. A right tail is the place to look for curtailing energy use that appears to be wasteful or unreasonable for a program that is supported by other customers or may contain unexpected or unusual end uses in addition to regular residential use. Once a maximum limit is set the proportion of total usage beyond the maximum limit and the number of customers out beyond the maximum limit can be determined. Here, based on visual inspection of the curves, we set the cutoff at 95% of the CCF or CAP Credit in each graph. The cutoff looks reasonable given the shape of each curve.

The Reason for Introducing a Maximum CAP Credit

It is reasonable to support necessary energy use through the CAP credit subsidy to qualifying low-income households. However, it is not reasonable to pay for energy that is wasted. Yet, at the same time what would be classified as high energy use is sometimes necessary due to conditions outside customer control.[10]

[9] There is no major (Pareto) 80/20 effect. However, since non-CRP customers are helping to pay for energy use by means of CAP Credits, it is a part of management concern to develop a better understanding of what is happening in the right-hand tail of the distribution with the goal of finding ways to identify the causes of high energy use and reduce high energy use to lower levels.

[10] Philadelphia housing stock presents a particular problem. Much of the poverty in Philadelphia is long term poverty and much of the housing available for people in poverty is not in good shape. Some of it is very old brick construction that would be impossible to adequately weatherize. The pressure on housing is suggested by the growing waiting list for public housing. According to the PEW Charitable Trust Philadelphia 2015 State of the City Report, March 2015, P. 49 the Philadelphia Housing Authority has

Setting a Maximum CAP credit recognizes two principles, which we take to be self-evident:

- While there is enough energy to use, there is not enough to waste.

- We need to keep energy use to a level that is necessary and adequate for normal household living (social inclusion), but not more.

We recognize that since CRP is a program supported by PGW non-CRP customers it is essential to keep energy use to the level that is necessary for each participant household.

Recommendation for Maximum CAP Credit Approach and Goal

We recommend that a maximum CAP credit limit (however, developed from and based on CCF usage) be set for gas heated homes and that homes above that limit be addressed to determine why energy use appears to be excessive and if it can be reduced.

For example, is substantial weatherization work required? Does the condition of the structure permit substantial weatherization work, or, for various reasons such as deterioration, health hazards or code violations is the home a "walk away"? Is the gas line supporting more than a residential household? To keep the process simple, fair and reasonable for customers, we recommend that all CRP participants with a 12-month record that exceeds the new consumption limit (expressed as a maximum CAP credit) be notified by letter that a consumption limit has been established. The letter should also communicate a list of possible exemptions (including the list from the Pa Code[11]) so as to be fully open and transparent, and provide conservation tips.

In addition, the property should be referred for possible LIURP treatment and related education if the property is eligible. If LIURP is offered to the customer, it must be accepted fully, or the customer should be removed from CRP. For homes that are inspected through the LIURP program, the homes should be binned into three groups:

- Home has conditions that explain the extreme energy usage and these can be remedied by provision of weatherization services, which must be accepted in full.

39,959 family units. There were, in addition to the filled units, 77,694 additional applications in the queue for public housing in 2014.

[11] Title 52 PA Code §69.265(3)(vi)(A-E). Consumption limits are recommended at 110% of historical average usage. 69.265(3)(iii)

- Home has conditions that explain the extreme energy usages, but, for example, due to old brick construction or some other reason conditions exist that are beyond control of the customer and of PGW services. Participants in the second group will continue to receive credits without application of the Maximum CAP credit.

- Some other reason (including no identifiable reason) for extreme energy use. These properties can be used to develop policy.

Reason Analysis

The use of the maximum CAP credit and the goal of the investigation will be to develop a comprehensive list of reasons for apparent excessive energy use and an approximation of the numbers of homes in the right hand tail of the distribution (beyond the maximum CAP credit amount) that fall into each reason category. Currently, the Low-Income Usage Reduction Program (LIURP) has as a goal of addressing high-use CRP customers. This goal should be continued. Since this can only be one goal of the program among others, we plan a three to five year emphasis on developing a "reason analysis" for apparent excess energy use. Any policy development after completion of the reason analysis will be dependent on the information developed in the analysis.

Setting the Size of the Maximum CAP credit

PA Code at Title 52 §69.265(3)(v)(A) recommends the Maximum CAP credit per home should not exceed $840 annually.[12] However, this dollar amount was placed in the Control Features, Maximum CAP Credits section of the PA Code in 1992.[13] This means that however well the Maximum CAP credit was developed from past data available in 1992, this 'not to exceed" amount is dated and cannot be relevant to households in 2016.

There are three ways to update the amount. First, an appropriate Consumer Price Index could be used. We do not choose this approach due to problems with the Bureau of Labor Statistics Consumer Price Index and lack of consensus for using other index approaches. Second a household budget study of the type done by social workers could be used. This would be precise but would be administratively complicated to work with. Alternatively, we could develop a reasonable amount for the gas heat usage maximum from current PGW data for conversion to a $ Maximum CAP credit amount. We choose to use this method because it is based on what customers are currently

[12] Checked on the Internet on 2/25/2016 (http://www.pacode.com/secure/data/052/chapter69/s69.265.html).

[13] The 1992 Pa. Code is not on the Internet. We thank Adeline Gaydosh, Managing Legal Editor, Pa. Code/ Pa. Bulletin for providing a scanned in copy of Title 52 §69.625 from 1992.

using and based on easily available and continually updated data from PGW's Customer Information System.

Calculation

The calculation of a limit could be based on a normal distribution. However we do not recommend this approach. A rule that is often used is to set the limit for the right hand tail at the mean plus two standard deviations.[14] For a normal distribution, this rule would provide inclusion for about 95% of CCF or CAP Credit (the middle 95%) and about 2.5% of customers would be beyond the limit in the right hand tail of the distribution.[15] A standard normal curve is shown in Figure 8. However, we will not use this rule since as we have seen in Figure 2 through Figure 7, all of the CCF distributions and all of the CAP Credit distributions are skewed to the right with fat right tails.

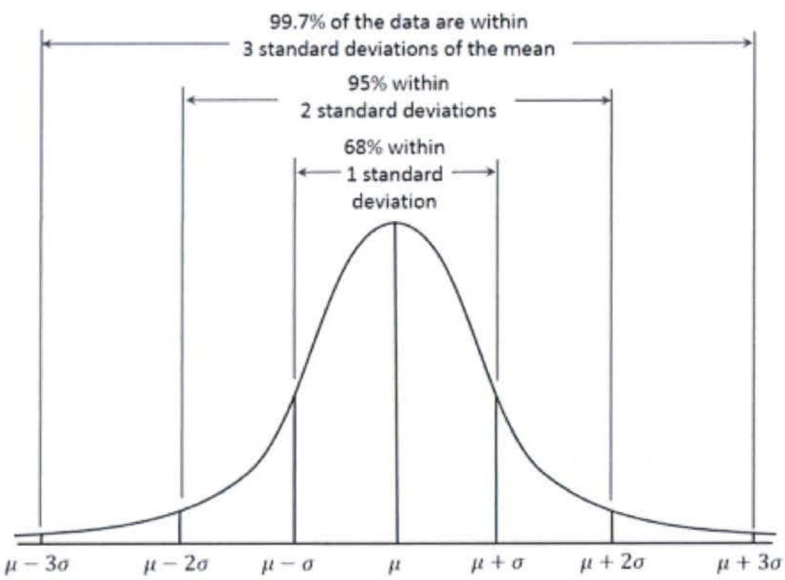

Figure 8: Standard Normal Distribution: Setting the Limit.

So, a standard normal curve and the commonly used rule will not be useful. Also, it will not be useful because we are only interested in the right hand tail while the rule for normal distributions is focused on both tails.

[14] For standard normal distribution, this is called the "68% - 95% - 99.7%" rule, and the 95% level is often used in statistical procedures. See, for example: http://www.oswego.edu/~srp/stats/6895997.htm.

[15] See: https://en.wikipedia.org/wiki/68%E2%80%9395%E2%80%9399.7. Drawing from Wikipedia.

Instead, by inspection, we set the cut off at the 95th percentile of each distribution (with 95% of CCF or CAP Credit to the left, below the limit). Looking at each of the figures from Figure 2 through Figure 7, in turn, the 95th percentile is a reasonable cut off point for each graph. An additional advantage in this method is that selecting the 95th percentile determines the potential savings over the limit (it will be 5% of CCF or CAP Credit under the curve) and defines the number of customers out in the tail. These right tail cases are technically not generally outliers;[16] however, they are extreme cases.

Table 1 shows six options for setting a limit. The first three are based on working with CAP credits and the other three are based on working from weather normalized CCF and then translating results into dollars (CAP credit). The goal is to ensure that funds are applied prudently and not unnecessarily used to support apparently excessive energy use.

	Annual CRP Credits			Annual Weather Normalized CCF		
	1 Year	2 Year	3 Year	1 Year	2 Year	3 Year
	2015	2014-2015	2013-2015	2015	2014-2015	2013-2015
Calculation of Annual Limit:						
Number of Accounts	20,617	44,499	70,431	20,614	44,488	70,406
		------- Dollars-------			------ CCF -------	
Mean	$697	$768	$781	1,191	1,186	1,172
Standard Deviation	$605	$644	$659	518	514	519
Cutoff (95th percentile, 5% in top tail)	$1,751	$1,888	$1,920	2,089	2,082	2,072
Dollar Impact of Limit:						
Avg. Annual # of Accounts Over Limit	3,022	2,277	2,135	2,764	2,834	3,050
Annual Amount Over Limit	$1,752,237	$1,392,457	$1,322,300	1,461,040	1,442,470	1,576,800
Billing rate per CCF (eff. 3/1/2016)	NA	NA	NA	$1.1382	$1.1382	$1.1382
Annual Savings From Limit	$1,752,237	$1,392,457	$1,322,300	$1,662,956	$1,641,819	$1,794,714
Annual Impact to Customers Over Limit	$580	$612	$619	$602	$579	$588
Impact to Customers Over Limit by CRP Tier						
Impact per account by CRP Tier (Type)						
$25 Monthly	$549	$611	$615	$715	$620	$580
8% of Income	$520	$557	$567	$550	$542	$565
9% of Income	$602	$629	$640	$596	$582	$591
10% of Income	$675	$671	$663	$636	$599	$606
No.of Accounts by CRP Tier						
$25 Monthly	299	213	201	101	99	120
8% of Income	912	659	612	503	532	598
9% of Income	1,502	1,151	1,077	1,486	1,508	1,603
10% of Income	309	254	245	674	696	729
Total accounts	3,022	2,277	2,135	2,764	2,834	3,050

Table 1: Setting a Limit.

[16] By convention, outliers are defined as beyond three standard deviations.

We focus on the two-year analyses since they provide a middle analysis of the three. Of the two two-year analyses, the CCF computation is more closely linked to the physical nature of actual energy use and is desirable for that reason, but as a practical consideration, this should be converted to dollars each year so the customer will understand it more easily. Once the CCF cutoff is set, the processing steps follow. The computation would be completed yearly and results communicated to customers in the tail the following month.

Recommendation

We recommend using the CCF two-year analysis with a cutoff at 2,082 CCF. At this level, there are 2,834 accounts over the limit with what appears to be excess energy use. These homes are associated with $1,641,819 (in 2015 dollars) of unusually high energy use. Translation of this amount in average customer amounts and average customer amounts by tier is shown in Table 1.

We envision the maximum CAP credit used for the Reason Analysis to be an annual amount, with a new calculation each year. Each yearly recalculation would be based on similar usage distribution analysis, using the most recent years.

We recommend the analysis be run once a year at the end of winter, defined as a day in May or July.[17] This would allow the summer and fall to work on reducing the apparently excess energy use. Ideally the analysis and results would be weather normalized but generally not adjusted for gas costs or for inflation since the analysis is driven by weather normalized CCF.

The end product is to be a Reason Analysis report based on homes actually treated through LIURP, developing the reasons for this excess use and tallying homes for each reason established.[18] The end goal is to develop a reason analysis that can be used in policy development. At the same time, a secondary goal is to identify those homes that can be treated with a meaningful amount of weatherization and to treat them with weatherization as appropriate.

The process would be to set a maximum CAP credit based on the recommendation from this study. Those that exceed this boundary amount would receive a letter which includes recommendations for reducing usage and a list of the exemptions from the Pa. Code and conservation tips. For research purposes we recommend a special pilot project. The homes in the study group (in this example, 2,834 homes) would be ranked on energy use and then split into two groups (based on energy use). The first group

[17] Alternatively, since LIHEAP is run as a winter program in Pennsylvania and the PGW fiscal year begins each September 1st, the analysis year could be defined as running from September through the end of August to coincide with the PGW fiscal year. Then, the results would be applied to the CRP customers in the next federal fiscal year (beginning September 1st).

[18] Homes that cannot be treated by LIURP would also be binned by reason to the extent that reasons are developed in the information development process.

would be the top fifty homes based on energy use and would be referred to LIURP (in accordance with the process described in the "Recommendation for Maximum CAP Credit Approach and Goal" section) in order beginning with the home having the highest energy use. The remaining homes would be randomized and referred to LIURP in list order. This would provide 100% coverage for the top fifty homes (probability of selection equal to one) and an equi-probability selection of other homes in the tail to provide a breath of information. The sample size would be fifty (n=50) plus the size of the sample for the second group. The minimum size for the second sample would be seventy (n=70) and if resources are available could alternatively be 120, 240 or 300.

As noted earlier, apparently excessive energy use in CRP is not an extreme problem in size and it is not large enough in aggregate to cause balance problems for the CRP. The amount of annual CCF usage beyond the cutoff of 2,082 per account is 1,442,470 CCF and this is five percent (5.5%) of the total CCF per year in Table 1 (26.4 million weather normalized CCF) for the two-year CCF analysis. While not extreme, it is a practical management problem that should be researched and addressed in policy development.

Cost

This is basically a Reason Analysis, but it will make use of existing LIURP functionality to move some homes back within normal energy usage patterns and may lead to a solution of using removal from CRP for certain customers. Since the LIURP functionality already exists, other than administrative costs there will not be much additional cost and there will be some cost recovery from moving some homes into a normal range of energy use.

Because LIURP is currently bundled with DSM, it is potentially subject to a Total Resource Cost test (TRC test) in which the goal is typically to achieve a TRC of one or better. Generically, low-income programs are often exempted from a standard TRC test through one or more of several modifications to the test which, facing forward, might be considered on an ongoing basis.[19]

- Generally low-income programs require health and safety expenses and repair expenses that are not required for general DSM programs. They also try to meet low-income needs such as furnace replacement that cannot be addressed by any other source. It would be reasonable to consider excluding health and safety expenditures, repairs and furnace or AC replacement from the TRC calculation.

- In the study of high use CRP customers, the administrative cost of the study should be classified as a special category and excluded from the TRC (this would

[19] Peach, H. Gil, "The TRC and Low-Income," Research paper developed for the Low-Income Subcommittee, NV Energy Collaborative, May 2012.

be a change; it is not done in the program currently). Otherwise these costs could unbalance the general DSM effort into which LIURP is currently melded.

Recertification Improvements

Recertification improvements are developed from the surveys.

1. Create an easier or clearer application process for Spanish speakers (i.e. present documents in Spanish, train bilingual staff, etc.).
2. To mitigate CRP drop-out due to the inability to garner all the required documents, allow a longer grace period for recertification (i.e. five weeks' notice instead of four weeks' notice). CRP currently notifies customers of a 30-day grace period but actually uses a 45 day grace period.
3. Provide refresher training for all CRP staff through the application process to ensure information about yearly recertification is distributed with every client. All CRP staff currently receive yearly training.
4. Train staff to ensure that all recertification notice letters (either initial or secondary) are sent in a timely manner. These notices are sent out by the system, not manually. However, the system should be periodically checked to make sure it contines to work as planned and does not drop any communications.
5. Send Spanish recertification notice letters to Spanish speakers. All letters are currently sent in both English and Spanish. The notice that reminds customers to turn over the letter to find the Spanish version could be enlarged.
6. Make it clear to clients that they can also send their information for recertification by mail, not just in-person.
7. Ensure bilingual staff is provided refresher training in CRP application and recertification.
8. Continue with written letter communications but also implement other communication instruments such as automated phone calls, emails, and texts to clients.
9. Create practice interactions or secret simulations with the call center to ensure all elements are being consistently provided to customers; add a rating system survey for customers to rate the staff they talk with on a scale of 1-5 and record any problems with attitude, knowledge level, and taking 'ownership' of the customer's problems. PGW currently has a third-party vendor running these checks. PGW should review this system for possible improvement.
10. Use multiple forms of communication when it is time to recertify (i.e. phone calls/messages, letters, emails, etc.).
11. Improve recertification processes by mail, through email, or securely online. Also, retain unchangeable information (i.e. social security numbers). PGW is in the process of automating the recertification process.

In general, the surveys show that most customers would recommend CRP to family and friends and the initial application process was easy for most people. PGW was clear about what information was required and for most it was easy to provide the information. There was much less understanding of the recertification process. And, Spanish speakers had more difficulty in understanding than English speakers.

The recommendations here have to do with insuring fidelity of messaging, and introducing quality control checks, as well as improving communications (especially for Spanish speakers).

CAP Plus

CAP Plus is a policy that adds an amount to customer's bills that is calculated as an average of the aggregate total Low Income Home Energy Assistance Program (LIHEAP) payment from the previous year. The primary concerns with CAP Plus are the added cost to CRP customers and how this will impact their energy burden.

Some History on the Application of LIHEAP Cash Grants

LIHEAP is a federal block grant program that replaced a prior program with more stringent rules for payment assistance to utility customers on the theory that the individual states might better determine the use of federal funds than the federal government. In approximately 2009 and thereafter, certain Pennsylvania utilities modified their application of LIHEAP cash grant funds secured by CAP customers to apply it directly to the CAP customers' asked to pay bills. Previously the grants were applied by many utilities to the subsidized costs of the CAPs.

Subsequent to this change, a number of utilities have instituted a CAP Plus program. In a case involving Columbia Gas brought by ACTION United against the Pennsylvania Public Utility Commission, it was decided that the CAP Plus method is legal. Using PPL as an example, the way that CAP Plus works for PPL is that it is an adder to participant bills on top of all other calculations of an affordable bill plus payment of an arrearage amount. PPL began adding the amount to participant bills beginning in late 2011. For 2011-2012 the CAP Plus adder was \$8 and for 2012-2013 the CAP Plus adder was \$5.[20] This provides an idea of the relative size of the adder for a different utility (PPL). Using data from 2014 and 2015, a similar adder for PGW would be much higher.

Conceptually, the way it could work is that PGW would determine the total amount of LIHEAP Cash grant funding received by CRP participants in a given operating year. Then, on an annual basis, the total would be divided among the number of all CRP

[20] PPL Docket No. R-2010-2161694 and PPL Proposed 2014-2016 Universal Service and Energy Conservation Plan, September 30, 2014.

participants (whether or not they had received a LIHEAP grant), then divided by 12 to create a monthly bill adder. The CAP Plus bill adder would be applied for inclusion within the "please pay" amount on top of the affordable bill.[21] PPL excludes LIHEAP recipients who have a current credit balance due to a LIHEAP grant from the adder, until the credit balance is exhausted. The adder would vary from year to year depending on the total of LIHEAP grant payments to CRP participants in the prior year and the number of current CRP participants.

Some Observations

CAP Plus appears to be a workaround to approximate the way LIHEAP Cash grants were applied by utilities, following commission guidance, in a previous time window.

We estimate the 2015 impact in offsetting the CRP subsidy would have been approximately $ 9,292,449 in 2014 to apply in 2015.[22] This amount would vary each year depending on the LIHEAP grants awarded to CRP participants in the previous year. Also, we assume that 100% of the bill adder would be collected in order to create the boundary condition.

The analysis includes customers with any number of billing periods and any participation (even one billing period) in CRP in 2015, the CAP Plus bill adder is distributed over all CRP customers and bills. An analysis designed to estimate how CAP Plus would work using these assumptions is shown in Table 2. In this table, all 2015 CRP billing periods are used. LIHEAP grants received in 2014 by CRP participants are spread over CRP participants in 2015 (whether or not they received a 2014 or a 2015 LIHEAP grant) in a way that includes all billing periods. This method captures every CRP bill in 2015 regardless of retention in the CRP program and includes 78,198 CRP customers.[23]

The results of this analysis produce an increase above the current percentage of income payment from 97% to 147% of income for minimum payment customers, 8% to 10.4% of income for the current eight percent tier, from 9% to 10.5% of income for the current nine percent tier and from 10% to 11% of income for the current ten percent tier.

[21] We suggest doing this calculation on a yearly basis so that the adder for each customer for each year remains a stable adder in the customer bill.

[22] Data for this analysis is from a text file extract from the PGW Customer Information System, CRP_all_grants.txt. The grant file was used to set the data range to 2014 and the grant type to LIHEAP. The 2015 data used was from a combination of extracts from the PGW Customer Information System, a summary of the information contained in the sixty text files named CRP_yyyymm_billing.txt. Where "yyyy" is the year between 2011 and 2015 and "mm" is month between 01 and 12.

[23] This analysis is based on CRP bill months in a year rather than the number of CRP customers at a point in time. This method provides a more exact estimate of the monthly CAP Plus bill adder. Alternatively, the analysis could be run on CRP customers in the program at a particular point in time and any over-collection handled through a balancing account.

If customers currently receiving LIHEAP in 2015 are excluded from the CAP Plus adder until their LIHEAP amount runs out, the burden on non-CRP customers will increase. In practice, a standard "CAP Plus bill adder" would be computed on all CRP participants on a certain day. It would be important to keep the CAP Plus bill adder a fixed amount until the next year. But the amount would not be applied in any month of the new year to CRP customers who currently have a LIHEAP grant (until the current grant is expended). After that point, for every month in which the customer does not have a LIHEAP grant, the CAP Plus bill adder would be applied.

CRP_AGR_TYPE	N Obs	Variable	N	Mean	Minimum	Maximum	Std Dev
10.00	12791	TotalLIHEAP2014	12791	9292449.000	9292449.000	9292449.000	0.000
		MonthlyLIHEAP	12791	12.687	12.687	12.687	0.000
		CRP_MONTH_AMOUNT	12791	138.891	25.000	457.880	40.935
		NewCRPAmount	12791	151.579	37.687	470.567	40.935
		CurrentIncomePct	12791	0.100	0.033	0.505	0.005
		CAPPlusIncomePct	12791	0.110	0.035	0.540	0.006
25MI	4321	TotalLIHEAP2014	4321	9292449.000	9292449.000	9292449.000	0.000
		MonthlyLIHEAP	4321	12.687	12.687	12.687	0.000
		CRP_MONTH_AMOUNT	4321	25.000	25.000	25.000	0.000
		NewCRPAmount	4321	37.687	37.687	37.687	0.000
		CurrentIncomePct	4317	0.974	0.007	25.000	4.434
		CAPPlusIncomePct	4317	1.469	0.010	37.687	6.685
8.00	18389	TotalLIHEAP2014	18389	9292449.000	9292449.000	9292449.000	0.000
		MonthlyLIHEAP	18389	12.687	12.687	12.687	0.000
		CRP_MONTH_AMOUNT	18389	48.618	20.000	169.740	18.438
		NewCRPAmount	18389	61.305	32.687	182.427	18.438
		CurrentIncomePct	18389	0.080	0.007	0.523	0.005
		CAPPlusIncomePct	18389	0.104	0.009	0.734	0.011
9.00	42697	TotalLIHEAP2014	42697	9292449.000	9292449.000	9292449.000	0.000
		MonthlyLIHEAP	42697	12.687	12.687	12.687	0.000
		CRP_MONTH_AMOUNT	42697	83.610	41.130	290.300	28.515
		NewCRPAmount	42697	96.297	53.817	302.987	28.515
		CurrentIncomePct	42697	0.090	0.018	4.900	0.024
		CAPPlusIncomePct	42697	0.105	0.021	6.310	0.031

Table 2: Analysis of CAP Plus Projection.

Recommendation

CAP Plus would be a CRP customer payment above an affordable bill (as defined by the PUC), and would provide an additional burden on CRP customers with an additional benefit to non-CRP customers (some of whom are low-income and many of whom are near-low-income).

All CRP customers would receive the bill adder (not only those who received a LIHEAP grant in the previous year). But for PGW, with its strong record of motivating customers to apply for and receive LIHEAP grants the bill adder would be significantly higher than for other Pennsylvania utilities and the benefits and costs to different customer groups will need to be carefully examined.

At this time, we do not recommend CAP Plus for programs based on a program logic of percentage of income payment plans because it appears to interfere with the affordability of the program to the participants.

Payment Troubled

PGW has based its CRP program on percentage of poverty without a requirement to demonstrate payment trouble. Outside of PGW, the concept of "payment troubled" has developed in Pennsylvania as an additional criterion of eligibility. Outside of PGW "payment troubled' can have various specific definitions, but it involves requiring a pattern of partial or skipped payments to qualify for program eligibility. The Bureau of Consumer Services defines "Payment Troubled" as follows:[24]

> "A payment troubled customer is a customer who has failed to maintain one or more payment agreements in a 1-year period."

The problem with this approach is that a low-income customer would be encouraged by economic rationality to skip payments (or break a payment agreement) in order to fully meet the program eligibility rules.

PGW, however, is looking at defining "payment troubled" differently, in ways that would not cause any economic rationality problems on the part of community workers. For example under the CAP policy statement, payment troubled would be prioritized based on:

(a) A household where housing plus utility costs exceed 45% of the household's total income. Housing and utility costs would be defined to include rent or mortgage/taxes and gas, electric, water, oil, telephone and sewage.
(b) A household who has $100 or less disposable income after subtracting all household expenses from all household income.[25]

Option "A" is probably not calculable. There is old federal guidance sometimes used in low-income analysis that suggests housing budget of 30%. While it is not unusual in large cities to spend 50% or 60% of income on housing, there is not sufficient guidance showing what percentage would be appropriate in Philadelphia. It is not that the old federal budget advice was wrong, only that it fit a different time window than the one we

[24] Definition of "payment troubled" from 52 Pa. Code § 62.2, Definitions. As used in *2014 Report on Universal Service Programs & Collections Performance*. Pennsylvania Public Utilities Commission, Bureau of Consumer Service, October 2015, Page 8.

[25] 52 Pa.Code § 265(4)(iii)(A-B).

are in today. One frequently finds this type of guideline in mortgage lending calculations but they are not well related to actual housing costs.

Option "B" is also problematic. Generally, everyone has much less disposable income today than a similar household thirty or forty years ago but $100 may not be the appropriate level to use since "disposable income" is more of a necessity today.[26] In 1965, the 1950s pattern of a household supported by one wage or salary worker plus one live-in partner performing unwaged housework and reproducing society by raising children was still a common pattern. Today, costs are keyed to two adults working for wage or salary, which leaves single parent families and families with a recent job loss with difficult financial problems. The real problem is that income has been reallocated from the poor, the middle classes and the lower upper classes to the upper 2% or so of households by income. The top 3% by income own approximately one-half of all wealth.[27] An exploration of disposable income could be developed, but it would need to use the Shadow Government Statistics Consumer Price Index and the household budget study approach and abandon any reliance on the official Bureau of Labor Statistics Consumer Price Index in determining actual disposable income.

Recommendation

A special approach to "payment troubled" could be developed but the data for this is not currently collected and retained. Also it would require facing up to the decline in the quality and durability of goods and services and to problems of significant loss of purchasing power that are not recognized within the official matrix of government and news media information and interpretation. It might require a lot of work and not produce an incrementally useful result. For these reasons we do not recommend development in this direction.

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[26] This corresponds to the commonsense observation that for the lower and middle ranges of the income distribution, it typically takes two incomes today to cover the income of an equivalent single wage-earner household in the late 1950's: According to Warren and Tyagi, "Today's two-income family earns 75% more than its single income counterpart a generation ago, but actually has less to spend." (That is, less discretionary income.) See: Warren, Elizabeth & Amelia Warren Tyagi, *The Two-Income Trap, Why Middle-Class Mothers & Fathers are Going Broke.* New York: Basic Books, 2003.

[27] Arloc Sherman & Brandon Debot, "A Guide to Statistics on Historical Trends in Income Inequality". Washington, DC: Center for Budget and Policy Priorities, Updated October 26, 2015 (http://www.cbpp.org/research/poverty-and-inequality/a-guide-to-statistics-on-historical-trends-in-income-inequality); also see: DeSliver, Drew, "U.S. income inequality, on rise for decades, is now highest since 1928". Philadelphia, PA: PEW Research Center, December 5, 2015 (http://www.pewresearch.org/fact-tank/2013/12/05/u-s-income-inequality-on-rise-for-decades-is-now-highest-since-1928/).

Commercial Use

Commercial uses of natural gas are generally the same as residential uses (heating, water heating, and cooking and gas appliances). There are other kinds of commercial use such as cooling and on-site electricity generation but these are not likely to occur among low-income customers. The most likely commercial use would appear to be use for a commercial purpose within a house or apartment. Apparently inappropriate meter size and apparently excessive energy use would be cues to investigate to determine if commercial use is present on the connection.

Recommendation

- If a household on CRP is found to be using natural gas to create a legal commercial product or service within their home and their income from sales of the product or service still places them within CRP eligibility, the case becomes one of innovation and entrepreneurship rather than a problem (though the rules for Maximum CAP credit would apply).

Self-Certification Options

In review of the California program, which is the primary example of a self-certification program, we find that both energy use and program structure in California make it a different kind of program than PGW's Customer Responsibility Program. Although the California Energy Commission has established sixteen weather zones for the state,[28] and the zones vary from arctic to desert, energy use in California tends to be predominate quite light in comparison to the states of the Northeast and Middle Atlantic. California has mostly a mild Mediterranean climate. Also, the California Alternate Rates for Energy (CARE) program was originally a moderate 20% rate discount program for customer up to and including 175% of poverty it did not have anything like the depth and seriousness of a program designed for the realities of winter, like PGW's CRP program.[29]

A predecessor program began in 1989; the present program in 1994. The emphasis on inclusion was strengthened during the circa 2001 California Energy Crisis, during which the Enron corporation was secretly manipulating electric system choke points to run up profits in the newly deregulated electricity market. Due to the emergency, enrollment to provide rate relief for low-income customers was a priority. California tends to initiate visionary programs. Its economy is "outsized" compared with the other US states (if it

[28] See: http://www.energy.ca.gov/maps/renewable/building_climate_zones.html.

[29] More recently, the CARE programs of the four California investor-owned utilities have increased the discount to 30-35%.

were an independent country, it would be the eighth largest economy in the world, larger than Russia).[30] So, nearly every reform effort that California tries may seem similarly outsized. The goal of complete enrollment continues to the present. However, talk about the program has shifted more towards promoting climate adaptation without environmental discrimination due to income or ethnic group. Specifically, enrollment of all qualifying (income less than or equal to 175% of the federal poverty level) low-income homes in the CARE program and treatment of all similarly qualifying homes with California's comparatively light weatherization program remain strong state goals.[31]

Although there are outreach efforts using contractors and door-to-door canvasing and other methods such as use of utility call centers and posters, having set the goal for total enrollment of eligible homes, some years ago it became evident that the goal could not be approximated through a process of careful eligibility checks. Too many homes would simply not go through the hassle of an eligibility screening process and there is a problem of perceived vulnerability in parts of the low-income population and a desire not to give out information.[32]

So, the option for self-certification was discussed and adopted (see text box).[33]

> It only takes a few minutes to fill out the online application. No proof of income is necessary and your answers will remain confidential.

Adoption of self-certification in combination with multiple additional approaches led to a very large increase in participation in the rate discount program. However, because self-certification was introduced as part of a multi-layered strategy using many recruitment approaches simultaneously, it is not possible to reasonably assign a percentage increase to self-certification alone.

There is monitoring of a sample of participants to determine the error rate by utility. The utility samples range from 1% to 18%. But because inclusion is a state goal, the program philosophy is to tolerate a reasonable amount of error in order to increase enrollment of many households that belong in the program and would not otherwise have become participants. The utilities have provisions for strict treatment of customers

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[30] See: http://lao.ca.gov/LAOEconTax/Article/Detail/1.

[31] Building codes are being constantly updated so that soon only zero net energy or energy plus home (homes that self-power plus power at least one other home) can be built in California, and the plan is for zero net energy commercial new construction not long after the residential goal is reached.

[32] This is the situation with every low-income payment assistance program set up on an opt-in basis. Participation rates are often in the range of 20% to 25%. APPRISE found that PGW's participation rate is 57%. Apprise Public Policy Research Institute for Study and Evaluation, *PGW Universal Service Program, Final Report*, November 2012.

[33] Text box from Pacific Gas & Electric website.

who incorrectly fill out self-certification information and obtain program benefits,[34] including collection of the difference in required payment. However, these policies are not fully implemented in practice. In the 2003 program evaluation, two of the utilities did not back bill, one back billed up to twelve months, and the other up to three months.[35] Certification is valid for two years. Pacific Gas & Electric has established additional requirements for high use customers.[36]

Discussion

Self-certification with random inspection can be developed and implemented. It would be fairly easy to do so. However, the cost of being wrong is much higher for PGW than it is for California because the California program is "light" compared to the serious levels of support provided by CRP. Due to this difference there is more risk involved for PGW than for the California utilities. Also, the California CARE program was mandated by the California Public Utility Commission, and it is the state that is leading the emphasis on inclusion. It is reasonable to develop a relatively strong emphasis on inclusion; however, it is a different situation to do so without a strong state mandate.

Recommendation

If PGW develops a form of self-certification, it would be important to have an ongoing verification sample size worked out in advance and to set up a tipping point for tolerable misclassification error.

However, we recommend that PGW not develop self-certification unless it becomes required by the state. The CRP is not a "light" program and Philadelphia has a northern climate with real winters, so the inherent risks of self-certification would have higher costs. It is a type of program modification that might make sense for the duration of an emergency of some kind, but only if mandated by the state.

Cost

It is likely that, initially, self-certification would lead to a substantial increase in participation within a short time window. The error rate determined by the inspection of

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[34] Some of the utilities provide additional benefits

[35] See: Dimetrosky, Scott; M. Sami Khawaja, Sharon Baggett, *Evaluation of California Alternate Rates for Energy (CARE) Program's Outreach and Administrative Practices*. Portland, Oregon: Quantec with Global Energy Partners
September 15, 2003. This evaluation is available on California's CALMAC Internet evaluation report site.

[36] Pacific Gas & Electric Company, ELECTRIC RULE NO. 19.1, CALIFORNIA ALTERNATE RATES FOR ENERGY FOR INDIVIDUAL CUSTOMERS AND SUBMETERED TENANTS OF MASTER-METERED CUSTOMERS.

the continuing verification sampling would establish additional costs, conditioned by whether or not a full back billing would be applied for misclassified cases.

Enrollment of Customers in CRP vs. Average Bill Amount

This policy option begins with two questions:

1. Assuming it made sense from a policy perspective, how many low income customers would be better off in the CRP program at an average bill (instead of PIPP amount) compared to a Payment Agreement + Budget Billing?

2. What would be the additional cost to non-CRP customers from bringing these customers into the CRP program?

For this part of the study, to develop a ratio, we used a dataset that PGW compiled of over 40,000 low-income accounts that were qualified for participation in CRP, but outside CRP. This dataset, which was prepared in late 2015, includes current household income, the estimated budget pay amount and current arrearage balance. In order to compare the average bill with CRP payments we obtained CRP Tier ($25 monthly, 8%, 9% or 10%) by matching the special dataset to records of all CRP participants between 2011 and 2015. These records could be matched since these matching customers had previously been in CRP at one time or another in the past.

Of the 40,000 accounts, just over 13,000 accounts matched (i.e. the customers that matched had prior CRP data). While the information is not perfect in that parts of the information are taken from different years, the combined data does provide a basis for a practical estimate. CRP program payments were estimated from monthly income and CRP Tier. From this analysis it was found that 42% of the approximately 13,000 low income accounts outside CRP would be better off moving into the CRP program (Table 4) at an average amount (with arrearage forgiven through CRP) rather than on a Payment Agreement+ or on CRP as currently structured.

Program	Number	Percent
CRP	5,649	42%
Average Bill	7,650	58%
Total	13,299	100%

Table 3: Optimum Allocation to Payment Plan (Lowest Customer Payment including Arrearages).

Customer arrearage payments under the two payment plans (Average Bill vs. CRP) were also calculated. This information was then used to calculate the amount of CRP arrearage subsidy that would be paid by the non-CRP customers to cover the new CRP customers. As shown in Table 5, the average cost per customer moved into CRP would be $588 in CAP credit and $155 in arrearage subsidy for a per customer total of $743.

Low-Income Customers Outside CRP			
Category	**Sample Used for Analysis**	**Identified Low Income**	**Estimated Low Income**
		---- Average Per Customer ----	
CRP Payments	$1,001	$1,001	$1,001
Average Bill Payments	$1,588	$1,588	$1,588
CRP Value to Customer (excluding arrears)	$588	$588	$588
CRP Arrearage Subsidy	$155	$155	$155
Avg Subsidy Paid by Non-CRP Customers	$743	$743	$743
		---- Annual Totals ----	
Number of Customers	5,649	35,399	50,897
Percent of Total population	42%	42%	42%
Total Cost to Non-CRP Customers	$4,197,433	$26,302,840	$37,818,874

Table 4: Per Customer and Total Subsidy Results.

Confirmed Low-Income Customers

PGW reported 144,696 confirmed low-income customers for the *Bureau of Consumer Services Report on 2014 Universal Service Programs & Collections Performance* (Page 7) while 61,319 participated in CRP as of 12/31/2014. This leaves 83,377 outside CRP. Assuming 42% of these outside CRP customers would find an Average Bill under CRP optimal as compared with a Payment Agreement (35,415), the cost of moving them into CRP is estimated in the middle column of Table 5.

Estimated Low-Income Customers

PGW reported 181,143 estimated low-income customers for the Bureau of Consumer Services *Report on 2014 Universal Service Programs & Collections Performance* (Page 8) while 61,319 participated in CRP as of 12/31/2014.[37] This leaves 119,824 outside CRP. Assuming 42% of these would find an Average Bill under CRP optimal as

[37] Participation is currently lower. If CRP participation decreases, the cost of moving non-CRP customers into CRP would, accordingly, increase.

compared with a Payment Agreement+ (50,920), the cost of moving them into CRP is estimated in the last column of Table 5.

Table 5 takes into account the new, lower, cost of natural gas. Figure 9 shows PGW residential customers as reported in the Bureau of Consumer Services *Report on 2014 Universal Service Programs & Collections Performance*. For this chart, the estimated and confirmed low-income customers remaining outside CRP are shown as a single category.

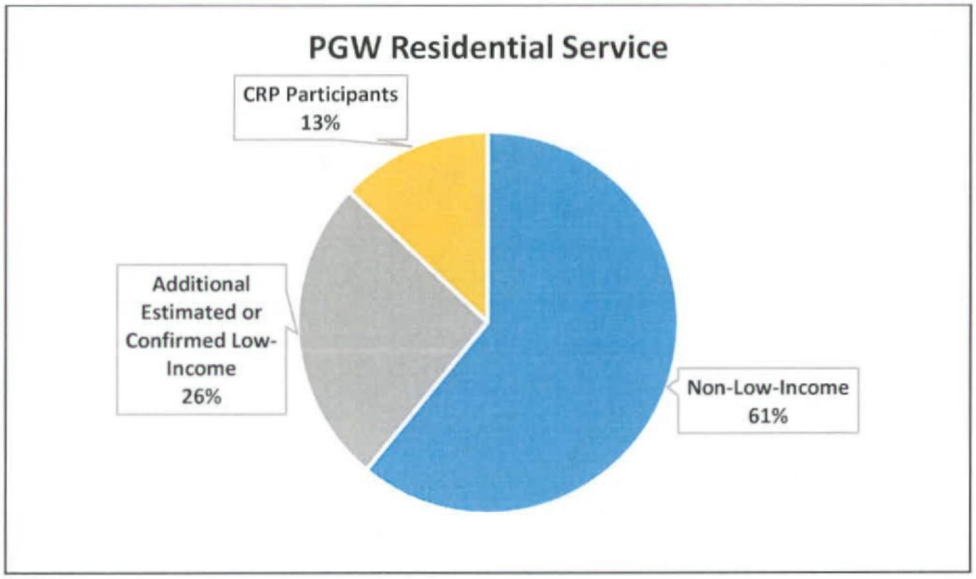

Figure 9: PGW Residential Customers.

Recommendation

Given the significant costs, rather than develop a second mechanism based on average bills as an overlay across the percentage of income payment plan, we recommend addressing affordability through the existing system of percentage of income tiers. This approach is transparent and easy to understand. Also, if a Payment Agreement is cheaper for a low income customer than going onto CRP, then CRP does not need to be expanded to provide additional benefits to these customers as they already have a bill that is affordable.

We recommend maintaining the pure percentage of income payment program approach, with consideration of possible adjustments to the percentages (see Affordability section).

CRP Customers Lower Average Bill Payment

As it turns out, with the recent large reductions in the commodity cost of natural gas and for homes with relatively low use, there are CRP customers who would receive a lower bill at the Average Bill. Table 5 shows the results when the PIPP of active CRP participants is compared to the estimates Average Bill payment. As shown near the bottom of the table, nearly 3,000 CRP participants, 14% of customers on CRP for 12 of 12 billing periods in 2015, would have been better off on Average Bill payments. Putting these customers on the Average Bill while maintaining their CRP treatment of arrearages would result in a lower annual bill of $219, on average. This equates to a subsidy paid by non-CRP customers of nearly $650,000 annually.

Active 2015 CRP Participants with Lower Estimated Average Bill Payments

Category	Annual Payments - Active CRP With Lower Avg. Bill
	-- Avg Per Customer --
CRP Payments	$1,255
Average Bill Payments *	$1,036
CRP Value to Customer (excluding arrears)	-$219
CRP Arrearage Subsidy	NA
Avg Subsidy Paid by Non-CRP Customers	$219
	-- Annual Totals --
Customers with Lower Average Bill Payments	2,959
Pct. of Total (On CRP for 12 of 12 billing periods)	14%
Total Cost to Non-CRP Customers	$648,021

* Average bill payments estimated using total rate per CCF of $1.1382 (Eff. 3/1/2016)

Table 5: CRP Customers with Potentially Lower Average Bill Payments.

Auto-Enrollment

Auto-enrollment would involve relying on another party to verify CRP program eligibility. The only agency that would be available to do that because it is required to independently verity income, household size and percentage of poverty is the Department of Human Services (DHS). DHS is required to verify this information as a federal requirement attached to block grant funding that is used for utility payment assistance under the Low Income Home Assistance Program (LIHEAP). The primary use of auto-enrollment appears to be as a method of insuring that households that qualify for the CRP program can be identified and enrolled in CRP. It is primarily an outreach tool. It can also be used for verification. We have observed it in use in providing about a one to two-minute check on qualifications during recertification reviews. Since the procedure is automated, the staff person doing recertification can call a special telephone number, enter a social security number and receive a quick "yes" or "no" result immediately.

History of Use of DHS for Auto-Enrollment

An arrangement for auto enrollment through the Department of Human Services (DHS) was negotiated by PECO Energy and was in place, and used off and on, since at least the early 2000's. With the precedent of an existing arrangement, it is likely that a similar arrangement would be fairly easy for PGW to negotiate, which is a favorable factor for the use of this tool. However, DHS does not provide the actual percentage of poverty for each household. It will provide information that the customer is verified as qualified for LIHEAP by DHS.

In most years, this means that DHS has verified that the household's percentage of poverty is 150% or less. However, in 2010 the LIHEAP eligibility went to 210% of poverty and in 2011 it was at 160% of poverty.

Using DHS according to the way it has been set up to provide information in the past would have two drawbacks. In certain years the eligibility requirement for LIHEAP would diverge from the eligibility requirement for CRP. Also, DHS has not been providing exact household size and household income information so cannot be used to assign customers to the right percentage of income payment plan.

Other Considerations

To date, DHS has provided "Yes" and "No" answers to the question of DHS verification of eligibility for LIHEAP. But, in order to do this, DHS must gather information on household size and household income. So, it could simply use either these two values and calculate a percentage of poverty and it might agree to provide that information on an immediate turn-around basis. With that information, PGW could directly assign a household to the correct percentage of income payment plan. If this could be negotiated, it would provide a definite advantage to PGW and to customers, and could make auto-enrollment more viable.

PGW has been working on the possibility that information from DHS on size of grant could be used to back-engineer the percentage of poverty level for the household. Based on examination, there are patterns in the grant amounts that indicate that it is likely this approach will work for certain households, but that for others there is too much overlap in size of grant among the three tiers and the minimum payment group to make a definite assignment. Also, at one point PECO was ordered to conduct direct verification of DHS data on a home by home basis,[38] so it is unlikely that an automated or bulk assignment of homes is possible and an alternative process could be quite costly.

Recommendation

We recommend that PGW undertake to negotiate an arrangement with DHS that can be used for auto-enrollment involving DHS providing verification of the household income and size.

It is understood that DHS may be reluctant to provide the full set of information elements but the possibility should be explored since it would enhance the general goals of DHS for public welfare and it would be of definite advantage in securing quick and accurate assignment of households to CRP.

We recommend that PGW attempt to negotiate bulk data transfer on an ongoing basis. The bulk transfer would facilitate identification of customers who should be in CRP but are not.

As a first step, we initially estimate the maximum increase in customers who could be enrolled would be approximately 11,849. This would correspond to an annual additional CAP credit cost of $6,658,738.[39] However, using a ratio developed in an earlier section of this report (Enrollment of Customers in CRP at Average Bill Amount – see Page 25), approximately 42% of these customers would benefit from a CRP that uses an average bill over a Payment Agreement/Budget Billing so the revised number of customers to

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[38] According to PECO's 2013-2015 Universal Service Plan (page 5 of 44): "The Company continues to explore and develop opportunities to improve efficiencies in program operations. Such efficiencies help increase customer participation and satisfaction. One such efficiency has resulted from coordinating with the Department of Public Welfare ("DPW") and using DPW data to identify and verify CAP Rate program eligibility and participation. By using DPW data, PECO can enroll and re-certify more customers into CAP Rate. PECO will continue to use DPW data via LIIHEAP grants to enroll and recertify customers into CAP, however, as directed by the Commission's April 4, 2013 Order (p. 52, concluding paragraph 4), PECO will modify that process to ensure customers who are enrolled into CAP for the first time are informed of the benefits and responsibilities of the CAP program via a 60-day income verification CAP enrollment process." However, according to the Tentative Order by the Commission approving PECO's new Universal Service and Energy Conservation Plan for 2016-2018 in Docket M-2015-2507139, February 25, 2016, P. 9: "PECO will no longer automatically enroll Low Income Home Energy Assistance Program (LIHEAP) recipients in CAP."

[39] There were 11,849 LIHEAP customers outside CRP in 2014-2015. For the cost calculation, we distribute them according to the percentages in four tiers (25 MI, 8%, 9% and 10%) in the current program for customers with 12 payment periods and 12 periods in CRP. These numbers are then multiplied by the average CAP credit amount in 2015 for each tier ($1,030, $857, $549 and $227) and totaled, equaling $6,658,738. This number is approximate. The data is from the PGW Customer Information System, filename: Recvd FY15 LHP, never on CRP 11849 MET xls.

transfer into CRP and the revised CAP Credit amount would be as shown in Table 6. The additional cost of contribution to arrearage subsidy is also included in the table.

Analysis of Annual Impact From Moving Low Income Customers into CRP			
Category	All on CRP	Program With Lowest Payment	
		CRP	Average Bill w/CRP Arrearage Treatment
	---- Average Per Customer ----		
CRP Payments	$1,479	$1,001	$1,833
Average Bill Payments	$1,336	$1,588	$1,150
CRP Value to Customer (excluding arrears)	-$143	$588	-$683
CRP Arrearage Subsidy	126	155	105
Avg Subsidy Paid by Non-CRP Customers	-17	743	105
	---- Annual Totals ----		
Number of Customers	11,849	5,033	6,816
Percent of Total	100%	42%	58%
Total Cost to Non-CRP Customers	-$197,641	$3,739,784	$714,853

Table 6: Cost of Inclusion of LIHEAP Customers Outside of CRP.

Arrearage Treatment for Restored Months

Currently, PGW has a 36-month arrearage pay off for CRP customers who pay in full. When a customer has been suspended from CRP and returns by paying the equivalent of the CRP bill plus the $5.00 per month payment towards arrearage for the missing months, the customer is treated as if they have been continuous in CRP with one exception. Currently, the customer does not receive the subsidy credit towards arrearage for months missed.

The approximate cost of implementing this adjustment to arrearage treatment for 2011 through 2015, by year is shown in Table 7. The calculation is based on data from PGW's Customer Information System and is limited to customers who move off CRP and then back to CRP. We limited the time off CRP to six bill periods for purposes of the calculation.[40]

[40] This table does not figure in a discount for six bills.

Cost of Crediting CRP Arrearage Subsidy on Return to Active Status		
Year	**Number**	**Annual Credit ($Millions)**
2011	94,466	$4.80
2012	101,809	$5.50
2013	101,010	$4.60
2014	99,332	$5.10
2015	92,868	$4.90
Note: Limited to 6 billing periods off CRP		

Table 7: Crediting Arrearage on Return to Active Status.

Recommendation

When customers return to CRP by making payments equivalent to their CRP amount plus the $5.00 a month payment towards arrearages, PGW should credit the arrearage subsidy amount for each month "made up". This seems fair to the CRP customer.

As a control tool, we recommend that this provision be limited to a maximum forgiveness of six months regardless of the CRP cure amount.

Peach, H. Gil, Mark Thompson & Erika Lehmann, *PGW Customer Responsibility Program 2015 Policy Evaluation, an Independent Third-Party Evaluation of Philadephia Gas Work's Customer Responsibility Program.* Beaverton, Oregon: H. Gil Peach & Associates LLC, Monograph 2016-05-01, May 2016.

Amendment to Program Policy Evaluation

Amended - Enrollment of Customers in CRP vs Average Bill Amount

This policy option begins with two questions:

1. Assuming it made sense from a policy perspective, how many low income customers would be better off with CRP pricing compared to Average Bill pricing?

2. What would be the additional cost to non-CRP customers from bringing these customers into the CRP program at the lower of CRP or Average Bill pricing and extending CRP arrearage treatment to these customers?

For this part of the study, to develop a ratio, we used a dataset that PGW compiled of over 40,000 low-income accounts that were qualified for participation in CRP, but outside CRP. This dataset, which was prepared in late 2015, includes current household income, the estimated budget pay amount and current arrearage balance. In order to compare the average bill with CRP payments we obtained CRP Tier ($25 monthly, 8%, 9% or 10%) by matching the special dataset to records of all CRP participants between 2011 and 2015. These records could be matched since these matching customers had previously been in CRP at one time or another in the past.

Of the 40,000 accounts, just over 13,000 accounts matched (i.e. the customers that matched had prior CRP data). While the information is not perfect in that parts of the information are taken from different years, the combined data does provide a basis for a practical estimate. CRP program payments were estimated from monthly income and CRP Tier. From this analysis it was found that 42% of the approximately 13,000 low income accounts would be better off moving into the CRP program (Table 4) with the lower monthly PIPP. The remaining 58% would have a lower monthly payment under Average Billing but would still benefit on average from the treatment of arrearages under the CRP.

Program	Number	Percent
CRP	5,649	42%
Average Bill	7,650	58%
Total	13,299	100%

Table 1: Optimum Allocation to Payment Plan (Lowest Customer Payment including Arrearages).

Customer arrearage payments under the two payment plans (Average Bill vs. CRP) were also calculated. This information was then used to calculate the amount of CRP arrearage subsidy that would be paid by the non-CRP customers. As shown in Table 4, the average cost per customer moved into CRP would be $588 in CAP credit and $155 in arrearage subsidy for a per customer total of $743. For customers with lower Average Bill payments, extending CRP arrearage treatment would result in an average subsidy of $105 per customer.

		Program With Lowest Payment	
		CRP	Average Bill
		---- Average Per Customer ----	
CRP Payments - Projected		$1,001	$1,833
Average Bill Payments - Projected		$1,588	$1,150
CRP Value to Customer (excluding arrears)		$588	-$683
CRP Arrearage Subsidy		$155	$105
Avg Subsidy Paid by Non-CRP Customers		$743	$105
	---- Annual Totals ----		
Low Income Not on CRP - Distribution	100%	42.47688%	58%
Low Income Population Not on CRP:			
Low (Confirmed)	83,337	35,399	47,938
High (Estimated)	119,824	50,897	68,927
Subsidy Paid by Non-CRP Customers (Low Population Estimate):			
CRP Value to Customers (excluding arreage)	$20,801,842	$20,801,842	NA
CRP Arrearage Treatment	$10,528,740	$5,500,998	$5,027,742
Total	$31,330,582	$26,302,840	$5,027,742
Subsidy Paid by Non-CRP Customers (High Population Estimate):			
CRP Value to Customers (excluding arreage)	$29,909,404	$29,909,404	NA
CRP Arrearage Treatment	$15,138,483	$7,909,471	$7,229,012
Total	$45,047,886	$37,818,874	$7,229,012

Table 2: Per Customer and Total Subsidy Results.

Confirmed Low-Income Customers

PGW reported 144,696 confirmed low-income customers for the *Bureau of Consumer Services Report on 2014 Universal Service Programs & Collections Performance* (Page 7) while 61,319 participated in CRP as of 12/31/2014. This leaves 83,377 outside CRP. Assuming 42% would benefit from being moved into CRP, over 35,000 customers would be impacted by such a move. The cost of moving them into CRP and moving 58% onto an Average Bill is estimated in Table 4.

Estimated Low-Income Customers

PGW reported 181,143 estimated low-income customers for the Bureau of Consumer Services *Report on 2014 Universal Service Programs & Collections Performance* (Page 8) while 61,319 participated in CRP as of 12/31/2014.[1] This leaves 119,824 outside CRP. Assuming 42% would benefit from being moved into CRP, nearly 51,000 customers would be impacted by such a move. The costs of moving customers onto CRP or Average Bill are estimated in Table 4.

Table 4 takes into account the new, lower, cost of natural gas. Figure 9 shows PGW residential customers as reported in the Bureau of Consumer Services *Report on 2014 Universal Service Programs & Collections Performance*. For this chart, the estimated and confirmed low-income customers remaining outside CRP are shown as a single category.

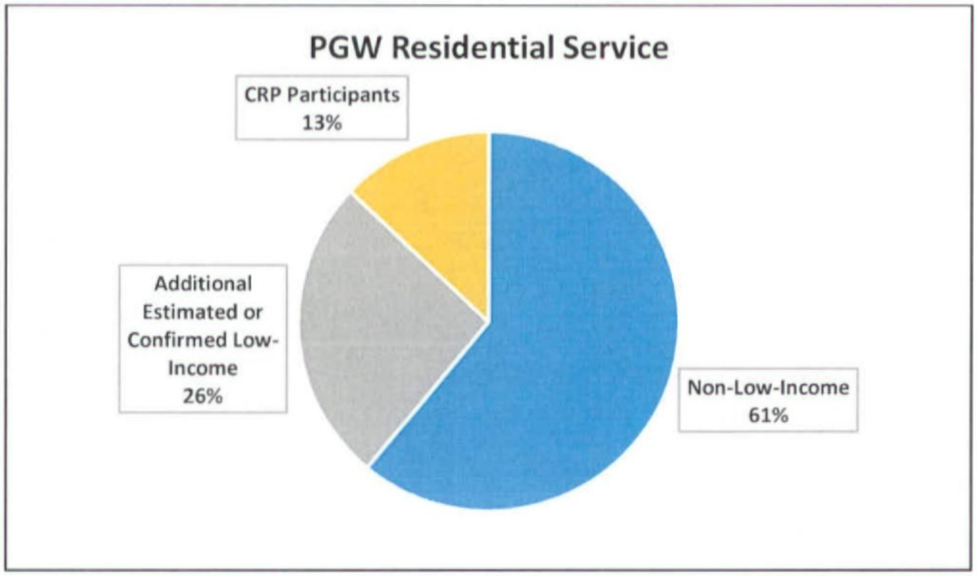

Figure 1: PGW Residential Customers.

Recommendation

Given the significant costs, rather than develop a second mechanism based on average bills as an overlay across the percentage of income payment plan, we recommend addressing affordability through the existing system of percentage of income tiers. This approach is transparent and easy to understand. Also, if a Payment Agreement is cheaper for a low income customer than going onto CRP, then CRP does not need to

[1] Participation is currently lower. If CRP participation decreases, the cost of moving non-CRP customers into CRP would, accordingly, increase.

be expanded to provide additional benefits to these customers as they already have a bill that is affordable.

We recommend maintaining the pure percentage of income payment program approach, with consideration of possible adjustments to the percentages (see Affordability section).