#  PENNSYLVANIA

 **PUBLIC UTILITY COMMISSION**

 **Harrisburg, PA 17105-3265**

 Public Meeting held March 16, 2017

Commissioners Present:

Gladys M. Brown, Chairman

Andrew G. Place, Vice Chairman

John F. Coleman, Jr., Joint Statement, dissenting

Robert F. Powelson, Joint Statement, dissenting

David W. Sweet

Energy Affordability for Low Income Customers M-2017-2587711

**OPINION AND ORDER**

**BY THE COMMISSION:**

 By this Order, we are initiating a study regarding home energy burdens in Pennsylvania.[[1]](#footnote-1) We find that this study is a necessary first step in evaluating the affordability, cost-effectiveness, and prudence of Universal Service Programs.

 The Public Utility Code (Code), requires the Commission to continue, at a minimum, the policies, practices, and services that were in existence as of the effective date of the Natural Gas Choice and Competition Act, 66 Pa. C.S. §§ 2201-2212, and the Electricity Generation Customer Choice and Competition Act, 66 Pa. C.S. §§ 2801-2815. 66 Pa. C.S. §§ 2203(7) and 2802(10). Universal Service Programs are subject to the administrative oversight of the Commission, which must ensure that the utilities run these programs in a cost-effective manner and that services are appropriately funded and available in each utility distribution territory. 66 Pa. C.S. §§ 2203(8) and 2804(9). In furtherance of this requirement, in 1992, the Commission established a Customer Assistance Program (CAP) Policy Statement at 52 Pa. Code §§ 69.261-69.267,

which, among other things, established affordability ranges for low-income customers by heating source and income level, as follows:

CAP Policy Statement Maximum Energy Burden Levels[[2]](#footnote-2)

|  |  |  |  |
| --- | --- | --- | --- |
| Utility Service | 0-50% poverty | 51-100% poverty | 101-150% poverty |
| Non-Heat Electric  | 2%-5% | 4%-6% | 6%-7% |
| Gas Heat | 5%-8% | 7%-10% | 9%-10% |
| Electric Heat | 7%-13% | 11%-16% | 15%-17% |

Under the Commission’s CAP Policy Statement, if a consumer’s energy burden falls within the above ranges, it is considered an affordable energy burden for a low-income household.

 However, the Commission noted in 2006 that these energy burden levels may be too high.  In the Commission’s *Final Investigatory Order on* *Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms*, Docket No. M-00051923 (Order entered December 18, 2006) , at 48, the Commission stated that “our policy requiring a low-income household to pay 17% of their household income for home energy services compared with an average household who pays about 5% of their income may need to be revised.”  National low-income energy burden models also suggest that levels be between 6%[[3]](#footnote-3) and 11%[[4]](#footnote-4) of income. The Commission also recently examined energy burden level issues in the *Duquesne Universal Service Order*, in which the Commission expressed concerns regarding high energy burden levels in Duquesne’s CAP, particularly for customers with household incomes at or below 50% of the Federal Poverty Income Guidelines.

 More than twenty-three years after the publication of the Commission’s CAP Policy Statement, and more than ten years after the Commission’s acknowledgement of concerns regarding energy burden levels, “[h]ome energy [costs] … [remain] a crippling financial burden for low-income Pennsylvania households.” Fisher, Sheehan & Colton, *The Home Energy Affordability Gap 2015: Pennsylvania* (Public Finance and General Economics, 2nd Ser. 2016), at 1.

 The Commission routinely considers complaint proceedings involving customers enrolled in CAP programs failing to keep up with payments, accumulating arrearages, and facing service disconnection and loss of program eligibility. *See*, *e*.*g*., *Billie Jo Knapp v. Pennsylvania Electric Company*, Docket No. C-2015-2511723 (Order entered October 27, 2016). This payment, assistance, and arrearage cycle is a recurrent issue for many low-income customers.

 Additionally, only 30% of eligible Pennsylvania households are enrolled in a CAP program, and residents falling below 50% of the Federal Poverty Income Guidelines pay an average of 30% of their income on home energy costs alone. *The Home Energy Affordability Gap 2015: Pennsylvania, supra* at 1. While there are likely other barriers to participation, unaffordable energy bill payment arrangements may well be among them.

 Given these realities, we conclude that the necessary first step to evaluate the affordability, cost-effectiveness, and prudence of Universal Service Programs is to undertake an energy affordability study. In undertaking any subsequent review of Universal Service Programs in their entirety, we must, of course, continue to balance the costs[[5]](#footnote-5) and benefits of these programs as potential changes to affordability standards will inevitably require an examination of overall program funding. *See PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015*, Docket No. M-2012-2290911(Final Order entered July 8, 2015).

 Accordingly, we shall refer this matter to the Commission’s Bureau of Consumer Services (BCS), in conjunction with other necessary Commission bureaus, to initiate a study to determine what constitutes an affordable energy burden for Pennsylvania’s low-income households and, based on this analysis, whether any changes in the Commission’s CAP Policy Statement or other Universal Service and Energy Conservation Program guidelines are necessary to bring these programs into alignment with any affordability recommendations. As part of this study, BCS shall finalize a scope of work within forty-five days of the entry date of this Opinion and Order. Additionally, BCS shall conclude the study within nine months of the entry date of this Opinion and Order and report its findings to the Commission within one year from the entry date of this Opinion and Order. Thereafter, the Commission will publish the final report and provide a comment and reply comment period as necessary. We believe that this study will complement the Commission’s Low Income Usage Reduction Program (LIURP) rulemaking[[6]](#footnote-6) and serve to inform a potential future CAP rulemaking; **THEREFORE,**

 **IT IS ORDERED:**

 1. That the Commission’s Bureau of Consumer Services, in conjunction with other necessary Commission Bureaus, initiate a study regarding home energy burdens in Pennsylvania, resulting in recommendations concerning affordable home energy burdens for low-income Pennsylvanians.

 2. That the Commission’s Bureau of Consumer Services finalize a scope of work within forty-five days of the entry date of this Opinion and Order.

 3. That the Commission’s Bureau of Consumer Services conclude the study within nine months of the entry date of this Opinion and Order and report its findings to the Commission within one year of the entry date of this Opinion and Order.

 4. That the Commission publish the final report and provide for a comment and reply comment period as necessary.

 5. That this Opinion and Order be served on the Bureau of Consumer Services.

 6. That this Opinion and Order be served on the following:  electric distribution companies, natural gas distribution companies and city-owned natural gas utilities with universal service and energy conservation program requirements; the Commission’s Bureau of Investigation and Enforcement; the Office of Consumer Advocate; the Office of Small Business Advocate; the Industrial Energy Consumers of Pennsylvania, Met-Ed Industrial Users Group, Penelec Industrial Customer Alliance, Penn Power Users Group, Philadelphia Area Industrial Users Group, PP&L Industrial Customer Alliance and West Penn Power Industrial Intervenors (collectively, Industrial Customer Groups); the Pennsylvania Utility Law Project; the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania; the Energy Association of Pennsylvania; the Dollar Energy Fund; Community Legal Services; the Community Action Association of Pennsylvania; the Tenant Union Representative Network; the Commission on Economic Opportunity; the Action Alliance of Senior Citizens of Greater Philadelphia; the Pennsylvania Department of Community and Economic Development; and the Pennsylvania Department of Human Services.

                  7.         That this Opinion and Order be published in the *Pennsylvania Bulletin.*

 **BY THE COMMISSION,**



 Rosemary Chiavetta

 Secretary

(SEAL)

ORDER ADOPTED: March 16, 2017

ORDER ENTERED: May 5, 2017

1. Energy burden refers to the percentage of household income that is dedicated to paying utility bills. *Duquesne Light Company Universal Service and Energy Conservation Plan for 2017-2019* (*Duquesne Universal Service Order*), Docket No.

M-2016-2534323 (Order entered March 23, 2017), at 28. [↑](#footnote-ref-1)
2. 52 Pa. Code § 69.265(2)(i)(A-C).    [↑](#footnote-ref-2)
3. Applied Public Policy Research Institute for Study and Evaluation, *LIHEAP Energy Burden Evaluation Study* (2005)*.*  [↑](#footnote-ref-3)
4. New York State Energy Research Development Authority, *Home Energy Affordability in New York: The Affordability Gap (2008 – 2010)* (2011). [↑](#footnote-ref-4)
5. Based on our review of the Commission’s Reports on Universal Service Programs & Collections Performance for the years 2001 through 2015, we found the following: Total gross CAP costs for electric distribution companies have increased by approximately 177% between 2001 and 2015 (inflation adjusted), from $68.25 million to $189 million (expressed in 2001 dollars), and total gross CAP costs for natural gas distribution companies have increased by approximately 270% between 2002 and 2015 (inflation adjusted), from $22.6 million to $83.6 million (expressed in 2002 dollars). Additionally, during the 2001/2002 to 2015 timeframe, the number of estimated low-income electric and natural gas customers has increased by 80% and 104%, respectively. [↑](#footnote-ref-5)
6. The Commission issued a Secretarial Letter on December 16, 2016, at Docket No. L-2016-2557886, seeking stakeholder input on a number of topics regarding the scope of a future rulemaking to update our existing LIURP Regulations at 52 Pa. Code §§ 58.1-58.18. [↑](#footnote-ref-6)