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August 8, 2017

### VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary Pennsylvania Public Utility Commission Commonwealth Keystone Building 400 North Street, 2<sup>nd</sup> Floor Harrisburg, PA 17120

## *Re: Review of Universal Service and Energy Conservation Programs; Docket No. M-2017-2596907*

Dear Secretary Chiavetta:

Pursuant to the Commission's Order entered May 10, 2017 in the above-referenced proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Teresa K. Harrold

Enclosures

c: Louise Fink Smith, finksmith@pa.gov Tiffany Tran, tiftran@pa.gov Joseph Magee, jmagee@pa.gov Sarah Dewey, sdewey@pa.gov RA-PCLAW-LIURP@pa.gov As Per Certificate of Service

### BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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**Review of Universal Service and Energy Conservation Programs** 

Docket No. M-2017-2596907

### COMMENTS OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY

### I. INTRODUCTION AND BACKGROUND

On May 10, 2017, the Pennsylvania Public Utility Commission ("Commission") entered an Opinion and Order ("May 10 Order") initiating a comprehensive review of the universal service and energy conservation programs ("USECPs") of electric distribution companies ("EDCs") and natural gas distribution companies ("NGDCs") throughout the state. USECPs include any assistance programs offered by EDCs and NGDCs to low-income or payment-troubled customers. The timing of this USECP review will correspond with the Commission's review of its low-income usage reduction program ("LIURP") regulations at Docket No. L-2016-2557886,<sup>1</sup> as well as the Commission's investigation regarding energy affordability at Docket No. M-2017-2587711.

As an initial step in this proceeding, the Commission ordered its Law Bureau to prepare a report reflecting the legal and policy framework for USECPs ("Law Bureau Report"). The Law Bureau Report was released to the public on July 14, 2017. As further detailed within the Law Bureau Report, the Commission has previously adopted regulations related to LIURP<sup>2</sup> and

<sup>&</sup>lt;sup>1</sup> 52 Pa. Code §§ 58.1 - 58.18.

<sup>&</sup>lt;sup>2</sup> 52 Pa. Code §§ 58.1-58.18.

USECP<sup>3</sup> reporting requirements. As part of these regulations, the Commission requires utilities' USECPs to be filed with the Commission for approval every three years.<sup>4</sup> In addition, the Commission adopted a customer assistance program ("CAP") policy statement at 52 Pa. Code §§ 69.261-69.267.

The Public Utility Code and related statutes were silent with respect to USECPs until the adoption of the Electricity Generation Customer Choice and Competition Act<sup>5</sup> ("Electric Competition Act") in 1997 and the Natural Gas Choice and Competition Act<sup>6</sup> ("Natural Gas Competition Act") in 1999. The Electric and Gas Competition Acts require utilities to preserve all USECP protections in place at the time each were passed.<sup>7</sup> They further mandate that the Commission oversee utilities' USECPs to ensure they are operated in a cost-effective manner.<sup>8</sup> Finally, both the Electric and Natural Gas Competition Acts state that utilities should receive full cost recovery for their USECP implementation.<sup>9</sup> The USECP provisions within the Electric and Natural Gas Competition Acts remain the only references to USECPs in Pennsylvania statute.

Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (collectively, the "Companies") welcome the opportunity to provide comments regarding USECP policy. The Companies spend a significant amount of time and resources developing, administering, and improving their customer assistance programs and appreciate the opportunity to provide more information regarding their programs and proposed improvements to USECPs.

<sup>&</sup>lt;sup>3</sup> 52 Pa. Code §§ 54.71-54.78.

<sup>&</sup>lt;sup>4</sup> 52 Pa. Code § 54.77; see also 52 Pa. Code § 62.7.

<sup>&</sup>lt;sup>5</sup> 66 Pa.C.S. §§ 2801-2812.

<sup>&</sup>lt;sup>6</sup> 66 Pa.C.S. §§ 2201-2212.

<sup>&</sup>lt;sup>7</sup> 66 Pa.C.S. §§2203(7) and 2802(10).

<sup>&</sup>lt;sup>8</sup> 66 Pa.C.S. §§ 2203(8) and 2804(9).

<sup>&</sup>lt;sup>9</sup> 66 Pa.C.S. § 2203(6) and (8); 66 Pa.C.S. § 2804(8) and (9).

Under the Companies' USECPs, the available programs include the Pennsylvania Customer Assistance Program ("PCAP"), the WARM (or LIURP) program, the CARES program, and the Hardship Fund.<sup>10</sup>

The Commission requested initial comments in this proceeding by August 8, 2017. Per Commission guidance, the comments should relate to "issues of program design, implementation, costs, cost recovery, administration, reporting, and evaluation," as well as "outlin[e] their priorities, concerns, and suggested changes to the Universal Service and Energy Conservation programs."<sup>11</sup> After submission of comments by stakeholders, the Commission will hold stakeholder meetings, tentatively scheduled for September 13 and 14, to obtain in-person feedback regarding the topics raised in comments and any additional priorities, concerns, or suggested changes. Reply comments will be due within thirty days of the stakeholder meetings. The Companies respectfully submit the following initial comments, consistent with the Commission's May 10 Order.

### II. COMMENTS

### A. Cost-Effectiveness of Universal Service and Energy Conservation Programs

For the Companies, the cost-effectiveness of the Companies' customer assistance programs is an important priority in developing and administering the Companies' USECPs. Specifically, the Companies examine whether the savings created for low-income and payment-troubled customers justify the costs imposed on other residential customers for administering the programs.

<sup>&</sup>lt;sup>10</sup> As part of the Commission's LIURP review at Docket No. L-2016-2557886, the Companies submitted comments and reply comments (attached hereto as Exhibits A and B) regarding WARM and the Commission's LIURP regulations. In the Law Bureau Report, the Law Bureau states that the comments filed in that proceeding will be considered by the Commission at this docket. Law Bureau Report, p. 10. Accordingly, the Companies' comments within this proceeding will not address LIURP issues, and instead incorporate their prior comments and reply comments at Docket No. L-2016-2557886, which are attached hereto as Attachments A (initial comments) and B (reply comments).

<sup>&</sup>lt;sup>11</sup> May 10 Order, pp. 4-5.

In fact, the Electric and Natural Gas Competition Acts specifically require that EDCs and NGDCs run their USECPs in a cost-effective manner, as all costs associated with the implementation of USECPs are recoverable from other customers.<sup>12</sup> Accordingly, as part of this proceeding, it is important that the Commission consider cost-effectiveness in its evaluation of any proposed changes to USECP procedures.

As a for instance, the Companies' current PCAP parameters offer an appropriate balance between meeting the goal of assisting low-income customers in paying their bills while avoiding unreasonable rate increases to other residential customers due to PCAP costs.<sup>13</sup> This is achieved through a number of program design elements. One such parameter is that at the time of initial PCAP enrollment, customers receive a one-time balance deferral. During each month of PCAP enrollment, customers may be eligible for a credit to reduce their bill, as well as an arrearage forgiveness credit against that deferred balance, as applicable. After three years of PCAP enrollment customers' deferred balances will be fully forgiven through the monthly credits. However, this benefit is premised upon the PCAP customer making full and timely payments.

Meanwhile, non-electric heating customers with energy burdens greater than three percent of their total gross household income and electric heating customers with energy burdens greater than nine percent of their total gross household income are eligible for PCAP credits.<sup>14</sup> These energy burden levels are at the lower end of the ranges described within the CAP policy statement at 52 Pa. Code § 69.265, which results in more generous PCAP benefits for enrolled customers than if the energy burden levels were set higher. All PCAP participants are also required to

<sup>&</sup>lt;sup>12</sup> 66 Pa.C.S. § 2203(6) and (8); 66 Pa.C.S. § 2804(8) and (9).

<sup>&</sup>lt;sup>13</sup> PCAP is a fixed credit program offered to customers with household incomes at or below 150% of the federal poverty guidelines.

<sup>&</sup>lt;sup>14</sup> Under the Companies' USECPs, customers with lower energy burdens may still be eligible for balance forgiveness even if they are not eligible for monthly bill credits.

participate in the Companies' WARM programs in order to maximize their potential energy savings and thereby reduce costs to the programs, and thus other customers.

The costs associated with the Companies' PCAPs remain reasonable because PCAP customers must maintain current bill payments while enrolled. If a customer is removed from PCAP, the customer must pay off any balanced accrued while enrolled, as well as any accrued PCAP removal before they are permitted to reenroll. Pursuant to the Companies' USECPs, the Companies do not defer a customer's balance a second or third time, as these subsequent deferrals would significantly increase USECP costs charged to other residential customers. Offering PCAP customers a single balance deferral is an example of the type of measure employed by the Companies to ensure the cost-effectiveness of their assistance programs.

As part of this proceeding, the Companies are open to exploring potential improvements to USECPs that would benefit low-income and other payment-troubled customers, provided the current cost recovery mechanisms remain in place. However, each proposed change to USECPs must be evaluated carefully to ensure the benefits of the proposed change to low-income and payment-troubled customers are not created in exchange for unreasonable cost increases to be experienced by other residential customers. The Companies look forward to reviewing proposed USECP improvements in this proceeding and examining the potential impact of these changes on low-income, payment-troubled, and all other residential customers.

### B. Tailoring of Universal Service and Energy Conservation Programs

Tailoring of utilities' USECPs within utility-specific proceedings should remain an important aspect of USECP regulation. EDCs and NGDCs are required to establish their USECP procedures through triennial filings during which the Commission has an opportunity to evaluate whether the utilities' proposals are reasonable based on their respective customer populations,

demographics, housing stock, income amounts, household sizes, etc., which can vary greatly from one utility's territory to another.<sup>15</sup> This triennial review process permits the Companies to tailor their USECPs to the particular needs of each service territory. The Commission should continue to ensure this important tailoring of USECP programs is not lost when considering any potential modifications of the USECP regulations and policy statements.

The importance of tailoring USECP parameters based on utilities' individual service territory characteristics is evident by looking at the Companies' USECP procedures as an example. The number of eligible participants, which is impacted by, among other things, service location area, housing stock, local employment opportunities, and household income and size, varies significantly among the four Companies, even before bringing their peer EDCs into the discussion. In addition, the Companies each have unique tariff and rate structures, as well as various organizational differences that impact the implementation of their respective USECPs. A comparison of the budgets and participation rates associated with the programs included in each of the Companies' USECPs provides a clear example of why a one-size-fits-all approach to USECP requirements is inappropriate.

Significant differences also exist between the Companies' collective service territories and certain service territories of other EDCs and NGDCs throughout the state. For example, low-income customers are more likely to live in single family houses or small apartment buildings in the Companies' service territories, which may contribute to energy efficiency issues and higher electricity bills, as opposed to larger apartment complexes found in more urban settings served by other utilities. In addition, the heating sources available throughout the state for different housing stocks vary greatly. Even the interplay between a specific type of housing stock and a specific

<sup>&</sup>lt;sup>15</sup> 52 Pa. Code §§ 54.77 and 62.7.

type of heating source could impact a customer's energy burden. Accordingly, the USECP parameters developed by the Companies may not be reasonable for other EDCs and NGDCs with different service territory and customer base characteristics.

For this reason, the majority of USECP procedures should continue to be developed within individual EDC and NGDC proceedings as opposed to within a rulemaking or related Commission proceeding that would result in uniform requirements for utilities throughout the state. As part of utility-specific proceedings, EDCs and NGDCs are able to work with the Commission and stakeholders to develop the most cost-effective customer assistance programs based on the unique characteristics of each utility service territory. To the extent the Commission considers revisions to its current regulations or policy statements during this proceeding, the Commission should first evaluate whether the proposed revisions would be better addressed within utilities' individual USECP proceedings.

### C. Triennial Filing Procedure and Length

The Companies echo the concerns outlined within section C of the comments of the Energy Association of Pennsylvania filed at this docket regarding the timing and review of utilities' USECPs. Pursuant to 52 Pa Code § 54.74(a)(6), the Commission is charged with acting on an EDC's USECP filing within ninety days. No other guidance exists in the Commission's regulations or policy statements related to the approval timeline for USECPs. As part of this proceeding, the Companies seek the establishment of clear USECP filing, review, and approval timelines to ensure that changes to USECPs are implemented in a timely manner.

In addition, the Companies request that the Commission consider modification of its regulations to extend the length of utilities' USECPs from three to six years. The Commission's

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Order approving the Companies' most recent USECPs was issued on May 19, 2015.<sup>16</sup> The Order required the Companies to adopt certain changes to its original proposals, and the Companies were provided until October 2016 to make the last of those changes.<sup>17</sup> Later this year, the Companies are scheduled to file their next proposed USECPs. As a result, the Companies' current USECPs, as approved by the Commission during their last triennial proceedings, will have been in place for only a little over a year before the Companies will be filing new plans. Extending the length of USECPs from three to six years would allow more time for both the Companies and customers to become accustomed to current USECP provisions and to evaluate the merits of current plan features.

The Companies specifically recommend a USECP length of six years to correspond with the timeframe of utilities' USECP evaluations. The Commission's regulations require EDCs to hire a third party to evaluate their USECPs and prepare a report for submission to the Commission every six years.<sup>18</sup> The Commission could modify utilities' USECP filing schedules to require utilities to file their next USECPs within six months of the submission date for the USECP reports. This approach would permit utilities to better leverage that valuable feedback by incorporating recommendations from the third-party evaluator within their proposed USECPs.

### D. Increased Coordination Among Utilities

The Companies regularly evaluate potential improvements to their USECPs to ensure that low-income and payment-troubled customers are offered cost-effective programs and are aware of all the potential assistance benefits available to them. As part of this comprehensive USECP

<sup>&</sup>lt;sup>16</sup> Universal Service and Energy Conservation Plans for 2015-2018 for West Penn Power Company, Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company; Docket Nos. M-2014-2407728, M-2014-2407729, M-2014-2407730, M-2014-2407731 (Order entered May 19, 2015) ("May 19, 2015 Order").

<sup>&</sup>lt;sup>17</sup> May 19, 2015 Order, p. 72.

<sup>&</sup>lt;sup>18</sup> 52 Pa. Code § 54.76(a) and (b).

review, the Companies would like to explore potential improvements to USECP procedures that allow for better coordination of assistance program information among utilities.

The Companies are interested in working with other EDCs and NGDCs to share income eligibility information regarding their customers. Where a customer has already provided proof of income to another EDC, NGDC, or the Department of Human Services ("DHS"), the Companies would like to obtain this income information directly from these other entities, subject to relevant privacy restrictions. Within this proceeding, it is recommended that the Commission explore whether a data exchange program or data sharing system among utilities and DHS could be established while ensuring customer privacy remains intact.

The advantage of a data sharing system is that customers would not be required to provide the same income information to their different utilities and DHS. Instead, once the income information is provided to one entity, the data could be loaded into a data sharing system accessible to other authorized utilities and DHS. A possible drawback of this system is the potential privacy issues implicated by storing a customer's financial information in a third party database. One way to address this concern would be for utilities to modify their income verification process to obtain explicit permission from the customer to release his or her income information to other utilities and DHS. This proceeding presents an opportunity to discuss the merits of an income data sharing system, as well as potential solutions to any privacy concerns.

### **III. CONCLUSION**

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company appreciate the opportunity to provide comments and look forward to participating in future stages of this proceeding.

Respectfully submitted,

Dated: August 8, 2017

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January 30, 2017

### VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary Pennsylvania Public Utility Commission Commonwealth Keystone Building 400 North Street, 2<sup>nd</sup> Floor Harrisburg, PA 17120

### Re: Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1 – 58.18; Docket No. L-2016-2557886

Dear Secretary Chiavetta:

Pursuant to the Commission's Secretarial Letter dated December 16, 2016 in the abovereferenced proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Teresa K. Schmittberger

dlm Enclosures

c: As Per Certificate of Service Louise Fink Smith, Assistant Counsel, Law Bureau Sarah Dewey, Bureau of Consumer Services

### BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Initiative to Review and Revise the Existing : Low-Income Usage Reduction Program : (LIURP) Regulations at 52 Pa. Code §§ 58.1 : - 58.18 :

Docket No. L-2016-2557886

### COMMENTS OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY

### I. INTRODUCTION

On December 16, 2016, the Pennsylvania Public Utility Commission ("PUC" or "Commission") issued a Secretarial Letter to gather information from stakeholders on the scope of an upcoming rulemaking regarding the Low Income Usage Reduction Program ("LIURP"). The objective of this rulemaking is to revise the Commission's LIURP regulations to reflect current LIURP practices and changes in energy efficiency technologies since the regulations were first promulgated. In order to assess the areas of focus in the rulemaking, the PUC requests input on 14 questions related to several LIURP practices.

LIURP is designed to provide low income customers with usage reduction and weatherization measures that conserve energy, reduce demand, and decrease customers' utility bills. Both electric distribution companies ("EDCs") and natural gas distribution companies ("NGDCs") are charged with administering LIURP for their respective customer bases. EDCs and NGDCs work with other agencies and contractors to implement LIURP and install measures that offer the highest energy and cost savings. EDCs and NGDCs also are required to provide energy education to low income customers regarding energy conservation and installed measures to

facilitate greater energy savings among customers. The costs of utilities' LIURP programs are recovered from all residential customers.

The Commission required EDCs and NGDCs to adopt LIURP programs in 1988. The Commission's LIURP regulations were first adopted in 1993, and subsequently amended in 1998 in order to implement certain aspects of the Electricity Generation Customer Choice and Competition Act ("Competition Act").<sup>1</sup> Section 2802(10) of Competition Act requires the Commission to "at a minimum, continue the protections, policies and services that now assist customers who are low-income to afford electric service."<sup>2</sup> The Competition Act further ensures that "universal service and energy conservation policies, activities and services are appropriately funded and available in each electric distribution territory."<sup>3</sup> LIURP programs are included within EDCs' and NGDCs' universal service and energy conservation plans ("universal service plans"), which are filed at the Commission for approval every three years.<sup>4</sup> For EDCs, the LIURP budget is approved within these plans.

The Universal Service and Energy Conservation Plans ("Universal Service Plans" or "Plans") of Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (collectively, the "Companies") were most recently approved on May 19, 2015.<sup>5</sup> The Companies' LIURP program, WARM, was approved as a component of these Plans. In their implementation of WARM, the Companies strive to achieve the goals of the Competition Act and

<sup>&</sup>lt;sup>1</sup> 66 Pa.C.S. §§ 2801, *et seq.* The Natural Gas Choice and Competition Act, 66 Pa.C.S. §§ 2201, *et seq.*, also imposed universal service requirements on NGDCs.

<sup>&</sup>lt;sup>2</sup> 66 Pa.C.S. § 2802(10).

<sup>&</sup>lt;sup>3</sup> Id. § 2804(9).

<sup>&</sup>lt;sup>4</sup> 52 Pa. Code § 54.74. All EDCs serving at least 60,000 residential customers are required to submit universal service and energy conservation plans to the Commission for review every three years.

<sup>&</sup>lt;sup>5</sup> West Penn Power, Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company Universal Service and Energy Conservation Plan for 2015-2018, Docket Nos. M-2014-2407728, et seq. (Final Order dated May 19, 2015).

apply the LIURP regulations in a manner that brings cost-effective usage reduction benefits to their low income customers.

The Companies look forward to working with the Commission as it begins the process of revising its LIURP regulations. In addition to providing Comments, the Companies intend to be active participants in any working group that is established to address LIURP-related issues. In its Secretarial Letter, the Commission seeks feedback on 14 questions to evaluate the scope of the future LIURP rulemaking. The Companies' responses to these questions form the Companies' Comments below.

### II. COMMENTS

## 1. Are the existing regulations meeting the charge in 52 Pa. Code § 58.1? If not, what changes should be made?

52 Pa. Code § 58.1 outlines the purpose of the Commission's LIURP regulations:

This chapter requires covered utilities to establish fair, effective and efficient energy usage reduction programs for their low income customers. The programs are intended to assist low income customers conserve energy and reduce residential energy bills. The reduction in energy bills should decrease the incidence and risk of customer payment delinquencies and the attendant utility costs associated with uncollectible accounts expense, collection costs and arrearage carrying costs. The programs are also intended to reduce the residential demand for electricity and gas and the peak demand for electricity so as to reduce costs related to the purchase of fuel or of power and concomitantly reduce demand which could lead to the need to construct new generating capacity. The programs should also result in improved health, safety and comfort levels for program recipients.

The primary goal of the Commission's LIURP regulations is summed up in the first sentence of 52 Pa. Code § 58.1: "This chapter requires covered utilities to establish fair, effective and efficient energy usage reduction programs for their low income customers." As long as utilities' LIURP programs are fair, effective, and efficient, these programs assist low income customers in conserving energy, reducing bills, reducing peak demand, and improving health, safety, and

comfort. In turn, by reducing low income customers' bills, customers' arrearages decrease and utilities' uncollectible expenses are reduced.

The current LIURP regulations achieve the purpose identified in 52 Pa. Code § 58.1 by establishing a good framework to allow utilities to develop fair, effective, and efficient energy usage reduction programs for low income customers. Since the Companies' LIURP programs were first adopted, LIURP measures have been installed at over 120,837 homes in the Companies' service territories. The Companies expect to achieve significant future savings under the current LIURP regulatory scheme.

The success of the Companies' WARM program is largely attributable to flexibility within the Commission's regulations to design their WARM program within their Universal Service Plan proceedings. Rather than prescribing uniform requirements that would apply to all utilities in the Commonwealth, the Commission's regulations leave room for EDCs and NGDCs to adopt usage reduction measures and budgeting parameters that work best for their individual customer bases. The customer base of the Companies, which is located in more rural areas with fewer options for alternative heating sources, is significantly different than the customer base of an NGDC or EDC located in an urban area. The demographics, housing stock, heating sources, and weather conditions may vary drastically among EDC and NDGC service territories. Accordingly, central components of utilities' LIURP programs, including the specific LIURP measures, payback periods, and budgeting parameters, should continue to be derived within utilities' universal service plans.

As currently crafted, the Commission's LIURP regulations promote fair, effective, and efficient energy usage reduction programs among EDCs and NGDCs. Although the Companies do not believe a large scale modification of the LIURP regulations is warranted at this time, in

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response to subsequent questions herein, the Companies will recommend certain strategies and propose a few changes aimed at modernizing the LIURP regulations and maximizing future energy efficiency potential for low income customers. Please note that the Companies anticipate developing their positions further upon review of other stakeholders' comments and as part of future stages in this proceeding.

## 2. How should LIURPs be structured to maximize coordination with other weatherization programs such as DCED's WAP and Act 129 programs?

In administering WARM, the Companies often coordinate with other agencies, primarily the Department of Community and Economic Development's Weatherization Assistance Program ("WAP"), to develop an installation plan for each customer that offers the most comprehensive energy reduction benefits. WAP offers similar services to LIURP, including heating upgrades, insulation improvements, and energy education. Customers with an income at or below 200% of the federal poverty income guidelines ("FPIG") are eligible to participate in WAP. The Companies' contractors are encouraged to coordinate LIURP jobs with the WAP program whenever possible; however, inconsistency of eligibility levels between the programs has created coordination challenges. To improve coordination between WAP and WARM, the Companies recommend that the Commission increase the eligibility level for LIURP to 200% of the FPIG for all low income customers.

Under the Commission's regulations, LIURP is available to customers with an income at or below 150% of the FPIG and "special needs" customers.<sup>6</sup> "Special needs" customers are defined as customers who have an arrearage with a utility and an income at or below 200% of the FPIG.<sup>7</sup> Eliminating this "special needs" exception and permitting all customers with an income at

 $<sup>^6</sup>$  Up to 20% of a utility's LIURP budget may be spent on special needs customers. 52 Pa. Code § 58.10(c). 7 *Id.* § 58.2.

or below 200% of the FPIG to participate in LIURP would allow utilities to more seamlessly coordinate with WAP and determine the most cost-effective weatherization upgrades available to customers. Increasing the LIURP eligibility level to 200% of the FPIG also has the added advantage of expanding the LIURP benefits to a greater customer base.

The Companies also coordinate their WARM program with their own Energy Efficiency and Conservation ("EE&C") programs.<sup>8</sup> Act 129 requires EDCs to offer energy efficiency and conservation measures to customers with an income at or below 150% of the FPIG.<sup>9</sup> EDCs are in the best position to evaluate their internal procedures and determine the most efficient methodologies for coordinating between their EE&C and LIURP programs. The Companies developed their EE&C programs to coordinate with WARM wherever possible. Both the Companies' EE&C and WARM programs are subject to regular review and approval by the Commission. Modification of the LIURP regulations to prescribe uniform coordination procedures between Act 129 and LIURP programs is unnecessary.

## 3. How can utilities ensure that they are reaching demographics of the eligible populations in their service territories?

Pursuant to the Companies' Universal Service Plans, significant LIURP outreach already occurs. The Companies conduct extensive marketing efforts, including TV and website advertisements, mass mailings, and bill inserts. WARM applications are automatically generated when a customer begins enrollment for the Companies' Pennsylvania Customer Assistance Program ("PCAP"). All WARM letters and applications are provided in both Spanish and English. Where feasible, the Companies market their WARM program with their Act 129 programs. The Companies also partner with community organizations to identify a comprehensive list of

<sup>&</sup>lt;sup>8</sup> Act 129 of 2008 requires EDCs with at least 100,000 customers to adopt energy efficiency and demand reduction programs. 66 Pa.C.S. § 2806.1.

<sup>&</sup>lt;sup>9</sup> See id.

potentially eligible customers. These outreach efforts have been effective in reaching all demographics of eligible customers in the Companies' service territories.

## 4. What design would better assist/encourage all low-income customers to conserve energy to reduce their residential energy bills and decrease the incidence and risk of payment delinquencies?

The Companies' WARM program uses two approaches to promote energy conservation and reduce customer arrearages: (a) installation of energy efficiency measures, and (b) energy education. Installation of LIURP measures alone may not achieve long-term efficiency benefits and bill reductions without simultaneous education of customers regarding their effective use of the measures and their energy behavior. Energy education begins when the Companies' auditor first visits the customer's residence to conduct a LIURP audit. The auditor works with the customer to determine his or her usage behavior and educate the customer regarding initial savings strategies as well as the impact of the customer's usage behavior on his or her energy costs. The customer and auditor both sign partnership and energy savings agreements. After measures are installed at the residence, the customer is taught how to operate the new appliances or technologies and savings strategies are discussed. In addition, the Companies' bills and payment options are further explained to the customer. After five months, the Companies evaluate whether the customer's usage has decreased. If necessary, remedial education is provided to the customer to reinforce savings strategies and more conservative usage behavior. A LIURP program design that focuses on both the installation of cost-effective LIURP measures and strong energy education promotes future energy savings and reduced arrearages among low income customers.

## 5. How can the utilities use their LIURPs to better address costs associated with uncollectible accounts expense, collection costs, and arrearage carrying costs?

The Companies incorporate by reference their response to Question 4.

6. How can LIURPs best provide for increased health, safety, and comfort levels for participants?

During LIURP audits, the Companies' auditors frequently encounter health and safety issues that, without repair or remediation, prevent the installation of WARM measures. In light of these health and safety barriers, the Companies devote up to 50% of the seasonal allowance budget to make health and safety repairs that allow for installation of energy saving measures. Including health and safety measures as part of the LIURP installation process increases the number of potential LIURP participants who would otherwise be excluded from receiving those measures. The Companies appreciate the flexibility to include health and safety spending within their WARM budgets, which maximizes LIURP participation.

Although it is the Companies' position that a percentage of utilities' LIURP budgets may be allocated to health and safety measures, the Companies caution against formal revision of the LIURP regulations to require installation of such measures by utilities. Other agencies and nonprofit organizations with an expertise in health and safety measures are better suited to perform these repairs. The LIURP regulations promote coordination between utilities and other organizations during the installation of LIURP measures.<sup>10</sup> The Companies recommend that that Commission encourage utilities to develop partnerships with other agencies that specialize in health and safety measures to work in conjunction with utilities during the LIURP installation process.

## 7. How can LIURPs maximize participation and avoid disqualifications of households due to factors such housing stock conditions?

It is not the Companies' practice to disqualify eligible LIURP participants based on housing stock conditions. Where safety issues exist that cannot be remediated by the Companies, customers still qualify for baseload measures, including lighting, refrigerator testing and possible replacement, smart power strips, and water heating measures. As discussed in the Companies'

<sup>&</sup>lt;sup>10</sup> See 52 Pa. Code § 58.7.

previous response, the Companies allocate up to 50% of the seasonal allowance budget to address health and safety issues. Many homes have attainable solutions that may be addressed by the customer or through remediation of health and safety issues by the contractor. The WARM policy and procedures manual provided to the Companies' auditors includes a list of barriers to installation and offers tips for how to overcome such barriers. Contractors are encouraged to install as many applicable measures as possible. Where significant remediation or renovation is required, the Companies attempt to coordinate with other agencies to perform this work.

## 8. What is the appropriate percentage of federal poverty income level to determine eligibility for LIURP?

The Companies incorporate by reference their response to Question 2.

## 9. With the additional energy burdens associated with warm weather, what if any changes are necessary to place a greater emphasis on cooling needs?

The Commission's LIURP regulations provide flexibility to include cooling measures within utilities' LIURP programs. The Companies' WARM program already features a significant number of cooling measures, such as window film, reflective roof coating, and air conditioning timers. In addition, certain heating measures, such as duct sealing insulation and air sealing, allow for usage reductions during cooling periods as well. As long as efficiency thresholds are exceeded, the Companies also replace central, wall, and window air conditioning units. Energy education is provided for each of these measures in the same manner as it is for heating measures. In light of the significant focus on cooling already within the Companies' WARM program, modification of the LIURP regulations to emphasize cooling is unnecessary.

## 10. What are options to better serve renters, encourage landlord participation, and reach residents of multifamily housing?

The installation of LIURP measures at multifamily housing is sometimes challenging as landlord approval is necessary before any measures may be installed. In fact, despite utilities' best

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efforts, including landlord education and streamlined administrative processes, certain multifamily housing units may remain without LIURP measures due to landlord opposition. To encourage landlord participation in WARM, the Companies provide education to landlords regarding WARM and program measures in an effort to facilitate landlord and tenant participation in the program. Landlords also are permitted to assist in choosing the measures at the building, e.g., baseload or full weatherization measures, and may be present for LIURP audits. One component of the WARM program that the Companies believe encourages participation at multifamily housing is the Companies' "one form" policy. Landlords are able to sign a single form to approve WARM installation throughout an entire apartment building. Although multifamily housing presents additional installation challenges in light of the landlord-tenant dynamic, the foregoing efforts by the Companies have been successful in promoting WARM participation at multifamily housing.

# 11. Should the requirements regarding a needs assessment in developing LIURP budgets, as outlined at 52 Pa. Code § 58.4(c), be updated to provide a calculation methodology uniform across all utilities? If so, provide possible methodologies.

Currently, utilities' needs assessments are evaluated within individual universal service plan proceedings. As a result, utilities' calculation methodologies are tailored based on varying demographics, housing stock, previously-approved budgets, and individual customer bases. The Companies are interested in exploring possible improvements to their calculation methodology, as long as the improvements are developed in recognition of the different conditions among utilities' service territories. Accordingly, the Companies recommend that the Commission establish a working group including utilities and other stakeholders to evaluate any changes to or standardization of the calculation methodology under 52 Pa. Code § 58.4(c).

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## 12. Should the interplay between CAPs and LIURPs be addressed within the context of LIURP regulations? If so, how?

The Companies do not support modification to the LIURP regulations to address utilities' customer assistance programs ("CAPs"). Although both programs relate to low income customers, each of the programs perform different functions. The Companies' WARM program focuses on the installation of usage reduction measures and energy education, while the Companies' PCAP program provides bill credits and arrearage forgiveness benefits.

The Commission's LIURP regulations already require utilities to operate their LIURP programs in conjunction with other private and public programs, including CAPs, to ensure low income customers are made aware of other strategies for reducing their energy costs.<sup>11</sup> The Companies require all PCAP customers to obtain a WARM audit in an effort to encourage low income customers to further reduce their electric bills. As part of the Companies' marketing efforts, low income customers receive materials related to both PCAP and WARM. The Companies appreciate the flexibility within current regulations to address PCAP and WARM coordination within their Universal Service Plans.

13. Are there specific "best practices" that would better serve the LIURP objectives which should be standardized across all the utilities? If so, what are they? For example, is there a more optimal and cost effective method(s) of procuring energy efficiency services so as to maximize energy savings at lower unit costs?

The Commission's current regulations provide a good framework for LIURP best practices: a successful LIURP program should include the installation of cost-effective usage reduction measures and strong energy education. The appropriate measures, budget level, outreach efforts, and agency coordination are dependent on the demographics, location, housing stock, and

<sup>&</sup>lt;sup>11</sup> See 52 Pa. Code § 58.7(b).

weather conditions of the particular utility. Best practices with respect to these utility-specific issues should be determined in utilities' individual universal service plan proceedings.

## 14. The Commission also welcomes stakeholder input on other LIURP issues or topics.

The Companies recommend that the Commission establish a working group regarding three additional items. First, the Companies would like to explore the appropriate length of payback periods under 52 Pa. Code § 58.11, and evaluate the effectiveness and application of payback periods. Under the Commission's regulations, a typical payback period for a LIURP measure is up to seven years, and in some cases, up to 12 years.<sup>12</sup> As part of a working group, the Commission and other stakeholders may explore whether such payback periods continue to be appropriate in light of widespread LIURP measure deployment and developments in usage reduction technology since the Commission's LIURP regulations were adopted.

Second, the Companies would like to address potential modification of the definition for "residential space heating customer" in 52 Pa. Code § 58.2. The current definition for "residential space heating customer" applies to customers who use space heaters as a primary heat source, but not customers who use space heaters as a supplemental heat source in only a portion of their residence.<sup>13</sup> A working group could evaluate whether revisions to this definition are appropriate based on current heating behaviors among customers.

Finally, the Companies seek to develop revised procedures for "inter-utility coordination" under 52 Pa. Code § 58.14(c), to better reflect current coordination procedures between EDCs and NGDCs. Coordination procedures between EDCs and NDGCs have significantly evolved since

<sup>&</sup>lt;sup>12</sup> 52 Pa. Code § 58.11.

<sup>&</sup>lt;sup>13</sup> 52 Pa. Code § 58.2.

the Commission's regulations were first promulgated. A working group would provide a vehicle to explore reasonable coordination procedures based on current LIURP program conditions.

### **III. CONCLUSION**

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company respectfully request that the Pennsylvania Public Utility Commission consider and accept, as appropriate, the foregoing Comments.

Respectfully submitted,

Dated: January 30, 2017

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### BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Initiative to Review and Revise the Existing	:	
Low-Income Usage Reduction Program	:	Docket No. L-2016-2557886
(LIURP) Regulations at 52 Pa. Code §§	:	
58.1 - 58.18	:	

#### **CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code  $\S$  1.54 (relating to service by a participant).

Service by first class mail, as follows:

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Dated: January 30, 2017

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March 1, 2017

### VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary Pennsylvania Public Utility Commission Commonwealth Keystone Building 400 North Street, 2<sup>nd</sup> Floor Harrisburg, PA 17120

### Re: Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1 – 58.18; Docket No. L-2016-2557886

Dear Secretary Chiavetta:

Pursuant to the Commission's Secretarial Letter dated December 16, 2016 in the abovereferenced proceeding, enclosed herewith for filing are the Reply Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Teresa K. Schmittberger

dlm Enclosures

c: As Per Certificate of Service Louise Fink Smith, Assistant Counsel, Law Bureau Sarah Dewey, Bureau of Consumer Services

### BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

Initiative to Review and Revise the Existing : Low-Income Usage Reduction Program : (LIURP) Regulations at 52 Pa. Code §§ 58.1 : - 58.18 :

Docket No. L-2016-2557886

### REPLY COMMENTS OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY

### I. INTRODUCTION

On January 30, 2017, Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (each of which may be referred to as "Company" or in combination as "Companies") submitted Comments at the above-referenced docket in response to the Secretarial Letter dated December 16, 2016 of the Pennsylvania Public Utility Commission ("PUC" or "Commission"). In the Secretarial Letter, the PUC requested comments from stakeholders on 14 questions related to the Low Income Usage Reduction Program ("LIURP") in an effort to determine the scope of an upcoming LIURP rulemaking. In addition to the Companies, comments were submitted by the Pennsylvania Energy Efficiency for All Coalition ("PA-EEFA"); the Office of Consumer Advocate ("OCA"); the Pennsylvania Weatherization Providers Taskforce; the Commission on Economic Opportunity ("CEO"); National Fuel Gas Distribution Company ("NFGDC"); PPL Electric Utilities ("PPL"); Duquesne Light Company ("Duquesne"); PECO Energy Company ("PECO"); Philadelphia Gas Works ("PGW"); and the Energy Association of

Pennsylvania ("EAP"). The following Reply Comments are submitted on behalf of the Companies to address certain issues raised in other parties' comments.

### II. REPLY COMMENTS

Before responding to the particular issues raised by other parties, the Companies have one overarching response to other parties' comments. In the Commission's disposition of stakeholder comments, the Companies recommend that the Commission draw a distinction between issues that are properly within the scope of a LIURP rulemaking and issues that constitute LIURP policy or best practices. Stakeholders raised many issues in comments that represent proposed LIURP best practices or policy, which may warrant additional consideration by utilities as part of their universal service plan ("USP") proceedings; however, these issues are not proper subject matter for a Commission rulemaking. The Companies' Comments, which the Companies incorporate herein by reference, addressed a number of these issues already. The proper forum for these issues is within utilities' individual USP proceedings where the location, demographics, housing stock, weather conditions, fuel types, and other assistance programs of a utility may be fully evaluated. Due to these differences among utilities, standardization of certain LIURP practices would fail to promote fair, effective, and efficient LIURP programs for all utilities. Accordingly, the Companies' Reply Comments will respond to the substantive issues raised by other parties, but also specifically comment where an issue is improperly raised within this rulemaking.<sup>1</sup>

### A. WAP Coordination

The Commission's regulations require utilities to operate their LIURP programs in conjunction with other private and public programs and coordinate with third party organizations

<sup>&</sup>lt;sup>1</sup> To the extent the Companies have not addressed an issue in Comments or Reply Comments, the Companies take no position on that issue at this time. The Companies reserve their right to modify their position on all issues throughout future developments in this proceeding.

to implement LIURP wherever possible.<sup>2</sup> Consistent with this directive, the Companies regularly coordinate with a number of different organizations, including the Department of Community and Economic Development's ("DCED") Weatherization Assistance Program ("WAP") and community-based organizations ("CBOs") that administer WAP. In their comments, a number of stakeholders, including PA-EEFA, the OCA, the Pennsylvania Weatherization Providers Taskforce, and CEO, suggest that the Commission should modify its regulations to require utilities to coordinate specifically with WAP and CBOs administering WAP.<sup>3</sup> The Companies are not opposed to voluntary coordination between LIURP and WAP where it is determined in a utility's USP proceeding that WAP coordination advances the interests of a utility is low income customers. In some cases, however, coordination with WAP does not result in efficient LIURP implementation. As a result, WAP coordination procedures should be evaluated within utilities' USP proceedings rather than formally adopted within the Commission's regulations.

As part of WARM, the Companies already coordinate with WAP. Approximately half of the Companies' WARM contractors are CBOs that also administer WAP. WAP and the Companies regularly communicate with each other regarding possible coordinated jobs. Under the Companies' current USPs, where WAP coordination occurs, certain WARM eligibility requirements are waived to ensure the customer will be able to receive the benefits of both WARM and WAP.

For a number of reasons, however, the Companies cannot coordinate with WAP on every WARM job. As a program administered by DCED that is subject to federal requirements, WAP has different program rules and goals from WARM and many WARM jobs are ineligible for WAP

<sup>&</sup>lt;sup>2</sup> See 52 Pa. Code § 58.7(b).

<sup>&</sup>lt;sup>3</sup> PA-EEFA Comments, pp. 8-9; OCA Comments, pp. 14-15; Pennsylvania Weatherization Providers Taskforce Comments, p. 2; CEO Comments, p. 2.

coordination. The Companies must engage both CBOs administering WAP and private contractors to ensure they can achieve their WARM goals where disqualification occurs or where inconsistent eligibility or prioritization practices are present.<sup>4</sup> Coordination is further limited because WAP completes fewer jobs annually than WARM, and limitations on WAP resources and budget create challenges for timely WARM project completion. Finally, coordination is sometimes impossible because WAP agencies may be prohibited from traveling outside of their respective territories to conduct jobs.

The Commission's regulations, which already encourage coordination with private and public agencies, should not be modified to require coordination with WAP or any other specific third-party organization.<sup>5</sup> Although WAP coordination may offer certain benefits, WAP coordination also presents a number of drawbacks that preclude mandatory coordination by utilities. The effectiveness of WAP coordination must be evaluated on a utility-by-utility basis. To the extent the Commission determines that coordination with WAP should be encouraged for a particular utility, the Commission may address coordination procedures within the utility's USP proceeding.

### B. Needs Assessment

PA-EEFA and the OCA propose several modifications to the needs assessment methodology established in 52 Pa. Code § 58.4(c), some of which present significant concerns to the Companies. Of particular concern is the suggestion of PA-EEFA and the OCA that the needs assessment formula include a projected timeline identifying when all LIURP-eligible customers

<sup>&</sup>lt;sup>4</sup> CEO specifically comments that WAP contractors are preferable because they are subject to increased certification requirements. CEO Comments, p. 5. All WARM contractors are already subject to national BPI certification standards and receive regular training regarding these standards.

<sup>&</sup>lt;sup>5</sup> Any modification of the Commission's regulations specifically targeting WAP or another third party agency may encounter jurisdictional challenges. The Public Utility Commission has no jurisdiction over WAP or third party agencies, and should not promulgate regulations requiring utilities to work with them.

would receive LIURP services.<sup>6</sup> The LIURP budget should not be structured to assume installation of weatherization services for all income-eligible customers. LIURP is one of many programs available to low income customers to assist in reducing their energy costs and the needs assessment should reflect this. Moreover, utilities have no reasonable basis for projecting the timeline of a single job, let alone the timeline associated with all feasible LIURP jobs for all eligible LIURP customers. The timeline of a LIURP job is determined after visiting each residence and evaluating the particular cost-effective measures available to the customer.

Despite reservations regarding the needs assessment proposals of OCA and PA-EEFA, the Companies continue to be interested in participating in a working group including all stakeholders to explore methods for revising the needs assessment formula. Any needs assessment formula that is ultimately established must recognize that LIURP is only one of many customer assistance programs. In addition, the needs assessment formula should include factors that are readily accessible to utilities, which may be tailored to reflect utility-specific differences throughout the Commonwealth.

### C. Multifamily Issues

While increased LIURP participation at multifamily housing may be encouraged as a proposed policy or best practice, the Commission's LIURP regulations should not be modified to further address multifamily issues. Multifamily housing stock differs, sometimes significantly, in each electric distribution company ("EDC") and natural gas distribution company ("NGDC") service territory. A one-size-fits-all approach to multifamily LIURP participation would fail to recognize these differences and lead to an inefficient allocation of LIURP resources. In addition, the Commission should avoid revising its LIURP regulations to create competition with EDCs'

<sup>&</sup>lt;sup>6</sup> PA-EEFA Comments, p. 27; OCA Comments, pp. 32-33.

Act 129 programs, which better address multifamily housing needs and already include targets for low income customers residing in multifamily housing.

PA-EEFA and the OCA recommend that the Commission increase the focus on multifamily buildings within their regulations, and specifically call for multifamily targets and budgets.<sup>7</sup> This proposal fails to acknowledge that multifamily housing needs for each utility vary significantly based on different housing stock. In the Companies' service territories, multifamily buildings often comprise only a small segment of the housing market. For utilities serving more urban areas, multifamily buildings are more prevalent and likely include dozens of apartment units. The ratio of low income tenants to low income homeowners in the Companies' service territories also differs from other EDCs and NGDCs, leading to possible measure portfolio differences as well. Contrasting demographics, ownership preferences, and housing stock within utility service territories cannot be recognized within the Commission's regulations, which by their nature would create a standard set of multifamily requirements for all utilities.

Moreover, for EDCs, Act 129 provides a better vehicle than LIURP for multifamily housing. A customer is prioritized under LIURP based on his or her level of electric usage. At multifamily housing, customers generally maintain lower usage and are less likely to meet the usage threshold for LIURP participation. By contrast, utilities' Act 129 plans do not include any mandatory usage requirements, allowing for increased Act 129 participation at multifamily housing. Act 129 plans also include specific targets for low income customers at multifamily housing. If the LIURP regulations were modified to prescribe multifamily targets as well, utilities' Act 129 and LIURP programs would be competing with each other for customers. To avoid this difficult position for EDCs, Act 129 should be recognized as the primary means for obtaining

<sup>&</sup>lt;sup>7</sup> PA-EEFA Comments, p. 24; OCA Comments, pp. 12-14.

energy efficiency services at multifamily housing, and LIURP should supplement Act 129 programs as appropriate. Accordingly, an increased focus on multifamily issues within the LIURP regulations is inappropriate.

### D. Health and Safety

A one-size-fits-all approach also must be avoided with respect to health and safety repairs. In its comments, CEO argues that \$1,500 per LIURP project should be devoted to health and safety measures for both homeowners and tenants.<sup>8</sup> The budget for each LIURP project fluctuates based on the scope of necessary LIURP measures, which is impacted by prior annual electric use, housing stock, age of home, fuel source, etc. These factors will change for each utility, causing the budget for health and safety repairs to vary. The need and scope for a health and safety budget should be considered within utilities' USP proceedings and not as part of a Commission rulemaking.

### E. Integrated LIURP Delivery Among EDCs and NGDCs

Throughout its comments, PA-EEFA advocates for an overhaul of LIURP, in which EDCs and NGDCs would deliver an integrated LIURP program featuring common eligibility criteria, fuel neutral measures and savings, and program evaluation.<sup>9</sup> This recommendation presents significant implementation challenges, and would inappropriately result in cross-subsidization between EDC and NGDC customer bases. In addition, EDC and NGDC coordination is already widespread and does not require significant modification. Accordingly, this PA-EEFA recommendation must be rejected.

Under the current LIURP regulatory scheme, the Companies regularly coordinate with NGDCs during WARM implementation. The Companies and NGDCs jointly developed coordination procedures, which include policies and instructions for handling the application

<sup>&</sup>lt;sup>8</sup> CEO Comments, p. 3.

<sup>&</sup>lt;sup>9</sup> PA-EEFA Comments, pp. 9-10, 24-25, p. 30.

process for coordinated jobs, contractor assignment, health and safety measure installation, and cost allocation. Where a job is coordinated with an NGDC, inconsistent eligibility guidelines are waived by the Companies. As part of these procedures, EDCs and NGDCs are not responsible for installing fuel neutral measures or tracking fuel neutral savings; however, one contractor for both the EDC and NGDC is charged with installing the separate measures for electric savings and gas savings. These coordination procedures work well to ensure that a customer served by both an EDC and NGDC obtains LIURP savings to reduce both the customer's electric and natural gas costs.

The Companies are opposed to modification of the Commission's regulations to require EDCs and NGDCs to participate in a revised LIURP program with common fuel neutral standards, measures, and evaluation. EDCs do not have an expertise in measures that promote gas savings and have no ability to track the savings after measures are installed. NGDCs have the same limitation with respect to electric savings. Under this proposal, utilities would be charged with running a LIURP program for which they have limited expertise and no ability to track, creating significant implementation challenges for utilities.

Moreover, residential customers of EDCs should not be required to fund LIURP programs creating natural gas savings that benefit NGDC customers. One of the objectives of LIURP outlined within 52 Pa. Code § 58.1 is to "decrease the incidence and risk of customer payment delinquencies and the attendant utility costs associated with uncollectible accounts expense." Where the LIURP program is successful and low income customers' electric costs decrease, customers' arrearages should correspondingly decrease resulting in lower uncollectible costs. Residential customers are shouldered with the costs of the LIURP program because they form the class that will benefit from a reduced uncollectible expense. If LIURP is modified to focus on fuel neutral savings, residential customers would arguably be paying for a benefit that is given to

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customers of another utility. Such cross-subsidization among the customers of different utilities must be avoided.

The Companies already successfully engage in coordination efforts with NGDCs. PA-EEFA's recommendation for an overhaul of coordination procedures in favor of a joint fuel neutral approach should be rejected for its implementation challenges and potential for cross-subsidization between utility customer bases. As indicated in Comments, the Companies are open to exploring revisions to the "inter-utility coordination" section within 52 Pa. Code § 58.14(c) to better reflect current coordination procedures; however, the Companies would oppose modification of the regulations consistent with PA-EEFA's proposal.

### **III. CONCLUSION**

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company respectfully request that the Pennsylvania Public Utility Commission consider and accept, as appropriate, the foregoing Reply Comments.

Respectfully submitted,

Dated: March 1, 2017

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### BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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### **<u>CERTIFICATE</u> OF SERVICE**

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below.

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Dated: March 1, 2017

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### BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

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Review of Universal Service and Energy	
<b>Conservation Programs</b>	

Docket No. M-2017-2596907

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