**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

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|  | Public Meeting held January 17, 2019 |
| Commissioners Present:  Gladys M. Brown, Chairman  David W. Sweet, Vice Chairman, Statement  Norman J. Kennard  Andrew G. Place, Statement  John F. Coleman, Jr. | |

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| Energy Affordability for Low-Income Customers | M-2017-2587711 |

**ORDER**

**BY THE COMMISSION:**

With this Order, the Public Utility Commission (Commission) hereby releases and publishes a staff report prepared by the Commission’s Bureau of Consumer Services (BCS) and Law Bureau in compliance with the Commission Order entered on May 5, 2017, at this docket. The staff report is titled “*Home Energy Affordability for Low-Income Customers in Pennsylvania*” (Report). The May 5, 2017 Order directed staff to initiate a study[[1]](#footnote-2) 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 Customer Assistance Program (CAP) Policy Statement or other Universal Service and Energy Conservation Program guidelines are necessary to bring these programs into alignment with any affordability recommendations.”[[2]](#footnote-3) The staff observations in the Report are summarized herein.

This Order also schedules a stakeholder meeting for February 6, 2019, and calls for supplemental information and data from the utilities. The utilities’ supplemental information and data are to be filed and served thirty (30) days from the entry date of this Order. Comments are due twenty (20) days after the utilities’ supplemental information filing deadline and reply comments are due fifteen (15) days thereafter.

The Commission will evaluate the Report, supplemental information provided by the NGDCs and EDCs, and comments to the Report in conjunction with its ongoing broader review of the effectiveness of residential universal service programs and policies at *Review of Universal Service and Energy Conservation Programs*, Docket No. M‑2017‑2596907 (Order entered on May 10, 2017) (May 10, 2017 US Order) and *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 (Secretarial Letter issued on December 16, 2016) (LIURP December 2016 Secretarial Letter). The Commission will thereafter determine the appropriate means for implementation of any universal service changes predicated in whole or in part on the study or the Report regardless of whether any changes are adopted at this or other dockets.

**BACKGROUND**

**Energy Assistance Programs Overseen by the Commission**

At the state level, the Commission and various stakeholders began to formally address low-income policies, practices, and services at least as early as 1984. *See Recommendations for Dealing with Payment Troubled Customers*, Docket No. M‑840403. In 1992, the Commission adopted its CAP Policy Statement at 52 Pa. Code §§ 69.261-69.267 that established guidelines for major electric distribution companies (EDCs) and natural gas distribution companies (NGDCs) to voluntarily implement pilot CAPs. The purposes of CAPs are to help make utility services more affordable for “low-income, payment-troubled” individuals as well as reduce the costs of a utility’s uncollectible balances. *See also Uncollectible Balances*, Docket No. I‑900002, 1990 WL 505799 (Pa. P.U.C.)

The CAP Policy Statement guidelines were established as a factor that, in conjunction with other universal service benefits, would encourage broad CAP participation, thereby benefiting a larger percentage of low-income households in Pennsylvania without overly burdening the non-CAP customers or the energy utilities. The CAP Policy Statement, which was subsequently amended, in part, in 1999, provides guidelines on the design and operation of CAPs, including establishing guidance on maximum energy burden ranges that low-income customers could be expected to pay in exchange for continued utility services.

The 1992 CAP Policy Statement recommended that a CAP customer’s total electric or combined gas and electric energy burden should not exceed 15% for the highest low-income federal poverty income guidelines (FPIG) group. That maximum was increased to 17% in 1999. Both the 1992 and 1999 energy burden guideline percentages are generally higher than the average energy burden of all Pennsylvanians. Table 1 below indicates the energy burden ranges in Section 69.625 of the CAP Policy Statement for the FPIG groups and the nature of energy usage in the household.

**Table 1: CAP Policy Statement Maximum Energy Burden Ranges**[[3]](#footnote-4)

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

In 1997 and 1999, respectively, the Electricity Generation Customer Choice and Competition Act (Electric Competition Act), 66 Pa. C.S. §§ 2801-2812, and the Natural Gas Choice and Competition Act (Gas Competition Act), 66 Pa. C.S. §§ 2201-2212, were adopted. (Collectively, Competition Acts.) The primary purpose of the Competition Acts was to introduce competition into the retail electric and natural gas generation markets by establishing standards and procedures for the restructuring of the electric and natural gas utility industries. The Competition Acts require the Commission to continue, at a minimum, the universal service and energy affordability policies, practices, and services affecting low-income households that were in existence as of the effective dates of the Competition Acts. 66 Pa. C.S. §§ 2203(7) and 2802(10).

The Competition Acts define “universal service and energy conservation” as the policies, practices, and services that help low-income customers maintain utility service. Although the universal service provisions of the Competition Acts tie the affordability of electric and natural gas service to a customer’s ability to maintain utility service, the Competition Acts do not specifically define the term “affordable” as it relates to the provision of retail electric and natural gas services to customers.[[4]](#footnote-5)

As a result of the Competition Acts, EDCs serving more than 60,000 residential accounts and NGDCs serving more than 100,000 residential accounts are required to develop and submit universal service and energy conservation plans (USECPs) to the Commission. The components of a USECP are a CAP, a low-income and usage reduction program (LIURP), a Customer Assistance Referral and Evaluation Program (CARES), and a Hardship Fund. These universal service programs are subject to the administrative oversight of the Commission, which must ensure that the utilities administer their 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); 52 Pa. Code §§ 54.71-54.78 and 62.1-62.8. In the exercise of its authority, the Commission balances the interests of customers who benefit from the programs with the interests of the other residential customers who pay for the programs. *See* *Final Investigatory Order on CAPs: Funding Levels and Cost Recovery Mechanisms*, Docket No. M-00051923 (Dec. 18, 2006), (*Final CAP Investigatory Order*), at 6-7.

**Energy Assistance Overseen by the Pennsylvania Department of Human Services/LIHEAP**

In addition to resources and assistance at the state level, federal assistance is also available to help low-income households pay their home energy[[5]](#footnote-6) bills. The Low‑Income Home Energy Assistance Program (LIHEAP) is a federally-funded block grant program, administered by the federal Department of Health and Human Services (HHS), designed to provide home energy assistance to low-income households. In Pennsylvania, LIHEAP is overseen by the Commonwealth’s Department of Human Services (DHS).[[6]](#footnote-7) LIHEAP is traditionally available in Pennsylvania to income-eligible households from November through March. LIHEAP grants are available to help pay for jurisdictional energy costs as well as deliverable energy costs. The customer elects the energy source to which the household’s LIHEAP grant(s) will be applied.

LIHEAP offers two types of grants, Cash and Crisis. LIHEAP grants are available to income-eligible customers who are responsible for paying for their primary home heating costs directly to the energy vendor or indirectly through rent. 55 Pa. Code § 601.31(1-2) (1988).[[7]](#footnote-8) The amount of a LIHEAP Cash grant is based on a household’s gross income, number of occupants, county of residence, and source of heat (*i.e.*, electric, gas, oil, etc.). 55 Pa. Code § 601.41 (1988). A LIHEAP Crisis grant additionally requires that the eligible household be experiencing a home-heating emergency (*i.e.*, currently without heat or in imminent danger of being without heat). 55 Pa. Code § 601.32(1‑2) (1988).

**Other Energy Assistance Programs Not Covered by the Report**

NGDCs and EDCs also provide other types of low-income assistance, such as weatherization, referrals, and hardship funds through their USECPs. This assistance is not factored into the calculation of a household’s energy burden. DHS and the Pennsylvania Department of Community and Economic Development (DCED) also provide weatherization services using LIHEAP funds.

**The Study**

The purpose of the energy burden and affordability study at this docket was 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.” Given recent findings that indicate households in Pennsylvania that fall below 50% of the FPIG are billed an average of 30% of their income for home energy costs,[[8]](#footnote-9) the call to study the affordability of jurisdictional residential electric and natural gas services for low-income Pennsylvanians and the costs of resources to assist these customers was and remains clearly warranted.

Our October 16, 2017 Secretarial Letter requested specific data and information from the eight major NGDCs and seven major EDCs for the years 2012 through 2016 regarding, *inter alia*, energy burdens, CAPs, and residential customer payment patterns.[[9]](#footnote-10)

The data submitted by the NGDCs and the EDCs, in conjunction with U.S. census data and data provided pursuant to universal service and collections reporting (USR) requirements,[[10]](#footnote-11) were analyzed and used by staff to develop the staff observations elaborated in the Report and summarized below.

**THE REPORT**

Concerning the validity of the data submitted by the utilities, staff observed multiple inconsistencies and voids as well as marked variability among the utilities in how they interpreted, tracked, and reported information. As a result, staff noted that future evaluations of the residential energy burdens for low-income Pennsylvanians could be enhanced if data definitions are clarified and new protocols are established that require consistent data tracking and reporting among the utilities.

The significant staff observations in the Report include the following:

* **Energy Burdens for Gas and Electric Service:** Despite receiving assistance, including discounted or reduced payments, CAP customers have a higher energy burden in comparison to non-CAP residential customers. While non-CAP residential customers had an average combined energy burden of 4% for gas and electric services during the 2012-2016 study time period, the average energy burdens were 7% to 8% for NGDC CAP heating customers, 5% to 6% for EDC non-heating CAP customers, and 8% to 10% for EDC CAP heating customers. The study also revealed that CAP households in the 0‑50% FPIG level, regardless of heating or non-heating status and energy type, often had energy burdens exceeding the CAP Policy Statement guidelines.[[11]](#footnote-12)
* **Impact of LIHEAP Grants on Energy Burdens:** LIHEAP grants had a measurable impact on energy burdens for CAP customers across all FPIG levels and energy types during the study period. CAP customers with incomes at or below 50% of the FPIG experienced energy burden decreases of approximately 5 to 6 percentage points for gas heating, approximately 6 to 8 percentage points for electric non-heating, and approximately 7 to 9 percentage points for electric heating. CAP customers with incomes between 51% and 100% of the FPIG experienced energy burden decreases of approximately 2 to 3 percentage points for gas heating and approximately 3 percentage points for electric non-heating and heating. CAP customers with incomes between 101% and 150% of the FPIG experienced energy burden decreases of approximately 1 to 2 percentage points for gas heating, electric non-heating, and electric heating. Even with these decreases, however, the average energy burden for some CAP households in the 0% to 50% FPIG and 51% to 100% FPIG exceeded the maximum energy burden guidelines in the CAP Policy Statement.
* **Pre-Program Arrearages (PPAs) and In-Program Arrears:** Average PPAs and average in-program arrears for most NGDCs in 2012 to 2016 showed decreasing arrearage trends, perhaps due to lower natural gas costs, warmer winter seasons, and declining CAP enrollments. A majority of EDC CAP customers with in-program arrears carried an average balance of less than $200. Utilities that required low-income customers to be “payment troubled” (*e.g.*, had a payment arrangement in the past 12 months) to qualify for CAPs had higher average PPA balances than CAPs that did not have this restriction.
* **Percentage of CAP Bills Paid In-Full:** Payment behavior of CAP customers did not appear to have been strongly or definitively correlated to household income. From 2012 through 2016, EDCs reported that fewer CAP heating customers at the 101 to 150% FPIG level paid their bills in comparison to the percentage of bills paid by customers at the 51 to 100% FPIG level. This pattern may indicate that other factors beyond income had an impact on whether CAP utility bills were regularly paid in full.
* **CAP Default Exit and Termination Rates:** The study data revealed that the utilities did not define, track, or report CAP default exit and termination rates uniformly. While there were inconsistencies in the data tracking and reporting among the utilities and data voids within the utilities for all the study elements, the inconsistencies and voids in default exit and termination rates were so extensive that staff could not make reliable comparisons for these data points or develop definitive observations based on CAP defaults or terminations at this time.
* **Non-CAP Residential and Confirmed Low-Income (CLI) Customer Debt:** CLI customers are income-eligible for CAP but not enrolled in CAP; they are a subset of non-CAP residential customers. The number of NGDC and EDC CLI customers in debt to the utility but not on payment agreements declined from 2012 to 2016. This may indicate that utilities were having greater success in either enrolling low-income customers into CAPs or establishing payment agreements.[[12]](#footnote-13)
* **Review of Other State Programs and Relevant Studies:** Pennsylvania’s maximum energy burdens in the CAP Policy Statement (5-17%, depending on the energy status, fuel source, and FPIG) were generally higher than maximum energy burdens in neighboring states. Ohio’s utility payment assistance program has a maximum energy burden of 10%.[[13]](#footnote-14) New Jersey’s utility payment assistance program has a maximum energy burden of 6% for total electric and for combined gas and electric.[[14]](#footnote-15) The maximum energy burden for New York’s payment assistance program is 6% for gas and electric service.[[15]](#footnote-16)

Staff noted that none of the literature reviewed in preparation of the Report revealed a generally accepted definition of “energy affordability.” Staff did not identify a predominant best practice or consistent energy burden among the other states.

* **CAP Costs and Forecasts:**Based on 2012 through 2016 average CAP bills and income levels, the total amount of additional discounts (*i.e.*, increased CAP credits) that would have been needed to establish maximum energy burdens of 6% for gas heating, 4% for electric non-heating, and 10% for electric heating would have been approximately $102 million annually on average, not accounting for inflation or several other factors or differences among the utilities. This amount breaks down to approximately $32 million for gas heating, $62 million for electric non-heating, and $9 million for electric heating. This additional CAP cost would have resulted in an average annual increase of $15 to non-CAP residential ratepayers’ gas and electric bills. These calculations do not factor in the cost of any CAP modifications or any potential savings from decreased CAP credits for CAP customers with current energy burdens less than 10%.

**REQUEST for SUPPLEMENTAL INFORMATION and DATA**

For purposes of going forward, we shall focus initially on determining whether the home energy affordability guidelines contained in the CAP Policy Statement are making home energy services more affordable or whether changes are warranted. Accordingly, we are directing the utilities to provide supplemental information and data[[16]](#footnote-17) as discussed below.

* **Energy Burdens**

As described above, Pennsylvania’s maximum energy burden guidelines have been and continue to be generally higher than in neighboring states. Ohio specifies a maximum energy burden of 10%. New Jersey and New York specify a maximum energy burden of 6%. Since Ohio is the most similar in demographics and energy use to Pennsylvania, staff estimated the potential impact of establishing a 10% maximum energy burden for Pennsylvania CAPs, using the 2012 to 2016 data. The Report indicates that a per‑year increase could be in the range of $102 million for such a change.

We recognize that this estimate is 4 percentage point higher than New York’s and New Jersey’s energy burdens. Further, it does not factor in all the impacts associated with an energy burden change (*e.g.*, costs of implementing a system change). The estimate also does not consider the effect of CAP credit limits, potential reductions in CAP credits resulting from increased payments from those CAP customers who currently have less than a 10% energy burden, or reductions in uncollectible costs associated with this change. Further, the estimate considers only the costs associated with a percentage of income payment. It does not consider whether rate discount CAPs or CAPs that offer various payment plans would cost more or less than a 10% maximum energy burden.

If the utilities have different estimates of the impact of a 10% energy burden[[17]](#footnote-18) for 2012 to 2016 based on the data they provided in response to the October 16, 2017 Secretarial Letter, or on corrected or updated data, they should include an explanation of the differences in their comments.

Accordingly, the NGDCs and EDCs are directed to review the 10% energy burden projections in the Report. If the utilities have corrected or updated data for 2012 to 2016, the revised data should be filed and served as part of its supplemental information within 30 days from the entry of this Order.

Further, in order to determine all potential costs of aligning Pennsylvania maximum energy burdens with, for example, Ohio, we are directing each NGDC and EDC to provide a cost analysis based on a 10% maximum energy burden for 2017 through 2021. These forecasts and projections should also be filed and served as part of its comments within 30 days from the entry of this Order.

These projections and analyses should include costs associated with system changes, CAP credits, arrearages, and any other incurred costs that would contribute to such a change. All cost calculations should be delineated so that it is clear to staff the precise program costs at all three FPIG levels that the utility estimates it might incur if a change to a maximum 10% energy burden (and the costs of a change to a percent of income plan if the utility is not already using a percent of income plan) were to be promulgated and subsequently implemented. For the projections, the 10% maximum energy burden is to be distributed as indicated in Table 2 below:

**Table 2: Energy Burdens for 10% Projections**

|  |  |
| --- | --- |
| **Utility Service** | **Energy Burden** |
| Non-Heat Electric | 4% |
| Gas Heat | 6% |
| Electric Heat | 10% |

NGDCs and EDCs should also identify potential cost decreases from a change to the maximum energy burdens identified above. This includes potential decreases to CAP credits for customers who already pay less than these energy burdens. The utilities are also to identify potential changes to uncollectible balances.

For consistency and comparison purposes, cost estimates should be based on a percent-of-income-payment CAP model. Companies may also compare whether rate discount or other CAP payment options may be more cost-effective to achieve the maximum 10% energy burdens.

Accordingly, the utilities shall:

* Provide cost forecasts based on a 10% maximum energy burden for 2017 through 2021. Include costs associated with system changes, CAP credits (overall increases and decreases), PPAs and in-program arrearages, and any other incurred costs that would contribute to such a change. Identify and take into account the cost savings from customers who would pay more under a 10% percent of income CAP. Indicate potential impact to uncollectible balances and collection costs. Cost estimates should be based on a percent of income CAP payment model and, if appropriate, a comparison of whether rate discount or other CAP payment options may be more cost-effective to achieve the maximum 10% energy burdens.[[18]](#footnote-19)
* Provide cost forecasts and estimates of the impact to customer assistance programs if the utility is currently using payment options other than a percent of income plan and would be required to change to a percent of income payment. Include projections for the years 2017 through 2021 which will be separate projections from the projections required above.

**“Payment Troubled” Criteria and Other Limits on CAP Eligibility and Enrollment:**

The CAP Policy Statement at Section 69.265(4)(iii), initially adopted in 1992, and the Customer Choice regulations at Sections 54.72 (1998) and 62.2 (2000) describe eligibility for CAP enrollment as two-fold: “low-income” and “payment-troubled.” “Payment-troubled” is defined as having missed one or more payment arrangements. Ostensibly, CAP eligibility was originally limited in 1992 to “low-income, payment-troubled” customers to ensure that the programs would serve those customers most in need, and CAPs were initially designed to enroll limited numbers of customers at that time and for years thereafter. Over the years, however, we have approved, upon utility request, a number of NGDC and EDC CAPs that eliminated or modified the requirement of a missed payment arrangement as a pre-condition for enrollment.

Staff notes in the Report that utilities that restricted CAP enrollment to payment-troubled customers had higher average PPA balances than the utilities whose CAPs were not so restricted. Report at 51. Further, customers who enroll in payment assistance programs with higher PPA balances have been found to be less successful than customers who enroll before amassing high PPA balances.[[19]](#footnote-20) This underscores our concern that low-income customers may develop poor payment habits before they meet the definition of “payment-troubled” and are finally permitted to enroll in a CAP.

Eliminating the “payment-troubled” requirement for CAP enrollment would require amending or waiving portions of the CAP Policy Statement. Prior to considering such changes, we deem it appropriate to consider the potential impacts.

Accordingly, those utilities that currently require low-income customers to be payment-troubled to qualify for its CAPs shall provide known data and estimates of the impact to their programs (*e.g.*, CAP enrollments and costs) if this restriction is eliminated. This information shall be for 2017 through 2021 and will be separate enrollment cost data and forecasts from the 10% projections directed above. These impact projections should be filed and served as part of each utility’s supplemental information (*i.e.*, within 30 days from the entry of this Order).

**Zero-Income Considerations:**

We noted a degree of inconsistency among the utilities in how they tracked and reported information regarding CAP households that claimed zero income. In some cases, we could not tell if zero-income households were included in the responses to the October 16, 2017 Secretarial Letter.

As households reporting zero income can measurably impact the average energy burden levels for the 0-50% FPIG level, it is important to quantify them separately.

Accordingly, the utilities are directed to provide monthly customer tallies for all customers who claimed zero income for 2016 and 2017, broken out by heating type (heating or non-heating), if possible. The zero-income information should be filed and served as part of each utility’s supplemental information (*i.e.*, within 30 days from the entry of this Order).

Zero-income information should also be provided in a separate spreadsheet as part of the utilities’ 2018 USR submissions, due by April 2019.

**STAKEHOLDER MEETING and USR WORKING GROUP**

* **Stakeholder Meeting**

Staff will convene a stakeholder meeting on February 6, 2019, at the Commission office in Harrisburg, Pennsylvania, to allow discussion among the stakeholders and staff prior to the due date for comments.

* **Working Group to Standardize USR Protocols for Data Definitions, Tracking, and Reporting**:

Integrity and consistency of data is critical for an accurate and thorough assessment of CAPs. Throughout the study, staff identified inconsistencies and limitations in the reported data that impacted the analysis, for several reasons:

* + Incomplete data in the utilities’ replies to the October 16, 2017 Secretarial Letter.
  + Data have been inconsistently tracked and reported by the utilities, and thus results cannot be compared among the utilities.
  + CAPs vary considerably from utility to utility.
  + CAPs have changed over the time frame of the study, and thus year-to-year comparisons for a given utility are skewed.
  + Other policies and procedures vary from utility to utility and have changed over time for individual utilities.
  + Mergers and acquisitions have resulted in customer base changes.
  + Much of the reported data is in the form of an arithmetic mean, and thus the impact of energy burdens on individuals is masked.
  + Additional factors may have influenced the results and should be measured and analyzed before recommendations are proposed.

We recognize the need to standardize data gathering and reporting among the NGDCs and EDCs, to establish standard definitions for terms, to track and report data consistently (*e.g.*, income verification/confirmed low income). The Report also emphasizes a need for utilities to track and report additional data elements to enhance the Commission’s evaluation of CAPs.[[20]](#footnote-21) To evaluate and compare the various CAP models in Pennsylvania, it is essential that utilities provide consistent data that can be compared across income levels and heating types, and among utilities.

Accordingly, we are directing BCS, with the assistance of the Law Bureau, to establish a USR Working Group to recommend, *inter alia*, standardized and clarified USR data definitions and to propose how the data should be tracked and reported. The USR Working Group shall also recommend definitions for additional data elements, such as “CAP terminations” and “defaults” that should be included in future annual reporting. The first meeting of this USR Working Group shall be held no later than July 31, 2019, and the USR Working Group will conclude its work no later than December 31, 2019. Participation in this USR Working Group at this docket is open to interested stakeholders. Staff shall submit a consensus/non-consensus report and recommendation to the Commission by January 30, 2020.

**CONCLUSION**

This Order sets forth the results of our energy burden study as detailed in the Staff Report and calls for comments from stakeholders on points addressed in this Order and in the Report.

The NGDCs and EDCs covered in the Report are directed to address the following points in their comments and provide supplemental information and data, consistent with the discussion and directions herein. The utilities need to provide the methodologies for their forecasts and projections.

1. Review the 10% energy burden projections in the Report. If the utilities have corrected or updated data for 2012 to 2016, the revised data should be provided as supplemental information.
2. Provide cost forecasts based on a 10% maximum energy burden for 2017 through 2021. Include costs associated with system changes, CAP credits (overall increases and decreases), PPAs and in-program arrearages, and any other incurred costs that would contribute to such a change. Identify and take into account the cost savings from customers who would pay more under a 10% percent of income CAP. Indicate potential impact to uncollectible balances and collection costs. Cost estimates should be based on a percent of income CAP payment model. Companies may also compare whether rate discount or other CAP payment options may be more cost-effective to achieve the maximum 10% energy burdens.
3. If applicable, provide known data and estimates of the impact on CAP enrollments and costs for the years 2017 through 2021 if the requirement that low-income customers must be payment-troubled to enroll in CAPs is eliminated. These will be separate enrollment and cost forecasts, in addition to the 10% projections for the years 2017 through 2021 requested above.
4. Provide monthly customer tallies for all CAP customers claiming zero income in 2016 and 2017, broken out by heating type, if possible. This information should also be provided as part of each utility’s 2018 Universal Service Reporting in a separate spreadsheet.

Staff will convene a stakeholder meeting on February 6, 2019, at the Commission office in Harrisburg, Pennsylvania, to allow discussion among the stakeholders and staff prior to the due date for comments.

NGDC and EDC supplemental information must be filed and served on or before thirty (30) days after the entry of this Order. Comments are due twenty (20) days after the utilities’ supplemental information filing deadline and reply comments are due fifteen (15) days thereafter.

Staff will convene a USR Working Group by July 31, 2019, and submit, for our review, a consensus/non-consensus document by January 31, 2020. NGDCs and the EDCs shall participate in the USR working group. Other stakeholders may participate.

We note that the staff observations are subject to revision, addition, or deletion, prior to any potential finalization. We will determine the appropriate means for implementation of any changes predicated in whole or in part on the study or the Report regardless of whether any such changes are adopted at this or other dockets.

**IT IS ORDERED:**

1. That the Commission hereby releases the staff Report “*Home Energy Affordability for Low-Income Customers in Pennsylvania*.”
2. That the Law Bureau shall deposit notice of this Order and the Report with the Legislative Reference Bureau to be published in the *Pennsylvania Bulletin*.
3. That this Order be served on the following entities:
   1. **Natural Gas Distribution Companies**: Columbia Gas of Pennsylvania, PECO Energy Co., National Fuel Gas Distribution Corp., Peoples Natural Gas Co., Peoples-Equitable Division, Philadelphia Gas Works, and UGI Utilities, Inc.
   2. **Electric Distribution Companies**: Duquesne Light Co., Metropolitan Edison Co., PECO Energy Co., Pennsylvania Electric Co., Pennsylvania Power Co., PPL Electric Utilities Inc., and West Penn Power Co.
   3. **Other Parties of Record**: The Commission’s Bureau of Investigation and Enforcement; Office of Consumer Advocate; Office of Small Business Advocate; 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; West Penn Power Industrial Intervenors; Pennsylvania Utility Law Project; the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania; Energy Association of Pennsylvania; Dollar Energy Fund; Community Legal Services; Community Action Association of Pennsylvania; Tenant Union Representative Network; Commission on Economic Opportunity; Action Alliance of Senior Citizens of Greater Philadelphia; Pennsylvania Department of Community and Economic Development; Utility Emergency Service Fund; Philadelphia Housing Authority; and the Pennsylvania Department of Human Services. Any parties to Docket No. M‑2017‑2596907 not listed above.
4. That a copy of this Order and the Report be placed in *Universal Service*, Docket No. M‑2017‑2596907.
5. That the natural gas distribution companies and the electric distribution companies listed in Ordering Paragraph No. 3 shall file and serve the following supplemental information and data within thirty (30) days of the entry date of this Order:
6. Review the 10% energy burden projections in the Report. If the utilities have corrected or updated data for 2012 to 2016 relative to these projections, the revised data should be provided as part of its supplemental information filing.
7. Provide a cost forecast based on a 10% maximum energy burden for the years 2017 through 2021. Include costs associated with system changes, CAP credits (overall increases and decreases), PPAs and in-program arrearages, and any other incurred costs that would contribute to such a change. Identify and take into account the cost savings from customers who would pay more under a 10% percent of income CAP. Indicate potential impact to uncollectible balances and collection costs. Cost estimates should be based on a percent of income CAP payment model. Companies may also compare whether rate discount or other CAP payment options may be more cost-effective to achieve the maximum 10% energy burdens.
8. Provide estimates of the impact on enrollments and to customer assistance program costs if restrictions other than “low income” are eliminated for the years 2017 through 2021. These will be separate enrollment and cost forecasts from the 10% projections for the years 2017 through 2021 requested above.
9. Provide monthly customer tallies for all CAP customers claiming zero income in 2016 and 2017, broken out by heating type, if possible.
10. That staff in the Bureau of Consumer Services and the Law Bureau shall convene a stakeholder meeting on February 6, 2019, to discuss the Report and clarify any questions regarding the supplement information required pursuant to this Order before the supplemental information and comments are due.
11. That staff in the Bureau of Consumer Services and the Law Bureau shall convene a universal service reporting working group to, *inter alia*, standardize universal service reporting protocols for data definitions, tracking, and reporting, prior to July 31, 2019, conclude its work no later than December 31, 2019, and provide a consensus/non-consensus report to the Commission prior to January 31, 2020.
12. That the natural gas distribution companies and the electric distribution companies listed in Ordering Paragraph No. 3 above shall participate in a universal service reporting working group to, *inter alia*, standardize universal service reporting protocols for data definitions, tracking, and reporting.

9. That the contact person regarding policy and technical issues for this proceeding is Joseph Magee, Bureau of Consumer Services, [jmagee@pa.gov](mailto:jmagee@pa.gov). The contact person regarding legal issues for this proceeding is rulemaking is Assistant Counsel Louise Fink Smith, Law Bureau, [finksmith@pa.gov](mailto:finksmith@pa.gov).

10. That the natural gas distribution companies and the electric distribution companies listed in Ordering Paragraph No. 3 shall file and serve the supplemental information requested herein within thirty (30) days of the entry of this order:

11. That interested parties may submit written comments at this docket, within twenty (20) days after the filing deadline for the utilities’ supplemental information. Reply comments will be due fifteen (15) days thereafter.

12. That supplemental information, comments, and reply comments may be e-filed consistent with the Commission’s e-filing instructions at: <http://www.puc.pa.gov/efiling/default.aspx>. If filling hard copies, an original copy is to be filed with the Pennsylvania Public Utility Commission, Attn: Secretary, P.O. Box 3265, Harrisburg, PA 17105-3265.

13. That electronic copies in Microsoft Word-compatible or Microsoft Excel-compatible format of all filings at this docket shall be provided via email to the contact persons: Joseph Magee and Louise Fink Smith.

14. That this staff Report is a staff work product. It is not binding on the Commission, and it makes no recommendations for changes to the CAP Policy Statement or other universal service policies or regulations. This staff Report is not indicative of how the Commission may decide to act on universal service matters in this or other dockets. The legal, policy, and procedural issues raised in this matter remain under Commission review and may be factored into a subsequent order at this or other dockets.

15. That the natural gas distribution companies and the electric distribution companies listed in Ordering Paragraph No. 3 shall provide monthly customer tallies for all CAP customers claiming zero income, broken out by heating type, if possible, as part of each utility’s 2018 Universal Service Reporting in a separate spreadsheet.

**** **BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: January 17, 2019

ORDER ENTERED: January 17, 2019

1. By Secretarial Letter dated October 16, 2017, at this docket, the following energy utilities were directed to respond to a survey regarding energy burdens, CAPs, and residential customer payment patterns for 2012 through 2016, upon which the study would be based.

   **Natural Gas**: Columbia Gas of Pennsylvania (Columbia), PECO Energy Co. (PECO Gas), National Fuel Gas Distribution Corp. (NFG), Peoples Natural Gas Co. (Peoples), Peoples-Equitable Division (Peoples Equitable), Philadelphia Gas Works (PGW), and UGI Utilities, Inc (UGI Utilities Inc.– Gas [UGI Gas], and UGI Penn Natural Gas [UGI PNG]).

   **Electric**: Duquesne Light Co. (Duquesne), Metropolitan Edison Co. (Met-Ed), PECO Energy Co. (PECO Electric), Pennsylvania Electric Co. (Penelec), Pennsylvania Power Co. (Penn Power), PPL Electric Utilities Inc. (PPL), and West Penn Power Co. (West Penn). [↑](#footnote-ref-2)
2. “Energy burden” refers to the percentage of household income that is dedicated to paying utility bills. *Duquesne Light Company USECP for 2017-2019* (*Duquesne USECP Order*), Docket No. M-2016-2534323 (Order entered March 23, 2017), at 28. [↑](#footnote-ref-3)
3. 52 Pa. Code § 69.265(2)(i)(A-C). [↑](#footnote-ref-4)
4. Section 2202 defines “universal service and energy conservation” as the “[p]olicies, practices and services that help residential low-income retail gas customers and other residential retail gas customers experiencing temporary emergencies, as defined by the [C]ommission, to maintain natural gas supply and distribution services. The term includes retail gas [CAPs], termination of service protections and consumer protection policies and services that help residential low-income customers and other residential customers experiencing temporary emergencies to reduce or manage energy consumption in a cost-effective manner, such as [LIURPs] and consumer education.” Section 2803 defines universal service and energy conservation as the “[p]olicies, protections and services that help low-income customers to maintain electric service. The term includes [CAPs], termination of service protection and policies and services that help low-income customers to reduce or manage energy consumption in a cost-effective manner, such as [LIURPs], application of renewable resources and consumer education.” [↑](#footnote-ref-5)
5. “Home energy” means a source of heating or cooling in residential dwellings. 42 U.S.C. § 8622(6). [↑](#footnote-ref-6)
6. Formerly the Department of Public Welfare. [↑](#footnote-ref-7)
7. The LIHEAP State Plan was codified in 1988 in Chapter 601 of Title 55 of the Pennsylvania Code. DHS changes some aspects of the LIHEAP State Plan yearly. Citations herein to Title 55 of the Pennsylvania Code will only be to sections that have not changed over the time frame of the study. Citations to changed provisions will be to the provisions of the specific yearly state plan effective relative to the reference. [↑](#footnote-ref-8)
8. Fisher, Sheehan, & Colton. *The Home Energy Affordability Gap 2015: Pennsylvania* (Public Finance and General Economics, 2nd Ser. 2016), at 1. [↑](#footnote-ref-9)
9. NGDCs: Columbia, PECO Gas, NFG, Peoples, Peoples Equitable, PGW, UGI Gas, and UGI PNG.

   EDCs: Duquesne, Met-Ed, PECO Electric, Penelec, Penn Power, PPL, and West Penn. [↑](#footnote-ref-10)
10. USR Requirements, 52 Pa. Code §§ 62.1-62.8 (gas) and 54.71-54.78 (electric). [↑](#footnote-ref-11)
11. Our preliminary take-away from the energy burden levels identified in this study is that there may be under-subsidization for some CAP customers and over-subsidization for others. This could indicate CAP payment targets may need to be lowered or raised depending on the FPIG level and the utility. However, the energy burden data examined does not provide a clear picture on this point. Customers with incomes below 50% of the FPIG may have minimal or zero income. These customers may have high energy burdens because they pay the minimum bill, not because they are necessarily under-subsidized. Likewise, CAP customers with energy burden levels below the utility or Commission policy limits may not be receiving subsidized bills at all; they may instead be paying their full (budget) bill each month. This issue should be examined as part of future universal service proceedings. [↑](#footnote-ref-12)
12. However, these assumptions cannot be confirmed from available data. [↑](#footnote-ref-13)
13. <https://www.puco.ohio.gov/be-informed/consumer-topics/energy-assistance-programs-help-with-paying-your-utility-bills/> [↑](#footnote-ref-14)
14. New Jersey requires USF customers to pay 3% for natural gas service, 3% for electric non-heating, and 6% for electric heating. The discount provided to customers is based on the difference between their annual utility bill (after LIHEAP is applied) and required percentage of household income. <https://www.state.nj.us/dca/divisions/dhcr/faq/usf.html#q1> [↑](#footnote-ref-15)
15. *See* New York Public Service Commission’s *Order Adopting Low Income Program Modifications and Directing Utility Filings* at 3, Case 14-M-0565 (effective May 20, 2016). NOTE: New York also limited the budget for each utility’s payment assistance program to 2% of revenues for sales to end-use customers. These costs are recovered from all ratepayer classes. May 20 NY Order at 3-4. [↑](#footnote-ref-16)
16. Utilities should provide all CAP customer data by FPIG level (*i.e.*, 0-50%, 51-100%, and 101‑150% of FPIG) and heating type (*i.e*., non-heating and heating). Additionally, it is essential to track and report zero-income customer data separately. [↑](#footnote-ref-17)
17. NGDCs should use 6% for gas heating, and EDCs should use 4% for electric non-heating and 10% for electric heating. [↑](#footnote-ref-18)
18. In these calculations, the utilities should be mindful of situations when a maximum energy burden would be greater than the seasonally normalized tariff rate or budget billing. [↑](#footnote-ref-19)
19. *Pathways to Success in Low-Income Energy Assistance Payment Programs: The Differential Effects of Customer Characteristics and Program Design on Payment Rates* at 8-9. Megan Campbell, Opinion Dynamics (2013). <http://www.opiniondynamics.com/wp-content/uploads/2013/08/Pathways-to-Success-in-Low-Income-Energy-Assistance-Payment-Programs1.pdf> [↑](#footnote-ref-20)
20. For example, the Report makes clear that there is a need for utilities to consistently identify the number of CAP customers whose utility service was terminated, regardless of whether service was terminated while they were in the CAP or whether they were removed from CAP and then terminated. [↑](#footnote-ref-21)