**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

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|  | Public Meeting held March 26, 2020 |
| Commissioners Present:Gladys Brown Dutrieuille, ChairmanDavid W. Sweet, Vice ChairmanAndrew G. PlaceJohn F. Coleman, Jr., Statement, DissentingRalph V. Yanora, Statement, Dissenting |  |
|  |  |
| Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2017-2022  | Docket No. M-2016-2542415 |
| Petition to Amend Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2017-2022  | Docket No. P-2020-3018867 |

**ORDER**

**BY THE COMMISSION**

On January 6, 2020, Philadelphia Gas Works (PGW) filed a 2020 Addendum and Cover Letter to its 2017-2022 Universal Service and Energy Conservation Plan (2017 USECP).[[1]](#footnote-2) On February 21, 2020, PGW filed a Petition seeking expedited review of the January 6, 2020 filing. On March 2, 2020, the Tenant Union Representative Network (TURN), Action Alliance of Senior Citizens of Greater Philadelphia (Action Alliance) and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) (collectively, Low Income Advocates) filed a Letter in support of expedited review of the January 6, 2020 filing and approval of the proposed changes to PGW’s 2017 USECP. (Low Income Advocates Answer). Also on March 2, 2020, the Office of Consumer Advocate (OCA) filed its Answer opposing expedited review and approval of the January 6, 2020 filing and any changes to PGW’s existing USECP. On March 19, 2020, the Office of Small Business Advocate (OSBA) filed a Notice of Intervention.

**I. HISTORY**

 PGW is a city natural gas distribution operation as that term is used in Section 2212 of the Pennsylvania Public Utility Code (Code), 66 Pa. C.S. § 2212. As a city natural gas distribution operation, Title 66 of the Code, other than Chapters 11 (relating to certificates of public convenience), 19 (relating to securities and obligations) and 21 (relating to relations with affiliated interests), applies to PGW with the same force as if PGW were a public utility as defined in Section 102 of the Code, 66 Pa. C.S. § 102 (relating to definitions). Thus, for the purposes of universal service and energy conservation, PGW is subject to the same requirements, policies, and provisions[[2]](#footnote-3) applicable to a natural gas distribution company (NGDC).[[3]](#footnote-4)

*Existing 2017 USECP (Docket No. M-2016-2542415)*

 PGW filed its first proposed 2017-2020 USECP on April 28, 2016, at Docket No. M‑2016‑2542415 and was ultimately directed to revise its proposed 2017 USECP by order entered on August 3, 2017 (August 2017 Order). The August 2017 Order directed PGW to file an annual report detailing the number of customers served through CARES case management and “quick-fix” referral services on April 1 of each year through 2020. Furthermore, the August 2017 Order directed PGW to file a quarterly progress report to advise the Commission and other stakeholders of PGW’s ongoing Hardship Fund discussions with the Utility Emergency Services Fund (UESF).[[4]](#footnote-5) PGW’s 2017 USECP was subsequently approved by order entered on October 5, 2017, at Docket No. M‑2016‑2542415.

*Universal Service and Energy Conservation Plan Filing Schedule (Docket No. M‑2019‑3012601)*

 By order[[5]](#footnote-6) entered on October 3, 2019, in *Universal Service and Energy Conservation Plan Filing Schedule*, Docket No. M-2019-3012601, the Commission established a new USECP filing schedule and extended the duration of USECPs from three years to at least five years. The October 2019 Order directed NGDCs and electric distribution companies (EDCs) to provide updated enrollment and budget projections for the extended terms of their existing USECPs based on the new filing schedule. PGW’s 2017 USECP was extended through 2022, which required PGW to file and serve enrollment and budget projections for 2021 and 2022.

*Policy Statement on Customer Assistance Programs, 52 Pa. Code* §§ *69.261-69.267 (CAP Policy Statement)*, Docket No. M-2019-3012599

 The CAP Policy Statement was amended effective March 21, 2020, pursuant to an order and annex entered on November 5, 2019, and published in the *Pennsylvania Bulletin* on March 21, 2020 (November 2019 Order and November 2019 Annex). *See* *Final Policy Statement and Order*, Docket No. M‑2019-3012599 (order and annex entered on November 5, 2019). The amendments to the CAP Policy Statement culminated from two proceedings begun in 2017 – *Energy Affordability for Low-Income Customers* at Docket No. M-2017-2587711 and *Review of Universal Service and Energy Conservation Programs* at Docket No. M‑2017‑2596907 – that comprehensively reviewed the policies, practices, procedures, and impacts of universal service programs on low-income customers and other ratepayers. Based on utility data and projections and stakeholder comments in these two proceedings that were begun in 2017 and in other dockets,[[6]](#footnote-7) the Commission approved amendments to the CAP Policy Statement by the November 2019 Order and November 2019 Annex. The November 2019 Annex reflects the 17 specific amendments[[7]](#footnote-8) to the CAP Policy Statement. The amended CAP Policy Statement became effective upon publication of the November 2019 Order and the November 2019 Annex in the *Pennsylvania Bulletin* on March 21, 2020.

 The November 2019 Order, *inter alia*, strongly urged NGDCs and EDCs to incorporate the CAP policy amendments into their USECPs to allow stakeholders to have a basis for meaningful input in *Universal Service Rulemaking*.[[8]](#footnote-9) November 2019 Order at 2.

 The November 2019 Order was subsequently clarified by Order entered on February 6, 2020, pursuant to a Petition for Reconsideration/Clarification filed by the Energy Association of Pennsylvania[[9]](#footnote-10) (EAP), as follows:

We clarify that the following information is required from all utilities:

* Cover Letter to include a list of the amendments in the November 5 Order which are already part of a utility’s CAP/USECP and a list of the amendments in the November [2019] Order which are not proposed for inclusion in a utility’s USECP.
* Addendum to reflect enrollment and budget projections for extended USECP term pursuant to Filing Schedule Order.

 We further clarify that the following information is only required from utilities that voluntarily propose to change their USECPs pursuant to the amendments to the CAP Policy Statement:

* Petition to Amend and Addendum to reflect proposed CAP changes to an existing USECP. This filing shall include enrollment and budget implications.
* Addendum to reflect proposed CAP changes to a pending proposed USECP. This filing shall include enrollment and budget implications.

 The Commission continues to encourage utilities to propose changes to their existing USECPs and/or incorporate such changes in their proposed or future USECPs that will implement some or all of the suggested provisions to the November [2019] Order as quickly as possible, preferably by January 1, 2021, to allow for meaningful input in the upcoming universal service rulemaking. The Commission looks forward to reviewing all proposed changes to USECPs that incorporate the CAP Policy Statement amendments as expeditiously as possible.

*Petition of EAP for Reconsideration/Clarification of the November 5, 2019 Final CAP Policy Statement and Order at Docket No. M-2019-3012599*, Docket No. P‑2020‑3016889 (order entered on February 6, 2020) at 12.[[10]](#footnote-11)

*Cover Letter and 2020 Addendum to PGW’s Existing 2017 USECP and Petition to Expedite Review (Docket Nos. M-2016-2542415 & P-2020-3018867)*

 On January 6, 2020, PGW filed its Cover Letter and 2020 Addendum. The 2020 Addendum reflects the extended duration through 2022 for its 2017 USECP and includes updated enrollment and budget projections for 2021 and 2022. The Cover Letter outlines a proposal to implement a Pilot Program and other CAP[[11]](#footnote-12) changes consistent with the recent CAP Policy Statement amendments. The filing was served on OCA; OSBA; the Clean Air Council of Philadelphia; Community Legal Services, Inc.; the Pennsylvania Utility Law Project; the Philadelphia Industrial and Commercial Gas Users Group (PICGUG); the Commission’s Bureau of Investigation and Enforcement; the Commission’s Bureau of Consumer Services; and the Commission’s Law Bureau.

 Because PGW did not file and serve a proposed 2017-2022 USECP incorporating the changes articulated in the Cover Letter, the January 6. 2020 filing was not initially docketed as a petition to amend the 2017 USECP. The January 6, 2020 filing was, however, subsequently re-docketed as a petition to amend PGW’s 2017 USECP when PGW filed and served its February 21, 2020 Petition to expedite review of the January 6, 2020 filing. Stakeholders were not on notice to answer the January 6, 2020 filing until after that filing was re-docketed as a petition. For ease of reference we shall continue to refer to the components of the January 6, 2020 filing as the Cover Letter and the 2020 Addendum.

 On March 2, 2020, the Low Income Advocates filed a Letter in support of the changes proposed in the PGW’s Cover Letter and in favor of expedited review and approval of the proposed changes. Also, on March 2, 2020, OCA filed a notice to intervene and an answer to the petition for expedited review opposing expedited approval of the proposed changes, even as a pilot program, to PGW’s 2017 USECP.

 On March 19, 2020, OSBA filed and served a Notice of Appearance and a Notice of Intervention/Public Statement. OSBA asserts that since the Commission’s decision in this matter will impact PGW’s small business customers, OSBA intends to participate in the proceeding to protect the interests of PGW’s small business customers. OSBA has not filed a responsive answer to the January 6, 2020 filing or PGW’s Petition.

**II. PETITION FOR EXPEDITED REVIEW**

 We shall address PGW’s request for expedited review prior to addressing the merits of PGW’s proposed changes to its existing 2017 USECP or the enrollment and budget projections for 2021 and 2022. In pressing for expedited review of the changes proposed in the Cover Letter, PGW asserts that it has begun replacing its customer

information system (CIS)[[12]](#footnote-13) and will need to cease enhancements to the new system by September 30, 2020, in order to test the new system. It is expected to take approximately six to seven months to implement the proposed new energy burdens. PGW Petition at 2‑3 & 7.

 PGW asserts that implementation of its proposed Pilot Program relative to the CAP changes articulated in the Cover Letter will enable PGW to analyze how the proposed CAP changes could impact the utility and ratepayers. PGW also asserts that its proposal to implement the Pilot Program will be withdrawn if not approved by March 31, 2020. If withdrawn, the earliest that PGW would address proposals for its CAP would be in conjunction with its next proposed USECP which is due November 21, 2021. PGW Petition at 2-3. PGW opines that the Commission has “definitively determined that the energy burdens proposed in the Pilot Program [which are consistent with the recommended energy burdens in the CAP Policy Statement] are likely the appropriate burdens for low-income, regulated utility customers in the Commonwealth of Pennsylvania from a policy perspective.” PGW Petition at 3.

 PGW asserts that implementing the recommended energy burdens in the CAP Policy Statement would have:

[S]ome real monetary impacts that need to be understood as fully as possible [and that implementing the Pilot Program] will afford the Commission, PGW, and all interested stakeholders with an opportunity to start to test this new policy in a measured way in Philadelphia – a City with a significant percentage of low income customers – and determine whether it is a good fit for PGW ratepayers and PGW’s service territory.

PGW Petition at 4.

 PGW states that it has “coordinated informal discussion with stakeholders at its most recent USECP docket [Docket No. M-2016-2542415] about the proposal and time constraints” and that the Low Income Advocates “support” the Pilot Program request. None of the stakeholders objected to a shortened interval for responding to PGW’s petition to expedite approval of the 2020 Addendum. PGW Petition at 3.

 The Low Income Advocates confirmed their support for expedited review (and expedited approval) of the changes articulated in the Cover Letter by letter filed and served on March 2, 2020.

 OCA filed its Answer to the Petition for Expedited Review on March 3, 2020, asserting that the changes articulated in the Cover Letter should not be approved on an expedited basis. Citing its own petition for reconsideration and clarification of the November 2019 Order and November 2019 Annex relative to the CAP Policy Statement, as well as the EAP petition for reconsideration and clarification, and the Commission’s February 6, 2020 orders on reconsideration at Docket Nos. M-2019-3012599, P‑2020‑3016885, and P-2020-3016889, OCA notes that the Commission has acknowledged that it has not directed mandatory compliance with the CAP Policy Statement amendments, including the new recommended CAP energy burdens. OCA Answer at 2-3. OCA asserts that the anticipated increase of $27.5 million in USECP costs, from $69.6 million in 2020 to $97.1 million in 2021, requires a full and complete analysis of the impact. OCA further asserts that this proposed increase “must also be considered in the context of PGW’s February 28, 2020 filing[[13]](#footnote-14) to increase [its] distribution rates.” OCA Answer at 4.

 Recognizing the magnitude of the proposed changes, PGW makes a compelling argument in favor of having actual experience with the new CAP Policy Statement recommendations prior to making the changes a regular part of its next USECP.[[14]](#footnote-15) OCA’s concerns regarding the impact of the proposed changes are also compelling, but considering the fact that PGW is proposing to make these changes strictly as a Pilot Program, we are persuaded that we should address the merits of the Cover Letter by the end of March 2020.

 Because OCA’s opposition to expedited approval of the proposed changes articulated in the Cover Letter is intrinsically tied to the substance of the proposed changes, we shall address OCA’s points in the context of our discussion of the proposed changes.

**III. PROPOSED CHANGES TO PGW’S 2017 USECP DESCRIBED IN PGW’s COVER LETTER**

The recent changes to the CAP Policy Statement recommend 17 changes to CAPS. Utilities were directed to indicate their current status relative to any of the policy amendments as well as any plans to implement any of the recommended Policy Statement amendments. PGW asserts the following regarding its existing and proposed practices, maintaining that it is proposing these changes voluntarily:

|  |  |
| --- | --- |
| **New CAP Policy Statement Recommendations (summarized)** | **PGW Current Provisions or Plans to Implement, as described in its January 6, 2020 Cover Letter (summarized)** |
| 1.a. Maximum CAP energy burdens –FPIG[[15]](#footnote-16) tier 0%‑50%:4% for NGH, 2% for ENH, 6% for EH.FPIG tiers 51%-100% and 101%-150%: 6% for NGH, 4% for ENH, 10% for EH. [[16]](#footnote-17) | PGW proposes to implement the new recommended energy burdens as a Pilot Program through the term of its existing USECP. Cover Letter at 2. |
| 1.b. Set minimum CAP payment requirements in USECP proceedings; alternatives may be proposed. | PGW will continue its current minimum monthly payment of $25. Cover Letter at 3. |
| 2. Allow CAP households to retain CAP enrollment when they transfer service. | PGW allows customers to retain CAP status when they move within PGW’s service territory. Cover Letter at 3. |
| 3. Accept income documentation of at least the last 30 days or 12 months at application or recertification.  | PGW uses last 30 days to determine gross monthly household income and will continue to use year-to-date gross income for seasonal or fluctuating incomes. Cover Letter at 3-4. |
| 4. Eliminate the provision in the CAP Policy Statement that low-income customers must be “payment‑troubled” to qualify for CAPs.  | PGW has already eliminated the requirement that a customer be “payment troubled.” Cover Letter at 4. |
| 5. Eliminate the provision in the CAP Policy Statement that a customer should direct the LIHEAP[[17]](#footnote-18) grant to the utility sponsoring the CAP (Section 69.265(9)(i)), be penalized for not applying for LIHEAP (Section 69.265(9)(ii) and (iv)), and that a LIHEAP grant should be applied to reduce the amount of CAP credits (Section 69.265(9)(iii)).  | PGW does not penalize customers for not applying for LIHEAP or for assigning a LIHEAP grant to another energy vendor. Cover Letter at 4. |
| 6. Exempt CAP customers from late payment charges. | PGW exempts CAP customers from late payment charges. Cover Letter at 4. |
| 7. Provide (a) PPA forgiveness for each on-time and in-full monthly CAP payment regardless of in-CAP arrears and (b) retroactive PPA forgiveness for any month(s) missed once the household pays its in-CAP/in-program balance/debt in full. | PGW provides PPA forgiveness as recommended. Cover Letter at 4.PGW proposes to eliminate the $5 PPA co-pay for the duration of the Pilot Program. Cover Letter at 2. |
| 8. Utilities may request, but not require, SSNs of household members. | PGW does not require SSNs. Cover Letter at 4-5. |
| 9. Set maximum CAP credit limits in USECP proceedings using tiered structure based on the household’s FPIG level providing lower income households with higher CAP credit limits. Notify CAP customers when they approach their CAP credit limits, instruct them to contact the utility if they meet any exceptions, and refer them to LIURP[[18]](#footnote-19) (if eligible). | As part of the Pilot Program, PGW proposes to set maximum CAP credit limits. Cover Letter at 2. PGW further proposes to make its existing consumption limit pilot permanent. Cover Letter at 5. |
| 10. Establish online CAP applications; accept documentation electronically. | PGW uses on-line applications and documentation. Cover Letter at 5. |
| 11. Use a standardized zero-income form and develop other industry-wide standardized forms. | PGW will not adopt the standardized zero-income form. Cover Letter at 5. |
| 12. Maximum recertification timeframes for CAP—● No income – at least every 6 months regardless of LIHEAP participation; ● LIHEAP – at least once every 3 years; ● Primary source of income is SS, SSI, or pensions – least once every 3 years; ● Others – at least once every 2 years. | PGW will continue its current recertification timeframes but may revisit this issue in its proposal for its next USECP. Cover Letter at 6. |
| 13. Initiate collection activity for CAP accounts when a customer has no more than two (2) in-program payments in arrears. Customers should not be removed or defaulted from CAP as a precursor to termination for non-payment. | PGW initiates termination proceedings if a CAP customer misses two payments and removes the customer from CAP upon termination. Cover Letter at 6. |
| 14. Evaluate household CAP bills at least quarterly to determine whether the customer’s CAP credit amount or billing method is appropriate. | PGW reviews a customer’s billing method yearly but may revisit this issue in its next proposed USECP. Cover Letter at 6. |
| 15. Work with stakeholders to develop Consumer Education and Outreach Plans.  | PGW submitted its Customer and Outreach Plan with the 2020 Addendum. Cover Letter at 6.  |
| 16. Use the definition of “household income” in Chapter 14 of the Public Utility Code.  | PGW will continue to exclude earned income and to include unearned income such as SSI, for minors consistent with LIHEAP. Cover Letter at 7.  |
| 17. Be prepared to address recovery of CAP costs (and other universal service costs) from any ratepayer classes in individual rate case filing.  | PGW is currently authorized to recover universal service costs from several ratepayer classes. *2018 Report on Universal Service Programs & Collections Performance.* |

Because there is no binding mandate for a utility to conform to the recent CAP Policy Statement amendments at this time, we will not address PGW’s decision to not implement some of the recommended policy amendments at this time. We also will not separately address a PGW proposal that is based on the recently amended CAP Policy Statement if stakeholders have not filed specific objections to the proposal. We will address the consumption limit proposal and the conservation credit proposal that are not specifically predicated on the recent CAP Policy Statement amendments. We will also address the Customer Education and Outreach Plan.

*Energy Burdens and PPA Co-payments (reference 1.a. and 7 above).*

PGW’s current and proposed CAP percentage of income payment plan (PIPP) levels are listed in Table 1 below:

**Table 1: PGW Current vs. Proposed CAP PIPP Pilot Program**

|  |  |  |
| --- | --- | --- |
| **FPIG Level** | **Current PIPP** | **Proposed PIPP** |
| 0% to 50% | 8% | 4% |
| 51% to 100% | 9% | 6% |
| 101% to 150% | 10% | 6% |

Cover Letter at 3.

PGW proposes to implement the new PIPP levels and eliminate the $5 PPA co‑payment, as a Pilot Program through 2022. PGW justifies these changes as being consistent with the CAP Policy Statement and as a means to preview the potential impact of such changes on PGW and ratepayers in future USECPs. Cover Letter at 2.

*Stakeholder Support and Opposition:* The Low Income Advocates cite a “need for ***immediate*** action to address CAP affordability and alleviate the termination crisis in Pennsylvania. They claim that the lower recommended energy burdens are the “first step” in this process. They further assert that PGW’s proposal balances the interests of CAP participants with the interests of other ratepayers because it is a pilot and because PGW proposed consumption limits. Low Income Advocates Letter at 3-5.

 OCA challenges approval in general, and expedited approval in particular, of the proposed changes even as a pilot, citing concerns related to costs, program impacts, cost‑effectiveness, and the possibility of returned LIHEAP funding resulting in a “waste of scarce resources.” OCA asserts that more information is needed along with time to analyze the data. OCA Answer at 5-6.

*Discussion & Resolution:* We find PGW’s revised CAP PIPPs are consistent with the amended maximum energy burden levels in the CAP Policy Statement as amended effective March 21, 2020. Gathering the data from the new energy burdens as a Pilot Program will provide a starting point for analysis should PGW propose similar energy burdens in its 2023-2028 USECP. Furthermore, we support the elimination of PGW’s $5 PPA co-payments for households with incomes at or below 150%, as this should help to ensure that monthly CAP payments would not exceed the recommended maximum CAP energy burden levels.[[19]](#footnote-20) Additionally, removal of the $5 PPA co-pay will mean that a CAP customer is actually able to earn full forgiveness of a PPA and would not be paying $60 per year to reduce the PPA. Accordingly, we approve these amendments to PGW’s 2017 USECP as a Pilot Program.

*Consumption Limits and Conservation Credits (reference 9 above).*

 In conjunction with the Pilot Program proposal regarding energy burdens and PPA co-payment changes, PGW proposes to make its existing consumption limit pilot a regular program within its CAP. Currently, PGW runs a consumption limit pilot for CAP participants, with annual consumption limits set at 2,125 hundred cubic feet (CCF).[[20]](#footnote-21) PGW also provides notices to customers when they reach 50%, 80%, and 100% of the consumption limit. These notices include energy conservation tips, information about LIURP, and allowable exemptions to the consumption limit. Second Amended 2017-2020 Plan at 19-20 (filed on August 31, 2017).

Households that exceed the consumption limit are referred to PGW’s LIURP (*i.e.*, PGW’s CRP Home Comfort) for weatherization. If customers who exceed the consumption limit decline CRP Home Comfort services, PGW removes them from CAP. Second Amended 2017-2020 Plan at 19-20, 28 (filed on August 31, 2017). During the 2017-2020 consumption limit pilot, PGW planned to conduct a “Reason Analysis” to explore the causes of excess gas usage and use this information to consult with stakeholders before determining a final consumption limit policy. Second Amended 2017-2020 Plan at 21 (filed on August 31, 2017).

 PGW agrees that CAP credit limit should be set in utility-specific USECP proceedings and now proposes to make its existing consumption limit pilot a permanent aspect of PGW’s CAP with an annual usage maximum of 2,290 CCF. CAP customers that exceed the annual maximum usage threshold and do not meet the specified exceptions would be charged their average monthly bill for the remainder of the 12‑month period. Cover Letter at 5.

Additionally, the Conservation Incentive Credit program pilot that PGW is also proposing to eliminate is part of the Home Comfort’s usage reduction efforts and offers customers a $100 incentive credit on their bill if they significantly reduce usage compared to the prior winter season (November through April). To qualify for this credit, customers who have not received weatherization services in the past two years must reduce gas usage by 10% or more. Customers who have received weatherization services in the past two years must reduce their gas usage by 20% or more. PGW agreed to provide the commission with an annual LIURP report due annually by April 30 through April 2020. Second Amended 2017-2020 Plan at 28 (filed on August 31, 2017). PGW now proposed to discontinue the conservation credit pilot after current usage period credits are awarded. Cover Letter at 5.

*Stakeholder Support and Opposition:* The Low Income support the proposed changes regarding consumption limits as reasonable within the context of the Pilot Program. Low Income Advocates Letter 4-5.

*Discussion & Resolution:* We find that PGW’s proposed consumption limit for CAP customers is consistent with CAP consumption limit policies that we have approved for other natural gas utilities, including Columbia Gas[[21]](#footnote-22) and UGI Utilities Inc.,[[22]](#footnote-23) which allow removal of a customer from CAP for exceeding consumption limits after energy education and/or LIURP is provided. We support waiving this consumption limit threshold for CAP customers who meet exceptions for high usage and for charging customers their monthly average bill amount if the excess usage does not meet these exceptions. This is a reasonable alternative to removing high-usage customers from CAP, which would force them to re-apply at the end of the 12-month cycle.

Accordingly, because PGW has proposed the consumption limit changes in conjunction with its Pilot Program for energy burdens and PPA co-payments, we approve these proposed changes to PGW’s 2017 USECP as part of the Pilot Program. Our approval of these CAP and LIURP provisions is tied to our approval of the Pilot Program for energy burdens and PPA co-payments. Continuing PGW’s consumption limit provisions as part of the Pilot Program should not have a negative impact on PGW’s CIS timeline.

PGW is the only utility that offers a Conservation Incentive Credit program. As such, the Commission approves discontinuing the Conservation Incentive Credit pilot after current usage period credits are awarded as a means to reduce ratepayer burdens and to divert funds to be applied to changes pursuant to the CAP Policy Statement amendments that will benefit a larger population of PGW’s low-income customers. PGW shall provide notice of the discontinuance of the Conservation Incentive Credit program consistent with its prior notice of the program.

*Consumer Education and Outreach Plan (reference 2 above).*

PGW submitted its Consumer Education and Outreach Plan (attached to the 2020 Addendum as Appendix G). PGW states that it anticipates reviewing the Consumer Education and Outreach Plan with its Universal Service Advisory Committee (USAC) in the future. Cover Letter at 6.

*Stakeholder Support and Opposition:* We find no specific support or opposition to PGW’s proposed Consumer Education and Outreach Plan on the record. Further, staff is continuing to work with PGW on this plan.

*Discussion & Resolution:* We find PGW’s efforts to date consistent with the CAP Policy Statement which recommends that utilities work with stakeholders and staff to develop Consumer Education and Outreach Plans. Accordingly, we approve this change and direct PGW to include its Consumer Education and Outreach Plan as an attachment to its further revised 2017-2022 USECP.

**IV. IMPACT ON CAP SPENDING**

 PGW’s 2020 Addendum provides budget projections. PGW acknowledges that its proposed cost increases could create a considerable impact to its CRP budget and could impose an increased financial burden on its non-CAP ratepayers. Furthermore, PGW states that CAP cost controls may need to be implemented in the future. Cover Letter at 7. PGW has provided annual CAP spending estimates based on the proposed amendments to its program. 2020 Addendum at 18. As seen in Table 2 below, compared to 2017-2020 CAP spending, PGW estimates the changes to its CAP will increase its program costs by approximately $27 million to $29 million per year and increase average CAP costs recovered from residential ratepayers by up to $3.62 per month, compared to 2018 charges.

 The Commission acknowledges that increased CAP costs will likely result in a greater financial burden on some ratepayers. We conclude, however, that these changes would likely provide a greater benefit than the harm that could be caused by the projected increased costs. Because we have approved the proposed changes as a Pilot Program, the Commission will further examine and explore the impact of the increased costs on ratepayers in PGW’s 2023-2027 USECP filing to determine if further cost control measures or other changes are appropriate or required.

**Table 2**

**PGW Actual CAP Spending 2017-2018 and Projected CAP Spending for 2019-2022**

|  |  |  |
| --- | --- | --- |
|  | **Actual** | **Projected** |
| **Year** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** |
| **CAP Costs** | $49,005,928 | $59,549,654 | $58,428,965 | $59,694,816 | $87,018,257 | $88,680,328 |
| **Recovered from Residential Ratepayers (71.3%)** | $34,941,227 | $42,458,903 | $41,659,852 | $42,562,404 | $62,044,017 | $63,229,074 |
| **Monthly Cost/ Residential Ratepayer** | $6.13 | $7.41 | $7.27 | $7.43 | $10.83 | $11.03 |
| **Recovered from Commercial Ratepayers (24%)** | $11,761,423 | $14,291,917 | $14,022,952 | $14,326,756 | $20,884,382 | $21,283,279 |
| **Recovered from Industrial Ratepayers (2%)** | $980,119 | $1,190,993 | $1,168,579 | $1,193,896 | $1,740,365 | $1,773,607 |
| **Recovered from Municipal Services Ratepayers (2.1%)** | $1,029,124 | $1,250,543 | $1,227,008 | $1,253,591 | $1,827,383 | $1,862,287 |
| **Recovered from Philadelphia Housing Authority (1.3%)**  | $637,077 | $774,146 | $759,577 | $776,033 | $1,131,237 | $1,152,844 |

Year 2017 calculations are based on 474,960 residential ratepayers. Years 2018-2020 calculations are based on 477,533 residential ratepayers.

*Source*: *2017 Report on Universal Service Programs & Collections Performance* at 73. *2018 Report on Universal Service Programs & Collections Performance* at 79; 2020 Addendum at 18.

The universal service cost estimated allocations are based on the 2018 allocation percentages. The allocation percentages are subject to yearly adjustments.

**V. CONCLUSION**

Having reviewed PGW’s Cover Letter and 2020 Addendum, we find that the proposed changes are either consistent with the recent CAP Policy Statement amendments and/or consistent with CAP policies approved in other utility proceedings. We further find that PGW has provided budget and enrollment projections for 2021 and 2022.

Accordingly, PGW may implement the approved proposed changes as a Pilot Program in its 2017 USECP which has been extended through 2022. The 2020 Addendum, which is designated “PGW Second Amended Universal Service and Energy Conservation Plan 2017-2022,” does not reflect language to incorporate the proposed changes and clarifications delineated in the Cover Letter. We, therefore, direct PGW to file and serve a further revised 2017 USECP consistent with this Order within 15 days of the entry date of this Order. We invite PGW to submit its further Revised 2017 USECP to the Commission’s Bureau of Consumer Services (BCS) for a compliance review prior to filing and service; **THEREFORE,**

**IT IS ORDERED:**

1. That the name of this docket shall be changed to Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2017-2022.
2. That Philadelphia Gas Works may implement the approved provisions of its January 6, 2020 filing relative to its 2017-2022 Universal Service and Energy Conservation Plan as a Pilot Program consistent with this Order.

3. That the approval herein of the changes specified in the Cover Letter and 2020 Addendum, as filed by Philadelphia Gas Works on January 6, 2020, is as a pilot program with a designated expiration date coincident with the end of Philadelphia Gas Works’ 2017-2022 Universal Service and Energy Conservation Plan at Docket No. M‑2016‑2542415.

4. That Philadelphia Gas Works shall implement the following changes to its Customer Assistance Program, entitled the Customer Responsibility Program, by or before September 30, 2020:

1. Charge Customer Assistance Program (CAP) customers with incomes at or below 50% of the Federal Poverty Income Guidelines (FPIG) a maximum of 4% of income or their average bill, whichever is less, and charge CAP customers with incomes above 50% and below 150% of the FPIG a maximum of 6% of income or their average bill, whichever is less.
2. Continue the consumption limit pilot as a pilot to run concurrently with the Pilot Program approved herein. Place CAP customers that exceed 2,290 CCF on the average bill program for the remainder of the credit limit period.
3. Discontinue the Conservation Incentive Credit pilot program after the current usage period credits are awarded in 2020 and provide notice of the discontinuance of the Conservation Incentive Credit program consistent with its prior notice of the program.

5. That the Consumer Education and Outreach Plan, as filed by Philadelphia Gas Works on January 6, 2020, is approved and shall be included as an attachment to the further revised 2017 Universal Service and Energy Conservation Plan. Philadelphia Gas Works shall continue to work with stakeholders and the Commission’s Bureau of Communications to improve the Consumer Education and Outreach Plan and shall submit a revised version as part of its 2023-2027 Universal Service and Energy Conservation Plan.

6. That Philadelphia Gas Works shall file and serve a further revised 2017‑2022 Universal Service and Energy Conservation Plan consistent with the Pilot Program and changes approved herein within 15 days from the entry date of this Order. The filing shall include clean and redline copies, with Word-compatible versions provided to Commission staff.

7. That Philadelphia Gas Works shall file and serve monthly status reports on the implementation timeline of the Pilot Program and changes approved herein. The first monthly status report shall be due 60 days after entry of this Order.

8. That Philadelphia Gas Works shall track its Pilot Program costs on a monthly basis and file and serve a report detailing these costs at these dockets on a quarterly basis.

9. That exceptions to the further revised 2017-2022 Universal Service and Energy Conservation Plan relative to whether it complies with this Order may be filed within ten (10) days of the date of its filing and service. Reply exceptions may be filed within five (5) days of the due date for the filing of exceptions.

10. That this Order be served on all parties of record in *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2017-2022*, Docket No. M‑2016‑2542415, in *Petition to Amend Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2017-2022*, Docket No. P-2020-3018867, and in *Pennsylvania Public Utility Commission, et al*. *v. Philadelphia Gas Works*, Docket Nos., R-2020-3017206*, et al*.

11. That the contact person regarding policy and technical issues for this proceeding is Joseph Magee, Bureau of Consumer Services, jmagee@pa.gov. The contact person regarding legal issues for this proceeding is Assistant Counsel Louise Fink Smith, Law Bureau, [finksmith@pa.gov](file:///C%3A%5CUsers%5Cjennifjohn%5CDesktop%5CPeoples%20TO%203003177%5Cfinksmith%40pa.gov).

 **BY THE COMMISSION,**

 Rosemary Chiavetta

 Secretary

(SEAL)

ORDER ADOPTED: March 26, 2020

ORDER ENTERED: March 26, 2020

1. The 2020 Addendum, designated “PGW Second Amended Universal Service and Energy Conservation Plan 2017-2022,” provides enrollment and budget projections for extending PGW’s 2017 USECP through 2022 as well as other housekeeping updates. It does not reflect proposed language to incorporate the changes to PGW’s 2017 USECP that are delineated in the Cover Letter. [↑](#footnote-ref-2)
2. In addition to the Code, NGDCs are also subject to the universal service reporting regulations at 52 Pa. Code §§ 62.1-62.8, the low-income usage reduction regulations at 52 Pa. Code §§ 58.1‑58.18, and the CAP Policy Statement at 52 Pa. Code §§ 69.261-69.267. [↑](#footnote-ref-3)
3. The terms “natural gas distribution utility/NGDU” and “electric distribution utility/EDU” are used on occasion interchangeably with “natural gas distribution company/NGDC” and “electric distribution company/EDC,” respectively, in Title 66 of the Pennsylvania Consolidated Statutes, Title 52 of the Pennsylvania Code, and Commission orders. [↑](#footnote-ref-4)
4. August 2017 Order, Ordering Paragraphs 11 and 12. [↑](#footnote-ref-5)
5. <http://www.puc.pa.gov/pcdocs/1638860.docx>. [↑](#footnote-ref-6)
6. The amendments to the CAP Policy Statement also reflect considerations and deliberations from the numerous utility-specific USECP proceedings and independent third-party reviews of universal service results that have taken places for over twenty years. [↑](#footnote-ref-7)
7. Sixteen of the policy amendments relate to operative provisions of the CAP Policy Statement. The seventeenth provision, while part of the CAP Policy Statement, relates to matters that may be addressed in utility-specific rate cases. [↑](#footnote-ref-8)
8. On January 2, 2020, the Commission entered an order at Docket No. L-2019-3012600 directing its Bureau of Consumer Services (BCS) and Law Bureau to initiate a comprehensive universal service rulemaking by March 31, 2020. [↑](#footnote-ref-9)
9. EAP is the trade association that represents the interests of regulated NGDCs and EDCs operating in the Commonwealth. PGW is a member of EAP and asserts, *inter alia*, that it is not waiving any issues raised in the three dockets relative to the CAP Policy Statement amendments. [↑](#footnote-ref-10)
10. OCA also petitioned, at Docket No. P-2020-3016885, for reconsideration/clarification of the November 2019 Order. [↑](#footnote-ref-11)
11. PGW’s CAP is called Customer Responsibility Program (CRP). [↑](#footnote-ref-12)
12. PGW’s CIS is the main repository for PGW’s customer information, including financial information, and is used to bill its customers monthly. Failure in the CIS replacement could lead to inaccuracies in billing, CAP account errors, disruption of customer shopping, and other problems, potentially resulting in “significant customer confusion and complaints.” PGW Petition at 7. [↑](#footnote-ref-13)
13. *Pa. PUC, et al*. *v. PGW*, Docket Nos., R-2020-3017206, *et al*. (2020 Base Rate Case). [↑](#footnote-ref-14)
14. Additionally, actual data will assist in the upcoming review of proposed universal service regulations at Docket No. L-2019-3012600. [↑](#footnote-ref-15)
15. Federal Poverty Income Guidelines (FPIG). [↑](#footnote-ref-16)
16. Natural gas heating (NGH), electric non-heating (ENH), and electric heating (EH). [↑](#footnote-ref-17)
17. The Low Income Home Energy Assistance Program (LIHEAP) helps low-income families pay their heating bills. LIHEAP is administered in the Commonwealth by the Pennsylvania Department of Human Services. [↑](#footnote-ref-18)
18. Low Income Usage Reduction Program, one of the four mandatory elements of a universal service and energy conservation plan. [↑](#footnote-ref-19)
19. Due to minimum monthly payment requirements (currently $25 for PGW), PGW CAP customers with zero or minimal income may still have monthly payments that exceed the Commission’s maximum energy burden levels. [↑](#footnote-ref-20)
20. PGW reports that it determined this consumption limit by analyzing two years of consumption history and CRP discounts for participants with 12 consecutive months or more of prior usage. When describing this consumption limit to customers, PGW would covert this usage into dollars. 2020 Addendum at 16. Citations to the 2020 Addendum are to the non-redline version, unless otherwise specified. [↑](#footnote-ref-21)
21. Columbia 2019-2023 USECP at 26, Docket No. M-2018-2645401, filed on November 25, 2019. http://www.puc.pa.gov/pcdocs/1645337.pdf, approved by Commission Order entered on January 16, 2020. [↑](#footnote-ref-22)
22. UGI 2020-2025 USECP at 20, Docket No. M-2019-3014966, filed on December 6, 2019; <http://www.puc.pa.gov/pcdocs/1646717.pdf>, approved by Commission Order entered on January 16, 2020. [↑](#footnote-ref-23)