

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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IRWINA. POPOWSKY
Consumer Advocate

July 28, 2009

James J. McNulty
Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

RE: Philadelphia Gas Works Universal Services
and Energy Conservation Plan 2008-2010
Submitted in Compliance with
52 Pa. Code § 62.4
Docket No. M-00072021

Dear Secretary McNulty:

Enclosed for filing is the Answer of the Office of Consumer Advocate, in the above-referenced proceeding.

Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Christy M. Appleby".

Christy M. Appleby
Assistant Consumer Advocate
PA Attorney I.D. # 85824

Enclosures

cc: Administrative Law Judge
Office of Special Assistants

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Philadelphia Gas Works Universal	:	
Services and Energy Conservation	:	Docket No. M-00072021
Plan 2008-2010 Submitted in	:	
Compliance with 52 Pa. Code § 62.4	:	

ANSWER OF THE
OFFICE OF CONSUMER ADVOCATE
TO PHILADELPHIA GAS WORKS' PETITION TO
AMEND ITS UNIVERSAL SERVICE AND ENERGY
CONSERVATION PLAN 2008-2010

I. INTRODUCTION

On July 8, 2009, Philadelphia Gas Works (PGW or the Company) filed a Petition to Amend its Universal Service and Energy Conservation Plan (Plan) 2008-2010. PGW requests amendment of its Plan to change how the Company applies the federal Low Income Home Energy Assistance Program (LIHEAP) cash grants to low-income Customer Responsibility Program (CRP) participants.¹ Petition at 1. PGW avers that it is seeking to amend the Plan because the Pennsylvania Department of Public Welfare (DPW) has ordered PGW to do so as a condition for allowing PGW to continue as a LIHEAP vendor in the upcoming, and future, winter heating seasons. Petition at 1. According to Exhibit B of PGW's Petition, DPW has required that going forward, and retroactively for all grants issued during the 2008 winter heating

¹ CRP is PGW's customer assistance program (CAP).

season, PGW must apply the LIHEAP grants to past due CRP bills. Petition at ¶ 4. Further, for the 2008 winter heating season, PGW seeks retroactive cost recovery through the Universal Service and Energy Conservation surcharge (USC or Surcharge) of \$15.2 million from all firm service customers as a result of these changes. Petition at ¶ 12.

The OCA submits the following Answer in response to PGW's Petition to Amend its Universal Service and Energy Conservation Plan 2008-2010. The OCA submits that the Commission should not approve PGW's Petition at this time, but should instead open up an on-the-record proceeding to consider all aspects of this important proposed change.

II. ANSWER

In its Petition, PGW has proposed to amend its Universal Service and Energy Conservation Plan to revise how it applies the federal LIHEAP cash grants to the accounts of CRP participants. Petition at 1. In its Petition, PGW states that the CRP was designed to provide "an affordable payment plan that avoids loss of service for vulnerable customers, to improve the payment behavior of CRP participants, and to reduce collection costs while minimizing the burdens transferred to other customers." Id. at ¶ 3. PGW avers that under the existing Plan, the Company applies the LIHEAP cash grants as follows:

LIHEAP Cash Grant: when the grant payment is received, it is posted to the account but immediately backed out. The grant is used to offset the discount/subsidy passed through to other firm rate payers via the Universal Service surcharge (USC). The transaction is noted on the account and it appears as part of the CRP bill.

Id. PGW applied the 2008-2009 LIHEAP winter heating season grants in this manner in accordance with 52 Pa. Code §§ 69.265(1) and (9) and the Plan. Id.

PGW states that DPW initially raised the issue of how the Company applies LIHEAP cash grants to CRP customer accounts in October 2008. Thereafter, PGW avers that it engaged

in numerous discussions and meetings with DPW about the matter. Petition at ¶ 4. PGW also states that on May 6, 2009, DPW sent PGW a letter requiring that “going forward and retroactively for all grants issued during the 2008 Season PGW must apply the Grants directly to past due CRP bills (the “asked to pay” amount),” and any remaining grants were to be paid to future “asked to pay” bills. Petition at ¶ 5; *see also*, Petition at Exh. B. Further, PGW states that DPW told PGW that “this application should reduce pre-CRP arrearages for each month to which the Grant is applied, based on the current 1/36th forgiveness formula provided in the Plan” and that the grants could not be applied against actual usage amounts of the CRP customers (also called the CRP shortfall.)² This CRP shortfall is the amount that is recovered through the USC from all firm sales service customers.

As noted above, PGW’s CRP is funded through the USC and charged to all firm service customers, including residential, commercial and industrial firm service sales customers and was established under the Commission’s CAP Policy Statement. Petition at ¶ 2. The USC is calculated and adjusted on a quarterly basis in accordance with the automatic adjustment procedures under 66 Pa. C.S. § 1307. *Id.* PGW’s Petition proposes to increase the surcharge by \$15.2 million for the retroactive adjustment for the 2008 winter heating season and then permanently thereafter to reflect the revised application of the LIHEAP payment ordered by DPW. Petition at ¶ 9. PGW states that “[t]o minimize the additional expected Surcharge burden to be placed on its non-CRP customers going forward, and to conform the program for low income customers to the PUC’s original intentions” that the Company plans to seek future PUC approval to further modify its CRP program. *Id.* PGW anticipates that it will file a Petition with the Commission in January 2010 or sooner to request modifications to conform the CRP benefits

² The CRP Shortfall is the difference between the actual cost of service and monthly “asked to pay” bill. Petition at ¶ 5.

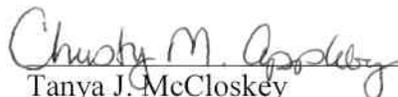
for low income customers and the amount charged through the USC to firm service sales customers. Id.

The OCA submits that PGW's Petition to change the method of applying LIHEAP payments and to retroactively recover \$15.2 million from ratepayers must be fully reviewed at this time. PGW's existing CRP represents a balance between the need for affordability for CRP participants and the resultant cost recovery from non-CRP firm service sales customers. PGW's current Plan meets this balance and the Commission's affordability requirements in a manner consistent with the Commission's CAP Policy Statement. If PGW is required to change the application of the LIHEAP grant within the program, then other related design elements must be re-examined to ensure that the program design remains appropriate and the burden on other customers remains reasonable. If changing the structure of the CRP in response to the new application of the LIHEAP payments is needed, such changes may need to be made retroactively if retroactive recovery is to be granted.

The OCA submits that the individual design elements of the CRP cannot be viewed in a vacuum as PGW seeks to do here. The OCA submits that in light of the proposed changes to the application of LIHEAP cash grants, the Commission should institute a full investigation of PGW's Petition to understand how this proposed change will impact the CRP program, CRP customers, and the financial burden to be placed on non-CRP firm service sales customers.

WHEREFORE, the Office of Consumer Advocate respectfully requests that the Company's proposal not be adopted at this time. Rather, the Commission should open a proceeding to consider the impact of the proposed changes on all CRP program design elements and the reasonableness of changes being sought for recovery through the universal service charge.

Respectfully Submitted,


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DATE: July 28, 2009
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CERTIFICATE OF SERVICE

Philadelphia Gas Works Universal :
Services and Energy Conservation : Docket No. M-00072021
Plan 2008-2010 Submitted in :
Compliance with 52 Pa. Code § 62.4 :

I hereby certify that I have this day served a true copy of the foregoing document, the Answer of the office of Consumer Advocate, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 28th day of July, 2009.

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