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May 28, 2014

**Via Electronic Filing**

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
PO Box 3265  
Harrisburg, PA 17105-3265

Re: Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016  
Submitted in Compliance with 52 Pa. Code § 62.4 – Docket No. M-2013-2366301

Dear Secretary Chiavetta:

Enclosed for electronic filing please find Philadelphia Gas Works' Reply to Comments in Response to Tentative Order Entered April 3, 2014 Regarding the Universal Service and Energy Conservation Plan For 2014-2016 with regard to the above-referenced matter. Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Deanne M. O'Dell

DMO/lww  
Enclosure

cc: Joseph Magee w/enc. via email  
Louise Fink Smith w/enc. via email  
Cyndi Page w/enc. via email

## CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's Reply Comments upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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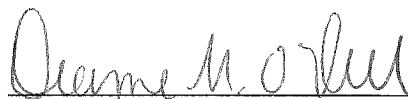
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Date: May 28, 2014

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Philadelphia Gas Works Universal Service :  
and Energy Conservation Plan for 2014- : Docket No. M-2013-2366301  
2016 Submitted in Compliance with 52 :  
Pa. code § 62.4

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**PHILADELPHIA GAS WORKS  
REPLY TO COMMENTS IN RESPONSE TO TENTATIVE ORDER  
ENTERED APRIL 3, 2014 REGARDING THE UNIVERSAL SERVICE AND ENERGY  
CONSERVATION PLAN FOR 2014-2016**

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Date: May 28, 2014

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## I. INTRODUCTION

On May 31, 2013, Philadelphia Gas Works (“PGW”) filed its proposed Universal Service and Energy Conservation Plan for 2014-2016 (“2014-2016 USEC Plan”). By Tentative Order dated April 3, 2014, the Commission directed PGW to file its Enhanced Low Income Retrofit Program (“ELIRP”) enrollment and budget estimates for the 2015 and 2016 program years within 20 days. PGW included this information – in addition to its request that the Commission permit ELIRP to continue as part of PGW’s Commission approved Demand Side Management (“DSM”) plan – in its April 23, 2014 Response to the Tentative Order (“PGW Response”). In the Tentative Order, the Commission also directed PGW to provide comments regarding ELIRP and other issues. PGW provided this information in its May 13, 2014 Comments (“PGW Comments”). Comments regarding the Tentative Order were also filed by the Office of Consumer Advocate (“OCA”), Tenants Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (collectively “TURN et al.”), and the Coalition of Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”).<sup>1</sup> PGW provides this reply to those comments.

As a threshold matter, PGW does not agree with TURN et al. and CAUSE-PA that referral of the 2014-2016 USEC Plan to the Office of Administrative Law Judge (“OALJ”) is appropriate. The Commission identified specific issues for which it sought additional information/clarification from PGW and provided a full opportunity for interested parties to provide their comments. PGW submits that sufficient information on the issues identified in the Tentative Order has been presented for the Commission to resolve without further need to refer

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<sup>1</sup> PGW notes that both TURN et al. and CAUSE-PA indicate that they may file reply comments based on their review of PGW’s comments. To the extent any such reply comments introduce new issues or address issues that should have been discussed in the comment period, they will be untimely and outside the scope of the Tentative Order and, therefore, should not be considered.

this matter to OALJ. To the extent commenters raise issues outside the scope of the Tentative Order or, in some cases, even outside the scope of the 2014-2016 USEC Plan, PGW respectfully requests that the Commission refuse to allow them to delay resolution of this proceeding. The 2014-2016 USEC was filed on May 31, 2013 and additional implementation delays are not in the best interest of PGW's customers.

Finally, PGW's CRP is the largest of any natural gas distribution company regarding both the number of residential customers and the largest percent of confirmed low-income customers<sup>2</sup> and the subsidies provided under the program, as well as the costs to administer it (and participate in proceedings like this) are ultimately paid by non-CRP customers. Accordingly, in designing the 2014-2016 USEC Plan and responding to the Commission's Tentative Order, PGW carefully balances the benefits of any proposed modification to its existing programs with the costs and burdens that would be imposed on existing non-CRP ratepayers as a result of the changes. PGW respectfully requests that the Commission be similarly mindful of the cost/benefit process as it considers the copious revisions, demands for information and further investigations that the commenting parties – particularly TURN et al. and CAUSE-PA (which is not even a Philadelphia-based organization) – have demanded here. PGW respectfully suggests that its 2014-2016 USEC should be approved as filed with the modifications proposed by PGW in its Response and Comments.

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<sup>2</sup> See 2012 Report on Universal Service Programs & Collections Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies, Pennsylvania Public Utility Commission Bureau of Consumer Services at 6-7.

## II. REPLY TO COMMENTS OF OCA

### A. Specific CRP Issues Identified In Tentative Order

#### 1. Social Security Numbers

In the Tentative Order, the Commission requested that PGW review its CRP application procedures and consider alternatives to requesting a social security card and alternatives to requiring a social security number at all.<sup>3</sup> OCA supports PGW adopting alternatives to requiring customers to provide social security numbers as a pre-condition for CRP enrollment.<sup>4</sup> As set forth in PGW's Comments, it proposes to modify its procedures so that social security cards will only be required as part of PGW's periodic review of CRP applications to prevent fraud. If a household member does not have a social security number or the customer refuses to provide a social security number, then PGW will permit alternative forms of identification.<sup>5</sup> This is a reasonable resolution of the Commission's expressed concern and PGW requests that the Commission approve it.

#### 2. Application of Arrearage Forgiveness

OCA recommends that PGW apply arrearage forgiveness: (1) when a bill is completely paid, in the month in which it is completely paid; and, (2) regardless of whether or not the CRP customer is caught up on all prior past payments.<sup>6</sup>

As set forth in its Comments, PGW does not support changing its current arrearage forgiveness program to permit a customer to receive arrearage forgiveness benefit for months when they have not paid their monthly CRP bill on time and in full; to do so would undercut the effectiveness of the arrearage forgiveness program to incent on time and in full payments from

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<sup>3</sup> Tentative Order at 12-14.

<sup>4</sup> OCA Comments at 5-6.

<sup>5</sup> PGW Comments at 4.

<sup>6</sup> OCA Comments at 6-8.

CRP customers.<sup>7</sup> PGW also explained why its arrearage forgiveness program is distinguishable from the program UGI proposed which was modified by the Commission. Upon consideration of OCA's suggestions, PGW maintains that its current program strikes a reasonable balance between offering positive incentives to CRP customers to make on time and in full payments while not increasing the burden on other customers in terms of requiring them to pay when CRP customers have failed to pay in a responsible manner.<sup>8</sup>

**3. Proof of Living Expenses from Households Reporting Zero or Minimal Income**

In its Tentative Order, the Commission asked PGW whether a written statement could be acceptable instead of requiring customers to provide documentation of monthly bills.<sup>9</sup> OCA supports this approach and suggests that PGW be required to mirror the requirements of Duquesne Light and the Department of Public Welfare for the operation of its Low Income Home Energy Assistance Program ("LIHEAP").<sup>10</sup> In its Comments, PGW explained its current process which requires documentation of housing costs and how those costs are being paid and indicated that it would be willing to modify this process so that documentation of housing costs would only be required occasionally – for applications selected for periodic review as part of

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<sup>7</sup> PGW Comments at 4-6.

<sup>8</sup> PGW further notes that pursuant to the Commission's regulations, payments are applied to the oldest debt first. 52 Pa Code § 56.24 ("In the absence of written instructions, a disputed bill or a payment agreement, payments received by a public utility which are insufficient to pay a balance due both for prior service and for service billed during the current billing period shall first be applied to the balance due for the prior service.") Thus, if the CRP customer has fallen behind on past payments, payment would first apply to those bills and the customer would not be deemed to have paid the current bill timely.

<sup>9</sup> Tentative Order at 15-17.

<sup>10</sup> OCA Comments at 8-9.

PGW's CRP fraud prevention effort.<sup>11</sup> PGW submits that this modification sets forth a reasonable resolution of this issue and should be adopted.

#### **4. On-going Monitoring of CRP Accounts**

In its Tentative Order, the Commission directed PGW to explain how it monitors CRP accounts on an ongoing basis to determine whether the CRP rate continues to be the most affordable option for the customer.<sup>12</sup> OCA questioned how colder weather, higher prices, or increased usage would impact the CRP customer's payments.<sup>13</sup> In its Comments, PGW explained the various points in time that it compares the calculated CRP amount to other payment options, including when the customer recertifies his or her CRP agreement or upon a representative's further review.<sup>14</sup> PGW also explained how requiring the monitoring of CRP accounts on an ongoing basis might not produce useful data – even if CRP is not the most beneficial rate option in a specific month although it may be the most beneficial arrangement overall for the customer.<sup>15</sup> As such, PGW continues to maintain that its current process is sufficient to ensure that customers are receiving the most beneficial arrangement.

#### **5. Methods to Apply/Recertify for CRP**

OCA recommends that PGW be directed to ensure that there is no requirement for in-person application or recertification for CRP and that mailed applications are processed in a timely manner.<sup>16</sup> In its Comments, PGW explained that it accepts applications at its District

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<sup>11</sup> PGW Comments at 7.

<sup>12</sup> Tentative Order at 18.

<sup>13</sup> OCA Comments at 9-10.

<sup>14</sup> PGW Comments at 7-8.

<sup>15</sup> *Id.* at 8.

<sup>16</sup> OCA Comments at 10-11.

Offices or by mail for all customers. PGW mails an application to any customer on request and makes applications available online for printing by customers. A visit to a PGW District Office is not required to apply for CRP.<sup>17</sup>

During peak application periods, which are usually in the fall and spring seasons, PGW works overtime to process the larger number of applications received by mail. However, processing applications received by mail and in person in the same time frame is not realistic. When a customer applies in person at a district office, eligibility is determined and verified at the time of application. Therefore, customers know instantly if they are enrolled, if they need to provide more information, or if they are ineligible.

On the other hand, CRP applications received by mail are reviewed in the order they are received. PGW's goal is to process applications within a one week timeframe and PGW works overtime and enlists assistance from other departments to help manage increases in applications. As explained in PGW's Comments, the main cause for a delay in processing applications by mail is the lack of supporting information provided by the customer, mostly income documentation. PGW has amended its CRP application to ensure that it obtains useful information about how the household meets everyday living expenses. PGW now provides instructions for completing the application and provides a list of acceptable and unacceptable forms of income documentation to avoid incomplete applications in the first instance.<sup>18</sup>

## **6. Trends Regarding CRP Enrollment**

OCA claims that there is still a significant need for assistance in PGW's service territory and recommends that PGW extend its outreach efforts to customers on payment arrangements or

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<sup>17</sup> PGW Comments at 9-10.

<sup>18</sup> *Id.*

otherwise in debt.<sup>19</sup> In its Comments, PGW proposed to identify and aggressively target existing customers for whom CRP would provide a more beneficial payment arrangement.<sup>20</sup> Based on OCA's feedback, in its targeted outreach, PGW proposes to include customers who have any indicia of low income status in the prior two years, such as a prior CRP customer, low income PAR, and a LIHEAP recipient who is in a payment agreement or in debt.

## **B. ELIRP**

As explained in both PGW's Response and Comments to the Tentative Order, the Commission approved PGW's ELIRP pursuant to the Order entered July 29, 2010 at docket numbers R-2009-2139884 and P-2009-2097639 as part of PGW's DSM plan – a proceeding in which OCA did participate. As PGW's ELIRP through August 31, 2015 has already been approved by the Commission based on a negotiated settlement with the parties in a different proceeding, PGW urges the Commission not to require PGW to implement changes to the existing plan as a part of this proceeding. Such changes now before the expiration of the DSM plan circumvents the review processes approved by the Commission in its July 29, 2010 Order as well as the overall, coordinated functioning of the DSM Plan.

While PGW recommends that the Commission allow ELIRP to continue as part of the already established Commission-approved DSM process, PGW alternatively suggested that the Commission defer considering whether to “extract” ELIRP from the rest of the DSM plan until it considers PGW's proposal for the extension of its DSM programs which PGW anticipates filing this summer. To the extent PGW determines that it will not continue ELIRP under the DSM docket or to the extent that such continuation is not approved by the Commission, PGW would

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<sup>19</sup> OCA Comments at 12.

<sup>20</sup> PGW Comments at 13.

propose an amendment of the 2014-2016 USEC Plan.<sup>21</sup> OCA agrees that PGW's alternative proposal may be the best approach at this time.<sup>22</sup>

**C. Issues Not Included In Tentative Order**

**1. Integration of LIHEAP**

Although recognizing that the Commission did not identify this issue in the Tentative Order, OCA recommends that the Commission address the issue of modifications to CRP made necessary by the application of LIHEAP cash grants to individual CRP customer "asked to pay" amounts. Specifically, OCA requests that the Commission direct PGW to address the LIHEAP cash grant treatment by proposing appropriate program design modifications, but also acknowledges that this is a complex problem that cannot be resolved in this context alone.<sup>23</sup>

As OCA acknowledges, in PGW's Petition to modify its CRP program to address the change in the application of LIHEAP cash grants to individual CRP accounts, the Department of Public Welfare ("DPW") filed a letter stating that PGW's initial attempt to modify its program would result in a loss of vendor status.<sup>24</sup> In DPW's fiscal year 2013 LIHEAP State Plan ("State Plan"), at Section 601.45, DPW set forth an alternative LIHEAP grant application that would allow public utilities that operate CAPs based on a Percent of Income Payment Plan model, such as CRP, to apply the LIHEAP cash component benefits to the customer's CAP credit based on guidelines set forth in the State Plan. In PGW's 2014-2016 USEC Plan, PGW proposed that if DPW received such approval or consent from the United States Department of Health and Human Services ("HHS"), PGW would implement the alternative application as described in

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<sup>21</sup> PGW Response at 6-9.

<sup>22</sup> OCA Comments at 4-5.

<sup>23</sup> *Id.* at 13-14.

<sup>24</sup> *See* Docket No. P-2010-2178610.

Section 601.45 and until an alternative method has been accepted, PGW would continue to apply LIHEAP grants to CRP customers' "asked to pay" bills. To PGW's knowledge, DPW never received approval from the HHS for Section 601.45 of the 2013 End State Plan.

DPW did not address alternate methodologies in its Final FY2014 State Plan; the FY2015 State Plan has not yet been issued. A number of utilities have filed to implement or have implemented modifications to CAP or a "CAP-plus" application for LIHEAP grants on CAP accounts. However, it is not clear to PGW that the issue has been finally resolved. It is PGW's understanding that DPW has begun meeting with representatives of the Commission and other interested stakeholders to address LIHEAP grant application on CAP accounts. Accordingly, PGW proposes that any modification to CRP to respond to the requirement that LIHEAP cash grants be applied to individual customer asked to pay amounts be made when this issue has been resolved among the relevant agencies. However, if the Commission determines to direct PGW to address LIHEAP policy by proposing appropriate design modifications now, PGW respectfully requests that the Commission provide PGW with sufficient time to examine CAP-plus and other CRP revision options, and allow such proposal as an amendment to this 2014-2016 USEC Plan.

## **2. Credits to CRP Participants Achieving Designated Usage Reduction**

OCA supports PGW's concept to incentivize conservation but offers several implementation details that OCA believes need additional work to better ensure that the goal of the program is achieved.<sup>25</sup> The incentive plan outlined in PGW's 2014-2016 USEC Plan was designed with the input of, among others, the Bureau of Investigations and Enforcement and is designed to incentivize CRP customers to reduce consumption. The intent of implementing a usage reduction incentive is to encourage CRP customers to become more conscious of their

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<sup>25</sup> OCA Comments at 14.

energy consumption and to promote usage reduction by practicing conservation. PGW appreciates the concerns raised by OCA and is open to convening a stakeholder group involving affected parties to further study this issue. Such a stakeholder group could consider suggestions for modifying PGW's proposed conservation incentives to better promote the desired conservation behavior, while not significantly impacting CRP program costs, which are paid by non-CRP ratepayers.

### 3. CRP Stay-Out Provision

The OCA expressed concern with PGW's proposed stay-out provisions and recommends that the Commission direct PGW: (1) to establish specific rules with respect to what constitutes voluntary removal; and, (2) to not otherwise penalize a customer when participation in the weatherization program is not within their control.<sup>26</sup>

Regarding voluntary removals, customers who request to be removed from enrollment in CRP – even though (1) they are eligible for the program; and, (2) the program provides a more affordable payment – will be required to stay out of the program for a one-year period. The intent of this particular stay-out provision is to prevent “churning,” as identified in the PGW Universal Service Program Final Evaluation Report. Churning, as described by Apprise, Inc., refers to CRP Customers who enter CRP in the winter to take advantage of positive discounts and then exit CRP in the summer to avoid negative discounts. Customers who churn reduce their targeted energy burden below Commission guidelines, which adds costs to other customers, including low-income customers not enrolled in CRP. Therefore, to ensure equal treatment of all customers enrolled in CRP, PGW has proposed a one year stay-out provision for customers who voluntarily remove themselves from CRP.

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<sup>26</sup> OCA Comments at 16-17.

Regarding removal for refusal of weatherization services, the CAP Policy Statement already states that dismissal from a CAP is appropriate for refusing weatherization services.<sup>27</sup> The Policy states that “[t]he failure of a participant to comply with one of the following should result in dismissal from CAP participation . . . [f]ailure to accept budget counseling, weatherization/usage reduction or consumer education services . . .”<sup>28</sup> In addition, PGW’s currently approved Tariff requires CRP customers to participate in ELIRP or risk dismissal from CRP.<sup>29</sup> In any event, PGW’s protocols are consistent with OCA’s request, as customers are not penalized or removed from CRP for hardships or circumstances beyond their control.

The following circumstances may result in the contractor not weatherizing a home:

- health, safety and structural issues identified by contractors in the pre-screening or audit process, such as roof leaks, mold, bed bugs, asbestos;
- lack of opportunity for cost-effective energy savings due to previous weatherization;
- landlord’s refusal to consent to the services; or
- hardships that may include elderly residents or illness.

If a home is not weatherized for one of the above reasons, the customer would remain on CRP and would not be subject to a stay out.

The following circumstances may result in a customer being removed from CRP and PGW imposing the stay-out provision until the customer complies:

- customer refuses to have an energy audit or weatherization measures performed;
- customer repeatedly hang ups or otherwise fails to respond to multiple communication attempts made by our weatherization contractors during the pre-screening process or while in the course of performing weatherization measures;

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<sup>27</sup> 52 Pa. Code § 69.265(7)(v).

<sup>28</sup> *Id.*

<sup>29</sup> Gas Service Tariff 13.1.B.5.

- other violations of CRP status as identified by ELIRP contractors, including operation of a business at the property or a foreign load.

As PGW's current policies adequately address the concerns raised by OCA, PGW proposes that there is no need for the Commission to further address this issue.

### III. REPLY TO COMMENTS OF TURN, ET. AL.

#### A. Specific CRP Issues Identified In Tentative Order

##### 1. Social Security Numbers

TURN et al. recommends that PGW permit alternate documentation in lieu of social security numbers and allow customers to refuse to provide social security numbers.<sup>30</sup> As set forth in PGW's Comments, PGW proposes to modify its procedures so that social security cards will only be required as part of its periodic review of CRP applications to prevent fraud. If a household member does not have a social security number or the customer refuses to provide a social security number, PGW will permit alternative forms of identification.<sup>31</sup> This proposal addresses the concerns raised by TURN et al.

##### 2. Application of Arrearage Forgiveness

Like CAUSE-PA, TURN et al. expresses its strong support for "a policy of arrearage forgiveness with every current on time and in full CRP payment *and* retroactive arrearage forgiveness once the customer has cured all defaulted CRP bills" and strongly opposes PGW's current practices.<sup>32</sup> TURN et al. also states that PGW has not explained how its current policy encourages more consistent payment habits.

As set forth in its Comments, PGW does not support changing its current arrearage forgiveness program to permit a customer to receive the benefit for months when they have not

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<sup>30</sup> TURN et al. Comments at 6.

<sup>31</sup> PGW Comments at 4.

<sup>32</sup> TURN et al. Comments at 10 (emphasis original).

paid their monthly CRP bill on time. Such a change would undercut the effectiveness of the arrearage forgiveness program to incent on time and in full payments from CRP customers.<sup>33</sup>

PGW also explained why its arrearage forgiveness program is distinguishable from the program UGI proposed which was modified by the Commission. Also, reference to PECO's arrearage forgiveness program is similarly unpersuasive given the significant design differences between the PECO Customer Assistance Program ("CAP") and PGW's CRP. As the Commission acknowledges in the referenced order:

PECO's current CAP Rate design has been evolving since 1996. In 2000, the Commission recommended that PECO implement a PIP plan design, discussed changes in discounts and concerns of customer confusion, and required that CAP tiers be increased in an attempt to further affordability. More recent orders supported the premise that PECO's CAP Rate has been unaffordable. Notwithstanding the USECPs approved in 2008 (for 2007 – 2009) and 2010 (for 2010 – 2012), APPRISE raised questions in its 2012 third-party program evaluation regarding PECO's rate discounts and affordability.<sup>34</sup>

Given the structure of PGW's CRP and those of other utilities, PGW submits that requiring PGW to apply narrow design elements from other utilities' programs to its program is bad policy and not in the interest of PGW's customers.

TURN et al. also cites to data suggesting that CRP customers could benefit from increased education regarding the arrearage forgiveness program. PGW understands the importance of educating customers about CRP and has trained all customer service staff on how to effectively inform customers about the benefits of the program and how it works. In addition, PGW also recently implemented a process where customers are now provided with

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<sup>33</sup> PGW Comments at 4-6.

<sup>34</sup> *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911, Order entered April 4, 2013 at 9.

documentation which educates them about the program. This education includes information pertaining to how the program works and how the CRP amount was calculated and also provides the customer with the amount of forgiveness that he or she can receive if bills are paid on time and in full each month. PGW submits that the program changes supported by TURN et al. could increase confusion about the purpose of the program because they would disconnect the benefit (i.e. arrearage forgiveness) from the customer's timely payment habits.

For all these reasons, PGW recommends that the Commission approve its pre-program arrearage forgiveness program as filed.

**3. Proof of Living Expenses from Households Reporting Zero or Minimal Income**

In its Tentative Order, the Commission asked PGW whether a written statement could be acceptable instead of requiring customers to provide documentation of monthly bills.<sup>35</sup> Similar to CAUSE-PA, TURN et al. recommends that PGW be required to provide customers with an alternative method to document income.<sup>36</sup> In its Comments, PGW explained its current process which requires documentation of housing costs and how those costs are being paid. PGW also went further and indicated that it would be willing to modify this process so documentation of housing costs would only be required occasionally – for applications selected as part of PGW's periodic review of CRP applications to prevent fraud.<sup>37</sup> PGW submits that this modification sets forth a reasonable resolution of this issue and should be adopted.

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<sup>35</sup> Tentative Order at 15-17.

<sup>36</sup> TURN et al. Comments at 6-8.

<sup>37</sup> PGW Comments at 7.

#### 4. Methods to Apply/Recertify for CRP

TURN et al. recommends that PGW be directed: (1) to offer alternate means of CRP application and recertification documentation submission, such as through the acceptance of facsimile transmittals and online applications; and, (2) to accept alternate forms of income verification for CRP recertification such as the current practice of PECO.<sup>38</sup> In its Comments, PGW explained that it accepts applications at its District Offices or by mail for all customers. PGW also mails an application to any customer upon request and makes applications available online for printing by customers.<sup>39</sup>

PGW is open to exploring new ways of receiving CRP applications and will soon begin the process of researching alternative application methods. As part of this process, PGW will investigate available options to submit their CRP documentation while ensuring that their personal information is kept secure.

Regarding PECO's practices, the use of LIHEAP as a means to enroll a customer into CRP would not provide sufficient data for PGW to determine CRP eligibility. Unlike PECO – which has a rate discount CAP – PGW's CRP is a Percent of Income Payment Plan and that percentage level determination is based solely on a customer's household income and occupancy size. LIHEAP does not provide this specific information. However, PGW has incorporated LIHEAP into its recertification process by granting CRP customers a one- year recertification waiver if they receive a LIHEAP grant that is assigned to PGW.

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<sup>38</sup> TURN et al. Comments at 8.

<sup>39</sup> PGW Comments at 9-10.

## 5. Trends Regarding CRP Enrollment

In response to the Tentative Order, PGW provided specific information regarding the possible reasons for the decline in CRP enrollment through the filing of the 2014-2016 USEC Plan. It also proposed to identify and aggressively target existing customers for whom PGW believes CRP would provide a more beneficial payment arrangement.<sup>40</sup> Without the benefit of considering this information, TURN et al. claims that PGW's "relatively high service termination rates and low reconnection rates generally" should be referred to the Office of Administrative Law Judge "for further investigation as part of the investigation of the reasons for the low levels of PGW CRP enrollment."<sup>41</sup> PGW submits that further investigation of this issue is completely unwarranted.

First, TURN et al. states that "winter after winter" PGW leads the state with the highest termination rates and has high cold weather survey numbers for households without a central heating source due to shut off and this is a reason for recent decline in CRP participation. Importantly, though, PGW has the highest number of confirmed low income customers of any Pennsylvania natural gas distribution company.<sup>42</sup> PGW is also obligated to try to correct its substantial uncollectible experience by taking all reasonable and prudent steps to reduce non-payment by customers, both in and outside of CRP. CRP participation does not mean that the customer is exempt from remitting the "asked to pay" amount. Any customer who does not remit this asked to pay amount imposes a burden on all remaining customers which negatively impacts all of PGW's customers.

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<sup>40</sup> *Id.* at 12-13.

<sup>41</sup> TURN et al. Comments at 4.

<sup>42</sup> See 2012 Report on Universal Service Programs & Collections Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies, Pennsylvania Public Utility Commission Bureau of Consumer Services at 6-7.

Notwithstanding this, the 2013 terminations of customers who were confirmed low income customers was consistent with the number in prior years, including years when CRP participation was at a peak. In addition, in PGW’s Cold Weather Survey, the number of households without a central heating source increased in 2013, but that increase was relatively modest – 525 – compared to the prior peak in 2011. These data alone certainly do not warrant an investigation of PGW’s service termination and collection practices with respect to CRP participation, particularly in light of the fact that the cold weather survey is not limited to low income consumers. The numbers were as follows:

	No Central Heating Source - All Incomes
Peak CRP Year 2009	8,397
Peak CRP Year 2010	8,416
Peak CRP Year 2011	8,524
2012	7,742
2013	9,049

Second, as requested by the Commission, PGW provided information regarding CRP trends,<sup>43</sup> and PGW submits that this information is sufficient to provide the Commission the information necessary to address its concerns. Finally, PGW’s Plan includes targeted outreach activities to potential CRP customers and, in PGW’s Comments, it proposed to identify and aggressively target exiting customers for whom CRP would provide a more beneficial payment arrangement.<sup>44</sup>

Accordingly, opening an investigation to determine whether PGW has violated Commission regulations with respect to terminations and collection practices, based on a very

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<sup>43</sup> PGW Comments at 12-13.

<sup>44</sup> *Id.* at 13.

selective view of a few statistics and in consideration of all the information provided in PGW's Comments would be both unwarranted and unjustified.

**B. Issues Not Included in Tentative Order**

TURN et al. states that the "Commission has tentatively approved PGW's USECP and has solicited comments on the eleven issues identified in its Tentative Order" while also claiming that the Commission "has not specifically evaluated a number of proposed modifications" that "raise serious concerns for TURN et al."<sup>45</sup> PGW disagrees with TURN et al.'s claim that the Commission has failed to specifically evaluate any of PGW's proposed modifications. On the contrary, as TURN et al. accurately states, the Commission has tentatively approved the 2014-2016 USEC Plan.<sup>46</sup> Thus, if the Commission did not seek specific comments on an issue, it has already evaluated it and approved it. Accordingly PGW does not support the opening of other issues as recommended by TURN et al. Nonetheless, PGW has evaluated TURN et al.'s comments on these issues and provides the following information for the Commission's consideration.

**1. CRP Stay-Out Provision and Treatment of Unauthorized Usage Charges**

TURN et al. is critical of PGW's policies regarding unauthorized use which: (1) disallows re-enrollment of a customer into CRP for a one-year period if the customer commits two or more incidents of unauthorized usage; and, (2) requires the customer to pay the entire unauthorized usage amount as a condition of service restoration.<sup>47</sup> TURN et al. characterizes these policies as "unfairly and specifically associat[ing] the CRP population with unauthorized

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<sup>45</sup> TURN et al. Comments at 11.

<sup>46</sup> Tentative Order at 6-7.

<sup>47</sup> TURN et al. Comments at 12.

use, without the submission of any evidence showing that CRP customers are more likely than other customers to engage in unauthorized use.”<sup>48</sup> Thus, TURN et al. recommends that these policies be rejected by the Commission or, alternatively, that PGW should be required to defend its policies in the context of a proceeding before the OALJ.<sup>49</sup>

TURN et al. unfairly characterizes PGW’s policies regarding unauthorized use and CRP as targeting or stigmatizing CRP customers. On the contrary, PGW’s policy is not designed to stigmatize the CRP population but rather to address the very serious issue of unauthorized gas usage – which hurts all PGW customers – and to ensure that PGW’s policies regarding theft are consistent for all customers. TURN et al. acknowledges that PGW has the ability pursuant to its Commission approved Tariff to refuse to provide gas service to an applicant who is responsible for unauthorized usage until all unauthorized use charges are paid.<sup>50</sup> PGW’s policy merely ensures that CRP customers are held to the same payment standard by requiring the customer to pay the entire unauthorized usage amount as a condition of service restoration, and this is a modification to the current program practice. Customers who engage in illegal activity must not be rewarded through financial assistance programs – such as CRP – which are paid by all PGW customers.

Further, PGW’s policy regarding a stay out for customers found to have committed theft is reasonably tailored. The one year stay-out restriction does not apply until the customer’s second offense. Due to the nature and seriousness of gas theft, PGW does not consider implementing a stay out clause as being “unfairly stigmatizing” or “unnecessarily punitive” as

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<sup>48</sup> *Id.* at 13.

<sup>49</sup> *Id.* at 13-14.

<sup>50</sup> *Id.* at 13, n. 9 referencing PGW Tariff Section 8.3.C.

any form of theft is a possible safety issue. Those individuals who willingly commit more than one act of theft should not be afforded the opportunity to participate in a program where other non-CRP customers are responsible for paying their costs.

Therefore, PGW urges the Commission to approve its policies in this regard as submitted in the 2014-2016 USEC Plan.

## **2. Enhanced Fraud Detection**

TURN et al. is critical of PGW's proposals to supplement and enhance existing controls to identify abuse of the program claiming that PGW has not set forth the cost and/or the anticipated benefits of these enhanced controls.<sup>51</sup> PGW has not proposed to make enrollment more burdensome, but rather that it perform appropriate checks to ensure that non-CRP customers are subsidizing only eligible CRP participants. All customers benefit by ensuring that only those who are eligible are receiving CRP assistance. PGW submits that its proposal strikes an appropriate balance between ensuring eligibility while attempting to make assistance available to all those in need. PGW's proposal is consistent with the 2012 Universal Service Program Impact Evaluation prepared by Apprise, Inc. and PGW will "select a small sample of suspect cases and conduct a thorough investigation of income and household composition." PGW is also investigating what other utilities and assistance programs utilize to ensure that benefits are being provided appropriately to those who are eligible.

## **IV. REPLY TO THE COMMENTS OF CAUSE-PA**

CAUSE-PA submitted comments in response to the Tentative Order. Although CAUSE-PA has not participated in prior PGW universal service plan dockets or the DSM docket, CAUSE-PA asserts that several of its members would be impacted by PGW's proposed 2014-

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<sup>51</sup> *Id.* at 14.

2016 USEC Plan.<sup>52</sup> While PGW is offering its reply to CAUSE-PA's comments below, PGW is not waiving its right to challenge CAUSE-PA's standing to participate in this proceeding. Further, PGW notes that CAUSE-PA provides comments that go well beyond those requested by the Commission in the Tentative Order and exceed the scope of the 2014-2015 USEC Plan. While PGW is also addressing these issues below, PGW urges the Commission not to be sidetracked by these issues and approve the 2014-2016 USEC Plan with the modifications set forth in PGW's Response and Comments.

**A. Specific CRP Issues Identified In Tentative Order**

**1. Social Security Numbers**

In the Tentative Order, the Commission requested that PGW review its CRP application procedures and consider alternatives to requesting a social security card and alternatives to requiring a social security number at all.<sup>53</sup> As set forth in PGW's Comments, it proposes to modify its procedures so that social security cards would only be required as part of PGW's periodic review of CRP applications to prevent fraud. If a household member does not have a social security number or the customer refuses to provide a social security number, then PGW would permit alternative forms of identification.<sup>54</sup>

Consistent with the comments offered by OCA and TURN et al., CAUSE-PA recommends that PGW be required cease its requirement for CRP participants to provide a copy of their social security card. CAUSE-PA also recommends that PGW be required to "prominently disclose" that a CRP applicant may withhold identifying information "without fear of any negative impact on his or her application" consistent with a negotiated settlement in a

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<sup>52</sup> CAUSE-PA Comments at 4.

<sup>53</sup> Tentative Order at 12-14.

<sup>54</sup> PGW Comments at 4.

PECO case.<sup>55</sup> PGW does not support this complete abandonment of the use of identifying information (such as a social security number). It is certainly reasonable to require some identification information, which is consistent with PGW's proposed procedure. PGW also opposes the additional disclosure requirements urged by CAUSE-PA. These proffered requirements are based on what was agreed to in a settlement involving a different utility. In its Comments, PGW set forth a reasonable resolution of this concern and proposes that such process be utilized.

## **2. Application of Arrearage Forgiveness**

Like OCA and TURN et al., CAUSE-PA expresses its strong support for "arrears forgiveness with every current, on time and in full CRP payment *and* retroactive arrears forgiveness once the customer has cured any defaulted CRP bills."<sup>56</sup> According to CAUSE-PA, not applying retroactive arrears forgiveness once the customer becomes current on CRP payments elongates the amount of time that will be required for the customer to have his or her pre-program arrears forgiven and acts as a disincentive for customers to catch-up on bills.<sup>57</sup> CAUSE-PA also relies on the Commission's decisions in other utility universal service proceedings, specifically PECO.

As set forth in its Comments, PGW does not support changing its current arrears forgiveness program to permit a customer to receive the benefit for months when they have not paid their monthly CRP bill on time and in full because it would undercut the effectiveness of the arrears forgiveness program to incent on time and in full payments from CRP customers.<sup>58</sup>

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<sup>55</sup> CAUSE-PA Comments at 7-8.

<sup>56</sup> *Id.* at 11.

<sup>57</sup> *Id.* at 12.

<sup>58</sup> PGW Comments at 4-6.

PGW also explained why its arrearage forgiveness program is distinguishable from the program UGI proposed which was modified by the Commission in its Comments and addressed the differences in PECO's CAP program above in Section III.A.2.

For the reasons set forth more fully in PGW's Comments, PGW urges the Commission to permit it to continue its arrearage forgiveness program which encourages and rewards positive, consistent payment practices – including the necessity of staying current on the bill.

**3. Proof of Living Expenses from Households Reporting Zero or Minimal Income**

In its Tentative Order, the Commission asked PGW whether a written statement could be acceptable instead of requiring customers to provide documentation of monthly bills.<sup>59</sup> Similar to OCA and TURN et al., CAUSE-PA recommends that PGW be directed “to adopt a verification process similar to that adopted by PECO.”<sup>60</sup> In its Comments, PGW explained its current process which requires documentation of housing costs and how those costs are being paid and indicated that it would be willing to modify this process so documentation of housing costs is only required occasionally – for applications selected as part of PGW's periodic review of CRP applications to prevent fraud.<sup>61</sup> PGW submits that this modification sets forth a reasonable resolution of this issue and should be adopted.

**4. Trends Regarding CRP Enrollment**

The Commission asked PGW to: (1) explain the decline of CRP enrollment over the past few years; (2) discuss any proposed changes; and, (3) explain why it anticipates the participant level or program budget of CRP to remain stagnant in light of the enhanced CRP outreach

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<sup>59</sup> Tentative Order at 15-17.

<sup>60</sup> CAUSE-PA Comments at 9.

<sup>61</sup> PGW Comments at 7.

efforts.<sup>62</sup> In response, PGW provided specific information regarding the possible reasons for the decline in CRP enrollment through the filing of the 2014-2016 USEC Plan and proposed to identify and aggressively target existing customers from whom PGW believes CRP would provide a more beneficial payment arrangement.<sup>63</sup>

CAUSE-PA offers three suggestions presumably intended to increase CRP enrollment. These suggestions are: (1) expanding CRP enrollment to meet current need; (2) incorporating a due process procedure regarding CRP enrollment decisions and/or service terminations; and, (3) focusing more resources on enhancing enrollment assistance to ensure that customers are properly completing CRP applications.<sup>64</sup>

While CAUSE-PA does not provide any concrete suggestions regarding its recommendation that PGW “take affirmative steps to expand CRP enrollment,” PGW’s Plan includes targeted outreach activities to potential CRP customers. As noted in the Plan, CRP is a percent-of-income program and, thus, not all customers who meet the income eligibility criteria to participate in CRP should enroll in the program because, for some, the CRP monthly payment would be higher than the average monthly bill (i.e. the budget bill/payment agreement).

CAUSE-PA recommends that PGW institute a clear and expedient process for customers to request immediate, utility-level review of denied CRP applications and notes that reliance on the Commission informal and formal processes is not sufficient.<sup>65</sup> PGW already has an effective process in place to address CRP enrollment decisions and/or service terminations. Whenever a customer applies for CRP either by mail or in person, their application is reviewed by a skilled

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<sup>62</sup> Tentative Order at 30-31.

<sup>63</sup> PGW Comments at 12-13.

<sup>64</sup> CAUSE-PA Comments at 4, 8, and 9.

<sup>65</sup> *Id.* at 8.

Customer Service Representative (“CSR”) who specializes in reviewing and processing applications. As part of their daily functions, these representatives are responsible for examining all CRP applications and are equipped to properly review a customer’s account as well as the documentation provided in order to determine the customer’s eligibility. When it is determined that a customer is ineligible for the program, the customer is provided with the reason for the denial and what actions (if any) must be taken by the customer in order for them to be enrolled. If the denial is due to CRP not being the most beneficial agreement, the customer is provided with a comparison that demonstrates why CRP is not the most beneficial and given terms for a payment arrangement if the customer qualifies. In response to CAUSE-PA’s scenario regarding a customer that may be eligible but is not enrolled, this could occur in instances where an up-front payment is required due to a prior unpaid CRP balance. In these situations, a CSR notifies the customer of what is needed to reenter into the program and informs the customer of his or her rights, which includes both how to avoid termination if the customer is on the collection path, as well as the customer’s right to file an informal complaint. PGW also has an internal process through quality assurance where a sampling of applications are selected randomly and reviewed. In this process, a group of applications along with the submitted documentation is reviewed by either a supervisor and/or manager to ensure that all applications are being processed accurately and in the same manner. Finally, as CAUSE-PA identifies, the Commission’s administrative process provides the customer with another opportunity to have the PGW determination reviewed. PGW disagrees with CAUSE-PA that additional “due process” procedures are appropriate or justified, in light of the significant cost and burden that would be imposed on the company and its customers.

Lastly, similar to issues raised by TURN et al., CAUSE-PA is critical of PGW's proposal to allocate CRP funds to fraud prevention based on the claim that there is no "proof that fraud is an actual issue."<sup>66</sup> Therefore, CAUSE-PA recommends that PGW's proposed funding for fraud prevention should be refocused on revising procedures, policies, and implementation to ensure that CRP applications are complete, enrollment is achieved, and customers are presented with affordable bills.<sup>67</sup> In its Plan, PGW committed to work on enhancing CRP enrollment. While PGW is committed to outreach efforts and working to ensure that low income customers are offered the most affordable payment arrangement, PGW – and all of its customers – have a significant interest in reasonable assurances that customers accurately state their household size and income. As the 2012 Universal Service Program Impact Evaluation prepared by Apprise, Inc. stated, "the most common concern that Universal Service staff noted about the program was that customers submit fraudulent information when applying for the CRP." As recommended in the evaluation, PGW will, "select a small sample of suspect cases and conduct a thorough investigation of income and household composition." The concern with fraud is reasonable and PGW shares the Commission's view that it is important to confirm that only eligible customers are benefitted from CRP. Therefore, PGW does not agree that its allocation of funds to fraud prevention should be adjusted as recommended by CAUSE-PA.

## **B. ELIRP**

CAUSE-PA offered several comments regarding PGW's ELIRP. Specifically, CAUSE-PA recommends that: (1) PGW be required to continue ELIRP past August 31, 2015 and, as part of that filing, to expand ELIRP at a budget of, at a minimum, \$10,000,0000 in 2015 and 2016;

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<sup>66</sup> *Id.* at 10.

<sup>67</sup> *Id.*

(2) PGW be required to incorporate ELIRP details into its USECP with sufficient specificity to enable coordination between ELIRP and other universal service programs; (3) PGW should be required to eliminate the requirement that eligibility requires participants to be no more than two months behind in CRP payments; and, (4) PGW be required to explain its ELIRP administrative costs.

As explained in both PGW's Response and Comments to the Tentative Order, the Commission approved PGW's ELIRP pursuant to the Order entered July 29, 2010 at docket numbers R-2009-2139884 and P-2009-2097639 as part of PGW's DSM plan – a proceeding in which CAUSE-PA did not participate. As PGW's ELIRP through August 31, 2015 has already been approved by the Commission based on a negotiated settlement with the parties in a different proceeding, PGW urges the Commission not to require PGW to implement changes to the existing plan as a part of this proceeding. Such changes now before the expiration of the DSM plan circumvents the review processes approved by the Commission in its July 29, 2010 Order as well as the overall, coordinated functioning of the DSM Plan.

Regarding the program and budget details that CAUSE-PA recommends should be included in any proposed continuation of ELIRP beyond August 31, 2015, PGW has requested that the Commission permit ELIRP to continue as part of the already established Commission-approved DSM process or, if the continuance of a DSM based ELIRP plan is not approved by the Commission, the contents of PGW's weatherization efforts be addressed as an amendment to PGW's 2014-2016 USEC Plan.<sup>68</sup> Thus, issues regarding program design and budget would be more appropriately addressed in one of these future proceedings.

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<sup>68</sup> PGW Response at 6-9.

Regarding CAUSE-PA's proposal to prohibit PGW from limiting eligibility to those who are not more than two months behind in CRP payments, CAUSE-PA cites to the LIURP regulations.<sup>69</sup> As explained in PGW's Comments, PGW's ELIRP was approved by the Commission. As such, the Commission has already implicitly waived, to the extent necessary, any Chapter 58 regulatory sections that may appear to be inconsistent.<sup>70</sup> Therefore, PGW does not support CAUSE-PA's suggestion to change the currently approved program.

Finally, PGW provided detailed information regarding the administrative costs associated with ELIRP in its Comments.<sup>71</sup> As such, there is no basis for a further investigation of these costs.

### **C. CRP Issues Not Included in Tentative Order**

CAUSE-PA raises several more issues that are beyond the scope of those noted for comment in the Commission's Tentative Order and asks the Commission to direct PGW to provide additional information about them. CAUSE-PA is unfairly using this process as a "CRP" information gathering expedition and PGW urges the Commission not to be sidetracked by this inappropriate attempt and approve the 2014-2016 USEC Plan with the modifications set forth in PGW's Response and Comments. Nonetheless, to the extent the Commission would benefit from additional input from PGW on these additional items, PGW offers the following.

#### **1. CARES Data Tracking and Retention Procedure**

CAUSE-PA requests that the Commission direct PGW to clarify the CARES data tracking and retention procedure to ensure a proper balance between customer privacy and

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<sup>69</sup> CAUSE-PA Comments at 15, citing to 52 Pa Code § 58.19(a).

<sup>70</sup> PGW Comments at 14-15.

<sup>71</sup> *Id.* at 10-11.

quality assurance.<sup>72</sup> CAUSE-PA specifically notes that such process should not track the substantive referral in connection with the customer to which the referral was provided but that tracking referrals generally is an important quality control measure. PGW has not proposed a CARES data tracking process that would link a customer with specific programs nor has PGW proposed to track substantive referrals. PGW proposed to track and identify the customers who are referred to the CARES process/program in general.

**2. External Sources Used To Verify Household Composition and Income**

CAUSE-PA also requests that the Commission require PGW to identify the external sources it uses to verify household composition and income and the data collection and maintenance standards used by those services.<sup>73</sup> Notwithstanding that the Commission did not require PGW to identify such sources in its Tentative Order, PGW does not currently use an unregulated data broker or credit reports. PGW disagrees with CAUSE-PA's assertion that a "governmentally controlled database" would not provide usable results for determining household income or composition assuming the consumer was supposed to provide their residence/income to the governmental agency. Likewise, PGW disagrees with CAUSE-PA's claim that this issue would require an intensive factual inquiry necessitating referral to the OALJ.

Currently, PGW randomly selects CRP applications and the documentation provided with them as part of its regular quality assurance reviews. During this review, PGW examines recent data from publicly-available City of Philadelphia Office of Property Assessment records to identify CAP applicants who may have higher than expected housing costs for a low-income household. CRP applicants who are the owner of record for a property that was sold within the

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<sup>72</sup> CAUSE-PA Comments at 12-13.

<sup>73</sup> *Id.* at 5-6.

previous five years for an amount that exceeds \$250,000, are asked to provide documentation of monthly housing costs (e.g., recent mortgage statement). If those costs exceed their monthly income, and if they are current in meeting those costs, PGW asks that they describe how they pay their housing cost. If they are receiving support from a third-party not in the household, but helping to pay housing costs, then that support is included as household income, and a re-determination is made regarding eligibility for the program. During this random review, for CRP applicants who received a LIHEAP grant in the current year, PGW uses the LIHEAP grant amount for a rough estimate of the applicant's household size and income and then compares it to what the customer reported on their CRP application. If the reported household size and income appears to align with the household size and income inferred by the LIHEAP grant, PGW is reasonably assured that the customer accurately reported their household and income. If not, PGW may ask for updated information.

### **3. Application of Overpayments**

Finally, CAUSE-PA requests that the Commission direct PGW to provide an explanation of how it will apply overpayments made by a CRP customer.<sup>74</sup> PGW's process for applying overpayments is a part of its currently approved CRP and PGW is not seeking any changes to this process.

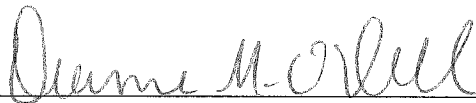
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<sup>74</sup> *Id.* at 12.

**V. CONCLUSION**

PGW appreciates this opportunity to provide its response to the comments submitted by OCA, TURN, et. al. and CAUSE-PA regarding its Universal Service and Energy Conservation Plan for 2014-2016. PGW respectfully requests that the Commission approval the plan consistent with PGW's Response, Comments and Reply Comments to Tentative Order dated April 23, 2014.

Respectfully submitted,



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