**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

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| Public Meeting held January 26, 2017 |
| Commissioners Present:Gladys M. Brown, ChairmanAndrew G. Place, Vice Chairman, StatementJohn F. Coleman, Jr.Robert F. PowelsonDavid W. Sweet, Statement |
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| Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2017‑2020 Submitted in Compliance with 52 Pa. Code § 62.4  |  Docket No. M-2016-2542415 |

**TENTATIVE ORDER**

**BY THE COMMISSION**

 On April 28, 2016, Philadelphia Gas Works (PGW or Company) filed a proposed Universal Service and Energy Conservation Plan for 2017-2020 (Proposed 2017-2020 Plan or USECP) in compliance with 52 Pa. Code § 62.4. On November 16, 2016, PGW amended its Proposed 2017-2020 USECP. By this Tentative Order, we indicate issues that require further attention on the record before approving a USECP for 2017-2020. We invite parties to comment on any provision of the Amended Proposed 2017-2020 USECP regardless of whether the provision has been addressed in this Tentative Order. We also provide for reply comments. We urge the parties to be cooperative in the exchange of information and data relative to this formal proceeding.

1. **BACKGROUND**

This Commission and various stakeholders began to address formally low-income policies, practices, and services at least as early as 1984. *See Recommendations for Dealing with Payment Troubled Customers*, Docket No. M-840403. As a result of that proceeding, the energy utilities began filing low-income usage reduction plans (LIURPs) and considering how to address arrearages for low-income customers.

 The Commission’s Customer Assistance Programs (CAP) Policy Statement at 52 Pa. Code §§ 69.261-69.267 (adopted in 1992 and last amended it in 1999) applies to class A electric distribution companies (EDCs) and natural gas distribution companies (NGDCs) with gross annual operating revenue in excess of $40 million. It provides guidance on affordable payments and arrearages and establishes a process for utilities to work with the Commission’s Bureau of Consumer Services (BCS) to develop CAPs. The Commission balances the interests of customers who benefit from CAPs with the interests of the other residential customers who pay for such programs. *See* *Final Investigatory Order on CAPs: Funding Levels and Cost Recovery Mechanisms*, Docket No. M-00051923 (Dec. 18, 2006), (*Final CAP Investigatory Order*), at 6-7.

 The Commission’s LIURP regulations at 52 Pa. Code §§ 58.1 – 58.18 (adopted in 1993 and last amended in 1998) require covered utilities to establish fair, effective, and efficient energy usage reduction programs for their low-income customers. The programs are intended to assist low income customers conserve energy and reduce residential energy bills. The Commission is currently reviewing its LIURP regulations at *Initiative to Review and Revise the Existing LIURP Regulations at 52 Pa. Code §§ 58.1 – 58.18*, Docket No. L-2016-2557886.

 The Natural Gas Choice and Competition Act (Competition Act), effective July 1, 1999, opened the natural gas supply market to competition. The universal service provisions of the Competition Act tie the affordability of gas service to a customer’s ability to maintain utility service. “Universal service and energy conservation” is defined as “policies, practices, and services that help low-income customers maintain their natural gas service” and includes CAPs, usage reduction programs, service termination protections, and consumer education. 66 Pa.C.S. §§ 2202 and 2203. Universal service programs are subject to the administrative oversight of the Commission, which must ensure that the utilities run the programs in a cost-effective manner and that services are appropriately funded and available in each utility distribution territory. 66 Pa.C.S. § 2203(8).

 The Commission’s *Universal Service and Energy Conservation Reporting Requirements* at 52 Pa. Code §§ 62.1-62.8 require each NGDC serving more than 100,000 residential accounts to submit an updated USECP every three years to the Commission for approval. 52 Pa. Code § 62.4. As an NGDC serving over 470,000 customers,[[1]](#footnote-1) PGW is required to maintain an approved triennial USECP and obtain an independent third-party review at least every six years. The Competition Act mandates that the Commission “ensure [that] universal service and energy conservation policies, activities and services for residential natural gas customers are appropriately funded and available in each NGDC territory.” 66 Pa. C.S, § 2203(8).

1. **HISTORY**

1. 2014-2016 USECP

 PGW’s most recent prior plan was its 2014-2016 Plan, approved by the Commission at Docket No. M-2013-2366301, by Final Order entered on August 22, 2014. Based on changes directed in the Final Order, PGW filed a Revised 2014-2016 Plan for 2014-2016 on September 22, 2014. On October 2, 2014, the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and the Tenants Union Representative Network (TURN) filed and served joint comments at Docket No. M-2013-2366301 alleging that PGW’s Revised 2014-2016 Plan was not consistent with the Final Order. On October 9, 2014, PGW filed and served reply comments. On November 13, 2014, the Commission issued an Order dismissing the issues raised by CAUSE-PA and TURN and approving the Revised 2014-2016 Plan. Thereafter, the Revised 2014-2016 Plan was implemented.

2. LIURP/DSM

 On July 29, 2010, the Commission approved a settlement related to PGW’s Demand Side Management (DSM I) proceeding at Docket Nos. R-2009-2139884 and P‑2009-2097639.[[2]](#footnote-2) Under the terms of the DSM I Settlement, PGW replaced its LIURP Conservation Works Program (CWP) with its Enhanced Low Income Retrofit Program (ELIRP) and incorporated ELIRP into its DSM I. As part of the DSM I, ELIRP targeted Customer Responsibility Program (CRP) customers with high usage and utilized contractors to provide weatherization services such as energy audits, weather stripping, insulation heating system improvement and replacement, and water heating system improvements. ELIRP began providing these no-cost weatherization services to CRP customers on January 1, 2011. PGW Revised 2014-2016 USECP at 3.

 On December 23, 2014, PGW filed its proposed DSM II Plan for 2015 through 2020 at Docket No. P-2014-2459362 (DSM II Petition). PGW initially proposed, *inter alia*, to continue to offer LIURP services as part of its DSM II but to change the name from ELIRP to CRP Home Comfort program. Petition at 3.

 A tentative order in PGW’s DSM II proceeding postulated, *inter alia*, modifying PGW’s annual LIURP/CRP Home Comfort budget. *PGW’s Petition for Approval of DSM II for 2015-2020*, Docket No. P-2014-2459362 (August 4, 2016). In comments to the DSM II Tentative Order, PGW expressed support for removing CRP Home Comfort from its DSM II back into its USECP. PGW DSM II Tentative Order Comments at 20.

 The DSM II Final Order directed PGW to set its 2017 Fiscal Year (FY) CRP Home Comfort budget at $5,860,506. The DSM II Final Order further directed PGW to incorporate CRP Home Comfort into its then-pending Proposed 2017-2020 USECP in a compliance filing within 15 days. *DSM II Final Order* (November 1, 2016) at 34-35.

3. Amended Proposed 2017-2020 USECP

 In compliance with Commission regulations, PGW had submitted its Proposed 2017-2020 Plan on April 28, 2016, and served the Office of Consumer Advocate (OCA), Community Legal Services (CLS), the Pennsylvania Utility Law Project (PULP), the Office of Small Business Advocate (OSBA), and the Bureau of Investigation and Enforcement (BIE). On November 16, 2016, in compliance with the DSM II Final Order, PGW filed an Amended Proposed 2017-2020 Plan, which incorporated LIURP in the form of CRP Home Comfort back into its Proposed 2017-2020 USECP as a universal service program.

 The four major components[[3]](#footnote-3) in PGW’s Amended Proposed 2017-2020 Plan are: (1) the CRP, (*i.e.*, PGW’s CAP), which provides discounts from tariff rates and arrearage forgiveness for low-income residential customers; (2) CRP Home Comfort, (*i.e.*, PGW’s LIURP), which provides weatherization and usage reduction services to help CRP customers reduce their utility bills; (3) the Customer Assistance and Referral Evaluation Services (CARES) Program, which provides referral services for low-income, special needs customers; and (4) a Hardship Fund, which provides grants to customers who have had their utility service terminated or are in danger of termination.

 PGW’s Amended Proposed 2017-2020 Plan appears to substantially comply with Title 66, Commission regulations, and Commission policy statements. The Amended Proposed 2017-2020 Plan appears to contain all of the components included in the definition of universal service at 66 Pa. C.S. § 2202. The Amended Proposed 2017-2020 Plan also tentatively appears to meet the requirements mandating that universal service programs be available in each large NGDC’s service territory and that the programs be appropriately funded. 66 Pa. C.S. § 2203(8). The Amended Proposed 2017-2020 Plan also appears to meet the submission and content obligations of the USEC Reporting Requirements and the CAP Policy Statement. The Amended Proposed 2017-2020 Plan also partially meets the submission and content requirements of the LIURP regulations at Sections 58.1-58.18, consistent with various temporary partial waivers that it has been previously granted. We shall discuss each program in greater detail below.

1. **DISCUSSION**

1. **USECP Modifications for the 2017-2020 Plan**

The Company listed several proposed changes for 2017-2020 compared to its last three-year plan:

* The CRP recertification period is extended from 30 days to 45 days. PGW is also enhancing its employee training to include a focus on recertification in an effort to decrease the number of CRP defaults.
* CRP customers who receive a Low-Income Home Energy Assistance Program (LIHEAP) grant annually and assign it to PGW are required to recertify only once every three years.
* CRP outreach to customers who receive a LIHEAP grant, are on a low-income payment agreement, or speak Spanish will be enhanced.
* The intake process will be modified to allow customers to apply for CRP online, beginning August 2017.
* CRP customers that use more than 2,125 CCF annually will receive energy education material and be referred to the CRP Home Comfort Program if appropriate.
* The CRP Home Comfort health and safety allowance will be increased to $2,000 as a temporary pilot.
* The Low Income Multi-family Efficiency program (LIME) will be implemented as a pilot for the CRP Home Comfort program.
1. **Program Descriptions as Proposed for 2017-2020**

1. Customer Responsibility Program (CRP) (*i.e.*, PGW’s CAP)

PGW’s CRP program offers discounts off residential tariff rates to payment-troubled customers if their income is less than 150% of the Federal Poverty Income Guidelines (FPIG) and the program will result in the most affordable payment option. Households already receiving a discounted payment through PGW’s Senior Citizen Discount (SCD) program are not eligible to apply for CRP. The program is intended to improve payment behavior, prevent loss of service, assist participants in conserving energy, reduce collection costs, and minimize the financial burden on non-CRP ratepayers. CRP is primarily funded by the Company’s residential ratepayers via a Universal Service Surcharge in the Company’s tariff.[[4]](#footnote-4)

 The primary features of PGW’s CRP program include:

* Reduced monthly payments based on a percentage of income.
* Complete arrearage forgiveness over a period of 36 months.
* Referrals to other community programs and services.

Customers in the CRP program are required to:

* Make timely and in-full payments as billed;
* Report changes to income and/or household size
* Apply for LIHEAP each year and assign the grant to PGW;
* Recertify annually (households who receive LIHEAP annually may recertify every three years);
* Accept CRP Home Comfort Program services if offered;
* Maintain usage within consumption limits;
* Provide PGW access to the meter if requested; and
* Authorize PGW to use external sources to verify household composition and income.

The CRP payment amount is based on a percentage of the household’s gross income. Customers are ineligible for the program if the monthly CRP bill exceeds the customer’s budget/payment arrangement amount. Table 1 describes the Percent of Income payment (PIP) for each income level.

**Table 1**

**Percent of Income CRP payment**

|  |  |
| --- | --- |
| **Income Category** | **Percentage of Income Payment** |
| 0 - 50% FPIG | 8% |
| 51 - 100% FPIG | 9% |
| 101 - 150% FPIG | 10% |

 PGW also charges CRP customers an additional $5 each month toward pre-program arrearages, if any. CRP customers can have their remaining pre-program arrearages completely forgiven within three years of entering the program. For each month that the customer pays his or her monthly CRP bill in full and on time, regardless of any existing CRP arrears, the Company will forgive 1/36th of the customer’s pre-program arrearage. Payments made in excess of the monthly CRP amount are first applied to any in-program arrears and then as a credit toward the next month’s bill. The minimum monthly CRP payment is $25, not including the $5 toward pre-program arrears.

 Customers are unable to re-enroll in CRP for a specified period if they are removed from the program for the following reasons: voluntary removal (stay-out for one year), refusing access to the meter (stay-out until access is granted), committing two or more incidents of unauthorized usage (stay-out for one year), submitting fraudulent information at application/recertification (stay-out for one year), or refusing weatherization services (stay-out until services are accepted).[[5]](#footnote-5)

 Based on our analysis of PGW’s CRP and a review of 399 informal PUC complaints from CRP customers opened between January 2015 and August 2016, we have identified areas of concern requiring clarification and/or correction as detailed below.

*a. Percent of Income vs. Budget Bill – Clarification Requested*

 BCS had informally asked PGW to consider modifying the CRP to allow customers to enroll in CRP at their budget billing level if it is lower than the PIP. This would allow low-income customers who do not currently qualify for CRP to enroll in the program and thereby receive the other benefits of the program, such as arrearage forgiveness and waived late payment charges. Low-income customers with monthly budget bill amounts lower than the CRP PIP would then be able to have their arrears deferred for forgiveness – or at least partially re-deferred if they were previously enrolled in CRP – and to pay only their monthly budget bill amount while earning arrearage forgiveness. Further, if a low-income customer cannot enroll in CRP, PGW does not allow that customer to enroll in its LIURP.

In its Amended Proposed 2017-2020 Plan, PGW reports it has evaluated this suggestion and found that it would increase the cost of CRP by approximately $26 million to $36 million annually. PGW asserts that this additional cost would place an unnecessary burden on non-CRP residential customers who subsidize the cost of this program. PGW maintains that allowing customers to satisfy arrearages through a payment arrangement if it is lower than the CRP payment is preferable to increasing the cost of the program. Amended Proposed 2017-2020 Plan at 4.

 Out of the 399 CRP informal complaints reviewed by BCS for this Order, 76 (19 percent) of the complaints were from customers who were determined ineligible for CRP because their monthly budget or payment arrangement bills were lower than the CRP PIP amount. However, in order to qualify for the budget bill or payment arrangement, many of these customers were often required to make up-front payments that were beyond their means. If a customer has already broken two or more payment agreements – and is therefore ineligible for further payment arrangements – PGW will only consider whether the CRP PIP amount is lower than the budget bill, regardless of existing arrears.

 Out of the 76 complaints received from customers denied CRP enrollment because of this issue, 13 were instructed to immediately pay balances between $500 and $1,000; 11 were instructed to pay balances between $1,000 and $2,000; 7 were instructed to pay balances between $2,000 and $3,000; and 6 customers were instructed to pay balances exceeding $3,000. These customers were ineligible for further payment arrangements and faced termination.

 PGW has not explained how it arrived at the CRP cost increase estimate of $26 million to $36 million annually if it permits customers to enroll in the program with budget billing. As described on page 17 of the Amended Proposed 2017-2020 Plan, CRP expenses consist of administrative costs, CRP discounts, and arrearage forgiveness. Since customers paying a budget bill in CRP would not receive a discount from tariff rates, we presume PGW bases its estimate only on the projected impact to administrative costs and arrearage forgiveness.

*Proposed Resolution*: In its response to this Tentative Order, we request that PGW provide details of its evaluation of a CRP revision that would allow customers to enroll in CRP based on a PIP or a budget bill payment, whichever is more affordable. Specifically, PGW should provide a cost breakdown estimate that explains how this change would result in an increase of program costs of approximately $26 million to $36 million.

We also request PGW to report the following data in its response:

* How many low-income customers were denied CRP enrollment in 2013, 2014, and 2015 due to the CRP rate not being the most advantageous?
	+ Of this number:
	+ How many were entered into payment arrangements? How many of these payment arrangements were broken?
	+ How many were ineligible for further payment arrangements and were rejected based on their budget bill amount?
		- Of this number, identify how many had arrears:
			* Less than $500
			* Between $501 and $1000
			* Between $1001 and $2000
			* Between $2,001 and $3,000
			* Exceeding $3,000
* How many low-income customers with usage levels above 2,125 CCF were denied CRP Home Comfort enrollment in 2013, 2014, and 2015 because they could not enroll in CRP due to the CRP rate not being the most advantageous?
* The total amount of deferred arrears and in-program arrears for CRP customers at the end of 2013, 2014, and 2015, broken down by income level (*i.e.,* 0-50%, 51-100%, and 101-150%).

*b. Pilot Consumption Limits* – Clarification Requested

 PGW proposes implementing a consumption limit pilot for CRP participants. If household annual gas consumption exceeds 2,125 CCF,[[6]](#footnote-6) the Company will send the CRP customer a letter explaining CAP Policy Statement exceptions to consumption limits[[7]](#footnote-7) and providing conservation tips. PGW will also refer the household to CRP Home Comfort for weatherization. If customers who exceed the consumption limit decline CRP Home Comfort services, the Company will remove them from CRP. Amended Proposed 2017-2020 Plan at 18.

 For the 2017-2020 pilot, PGW proposes to develop a “Reason Analysis” to explore the causes of excess gas usage and use this information, as well as the other results of the pilot, to propose a final consumption limit policy in its next USECP filing. PGW plans to develop consumption or CAP credit limits for its CRP that will be recalculated each year based on a usage distribution analysis. Amended Proposed 2017-2020 Plan at 19.

*Proposed Resolution*: The Commission supports establishing consumption limits to control the costs of CAPs and to identify high users for energy education and weatherization services. In its response to this Order, we ask PGW to address the following questions regarding its proposed pilot consumption limit policy. This additional information about PGW’s proposed consumption limit pilot is required prior to approval. Specifically:

* How and when will CRP participants be informed of this consumption limit once implemented?
* What will happen if CRP participants continue to exceed the consumption limit after energy education and weatherization services are provided?
* What is the projected annual cost of the proposed “Reason Analysis” for evaluating the causes of excess gas usage?

*c. External sources used to verify CRP customers household composition and income* – Clarification Requested

 The Amended Proposed 2017-2020 Plan states that CRP participants must “[a]uthorize PGW to use external sources (*e.g.*, government records, credit reporting bureaus, and third party income verification sources) to verify household composition and income.” Amended Proposed 2017-2020 Plan at 9.

This authorization is also a program requirement in PGW’s current USECP. Revised 2014-2016 USECP at 9. In its 2014-2016 USECP proceeding, PGW provided clarification about how this authorization is used: The Company reported it utilizes information from the City of Philadelphia Office of Property Assessment and LIHEAP during random reviews of CRP accounts. If the customer’s current property was sold in the past five years for an amount exceeding $250,000 and/or if the household received a LIHEAP grant for an amount inconsistent with their reported household size and income, they will be required to provide additional information or documentation to explain it. PGW 2014-2016 USECP Reply Comments at 29-30. PGW reported that it does not utilize credit reports or information from unregulated data brokers as part of this review process. PGW 2014-2016 USECP Reply Comments at 29.

The Amended Proposed 2017-2020 Plan, however, continues to include credit reporting bureaus and other third party entities as potential income verification sources.

*Proposed Resolution:* It is not clear whether PGW continues to utilize only the Philadelphia Office of Property Assessment and LIHEAP to verify CRP household information. We note that we recently directed another utility to follow the Federal Credit Reporting Act (FCRA) requirements when using credit bureau information to question a CAP participant’s eligibility. *See PECO 2016-2018 USECP Final Order,* Docket No. M-2015-2507139 (August 11, 2016), at 33-38.

In its response to this Order, PGW should explain whether its use of external sources to verify CRP household information has changed. If the Company is now using credit reporting information as part of its periodic reviews of CRP accounts, it should explain how this process complies with the FCRA.

*d. Requiring Quarterly Tax Returns for Income Verification* – Change Requested

 Our review of informal PUC complaints from CRP customers revealed that PGW requires self-employed customers to verify household income by providing their most recent quarterly tax return. At least five self-employed customers reported to BCS that they were denied eligibility for CRP because they could only provide annual tax returns as verification of their income.

 We have concerns about PGW’s policy to reject CRP applications from self-employed customers if they are unable to provide quarterly tax returns. According to the Internal Revenue Service (IRS), self-employed individuals are generally required to file annual tax returns and pay an estimated tax quarterly.[[8]](#footnote-8) There does not appear to be a requirement that these individuals must file tax returns quarterly to verify current income and expenses. We are not aware of any other energy assistance program, including LIHEAP, which requires quarterly tax returns as proof of income from self-employment.

 To qualify for CRP, self-employed customers are often forced to file a quarterly tax return immediately or wait until their next annual tax return is filed. Either situation creates a delay in receiving CRP benefits, which may lead to increased utility debt and possible termination of service.

*Proposed Resolution*: In its response to this Order, we ask PGW to address how the Company will amend its policy and accept annual tax returns as proof of income for self-employed customers. If PGW chooses to maintain its current policy, the Company should provide an explanation why.

e. *Reenrollment Procedure for Former CRP Participants* – Clarification Requested

 The Amended Proposed 2017-2020 Plan states that CRP customers whose service is terminated must pay past-due CRP bills in full and the reconnection fee to restore service and re-enroll in CRP. Amended Proposed 2017-2020 Plan at 17.

 However, the Amended Proposed 2017-2020 Plan does not describe what amounts customers must pay to re-enroll in CRP if they are voluntarily or involuntarily removed from the program. For example, some energy utilities require customers to pay all CAP and non-CAP arrears (with the exception of the originally deferred balance) prior to re-enrollment. Other utilities require customers to pay any CAP arrears and the amount of CAP bills for the months spent out of the program. We are aware that PGW often requires customers to pay a “CRP cure” amount prior to reenrollment, but how this amount is determined is not discussed in the Amended Proposed 2017-2020 Plan.

*Proposed Resolution:* In its response to this Order, PGW should explain what amounts it will require a customer to pay prior to reenrollment into CRP (*i.e.*, CRP Cure).

*f. CRP Future Intake Process* – Clarification Requested

 In its Amended Proposed 2017-2020 Plan, PGW reports it is developing an online CRP application that will allow customers to apply for the program through the PGW website, check the status of their application, and receive electronic correspondence. Applying for CRP in-person or via mail will still be available. PGW anticipates its website CRP application will be available by August 2017. Proposed 2017-2020 Plan at 13.

*Proposed Resolution:* We support PGW’s effort to provide customers with more options in applying for CRP. Electronic submissions should make the application process more convenient and allow PGW and its customers to exchange information more quickly. However, in its description of this new process, PGW does not explain whether it will also allow customers to securely submit requested documentation (*e.g.*, paystubs, identification, tax returns) through its website and whether this process will allow customers to complete CRP recertifications and applications for CRP Home Comfort or its Hardship Fund as well.

 In its response to this Order, PGW should provide these additional details about its proposed online intake process.

2. CRP Home Comfort (*i.e.*, PGW’s LIURP)

PGW’s CRP Home Comfort is designed to assist CRP customers in reducing their energy usage and bills through cost-effective weatherization services and energy conservation education. A secondary goal of the program is to help reduce the overall long-term cost of the CRP Home Comfort program paid by all PGW customers. PGW contracts with three independent conservation service providers (CSPs) to provide weatherization services. Each CSP undergoes a semi-annual evaluation. PGW reallocates contractor funding amounts and work assignments based on performance results to assist in the improvement of both short and long-term goals.

The primary conservation measures provided by CRP Home Comfort include, as necessary, an energy audit, air sealing, insulation, heating system improvements, repairs or replacements, and energy conservation education. PGW is transitioning its LIURP services from its DSM back into its USECP.

To receive CRP Home Comfort services, a single-family low-income household must meet the following criteria:

* Be enrolled in CRP;
* Have weather normalized usage within the top 50% of all CRP customers and at least twelve months of continuous service at their current property;
* Have not received CRP Home Comfort services over the previous seven years; and
* Reside in a single-family home. If the customer rents the home, the landlord must provide permission for PGW to perform weatherization measures.

As part of its CRP Home Comfort’s usage reduction efforts, PGW has a Pilot Conservation Incentive Credit program, which offers CRP customers a $100 “incentive credit” on their bill if they significantly reduce usage compared to the prior winter season[[9]](#footnote-9) (November through April). To qualify for this credit, CRP customers who have not received weatherization services in the past two years must reduce gas usage by 10% or more. CRP customers who have received weatherization services in the past two years must reduce their gas usage by 20% or more. Only customers enrolled in CRP from November through April are eligible for this credit.

PGW proposes to implement a “Health and Safety” pilot beginning in 2017 that would allow contractors to spend up to $2,000 for health and safety measures in a residence to address conditions that prohibit cost-effective weatherization. This pilot will target the highest usage homes. CSPs must project energy savings of at least 25% for a residence to qualify for this increased health and safety allowance. PGW will pre-screen all residences selected for this pilot, and the total amount spent on health and safety measures shall not exceed $100,000 per year.

PGW also proposed to implement a Low Income Multi-family Efficiency (LIME) pilot program. Customers living in multi-family properties can qualify for CRP Home Comfort services if 75% of the tenants in their building have incomes at or below 150% of the FPIG.[[10]](#footnote-10)[[11]](#footnote-11)

*a. CRP Home Comfort Eligibility-* Change Requested

 PGW states in the Amended Proposed 2017-2020 Plan that only low-income customers enrolled in the CRP program are eligible for LIURP. Proposed 2017-2020 Plan at 21.[[12]](#footnote-12)

PGW’s practice of restricting LIURP services to CRP customers excludes several groups of low-income customers. One such group is low-income households already receiving a discounted payment through PGW’s Senior Citizen Discount (SCD) program, who are not eligible to apply for CRP. Other groups that are systemically excluded are those low-income customers who are on budget billing, those who are under the one-year “stay-out” provision of CRP, and those who were unable to make a lump sum payment to reenroll in CRP.

*Proposed Resolution*: The LIURP Regulations at Section 58.10 (a)(1) expressly prioritize eligible LIURP customers based on usage, arrears, and income. The regulations do not designate or require that low-income customers be enrolled in customer assistance programs in order to be eligible for LIURP, so the use of CRP/non-CRP status is not an acceptable criterion for eligibility determination. The Commission has previously required that all low-income customers, who otherwise meet eligibility requirements, be allowed to participate in LIURP, especially if they have high usage. [[13]](#footnote-13)

PGW should include ***all*** known low-income customers when determining LIURP eligibility, regardless of their enrollment status in CRP or request a waiver of Section 58.10 (a)(1) consist with regulations. This is addressed in greater specificity in the *Projected Needs Assessment* section below.

*b. Transition of LIURP Services from DSM back into USECP-* Clarification Requested

 In the DSM II Order, entered November 1, 2016, at Docket No. P-2014-2459362 the Commission directed PGW to transition its LIURP or CRP Home Comfort program, including the Low-Income Multifamily Efficiency Program (LIME) back into the USECP portfolio of programs and to provide details for a seamless integration. DSM II Order at 27. In compliance, PGW filed its Amended Proposed 2017-2020 Plan.

 PGW provided a pro-rated budget of $2,165,482 for the calendar months of September 2017-December 2017, to accommodate the four-month offset between LIURP in the PGW DSM Fiscal Year (FY), which ran from September1st until August 31st, and the USECP LIURP Program Year (PY), which will runs from January 1st until December 31st.

 The DSM II Order also directed BCS to review the administrative costs associated with the transition. DSM II Order at 27. PGW submitted a 2017 CRP Home Comfort Budget of $6,571,445, which is a difference of $710,939 from the $5,860,506 approved by the Commission for the 2017 FY. PGW states in a footnote to *Table 6: CRP Home Comfort Estimate Budget*, that the $6,571,445 includes administrative and programmatic costs. Proposed 2017-2020 Plan at 24. PGW has stated that it intended to keep the program costs combined with the DSM costs and allocate them across the entire portfolio. DSM II Order at 24.

*Proposed Resolution:* The pro-rated budget to accommodate the months that were covered in the transition appears to be a satisfactory approach.

 It is unclear, however, exactly what the additional $710,939 costs cover, and what portion, if any, of those costs is covering the efficiencies lost by the removal of the CRP Home Comfort program from the DSM portfolio. PGW should provide specific information related to the $710,939 program and administrative cost, and indicate which costs, or which portion of the costs, are associated with DSM or USECP.

*c. Health & Safety Pilot-* Clarification Requested

 PGW has proposed to initiate a pilot program beginning in 2017 that would allow contractors to spend up to $2,000 per-project on the installation of health and safety measures, without the cost impacting the project’s TRC cost-effectiveness. PGW proposes parameters for the pilot that would include pre-screening of potential projects and that the work scope should be tied to the installation of measures that will produce savings. Amended Proposed 2017-2020 Plan at 25.

*Proposed Resolution*: We are very supportive of this pilot and are interested to see the results. We recognize that a large percentage of homes are disqualified from receiving weatherization due to health and safety issues. Certainly, a portion of those homes could be salvaged from disqualification with a small investment to remedy the issues prohibiting the home from participating in CRP Home Comfort. We agree with the proposed parameters for the pilot.

 PGW did not, however, indicate the duration of this proposed pilot or propose success metrics to move it from pilot to permanent status, and we ask PGW to provide that information in its response to this Tentative Order. Further, PGW requests waivers of Sections 58.11, 58.12, and/or 58.18, and we ask the company to clarify the reason waivers would be necessary and the basis for granting the requested waivers. We remind PGW that waivers are generally granted narrowly and only for a finite term. PGW should ensure that it has met the prerequisites for consideration of waivers.

*d. Conservation Incentive Credits Pilot*-Clarification Requested

PGW provides a general description of the Conservation Incentive Credits Pilot, which rewards those customers who reduce their weather normalized usage by ten percent or more, during the period of November through April. Amended Proposed 2017-2020 Plan at 25. This pilot is available to CRP customers who ***did not*** receive PGW weatherization services in the prior two years and provides an incentive of a $100 credit on their bill if they achieve a reduction of 10% during the specified time period. The pilot is also available to those CRP customers who ***did*** receive weatherization in the prior two years, but those customers must achieve a reduction of 20% or better during the specified period to receive the $100 credit on their bill. Amended Proposed 2017-2020 Plan at 25. PGW indicates that only customers who are on CRP for the entire duration of the pilot are eligible. PGW also states that it has issued communications to encourage participation in the pilot and that it will monitor the program.

*Proposed Resolution:* PGW has not provided sufficient details to allow a complete evaluation of this proposal. In its response to this Tentative Order, we ask PGW to provide additional details. Specifically, when the pilot began, any budgetary restrictions, estimated (or known) number of participants, results to date (if it has already begun), and to describe the method and outreach of the communications for the pilot.

*e. LIME- Clarification Requested*

 PGW will implement the Low Income Multi-family Efficiency program (LIME) in accordance with the DSM II Order, beginning in 2017 and running through 2020. LIME will provide weatherization and energy conservation education for multi-family properties in which at least 75% of the residents are confirmed low-income customers. PGW states that it reserves the right to decrease the percentage beginning in FY17, with showing of cause and with unanimous approval of the signatory parties’ written consent or by Commission Order. Amended Proposed 2017-2020 Plan at 20-21.

*Proposed Resolution:* We seek clarification on several points. First, since FY17 would be the first year of the program, it seems premature to suggest decreasing the low-income threshold of the building before the program has even started. PGW should clarify if FY17 is the correct year for the LIME program to reconsider the 75% threshold of building occupants being low-income. Second, we question the language pertaining to the written consent of “signatory parties.” PGW should identify the signatory parties and clarify the language related to making program changes with signatory parties’ approval. Finally, while the FY17 LIME budget is set at $120,048, it is unclear what portion of the $710,939 LIURP administrative and programmatic costs, if any, are associated with this program. We ask PGW to clarify whether the $120,048 budget already includes estimated administrative costs, and, if not, to include the portion of such associated costs in the comments. PGW should identify what portion, if any, of the $710,939 administrative and programmatic costs are attributed to the LIME program.

*f. CRP Home Comfort Budget*

 In accordance with the DSM II Order, the FY17 budget for the CRP Home Comfort program was set at $5,860,506. PGW added administrative and programmatic costs of $710,939 to the FY17 figure to arrive at a total budget of $6,571,445. Amended Proposed 2017-2020 Plan at 23. The remaining estimated program budgets for 2018 - 2020, including the pro-rated amounts for September 2017 – December 2017, were presented in *Table 6: CRP Home Comfort Estimated Budget* on page 24 of the Amended Proposed 2017-2020 Plan. According to PGW, these budgets were based upon the analysis of the number of customers who still need LIURP and the cost of serving those customers. Amended Proposed 2017-2020 Plan at 23.

*Proposed Resolution:* The record regarding a CRP Home Comfort budget for 2018-2020 USECP is insufficient for us to evaluate at this time. See the *Projected Needs Assessments* section below for a discussion of the concerns regarding the PGW Needs Assessment methodology and calculations.

3. CARES

 PGW’s CARES program helps customers with special circumstances (*e.g.*, unemployment, family emergencies, and age-related issues) by providing referrals to internal and external organizations or programs for assistance. The CARES program consists of two components: “quick-fix” and case management. Quick-fix cases involve referral-only services to help customers resolve issues affecting their ability to pay their gas bill. Case management goes further by providing follow up services and ongoing monitoring of the customer’s situation. CARES services are available to any customers with (1) income at or below 150% of the FPIG who are experiencing difficulty paying their bills, (2) a personal crisis that is likely to lead to a financial crisis, or (3) a valid protection from abuse (PFA) order.

*Tracking Quick-Fix Referrals* – Clarification Requested

 In its Revised 2014-2016 Plan, PGW reported that enhancements were being made to the CARES program to allow ongoing tracking of quick-fix referrals.[[14]](#footnote-14) Revised 2014-2016 USECP at 20. In the Amended Proposed 2017-2020 Plan, the Company states that quick fix referrals are not tracked. Amended Proposed 2017-2020 Plan at 27. PGW gives no explanation about why it did not implement the necessary enhancements to track these referrals consistent with its Revised 2014-2016 Plan.

*Proposed Resolution*: In its response to this Order, we request PGW to explain why it has not implemented the system enhancements needed to track quick-fix CARES referrals and when it plans to implement the tracking mechanism in the future. If the Company is not planning to implement this tracking mechanism, it should provide an explanation why.

4. Hardship Fund

 PGW conducts its Hardship Fund program in partnership with the Utility Emergency Service Fund (UESF) to provide financial assistance to eligible customers whose service is terminated or in termination status. PGW contributions will match a UESF grant via a bill credit up to $750 to help resolve a heating emergency. The combination of the PGW matching credit and the UESF grant cannot exceed $1,500 and must eliminate all arrears.

 To qualify for PGW’s Hardship Fund, a customer’s service must be off or be under threat of termination. Further, the customer must not have received a UESF grant within the past two years, must have applied for LIHEAP Cash and Crisis grants (if available), and must have a gross household income at or below 175% of the FPIG. PGW anticipates contributing $795,500 annually to Hardship Fund grants for 2017-2020. The Company estimates operating (administrative) costs for this program will be $260,149 annually.

*Requiring the Hardship Fund Grant to Satisfy Deferred Arrears* – Change Requested

 The Amended Proposed 2017-2020 Plan states that customers may only qualify for the Hardship Fund if the UESF grant and PGW matching credit will eliminate all account arrears, including frozen (deferred) arrears[[15]](#footnote-15) for CRP participants. Amended Proposed Plan at 29. This requirement is unchanged from the Company’s Revised 2014-2016 Plan. Revised 2014-2016 USECP at 21.

 We have concerns about denying Hardship Fund benefits based on the amount of deferred arrears in a CRP account. Deferred arrears are not part of the balance owed by CRP customers to restore service[[16]](#footnote-16) or to avoid service termination. Our review of informal PUC complaints by CRP customers shows these deferred arrears may total several thousand dollars. Unlike “traditional” in-program arrears[[17]](#footnote-17) on a CRP account, deferred arrears take longer to reduce and eliminate. LIHEAP Cash and Crisis grants cannot be used to pay down deferred arrears, and PGW forgives only 1/36th of the deferred balance with each on-time and in-full monthly CRP payment. Since a deferred balance is only reduced incrementally over three years, CRP customers with large deferred arrears are less likely to qualify for Hardship Fund benefits if they find themselves without service or in threat of termination.

*Proposed Resolution*: In its response to this Order, we ask PGW to explain how it will modify its Hardship Fund policy and eliminate the requirement that a Hardship Fund grant must satisfy a CRP customer’s deferred arrearage balance as a precondition for eligibility. If the Company maintains its current policy, it should explain and provide support why it is not willing to make this change.

 PGW should also identify the number of customers rejected for Hardship Fund grants in 2014 and 2015 because the grant amount would not eliminate their deferred arrearage balance.

1. **Eligibility Criteria**

The four components of PGW’s Plan have slightly different eligibility criteria as demonstrated in Table 2 below:

**Table 2**

**Eligibility Criteria**

|  |  |  |
| --- | --- | --- |
| **Program** | **Income Criteria** | **Other Criteria**  |
| CAP (CRP) | * 150% FPIG or less
 | * CRP must be the most affordable payment option
* Must be a residential customer
* Premises must be primary residence
* Does not need to be payment-troubled
* Must not be enrolled in SCD program
 |
| LIURP (CRP Home Comfort) | * 150% FPIG or less
 | * Must be enrolled in CRP
* Priority is given to the highest users (top 50% of CRP customers)
* Have at least 12 months of continuous service
* Must not have received weatherization services over the previous seven years
* Must reside in a single-family home
* **For multi-family properties:** At least 75% of tenants must have incomes at or below 150% of FPIG
 |
| CARES | * 150% FPIG or less
 | * Hardship due to financial or non-financial crisis or Protection From Abuse order
 |
| Hardship Fund | * 175% FPIG or less
 | * Service must be off or in threat of termination
* Have not received UESF grant in the past 24 months
* Must have applied for LIHEAP Cash & Crisis, if available
* Grant total cannot exceed $1500 and must completely eliminate customer arrearage
 |

*Proposed Resolution*: We have addressed our concerns regarding PGW’s LIURP eligibility requirements in our discussion above.

1. **Projected Needs Assessments** – Clarifications Requested

PGW is required to submit a needs assessment for each program component pursuant to Section 62.4(b)(3). Table 3 describes the needs assessment analysis for PGW’s CRP, CRP Home Comfort, CARES, and Hardship Fund programs.

**Table 3**

**Needs Assessment**

|  |  |
| --- | --- |
|  |  |
| 1. Identified number of low-income customers\* | 120,762[[[18]](#footnote-18)] |
| 2. Estimated number of low-income customers\*\* | 178,899 |
| 3. Identified number of payment troubled, low-income customers | 25,442 |
| 4. Number of low-income customers needing LIURP  | 21,349 |
| 5. Cost to serve all LIURP-eligible customers | $40,945,780 |
| 6. Average CARES participation | 271 |
| 7. Average Hardship Fund participation | 1,167 |

\* Includes active CRP customers, non-CRP customers who received a utility grant, and non-CRP customers with a low-income payment agreement.

\*\* Numbers based on 2011-2013 Census Data of percentage of individuals with incomes at or below 150% of the FPIG (38%) multiplied by the average monthly count of residential customers in 2015 (470,788).

 We agree with the estimated number of low-income customer figure of 178,899, in the table above. *See Table 3: Needs Assessment*. This number is consistent with the number PGW reported as part of the required Universal Service Reporting Requirements (USR) in 2015, which is the latest data reported to the Commission. BCS provides the Census Data[[19]](#footnote-19) for all the USR reporting utilities to ensure a consistent methodology is used when determining the estimated number of low-income customers at 150% FPIG within the service territory.

We do, however, have several concerns with PGW’s Needs Assessment. We find it unrealistic that a utility whose service territory has the highest percentage[[20]](#footnote-20) of low-income customers in the Commonwealth could identify a total of only 21,349 low-income customers who could benefit from LIURP services. We do not agree with PGW’s total estimate of 21,349 eligible customers. By our proposed calculations, which we explain in the following paragraphs, we estimate that there could be at least 101,893 potentially eligible low-income customers available for CRP Home Comfort during program years 2017-2020. *See Table 4: PGW-BCS Needs Assessment Comparison Table.*

|  |  |
| --- | --- |
|  | **Table 4** **PGW-BCS Needs Assessment Comparison** |
|  | Individual Reduction Criteria | PGW # | Explanation of BCS Adjustment | BCS Adjusted # |
| 1 | Estimated Low-Income | 178,899 |  | 178,899 |
| 2 | "Identified Low-Income" | 120,762 | Use CLI from USR Reporting | 161,961 |
| 3 | Lower Usage (Less than 50%) | -61,123 |  | -61,123 |
| 4 |  | 59,639 |  | 100,838 |
| 5 | "Usage not...significant" | -4,809 | Unclear if already counted  | 4,809 |
| 6 | Non-CRP Low-Income customers | -9,812 | Must count ***all*** eligible | 9,812 |
| 7 |  | 45,018 |  | 115,459 |
| 8 | Less than 12 months… | -1,349 | Year to year can change, so recommend counting half of this total. Total = 20,206/2 = 10,103  |  |
| 9 | Termination in prior year… | -2,118 |  |
| 10 | Less than 1 year residency… | -6,080 |  |
| 11 | Treated comprehensively… | -5,160 |  |
| 12 | Can't treat "due to issues"… | -5,499 | -10,103 |
| 13 |  | 24,812 |  | 105,356 |
| 14 | Rental premises… | -3,093 |  | -3,093 |
| 15 | Wx under another program… | -370 |  | -370 |
| 16 | **TOTAL Needing LIURP** | **21,349** |  | **101,893** |

Wx = Weatherization

The 2015 USR also includes a Confirmed Low Income (CLI) figure.[[21]](#footnote-21) We question why PGW did not also use this 2015 USR reported CLI customer figure when calculating its needs assessment, as this figure is part of required reporting data, is less subjective than PGW’s proposed 120,762 figure, and is consistent with the methodology used by other utilities. In the 2015 USR reporting, PGW’s CLI number was 161,961. The November 2016 figure of 120,762 that PGW presents in its needs assessment is considerably different*. See* #2 in Table 4: *PGW-BCS Needs Assessment Comparison*. It appears that the PGW CLI figure of 120,762 may be too low, particularly since we have asked PGW above to include all known low-income customers, without excluding those not enrolled in CRP, in order to be consistent with LIURP regulations.

In addition to under-representing the initial CLI number, PGW also applied ten (10) different selection criteria to its “Identified Low-Income” figure of 120,762 to further screen and reduce that number of potentially eligible low-income customers for CRP Home Comfort down to only 21,349 customers. *See #16* in *Table 4: PGW-BCS Needs Assessment Comparison.* While PGW cited to a previously approved USECP for each of the individual reduction criterion, we note that none of the other utilities that provide LIURP services apply such a stringent and cumulative screening to the total pool of potentially eligible customers.

As part of the reduction screening, PGW initially removed 61,123 lower usage customers from the eligibility pool who do not meet the 50% higher usage threshold. Amended Proposed 2017-2020 Plan at 12. We agree with this reduction. *See #3* in *Table 4: PGW-BCS Needs Assessment Comparison.*

Our proposed estimation starts with the known USR CLI figure of 161,961 and then deducts those low-income customers with insufficient usage (61,123), leaving 100,838 potentially eligible in the pool. *See #2-#4* in *Table 4: PGW-BCS Needs Assessment Comparison*. This estimation would reflect all current known CLI customers including those not enrolled in CRP.

PGW then removed 4,809 customers “whose weather normalized usage was not statically significant and could not be properly evaluated for cost effectiveness.” Amended Proposed 2017-2020 Plan at 12. We question the removal of the 4,809 customers, as it is unclear if these customers were already represented in the prior screening step above which removed the customers with lower usage thresholds. *See #5* in *Table 4: PGW-BCS Needs Assessment Comparison.*

PGW also excluded 9,812 non-CRP participants from the pool of potentially eligible low income customers. We disagree with this exclusion, as we have previously discussed that all eligible low-income customers must be considered for CRP Home Comfort, regardless of CRP status. Amended Proposed 2017-2020 Plan at 14. *See #6* in *Table 4: PGW-BCS Needs Assessment Comparison.*

PGW’s needs assessment methodology does not appear to consider that a customer’s circumstances may change over time and that this could influence eligibility. For example, customers screened out in one program year could *actually* become eligible for the program in the following year. Amended Proposed 2017-2020 Plan at 12. Since this USECP Plan covers more than one year, it does not make sense to exclude ***all*** of these potential low-income customers for all four years of this USECP.

PGW takes several reductions based on “less than 12-months concurrent usage (1,349),” “termination in the prior year (2,118),” “residency in the home for less than a year (6,080),” “customers comprehensively treated in the prior seven years (5,160),” and finally, “weatherization would not be possible due to issues (5,499) By virtue of these adjustments, PGW is excluding another 20,206 customers. Amended Proposed 2017-2020 Plan at 12. We suggest that half of these customers should be added back in to recognize that year-to-year ineligible status could change during the remaining three years of the USECP. We suggest that it is reasonable to project that eligibility would change for such screening criteria. *See #8-#13* in *Table 4: PGW-BCS Needs Assessment Comparison.*

PGW then further excludes of 3,093 customers who reside in rental premises. Amended Proposed 2017-2020 Plan at 13. We agree that it is reasonable to expect that not all renters will receive landlord permission to participate in CRP Home Comfort. PGW also excludes of 370 customers who received weatherization under another weatherization program. Amended Proposed 2017-2020 Plan at 13. It is also reasonable that PGW should deduct those figures. *See #14-#15* in *Table 4: PGW-BCS Needs Assessment Comparison.*

Thus, by our proposed calculations, there would be at least an estimated total of 101,893 potentially eligible low-income customers available in the pool. *See #16* in *Table 4: PGW-BCS Needs Assessment Comparison.* We suggest that this figure represents, in our tentative opinion, a more realistic assessment of the true pool of CRP Home Comfort eligible low-income customers for the USECP period 2017-2020.

We tentatively find that the needs assessment of PGW’s Amended Proposed 2017-2020 Plan does not comply with the requirements of Section 62.4(b)(3).

*Proposed Resolution:* PGW should recalculate the needs assessment, taking into account our concerns, and include those non-CRP customers who were previously excluded. We will reserve any determination of the appropriateness of the CRP Home Comfort budgets for years 2018-2020 until we can review a revised needs assessment.

1. **Projected Enrollment Levels**

PGW’s Amended Proposed 2017-2020 Plan projected enrollment levels are as shown in Table 5 below.

**Table 5**

**Projected Enrollment Levels**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Program** | **2017** | **2018** | **2019** | **2020** |
| CAP (CRP) | 61,292 | 63,292 | 65,292 | 67,292 |
| CRP Home Comfort\* | 2,664 | 2,735 | 2,735 | 2,735 |
| CARES\*\* | 271 | 271 | 271 | 271 |
| Hardship Fund  | 1,000 | 1,000 | 1,000 | 1,000 |

\* PGW also projects it will serve 2 multifamily units per year in the LIME pilot program through 2020.

\*\* The estimated number of customers served through the CARES program includes ongoing case management and “quick fix” (referral only) cases.

*CRP Participants – Clarification Requested*

BCS notes that PGW’s CRP participation has declined 40% over the past six years. Table 6 shows the number of participants in CRP reported by PGW at the end of each year from 2010 to 2016:

**Table 6
 CRP Participants 2010 -2016**

|  |  |
| --- | --- |
| **December 2010** | 82,544 |
| **December 2011** | 80,298 |
| **December 2012** | 75,244 |
| **December 2013** | 68,458 |
| **December 2014** | 61,319 |
| **December 2015** | 58,282 |
| **December 2016** | 49,321 |

 *Source: PGW*

The Commission addressed its concerns about the ongoing decline of CRP enrollment in PGW’s 2014-2016 USECP proceeding. *See PGW 2014-2016 USECP Final Order* at 64-69. In that proceeding, PGW had reported that it planned to expand its CRP outreach to target low income customers not enrolled in CRP, participants in SCD who may benefit from the program, low-income customers with payment arrangements, and customers who have received LIHEAP and are in arrears. PGW 2014-2016 Plan at 5, 16; PGW 2014-2016 USECP Reply Comments at 7. In its Revised 2014-2016 USECP, PGW also explained that it was planning to re-evaluate its CRP outreach campaign annually:

By the end of 2014, PGW expects to identify at least 10,000 customers who are potentially eligible for CRP to include in the campaign and at least 15,000 customers in each year following. Each campaign will be evaluated for effectiveness and lessons learned will be used to improve successive campaigns.

PGW Revised 2014-2016 Plan at 16.

The Amended Proposed 2017-2020 Plan proposes additional modifications to CRP outreach and recertification in an effort to increase the number of CRP applicants and decrease the number of customers who leave the program. Specifically, PGW proposes to increase outreach to customers who speak Spanish and provide specialized training to bilingual customer service representatives. PGW also proposes to give customers more time and assistance to recertify for CRP by extending the recertification timeline from 30 to 45 days, allowing LIHEAP recipients to recertify every three years, and providing CRP participants with additional education about the recertification process. Amended Proposed 2017-2020 Plan at 5, 15.

The Amended Proposed 2017-2020 Plan, however, no longer includes targeted CRP outreach to participants in SCD who may benefit from the CRP program.

*Proposed Resolution*: It is not clear why PGW discontinued this targeted outreach effort established in the prior USECP proceeding. While we support PGW’s proposals to increase CRP participation through enhanced outreach to Spanish-speaking customers and providing participants more time and information to recertify, we question the Company’s decision to discontinue targeted outreach to participants in SCD, a program closed to new entrants. In its response to this Tentative Order, we ask PGW to address this issue. We also request the Company share the findings from its annual analysis of its CRP outreach efforts.

1. **Program Budgets**

Table 7 below shows the proposed budget levels for 2017-2020.

**Table 7**

**Projected Budgets and Spending**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Universal Service Component** | **2017** | **2018** | **2019** | **2020** |
| CAP (CRP) | $49,973,413 | $53,673,383 | $56,030,965 | $57,296,816 |
| LIURP (CRP Home Comfort)\* | $ 6,571,445 | $6,582,749 | $6,697,312 | $6,622,194 |
| CARES | $880,800 | $880,800 | $880,800 | $880,800 |
| Hardship Fund\*\* | $1,055,649 | $1,055,649 | $1,055,649 | $1,055,649 |
| **Total** | $58,456,307 | $62,192,581 | $64,664,726 | $65,855,459 |
| Average Monthly Spending per non-CRP Residential Customer\*\*\* | $7.67 | $8.16 | $8.48 | $8.64 |

\* Includes programmatic/administrative costs (including labor) and costs for the LIME pilot at $120,048/year ($10,004/month).

\*\* Only the administrative cost of $260,149 and Company contributions of $795,500 for are recovered in base rates and is counted in the Hardship Fund total. Voluntary donations by customers and the UESF funds are not recovered in base rates.

\*\*\* Based on 469,008 non-CRP residential customers, as reported by PGW as of December 31, 2015. In 2015, PGW recouped 73.8% of CRP and LIURP costs from residential base rates, 21.3% from commercial, 1.7% from industrial, 2.1% from municipal, and 1.1% from the Philadelphia Housing Authority. 2015 Report on Universal Service Programs & Collections Performance at 6, 41, & 58.

*Proposed Resolution*: The universal service budgets, except for the CRP Comfort Home budget, appear to be sufficient to serve PGW’s service territory based on proposed enrollment levels. This evaluation, however, is not intended to limit the Company’s ability to establish future budgets based on changing needs. The LIURP budget will need to be revised consistent with any revisions to the Needs Assessment figure.

1. **Use of Community-Based Organizations (CBOs)**

 The Gas Competition Act directs the Commission to “encourage the use of [CBOs] that have the necessary technical and administrative experience to be the direct providers of services or programs which reduce energy consumption or otherwise assist low income retail gas customers to afford natural gas service.” 66 Pa. C.S. § 2203(8). PGW utilizes community agencies throughout the Company’s service territory as referral agencies or contractors in the CRP, CARES, and Hardship Fund programs. PGW’s CARES program coordinates with Neighborhood Energy Centers and UESF intake sites[[22]](#footnote-22) to help customers resolve payment issues. The Company utilizes other social service agencies as needed based on the customer’s situation.

*Proposed Resolution*: We tentatively find that PGW’s use of CBOs complies with the intent of the Competition Act.

1. **Organizational Structure**

PGW reports the following organizational structure for its universal service programs:

1 Director, Regulatory Compliance

1 Director, Customer Programs

1 Manager, Universal Services

1 Manager, Energy Efficiency and Emerging Customer Programs

1 Supervisor, Universal Services

1 Analyst, Energy Efficiency and Emerging Customer Programs

Universal Service Representatives

In addition to those listed above, the company employs various support staff for PGW District Offices, Call Centers, and the CRP Home Comfort program.

*Proposed Resolution*: We tentatively find these aspects of the Amended Proposed 2017-2020 Plan to be acceptable.

1. **CONCLUSION**

The Commission tentatively finds that PGW’s Amended Proposed 2017-2020 Plan, in large measure, appears to comply with the universal service requirements of the Competition Act at 66 Pa. C.S. §§ 2203(7), 2202, and 2203(8), the reporting requirements at 52 Pa. Code § 62.4, the CAP Policy Statement at 52 Pa. Code §§ 69.261-69.267, and the LIURP regulations at 52 Pa. Code §§ 58.1-58.18 (except as noted above). This Tentative Order sets forth the aspects that PGW will need to address prior to our approval of the Amended Proposed 2017-2020 Plan. This Tentative Order also calls for comments from stakeholders.

In particular, we direct PGW to address the following points in a supplemental filing consistent with the discussion and directions herein. To the extent that PGW has responsive proposals for additional relief, those proposals, along with timelines and cost estimates, should be described in its response to afford other parties the opportunity to comment and reply.

1. Provide details of its cost-estimate evaluation of allowing customers to enroll in CRP based on a PIP or a budget bill payment, whichever is more affordable. The Company should also provide the requested information regarding CRP denials.
2. Address the questions raised regarding the proposed CRP pilot consumption limit policy.
3. Explain whether its use of external sources to verify CRP household information has changed.
4. Address whether the Company will accept annual tax returns as proof of current income for self-employed customers.
5. Explain what amounts the Company requires a customer to pay prior to reenrollment into CRP.
6. Explain whether the Company’s online application process will allow customers to securely submit requested documentation (*e.g.*, paystubs, identification, tax returns) through its website and whether this process will allow customers to complete CRP recertifications and applications for CRP Home Comfort or its Hardship Fund.
7. Provide specific information related to the CRP Home Comfort $710,939 program and administrative cost, and indicate which costs, or which portion of the costs, are associated with the DSM or USECP.
8. Indicate the duration of the proposed CRP Home Comfort Health and Safety pilot and the reason(s) waivers to Sections 58.11, 58.12, and/or 58.18 would be necessary. Comply with the prerequisites for requesting waivers.
9. Provide the requested details about its Conservation Incentive Credits Pilot program.
10. Address the concerns and questions raised about the LIME program.
11. Explain why the Company is not currently tracking quick-fix CARES referrals and whether this information will be tracked in the future.
12. Address whether the Company will modify its Hardship Fund policy which requires a Hardship Fund grant to eliminate a CRP customer’s deferred arrears and identify the number of customers rejected in 2014 and 2015 because the Hardship Fund grant amount would not eliminate their deferred arrearage balance.
13. Recalculate the needs assessment based on the direction provided in this Order.
14. Explain why CRP outreach to SCD participants was discontinued and share its findings from its annual analysis of its CRP outreach efforts.
15. Explain why it is unwilling or unable to make any suggested changes.

PGW’s supplemental information must be filed and served on or before twenty (20) days after the entry of this Tentative Order. Comments are due twenty (20) days after PGW’s supplemental information filing deadline, and reply comments are due fifteen (15) days thereafter. If the comments and reply comments raise relevant material factual issues, we may refer this matter, in whole or in part, to the OALJ for hearing and decision; **THEREFORE,**

**IT IS ORDERED:**

1. That approval of the Amended Universal Service and Energy Conservation Plan for 2017-2020 as filed by Philadelphia Gas Works, on November 16, 2016, is withheld pending review of requested information and stakeholder comments, as set forth in this Tentative Order.
2. That a copy of this Tentative Order be served on the Philadelphia Gas Works, the Office of the Consumer Advocate, the Office of Small Business Advocate, the Bureau of Investigation and Enforcement, the Pennsylvania Utility Law Project, and Community Legal Services. A copy shall also be served on the parties to Docket Nos. M-2013-2366301 and P-2014-2459362.
3. That Philadelphia Gas Works shall file and serve the supplemental information requested herein within twenty (20) days of the entry of this order.
4. That comments to this Tentative Order shall be filed within twenty (20) days after the filing deadline for PGW’s supplemental information. Reply comments shall be filed within fifteen (15) days thereafter.
5. That one original signed copy of comments and reply comments shall be filed with the Commission’s Secretary at: Pennsylvania Public Utility Commission P.O. Box 3265, Harrisburg, PA 17105-3265. Comments may also be filed electronically through the Commission’s e-filing system, in which case no paper copy needs to be filed with the Secretary provided that the comments are less than 250 pages.
6. That an electronic copy, in WORD® or WORD®-compatible format, of all filed submissions, comments, and reply comments be provided to Joseph Magee, Bureau of Consumer Services, jmagee@pa.gov, Sarah Dewey, Bureau of Consumer Services, sdewey@pa.gov, and to Louise Fink Smith, Law Bureau, finksmith@pa.gov.
7. That the contact person for this Tentative Order is Joseph Magee, Bureau of Consumer Services, 717-772-1204, jmagee@pa.gov.

 **BY THE COMMISSION,**

 Rosemary Chiavetta

 Secretary

(SEAL)

ORDER ADOPTED: January 26, 2017

ORDER ENTERED: January 26, 2017

1. PGW reported serving 527,290 customers in 2015. 2015 Report on Universal Service Programs & Collections Performance at 6. [↑](#footnote-ref-1)
2. *Pa. PUC, et al., v. PGW*, Docket Nos. R-2009-2139884, *et al.* (July 29, 2010) (*PGW’s 2009 Rate Case*) and *PGW’s Revised Petition for Approval of Energy Conservation and DSM Plan*, Docket No. P‑2009-2097639 (July 29, 2009) (*PGW’s Revised DSM I Plan*), collectively *DSM I Settlement Order*. *See* DSM I Settlement at 10 & 11. [↑](#footnote-ref-2)
3. PGW’s Amended Proposed 2017-2020 Plan contains an additional component, the Senior Citizen Discount (SCD), which provides a 20% discount off monthly gas bills for senior citizens. This program is being phased out and is not accepting new customers. PGW estimates that approximately 14,400 households will be enrolled in this program in 2017. This number is expected to decline by over 2,000 annually over the next four years. Because income is not an eligibility criterion, the SCD does not meet the definition of a universal service program. [↑](#footnote-ref-3)
4. The surcharge recovers 73.8% of CRP and LIURP costs from residential base rates, 21.3% from commercial, 1.7% from industrial, 2.1% from municipal, and 1.1% from the Philadelphia Housing Authority. 2015 Report on Universal Service Programs & Collections Performance at 6, 41, & 58 [↑](#footnote-ref-4)
5. Customers will not be removed from CRP if they are unable to accept weatherization services due to health, safety, or structural issues in the home, serious illness of a household member, landlord refusal, or other severe circumstances outside the customer’s control. Amended Proposed 2017-2020 Plan at 8. [↑](#footnote-ref-5)
6. PGW reports 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 will covert this usage into dollars. Amended Proposed 2017-2020 Plan at 16. [↑](#footnote-ref-6)
7. Section 69.265(3)(vi)(A-E) [↑](#footnote-ref-7)
8. <https://www.irs.gov/businesses/small-businesses-self-employed/self-employed-individuals-tax-center> [↑](#footnote-ref-8)
9. Using weatherize normalized usage. Amended Proposed 2017-2020 Plan at 20. [↑](#footnote-ref-9)
10. PGW states that it will target buildings that have received Section 8 housing vouchers or Low Income Housing Tax Credits. Amended Proposed 2017-2020 Plan at 39. [↑](#footnote-ref-10)
11. PGW may reduce the percentage of tenants that must be low-income for a building to qualify for this program if there is programmatic or budgetary justification. Amended Proposed 2017-2020 Plan at 20-21. [↑](#footnote-ref-11)
12. CRP participation is not required for CARES or Hardship Fund eligibility. [↑](#footnote-ref-12)
13. Peoples 2015-2018 USECP Final Order, Docket No. M-2014-2432515 (December 17, 2015), at 34-37. [↑](#footnote-ref-13)
14. PGW asserted that it “will enhance its CARES program to enable our customer service representatives to track customers provided with information in a ‘quick-fix’ manner (e.g., referrals to organizations that provide services for the unemployed, recent immigrants, senior citizens, etc.). This improvement will allow us to systematically quantify the number and types of referrals made for customers and to possibly increase the customers referred for case management.” PGW Revised 2014-2016 Plan at 20. [↑](#footnote-ref-14)
15. “Deferred” or “Frozen” arrears is customer debt that is set-aside for forgiveness when a customer enrolls into CRP. [↑](#footnote-ref-15)
16. “To restore service and re-enroll in CRP, the customer must pay the past due CRP bills in full, plus the reconnection fee, and, if applicable, a dig fee. No deposit is required. Once the customer satisfies all payment requirements and reapplies, their balance is placed back in the frozen arrears.” Amended Proposed 2017-2020 Plan at 17. [↑](#footnote-ref-16)
17. In-program arrears is debt accrued by not paying the CRP bill in full. This balance can be satisfied by paying the full CRP balance. [↑](#footnote-ref-17)
18. *See* Amended Proposed 2017-2020 Plan at 14. [↑](#footnote-ref-18)
19. The Census data are compiled by Penn State and are used to ensure consistency in USR reporting. The Penn State data and methodology for determining the low-income population has been accepted by the Commission relative to other USECP proceedings, Act 129 proceedings, and USR reports. [↑](#footnote-ref-19)
20. As reported by PGW, 2015 US Collections report at 7, and confirmed by 2011-2013 American Community Survey 3-Year Estimates for Philadelphia County – United States Census Bureau. [↑](#footnote-ref-20)
21. A CLI residential account is one “where the NGDC has obtained information that would reasonably place the customer in a low-income designation.” *See* Section 62.2. [↑](#footnote-ref-21)
22. A full listing of Neighborhood Energy Centers and UESF intake sites is provided in Appendices C and D of the Amended Proposed 2017-2020 Plan. [↑](#footnote-ref-22)