



PHILADELPHIA GAS WORKS

800 West Montgomery Avenue • Philadelphia, PA 19122

Brandon J. Pierce, Esq.
Senior Attorney | Legal Department
Direct Dial: 215-684-6219
E-mail: Brandon.Pierce@pgworks.com

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Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
2nd Floor, 1 North
400 North Street
Harrisburg, PA 17120

Re: Initiative to Review and Revise the Existing Low-Income Usage Reduction Program Regulations, Docket No. L-2016 -2557886

Dear Secretary Chiavetta:

On behalf of Philadelphia Gas Works ("PGW"), enclosed for filing please find PGW's Comments to the Public Utility Commission's Initiative to Review and Revise the Existing Low-Income Usage Reduction Program Regulations at 52 Pa. Code §§ 58.1 – 58.18. Please do not hesitate to contact me if you have any questions.

Respectfully,



Brandon J. Pierce, Esquire

Enclosure

cc: Sarah Dewey, w/enc. via email only
Louise Fink Smith, w/enc. via email only

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Initiative to Review and Revise the Existing :
Low-Income Usage Reduction Program (LIURP) : Docket No. L-2016-2557886
Regulations at 52 Pa. Code §§ 58.1 – 58.18 :

**COMMENTS OF PHILADELPHIA GAS WORKS
TO SECRETARIAL LETTER**

I. Introduction

PGW appreciates the opportunity to provide these informal comments to the Pennsylvania Public Utility Commission’s Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1 – 58.18, Docket No. L-2016-2557886.

II. Comments on Questions

1) Are the existing regulations meeting the charge in 52 Pa. Code § 58.1? If not, what changes should be made?

52 Pa. Code § 58.1 sets forth the purpose of LIURP through five charges. The first is that covered utilities must establish fair, effective and efficient energy usage reduction programs for their low income customers. PGW’s LIURP conservation services are provided totally free to participants, subsidized by other ratepayers. To offer LIURP fairly, it is essential that the program budgets are sized with consideration of the cost burden on non-participant customers (and in light of the utility’s rates and surcharges borne by customers). This is particularly important in PGW’s service territory where many of the customers who subsidize LIURP are themselves low income or the working poor.

There are several changes to the regulations discussed throughout the following comments that could improve the LIURP regulations to better meet the charges of § 58.1. For example, the current regulations in 52 Pa. Code § 58.11 requiring a seven or twelve year payback for program measures are restrictive and miss the true energy savings potential of measures with longer lifetimes. Payback time is a different metric than cost-effectiveness. As discussed further in the response to question 13, the regulations should be tailored to allow for other ways to evaluate program delivery to achieve efficient and effective programs. The current regulations are also somewhat inflexible on the introduction of new measures, and the regulatory process is by its nature not quickly updatable. For this reason, it is essential to provide utilities with the flexibility to introduce innovative new conservation technologies and techniques for the benefit of their

customers. PGW's proposed changes to 52 Pa. Code § 58.11, discussed further in response to question 13, would improve the existing regulations in these areas.

The second charge of 52 Pa. Code § 58.1 is that programs should assist low income customers to conserve energy and reduce residential energy bills. The legislative directive for LIURP programs indicates that the PUC should ensure that "universal service and energy conservation policies, activities and services are appropriated funded and available . . ." Thus, in any rulemaking the focus and goals of the programs should be targeted on ensuring that utility service is universally available and conservation programs funded. It is far beyond the capacity (or statutory authority) of LIURP to solve all issues of deteriorating low income housing stock or housing affordability concerns.

The current regulation does achieve conservation in low income customers' homes, but does not acknowledge the reality that Customer Assistance Program ("CAP") customers in a PIPP (percent of income payment plan) may not experience a reduction in energy bills. CAP and LIURP structure may also impact whether programs "decrease the incidence and risk of customer payment delinquencies and the attendant utility costs." In the case of a PIPP CAP, LIURP treatments may not have much impact on these metrics since customers are paying the same amount monthly regardless of usage.

The third charge of 52 Pa. Code § 58.1 is that programs should decrease the incidence and risk of customer payment delinquencies and the attendant utility costs. As discussed below, meeting this goal for the participating customer is largely dependent on program design and customer eligibility. With respect to utility costs, non-participants may experience bill reductions through lower CAP subsidies – although this does not always result. Progress towards meeting this charge can be challenging to track due to the complexity of the variables involved. These issues are addressed further below in response to question 5.

The fourth charge of 52 Pa. Code § 58.1 is that the programs should reduce residential demand for electricity and gas to reduce costs related to the purchase of fuel. In PGW's DSM Phase II proceeding at docket number P-2014-2459362, the Commission approved PGW to include Demand-Reduction Induced Price Effects (DRIPE) in its avoided costs and TRC calculations. DRIPE tracks the reduction of prices impacted by a reduction of consumption. By including DRIPE in the TRC, PGW's program and project evaluation methods better align with the intent of this charge. Current LIURP regulations do not allow for flexibility in including DRIPE or similar types of measurement tools.

Finally, the last charge of 52 Pa. Code § 58.1 is that the programs should also result in improved health, safety and comfort levels for program recipients. In its response to question 6 below, PGW has addressed changes to the LIURP regulations that will provide greater flexibility for utilities to meet this charge.

2) How should LIURPs be structured to maximize coordination with other weatherization programs such as DCED’s WAP and Act 129 programs?

PGW appreciates the benefits that could result from working to coordinate its LIURP (called the “CRP Home Comfort Program”) with other weatherization programs. However, coordination between LIURP and other weatherization or home repair programs should be assessed on an individual utility basis and pursued by the utility only if it helps to meet the purpose of LIURP set forth in § 58.1. An example from PGW’s recent experience is its coordination with Habitat for Humanity’s (“Habitat”) Home Repair and Weatherization Program. This coordination was designed to address specific health and safety needs required to be completed before PGW could proceed with weatherization. In order to make referrals to Habitat’s program, all CRP Home Comfort customers are asked to sign an authorization form stating that PGW is allowed to share customer information with specifically identified coordinating agencies. In cases identified for potential coordination, the Conservation Service Provider (“CSP”) shares its audit report with Habitat describing the health and safety measures that are preventing comprehensive weatherization. Habitat reviews the improvements needed and, if it is able to, will address the issues. Subsequently to Habitat’s work the CSP will return to complete the comprehensive LIURP weatherization. This process has produced benefits for a small number of houses each year, though the additional oversight and administrative time required prevent it from being easily scaled up to serve a large number of homes in the program.

Based on PGW’s experience with coordination (with Habitat and others) to-date, there are several important considerations. First, the baseline customer eligibility - including income eligibility and program intake - must align for any coordination effort to be feasible. In accordance with its PUC approved program, PGW assigns customers for its LIURP based on the highest usage CAP customers, relying on CAP applications to confirm income eligibility. Coordination activities that would require CSPs to perform income verification could require sharing sensitive customer financial information, which some weatherization contractors may not be equipped to handle and customers may not be willing to provide to a CSP.

A second factor for consideration of coordination efforts is the additional administration and related costs required to identify potential cases for coordination and report on measures, and for the CSP to collect and report on any additional required data to the coordinating agency. These are all additional costs that must be weighed against the energy savings potential of the coordination activities. The extra administrative work required to coordinate with other programs may require an increase to the maximum level of administrative spending and should only occur when it would be cost effective. One recommendation for a change would be to modify the current 15% cap set forth in § 58.5; while this cap is intended to protect ratepayers’ dollars, this protection can be better achieved by allowing utilities to spend in excess of this amount if it can show that doing so will be cost-effective. To meet the intent of § 58.5 and encourage opportunities for further coordination, PGW proposes the following changes (underlined below):

§ 58.5. Administrative costs.

For programs covered by § 58.4 (relating to program funding), generally not more than 15% of a covered utility’s annual budget for its usage reduction program may be spent on

administrative costs, as defined in § 58.2 (relating to definitions). The costs associated with programs that are determined to be cost-effective utilizing the cost-effectiveness criteria addressed in 58.11 or approved pilot programs are exempt from the 15% cap.

The area with the greatest potential for coordination opportunities to help meet the purpose of LIURP set forth in § 58.1 is in addressing the health and safety issues that are preventing comprehensive weatherization measures. The following approaches could be employed to meet this goal if the issues above are addressed: 1) if a CSP is performing work for two utility programs in an overlapping jurisdiction, that CSP could be allowed to develop agreements with both utilities for how it may be able to perform work and expense it under Utility B's program when in the home for a customer for Utility A.¹ 2) if programs that provide services that are the same or similar to PGW's are willing to collect PGW account numbers and customer authorization waivers as part of their intake process and provide PGW with a list of those PGW account numbers, PGW would be willing to screen its customer list to flag any accounts that are also assigned to its LIURP program, so that they are not contacted and treated by two programs. It would not be as reliable to cross-reference based on name or address. 3) Where possible, programs could develop "prescriptive" approaches towards referrals and coordination. Once a CSP completes their work at a property, it is simpler and more cost effective for them to refer the case to another program and recommend an individual piece of equipment, such as an HVAC replacement or efficient appliance, than it is to coordinate between two contractors on building shell measures that will require a CSPs to coordinate schedules or return to perform a test-out combustion safety test.

Notably relevant to this Secretarial Letter, the blanket consumption and arrearage prioritization requirements in § 58.10 limit flexibility in coordinating between programs in a program like PGW's which is currently providing services only to customers enrolled in its PIPP. Proposed changes to this regulation are discussed more fully below in response to question 3.

3) How can utilities ensure that they are reaching all demographics of the eligible populations in their service territories?

PGW assigns eligible CAP customers to CRP Home Comfort in accordance with the prioritization criteria of § 58.10. From the pool of eligible and prioritized customers, PGW sends a letter informing the customer that they have been selected and requesting that they contact their CSP. The CSPs also make phone calls to the customer and PGW sends a letter to the landlord, if any, notifying the landlord about the program and requesting authorization to perform work. After the letters are sent out, PGW's CSP places phone calls to the prioritized list of eligible customers. If, after a few months of outreach, CSPs have difficulty reaching eligible customers, PGW will send a second round of letters. This outreach method, targeting the prioritized list of customers, allows PGW to avoid outreach to customers who are not eligible for CRP Home Comfort yet based on the priority order.

The outreach protocols of § 58.9 currently do not contemplate the prioritization requirements of § 58.10 and requests a customer response, instead of allowing for a process where CSPs perform

¹ As a municipally owned entity, PGW is generally required to issue Requests for Proposals (RFP) for professional services and would not be able to proscribe a CSP being used by another program.

outreach. To control costs and ensure treatment is done as the prioritization requirements dictate, mass mailing to customers should be based on the prioritized list of § 58.10. Follow-up communications § 58.9(a)(2) & § 58.9(a)(3) should be permissible by other contact methods that are most cost-effective to the program based on program design. PGW proposes the following language for section § 58.9:

§ 58.9. Program announcement.

(a) A covered utility shall provide notice of program activities as follows:

~~(1) The utility shall, at least annually, review its customer records to identify customers who appear to be eligible for low income usage reduction service. Consistent with the prioritization requirements of 52 Pa. Code § 58.10, the utility shall, at least annually, review its customer records to identify customers who appear to be eligible for low income usage reduction service. The utility shall then provide a targeted mass mailing or utilize another contact method to each customer identified through this procedure so as to solicit applications for consideration of program services, notify customers that they may be eligible for low income usage reduction service. If the program allows for customer applications, a copy of this notice shall also be sent to publicly and privately funded agencies which assist low income customers within the covered utility's service territory. A covered utility shall also consider providing public service announcements regarding its low income usage reduction program in local newspapers, on local radio and television or through other communication channels if appropriate based on the program's design.~~

~~(2) If available program resources exceed initial customer response, the targeted mass mailing shall be followed by a personalized letter to customers who did not respond to the mass mailing.~~

~~(3) If available program resources still exceed customer response, personal contact should be made with customers who have not responded to earlier program announcements.~~

(b) If, after implementing notice requirements of subsection (a), additional funding resources remain, a covered utility shall send each of its residential customers notice of its usage reduction program along with a description of program services, eligibility rules and how customers may be considered for program services.

In addition to the changes to § 58.9, the prioritization regulations in §58.10 should be updated to provide greater flexibility in meeting the goals of targeting - first - the highest usage customers. This is appropriate because prioritization based on usage provides the greatest opportunity to meet the goals of § 58.1. Other factors detailed in the current regulation including arrearage, home size, occupants, end uses, and income levels should be used secondarily, and left to the utility to determine based on program design and needs in the service territory.

The prioritization requirements of §58.10 should also be updated to provide greater clarity and flexibility for how the highest usage customers are to be prioritized. The current regulations specify that “among eligible customers, those with the largest usage and greatest opportunities for bill reductions shall receive services first.” This does not provide details about whether customers must be prioritized individually, or give the flexibility to, for ease of implementation, cost savings and other efficiencies in service delivery, prioritize in tiers using statistical analysis. For example, some CSPs may wish to schedule treatments geographically to cut down on travel time and program delivery costs. To address these concerns, PGW proposes the following language for section § 58.10(a):

§ 58.10. Program announcement.

(a) Priority for receipt of program services shall be determined first, based on usage as compared to the overall population of eligible customers. When prioritizing customers by usage, utilities may use statistical methods to prioritize groups of customers for treatment. Additional factors that may be considered are as follows:

- 4) What design would better assist/encourage all low-income customers to conserve energy to reduce their residential energy bills and decrease the incidence and risk of payment delinquencies? How does energy education play a role in behavior change?**

PGW’s CSPs provide energy education to the customer at the time of audit, and throughout the installation process. The energy education consists of instructing customers of the purpose of conservation measures and explaining the tests that are being performed.

Although PGW has found that it can be challenging to quantify the savings from energy education measures, there are changes to the current LIURP regulations that would help utilities better implement and evaluate energy education in LIURP. First, the current definition of “usage reduction education” in §58.2 is limited and should be broadened to allow for greater flexibility based on utilities’ program designs and territories. PGW proposes the following change to the definition:

Usage reduction education—~~A group or individual presentation, or workshop,~~
communication or other training or instruction in which usage reduction objectives and techniques are explained or presented to the community, a group or an individual.

In addition to updating the definition of usage reduction education to provide greater flexibility, section § 58.13 should be updated to encourage greater flexibility and innovation for usage reduction education. The current regulations cap the average cost for energy education at \$150, which stifles innovation and limits utilities’ adoption of new usage reduction education practices. Utilities should be free to determine whether the costs for usage reduction education are justified based on a cost-effectiveness review process, rather than reviewing based on a static cost cap that is not adjusted for factors such as inflation or the evolving marketplace. PGW also recommends adding to the types of usage reduction education program services that can be employed, to reflect the many utility data analytics products and emerging technologies in the marketplace.

PGW proposes the following revisions to Section § 58.13(b) and adding a new 58.13(d)(4) (additions underlined):

§ 58.13. Usage reduction education.

(b) Funding level. Expenditures for usage reduction education services shall be sufficient to provide these services to each customer who receives other program services. ~~Usage reduction education programs that have average costs which exceed \$150 per program recipient household are to be pilot tested for 1 year during which the program will be measured for~~ if the incremental contribution to energy savings that the usage reduction education produces is and the cost-effectiveness of that contribution.

(d) Program services. The usage reduction education services described in this chapter include activities designed to produce voluntary conservation of energy on the part of eligible customers. The activities shall include, but need not be restricted to, the following:

(1) Group presentations. Meetings involving recipients of program measures and other customers at which conservation objectives are explained and possible conservation measures are described and, when appropriate, demonstrated.

(2) Workshops. Group presentations at which, in addition to receiving explanations of conservation objectives, recipients of program measures and other customers are taught to install selected program measures.

(3) In-home presentations. Consultations held in the dwelling between a person supplying conservation education services and the occupant or owner of the dwelling. The presentations may include the explanation of conservation objectives, the participation of the owner or occupant in the installation of selected program measures or other activities designed to produce voluntary reductions in energy use by the owner or occupant.

(4) Targeted communications: Targeted electronic, voice or paper communications or electronic tools provided to educate the customer about their past or projected energy use with the intent of influencing their energy use behavior.

5) How can the utilities use their LIURPs to better address costs associated with uncollectible accounts expense, collection costs, and arrearage carrying costs?

The LIURP prioritization practices in 58.10 targeting the highest usage cases first should have the greatest effect on these costs. Further prioritization targeting the lowest income customers among the highest usage population could also have a positive impact by reducing the potential for high bills among the lowest income customers. Since customers may not always remain on a CAP, weatherization measures for the highest users help to ensure that even if a customer returns

to paying non-CAP rates their bills will be lower than they would have otherwise been without weatherization.

In addressing collection issues it should be noted that in PGW's service territory, where a large number of customers are just above the federal poverty line and not eligible for PGW's CAP or treatment under LIURP, it is also important to manage the program budget size. Any increase to budgets results in an additional cost burden for customers, increasing the potential for customers to fall behind on their payments.

6) How can LIURPs best provide for increased health, safety, and comfort levels for participants?

In the most recent program year, 56% of eligible customers' homes screened by PGW's CSPs could not receive comprehensive weatherization measures due to health, safety and structural issues. This is despite the existing process for PGW's CSPs to include health and safety remediation in project work scopes as long as CSPs can achieve the overall program cost-effectiveness goals. In many homes, the health and safety work required would prevent the project from being completed cost-effectively, and in others the work is outside the scope of what a weatherization firm can provide. Although some of these homes may be treated through referrals to other agencies, as PGW has done through its coordination activities with Habitat for Humanity and the Philadelphia Department of Public Health (described further in response to question 2), many more go untreated.

PGW recommends that any health and safety remediation allowance should occur within the scope of the LIURP purpose established in 58.1. Since the issue of "health and safety" covers many types of issues and problems at varying levels of treatment, health and safety concerns should be assessed on a case-by-case basis. PGW proposes the updates below that could allow for greater treatment of health and safety measures in LIURP.

There is little guidance in the regulations for addressing health and safety remediation, particularly relating to cost-effectiveness. The regulations could clarify whether all health and safety measures could be considered "Incidental Repairs" as described in §58.12 if they allow for installation of weatherization measures. Additionally, not all health and safety measures should be included in the cost-effectiveness calculation, as these are not the core responsibility of LIURP. The following changes to §58.12 would provide the additional details needed:

§ 58.12. Incidental repairs and health and safety measures.

Expenditures on program measures may include incidental repairs to the dwelling or installation or health or safety measures necessary to permit proper installation of the program measures or repairs to existing weatherization measures which are needed to make those measures operate effectively. Utilities may propose in a universal service plan to exclude health and safety measures from being included in the cost-effectiveness review, if doing so is prudent based on the LIURP purpose set forth in 58.1.

While excluding some health and safety costs from the cost-effectiveness calculation would incentivize these measures, another approach would be to include the costs of these measures while also monetizing the benefits of health and safety remediation. Utilities could propose values for non-energy benefits to be used in the evaluation of health and safety costs, such as studies quantifying the reduction in costs the family would pay in medical bills or other economic benefits as a result of the healthier home. The primary goal should always remain on weatherization, but the benefits from health and safety repairs may allow for and justify the installation of more comprehensive weatherization measures.

7) How can LIURPs maximize participation and avoid disqualifications of households due to factors such housing stock conditions?

As a preliminary matter, it is essential to recognize that LIURP is not a housing program and its purpose is not to remediate all low income housing stock in a service territory.² The focus of “housing stock conditions” in CRP Home Comfort is on health and safety issues. In PGW’s program, cases are not automatically disqualified for having health and safety issues. However, the extra remediation work required to properly and safely air seal or insulate some properties would make comprehensive treatment cost-ineffective. In many cases, customers receive whatever work can be safely performed, and CSPs return to houses to re-evaluate the work scope if the customer corrects their health and safety issues. For this reason, PGW recommends that any cost-effectiveness tests should be developed in a way that provides case-by-case flexibility. Furthermore, the changes discussed in response to question 6 should provide greater flexibility in addressing health and safety issues that result in homes being deferred from comprehensive treatment.

8) What is the appropriate percentage of federal poverty income level to determine eligibility for LIURP?

Due to the fact that income levels and needs vary considerably between service territories, utilities should have the flexibility to propose appropriate levels as it pertains to treating customers beyond the current definition in 52 Pa. Code § 58.2. For example, PGW has a large population of customers below 150% of the FPL, many of whom are eligible for treatment under the current program structure or will be eligible in the future. Accordingly, for PGW there is currently no need to treat customers above 150% of the FPL to meet the goals of § 58.1 and – for a number of reasons – it would not be appropriate to treat such customers. While PGW could envision expanding the program to those above 150% of the FPL at some point in the future, currently there remains a need from customers below that level.³

² See 22 Pa.C.S. §2203(8). Under the Natural Gas Choice Competition Act, universal service utility programs are subject to the oversight of the Commission which ensures that utilities run these programs in a cost-effective manner. See 66 Pa.C.S. §§ 2203(8) and 2804(9). “Universal service and energy conservation” is defined as the policies, practices and services that help low income customers maintain utility service and the term includes usage reduction programs. See, 66 Pa.C.S. §§ 2202 and 2803.

³ PGW has not examined the impact that expanding the eligibility of its LIURP to customers beyond 150% of the FPL would have on ratepayers, but would need to do so before proposing such a change to its LIURP.

9) With the additional energy burdens associated with warm weather, what if any changes are necessary to place a greater emphasis on cooling needs?

PGW does not have preliminary comments on this question.

10) What are options to better serve renters, encourage landlord participation, and reach residents of multifamily housing?

As a preliminary matter, conservation services are provided free of charge for low-income participants, including renters. Thus, landlords who agree to participate receive these services for free, at the expense of ratepayers, which should be sufficient incentive. Otherwise, ratepayers would have to shoulder the costs of additional “encouragement” to a property owner who is operating a for-profit business.

PGW currently sends letters to landlords licensed with the City of Philadelphia asking them to accept CRP Home Comfort weatherization treatment on behalf of their tenants, at the time that eligible customers are notified about the program. The notification also includes the authorization form that the landlord must mail to the CSP. Separately, PGW’s CSPs ask customers during the screening process whether they rent and if they can request that their landlord authorize the weatherization services.

However, based on its experience, PGW agrees that in many instances, landlords are reluctant to authorize access and are often not responsive at all. For these reasons, these properties may be good candidates for educational or behavioral conservation services, which can follow the renter. Innovations in usage reduction education and behavioral energy conservation services may make the tactics more effective at achieving conservation among renters if the savings can be calculated and verified.

While weatherization measures provide significant benefits to the tenant customer, PGW recognizes that the role of LIURP is not to subsidize the necessary work that a landlord is supposed to do under law or otherwise in order to provide basic services for tenants and keep the property up to code. Section 58.8 requires that landlords not evict a renter or raise rent for 12 months after weatherization. This limited amount of time may be at odds with the LIURP goal defined in 52 Pa. Code § 58.1. If the tenant is forced out after 12 months because free LIURP services have increased the value of the property the landlord is free to increase rent and find a non-low income customer to move in, despite the long-lifetime of the weatherization measures which may last up to 40 years.

With respect to multifamily buildings, PGW has already been required by the Commission to offer a multifamily LIURP.⁴ Under its current program, the Low Income Multifamily Efficiency Program (LIME), PGW weatherizes multifamily buildings with at least 75% confirmed low income customers. Program costs for the LIME are recovered through PGW’s Universal Services Charge and LIME project costs will be recovered: (i) 100% for confirmed low income customer usage through the USC; (ii) 33% of project costs for all other customer usage through

⁴ Final Order entered August 22, 2014, page 57, at Docket No. M-2013-2366301

the Efficiency Cost Recovery Surcharge (“ECRS”); and, (iii) the remainder of project costs will be funded by property owners.

The current LIURP regulations do not address the complexities of addressing multifamily properties. There are several significant ways that multifamily weatherization is different from single-family weatherization. First, multifamily buildings may be master metered or tenant metered. In master metered buildings, the landlord is the account holder so there is no guarantee that the energy savings from weatherization would be passed on to the tenants. This could result in utilities’ ratepayers subsidizing the energy costs of private businesses.

Second, multifamily buildings have much more complex systems, and weatherization requires a significant budget and different technical expertise. Measures for reducing gas heat usage must address the entire building envelope in order to be effective. This could mean that treating multifamily properties would result in subsidizing non-low income customers (including business tenants). There are also fewer savings opportunities for gas direct install measures in multifamily properties. Lastly, working in multifamily properties requires more coordination and cooperation with for-profit building owners and property managers, and challenges with sharing sensitive customer data and validating eligibility.

If increasing services to multifamily properties is added as a goal of LIURP, programs must be designed carefully to address the issues addressed above, particularly those surrounding cost recovery and property eligibility. However, comprehensive weatherization through LIURP may not be an appropriate way to address the needs of multifamily buildings, particularly master metered properties. These needs may be better left to the building owners and housing agencies.

11) Should the requirements regarding a needs assessment in developing LIURP budgets, as outlined at 52 Pa. Code § 58.4(c), be updated to provide a calculation methodology uniform across all utilities? If so, provide possible methodologies.

Pennsylvania is a very diverse state, with many differences in the customer bases and housing stock between utilities’ service territories. This fact does not lend itself well to a single unified set of variables to use in calculating a LIURP needs assessment. The variables used in the LIURP needs assessments should be customized to the individual service territories to achieve the goals of §58.1 in a way that is fair to participating customers and customers subsidizing LIURP.

In its proposed FY2017 – 2020 Universal Services and Energy Conservation Plan, PGW set forth a proposed needs assessment calculated by using several variables that can have a significant impact on the needs of its low income customers and the realities of delivering LIURP services to these customers. PGW used as a starting point the total number of confirmed low income customers, as these customers could be expected to be eligible for PGW’s CAP, which is used to determine eligibility. From this starting point, PGW removed lower usage customers who were below the targeted usage tier. PGW then removed customers without enough continuous months of usage to be eligible for participation and without usage profiles that were statistically significant and could be reliably used in energy savings calculations. PGW then removed customers who have been treated in prior years or through other programs, and an estimated

number of customers whose homes were unlikely to be treated due to significant health and safety barriers, customer hardships and refusals.

The use of a needs assessment in setting a LIURP annual budget should account for the impact on non-participating customers who are subsidizing LIURP who will become overburdened if program costs are too high. If the needs assessment is not realistic (as described in response to this question above) and does not take into consideration the composition and size of the utility's ratepayer base and the existing surcharges or rates borne by the utility's ratepayers, ratepayers could be financially "punished" for the composition of the service territory. In such an instance, the ratepayers would be required to subsidize a massive LIURP program simply because a significant percentage of the utility's customers are low income. The purpose of a needs assessment should be clarified, and the needs in the territory alone should not mandate a specific annual spend amount.

12) Should the interplay between CAPs and LIURPs be addressed within the context of LIURP regulations? If so, how?

PGW's LIURP draws from current CAP customers, which provides cost efficiencies in determining eligibility and preventing fraud. Using CAP as the baseline eligibility reduces administrative burden and costs on PGW and on participants since there is no need for any additional eligibility process. In addition, providing LIURP to CAP customers offers the benefit of potentially reducing the financial burden of LIURP on other ratepayers. For these reasons, CAP customers should receive priority in receiving LIURP treatment.

There are some limited CAP-related issues that could be addressed in a LIURP regulation. For example, the current requirements for usage reduction education in 52 Pa. Code § 58.13 may not be as successful in a percent of income payment plan CAP since customers do not have as much financial incentive to adopt conservation behaviors as they would in a market rate program. Overall however, CAP issues are best addressed in a CAP rulemaking.

13) Are there specific "best practices" that would better serve the LIURP objectives which should be standardized across all the utilities? If so, what are they? For example, is there a more optimal and cost effective method(s) of procuring energy efficiency services so as to maximize energy savings at lower unit costs?

Best practices would not be easily set for LIURPs – particularly as utilities often have very different service territories. However, there are some current regulations that could be made more flexible to allow for each utility to best address its service territory as well as ongoing changes in the weatherization industry. For example, the simple payback times of 7 and 12 years or less, as set forth in 52 Pa. Code § 52 58.11.(a), is detrimental to fulfilling the purpose of Pa. Code § 52 58.1 because it limits the types of measures that can be installed. Many natural gas conservation measures have lifetimes of at least 20 and up to 40 years. By requiring shorter payback times, utilities are discouraged from installing comprehensive energy savings measures that will provide the most impact and long-term benefit for natural gas DSM.

The current regulations should be changed to allow projects to be evaluated for cost-effectiveness based on the total measure package rather than individual measures. Many conservation measures are interactive, so an individual measure approach discourages the use of proper building science when determining work scopes. As an example, air sealing and insulation should be performed in tandem wherever possible. If one of the measures fits within the payback criterion but the other fell just outside of it, the work scope would be negatively impacted. Insulation installed in a home without prior air sealing would not result in the projected energy savings because of a reduced effective R-value. It would be a missed opportunity to air seal a home without insulating.

CRP Home Comfort utilizes the Total Resource Cost (“TRC”) Test instead of the 7 or 12 year measure payback. The TRC test measures the gain in economic welfare from making the investment by comparing the present worth of resource benefits with the present worth of resource costs. It is widely used in the energy efficiency industry, including Act 129 and PGW’s DSM programs.

However, PGW would not advocate the imposition of a TRC test on all LIURPs. The drawback of using the TRC is that it was designed for DSM programs and does not address the additional benefits of treating low income customer populations. LIURP provides many additional societal and health and safety benefits that are not accounted for in the TRC, such as improved air quality and building occupant health, investment in housing stock, reduction of greenhouse gases and reduction of CAP subsidies paid by other customers. These societal benefits – and possibly other benefits – should be accounted for in low-income programs. Additionally, TRC can limit the homes treated and does not consider distribution cost reductions, but only avoided costs. With respect to these limitations of TRC for a low income program, PGW expects that it may at some point in the future propose modifications or additions to the TRC, or a different measurement test for its CRP Home Comfort.

The Commission should provide greater flexibility in the regulations to allow for broader consideration of cost effectiveness and project review in LIURP. The following proposed changes to § 58.11(a) would provide this flexibility:

§ 58.11. Energy survey.

(a) If an applicant is eligible to receive program services, an onsite energy survey or analysis of the customer’s energy use and home characteristics shall be performed to determine if the installation of program measures would be appropriate. The installation of a program measure is considered appropriate if it is not already present and or performing effectively and when the energy savings derived from the installation will result in a simple payback of 7 years or less. A 12-year simple payback criterion shall be utilized for the installation of side wall insulation, attic insulation, space heating system replacement, water heater replacements and refrigerator replacement when the expected lifetime of the measure exceeds the payback period. total lifetime benefits (energy, resource, societal, and other benefits approved by the Commission) that exceed the lifetime cost of the measure. The measure lifetime and benefits shall be established

utilizing industry accepted engineering, financial, economic, or other calculations appropriate to the equipment type and installation considerations.

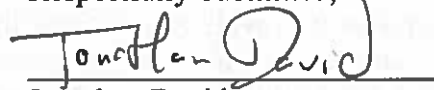
In addition to the changes described above for cost effectiveness screening, the definition of “energy survey” should be tailored to allow for future innovations that may provide more cost effective methods of reviewing eligible customer homes. Emerging “big data” analytical practices, behavioral analysis, thermal imaging, and comprehensive pre-screening could result in less time wasted in the homes of customers that cannot be comprehensively treated. PGW proposes the following changes to the definition of “energy survey” in § 58.2:

Energy survey—An ~~onsite inspection~~ analysis of a residential building for the purpose of determining the most appropriate usage reduction measures.

14) The Commission also welcomes stakeholder input on other LIURP issues or topics.

Overall, any changes to the current regulations should recognize the difference between customers and service territories of covered utilities, and give utilities flexibility in the implementation of their LIURP. The regulations should allow for the adoption of innovative approaches, cost effectiveness evaluations, modern equipment and technologies so LIURP implementation can continue to evolve going forward. Further, PGW submits that the establishment of a stakeholder meeting or working group (prior to the issuance of proposed regulations) would be appropriate and effective to address a number of issues raised in this Secretarial Letter. PGW would appreciate the opportunity to participate in any such group established and also appreciates this opportunity to provide comments to the Commission on this matter.

Respectfully Submitted,



Jonathan David

Denise Adamucci

Philadelphia Gas Works