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January 30, 2017

**VIA ELECTRONIC FILING**

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

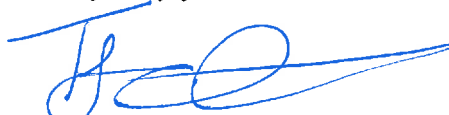
**Re: Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1 – 58.18;  
Docket No. L-2016-2557886**

Dear Secretary Chiavetta:

Pursuant to the Commission's Secretarial Letter dated December 16, 2016 in the above-referenced proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,



Teresa K. Schmittberger

dln  
Enclosures

c: As Per Certificate of Service  
Louise Fink Smith, Assistant Counsel, Law Bureau  
Sarah Dewey, Bureau of Consumer Services

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

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**COMMENTS OF METROPOLITAN EDISON COMPANY,  
PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER  
COMPANY AND WEST PENN POWER COMPANY**

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**I. INTRODUCTION**

On December 16, 2016, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) issued a Secretarial Letter to gather information from stakeholders on the scope of an upcoming rulemaking regarding the Low Income Usage Reduction Program (“LIURP”). The objective of this rulemaking is to revise the Commission’s LIURP regulations to reflect current LIURP practices and changes in energy efficiency technologies since the regulations were first promulgated. In order to assess the areas of focus in the rulemaking, the PUC requests input on 14 questions related to several LIURP practices.

LIURP is designed to provide low income customers with usage reduction and weatherization measures that conserve energy, reduce demand, and decrease customers’ utility bills. Both electric distribution companies (“EDCs”) and natural gas distribution companies (“NGDCs”) are charged with administering LIURP for their respective customer bases. EDCs and NGDCs work with other agencies and contractors to implement LIURP and install measures that offer the highest energy and cost savings. EDCs and NGDCs also are required to provide energy education to low income customers regarding energy conservation and installed measures to

facilitate greater energy savings among customers. The costs of utilities' LIURP programs are recovered from all residential customers.

The Commission required EDCs and NGDCs to adopt LIURP programs in 1988. The Commission's LIURP regulations were first adopted in 1993, and subsequently amended in 1998 in order to implement certain aspects of the Electricity Generation Customer Choice and Competition Act ("Competition Act").<sup>1</sup> Section 2802(10) of Competition Act requires the Commission to "at a minimum, continue the protections, policies and services that now assist customers who are low-income to afford electric service."<sup>2</sup> The Competition Act further ensures that "universal service and energy conservation policies, activities and services are appropriately funded and available in each electric distribution territory."<sup>3</sup> LIURP programs are included within EDCs' and NGDCs' universal service and energy conservation plans ("universal service plans"), which are filed at the Commission for approval every three years.<sup>4</sup> For EDCs, the LIURP budget is approved within these plans.

The Universal Service and Energy Conservation Plans ("Universal Service Plans" or "Plans") of Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company ("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (collectively, the "Companies") were most recently approved on May 19, 2015.<sup>5</sup> The Companies' LIURP program, WARM, was approved as a component of these Plans. In their implementation of WARM, the Companies strive to achieve the goals of the Competition Act and

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<sup>1</sup> 66 Pa.C.S. §§ 2801, *et seq.* The Natural Gas Choice and Competition Act, 66 Pa.C.S. §§ 2201, *et seq.*, also imposed universal service requirements on NGDCs.

<sup>2</sup> 66 Pa.C.S. § 2802(10).

<sup>3</sup> *Id.* § 2804(9).

<sup>4</sup> 52 Pa. Code § 54.74. All EDCs serving at least 60,000 residential customers are required to submit universal service and energy conservation plans to the Commission for review every three years.

<sup>5</sup> *West Penn Power, Metropolitan Edison Company, Pennsylvania Electric Company, and Pennsylvania Power Company Universal Service and Energy Conservation Plan for 2015-2018*, Docket Nos. M-2014-2407728, *et seq.* (Final Order dated May 19, 2015).

apply the LIURP regulations in a manner that brings cost-effective usage reduction benefits to their low income customers.

The Companies look forward to working with the Commission as it begins the process of revising its LIURP regulations. In addition to providing Comments, the Companies intend to be active participants in any working group that is established to address LIURP-related issues. In its Secretarial Letter, the Commission seeks feedback on 14 questions to evaluate the scope of the future LIURP rulemaking. The Companies' responses to these questions form the Companies' Comments below.

## II. COMMENTS

### 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 outlines the purpose of the Commission's LIURP regulations:

This chapter requires 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 reduction in energy bills should decrease the incidence and risk of customer payment delinquencies and the attendant utility costs associated with uncollectible accounts expense, collection costs and arrearage carrying costs. The programs are also intended to reduce the residential demand for electricity and gas and the peak demand for electricity so as to reduce costs related to the purchase of fuel or of power and concomitantly reduce demand which could lead to the need to construct new generating capacity. The programs should also result in improved health, safety and comfort levels for program recipients.

The primary goal of the Commission's LIURP regulations is summed up in the first sentence of 52 Pa. Code § 58.1: "This chapter requires covered utilities to establish fair, effective and efficient energy usage reduction programs for their low income customers." As long as utilities' LIURP programs are fair, effective, and efficient, these programs assist low income customers in conserving energy, reducing bills, reducing peak demand, and improving health, safety, and

comfort. In turn, by reducing low income customers' bills, customers' arrearages decrease and utilities' uncollectible expenses are reduced.

The current LIURP regulations achieve the purpose identified in 52 Pa. Code § 58.1 by establishing a good framework to allow utilities to develop fair, effective, and efficient energy usage reduction programs for low income customers. Since the Companies' LIURP programs were first adopted, LIURP measures have been installed at over 120,837 homes in the Companies' service territories. The Companies expect to achieve significant future savings under the current LIURP regulatory scheme.

The success of the Companies' WARM program is largely attributable to flexibility within the Commission's regulations to design their WARM program within their Universal Service Plan proceedings. Rather than prescribing uniform requirements that would apply to all utilities in the Commonwealth, the Commission's regulations leave room for EDCs and NGDCs to adopt usage reduction measures and budgeting parameters that work best for their individual customer bases. The customer base of the Companies, which is located in more rural areas with fewer options for alternative heating sources, is significantly different than the customer base of an NGDC or EDC located in an urban area. The demographics, housing stock, heating sources, and weather conditions may vary drastically among EDC and NDGC service territories. Accordingly, central components of utilities' LIURP programs, including the specific LIURP measures, payback periods, and budgeting parameters, should continue to be derived within utilities' universal service plans.

As currently crafted, the Commission's LIURP regulations promote fair, effective, and efficient energy usage reduction programs among EDCs and NGDCs. Although the Companies do not believe a large scale modification of the LIURP regulations is warranted at this time, in

response to subsequent questions herein, the Companies will recommend certain strategies and propose a few changes aimed at modernizing the LIURP regulations and maximizing future energy efficiency potential for low income customers. Please note that the Companies anticipate developing their positions further upon review of other stakeholders' comments and as part of future stages in this proceeding.

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

In administering WARM, the Companies often coordinate with other agencies, primarily the Department of Community and Economic Development's Weatherization Assistance Program ("WAP"), to develop an installation plan for each customer that offers the most comprehensive energy reduction benefits. WAP offers similar services to LIURP, including heating upgrades, insulation improvements, and energy education. Customers with an income at or below 200% of the federal poverty income guidelines ("FPIG") are eligible to participate in WAP. The Companies' contractors are encouraged to coordinate LIURP jobs with the WAP program whenever possible; however, inconsistency of eligibility levels between the programs has created coordination challenges. To improve coordination between WAP and WARM, the Companies recommend that the Commission increase the eligibility level for LIURP to 200% of the FPIG for all low income customers.

Under the Commission's regulations, LIURP is available to customers with an income at or below 150% of the FPIG and "special needs" customers.<sup>6</sup> "Special needs" customers are defined as customers who have an arrearage with a utility and an income at or below 200% of the FPIG.<sup>7</sup> Eliminating this "special needs" exception and permitting all customers with an income at

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<sup>6</sup> Up to 20% of a utility's LIURP budget may be spent on special needs customers. 52 Pa. Code § 58.10(c).

<sup>7</sup> *Id.* § 58.2.

or below 200% of the FPIG to participate in LIURP would allow utilities to more seamlessly coordinate with WAP and determine the most cost-effective weatherization upgrades available to customers. Increasing the LIURP eligibility level to 200% of the FPIG also has the added advantage of expanding the LIURP benefits to a greater customer base.

The Companies also coordinate their WARM program with their own Energy Efficiency and Conservation (“EE&C”) programs.<sup>8</sup> Act 129 requires EDCs to offer energy efficiency and conservation measures to customers with an income at or below 150% of the FPIG.<sup>9</sup> EDCs are in the best position to evaluate their internal procedures and determine the most efficient methodologies for coordinating between their EE&C and LIURP programs. The Companies developed their EE&C programs to coordinate with WARM wherever possible. Both the Companies’ EE&C and WARM programs are subject to regular review and approval by the Commission. Modification of the LIURP regulations to prescribe uniform coordination procedures between Act 129 and LIURP programs is unnecessary.

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

Pursuant to the Companies’ Universal Service Plans, significant LIURP outreach already occurs. The Companies conduct extensive marketing efforts, including TV and website advertisements, mass mailings, and bill inserts. WARM applications are automatically generated when a customer begins enrollment for the Companies’ Pennsylvania Customer Assistance Program (“PCAP”). All WARM letters and applications are provided in both Spanish and English. Where feasible, the Companies market their WARM program with their Act 129 programs. The Companies also partner with community organizations to identify a comprehensive list of

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<sup>8</sup> Act 129 of 2008 requires EDCs with at least 100,000 customers to adopt energy efficiency and demand reduction programs. 66 Pa.C.S. § 2806.1.

<sup>9</sup> *See id.*

potentially eligible customers. These outreach efforts have been effective in reaching all demographics of eligible customers in the Companies' service territories.

**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?**

The Companies' WARM program uses two approaches to promote energy conservation and reduce customer arrearages: (a) installation of energy efficiency measures, and (b) energy education. Installation of LIURP measures alone may not achieve long-term efficiency benefits and bill reductions without simultaneous education of customers regarding their effective use of the measures and their energy behavior. Energy education begins when the Companies' auditor first visits the customer's residence to conduct a LIURP audit. The auditor works with the customer to determine his or her usage behavior and educate the customer regarding initial savings strategies as well as the impact of the customer's usage behavior on his or her energy costs. The customer and auditor both sign partnership and energy savings agreements. After measures are installed at the residence, the customer is taught how to operate the new appliances or technologies and savings strategies are discussed. In addition, the Companies' bills and payment options are further explained to the customer. After five months, the Companies evaluate whether the customer's usage has decreased. If necessary, remedial education is provided to the customer to reinforce savings strategies and more conservative usage behavior. A LIURP program design that focuses on both the installation of cost-effective LIURP measures and strong energy education promotes future energy savings and reduced arrearages among low income customers.

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

The Companies incorporate by reference their response to Question 4.

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



During LIURP audits, the Companies' auditors frequently encounter health and safety issues that, without repair or remediation, prevent the installation of WARM measures. In light of these health and safety barriers, the Companies devote up to 50% of the seasonal allowance budget to make health and safety repairs that allow for installation of energy saving measures. Including health and safety measures as part of the LIURP installation process increases the number of potential LIURP participants who would otherwise be excluded from receiving those measures. The Companies appreciate the flexibility to include health and safety spending within their WARM budgets, which maximizes LIURP participation.

Although it is the Companies' position that a percentage of utilities' LIURP budgets may be allocated to health and safety measures, the Companies caution against formal revision of the LIURP regulations to require installation of such measures by utilities. Other agencies and non-profit organizations with an expertise in health and safety measures are better suited to perform these repairs. The LIURP regulations promote coordination between utilities and other organizations during the installation of LIURP measures.<sup>10</sup> The Companies recommend that that Commission encourage utilities to develop partnerships with other agencies that specialize in health and safety measures to work in conjunction with utilities during the LIURP installation process.

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

It is not the Companies' practice to disqualify eligible LIURP participants based on housing stock conditions. Where safety issues exist that cannot be remediated by the Companies, customers still qualify for baseload measures, including lighting, refrigerator testing and possible replacement, smart power strips, and water heating measures. As discussed in the Companies'

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<sup>10</sup> See 52 Pa. Code § 58.7.

previous response, the Companies allocate up to 50% of the seasonal allowance budget to address health and safety issues. Many homes have attainable solutions that may be addressed by the customer or through remediation of health and safety issues by the contractor. The WARM policy and procedures manual provided to the Companies' auditors includes a list of barriers to installation and offers tips for how to overcome such barriers. Contractors are encouraged to install as many applicable measures as possible. Where significant remediation or renovation is required, the Companies attempt to coordinate with other agencies to perform this work.

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

The Companies incorporate by reference their response to Question 2.

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

The Commission's LIURP regulations provide flexibility to include cooling measures within utilities' LIURP programs. The Companies' WARM program already features a significant number of cooling measures, such as window film, reflective roof coating, and air conditioning timers. In addition, certain heating measures, such as duct sealing insulation and air sealing, allow for usage reductions during cooling periods as well. As long as efficiency thresholds are exceeded, the Companies also replace central, wall, and window air conditioning units. Energy education is provided for each of these measures in the same manner as it is for heating measures. In light of the significant focus on cooling already within the Companies' WARM program, modification of the LIURP regulations to emphasize cooling is unnecessary.

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

The installation of LIURP measures at multifamily housing is sometimes challenging as landlord approval is necessary before any measures may be installed. In fact, despite utilities' best

efforts, including landlord education and streamlined administrative processes, certain multifamily housing units may remain without LIURP measures due to landlord opposition. To encourage landlord participation in WARM, the Companies provide education to landlords regarding WARM and program measures in an effort to facilitate landlord and tenant participation in the program. Landlords also are permitted to assist in choosing the measures at the building, e.g., baseload or full weatherization measures, and may be present for LIURP audits. One component of the WARM program that the Companies believe encourages participation at multifamily housing is the Companies' "one form" policy. Landlords are able to sign a single form to approve WARM installation throughout an entire apartment building. Although multifamily housing presents additional installation challenges in light of the landlord-tenant dynamic, the foregoing efforts by the Companies have been successful in promoting WARM participation at multifamily housing.

**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.**

Currently, utilities' needs assessments are evaluated within individual universal service plan proceedings. As a result, utilities' calculation methodologies are tailored based on varying demographics, housing stock, previously-approved budgets, and individual customer bases. The Companies are interested in exploring possible improvements to their calculation methodology, as long as the improvements are developed in recognition of the different conditions among utilities' service territories. Accordingly, the Companies recommend that the Commission establish a working group including utilities and other stakeholders to evaluate any changes to or standardization of the calculation methodology under 52 Pa. Code § 58.4(c).

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

The Companies do not support modification to the LIURP regulations to address utilities' customer assistance programs ("CAPs"). Although both programs relate to low income customers, each of the programs perform different functions. The Companies' WARM program focuses on the installation of usage reduction measures and energy education, while the Companies' PCAP program provides bill credits and arrearage forgiveness benefits.

The Commission's LIURP regulations already require utilities to operate their LIURP programs in conjunction with other private and public programs, including CAPs, to ensure low income customers are made aware of other strategies for reducing their energy costs.<sup>11</sup> The Companies require all PCAP customers to obtain a WARM audit in an effort to encourage low income customers to further reduce their electric bills. As part of the Companies' marketing efforts, low income customers receive materials related to both PCAP and WARM. The Companies appreciate the flexibility within current regulations to address PCAP and WARM coordination within their Universal Service Plans.

**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?**

The Commission's current regulations provide a good framework for LIURP best practices: a successful LIURP program should include the installation of cost-effective usage reduction measures and strong energy education. The appropriate measures, budget level, outreach efforts, and agency coordination are dependent on the demographics, location, housing stock, and

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<sup>11</sup> See 52 Pa. Code § 58.7(b).

weather conditions of the particular utility. Best practices with respect to these utility-specific issues should be determined in utilities' individual universal service plan proceedings.

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

The Companies recommend that the Commission establish a working group regarding three additional items. First, the Companies would like to explore the appropriate length of payback periods under 52 Pa. Code § 58.11, and evaluate the effectiveness and application of payback periods. Under the Commission's regulations, a typical payback period for a LIURP measure is up to seven years, and in some cases, up to 12 years.<sup>12</sup> As part of a working group, the Commission and other stakeholders may explore whether such payback periods continue to be appropriate in light of widespread LIURP measure deployment and developments in usage reduction technology since the Commission's LIURP regulations were adopted.

Second, the Companies would like to address potential modification of the definition for "residential space heating customer" in 52 Pa. Code § 58.2. The current definition for "residential space heating customer" applies to customers who use space heaters as a primary heat source, but not customers who use space heaters as a supplemental heat source in only a portion of their residence.<sup>13</sup> A working group could evaluate whether revisions to this definition are appropriate based on current heating behaviors among customers.

Finally, the Companies seek to develop revised procedures for "inter-utility coordination" under 52 Pa. Code § 58.14(c), to better reflect current coordination procedures between EDCs and NGDCs. Coordination procedures between EDCs and NDGCs have significantly evolved since

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<sup>12</sup> 52 Pa. Code § 58.11.

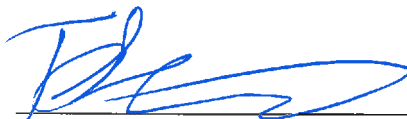
<sup>13</sup> 52 Pa. Code § 58.2.

the Commission's regulations were first promulgated. A working group would provide a vehicle to explore reasonable coordination procedures based on current LIURP program conditions.

### III. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company respectfully request that the Pennsylvania Public Utility Commission consider and accept, as appropriate, the foregoing Comments.

Respectfully submitted,



Dated: January 30, 2017

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

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

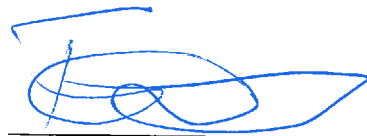
Service by first class mail, as follows:

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Dated: January 30, 2017



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