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March 1, 2017

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd 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 Reply 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

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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 :**

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

I. INTRODUCTION

On January 30, 2017, Metropolitan Edison Company (“Met-Ed”), Pennsylvania Electric Company (“Penelec”), Pennsylvania Power Company (“Penn Power”), and West Penn Power Company (“West Penn”) (each of which may be referred to as “Company” or in combination as “Companies”) submitted Comments at the above-referenced docket in response to the Secretarial Letter dated December 16, 2016 of the Pennsylvania Public Utility Commission (“PUC” or “Commission”). In the Secretarial Letter, the PUC requested comments from stakeholders on 14 questions related to the Low Income Usage Reduction Program (“LIURP”) in an effort to determine the scope of an upcoming LIURP rulemaking. In addition to the Companies, comments were submitted by the Pennsylvania Energy Efficiency for All Coalition (“PA-EEFA”); the Office of Consumer Advocate (“OCA”); the Pennsylvania Weatherization Providers Taskforce; the Commission on Economic Opportunity (“CEO”); National Fuel Gas Distribution Company (“NFGDC”); PPL Electric Utilities (“PPL”); Duquesne Light Company (“Duquesne”); PECO Energy Company (“PECO”); Philadelphia Gas Works (“PGW”); and the Energy Association of

Pennsylvania (“EAP”). The following Reply Comments are submitted on behalf of the Companies to address certain issues raised in other parties’ comments.

II. REPLY COMMENTS

Before responding to the particular issues raised by other parties, the Companies have one overarching response to other parties’ comments. In the Commission’s disposition of stakeholder comments, the Companies recommend that the Commission draw a distinction between issues that are properly within the scope of a LIURP rulemaking and issues that constitute LIURP policy or best practices. Stakeholders raised many issues in comments that represent proposed LIURP best practices or policy, which may warrant additional consideration by utilities as part of their universal service plan (“USP”) proceedings; however, these issues are not proper subject matter for a Commission rulemaking. The Companies’ Comments, which the Companies incorporate herein by reference, addressed a number of these issues already. The proper forum for these issues is within utilities’ individual USP proceedings where the location, demographics, housing stock, weather conditions, fuel types, and other assistance programs of a utility may be fully evaluated. Due to these differences among utilities, standardization of certain LIURP practices would fail to promote fair, effective, and efficient LIURP programs for all utilities. Accordingly, the Companies’ Reply Comments will respond to the substantive issues raised by other parties, but also specifically comment where an issue is improperly raised within this rulemaking.¹

A. WAP Coordination

The Commission’s regulations require utilities to operate their LIURP programs in conjunction with other private and public programs and coordinate with third party organizations

¹ To the extent the Companies have not addressed an issue in Comments or Reply Comments, the Companies take no position on that issue at this time. The Companies reserve their right to modify their position on all issues throughout future developments in this proceeding.

to implement LIURP wherever possible.² Consistent with this directive, the Companies regularly coordinate with a number of different organizations, including the Department of Community and Economic Development's ("DCED") Weatherization Assistance Program ("WAP") and community-based organizations ("CBOs") that administer WAP. In their comments, a number of stakeholders, including PA-EEFA, the OCA, the Pennsylvania Weatherization Providers Taskforce, and CEO, suggest that the Commission should modify its regulations to require utilities to coordinate specifically with WAP and CBOs administering WAP.³ The Companies are not opposed to voluntary coordination between LIURP and WAP where it is determined in a utility's USP proceeding that WAP coordination advances the interests of a utility's low income customers. In some cases, however, coordination with WAP does not result in efficient LIURP implementation. As a result, WAP coordination procedures should be evaluated within utilities' USP proceedings rather than formally adopted within the Commission's regulations.

As part of WARM, the Companies already coordinate with WAP. Approximately half of the Companies' WARM contractors are CBOs that also administer WAP. WAP and the Companies regularly communicate with each other regarding possible coordinated jobs. Under the Companies' current USPs, where WAP coordination occurs, certain WARM eligibility requirements are waived to ensure the customer will be able to receive the benefits of both WARM and WAP.

For a number of reasons, however, the Companies cannot coordinate with WAP on every WARM job. As a program administered by DCED that is subject to federal requirements, WAP has different program rules and goals from WARM and many WARM jobs are ineligible for WAP

² See 52 Pa. Code § 58.7(b).

³ PA-EEFA Comments, pp. 8-9; OCA Comments, pp. 14-15; Pennsylvania Weatherization Providers Taskforce Comments, p. 2; CEO Comments, p. 2.

coordination. The Companies must engage both CBOs administering WAP and private contractors to ensure they can achieve their WARM goals where disqualification occurs or where inconsistent eligibility or prioritization practices are present.⁴ Coordination is further limited because WAP completes fewer jobs annually than WARM, and limitations on WAP resources and budget create challenges for timely WARM project completion. Finally, coordination is sometimes impossible because WAP agencies may be prohibited from traveling outside of their respective territories to conduct jobs.

The Commission's regulations, which already encourage coordination with private and public agencies, should not be modified to require coordination with WAP or any other specific third-party organization.⁵ Although WAP coordination may offer certain benefits, WAP coordination also presents a number of drawbacks that preclude mandatory coordination by utilities. The effectiveness of WAP coordination must be evaluated on a utility-by-utility basis. To the extent the Commission determines that coordination with WAP should be encouraged for a particular utility, the Commission may address coordination procedures within the utility's USP proceeding.

B. Needs Assessment

PA-EEFA and the OCA propose several modifications to the needs assessment methodology established in 52 Pa. Code § 58.4(c), some of which present significant concerns to the Companies. Of particular concern is the suggestion of PA-EEFA and the OCA that the needs assessment formula include a projected timeline identifying when all LIURP-eligible customers

⁴ CEO specifically comments that WAP contractors are preferable because they are subject to increased certification requirements. CEO Comments, p. 5. All WARM contractors are already subject to national BPI certification standards and receive regular training regarding these standards.

⁵ Any modification of the Commission's regulations specifically targeting WAP or another third party agency may encounter jurisdictional challenges. The Public Utility Commission has no jurisdiction over WAP or third party agencies, and should not promulgate regulations requiring utilities to work with them.

would receive LIURP services.⁶ The LIURP budget should not be structured to assume installation of weatherization services for all income-eligible customers. LIURP is one of many programs available to low income customers to assist in reducing their energy costs and the needs assessment should reflect this. Moreover, utilities have no reasonable basis for projecting the timeline of a single job, let alone the timeline associated with all feasible LIURP jobs for all eligible LIURP customers. The timeline of a LIURP job is determined after visiting each residence and evaluating the particular cost-effective measures available to the customer.

Despite reservations regarding the needs assessment proposals of OCA and PA-EEFA, the Companies continue to be interested in participating in a working group including all stakeholders to explore methods for revising the needs assessment formula. Any needs assessment formula that is ultimately established must recognize that LIURP is only one of many customer assistance programs. In addition, the needs assessment formula should include factors that are readily accessible to utilities, which may be tailored to reflect utility-specific differences throughout the Commonwealth.

C. Multifamily Issues

While increased LIURP participation at multifamily housing may be encouraged as a proposed policy or best practice, the Commission's LIURP regulations should not be modified to further address multifamily issues. Multifamily housing stock differs, sometimes significantly, in each electric distribution company ("EDC") and natural gas distribution company ("NGDC") service territory. A one-size-fits-all approach to multifamily LIURP participation would fail to recognize these differences and lead to an inefficient allocation of LIURP resources. In addition, the Commission should avoid revising its LIURP regulations to create competition with EDCs'

⁶ PA-EEFA Comments, p. 27; OCA Comments, pp. 32-33.

Act 129 programs, which better address multifamily housing needs and already include targets for low income customers residing in multifamily housing.

PA-EEFA and the OCA recommend that the Commission increase the focus on multifamily buildings within their regulations, and specifically call for multifamily targets and budgets.⁷ This proposal fails to acknowledge that multifamily housing needs for each utility vary significantly based on different housing stock. In the Companies' service territories, multifamily buildings often comprise only a small segment of the housing market. For utilities serving more urban areas, multifamily buildings are more prevalent and likely include dozens of apartment units. The ratio of low income tenants to low income homeowners in the Companies' service territories also differs from other EDCs and NGDCs, leading to possible measure portfolio differences as well. Contrasting demographics, ownership preferences, and housing stock within utility service territories cannot be recognized within the Commission's regulations, which by their nature would create a standard set of multifamily requirements for all utilities.

Moreover, for EDCs, Act 129 provides a better vehicle than LIURP for multifamily housing. A customer is prioritized under LIURP based on his or her level of electric usage. At multifamily housing, customers generally maintain lower usage and are less likely to meet the usage threshold for LIURP participation. By contrast, utilities' Act 129 plans do not include any mandatory usage requirements, allowing for increased Act 129 participation at multifamily housing. Act 129 plans also include specific targets for low income customers at multifamily housing. If the LIURP regulations were modified to prescribe multifamily targets as well, utilities' Act 129 and LIURP programs would be competing with each other for customers. To avoid this difficult position for EDCs, Act 129 should be recognized as the primary means for obtaining

⁷ PA-EEFA Comments, p. 24; OCA Comments, pp. 12-14.

energy efficiency services at multifamily housing, and LIURP should supplement Act 129 programs as appropriate. Accordingly, an increased focus on multifamily issues within the LIURP regulations is inappropriate.

D. Health and Safety

A one-size-fits-all approach also must be avoided with respect to health and safety repairs. In its comments, CEO argues that \$1,500 per LIURP project should be devoted to health and safety measures for both homeowners and tenants.⁸ The budget for each LIURP project fluctuates based on the scope of necessary LIURP measures, which is impacted by prior annual electric use, housing stock, age of home, fuel source, etc. These factors will change for each utility, causing the budget for health and safety repairs to vary. The need and scope for a health and safety budget should be considered within utilities' USP proceedings and not as part of a Commission rulemaking.

E. Integrated LIURP Delivery Among EDCs and NGDCs

Throughout its comments, PA-EEFA advocates for an overhaul of LIURP, in which EDCs and NGDCs would deliver an integrated LIURP program featuring common eligibility criteria, fuel neutral measures and savings, and program evaluation.⁹ This recommendation presents significant implementation challenges, and would inappropriately result in cross-subsidization between EDC and NGDC customer bases. In addition, EDC and NGDC coordination is already widespread and does not require significant modification. Accordingly, this PA-EEFA recommendation must be rejected.

Under the current LIURP regulatory scheme, the Companies regularly coordinate with NGDCs during WARM implementation. The Companies and NGDCs jointly developed coordination procedures, which include policies and instructions for handling the application

⁸ CEO Comments, p. 3.

⁹ PA-EEFA Comments, pp. 9-10, 24-25, p. 30.

process for coordinated jobs, contractor assignment, health and safety measure installation, and cost allocation. Where a job is coordinated with an NGDC, inconsistent eligibility guidelines are waived by the Companies. As part of these procedures, EDCs and NGDCs are not responsible for installing fuel neutral measures or tracking fuel neutral savings; however, one contractor for both the EDC and NGDC is charged with installing the separate measures for electric savings and gas savings. These coordination procedures work well to ensure that a customer served by both an EDC and NGDC obtains LIURP savings to reduce both the customer's electric and natural gas costs.

The Companies are opposed to modification of the Commission's regulations to require EDCs and NGDCs to participate in a revised LIURP program with common fuel neutral standards, measures, and evaluation. EDCs do not have an expertise in measures that promote gas savings and have no ability to track the savings after measures are installed. NGDCs have the same limitation with respect to electric savings. Under this proposal, utilities would be charged with running a LIURP program for which they have limited expertise and no ability to track, creating significant implementation challenges for utilities.

Moreover, residential customers of EDCs should not be required to fund LIURP programs creating natural gas savings that benefit NGDC customers. One of the objectives of LIURP outlined within 52 Pa. Code § 58.1 is to "decrease the incidence and risk of customer payment delinquencies and the attendant utility costs associated with uncollectible accounts expense." Where the LIURP program is successful and low income customers' electric costs decrease, customers' arrearages should correspondingly decrease resulting in lower uncollectible costs. Residential customers are shouldered with the costs of the LIURP program because they form the class that will benefit from a reduced uncollectible expense. If LIURP is modified to focus on fuel neutral savings, residential customers would arguably be paying for a benefit that is given to

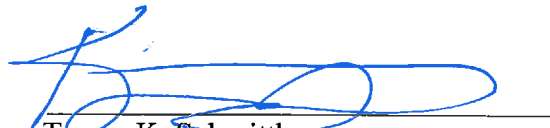
customers of another utility. Such cross-subsidization among the customers of different utilities must be avoided.

The Companies already successfully engage in coordination efforts with NGDCs. PA-EEFA's recommendation for an overhaul of coordination procedures in favor of a joint fuel neutral approach should be rejected for its implementation challenges and potential for cross-subsidization between utility customer bases. As indicated in Comments, the Companies are open to exploring revisions to the "inter-utility coordination" section within 52 Pa. Code § 58.14(c) to better reflect current coordination procedures; however, the Companies would oppose modification of the regulations consistent with PA-EEFA's proposal.

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 Reply Comments.

Respectfully submitted,



Dated: March 1, 2017

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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.

Service by first class mail, as follows:

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Dated: March 1, 2017



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