

**PENNSYLVANIA PUBLIC UTILITY COMMISSION
HARRISBURG, PENNSYLVANIA 17105**

Energy Affordability for Low Income
Customers

Public Meeting: March 16, 2017
2587711-CMR
Docket No.

**JOINT MOTION OF VICE CHAIRMAN ANDREW G. PLACE
AND COMMISSIONER DAVID W. SWEET**

The Public Utility Code requires that utility services be universally affordable, and that universal service and energy conservation programs be developed, maintained, and appropriately funded to ensure such affordability.¹ In furtherance of this requirement, in 1992, the Commission published a Customer Assistance Program (CAP) policy statement, which established affordability ranges for low income customers by heating source and income level.

CAP Policy Statement Energy Burden Levels²

Utility Service	0-50% poverty	51-100% poverty	101-150% poverty
Non-electric	2%-5%	4%-6%	6%-7%
Gas Heat	5%-8%	7%-10%	9%-10%
Electric heat	7%-13%	11%-16%	15%-17%

As provided in the Commission's Policy Statement, if a consumer's energy burden falls within these ranges, it is assumed to be affordable for a low-income household.

However, the Commission noted in 2006 that these energy burden levels may be too high. In the Commission's Final Investigatory Order on CAP Funding Levels and Cost Recovery, the Commission stated that "our policy requiring a low-income household to pay 17% of their household income for home energy services compared with an average household who pays about 5% of their income may need to be revised."³ National low-income energy burden models also suggest that levels be between 6%⁴ and 11%⁵ of income. At its Public Meeting on March 2, 2017, the Commission took action on the affordability concerns raised in the Bureau of Consumer Services' analysis of Duquesne Light Company's Universal Service and Energy Conservation filing.

More than 23 years after the publication of the Commission's CAP Policy Statement, and more than 10 years after the Commission's acknowledgement of concerns regarding energy

¹ 66 Pa. C.S. §§ 2203(7) and 2804(9).

² 52 Pa. Code § 69.265(2)(i)(A-C).

³ Final Investigatory Order on CAP Funding Levels and Cost Recovery, Docket No. M-00051923 at 48, Order entered December 18, 2006. www.puc.pa.gov/PcDocs/646476.doc.

⁴ "LIHEAP Energy Burden Evaluation Study," *Applied Public Policy Research Institute for Study and Evaluation (APPRISE)*. www.appriseinc.org/reports/LIHEAP%20BURDEN.pdf.

⁵ "Home Energy Affordability in New York: The Affordability Gap (2008 – 2010)," *New York State Energy Research Development Authority (NYSERDA)*.

burden levels, “home energy [costs]”, according to the 2015 Home Energy Affordability Gap Study, “[...]remain] a crippling financial burden for low-income families.”⁶

The Commission routinely considers complaints involving residents enrolled in CAP programs failing to keep up with payments, accumulating arrearages, facing service disconnection and loss of program eligibility.⁷ This payment, assistance and arrearage cycle is a recurrent issue for many low-income customers.

Additionally, only 30% of eligible Pennsylvania households are enrolled in a CAP program, and residents falling below 50% of the Federal Poverty Guidelines pay an average 30% of their income on home energy costs alone.⁸ While there are likely other barriers to participation, unaffordable energy bill payment arrangements may well be among them.

Given these realities, the necessary first step to evaluate the affordability, cost-effectiveness and prudence of Universal Service Programs is for the Commission to undertake an energy affordability study. In undertaking any subsequent review of Universal Service Programs in their entirety, the Commission must of course continue to balance the costs⁹ and benefits of these programs as potential changes to affordability standards will inevitably require an examination of overall program funding.¹⁰

We recommend that this matter be referred to the Commission’s Bureau of Consumer Services to determine what constitutes an affordable energy burden for Pennsylvania’s low-income households and, based on this analysis, whether any changes in the Commission’s CAP Policy Statement or other Universal Service and Energy Conservation guidelines are necessary to bring these programs into alignment with any affordability recommendations. Additionally, this work will complement the Commission’s Low Income Usage Reduction Program (LIURP) rulemaking and serve to inform a potential future CAP rulemaking.

THEREFORE WE MOVE THAT:

1. The Commission’s Bureau of Consumer Services, in conjunction with other necessary Commission Bureaus, initiate a study regarding home energy burdens in Pennsylvania, resulting in recommendations concerning affordable home energy burdens for low-income Pennsylvanians.

⁶ Fisher, Sheehan & Colton. “The Home Energy Affordability Gap 2015: Pennsylvania,” *Public Finance and General Economics*. <http://www.homeenergyaffordabilitygap.com/>.

⁷ *Billy Jo Knapp v. Pennsylvania Electric Company*. Docket No. C-2015-2511723, Order entered October 27, 2016.


⁸ Fisher, Sheehan & Colton. “The Home Energy Affordability Gap 2015: Pennsylvania,” *Public Finance and General Economics*. <http://www.homeenergyaffordabilitygap.com/>

⁹ Total gross CAP costs for EDCs have increased by approximately 177% between 2001 and 2015 (inflation adjusted), from \$68.25 million to \$189 million (expressed in 2001 dollars), and total gross CAP costs for NGDCs have increased by approximately 270% (inflation adjusted) from 2002 to 2015, from \$22.6 million to \$83.6 million (expressed in 2002 dollars). During the 2001/2002 to 2015 timeframe, the number of estimated low-income electric and natural gas customers has increased by 80% and 104% respectively. PUC Reports on *Universal Service Programs & Collections Performance*, Years 2001 through 2015.

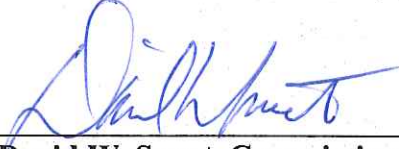
¹⁰ *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015*, Docket No. M-2012-2290911, Order entered July 8, 2015.

2. The Commission's Bureau of Consumer Services finalize a scope of work within 45 days of the entry of this Order.
3. The Commission's Bureau of Consumer Services conclude the study within nine months of this Order and report its findings to the Commission within one year from the entry date of this Order.
4. The Commission publish the final report and provide for a comment and reply comment period as necessary.
5. The Office of Special Assistants prepare an Opinion and Order consistent with this Motion.

DATE: March 16, 2017



Andrew G. Place, Vice Chairman



David W. Sweet, Commissioner