**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

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| Public Meeting held August 3, 2017 | |
| Commissioners Present:  Gladys M. Brown, Chairman  Andrew G. Place, Vice Chairman  Robert F. Powelson  David W. Sweet  John F. Coleman, Jr. | |
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| Philadelphia Gas Works Universal Service  and Energy Conservation Plan for 2017‑2020  Submitted in Compliance with 52 Pa. Code § 62.4 | Docket No. M-2016-2542415 |

**ORDER**

**BY THE COMMISSION**

On January 26, 2017, the Pennsylvania Public Utility Commission (Commission) entered a Tentative Order, requesting additional information prior to approving the proposed 2017-2020 universal service and energy conservation plan (Proposed 2017-2020 Plan or USECP) for Philadelphia Gas Works (PGW or Company). The Tentative Order indicated issues concerning the Proposed 2017-2020 Plan that required modification or clarification. PGW filed supplemental information in response to the Tentative Order. PGW subsequently filed a response to a staff request for additional information. The Office of Consumer Advocate (OCA), the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (TURN *et al*.) individually filed comments on PGW’s Proposed 2017-2020 USECP and responses to Commission requests for information. OCA, TURN *et al*., and PGW also individually filed reply comments. We have considered the comments filed by the parties and direct that PGW submit a Revised 2017-2020 Plan, consistent with this Order, for the reasons described herein.

1. **BACKGROUND**

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

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

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

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

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

1. **HISTORY**

1. 2014-2016 USECP (M-2013-2366301)

PGW’s most recent prior plan was its 2014-2016 Plan, approved by the Commission at Docket No. M-2013-2366301, by Final Order entered on August 22, 2014. Based on changes directed in the Final Order, PGW filed a Revised 2014-2016 Plan for 2014-2016 on September 22, 2014. On October 3, 2014, CAUSE-PA and TURN[[2]](#footnote-2) filed and served joint comments at Docket No. M-2013-2366301 alleging that PGW’s Revised 2014-2016 Plan was not consistent with the Final Order. On October 9, 2014, PGW filed and served reply comments. On November 13, 2014, the Commission issued an Order dismissing the issues raised by CAUSE-PA and TURN and approving the Company’s Revised 2014-2016 Plan. Thereafter, the Revised 2014-2016 Plan was implemented.

2. DSM I (P-2009-2097639) and DSM II/DSM Continuation Order (P-2014-2459362)

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

On December 23, 2014, PGW filed its proposed DSM II Plan for 2015 through 2020 at Docket No. P-2014-2459362 (DSM II Petition).[[4]](#footnote-4) PGW initially proposed, *inter alia*, to continue to offer LIURP/ELIRP services as part of its DSM II but to change the name from ELIRP to CRP Home Comfort program. Petition at 3. The program name change took place.

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

In November 1, 2016 DSM II Final Order at Docket No. P-2014-2459362, the Commission directed PGW to transition its LIURP/CRP Home Comfort program, including PGW’s Low-Income Multifamily Efficiency Program (LIME), back into its then-pending proposed 2017-2020 USECP (*i.e.*, this instant docket) and to provide details for a seamless integration. The DSM II Final Order, however, did direct PGW to set its 2017 Fiscal Year (FY) CRP Home Comfort budget at $5,860,506. *DSM II Final Order* (Order entered November 1, 2016) at 34-35. As a result of these changes, there is a four-month transition period between the end of the FY2017 budget and the beginning of the 2018 calendar year budget for PGW’s LIURP.

3. Amended Proposed 2017-2020 USECP (M-2016-2542415)

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

On January 26, 2017, the Commission entered a Tentative Order, identifying issues where modifications and clarifications are needed. On February 15, 2017, PGW filed supplemental information addressing the issues raised in the Tentative Order. CAUSE-PA, OCA, and TURN *et al*. individually filed comments on March 7, 2017. OCA, TURN *et al*., and PGW individually filed reply comments on March 22, 2017.

In the Tentative Order at this docket, the Commission urged “parties to be cooperative in the exchange of information and data relative to this formal proceeding.” Tentative Order at 1. On March 2, 2017, CAUSE-PA sent a letter to PGW requesting information and data on various aspects of its universal service programs. CAUSE-PA included a copy of this letter with its comments submitted on March 7, 2017. CAUSE-PA Comments at Attachment A. On March 9, 2017, PGW filed a letter objecting to the CAUSE-PA discovery request on the grounds that (1) the requested information is beyond the scope of the issues raised in the Tentative Order; and (2) the request is not consistent with the Commission’s discovery rules in a USECP proceeding. PGW March 9 Letter at 1-2. On March 20, 2017, CAUSE-PA filed a letter asserting that the requested information is relevant to the review of PGW’s proposed 2017-2020 USECP.

Following a review of PGW’s supplemental information, the comments and reply comments from PGW and other stakeholders, and the information requested by CAUSE-PA, PGW was directed, by Secretarial Letter dated April 11, 2017, to provide additional information. PGW filed a response on April 21, 2017. CAUSE-PA and TURN *et al.* separately filed supplemental comments on April 28, 2017. OCA and PGW filed supplemental reply comments on May 5, 2017.

The four major components[[5]](#footnote-5) in PGW’s Amended Proposed 2017-2020 Plan are: (1) the CRP, (*i.e.*, PGW’s CAP), which provides discounts from tariff rates and arrearage forgiveness for low-income residential customers; (2) CRP Home Comfort, (*i.e.*, PGW’s LIURP), which provides weatherization and usage reduction services to help CRP customers reduce their utility bills; (3) the Customer Assistance and Referral Evaluation Services (CARES) Program, which provides referral services for low-income, special needs customers; and (4) a Hardship Fund, which provides grants to customers who have had their utility service terminated or are in danger of termination. We shall discuss each program in greater detail below.

1. **DISCUSSION**

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

With the exception of changes specifically addressed in this Order, the Commission approves the following proposed changes to PGW’s Universal Service program in its Proposed 2017-2020 Plan.

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

1. **Program Descriptions as Proposed for 2017-2020**

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

PGW’s CRP program offers discounts off residential tariff rates to payment-troubled customers if their income is less than 150% of the Federal Poverty Income Guidelines (FPIG) and the program will result in the most affordable payment option. Households already receiving a discounted payment through PGW’s Senior Citizen Discount (SCD) program are not eligible for CRP. The program is intended to improve payment behavior, prevent loss of service, assist participants in conserving energy, reduce collection costs, and minimize the financial burden on non-CRP ratepayers. CRP is primarily funded by the Company’s residential ratepayers via a Universal Service and Energy Conservation (USC) surcharge in the Company’s tariff.[[6]](#footnote-6)

The primary features of PGW’s CRP program include:

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

Customers in the CRP program are required to:

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

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

**Table 1**

**Percent of Income CRP payment**

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

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

Customers are unable to re-enroll in CRP for a specified period if they are removed from the program for the following reasons: voluntary removal (stay-out for one year), refusing access to the meter (stay-out until access is granted), committing two or more incidents of unauthorized usage (stay-out for one year), submitting fraudulent information at application/recertification (stay-out for one year), or refusing weatherization services (stay-out until services are accepted).[[7]](#footnote-7)

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

*a. Percent of Income vs. Budget Bill*

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

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

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

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

In the Tentative Order, we asked PGW to provide a cost breakdown estimate that explains how allowing customers to enroll in CRP based on a budget bill amount would increase program costs by approximately $26 million to $36 million. We also asked PGW to provide information about the impact of its current CRP policy on customers. Specifically:

* How many low-income customers were denied CRP enrollment in 2013, 2014, and 2015 due to the CRP rate not being the most advantageous?
* How customers denied CRP enrollment for this reason were entered into payment arrangements? How many of these payment arrangements were broken?
* How many of these customers were ineligible for further payment arrangements and were rejected based on their budget bill amount?
* How many low-income customers with usage levels above 2,125 CCF were denied CRP Home Comfort enrollment in 2013, 2014, and 2015 because they could not enroll in CRP due to the CRP rate not being the most advantageous?
* And the total amount of deferred arrears and in-program arrears for CRP customers at the end of 2013, 2014, and 2015, broken down by income level.

PGW explains that customers are currently ineligible for CRP if their budget bill plus payment arrangement (Budget Plus) monthly amount is lower than the energy burden level established in the CRP PIP. Deferring existing arrears and requiring only the budget bill amount may reduce the household’s energy burden level below the affordable guidelines in the CAP Policy Statement. The Company argues that “there may be an inherent unfairness in such a result.” PGW Supplemental Information at 7.

PGW reports it hired Gil Peach (Peach) to study, *inter alia*, the impact of allowing customers to enroll in CRP at their average bill amount. Peach Study at PGW Supplemental Information, Attachment B. The Peach Study estimated the cost of enrolling 42% of PGW’s identified low-income customers (35,399) into CRP with average billing would be approximately $26.3 million. This estimate includes customers who would qualify for either PIP or average bill CRP rates, so it does not reflect the anticipated cost of enrolling only budget bill customers into CRP. PGW Supplemental Information at 6-7, *citing* Peach Study at 26. The Peach Study estimates it will cost approximately $648,000 to modify existing CRP PIP bills to budget billing and $5 million annually in additional arrearage forgiveness to enroll new customers into CRP at budget billing. PGW Supplemental Information at 7, *citing* Peach Study at 28, Amendment at 2.

If the Commission requires PGW to enroll customers into CRP at budget billing, system and operational changes will be necessary. The Company requests that it be allowed to recover these costs through its USC surcharge. PGW Supplemental Information at 8.

PGW reports that it does not track the number of customers denied CRP enrollment due to the CRP PIP not being the most advantageous rate and cannot provide any information about these specific accounts, including energy usage levels. PGW Supplemental Information at 8-9. However, the Company provided the number of confirmed low-income customers issued payment arrangements in 2013, 2014, and 2015:

**Table 2**

**Payment Arrangements Issued to Confirmed Low-Income Customers**

|  |  |
| --- | --- |
| 2013 | 37,883[[8]](#footnote-8) |
| 2014 | 53,491[[9]](#footnote-9) |
| 2015 | 52,309[[10]](#footnote-10) |

PGW cautions that customers may elect to enroll in a payment arrangement instead of enrolling in CRP for a number of reasons (*i.e.*, reasons other than CRP ineligibility). PGW Supplemental Information at 8.

In response to the Commission’s request for information on deferred arrears and in-program arrears in CRP, PGW provided the following information:

**Table 3**

**CRP Deferred Arrears**

|  |  |  |  |
| --- | --- | --- | --- |
| **Level** | **2013** | **2014** | **2015** |
| $25 min | $1,772,349 | $1,570,173 | $2,709,106 |
| 0-50% | $11,855,628 | $10,505,288 | $11,283,441 |
| 51-100% | $20,339,783 | $20,202,960 | $18,450,713 |
| 101-150% | $8,438,741 | $8,420,041 | $6,370,157 |
| **Total** | **$42,406,501** | **$40,698,462** | **$38,813,417** |

Source: PGW Supplemental Information at 9.

**Table 4**

**CRP In-Program Arrears**

|  |  |  |  |
| --- | --- | --- | --- |
| **Level** | **2013** | **2014** | **2015** |
| $25 min | $104,753 | $85,057 | $132,792 |
| 0-50% | $1,761,106 | $1,353,084 | $1,286,857 |
| 51-100% | $6,320,605 | $5,007,387 | $4,191,555 |
| 101-150% | $3,273,826 | $2,427,391 | $1,682,339 |
| **Total** | **$11,460,290** | **$8,872,919** | **$7,293,543** |

Source: PGW Supplemental Information at 9.

CAUSE-PA, OCA, and TURN *et al*. separately support allowing customers to enroll in CRP at the PIP or budget bill rate, whichever is lower. CAUSE-PA Comments at 5; OCA Comments at 5; and TURN *et al*. Comments at 3. CAUSE-PA and TURN *et al*. separately disagree with PGW’s assertion that allowing customers to enroll in CRP at budget billing would be inconsistent with the affordability guidelines in the CAP Policy Statement. They note that the CAP Policy Statement identifies the maximum percentage of income a customer should pay for electric and natural gas service; it does not establish minimum energy burden thresholds. CAUSE-PA Comments at 8-9 and TURN *et al*. Comments at 5.

CAUSE-PA notes that the eligibility criteria in the CAP Policy Statement only requires a customer to be a ratepayer, low-income (at or below 150% of the FPIG), and payment troubled to qualify for the program. CAUSE-PA Comments at 6, *citing* Section 69.265(4)(i-iii). CAUSE-PA argues that PGW should not deny low-income customers the benefits of arrearage forgiveness and access to CRP Home Comfort services due to their gas usage not exceeding a certain percentage of their income. CAUSE-PA Comments at 6. CAUSE-PA recommends PGW allow customers to pay the lesser of the PIP or budget bill amount and review this payment amount monthly to confirm the customer continues to pay the most affordable bill. CAUSE-PA Comments at 7.

CAUSE-PA and TURN *et al*. separately recommend that the Commission refer this matter to the OALJ for an evidentiary proceeding. CAUSE-PA Comments at 9-10 and TURN *et al*. Comments at 3.

PGW maintains that enrolling customers into CRP at budget bill would result in customers paying different percentages of income. Some participants would have payments at the maximum allowable energy burden level and others would pay less. PGW recommends the Commission determine what energy burden level is affordable and applicable for all CAP customers. PGW Reply Comments at 12-13.

*Resolution*: As noted by CAUSE-PA, the eligibility criterion in the CAP Policy Statement does not include determining whether a household is paying over a certain percentage of income for their utility service. The CAP Policy Statement states that program applicants should be utility ratepayers, low-income (*i.e.*, household income at or below 150% of the FPIG), and payment troubled.[[11]](#footnote-11) Section 69.265(4).

PGW is the only Pennsylvania utility that rejects low-income customers for CAP based on their energy burden level. Other gas and electric utilities allow customers to enroll in its CAPs even if fall below the program’s energy burden threshold. For example:

* The UGI Companies (UGI Utilities, Inc.- Gas Division, UGI Penn Natural Gas, Inc., UGI Central Penn Gas, Inc. and UGI Utilities, Inc.-Electric Division) allow all eligible low-income customers to enroll in their CAPs at a PIP (7%, 8%, or 9%) or average bill amount, whichever is lower. *See* UGI Companies’ 2014-2017 USECP, Docket No. M-2013-2371824, at 14-15.
* Peoples Natural Gas and Peoples Equitable Gas allow all eligible low-income customers to enroll in their CAPs at a PIP (8%, 9%, or 10%) or budget bill amount, whichever is lower. *See* Peoples Natural Gas Company’s 2015-2018 USECP, Docket No. M-2014-2432515, at 9-10.
* The First Energy Companies (Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power) and PECO Energy allow all eligible low-income customers to enroll in their CAPs. If participants already pay less than the CAP energy burden threshold for utility service, they can still receive arrearage forgiveness and other benefits of CAP. *See* Metropolitan Edison Company 2015-2018 USECP, Docket No. M-2014-2407729, at 9; Pennsylvania Electric Company 2015-2018 USECP, Docket No. M-2014-2407730, at 9; Pennsylvania Power Company 2015-2018 USECP, Docket No. M-2014-2407731, at 9; West Penn Power 2015-2018 USECP, Docket No. Docket No. M-2014-2407728 at 9-10; and PECO 2016-2018 USECP, Docket No. M-2015-2507139, at 29-35.

Only low-income customers in PGW’s service territory are denied access to arrearage forgiveness – and LIURP (CRP Home Comfort) services – if they do not “meet” the energy burden threshold for the Company’s CAP (CRP). This requirement is not consistent with the CAP Policy Statement, which – as noted by CAUSE-PA and TURN *et al*. – does not establish minimum energy burden levels as a precondition for CAP eligibility.[[12]](#footnote-12) Further, PGW’s policy prohibits some low-income customers with high balances from enrolling in CRP even when access to payment arrangements or budget billing is not available or affordable.

The Peach Study estimated CRP costs would increase by $5 million annually if all 40,000 known non-CRP low-income accounts enrolled in the program at budget billing and received arrearage forgiveness. We find this estimate unrealistic. The average CAP participation rate by confirmed low-income gas customers in 2015 was 35%. 2015 Report on Universal Service Programs & Collections Performance at 42. Assuming only 35% of the 40,000 non-CRP low income accounts enroll in the program, we estimate arrearage forgiveness costs to CRP could increase by $1.75 million annually. This increased cost to non-CRP ratepayers may be at least partially offset by a decrease in collection costs and write-offs caused by customers defaulting on budget bill and payment arrangements.

Citing the decreasing cost of natural gas, the Peach Study estimates that 14% (2,959) of CRP participants currently pay more on PIP than they would on budget billing. Peach projects that converting all of these customers into budget billing and maintaining their arrearage forgiveness would decrease their average annual CRP payments by $219 and thus increase annual program costs by approximately $648,000. Peach Study at 28.

While we find fault with this estimate[[13]](#footnote-13), our main concern is that many CRP customers are currently paying more than the actual cost of their gas usage over the course of the program year. Low-income customers enroll in CRP to receive the most affordable gas payment and achieve debt forgiveness. PGW should periodically review CRP accounts to ensure customers are paying the most affordable rate.

Allowing customers to enroll in CRP at budget billing will allow more low-income accounts to achieve arrearage forgiveness and ensure that customers are given the lowest payment option (*i.e.,* PIP or budget bill) at application, recertification, or periodic review. Accordingly, we direct PGW to allow eligible low-income customers to enroll in CRP at the PIP or the budget bill amount, whichever is lower, within six months of the final approval of the 2017-2020 Plan. PGW should also review, at least once per year, CRP accounts to ensure customers are paying the most affordable CRP rate (*i.e.*, PIP or budget billing). The Company should identify these changes in its Revised 2017-2019 Plan. We do not find that it is necessary to refer this matter to the OALJ for hearings.

The Company has articulated that there will be programing costs and customer-related costs associated with this change. Consistent with the requisites for establishing its USC surcharge, the Company may petition to recover the prudent costs associated with this change through its USC surcharge.

*b. Pilot Consumption Limits*

PGW proposes implementing a consumption limit pilot for CRP participants. If household annual gas consumption exceeds 2,125 CCF,[[14]](#footnote-14) the Company will send the CRP customer a letter explaining CAP Policy Statement exceptions to consumption limits[[15]](#footnote-15) and providing conservation tips. PGW will also refer the household to CRP Home Comfort for weatherization. If customers who exceed the consumption limit decline CRP Home Comfort services, the Company will remove them from CRP. Amended Proposed 2017-2020 Plan at 18.

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

In the Tentative Order, we asked PGW to explain how it will inform customers about the consumption limit, to detail what happens to customers that continue to exceed the consumption limit, and to identify the projected annual cost for its “Reason Analysis.”

PGW reports it will inform all active CRP participants about its consumption limit pilot through mailings. New CRP enrollees will be informed at application. At this time, the Company has not developed policies for this program. PGW plans to analyze the results of its Reason Analysis and conduct a stakeholder meeting in 2019 or 2020 before proposing a policy for this program in its 2021-2023 USECP. PGW anticipates that it can conduct the Reason Analysis internally, but will utilize a Request for Proposal (RFP) process if a consultant is needed. The Company is not proposing cost recovery for the Reason Analysis through its USC surcharge. PGW Supplemental Information at 10.

CAUSE-PA expresses reservations about consumption limits and agrees that a pilot program is a prudent approach. CAUSE-PA recommends that the Commission require PGW to notify customers when they reach 50%, 80%, and 100% of the consumption limit. This notification should encourage enrollment in CRP Home Comfort, provide energy conservation tips, and identify allowable exemptions to the consumption limits and how to exercise them. CAUSE-PA supports PGW’s proposal to conduct an analysis of this pilot prior to establishing a final consumption limit policy. CAUSE-PA Comments at 10-12.

OCA supports establishing a final consumption limit level for CRP customers in PGW’s next USECP after conducting the Reason Analysis. OCA asserts that Reason Analysis should examine the costs of implementing a consumption limit. OCA recommends the Company notify customers when they are in danger of exceeding their consumption limit and include energy education information to assist them in reducing energy consumption. Customers should be exempt from the consumption limit if they meet the exceptions listed in the CAP Policy Statement at Section 69.265(3)(vi)(A-E).[[16]](#footnote-16) OCA Comments at 7-9.

TURN *et al*. questions whether the pilot consumption limit will confuse PGW customers. First, the notices sent to customers will inform them they have exceeded a usage limit, but no such limit has been proposed or approved. Second, converting the CCF limit to dollars may suggest the limit is associated with the financial impact to the household. TURN *et al*. recommends that PGW inform customers that this is a pilot program and that they will not be removed for exceeding the consumption limit unless they decline CRP Home Comfort Services if offered. TURN *et al*. Comments at 7-8. TURN *et al*. also supports notifying customers as they approach the consumption limit. TURN *et al*. Reply Comments at 8-9.

In response to stakeholder comments, PGW agrees to notify customers when they reach 50%, 80%, and 100% of the consumption limit. PGW Reply Comments at 3, 15. The Company states that it will include a cost evaluation and propose a cost recovery mechanism for the final proposed consumption limit in its 2021-2023 USECP. PGW Reply Comments at 3.

*Resolution*: As noted in the Tentative Order, the Commission supports establishing consumption limits to control the costs of CAPs and identify high users for energy education and weatherization services. We also approve of providing notices to the customers when they reach 50%, 80%, and 100% of the consumption limit. These notices should include energy conservation tips, information about CRP Home Comfort Services, and allowable exemptions to the consumption limit. Accordingly. PGW is directed to make these modifications within three months after approval of its 2017-2019 Plan. The Company should provide details about the consumption limit notifications in its Revised 2017-2020 Plan. Our approval of the pilot herein is not an indication of any action that we might take regarding PGW’s 2021-2023 USECP relative to consumption limits or cost recovery.

*c. External sources used to verify CRP customers’ household composition and income*

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

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

The Tentative Order questioned whether PGW continues to utilize only the Philadelphia Office of Property Assessment and LIHEAP to verify CRP household information. We asked PGW whether it is now using credit reporting information as part of its periodic reviews of CRP accounts and, if so, to explain how this process complies with the Federal Credit Reporting Act (FCRA).

PGW reports it has not changed its income verification procedure for CRP participants. The Company asserts it does not utilize credit reports for any reason to verify customer household composition or income, but does use credit reporting agencies, such as Experian and Transunion, to verify residency and perform death audits to protect against fraud. If evidence of fraud or death is uncovered, PGW sends the customer a letter to the household asking them to contact the Company within two weeks to dispute the information prior to removal from CRP. Consistent with the Commission’s directive in the PECO 2016-2018 USECP Final Order, PGW will include FCRA rights in writing as part of this customer communication. PGW Supplemental Information at 11-13, citing the *PECO 2016-2018 USECP Final Order*, Docket No. M‑2015-2507139 (Order entered August 11, 2016), at 33-38.

CAUSE-PA and OCA separately support PGW’s proposal to provide FCRA rights to customers when taking adverse action based on information gathered by a credit reporting agency. CAUSE-PA Comments at 13 and OCA Comments at 10. Both parties separately recommend that PGW give customers 30 days to respond to dispute this information, rather than two weeks. CAUSE-PA Comments at 13-14 and OCA Comments at 10. CAUSE-PA also recommends the letter should “clearly describe the manner and method that the consumer can use to dispute the negative finding.” CAUSE-PA Comments at 14.

TURN *et al*. is concerned about PGW’s use of real estate transactions and LIHEAP grants to verify household information. TURN *et al*. also questions what happens if CRP applicants refuse to consent to the Company’s use of credit reporting agencies. TURN *et al*. requests the Commission continue to monitor PGW’s use of external sources, credit reports, and compliance with FCRA requirements. It also recommends the Commission require the Company to provide additional information about how it will comply with the FCRA, how it will ensure the information gathered in reliable, and how customers may dispute and correct bad data. TURN *et al*. Comments at 9-12.

PGW agrees to provide customers with 30 days to dispute information suggesting fraud or evidence of death before removing them from CRP. In addition to providing written notice about the FCRA rights, PGW also agrees to explain how the customer may dispute this information. PGW Reply Comments at 4.

*Resolution*: We support giving customers 30 days to dispute information gathered from external sources prior to removing them from CRP. We also approve PGW’s proposal to provide customers with a written description of their FCRA rights if the Company is taking adverse action based on information gathered by a credit reporting agency. Accordingly, we direct PGW to implement these modifications upon final approval of its USECP and identify these changes in its Revised 2017-2020 Plan.

*d. Requiring Quarterly Tax Returns for Income Verification*

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

In the Tentative Order, we questioned PGW’s policy to reject CRP applications from self-employed customers if they are unable to provide quarterly tax returns.

To qualify for CRP, self-employed customers are often forced to file a quarterly tax return immediately or wait until their next annual tax return is filed. Either situation creates a delay in receiving CRP benefits, which may lead to increased utility debt and possible termination of service. We asked PGW to address how the Company will amend its policy and accept annual tax returns as proof of income for self-employed customers.

PGW agrees to discontinue the practice of requesting quarterly tax returns for self-employed customers and will accept annual tax returns as proof of income for these customers beginning March 2017. PGW Supplemental Information at 13.

TURN *et al*. submits that PGW should allow self-employed customers to provide a “reasonable” accounting of income if they did not file an annual tax return. TURN *et al*. notes that there could be situations where self-employed customers have not filed tax return yet or are not required to file one. TURN *et al*. recommends the Commission require PGW to adopt a flexible standard in accepting income from self-employed customers. TURN *et al*. at 12-13.

OCA agrees with TURN *et al*. that PGW should be flexible in its requirements for income documentation of self-employment. OCA notes that a self-employed individual’s income can vary significantly from year to year and an annual tax return may have dated information. OCA Reply Comments at 3-4.

PGW notes that all self-employed persons who reside in Pennsylvania full or part-time are required to file a state tax return if they have gross taxable income exceeding $33 and/or they incur a loss from a transaction. Due to these requirements, PGW states that requiring customers to provide tax forms to verify self-employment income is reasonable. The Company asserts that it will accept any Pennsylvania tax form as proof of income. PGW Reply Comments at 17-18.

*Resolution*: The CAP Policy Statement does not specify what documents a utility should accept as proof of income for CAP eligibility. However, as a LIHEAP grant is often accepted by utilities as verification that a household is low-income,[[17]](#footnote-17) BCS often advises companies to consider whether disputed income documentation would be accepted by DHS for LIHEAP eligibility.

In Section 601.82 of the LIHEAP State Plan,[[18]](#footnote-18) DHS provides a description of earned and unearned income counted in determining eligibility for LIHEAP. The LIHEAP State Plan defines self-employment income as “gross receipts minus costs of operating a business or farm, practicing a profession, providing day-care for children in an approved family day-care facility, or renting nonresident real property.” Section 601.82 (2).[[19]](#footnote-19) However, the LIHEAP State Plan does not identify what documentation DHS accepts to verify gross profits from self-employment and deductible operating costs.

It is our understanding that PGW’s determination of self-employment income is consistent with the LIHEAP State Plan. The Company uses tax returns to verify a household’s self-employment income and deductible operating costs. In response to the concerns raised in the Tentative Order, PGW has agreed to modify its income documentation requirements for self-employed customers. These customers are no longer required to provide quarterly tax returns to qualify for CRP. PGW will now accept annual tax returns and any filed Pennsylvania tax forms. We find this modification reasonable.

While we understand the concerns raised by TURN *et al*. and OCA, we also recognize the right of PGW to ensure the integrity of CRP by requiring documentation of income. Accordingly, PGW shall accept any federal or state tax form filed in the past 12 months as proof of self-employment income. This modification will be in effect upon final approval of this USECP and the Company should identify this change in its Revised 2017-2019 Plan.

e. *Reenrollment Procedure for Former CRP Participants*

The Amended Proposed 2017-2020 Plan states that CRP customers whose service is terminated must pay past-due CRP bills in full plus the reconnection fee to restore service and re-enroll in CRP. Amended Proposed 2017-2020 Plan at 17. However, the Amended Proposed 2017-2020 Plan does not describe what amounts customers must pay to re-enroll in CRP if they are voluntarily or involuntarily removed from the program. We are aware that PGW often requires customers to pay a “CRP cure” amount prior to reenrollment, but the Company does not describe how this amount is determined in its Amended Proposed 2017-2020 Plan.

In the Tentative Order, we asked PGW to explain what amount it requires customers to pay prior to reenrollment into CRP (*i.e.*, the CRP Cure).

PGW provided the following description of how the CRP Cure amount is calculated for program re-enrollment:

For customers who are voluntarily or involuntarily removed from CRP, PGW requires the customers to "cure" their CRP payments in order to re-enroll. The cure amount is calculated by counting the number of bills generated on the account since the time of removal and multiplying that number by the customer's asked-to-pay CRP amount. After that amount is determined, PGW combines that amount with the total amount of unpaid CRP bills at the time of their removal (i.e. CRP arrears) and subtracts any payments applied to the account since their removal from CRP. Thus, the calculation results in the same amount (if any) that would have been due if the customer had never been removed from CRP. A cure payment is calculated as though the customer had remained on CRP and was making payments under that program.

PGW Supplemental Comments at 13.

Based on the information provided, CAUSE-PA supports the CRP Cure policy for customers removed from CRP for non-payment or failure to recertify and whose service is not yet terminated. However, CAUSE-PA requests additional information about the CRP Cure policy. Specifically, CAUSE-PA asks: (1) whether the CRP Cure policy applies to customers required to stay out of the program for one year; (2) whether pre-program arrears are re-deferred after the cure amount is paid; (3) whether the customer receives retroactive arrearage forgiveness for “cured” months; and (4) whether LIHEAP and hardship funds can be used to pay the CRP Cure amount. CAUSE-PA also requests additional information about how this policy applies to customers who voluntarily remove themselves from CRP or seek restoration of service. CAUSE-PA recommends the Commission refer this matter to the OALJ for a full evidentiary proceeding. CAUSE-PA Comments at 14-18.

TURN *et al*. questions whether PGW gives terminated customers the option to pay the CRP Cure amount to have their service restored. TURN *et al*. Comments at 14.

PGW clarifies that it offers the CRP Cure amount to all customers who may benefit from it. The Company agrees to provide retroactive arrearage forgiveness for any months missed or spent out of the program once the customer pays the CRP Cure amount. PGW Reply Comments at 19.

PGW also clarifies the CRP Cure amount is based on the most recent income reported. If a household reports its income has changed since leaving CRP, the Company will not modify the CRP Cure amount based on the date of income change. PGW Response at 1.

*Resolution*: We support allowing customers to re-enroll in CRP and receiving retroactive arrearage forgiveness by paying CRP arrears and the CRP amounts for months spent out of the program (*i.e.,* the CRP Cure amount). Our only concern with PGW’s CRP Cure policy is that the Company may charge customers a “CRP rate” to re-enroll in the program that may not be based on their current income level. If a customer’s income has decreased since leaving the program, they should not charged a CRP Cure amount based on their previous income. Accordingly, when a customer reports a change in income at CRP re-enrollment, PGW should request documentation and recalculate the PIP CRP Cure amount from the date of this income change. PGW should reflect these modifications in its Revised 2017-2020 Plan and should implement the modifications within three months after final approval of this 2017-2020 USECP.

*f. CRP Future Intake Process*

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

In the Tentative Order, we asked PGW whether it will also allow customers to securely submit requested documentation (*e.g.*, paystubs, identification, tax returns) through its website and whether this process will allow customers to complete CRP recertification and applications for CRP Home Comfort and its Hardship Fund as well.

PGW explains that its online process will allow customers to apply/recertify for CRP online and automate work assignments for employees processing applications. The online tool will also allow the Company to communicate electronically with the customer. PGW confirms that customers will be able to submit documents electronically through the website “or other type of portal or electronic submission.” PGW Supplemental Information at 14. PGW projects it will implement this process in Fiscal Year 2018. PGW Supplemental Information at 15.

Due to the time and costs involved with this project – which is not recovered through PGW’s USC surcharge – PGW has limited the process to CRP because of the anticipated benefits for program participants and the Company. Therefore, this online process will not allow customers to apply for CRP Home Comfort or the Hardship Fund programs. PGW Supplemental Information at 14-15.

CAUSE-PA, OCA, and TURN *et al*. separately support the implementation of an online CRP application process. CAUSE-PA Comments at 18; OCA Comments at 11; and TURN *et al*. Comments at 15. However, CAUSE-PA recommends that (1) use of the online application should not be construed as consent to receive bills and notices electronically; (2) PGW continue to offer other ways to apply for CRP; and (3) the online application should “provide clear, concise, plain-language disclosures, in English and in Spanish.” CAUSE-PA Comments at 18-19.

OCA recommends the electronic application include an “on-line help function” that would allow applicants to ask questions of CRP staff, provide step-by-step instructions on completing the application, and resources to assist the customer in resolving technical difficulties. OCA Comments at 11-12.

TURN *et al*. recommends the Commission require the Company to expand the online application process to determine eligibility for all of its universal service programs. TURN *et al*. Comments at 16.

PGW explains that the CRP online application will offer both English and Spanish instructions, use of the online application will not automatically enroll customers into electronic billing or notices, and customers will still be able to enroll in CRP via mail or in-person (at a PGW office). PGW Reply Comments at 19. The online application will include a “help” function that will provide answers to general questions and additional resources. However, PGW asserts it does not have the resources to provide a “live chat” with staff. If customers need to speak to a customer service representative, they can call the Company directly. PGW Reply Comments at 4-5.

PGW re-asserts that it is not using the online portal to determine eligibility for other universal service programs due to the additional cost and the structure of the other programs:

Hardship Funds are provided through the Utility Emergency Services Fund (“UESF”) which is an organization separate from PGW. Participants for CRP Home Comfort are selected based on usage and, therefore, there is no application process to automate.

PGW Reply Comments at 20.

If the Commission requires PGW to add any additional automated processes to its online portal, the Company requests costs recovery through its USC surcharge. PGW Reply Comments at 20.

*Resolution*: Consistent with the Tentative Order, the Commission supports PGW’s effort to expand the options available for customers to apply for CRP. Allowing customers to submit applications and documentation electronically should expedite the CRP enrollments and recertification process for both the customer and PGW.

Accordingly, we approve PGW’s implementation of an online portal to accept and process CRP applications and recertifications. This process should be implemented by or before January 2018. We also direct PGW to clarify in its Revised 2017-2020 Plan that: (1) the online process will allow customers to securely submit requested documentation and (2) use of the online process will not automatically enroll customers into electronic billing or notices.

*g. Reducing PIP Levels*

The Peach Study found that customers at PIP levels of 8% and 10% have higher attrition levels than customers paying 9% of income. The study suggests that adjusting the PIP tiers to 7%, 8%, and 9% of income – for customers at 0-50%, 51-100%, and 101-150% of the FPIG, respectively – may reduce dropout from the program, at an increased cost of approximately $1.7 million annually. Peach Study at 2-3.

CAUSE-PA recommends the Commission require PGW reduce its PIP levels to improve the affordability of CRP. CAUSE-PA notes that charging 8% of income to households at 0-50% of the FPIG and 10% of income to households at 101-150% of the FPIG are the maximum energy burden ranges for those income levels in the CAP Policy Statement. CAUSE-PA Comments at 42, *citing* Section 69.265(2)(i)(B). CAUSE-PA notes that PGW’s PIP levels and PECO’s CAP energy burden levels[[20]](#footnote-20) combined require low-income households to pay 13% to 17% of their gross income for gas and electric service. CAUSE-PA requests an evidentiary proceeding to examine the affordability of PGW’s PIP and the enrollment/attrition rates. CAUSE-PA comments at 44-45.

TURN *et al*. supports reducing the PIP levels to make the CRP bills more affordable for PGW’s low-income customers. TURN *et al*. Reply Comments at 3.

PGW states that, consistent with the Peach Study recommendation, it is waiting to see how its program costs may increase due to changes required by the Commission in this USECP proceeding before making a determination about whether to decrease its CRP PIP levels. PGW Reply Comments at 32, *citing* the Peach Study at 3.

*Resolution*: PGW’s current PIP levels are consistent with the maximum energy burden guidelines in the CAP Policy Statement at Section 69.265(2)(i)(B). The Commission has recently initiated a study to determine what constitutes an affordable energy burden for Pennsylvania’s low-income households and, based on this analysis, whether any changes should be made to the CAP Policy Statement or Universal Service program guidelines.[[21]](#footnote-21)

As we have already directed PGW to increase its annual CRP costs by allowing customers to enroll at budget billing, it would be prudent to determine the final costs of this change and analyze the results of the energy burden study prior to mandating a change in PGW’s PIP levels.

Accordingly, we decline to mandate a change in PGW’s PIP levels at this time.

*h. Retroactive Arrearage Forgiveness*

In PGW’s 2014-2016 USECP proceeding, we asked PGW to consider allowing customers to receive retroactive arrearage forgiveness for months missed if they pay their CRP balance in full. PGW declined to make this change, maintaining that applying monthly arrearage forgiveness only when the CRP customer is current on payments provides an incentive for timely and in-full monthly payments and limits the financial burden placed on non-CRP residential customers. The Commission declined to mandate that PGW implement retroactive arrearage forgiveness, but encouraged PGW to consider making this change in its next USECP filing. PGW 2014-2016 USECP Final Order, Docket No. M-2013-2366301 (August 22, 2014) at 20-26.

This issue was not addressed in PGW’s Proposed 2017-2020 USECP or in the Tentative Order.

CAUSE-PA, TURN *et al*., and OCA separately support retroactive arrearage forgiveness for CRP customers. CAUSE-PA Comments at 46, TURN *et al*. at 15, and OCA Reply Comments at 2. CAUSE-PA asserts that PGW’s $5 co-payment toward pre-program arrears – which is added to the PIP – makes it more difficult for customers to afford their monthly CRP payment and achieve full debt forgiveness. Offering retroactive arrearage forgiveness helps to address this disparity and allows customers to achieve a positive payment history and a faster resolution of debt. CAUSE-PA Comments at 45-46.

Consistent with the Peach Study recommendation, TURN *et al*. submits that customers that pay the CRP Cure amount to re-enroll in the program should be given retroactive arrearage forgiveness for the months spent out of the program. TURN *et al*. Comments at 15, *citing* the Peach Study at 32.

OCA asserts that providing retroactive arrearage forgiveness encourages customers to catch up on missed CRP payments. OCA notes that low-income customers often have inconsistent or unstable income sources and difficulty making consistent monthly payments. Retroactive arrearage forgiveness would acknowledge this difficulty and provide a reward for catching up on missed bills. OCA Reply Comments at 2-3.

In response to the comments from stakeholders, PGW states it is not opposed to providing retroactive arrearage forgiveness for any months missed once the customer pays the CRP balance in full. PGW Reply Comments at 33.

*Resolution*: As articulated in the PGW 2014-2016 USECP proceeding, the Commission supports providing retroactive arrearage forgiveness for customers who catch up on missed CAP bills and approve this change. Accordingly, within three months of final approval of the 2017-2020 Plan, we direct PGW to implement changes necessary to ensure that CRP customers receive retroactive arrearage forgiveness for any months missed once they pay the CRP balance in full. PGW is directed to reflect this policy change in its Revised 2017-2020 Plan.

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

As noted above, the DSM II Final Order directed PGW to incorporate its CRP Home Comfort into its concurrently pending Proposed 2017-2020 USECP. DSM II Final Order at 34-35. As part of this USECP proceeding, PGW is transitioning its LIURP services from its DSM back into its USECP.

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

The primary conservation measures provided by CRP Home Comfort include, as necessary, an energy audit, air sealing, insulation, heating system improvements, repairs or replacements, and energy conservation education.

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

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

As part of its CRP Home Comfort’s usage reduction efforts, PGW has a Pilot Conservation Incentive Credit program, which offers CRP customers a $100 “incentive credit” on their bill if they significantly reduce usage compared to the prior winter season[[22]](#footnote-22) (November through April). To qualify for this credit, CRP customers who have not received weatherization services in the past two years must reduce gas usage by 10% or more. CRP customers who have received weatherization services in the past two years must reduce their gas usage by 20% or more. Only customers enrolled in CRP from November through April are eligible for this credit.

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

PGW also proposed to implement a Low Income Multi-family Efficiency (LIME) program for low-income multi-family properties, consistent with the Commission’s directive in its 2014-2016 USECP Final Order[[23]](#footnote-23) and the DSM II Final Order. Customers living in multi-family properties can qualify for CRP Home Comfort services if at least 75% of the tenants in their building have incomes at or below 150% of the FPIG.[[24]](#footnote-24). [[25]](#footnote-25)

*a. CRP Home Comfort Eligibility*

PGW states in the Amended Proposed 2017-2020 Plan that only low-income customers enrolled in the CRP program are eligible for LIURP. Proposed 2017-2020 Plan at 21.[[26]](#footnote-26)

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

The LIURP Regulations at Section 58.10 (a)(1) expressly prioritize eligible LIURP customers based on usage, arrears, and income. The regulations do not designate or require that low-income customers be enrolled in customer assistance programs in order to be eligible for LIURP, so the use of CRP/non-CRP status is not an acceptable criterion for eligibility determination. The Commission has previously required that all low-income customers, who otherwise meet eligibility requirements, be allowed to participate in LIURP, especially if they have high usage. [[27]](#footnote-27)

In the Tentative Order, we requested PGW include ***all*** known low-income customers when determining LIURP eligibility, regardless of enrollment status in CRP, or request a waiver of Section 58.10 (a)(1) consist with regulations.

OCA supports the Commission’s recommendation to allow non-CRP participants to be eligible for LIURP and states that using CRP as the only eligibility criterion would miss non-CRP low-income customers whose consumption would be within the highest 30% of users. OCA Comments at 13.

TURN *et al* strongly oppose PGW’s stated intention to continue to exclude non-CRP low-income customers from participation in PGW’s LIURP, citing the continued decline in CRP enrollment and that this policy would exclude the majority of PGW’s low-income customers. TURN *et al.* Comments at 21.

CAUSE-PA supports the Commission’s requirement that PGW expand LIURP eligibility to non-CRP customers and states that LIURP services should be provided to eligible customers in need of usage reduction without discrimination based on CRP enrollment status. CAUSE-PA notes that while reductions in CRP costs as a result of LIURP are beneficial, that focus should not drive the decision to exclude non-CRP low-income customers from LIURP. CAUSE-PA further states that PGW should encourage non-CRP low-income customers to participate in LIURP and possibly enroll in CRP and that since the non-CRP customers finance the LIURP program, they should be allowed to participate if otherwise eligible. CAUSE-PA Comments at 36-37.

PGW continues to assert that non-CRP customers should not be eligible for LIURP. PGW cites as its primary reason the DSM II Final Order[[28]](#footnote-28) where the Commission approved limiting LIURP eligibility and participation to only CRP customers. PGW Supplemental Information at 34-35. PGW further argues that adding non-CRP customers to the eligibility would increase administration complexity and costs, would require revisions to the existing screening process and protocols, and would erode benefits received by non-CRP customers due to reduced subsides. PGW also asserts that there are sufficient numbers of high use CRP customers available. PGW Supplemental Information at 35.

PGW requests a waiver of Section 58.10(a)(1) so it can continue to set eligibility criteria for LIURP based on participation in CRP and notes that past USECPs did not require such a waiver. PGW further points out, that the financial composition of its service territory should warrant a special circumstance under Section 58.18. Supplemental Information at 36.

PGW states that if the Commission requires the inclusion of non-CRP customers into the pool of potentially eligible customers, PGW wants recovery of any additional LIURP costs in its USC surcharge. PGW suggests that including current LIHEAP recipients, who already have income verification, is one possible way to avoid costs related to the income verification of non-CRP customers. PGW Supplemental Information at 37.

In it Reply Comments, PGW reiterates its position that non-CRP customers should be excluded from LIURP participation but then requests that, if the Commission is going to require inclusion, that PGW only be required to include non-CRP, LIHEAP recipients. PGW argues that this accommodation will ease some of the administrative complexity and cost. PGW Reply Comments at 7.

*Resolution*: We are not persuaded by PGW’s protests that there is sufficient reason to allow the CRP Home Comfort program to continue to operate in conflict with existing LIURP regulations, by excluding non-CRP customers from LIURP eligibility.

Further, we are not convinced to allow PGW to screen only non-CRP LIHEAP recipients for eligibility. While we recognize the limited administrative efficiencies[[29]](#footnote-29) this step might provide, it still excludes a significant number of low-income customers, and PGW would still have to screen the LIHEAP recipients to determine their usage and other LIURP qualifications, beyond the income criterion. We do however, encourage PGW to look at the LIHEAP recipients as a pool of potential CRP and LIURP eligible customers who before may not have been considered for either program.

We recognize that in the past, PGW’s USECPs may have been approved with language that allowed only customers enrolled in CRP to participate in LIURP. However, the structure and budgets of those previous LIURP programs were vastly different than the current LIURP model.[[30]](#footnote-30) Further, LIURP operated outside of BCS’ USECP review process for numerous years while part of the DSM portfolio of programs. Regardless, the Commission has determined that PGW’s LIURP program is operating in a manner inconsistent with the LIURP regulations by excluding non-CRP customers from being eligible to receive LIURP services.

In addition, we conclude that PGW has not demonstrated sufficient reason to warrant the Commission granting a waiver for 58.10(a)(1). All other EDCs and NGDCs with LIURPs, successfully and cost-effectively, extend LIURP eligibility to low-income customers regardless of CAP status. PGW has not demonstrated that it has met the prerequisites, either substantively or procedurally,[[31]](#footnote-31) necessary for the Commission to grant a waiver.

Therefore, we direct PGW to include ***all*** known low-income customers when determining LIURP eligibility, regardless of their enrollment status in CRP. PGW is further directed to update and submit a revised Needs Assessment in its Revised 2017-2020 Plan.

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

As noted above, the DSM II Final Order directed PGW to transition its LIURP or CRP Home Comfort program, including LIME, back into the USECP portfolio of programs and to provide details for a seamless integration. DSM II Final Order at 27. In compliance, PGW filed its Amended Proposed 2017-2020 Plan.

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

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

While recognizing that the FY 2017 CRP Home Comfort budget was already approved in the DSM Final Order, we asked PGW, in the Tentative Order at this docket, to explain what the additional $710,939 in administrative costs covers. We also asked PGW what portion, if any, of the $710,939 cost is related to the removal of the CRP Home Comfort program from the DSM portfolio.

PGW states in its Reply Comments that the $710,939 figure cited represents the administrative cost portion of the $6,571,445 budget for the CRP Home Comfort’s FY 2017 program year. PGW further clarifies that the $2,165,482 transitional budget for September 2017-December 2017,[[32]](#footnote-32) contains administrative costs of $236,980. PGW Reply Comments at 21.

*Resolution*: By our estimates, the administrative costs for the CRP Home Comfort program year FY 2017 comprise 10.8% ($710,939/$6,571,445) of the budget, and 10.9% ($236,980/$2,165,482) of the transitional budget. Both of these figures are well within the limits set by Section 58.5, which caps the LIURP administrative costs at 15% of the annual LIURP budget.

The Commission is satisfied with the explanation of PGW’s administrative costs for CRP Home Comfort in the FY 2017 program year and the transitional months of September 2017-December 2017.

*c. Health & Safety Pilot*

**Structural Aspects of the Health and Safety Pilot**

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

In the Tentative Order, we asked PGW to indicate the duration of this proposed pilot, propose success metrics to move it from pilot to permanent status, and clarify why this pilot needs waivers from Sections 58.11, 58.12, and/or 58.18.

CAUSE-PA supports the proposed health and safety pilot but questions “PGW’s 25% savings threshold requirement and savings goal.” CAUSE-PA “believes that any approval of the proposed pilot must come with an increase in the overall LIURP budget.” CAUSE-PA Comments at 23. CAUSE-PA points out that “there is no evidence that PGW has achieved this 25% level of savings through the provision of LIURP services” and that “removing health and safety barriers to the provision of LIURP services does not necessarily equate to deeper achievable savings.” CAUSE-PA Comments at 25.

OCA supports the proposed health and safety pilot but has concerns about the $2,000 per project budget cap but indicates that acceptance of the per-project budget cap for a pilot should not be construed as consent going forward if the pilot becomes part of the permanent LIURP program. OCA Comments at 14. OCA further comments that the Commission should require PGW to collect data regarding the number of decreases in deferral cases that the pilot produces and the increases in the number of projects with deep savings greater than 25%. PGW should also track the specific measures installed along with the costs of the measures. OCA Comments at 14-15.

TURN *et al* support the PGW health and safety pilot and indicate that the pilot may provide benefits to customers whose homes were previously ineligible for LIURP services due to health and safety issues. TURN *et al* Comments at 16.

PGW clarifies that the proposed health and safety pilot is for the years covered during this USECP. PGW further qualifies that it would commence the pilot only “if the proposed budget for the pilot is included as part of the total LIURP budget and the LIURP budget is not increased to accommodate the costs of this pilot.” PGW Supplemental Information at 18.

PGW responded to the Commission’s question regarding metrics for the health and safety pilot by stating that there are two key objectives for the pilot. PGW will evaluate whether the pilot “helps decrease the number of cases that are deferred from comprehensive weatherization due to pre-existing health and safety issues” and “increases the number of projects that would provide deep savings greater than 25%.” PGW Supplemental Information at 19.

In their Reply Comments, TURN *et al.* state that they agree with CAUSE-PA that “any approval of the proposed pilot must come with an increase in the overall LIURP budget” and that achieving the 25% savings threshold may be unrealistic. TURN *et al.* points out that PGW provided no evidence to support the 25% threshold. TURN *et al.* claim that CAUSE-PA has provided evidence that the standard is beyond the level of achievability. TURN *et al.* assert that either the issue should be sent to the OALJ or the Commission should set a lower and achievable savings standard by which to measure the pilot’s success. TURN *et al.* Reply Comments at 10-11.

In its Reply Comments, PGW clarified that the $2,000 cap “represents the maximum amount PGW will spend but only if significant overall energy savings can be achieved” by the health and safety pilot. PGW also agreed to OCA’s request to track the measures installed, cost of measures, and savings as part of the pilot evaluation but noted the measures would be tracked in general categories rather than by specific measure. PGW also indicated that it will measure overall home savings because the health and safety measures do not directly produce savings. PGW Reply Comments at 5‑6.

In the Commission’s Data Request to PGW, we asked if the Company will “treat any *de facto* heating situations under the pilot if the household also has health and safety issues?” PGW responded that the health and safety pilot is not designed to treat *de facto* heating situations but that a customer could potentially receive treatment for the non-functioning heater under LIURP and/or as health and safety measures under the pilot. PGW further clarified that the costs of treating the non-functioning heater would still be governed by cost effectiveness standards. PGW Response at 1.

TURN *et al.* state that *de facto* heating customers should be a priority under the pilot, that PGW’s response to the Commission’s question neither reveals nor justifies why the pilot does not address *de facto* heating situations, and that customers in a *de facto* heating situation could not conceivably fall within the top 50% of normalized usage. TURN *et al.* further believe that PGW should develop and make available avenues for *de facto* customers to access the pilot and that the Commission should order PGW to provide access, explore service restoration terms, and coordinate *de facto* heating treatment efforts with PECO, the EDC in PGW’s service territory. TURN *et al.* Additional Comments at 6-7.

CAUSE-PA points out that often “the cost of repairing or replacing a furnace may exceed the cost-effectiveness standards for LIURP” and that the inoperable systems pose a tremendous threat to the health and safety of low-income customers. CAUSE-PA believes PGW should be required to develop a plan to address *de facto* heating and suggests coordination with the LIHEAP Crisis Interface program.[[33]](#footnote-33) CAUSE-PA further recommends that PGW should “be required to form a Universal Service Advisory Committee per 52 Pa. Code § 58.16.” CAUSE-PA Additional Comments at 3-4.

*Resolution:* As mentioned in our Tentative Order, we are supportive of PGW’s proposed health and safety pilot. We are satisfied with the $2,000 per-job spending limit and that PGW will evaluate the program, in part, by the number of deferred homes, homes which would otherwise have been disqualified from the CRP Home Comfort program that can be remedied under the pilot.

We are satisfied with PGW’s explanation regarding the parameters around which the health and safety pilot might work together with the CRP Home Comfort program to remedy selective *de facto* heating situations, while acknowledging that this pilot is not designed to specifically address *de facto* heating.

We acknowledge that the issue of *de facto* heating is a complex and growing problem that warrants further consideration. We note that the Commission’s other open proceedings, relative to LIURP (Docket No. L-2016-2557886) and universal service programs (Docket No. M-2017-2596907), are more appropriate forums in which to address the *de facto* heating issue.

We are also satisfied that PGW will track the groups of health and safety measures installed and the associated dollars under the pilot, as this is consistent with LIURP reporting.

We do, however, have some remaining concerns about the health and safety pilot and agree with the commenters that the 25% savings threshold may be unrealistic. We have reviewed historical LIURP savings data from both PGW and other NGDCs for the past several years and suggest that PGW consider lowering the targeted savings threshold to 15%-20% instead. While we understand that a savings threshold of 25% for every job under the pilot is achievable, and arguably a valid pilot parameter, it would eliminate many more homes than it would serve. The primary benefit of the health and safety pilot should be to decrease the number of deferrals.

We recognize that PGW incurs “sunk costs,” *i.e.,* the cost to PGW to walk away from a house for which the job has to be deferred before completion. The “sunk costs” are in addition to the increased risk of default and potentially higher uncollectible costs that are frequently associated with homes that are disqualified from the CRP Home Comfort program because of health and safety barriers. All low-income, high-use customers warrant treatment under the pilot, and more could be serviced if the savings goal is reduced to a more realistic level.

**Health and Safety Pilot Waiver Requests**

PGW requested clarification and/or the continuation of waivers of Sections 58.11(a), 58.12 and/or 58.18 and pointed out that the DSM proceeding granted PGW waivers of Sections 58.5, [[34]](#footnote-34) 58.9, and 58.11. PGW First Amended USECP 2017-2020 at 26-27. We will address each waiver request separately.[[35]](#footnote-35)

Section 58.9 relates to the LIURP program announcement. [[36]](#footnote-36) PGW was granted a waiver of this regulation during the DSM proceeding. The overall intent of this regulation is to ensure that a utility does its due diligence to inform all income-eligible customers of the LIURP program. PGW has requested that this waiver now also apply to the health and safety pilot.

*Resolution*: Our concerns with granting a continuation of this waiver for Section 58.9, for either the health and safety pilot or full LIURP, stem from the history of PGW’s LIURP program serving only low-income customers enrolled in CRP. As we have previously addressed in this Order, PGW must now screen ***all*** income-eligible customers for LIURP. Potentially, continuing the waiver in part or in full could mean that PGW is not obligated to inform those previously ineligible customers of the pilot or the CRP Home Comfort program and benefits.

Therefore, PGW is required to meet the intent of Section 58.9 for both the health and safety pilot and the CRP Home Comfort program. PGW may accomplish this by performing its outreach and notification to ***all*** known income-eligible customers. We strongly suggest this could be accomplished, in part, by coordinating with the CRP outreach efforts discussed in previous parts of this Order. To the extent that Section 58.9 dictates the exact methods for how the program outreach should be accomplished, we give PGW some flexibility and are not limiting how the Company provides the required outreach to the potential pilot or other CRP Home Comfort participants. PGW is not excused from the obligations inherent in Section 58.9, rather, it is merely granted flexibility in fulfilling those obligations.

Section 58.11 relates to the LIURP energy survey and the installation of program measures.[[37]](#footnote-37) PGW was granted a waiver during the DSM II proceeding. This waiver allowed PGW to use a cost/benefit calculation to ascertain “cost-effectiveness to determine what measures to include in a project”, rather than the 7 or 12-year simple payback criteria. PGW asserts that this method has provided an effective flexibility and is consistent with the approach used by the Commission for Act 129. PGW has requested that this waiver now also apply to the health and safety pilot. PGW Supplemental Info at 20.

*Resolution*: We will allow PGW to continue to use its existing cost/benefit calculation to establish cost-effectiveness, and to determine what measures to include in a project, for both the health and safety pilot and the CRP Home Comfort program. The Commission has encouraged EDCs and NGDCs in previous USECP proceedings, to be flexible when applying the 7 or 12-year payback to individual LIURP measures, in favor of an approach which evaluates the cost-effectiveness of the entire job or project. Also, the 7 year payback was often interpreted as a “stay-out” provision, meaning the company could not return to treat a home for 7 years, even if additional savings were available, or if new technologies became available. This approach follows the national best practice trends for whole house treatment and minimizes the intrusions on the customer by efficiently treating as much of the home as possible in one time. This partial temporary waiver of Section 58.11(a), relative to the health and safety pilot and LIURP, is limited to the time frame specified in the 2017-2020 USECP, and does not excuse PGW from complying with the rest of its obligations in Section 58.11.

We also note that an appropriate cost-effective measurement and/or evaluation of LIURP is one of the primary issues to be addressed at Docket No, M-2016‑2557886 docket, the pending LIURP Review.

Section 58.12 relates to incidental repairs and provides that “[e]expenditures on program measures may include incidental repairs to the dwelling necessary to permit proper installation of the program measures or repairs to existing weatherization measures which are needed to make those measures operate effectively.” PGW requested any necessary waiver of Section 58.12 for the health and safety pilot. PGW is concerned that the health and safety pilot might exceed what would normally be permitted as incidental repairs under this regulation.

*Resolution:* We do not believe a waiver is necessary in this case, in part, because the regulations do not specify a spending limit or cap on these costs, and the Commission has previously encouraged and approved provisions within other USECPs for such costs to be considered in the overall cost-effectiveness of a job or project, similar to health and safety spending. Further, any subsequent incidental repair cost caps or limitations can be addressed at Docket No. M‑2016‑2557886, the pending LIURP Review.

Several of the commenters expressed concerns over the limited opportunities to provide input into various aspects of PGW’s LIURP and other universal service programs. We take this opportunity to discuss Section 58.16, which relates to LIURP advisory panels. Such panels are to provide consultation and advice to the utility regarding usage reduction services. While only a LIURP advisory panel is required by regulation at § 58.16, we believe such an advisory committee or panel could provide valuable stakeholder feedback on topics like outreach, coordination and implementation for all Universal Service programs.

*Resolution:* We agree with the commenters that a Universal Service Advisory Committee would be beneficial. We strongly encourage PGW to consider expanding the existing, but infrequently used, LIURP advisory panel to encompass all of the Universal Service programs.

Section 58.18 relates to exemptions, and specifies that a utility alleging special circumstances, may petition to exempt its usage reduction program from Chapter 58 of our regulations. PGW requested a waiver pursuant to this section.

*Resolution*: Neither PGW’s health and safety pilot nor its CRP Home Comfort program is exempt from Chapter 58 except as specifically and explicitly provided herein. If PGW wishes any waiver to carry forward to a future USECP in general or a future LIURP or pilot in particular, it will have to assert that preference in its future proposals.

*d. Conservation Incentive Credits Pilot*

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

In the Tentative Order, we asked PGW to provide additional details about this pilot program. Specifically, when the pilot began, any budgetary restrictions, estimated (or known) number of participants, results to date (if it has already begun), and to describe the method and outreach of the communications for the pilot.

PGW states that the Conservation Incentive Pilot began in the Fall of 2014 and included advance mailing to all CRP customers to notify them of potential eligibility, describe the program’s incentive, and provide conservation tips. PGW notes there is no budgetary restriction on the pilot, and there has been one pay-out to 6,375 customers, each of whom received a $100 incentive. PGW indicates that there is not sufficient information to evaluate the pilot and has proposed to continue the program through the 2017-2020 USECP. PGW agreed to conduct a stakeholder meeting in 2019 or 2020 to examine the program and discuss possible next steps. PGW Supplemental Information at 22-23.

CAUSE-PA supports the Conservation Incentive Pilot. CAUSE-PA Comments at 27.

*Resolution:* We are satisfied with the additional detail that PGW has provided regarding the Conservation Incentive Pilot and agree that there is currently insufficient data to analyze and evaluate the program. We will allow PGW to continue the pilot through the 2017-2020 USECP, but direct PGW to report a status update summary, including the number of participants, total dollars paid out and total MCFs saved each year, with the annual LIURP reporting due to the Commission annually by April 30th. PGW shall also notify the Commission and other stakeholders when the proposed meeting date is scheduled.

*e. LIME*

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

The Tentative Order requested clarification on several points. First, we asked PGW to clarify if FY 2017 (the first year of the program) is the correct year for the LIME program to reconsider the 75% threshold of building occupants being low-income. Second, we questioned the language pertaining to the written consent of “signatory parties.” Finally, we asked PGW to clarify whether the $120,048 budget already includes estimated administrative costs and to identify what portion, if any, of the $710,939 FY 2017 LIURP administrative and programmatic costs are attributed to the LIME program.

PGW explains that the PGW/PUC’s Bureau of Investigation and Enforcement (BIE) LIME Stipulation that emerged from the settlement in the DSM proceeding “included a process allowing PGW to lower this threshold if it is not resulting in adequate participation.” PGW asserts that since the provision was contained in a negotiated settlement and was previously approved by the Commission, that it should be maintained. PGW asserts that the stipulation “technically does permit PGW to immediately lower the threshold.” PGW, however, points out that it can make this change only “after showing of cause for program incentive budget under-spending and with the approval of BIE (or by Commission Order).” PGW Supplemental Information at 25-26.

PGW identifies BIE as “the only signatory on the stipulation upon which PGW proposed to revise its initial LIME proposal.” PGW does point out that a requirement of the stipulation is that “PGW will convene a stakeholder collaborative to receive input from interested parties” if it proposes changes to LIME. PGW Supplemental Information at 25. We note that PGW has held at least one stakeholder collaborative in order to receive input regarding LIME from interested parties.

PGW clarifies that the LIME budget of $120,048 is “the programming budget and does not include administrative costs which are allocated at the portfolio-level.” PGW states the LIME administrative cost allocation is “estimated to not exceed an average of $13,809 per year from September 2016 through December 2020”. PGW Supplemental Information at 26.

*Resolution:* We are satisfied with the additional details that PGW provided regarding the administrative costs associated with the LIME program. Since the LIME program is part of LIURP, and LIURP has now been moved back into PGW’s USECP, any evaluations and/or recommended modifications to the LIME program will be reviewed by BCS as part of PGW’s USECP proceedings in the future, and the Commission will act upon the record in the USECP proceeding.

*f. CRP Home Comfort Budget*

PGW’s FY 2017 CRP Home Comfort budget was approved in the DSM Final Order proceeding. The Tentative Order noted that the CRP Home Comfort budget for 2018-2020 USECP provided insufficient information for evaluation. *See* the *Program Budgets* section below for discussion of the CRP Home Comfort budgets for 2018-2020. *See also* the *Projected Needs Assessments* section below for a discussion of the concerns regarding the PGW Needs Assessment methodology and calculations upon which the 2018-2020 budgets are based.

3. CARES

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

*Tracking Quick-Fix Referrals*

In its Revised 2014-2016 Plan, PGW reported that enhancements were being made to the CARES program to allow ongoing tracking of quick-fix referrals.[[38]](#footnote-38) Revised 2014-2016 USECP at 20. In the Amended Proposed 2017-2020 Plan, the Company states that quick fix referrals are not tracked. Amended Proposed 2017-2020 Plan at 27.

In the Tentative Order, we asked PGW to explain why it has not implemented the system enhancements needed to track quick-fix CARES referrals and when it plans to implement the tracking mechanism in the future.

PGW reports that its current system process to track quick-fix referrals is “not being used fully because it has proven overly time consuming to complete.” PGW Supplemental Information at 26. The Company is planning a system enhancement for spring 2017 that will allow for tracking of quick-fix referrals on an annual basis. PGW Supplemental Information at 26.

TURN *et al*. asserts that PGW has provided insufficient data to determine the status of its CARES program. TURN *et al*. notes that the Company does not provide a detailed description about the program’s structure or dedicated staff and resources. TURN *et al*. recommends the Commission refer this matter to the OALJ for an evidentiary hearing. Alternatively, TURN *et al*. requests the Commission require PGW to provide more information about the CARES tracking system and case management. TURN *et al*. Comments at 17-18.

*Resolution*: We agree, in part, with TURN *et al*. that the lack of information about CARES referral activity makes it difficult to track and evaluate the effectiveness of the program. Accordingly, we direct PGW to file and serve an annual report detailing the number of customers served through CARES case management and quick-fix referral services during the previous calendar year. The Company shall file and serve the first report – describing 2017 activity[[39]](#footnote-39) – by April 1, 2018 and submit a report by April 1 each year through 2020. We shall evaluate the need for further reports in PGW’s 2021-2023 USECP proceeding.

4. Hardship Fund

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

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

*Requiring the Hardship Fund Grant to Satisfy Deferred Arrears*

The Amended Proposed 2017-2020 Plan states that customers may only qualify for the Hardship Fund if the UESF grant and PGW matching credit will eliminate all account arrears, including frozen (deferred) arrears[[40]](#footnote-40) for CRP participants. Amended Proposed Plan at 29. This requirement is unchanged from the Company’s Revised 2014-2016 Plan. Revised 2014-2016 USECP at 21.

In the Tentative Order, we expressed concerns about denying Hardship Fund benefits based on the amount of deferred arrears in a CRP account. Deferred arrears are not part of the balance owed by CRP customers to restore service[[41]](#footnote-41) or to avoid service termination. We asked PGW to modify its Hardship Fund policy and eliminate the requirement that a Hardship Fund grant must satisfy a CRP customer’s deferred arrearage balance as a precondition for eligibility. We also asked PGW to identify the number of customers rejected for Hardship Fund grants in 2014 and 2015 because the grant amount would not eliminate their deferred arrearage balance.

PGW reports that neither it nor UESF[[42]](#footnote-42) track the number of customers rejected for Hardship Fund grants due to their deferred arrearage balance. The Company explains that UESF established this policy in the early 1980’s and that PGW does not have the authority to change it. In response to the Commission’s inquiries, the Company has engaged with discussions with UESF to (1) apply hardship funds to the CRP balance, but not all deferred arrears; and (2) remove the program requirement that the customer must not have received a UESF grant within the past two years. PGW reports that UESF is open to consider making these modifications. UESF’s Board of Directors would need to authorize these changes prior to implementation. PGW proposes to continue its discussions with UESF and implement these changes if approved by UESF’s Board. PGW Supplemental Information at 27-28.

CAUSE-PA, OCA, and TURN *et al*. separately support eliminating the requirement that the Hardship Fund must satisfy the customer’s full balance, including any deferred pre-program arrears, in order to qualify for a grant. CAUSE-PA Comments at 30; OCA Comments at 16; and TURN *et al*. at 19. CAUSE-PA asserts that UESF, or any contracted agency, should not dictate the rules of PGW’s universal service programs. CAUSE-PA recommends the Commission require PGW to apply the Hardship Fund grant if the amount is sufficient to enroll or re-enroll a customer into CAP. It also requests an evidentiary proceeding to obtain additional information about this situation. CAUSE-PA Comments at 29-30.

TURN *et al*. also recommends the Commission approve the elimination of the two-year stay out period for Hardship Fund grant recipients. TURN *et al*. Comments at 19.

PGW asserts that waiving the requirement that the Hardship Fund grant must satisfy the full balance, without the approval of UESF, would require PGW customers to fund the UESF share[[43]](#footnote-43) of the Hardship Fund grant as well. If the Commission makes this determination, Company requests recovery of this cost through its USC surcharge. PGW Reply Comments at 25.

*Resolution*: We have previously addressed the issue of allowing a contracted CBO establish the eligibility criteria for a universal service program. In Duquesne Light’s 2017-2019 USECP proceeding, Duquesne explained that requiring customers to provide Social Security Numbers (SSNs) to qualify for its Hardship Fund was not the utility’s policy, but rather the policy of the Dollar Energy Fund (DEF), which administers the program. The Commission found this answer inconsistent with the utility’s responsibilities under the Competition Act.

Section 2804(9) of Title 66 encourages the use of CBOs “that have the necessary technical and administrative experience to be the *direct providers of services or programs*” (emphasis added).[[[44]](#footnote-44)] While contracted CBOs may be used to administer universal service programs, the utilities are responsible for setting eligibility requirements, establishing program parameters, and drafting a triennial USECP for Commission approval. A contracted CBO should not dictate the eligibility requirements of a utility’s universal service program.

*Duquesne Light 2017-2019 USECP Order*, Docket No. M-2016-2534323 (March 23, 2017), at 46.

Similarly, PGW is responsible for establishing the eligibility criteria for its Hardship Fund. This does not mean, however, the Company should not consult with its contractor prior to making eligibility changes to the program. UESF provides half of the total Hardship Fund grant amount, up to $750 per customer. PGW is in the process of working with the UESF Board of Directors to determine if the CBO can continue to administer the program with these changes in place. We consider this a reasonable first step and will not mandate Hardship Fund changes while discussions are ongoing.

Accordingly, PGW shall continue to work with UESF to explore ways to modify its Hardship Fund eligibility criteria. We direct PGW to file and serve updates on its discussions with UESF each quarter until this issue is resolved, beginning October 1, 2017.

1. **Eligibility Criteria**

The four components of PGW’s Plan have slightly different eligibility criteria as demonstrated in Table 5 below:

**Table 5**

**Eligibility Criteria**

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

1. **Projected Needs Assessments**

PGW is required to submit a needs assessment for each program component pursuant to Section 62.4(b)(3). Table 6 describes the needs assessment analysis for PGW’s CRP, CRP Home Comfort, CARES, and Hardship Fund programs.

**Table 6**

**Needs Assessment**

|  |  |
| --- | --- |
|  |  |
| 1. Identified number of low-income customers\* | 120,762[[[45]](#footnote-45)] |
| 2. Estimated number of low-income customers\*\* | 178,899 |
| 3. Identified number of payment troubled, low-income customers | 25,442 |
| 4. Number of low-income customers needing LIURP | 21,349 |
| 5. Cost to serve all LIURP-eligible customers | $40,945,780 |
| 6. Average CARES participation | 271 |
| 7. Average Hardship Fund participation | 1,167 |

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

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

In the Tentative Order, we noted several concerns with PGW’s Needs Assessment. Considering PGW’s service territory had the highest percentage[[46]](#footnote-46) of low-income customers in the Commonwealth, we could not agree with PGW’s total estimate of 21,349 eligible customers. We estimated that there could be at least 101,893 potentially eligible low-income customers available for CRP Home Comfort during program years 2017-2020. *See* Table 7 PGW-BCS Needs Assessment Comparison Table*.*

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

Wx = Weatherization

In the Tentative Order, we found that the needs assessment of PGW’s Amended Proposed 2017-2020 Plan did not comply with the requirements of Section 62.4(b)(3). PGW’s needs assessment excluded numerous categories of customers such as those not enrolled in CRP, those who did not meet the upper 50% threshold of usage, those who reside in rental properties, and other categories where it appears PGW did not consider that a customer’s circumstances may change over time. PGW’s proposed needs assessment showed only 21,349 low-income customers eligible for the CRP Home Comfort program.

By our calculations, we estimated a total of 101,893 potential CRP Home Comfort eligible low-income customers for the USECP period 2017-2020 in the Tentative Order. We suggested that PGW should recalculate the needs assessment, taking into account our concerns, and include those non-CRP low-income customers who were previously excluded. We reserved any determination of the appropriateness of the CRP Home Comfort budgets for years 2018-2020 until we could review PGW’s revised needs assessment.

In response to the Tentative Order, PGW revised its needs assessment for the total number of low-income customers eligible for its LIURP. PGW increased the number from 21,349 to 67,367. PGW Supplemental Information at 31.

OCA states that the “revised Needs Assessment is still unrealistically low given the known population of low-income customers in PGW’s service territory.” OCA Comments at 17. OCA points out that PGW limits the pool of confirmed low-income customers by only counting “active CRP customers, non-CRP customers who received a utility grant, and non-CRP customers with a low-income payment agreement.” OCA Comments at 17 to the Tentative Order at 30. OCA cites Section 62.2 which defines the “confirmed low-income customers” designation in broader terms and allows for numerous other sources, such as winter shutoff protections, referrals from CBOs, and deposit protections, to be used for determination of low-income status. OCA supports the Commission’s estimate of 101,893 LIURP eligible customers. OCA Comments at 18.

PGW qualifies its figure of 67,367 when it states that the number of LIURP eligible customers “does not present a single exclusionary list of customers that will be used for program implementation purposes and does not represent the total universe of customers who could ever become eligible for LIURP.” PGW Supplemental Information at 28.

TURN *et al* question if the PGW revised LIURP needs assessment figure of 67,367 “fully captures the need for LIURP services in Philadelphia” and suggest that “given the wildly varying numbers that have evolved over the course of the Plan proceeding…that the Commission direct this issue to OALJ.” TURN *et al* Comments at 20-21. TURN *et al* further argue that “without an accurate needs assessment it is difficult to determine the most appropriate LIURP budget.” TURN *et al* Reply Comments at 4.

CAUSE-PA also suggests sending the needs assessment issue to OALJ, stating that “it is unclear what each figure included in the needs assessment calculation represents, how it was calculated, and whether the data used is an accurate representation of the subgroup included or excluded from the calculated needs assessment.” CAUSE-PA Comments at 31.

*Resolution:* We agree with OCA, CAUSE-PA and TURN *et al.* that PGW’s revised needs assessment figure of 67,367 does not seem to represent the total universe of low-income customers eligible for LIURP services. We also note that PGW has applied far more exclusionary categories to the needs assessment in this USECP than any previously submitted needs assessment. Most recently, in PGW’s 2014-2016 USECP and DSM proceedings, PGW used the figure of 71,625 total eligible low-income customers, which did not include the non-CRP low-income customers.[[47]](#footnote-47)

When calculating the number of customers who need services, Section 58.4(c)(1)(2)[[48]](#footnote-48) allows for the consideration (and subsequent deduction) of homes that have previously received LIURP (or other weatherization) treatment and the elimination of those homes who do not need usage reduction. The regulations also state that expected participation should be based on historical participation rates. It is therefore, reasonable to assume that PGW’s current needs assessment total, which should now include non-CRP customers, would be considerably higher than the historic total (71,625) cited by PGW in its last two significant proceedings that involved LIURP before the Commission.

We do recognize, however, that each of the categories of customers that PGW has proposed to eliminate from the needs assessment total have been previously approved for removal by various other EDCs and/or NGDCs in their USECP needs assessments. We also recognize, from the numerous approaches and methodologies these other utilities use for calculating needs assessments, that a more standardized framework for determining the total number of LIURP-eligible low-income customers is needed.

We do not agree with CAUSE-PA and TURN *et al.*, however, that this issue should be sent to OALJ. The Commission’s open proceedings on both LIURP and/or the comprehensive review of the Universal Service programs provide a more appropriate forum to address the needs assessment methodology issue, with ample opportunity for stakeholder collaboration and input. We shall not attempt to dictate a new needs assessment methodology in this proceeding, but will address the revised figure PGW submitted in this proceeding.

Recognizing the disparity between the PGW calculation and the BCS calculation, we will estimate the number of potential LIURP-eligible customers by averaging the estimates submitted by PGW and BCS. This is a reasonable starting point considering PGW’s 67,367 figure and the BCS estimated figure of 101,893. This calculation results in a final needs assessment figure of 84,630 (101,893 + 67,367 = 169,260/2) for the 2017-2020 USECP proceeding. This total of potentially eligible low-income customers for the CRP Home Comfort program is higher than the previous figure of 71,625 used by PGW in its most recent proceedings, but also allows for some of PGW’s exclusions to be applied to the Commission estimate of 101,893, without disputing the exact count of each category PGW deducted.

1. **Projected Enrollment Levels**

PGW’s Amended Proposed 2017-2020 Plan projected enrollment levels are as shown in Table 8 below.

**Table 8**

**Projected Enrollment Levels**

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

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

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

*Resolution*: Since this Order directs PGW to amend its eligibility criteria for its CRP and CRP Home Comfort programs, we recognize that the enrollment estimates in the Proposed Amended 2017-2020 Plan for these programs are no longer accurate. Accordingly, PGW should provide updated enrollment estimates for CRP (with budget billing customers included) and CRP Home Comfort (with non-CRP customers included) in its Revised 2017-2020 Plan.

*a. CRP Participation*

In the Tentative Order, BCS noted that PGW’s CRP participation has declined 40% over the past six years. Table 9 shows the number of participants in CRP reported by PGW at the end of each year from 2010 to 2016:

**Table 9  
 CRP Participants 2010 -2016**

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

*Source: PGW*

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

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

PGW Revised 2014-2016 Plan at 16.

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

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

In the Tentative Order, we questioned the Company’s decision to discontinue targeted outreach to participants in SCD. We also requested the Company share the findings from its annual analysis of its CRP outreach efforts.

PGW asserts it continues to conduct CRP outreach to all low-income customers who may benefit from the program, including SCD participants. The Company provided CRP outreach materials to over 63,000 customers from 2014 through 2016 (See Table 10). PGW reports it enrolled 15,310 customers into CRP during that time period, some of which may be a direct result of this outreach. PGW Supplemental Information at 40.

**Table 10**

**CRP Outreach 2014-2016**

|  |  |  |  |
| --- | --- | --- | --- |
| **Year** | **Outreach Population** | **Customers Enrolled** | **% Enrolled** |
| 2014 | 33,902 | 6,689 | 19.73% |
| 2015 | 17,156 | 5,453 | 31.78% |
| 2016 | 12,646 | 3,168 | 25.05% |
| **Total** | **63,704** | **15,310** | **24.03%** |

Source: PGW Supplemental Information at 40.

CAUSE-PA notes that PGW’s CRP outreach activity in 2016 was just over one-third of the outreach performed in 2014, resulting in less than one-half of program enrollments. CAUSE asserts the Company is “not fulfilling the universal service requirements contained within the Choice Act if it does not engage in robust marketing and direct outreach to the eligible population.” CAUSE-PA Comments at 41.

OCA notes that the APPRISE Evaluation identified elderly households as a potentially underserved population. OCA recommends that PGW expand its CRP Outreach to target elderly customers, particularly those enrolled in the Senior Citizen Discount program that would benefit more from CRP. OCA Comments at 20. OCA also suggests that PGW utilize CBOs to provide additional assistance to customers with completing the CRP application/recertification process and increase referrals to the program. OCA Comments at 12, 19-20.

TURN *et al*. submits that PGW’s current policies may contribute to the decline of CRP enrollment, including the requirement that CRP offer the most advantageous rate, requiring unaffordable restoration terms for low-income customers terminated for non-payment, and setting PIP levels at the highest range of the CAP Policy Statement. TURN *et al*. Comments at 25-26.

CAUSE-PA and TURN *et al*. separately recommend the Commission refer this issue to the OALJ for an evidentiary hearing. CAUSE-PA Comments at 41-42 and TURN *et al*. Comments at 28.

TURN *et al*. agrees with OCA that CBOs should be utilized to increase enrollment in CRP. TURN *et al*. Reply Comments at 9-10.

PGW maintains that its current CRP outreach is sufficiently targeting its low-income population:

PGW engages in direct outreach to customers through its customer service representatives, as well as an advertising campaign that it first implemented in 2015. In addition, PGW trains its customer service representatives specifically on CRP twice a year. PGW’s outreach approach is consistent with input received from CRP customers who have indicated that they find out about CRP through PGW representatives. Thus, PGW’s outreach is specifically targeted toward the channel that customers themselves have indicated they find informative.

PGW Reply Comments at 31.

PGW explains that it does not contract with CBOs to help customers complete CRP applications/recertifications and assist with outreach/referrals because it is “union-covered work provided pursuant to PGW’s agreement with the Gas Works Employees’ Union of Philadelphia Local 686, Utility Workers’ Union of America AFL-CIO.” PGW Reply Comments at 5,8.

*Resolution*: We share the concerns of CAUSE-PA about PGW’s consistently declining outreach efforts. In 2014, the Company provided CRP education to 33,902 households. In 2016, the number of households provided this education dropped to 12,646. Given the consistently decreasing program enrollment level, PGW needs to do more to educate income-eligible households about CRP and its other universal service programs.

We note PGW is taking steps to boost CRP participation. The Company has proposed to enhance CRP outreach to Spanish-speaking customers, continue its targeted outreach to SCD participants, and provide current CRP participants more time and information to recertify. These actions should help make more low-income customers aware of the benefits of the program and decrease the number of customers removed from the program for failing to recertify.

We have also directed PGW to allow low-income customers to enroll in CRP at the PIP level or budget billing, whichever is lower. This change will greatly expand the number of households eligible for CRP. This includes the 52,309 confirmed low-income PGW customers who were enrolled in payment arrangements in 2015. PGW Supplemental Information at 8, *citing* the 2015 Report on Universal Service Programs & Collections Performance at 10. Low-income customers who are no longer eligible for further payment arrangements will also be eligible for CRP.

Accordingly, we direct PGW to expand its targeted CRP outreach efforts (*e.g.*, direct mail and bill messaging) to include low-income customers that may qualify for CRP based on budget billing. This includes low-income customers currently on payment arrangements, income-eligible customers denied CRP eligibility in the past 12 months, and low-income customers with broken payment agreements. PGW should expand its outreach efforts, as indicated, as soon as it has made the system enhancements necessary to allow customers to enroll in CRP at budget billing and reflect this change in its Revised 2017-2020 Plan.

*b. Hardship Fund Participation[[49]](#footnote-49)*

CAUSE-PA raised concerns about the declining number of customers served through PGW’s Hardship Fund, citing the annual reports on Universal Service Programs & Collections Performance from 2011 through 2015:

**Table 11**

**PGW Customers Receiving Hardship Fund Grants**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
|  | **2009-2010** | **2010-2011** | **2011-2012** | **2012-2013** | **2013-2014** | **2014-2015** | **2017-2020 (Projected)** |
| Ratepayers Receiving Grant | 2,257 | 2,263 | 1,676 | 1,184 | 1,324 | 992 | 1,000 |

Source: 2015 Report on Universal Service Programs & Collections Performance at 52; 2014 Report on Universal Service Programs & Collections Performance at 52; 2013 Report on Universal Service Programs & Collections Performance at 46; 2012 Report on Universal Service Programs & Collections Performance at 44; and 2011 Report on Universal Service Programs & Collections Performance at 50.

CAUSE-PA Comments at 49.

PGW explains that Hardship Fund participation has declined as a result of decreased funding sources for UESF, particularly federal grant monies, and a 24% increase in average Hardship Fund grant amounts from 2010 to 2015.[[50]](#footnote-50) PGW Supplemental Response at 2.

Citing the high amount of debt carried by low-income PGW customers,[[51]](#footnote-51) CAUSE-PA recommends that PGW increase its Hardship Fund budget to issue additional grants and increase the grant amounts. CAUSE-PA Supplemental Comments at 5.

*Resolution*: We are not persuaded that the decline in participation in PGW’s Hardship Fund is due, at least entirely, to decreased UESF funding sources and increase grant amounts. We note that PGW has proposed 2017-2020 Hardship Fund annual budgets consisting of $795,000 for UESF grants and $795,000 for PGW grants, plus customer/employee contributions. Available grant money should exceed $1,590,000 annually and could serve up to 1,288 customers, based on the 2015 average grant amount of $1,234. PGW should strive to increase Hardship Fund participation by increasing referrals to the program and working with USEF to change the eligibility requirements, as described above. The Company should also enhance its fundraising efforts to increase the amount of voluntary donations provided to the Hardship Program each year.[[52]](#footnote-52) BCS will continue to monitor PGW’s Hardship Fund participation and may revisit this issue in the Company’s next USECP or earlier.

1. **Program Budgets**

Table 12 below shows PGW’s anticipated USECP budget levels for 2017-2020.

**Table 12**

**Projected Budgets and Spending**

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

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

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

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

*a. CRP (CAP Budget 2018-2020*

The CRP budgets for 2018-2020 are inconsistent with our prior directive that the Company allow customers to enroll in CRP at the PIP or budget bill amount, whichever is lower, within six (6) months after the approval of its 2017-2020 Plan.

*Resolution*: PGW shall update its CRP budget projections for 2018-2020 in its Revised 2017-2020 Plan consistent with the directive.

*b. CRP Home Comfort Budget (LIURP) 2018-2020*

In accordance with the DSM II Order, the FY 2017 budget for the CRP Home Comfort program was set at $5,860,506. PGW added administrative and programmatic costs of $710,939 to the FY 2017 figure to arrive at a total budget of $6,571,445. Amended Proposed 2017-2020 Plan at 23. The remaining estimated program budgets for the 2018-2020 CRP Home Comfort program, including the pro-rated amounts for the transitional months of September 2017–December 2017, were presented in PGW’s *Table 6: CRP Home Comfort Estimated Budget* on page 24 of the Amended Proposed 2017-2020 Plan. Amended Proposed 2017-2020 Plan at 23.

PGW initially stated in its proposed 2017-2020 USECP that the CRP Home Comfort budget “has been set based on a number of reasonable assumptions, and in light of the analysis of the number of customers who still need LIURP and the cost to serve those customers.” PGW Amended Proposed Plan at 23. We note that PGW submitted their original needs assessment, showing a total of 21,349 customers needing LIURP, along with the corresponding 2018-2020 budgets and enrollment numbers. These budget and enrollment estimates for 2018-2020 were proposed by PGW, not the Commission. In response to the Tentative Order where the Commission questioned the needs assessment total, PGW then submitted a revised, increased needs assessment figure of 67,367, but did not adjust the 2018-2020 budgets or enrollment figures. PGW Supplemental Information at 31.

TURN *et al*. “urge the Commission to utilize the needs assessment calculation set forth in the Commission’s Tentative Order for purposes of determining a LIURP budget….” TURN *et al.* Comments at 24.

OCA points out that PGW spent nearly 100% of its LIURP budget when it was set at $7.6 million in the DSM and 2014-2016 USECP proceedings. OCA also notes that the $7.6 million budget would enable more CRP customers to maintain service, that the Commission has expanded the pool of eligible LIURP customers to include non-CRP low-income customers, and that PGW has proposed a consumption pilot in its 2017-2020 Plan. For those reasons, OCA submits that PGW’s LIURP budget should be increased to $7.6 million. OCA Comments at 19.

CAUSE-PA notes that the PGW budget “is woefully inadequate in relation to need…” and wants the proceeding referred for an evidentiary proceeding. CAUSE-PA Comments at 48.

TURN *et al.* state “that the $7.6 million figure proposed by OCA represents a floor for PGW’s LIURP.” TURN *et al.* Reply Comments at 4.

PGW asserts that “a need assessment and a budget are not intrinsically linked.” PGW Reply Comments at 25. PGW further argues that the needs assessment does not consider program cost impacts or impacts to non-participating customers who are subsidizing LIURP. PGW suggests “ratepayers could be financially punished for the composition of the service territory” and insists that TURN *et al* is “misinformed if it believes that PGW is attempting to intentionally understate the need in its service territory just so it can reduce the LIURP budget.” PGW Reply Comments at 26.

*Resolution*: We disagree with PGW and point out that a needs assessment and a budget are linked. Section 58.4(c)[[53]](#footnote-53) is clear that a LIURP budget should be set considering specific “needs” of a service territory. We will continue to use the needs assessment figure in our analysis and determination of an appropriate 2018-2020 LIURP budget.

In addition, as we noted above, PGW threatened to cancel the proposed health and safety pilot if the CRP Home Comfort budget is “increased to accommodate the costs of this pilot.” We have determined that a revised CRP Home Comfort budget for 2018-2020 is necessary, ***not*** to accommodate the health and safety pilot, but rather to reflect the increased needs assessment total of low-income customers still needing LIURP. We do not appreciate the appearance that PGW is pitting a much-needed and potentially valuable health and safety pilot against any CRP Home Comfort budget increase that the Commission may deem necessary to satisfy the provisions of 66 Pa. C.S. § 2203(8), which requires universal service programs, including LIURP, to be “appropriately funded.”[[54]](#footnote-54)

To determine an appropriate LIURP budget, we will first consider PGW’s proposed 2018-2020 PGW budgets shown in Table 12: *Projected Budgets and Spending*, which include program and estimated administrative costs. An average of the 2018-2020 budgets results in a $6,634,085 average budget figure. We also consider PGW’s proposed 2018-2020 program enrollment figures in Table 8 *Projected Enrollment Levels,* which yields an average of 2,735 jobs/year. By using those figures, originally proposed by PGW*,* we can then calculate PGW’s average projected job cost from 2018-2020. That resulting average job cost figure is $2,426.

We note that it is not appropriate to use PGW’s proposed September 2017-December 2017 transition budget or enrollment figures, since the FY 2017 budget was previously settled and those transitional months only represent a partial calendar year. The budgets PGW proposed for 2018-2020 are based upon full calendar years.

In the *Needs Assessment* section above, we calculated 84,630 as the revised total number of low-income customers needing CRP Home Comfort/LIURP. The difference between the revised PGW needs assessment figure (67,367) and the Commission’s figure (84,630) represents an increase of 20.4%. If we apply that same percentage increase (20.4%) to the average number of jobs from the calculation above (2,735), we get a new average number of jobs of 3,293 for the years 2018-2020.

We then take the new average number of jobs (3,293) and multiply it by the average job cost ($2,426) we determined from PGW’s proposed budget and enrollment figures above. This calculation yields an average annual budget figure of $7,988,818. This new CRP Home Comfort average budget for the years 2018-2020, includes both program and administrative costs, as did the budgets from which it was derived. We direct PGW to adjust the budgets and corresponding enrollment figures for the program years 2018-2020, and to provide these figures in its revised 2017-2020 USECP.

Additionally, we will grant a temporary partial waiver of the administrative cost limitations under Section 58.5 for the 2018, 2019, and 2020 CRP Home Comfort budgets to allow PGW to develop and implement appropriate marketing, outreach, and internal procedures to effectively promote, identify, and screen all the newly eligible non-CRP and other low-income customers for CRP Home Comfort.

*c. Hardship Fund Administrative Costs*

PGW estimates that it will pay UESF $260,149 annually to administer its Hardship Fund program through 2020. Proposed 2017-2020 USECP at 30. The April 11 Secretarial Letter noted, *inter alia*, that administrative spending averaged $262.25 per Hardship Fund participant in 2015 and will average $260.15 per participant for 2017 through 2020 (based on Company projections).. PGW was asked to provide a justification and cost breakdown for the annual operating costs paid to the UESF for administering PGW’s Hardship Fund program. April 11 Secretarial Letter at 2.

PGW did not provide a cost breakdown of the administrative funds paid to USEF. Instead, PGW explained that it shares the UESF operating expenses equally with PECO and the Philadelphia Water Department and “additional funds” have been paid for the administration of a special City grant and increased operating expenses. PGW reports it does not have the resources to administer its Hardship Fund program. If required to administer the program and pay for grants provided by UESF, PGW requests cost recovery through its USC Surcharge. PGW Response at 2-3.

CAUSE-PA notes that PGW does not provide any information about the City grant or increased operating expenses. CAUSE-PA recommends that the Commission refer this matter to the OALJ for a review of the relationship between PGW and UESF. CAUSE-PA Supplemental Comments at 6.

*Resolution:* We continue to have concerns about the high administrative (operating) costs for PGW’s Hardship Fund program. We are not opposed to the agreement reached by PGW, PECO, and the Philadelphia Water Department to share the operating costs of UESF. However, PGW should not be identifying the full amount paid to UESF as “Hardship Fund” operating expenses if these funds are used to support other UESF activities. For example, it is unclear if the “City grant” administered by UESF is part of the PGW’s Hardship Fund grant or a separate grant offered by the agency.

Sections 62.3(4) of Commission regulations direct the Commission to establish whether universal service programs are operated in a cost effective and efficient manner. We are not rejecting PGW’s Hardship Fund budget at this time because the operating costs are recovered through PGW’s base rates. We may seek additional details about PGW’s Hardship Fund operating costs in our review of the Company’s next base rate proceeding.[[55]](#footnote-55)

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

The Gas Competition Act directs the Commission to “encourage the use of [CBOs] that have the necessary technical and administrative experience to be the direct providers of services or programs which reduce energy consumption or otherwise assist low income retail gas customers to afford natural gas service.” 66 Pa. C.S. § 2203(8). PGW utilizes community agencies throughout the Company’s service territory as referral agencies or contractors in the CRP, CARES, and Hardship Fund programs. PGW’s CARES program coordinates with Neighborhood Energy Centers and UESF intake sites[[56]](#footnote-56) to help customers resolve payment issues. The Company utilizes other social service agencies as needed based on the customer’s situation.

*Resolution:* Consistent with the Tentative Order, we find that PGW’s use of CBOs complies with the intent of the Gas Competition Act.

1. **Organizational Structure**

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

1 Director, Regulatory Compliance

1 Director, Customer Programs

1 Manager, Universal Services

1 Manager, Energy Efficiency and Emerging Customer Programs

1 Supervisor, Universal Services

1 Analyst, Energy Efficiency and Emerging Customer Programs

Universal Service Representatives

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

*CARES Staffing*

In the April 11 Secretarial Letter, we asked PGW to identify how many people are employed in the PGW Cares unit and the job titles of this staff. April 11 Secretarial Letter at 1. PGW reports it has 140 customer service representatives that perform quick-fix referrals and six members of its Universal Services department that handle follow-up case management (One Manager, one supervisor, and four employees). PGW Response at 2.

CAUSE-PA argues that PGW’s CARES program is essentially non-existent and does not justify its annual $880,000 budget. CAUSE-PA Supplemental Comments at 4. TURN et al. and OCA separately question the ability of six people in the Universal Service unit to provide case management services to 812 cases per year in addition to other universal service duties. TURN et al. Supplemental Comments at 9 and OCA Supplemental Reply Comments at 4.

CAUSE-PA, TURN et al, and OCA separately suggest that PGW gives insufficient attention to the CARES program and recommend the Company establish a CARES unit. CAUSE-PA Supplemental Comments at 5; TURN et al. Supplemental Comments at 10; and OCA Supplemental Reply Comments at 3-4.

PGW maintains its CARES staffing level and budget is appropriate. The Company notes it the CARES budget includes LIHEAP outreach. Customers who receive LIHEAP grants are not counted as a CARES referral or case managed. PGW Supplemental Reply Comments at 2-3.

*Resolution*: The purpose of CARES is to provide assistance to households experiencing an extenuating circumstance or emergency that may contribute to an inability to pay the utility bill. This assistance may be provided through referrals to universal service or community programs, ongoing counseling (case management), or bill credits. We are not persuaded that PGW’s use of customer service representatives and a Universal Service unit to provide referral and case management services is, by itself, evidence of insufficient attention to the program.

However, we do require more information about the CARES services provided by PGW. As described above, we have directed PGW to file and serve an annual report detailing the number of customers served through CARES case management and quick-fix referrals through 2020. Based on this additional information about PGW’s CARES activity, we may revisit this issue in PGW’s next USECP filing or earlier.

1. **CONCLUSION**

We have identified in this Order a number of issues and concerns that PGW must address in a compliance filing. For these reasons, it is premature to approve PGW’s 2017-2020 Plan at this time.[[57]](#footnote-57)

Therefore, approval of PGW’s 2017-2020 Plan is deferred pending the Commission’s review of the Company’s Revised Plan to be filed in compliance with this Order. PGW shall serve and file its Revised Plan within 30 days of the entry date of this Order. Thereafter, stakeholders shall have 10 days to file exceptions and 5 days to reply to exceptions relative to whether the Revised Plan is in compliance with this Order.

The findings, conclusions, and resolutions herein do not limit the Commission’s authority to order future changes to the 2017-2020 USECP based on evaluation findings, universal service data, rate-making considerations, or other relevant factors.

Consistent with the discussion above, we shall direct PGW to amend and file a Revised USECP for 2017-2020 in compliance with this Order and to perform the following:

1. Allow eligible low-income customers to enroll in CRP at the PIP or the budget bill amount, whichever is lower, within six (6) months after the approval of its 2017-2020 Plan. The Company should also review, at least once per year, CRP accounts to ensure customers are paying the most affordable CRP rate (i.e., PIP or budget billing). PGW should identify these changes in its Revised 2017-2019 Plan.
2. Provide notices to the customers when they reach 50%, 80%, and 100% of the CRP consumption limit. These notices should include energy conservation tips, information about CRP Home Comfort Services, and allowable exemptions to the consumption limit. PGW should include this policy and procedural change in its Revised 2017-2020 Plan.
3. Provide customers with 30 days to dispute information gathered from external sources prior to removing them from CRP. PGW’s shall also provide customers with a written description of their FCRA rights if the Company is taking adverse action based on information gathered by a credit reporting agency. The Company should implement these modifications upon final approval of its USECP and identify these changes in its Revised 2017-2020 Plan.
4. Accept any federal or state tax form filed in the past 12 months as proof of self-employment income, effective upon final approval of its USECP. PGW shall identify this policy change in its Revised 2017-2019 Plan.
5. Allow customers to document a change in income when determining the amount to pay to re-enroll in CRP and recalculate the PIP CRP Cure amount from the date of this income change. PGW should provide retroactive arrearage forgiveness for months spent out of the program once the CRP Cure amount is paid in-full. The Company shall implement these policy and procedure changes within three months after final approval of its USECP and identify these changes in its Revised 2017-2020 Plan.
6. Implement its online CRP application process before January 2018 and clarify in its Revised 2017-2020 Plan that (1) the online portal will allow customers to securely submit requested documentation and (2) use of this online process will not automatically enroll customers into electronic billing or notices.
7. Implement changes necessary to ensure that CRP customers receive retroactive arrearage forgiveness for any months missed once they pay the CRP balance in-full. This change will be implemented within three months of final approval of its USECP and PGW shall reflect this policy change in its Revised 2017-2020 USECP.
8. Allow all low-income customers to qualify for CRP Home Comfort services, regardless of their enrollment status in CRP. PGW shall reflect this policy change and submit an updated Needs Assessment in its Revised 2017-2020 Plan.
9. Perform LIURP outreach and notify all known income-eligible customers about their potential eligibility for LIURP services. This enhanced LIURP outreach effort should be reflected in PGW’s Revised 2017-2020 Plan.
10. Notify the Commission and other stakeholders when a meeting in 2019 or 2020 is scheduled to discuss the Conservation Incentive Pilot program.
11. File and serve an annual report at this docket detailing the number of customers served through CARES case management and quick-fix referral services during the previous calendar year. PGW shall file and serve the first report – describing 2017 activity – by April 1, 2018 and submit a report by April 1 each year through 2020.
12. File and serve quarterly updates at this docket, beginning October 1, 2017, about its ongoing discussions with UESF regarding potential changes to Hardship Fund eligibility criteria until this issue is resolved.
13. Expand CRP outreach efforts (*e.g.*, direct mail and bill messaging) to include low-income customers that may qualify for CRP based on budget billing. This includes low-income customers currently on payment arrangements, income-eligible customers denied CRP eligibility in the past 12 months, and low-income customers with broken payment agreements. This enhanced CRP outreach effort should be reflected in PGW’s Revised 2017-2020 Plan.
14. Adjust the CRP and CRP Home Comfort budgets and corresponding enrollment figures for the program years 2018-2020, and provide these figures in the Revised 2017-2020 Plan.

PGW will file and serve its Revised Plan for 2017-2020 in a compliance filing within 30 days of entry of this order, reflecting the changes directed consistent with this Order. We invite PGW to submit its Revised 2017-2020 Plan to BCS for a compliance review prior to filing. PGW’s existing 2014-2016 USECP will continue in operation in whole or in part until replacement provisions of its Revised 2017-2020 USECP are implemented.

Having addressed PGW’s Amended Proposed 2017-2020 Plan and the comments, reply comments, and supplemental information in the record, we note that any issue, comment, or reply comment requesting a further deviation from the Amended Proposed 2017-2020 Plan, but which we may not have specifically delineated herein, shall be deemed to have been duly considered and denied without further discussion. The Commission is not required to consider expressly or at length each contention or argument raised by the parties. *Consolidated Rail Corp. v. Pa. PUC*, 625 A.2d 741 (Pa. Cmwlth. 1993); *see also*, *generally*, *U. of PA v. Pa. PUC*, 485 A.2d 1217 (Pa. Cmwlth. 1984); **THEREFORE,**

**IT IS ORDERED:**

1. That Philadelphia Gas Works shall file a Revised Universal Service and Energy Conservation Plan for 2017-2020 within thirty (30) days of the entry date of this Order.
2. That the Revised Universal Service and Energy Conservation Plan shall be filed in both clean and redline copies and served on the parties to this docket.
3. That the Revised Universal Service and Energy Conservation Plan shall be provided electronically in Word®-compatible format to Joseph Magee, Bureau of Consumer Services, [jmagee@pa.gov](mailto:jmagee@pa.gov), Sarah Dewey, Bureau of Consumer Services, [sdewey@pa.gov](mailto:sdewey@pa.gov), and Louise Fink Smith, Law Bureau, [finksmith@pa.gov](mailto:finksmith@pa.gov).
4. That the Revised 2017-2020 Universal Service and Energy Conservation Plan shall include:
5. Enrolling customers in CRP at the PIP or the budget bill amount, whichever is lower.
6. Providing notifications to customers when they reach 50%, 80%, and 100% of the CRP consumption limit.
7. Providing customers with 30 days to dispute information gathered from external sources prior to removing them from CRP.
8. Accepting any federal or state tax form filed in the past 12 months as proof of self-employment income.
9. Allowing customers to document a change in income when determining the amount to pay to re-enroll in CRP and recalculate the PIP CRP Cure amount from the date of this income change.
10. Providing retroactive arrearage forgiveness for any months missed once they pay the CRP balance or CRP Cure amount in-full
11. Clarification about its online CRP application process.
12. Allowing non-CRP low-income customers to qualify for CRP Home Comfort.
13. Explanation of expanded outreach efforts for CRP and LIURP .
14. Updated CRP and CRP Home Comfort budget and enrollment estimates for 2018-2020.
15. Philadelphia Gas Works will notify the Commission and other stakeholders at least 30 days in advance when a meeting in 2019 or 2020 is scheduled to discuss the Conservation Incentive Pilot program.
16. Philadelphia Gas works will file and serve an annual report at this docket detailing the number of customers served through CARES case management and quick-fix referral services on April 1st each year through 2020.
17. Philadelphia Gas Works will file and serve quarterly updates at this docket, beginning October 1, 2017, about its ongoing Hardship Fund discussions with the Utility Emergency Service Fund.
18. That exceptions to the Revised Universal Service and Energy Conservation Plan may be filed within 10 days of the date of its filing and service. Reply exceptions may be filed within five (5) days of the due date for the filing of exceptions.
19. That the Commission’s Bureau of Consumer Services, with the assistance of the Law Bureau, will evaluate the compliance filing, as well as any exceptions and reply exceptions filed thereto, and prepare a recommendation for the Commission’s consideration relative to approving or rejecting Philadelphia Gas Works’ Revised Universal Service and Energy Conservation Plan for 2017-2020.

**** **BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: August 3, 2017

ORDER ENTERED: August 3, 2017

1. PGW reported serving 470,788 customers in 2015. 2015 Report on Universal Service Programs & Collections Performance at 6. The yearly Reports on Universal Service Programs & Collections Performance can be found on the Commission’s website at: <http://www.puc.pa.gov/filing_resources/universal_service_reports.aspx>. [↑](#footnote-ref-1)
2. The Action Alliance of Senior Citizens of Greater Philadelphia was not identified as a partner with TURN in the 2014-2016 USECP proceeding. [↑](#footnote-ref-2)
3. *Pa. PUC, et al., v. PGW*, Docket Nos. R-2009-2139884, *et al.* (July 29, 2010) (*PGW’s 2009 Rate Case*) and *PGW’s Revised Petition for Approval of Energy Conservation and DSM Plan*, Docket No. P‑2009-2097639 (July 29, 2009) (*PGW’s Revised DSM I Plan*), collectively *DSM I Settlement Order*. *See* DSM I Settlement at 10 & 11. [↑](#footnote-ref-3)
4. This DSM II docket is occasionally referred to by stakeholders as the *DSM Continuation* docket. *See* PGW Supplemental Information at 34-35. [↑](#footnote-ref-4)
5. PGW’s Amended Proposed 2017-2020 Plan contains an additional component, the Senior Citizen Discount (SCD), which provides a 20% discount off monthly gas bills for senior citizens. This program is being phased out and is not accepting new customers. PGW estimates that approximately 14,400 households will be enrolled in this program in 2017. This number is expected to decline by over 2,000 annually over the next four years. Because income is not an eligibility criterion, the SCD does not meet the definition of a universal service program. [↑](#footnote-ref-5)
6. The surcharge recovers 73.8% of CRP and LIURP costs from residential base rates, 21.3% from commercial, 1.7% from industrial, 2.1% from municipal, and 1.1% from the Philadelphia Housing Authority. 2015 Report on Universal Service Programs & Collections Performance at 6, 41, & 58 [↑](#footnote-ref-6)
7. Customers will not be removed from CRP if they are unable to accept weatherization services due to health, safety, or structural issues in the home, serious illness of a household member, landlord refusal, or other severe circumstances outside the customer’s control. Amended Proposed 2017-2020 Plan at 8. [↑](#footnote-ref-7)
8. PGW Supplemental Information at 8, *citing* the 2013 Report on Universal Service Programs & Collections Performance at 17. [↑](#footnote-ref-8)
9. PGW Supplemental Information at 8, *citing* the 2014 Report on Universal Service Programs & Collections Performance at 10. [↑](#footnote-ref-9)
10. PGW Supplemental Information at 8, *citing* the 2015 Report on Universal Service Programs & Collections Performance at 10. [↑](#footnote-ref-10)
11. The CAP Policy Statement proposes different ways utilities can determine if a household is payment troubled (*i.e.*, housing and utility costs exceeding 45% of household income, $100 or less in disposable income after household expenses, have an arrearage, or has a termination notice or broken payment agreement.) Section 69.265(4)(iii)(A-D). PGW does not require customers to be determined “payment troubled” to qualify for CRP. Amended Proposed 2017-2020 Plan at 5. [↑](#footnote-ref-11)
12. However, the CAP Policy Statement does establish minimum payment ranges for gas heating, non-heating, and electric heating CAP accounts. See Section 69.265(3)(i)(A-C). In compliance with the CAP Policy Statement, PGW charges CRP customers a minimum of $25 per month. Amended Proposed 2017-2020 Plan at 6. [↑](#footnote-ref-12)
13. First, Peach does not consider the decrease in CAP credit expenditures resulting from lower gas costs when determining program costs. The fact that 14% of current CRP customers now have a budget amount below the PIP level means the Company is applying little or no CAP credits on those CRP customers’ monthly bills over the course of the year. Second, it is not clear why Peach concludes that this cost will remain relatively constant from year to year. [↑](#footnote-ref-13)
14. PGW reports it determined this consumption limit by analyzing two years of consumption history and CRP discounts for participants with 12 consecutive months or more of prior usage. When describing this consumption limit to customers, PGW will covert this usage into dollars. Amended Proposed 2017-2020 Plan at 16. [↑](#footnote-ref-14)
15. Section 69.265(3)(vi)(A-E). [↑](#footnote-ref-15)
16. Section 69.265(3)(vi): *Exemptions.* A utility may exempt a household from a CAP control feature if one or more of the following conditions exist:

    (A) The household experienced the addition of a family member.

    (B) A member of the household experienced a serious illness.

    (C) Energy consumption was beyond the household’s ability to control.

    (D) The household is located in housing that is or has been condemned or has housing code violations that negatively affect energy consumption. [↑](#footnote-ref-16)
17. For example, PGW waives its annual CRP recertification requirement for households who receives a LIHEAP grant each year and assigns it to PGW. These households must recertify for CRP every three years. Amended Proposed Plan at 17. [↑](#footnote-ref-17)
18. <http://www.dhs.pa.gov/cs/groups/webcontent/documents/document/c_241596.pdf> [↑](#footnote-ref-18)
19. DHS does not allow certain expenses to be deducted from self-employment income for LIHEAP (*e.g.,* depreciation, entertainment expenses, and personal transportation). Section 601.82 (2)(i). [↑](#footnote-ref-19)
20. PECO is the EDC serving the vast majority of PGW’s customers. [↑](#footnote-ref-20)
21. *See Energy Affordability for Low Income Customers*, Docket No. M‑2017-2587711(Order entered May 5, 2017). [↑](#footnote-ref-21)
22. Using weather-normalized usage. Amended Proposed 2017-2020 Plan at 20. [↑](#footnote-ref-22)
23. 2014-2016 PGW USECP Final Order at 57. [↑](#footnote-ref-23)
24. PGW states that it will target buildings that have received Section 8 housing vouchers or Low Income Housing Tax Credits. Amended Proposed 2017-2020 Plan at 39. [↑](#footnote-ref-24)
25. PGW proposes to reserve the flexibility to reduce the percentage of tenants that must be residing in a low-income for that building to qualify for this program if there is programmatic or budgetary justification. Amended Proposed 2017-2020 Plan at 20-21. [↑](#footnote-ref-25)
26. CRP participation is not required for CARES or Hardship Fund eligibility. [↑](#footnote-ref-26)
27. Peoples 2015-2018 USECP Final Order, Docket No. M-2014-2432515 (Order entered December 17, 2015), at 34-37, which rejected a settlement provision that relied upon CAP/non-CAP determination as an eligibility requirement for LIURP. [↑](#footnote-ref-27)
28. The ALJs’ Recommended Decision included discussion and the recommendation that agreed with the exclusion of non-CRP customers from LIURP eligibility. Recommended Decision, Docket No. P‑2014‑2459362 (March 18, 2016), at 134-140.The Commission then approved the DSM II Final Order on November 01, 2016 , but failed to recognize that the eligibility exclusion was inconsistent with LIURP regulations at Section 58.10 (a)(1). [↑](#footnote-ref-28)
29. PGW does its CRP income verification in house. The percentage of additional non-CRP customers who would require income verification should be minimal; so also should be the increase in costs, particularly after the new procedures have been developed and implemented. [↑](#footnote-ref-29)
30. PGW’s LIURP, in previous USECPs and as part of DSM, was a completely different program. Prior to DSM, PGW’s LIURP had a much reduced budget of approximately $2 million per year, according to PGW’s 2004-2010 LIURP reporting. Once LIURP became part of DSM, the budget increased substantially and the focus shifted to more comprehensive, whole-house treatment of heating jobs. The restriction on LIURP eligibility, approved under those previous circumstances, does not warrant approval of the restriction to CRP customers going forward. [↑](#footnote-ref-30)
31. PGW has not provided notice to the non-CRP low-income customers who would be affected if a waiver were granted to allow PGW to continue to exclude them from LIURP eligibility. [↑](#footnote-ref-31)
32. As noted earlier, PGW is transitioning its LIURP program budget from a fiscal year that ends August 31, 2017, to a calendar year, consistent with universal service reporting requirements. [↑](#footnote-ref-32)
33. *See* <http://www.dhs.pa.gov/cs/groups/webcontent/documents/document/c_261235.pdf> for details of the Crisis Interface Program which is part of the LIHEAP State Plan. [↑](#footnote-ref-33)
34. We will address Section 58.5 further in our discussion of the 2018-2020 CRP Home Comfort budget below. We note in passing, however, that Section 58.5 relates to LIURP administrative costs. PGW was granted a waiver of Section 58.5 in the DSM proceeding when the CRP Home Comfort program was part of a portfolio of DSM programs. Administrative costs were calculated for the entire portfolio. According to the First Amended Proposed USECP for 2017-2020, the projected administrative costs of $710,939 for the FY 2017 CRP Home Comfort budget are well under the 15% administrative cap specified in Section 58.5. Thus there is no need for a waiver for FY 2017 or the transitional months. [↑](#footnote-ref-34)
35. We also note that these sections of our regulations are under review at Docket No. M‑2017‑2596907. [↑](#footnote-ref-35)
36. #### Section 58.9 relating to program announcement provides that:

    (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. The utility shall then provide a targeted mass mailing to each customer identified through this procedure so as to solicit applications for consideration of program services. 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 and on local radio and television.

    (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. [↑](#footnote-ref-36)
37. Section 58.11 provides that:

    (a) If an applicant is eligible to receive program services, an onsite energy survey 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 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.

    (b) Program funds may not be used for measures that involve fuel switching between Commission regulated utilities. This stipulation does not apply to fuel switching within a dual-fuel utility. [↑](#footnote-ref-37)
38. PGW asserted that it “will enhance its CARES program to enable our customer service representatives to track customers provided with information in a ‘quick-fix’ manner (e.g., referrals to organizations that provide services for the unemployed, recent immigrants, senior citizens, etc.). This improvement will allow us to systematically quantify the number and types of referrals made for customers and to possibly increase the customers referred for case management.” PGW Revised 2014-2016 Plan at 20. [↑](#footnote-ref-38)
39. Since the quick-fix tracking system was implemented in the spring of 2017, we anticipate the first report will only provide partial referral data for that calendar year. [↑](#footnote-ref-39)
40. “Deferred” or “Frozen” arrears is customer debt that is set-aside for forgiveness when a customer enrolls into CRP. [↑](#footnote-ref-40)
41. “To restore service and re-enroll in CRP, the customer must pay the past due CRP bills in full, plus the reconnection fee, and, if applicable, a dig fee. No deposit is required. Once the customer satisfies all payment requirements and reapplies, their balance is placed back in the frozen arrears.” Amended Proposed 2017-2020 Plan at 17. [↑](#footnote-ref-41)
42. “To PGW’s knowledge, UESF does not track this information.” PGW Supplemental Information at 27. [↑](#footnote-ref-42)
43. UESF provides approximately 50% of PGW’s Hardship Fund grant monies. [↑](#footnote-ref-43)
44. This provision is listed as Title 66 Section 2203(8) for Natural Gas Competition. [↑](#footnote-ref-44)
45. *See* Amended Proposed 2017-2020 Plan at 14. [↑](#footnote-ref-45)
46. As reported by PGW, 2015 US Collections report at 7, and confirmed by 2011-2013 American Community Survey 3-Year Estimates for Philadelphia County – United States Census Bureau. [↑](#footnote-ref-46)
47. This figure comes from PGW 2014-2016 USECP (M-2013-2366301) at 8, and the DSM RD (P-2014-2459362) at 12. [↑](#footnote-ref-47)
48. Section 54(c) provides that a

    [R]revision to a covered utility’s program funding level is to be computed based upon factors listed in this section. These factors are the following:

    (1) The number of eligible customers that could be provided cost-effective usage reduction services. The calculation shall take into consideration the number of customer dwellings that have already received, or are not otherwise in need of, usage reduction services.

    (2) Expected customer participation rates for eligible customers. Expected participation rates shall be based on historical participation rates when customers have been solicited through approved personal contact methods. [↑](#footnote-ref-48)
49. This issue was not addressed in the Tentative Order. [↑](#footnote-ref-49)
50. The average PGW Hardship Fund grant increased from $998 to $1,234 from 2010 to 2015. 2010 Report on Universal Service Programs & Collections Performance at 51 and 2015 Report on Universal Service Programs & Collections Performance at 52. [↑](#footnote-ref-50)
51. In 2015, PGW reported 21,237 confirmed low-income customers carried debt totaling $14,958,895. 2015 Report on Universal Service Programs & Collections Performance at 18, 22. [↑](#footnote-ref-51)
52. PGW collected only $678 voluntary contributions from ratepayers in 2015. [↑](#footnote-ref-52)
53. 58.4(c) *Guidelines for revising program funding.* A revision to a covered utility’s program funding level is to be computed based upon factors listed in this section. These factors are the following:

    (1) The number of eligible customers that could be provided cost-effective usage reduction services. The calculation shall take into consideration the number of customer dwellings that have already received, or are not otherwise in need of, usage reduction services.

    (2) Expected customer participation rates for eligible customers. Expected participation rates shall be based on historical participation rates when customers have been solicited through approved personal contact methods.

    (3) The total expense of providing usage reduction services, including costs of program measures, conservation education expenses and prorated expenses for program administration.

    (4) A plan for providing program services within a reasonable period of time, with consideration given to the contractor capacity necessary for provision of services and the impact on utility rates. [↑](#footnote-ref-53)
54. 2203(8) provides that the Commission “shall ensure that universal service and energy conservation policies, activities and services are appropriately funded and available in each natural gas distribution service territory. The commission shall encourage the use of community-based organizations that have the necessary technical and administrative experience to be the direct providers of services or programs which reduce energy consumption or otherwise assist low-income retail gas customers to afford natural gas service. Programs under this paragraph shall be subject to the administrative oversight of the commission, which shall ensure that the programs are operated in a cost-effective manner. [↑](#footnote-ref-54)
55. We also questioned the administrative costs paid to UESF in PECO’s 2016-2018 USECP proceeding and made a similar recommendation in that proceeding. See PECO 2016-2018 USECP Final Order, Docket No. M-2015-2507139 (August 11, 2016), at 64-66. [↑](#footnote-ref-55)
56. A full listing of Neighborhood Energy Centers and UESF intake sites is provided in Appendices C and D of the Amended Proposed 2017-2020 Plan. [↑](#footnote-ref-56)
57. The existing 2014-2016 Plan will remain in effect until a Revised Plan filed in compliance with this Order is approved. [↑](#footnote-ref-57)