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August 8, 2017

Via Electronic Filing

Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: Review of Universal Service and Energy Conservation Programs
Docket No. M-2017-2596907

Dear Secretary Chiavetta:

Enclosed for electronic filing please find Philadelphia Gas Works' Comments to Opinion and Order Entered May 10, 2017 with regard to the above-referenced matter.

Sincerely,

A handwritten signature in blue ink that reads "Deanne M. O'Dell".

Deanne M. O'Dell

DMO/lww
Enclosure

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**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Review of Universal Service and Energy :
Conservation Programs : Docket No. M-2017-2596907

**PHILADELPHIA GAS WORKS
COMMENTS TO OPINION AND ORDER
ENTERED MAY 10, 2017**

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ATTACHMENT A: Considering Cost Effectiveness, H. Gil Peach, Ph.D., August 2017

I. INTRODUCTION

The Commission initiated a comprehensive review of the entire Universal Service and Energy Conservation (“USEC”) model in its Order entered May 10, 2017, and has invited interested stakeholders to file comments on priorities, concerns, and suggestions for amending and improving any or all aspects of the USEC programs.¹ As directed by the *USEC Investigation Order*, the Commission published a Staff Report on July 14, 2017, in which the Law Bureau outlined the statutory, regulatory, and policy frameworks of existing USEC programs and processes required to initiate any proposed changes.² In the *USEC Investigation Order*, the Commission also stated that it is including as part of its investigation at this docket the currently pending review of the regulations governing low-income usage reduction programs (“LIURPs”)³ as well as the recently initiated study regarding home energy burdens in Pennsylvania.⁴

Philadelphia Gas Works (“PGW”) is a city-owned natural gas distribution company. PGW has offered a low income customer responsibility program (“CRP”) to customers since 1989, when it was designed in cooperation with the Philadelphia Public Advocate. PGW has the largest natural gas customer assistance program (“CAP”) in the Commonwealth and the largest natural gas Universal Service spend in the Commonwealth – by dollar and per individual customer spend. PGW also has the highest percentage of confirmed low income customers in

¹ *Review of Universal Service and Energy Conservation Programs*, Docket No. M-2017-2596907, Opinion and Order entered May 10, 2017 at 3-4 (“*USEC Investigation Order*”).

² *Review of Universal Service and Energy Conservation Programs*, Docket No. M-2017-2596907, Staff Report released July 14, 2017 (“*USEC Staff Report*”).

³ *Initiative to Review and Revise the Existing Low-Income Usage Reduction Program Regulations*, Docket No. L-2016-2557886, 46 Pa.B. 8188 (Secretarial Letter Inviting Comments dated December 16, 2016) (“*LIURP Docket*”).

⁴ *Energy Affordability for Low Income Customers*, Docket No. M-2017-2587711, Opinion and Order entered May 5, 2017.

the Commonwealth (gas and electric). For these reasons, any modifications to Universal Services – particularly those that impact costs – could have an outsized impact on PGW and its customers who fund the Universal Service programs (many of whom are low income, or near low income). Thus, given the significance of this proceeding to PGW and its ratepayers, PGW appreciates this opportunity to provide feedback regarding USEC issues.

As explained more fully below, PGW offers suggestions intended to better streamline processes, provide more transparency regarding Commission expectations for utility reporting, and to address issues related to costs.

II. COMMENTS

A. Access to DHS Data to Facilitate Automatic Customer Enrollment in CRP

The objective of PGW’s CRP is to help low-income residential customers meet their energy needs by offering payment assistance in the form of an affordable bill. CRP is a Percentage of Income Payment Plan (“PIPP”). Thus, PGW determines the CRP “asked-to-pay” amount based on the customer’s household size and income in relation to the Federal Poverty Level (“FPL”).

PGW continually seeks to inform customers about CRP and is supportive of creative ways to enroll more eligible customers in CRP. To that end, PGW’s low-income customers who receive grants through the Low-Income Home Heating Assistance Program (“LIHEAP”) are good candidates for enrollment in CRP. LIHEAP is administered by the Pennsylvania Department of Human Services (“DHS”). At this time, there is no way for PGW to automatically enroll LIHEAP grant recipients into CRP (to the extent that it is beneficial for the customer). PGW also does not have access to income and household size for LIHEAP recipients which would help PGW assess whether a potential low-income customer would benefit from CRP enrollment. Thus, PGW would encourage the Commission to obtain permission from DHS

for utilities to obtain this LIHEAP recipient information from DHS. In the past, the Commission has directed eligible telecommunications carriers (“ETCs”) to utilize the DHS database, the Commonwealth of Pennsylvania Access to Social Services (“COMPASS”) network, to verify or recertify an individual’s Lifeline eligibility.⁵ Enabling utilities to access COMPASS (or another system maintained by DHS) to acquire a customer’s household size and income would be a way to automate enrollment into CRP. Connected to this access, the Commission could authorize all utilities to automatically enroll a LIHEAP recipient into their CAP if the CAP is beneficial for the customer.

Further, PGW recently proposed in its Universal Service Plan filing to increase the duration of recertification for CRP customers from two years to three years for LIHEAP recipients. If the DHS data was made available to PGW, it could likely extend the recertification time even further or eliminate the recertification requirement for LIHEAP recipients. This change would reduce costs for PGW and make participation in CRP easier for customers.

B. Provide More Transparency Regarding Required Reporting Requirements

As noted in the *USEC Staff Report*, utilities are required to provide data annually to the Bureau of Consumer Services (“BCS”) regarding their USEC programs including usage data and allocation of funds.⁶ PGW reports a significant amount of data to the Commission (see, e.g. 52 Pa. Code §§ 56.231, 58.15, 59.82 and 62.5) including some data which may no longer be useful but still requires effort to collect and maintain.

PGW, however, is most concerned with LIURP data reporting to the Commission, ostensibly under section 58.15. For this reporting, Commission staff has created and maintains

⁵ *FCC Lifeline Broadband Order: Carrier and Consumer Awareness; ETC Transition to Streamlined Eligibility Criteria*, Docket No. M-2016-2566383, Final Order entered November 9, 2016 at 7-8.

⁶ *USEC Staff Report* at 5.

control over a non-published “codebook” to which changes are regularly made. Utilities are expected to comply with these changes even if the data required is not data that is currently being collected by the utility or its contractors, and regardless of the time and costs of making changes to collect this data.

An inability of a utility to keep pace with changing data collection and reporting requirements is not an optimal situation for either the utility or the Commission. While PGW does appreciate that the Commission engages in some collaborative development of the “codebook,” the current process still presents difficulties that PGW recommends be addressed. To that end, PGW recommends that a stakeholder process be convened to formulate a list of data that should be reported, with a subsequent rulemaking that sets forth the data that will be required. If there are any areas left open in the rulemaking for future adjustments to data to be collected, the regulation should specify that the utilities will have sufficient time to make related changes, and obtain full cost recovery for such changes.

With respect to other data reported to the Commission through the “Data Dictionary” at 56.231, PGW recommends a continuation of discussions regarding inconsistencies and misinterpretations of data points, as well as the possible removal of some data and addition of other data (particularly related to costs).

C. Cost-Effectiveness and Cost Recovery

The Natural Gas Choice and Competition Act requires that “universal service and energy conservation policies” be “appropriately funded and available” and “operated in a cost-effective manner.”⁷ The Act also requires the Commission to establish for each NGDC an appropriate non-bypassable, competitively neutral cost-recovery mechanism which is designed to allow the

⁷ 66 Pa.C.S. § 2203(8).

utility to recover fully the universal service and energy conservation costs over the life of the universal service programs.⁸

1. Measuring Cost-Effectiveness

PGW incorporates herein its comments filed in the LIURP docket.⁹ Further, PGW would like to submit additional recommendations regarding the utilization of cost effectiveness tests – such as a Total Resource Cost test – in LIURPs and has retained H. Gil Peach, Ph.D. to support some of these recommendations. The recommendations as detailed by Dr. Peach, in Attachment A hereto, are incorporated herein. Adoption of Dr. Peach’s recommendations would provide a more robust method to evaluate LIURP work. In doing so, PGW could better prioritize ratepayers’ investments in LIURP by supporting comprehensive work that meets the purpose of LIURP as set forth in §58.1.

Further, PGW would call attention to pages 19-20 of Dr. Peach’s comments, where he raises the important issue of addressing rental properties in the evaluation of LIURP installations. PGW had raised some preliminary considerations about treating rental properties in its comments to the LIURP Secretarial Letter.¹⁰ In addition to those comments, PGW submits that LIURP investments in customers’ homes must include a consideration about whether the home is a rental or owner-occupied, and if possible, the lifetimes for measures included in a LIURP project should have bearing on the requirements for low-income tenancy at the property. Doing so would protect PGW’s ratepayers’ investments in LIURP, by increasing the perseverance of benefits at the low income rental properties.

⁸ 66 Pa.C.S. § 2203(6). With respect to recoverable costs, lost revenues related to LIURP treatments should also be recoverable, as discussed briefly in Mr. Peach’s comments in Attachment A.

⁹ Comments of Philadelphia Gas Works to Secretarial Letter, Docket No. L-2016-2557886, dated January 30, 2017.

¹⁰ *Id.* at 10-11.

2. Provide More Uniform Definition Of Costs To Be Recovered

While NGDCs are permitted to recover fully the costs of their USEC programs, there appears to be a lack of uniformity about how these costs are defined. Costs are recovered for PGW's USEC programs through a Universal Service and Energy Conservation surcharge. It allows for recovery of: (1) CRP discounts and arrearage forgiveness; (2) Senior Citizen Discount discounts; and; (3) the costs of LIURP. However, this surcharge does not include all costs of all of the programs, such as lost revenues, the administrative (including labor) costs of CRP, and Hardship Fund costs. In addition, utility cost recovery mechanisms may also include additional "bad debt offset" mechanisms as part of rate case proceedings which further erode the ability of utilities to receive full cost recovery and creating a potential disincentive to incur further costs related to their universal service programs. In order to ensure that utilities have full and timely cost recovery for Universal Service costs, PGW would encourage the Commission to provide guidance on the costs recoverable and allowance for utilities to recover all such costs without the need for a rate case or Universal Service Plan filing.

D. Statewide Administrator for Universal Service Programs

The Commission must balance how to reasonably (and cost-effectively) structure USEC programs that offer viable options for low-income consumers without placing negative pressure on: (1) the amount non-low-income customers must pay to support the USEC programs; and, (2) the uncollectible costs that occur from non-payment of utility bills. Ultimately, these USEC issues impact all consumers in Pennsylvania regardless of the service territory in which they reside. To the extent the Commission continues to seek uniform USEC programs and uniform solutions among the varying service territories, consideration of a broader and statewide solution may be warranted. A potential structure for this model could be one in which the Commission sets forth guidance about program structures that the utilities would be required to follow. The

utilities would be required to design their individual USEC programs within the uniform guidelines and would remain responsible for enrolling eligible customers. The utilities would also provide information to the Commission about the costs of these programs. From this information, the Commission would determine a statewide amount to be collected from all of the utilities' non-participating customers. Those collected amounts would be remitted to the statewide administrator and returned to the utilities to cover the costs of the program. The Commission's Telecommunications Universal Service Fund ("USF") could serve as a template for this model.¹¹ Approximately 300 telecommunications service providers contribute to the USF and payments are disbursed monthly to 32 qualified recipients. The USF is administered by a third-party who calculates and assesses the share to be paid by telecommunications companies based on formula in regulations, handles the funds and provides reports to the Commission.

E. Administrative Processes

The process of having a Universal Service and Energy Conservation Plan prepared and approved is lengthy, and often involves providing clarification on a number of issues for the Commission. As a result, Plans often cannot be approved until after the start date of the Plan – this can result in difficulty implementing any changes before the filing of the next Plan, and in examining the results of such changes. PGW would encourage the Commission to change the start date of Plans to the date of final Commission approval of the Plan, and the end date to three years from the approval date. PGW would also encourage the Commission to consider increasing the length of time for a Plan from three years to five years. Such a change has precedent in a LIURP, as PGW's LIURP was approved for a five year period when it was included in PGW's Demand Side Management portfolio. This change would reduce the costs

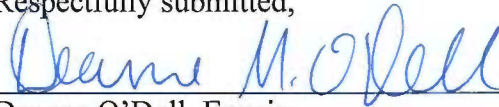
¹¹ 52 Pa. Code §§ 63.161 – 171.

and resources needed to file and approve Plans, and would provide the utility with sufficient time to implement changes and determine whether they are effective. In order ensure that Plans do not become stagnant given this increased length of time, the Commission could permit the utilities to obtain approval in their Plans to have flexibility in implementation for specified areas/pilot programs.

III. CONCLUSION

PGW appreciates this opportunity to provide these comments and looks forward to continued involvement as this investigation progresses.

Respectfully submitted,



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For Philadelphia Gas Works

August 8, 2017

Attachment A

CONSIDERING COST EFFECTIVENESS

H. Gil Peach, Ph.D., August 2017

The Pennsylvania Public Utility Commission has opened an Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1 – 58.18, Docket No. L-2016-2557886. These comments are submitted for the Philadelphia Gas Works in support of this initiative.

I. Low Income Usage Reduction Program (LIURP)

As specified in 52 Pa. Code §58.1, each utility is to establish a “...fair, effective and efficient energy usage reduction program...” to help customers save energy. Conserving energy reduces residential bills – in instances of a Customer Assistance Program percent of income payment plan (PIPP), like PGW’s CRP, conservation provided to CRP customers can reduce the subsidy paid by non-CRP customers. Conservation will reduce residential energy use. This reduces cost of gas purchases and may lower cost of supply. For participants, the program should improve health, safety and comfort levels.

II. Cost Effectiveness

Given this sound policy purpose of LIURP, it is important to be able to both (a) maximize and (b) assess the cost effectiveness of the efficiency investments. Low income households are not able to make these improvements (and the incidental repairs often required to install them). The full cost of LIURP programs are borne by the non-participants; for PGW many of these paying non-participants are themselves low or lower income. Utility low income programs that install measures to save energy are not housing development programs. It is necessary to be careful and prudent in limiting program costs while, at the same time, optimizing program results. Cost effectiveness tests create an objective method to evaluate and prioritize PGW’s ratepayers’ investments in low income weatherization.

A. Simple Payback

Current regulations with the intention of evaluating cost effectiveness (52 Pa. Code § 58.11) specify an on-site energy survey. The cost effectiveness criterion to use in the on-site survey currently in the Pa. Code is based on simple payback (Figure 1).