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August 31, 2017

Via Electronic Filing and First Class Mail

Rosemary Chiavetta, Secretary
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Philadelphia Gas Works Universal Service Plan for 2017-2020 Submitted in Compliance with 52 Pa. Code § 62.4, Docket No. M-2016-2542415

Dear Secretary Chiavetta:

On behalf of Philadelphia Gas Works ("PGW"), enclosed for filing please find its Second Amended Universal Service and Energy Conservation Plan for 2017-2020 pursuant to the Commission's Order entered on August 3, 2017 ("August Order") in the above-referenced matter. Consistent with Ordering Paragraph 2 of the August Order, both clean and redline versions are included. Please note, however, that the footnote numbering does not match in the two documents. In the redline version, footnotes 2 and 3 are deleted, but Word does not renumber the footnotes until the red-lining is accepted. As a result, while the clean version appears to have two fewer footnotes, both documents have an identical number of footnotes.

Copies to be served in accordance with the attached Certificate of Service.

Sincerely,



Karen O. Moury

KOM/lww
Enclosure

cc: Hon. Christopher Pell, w/enc.
Hon. Marta Guhl, w/enc.
Cert. of Service w/enc.
Joseph Magee (Word Version/Email Only)
Sarah Dewey (Word Version/Email Only)
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CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's Second Amended Universal Service and Energy Conservation Plan 2017-2020 upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

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Karen O. Moury, Esq.

Dated: August 31, 2017

Philadelphia Gas Works



Second Amended Universal Service and
Energy Conservation Plan
2017-2020

Philadelphia Gas Works
800 W. Montgomery Avenue
Philadelphia, PA 19122

August 31, 2017

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Introduction

Pursuant to 52 Pa. Code § 62.4 and Pennsylvania Public Utility Commission (“PUC”) Order entered August 3, 2017 at Docket No. M-2016-2542415 (“August Order”), Philadelphia Gas Works (“PGW” or “Company”) hereby submits its proposed Second Amended Universal Service and Energy Conservation Plan (“USECP” or “Plan”) for the four-year period January 1, 2017 through December 31, 2020.¹ In compliance with Commission regulations, PGW submitted its prior three-year Plan for 2014-2016, on June 1, 2013. This Plan was later revised and filed on September 22, 2014 (“Compliance Filing”) to reflect requirements set forth in a Final Order entered August 22, 2014 at Docket No. M-2013-2366301 (“USECP 2014-2016 Order”). By Final Order entered November 13, 2014, the Commission approved the revised Plan without any modifications. Details are explained below.

i. Impact Evaluation

In accordance with 52 Pa. Code § 62.6, PGW contracted an independent, third-party to conduct its last Universal Service Impact Evaluation in November 2012. The Evaluation was submitted to the Bureau of Consumer Services (“BCS”) in December 2012 and both the Evaluation as well as the feedback received from the BCS were incorporated in PGW’s 2014-2016 Plan. PGW’s next Evaluation will be submitted in April 2019. This date is in accordance with the USECP Filing Schedule issued by the BCS in June 2014. The Evaluation along with its recommendations will be addressed in the Company’s 2021-2023 Plan.

ii. Cost Recovery

Pursuant to its Commission-approved Tariff, PGW recovers all costs associated with the Customer Responsibility Program (“CRP”) discount and arrearage forgiveness, the Senior Citizen Discount and the costs of the Home Comfort Program through a Universal Service and Energy Conservation Surcharge.

Implementation of 2014-2016 Plan Modifications

All modifications outlined in the 2014-2016 USECP have been implemented, with the exception of two components within the CRP stay-out provision. They are: 1) customer requested removals, and 2) customer refusals of Home Comfort weatherization services. The implementation of these two program requirements has been delayed due to resource constraints in conjunction with the extensive system programming needed in order to complete the required changes, as well as with the other system

¹ All budgets set forth herein are estimated. The original USECP was filed April 30, 2016. The First Amended USECP was filed on November 16, 2016 pursuant to the Order entered November 1, 2016 at Docket No. P-2014-2459362 (“DSM/LIURP Order”).

changes that had to be implemented under the Plan. The Plan was not approved until over 9 months after the start date of the Plan, thus providing PGW with an abbreviated time to implement all system changes. PGW is in the process of implementing the two additional components and plans to have the necessary changes with respect to these two enhancements implemented by the end of December 2016. PGW would also note that implementation of the pilot Conservation Incentive was also delayed due to the approval date of the Plan since the base measurement time had to be established. However, the pilot Conservation Incentive is in place and the first incentives will be paid out by the end of August 2016.

Summary of Proposed Modifications

The following proposed modifications represent changes to PGW's Customer Responsibility Program and LIURP. These changes are intended to improve CRP participants' experience with these programs as well as to continuously improve the program's overall effectiveness.

Modified Recertification Processes

PGW will be increasing its recertification path from 30 days to 45 days. In addition, PGW will now only require CRP participants to recertify every three years as long as they receive a LIHEAP grant and assign it to PGW annually.

Enhanced Employee Training

PGW will expand its training curriculum to specifically focus on program recertification in order to reduce the number of CRP customers placed in suspended status due to failure to recertify.

Targeted Outreach Activities

PGW will continue to improve its outreach efforts to increase participation –this includes outreach to customers who receive a LIHEAP grant but are not on CRP and low income customers on a low income payment agreement. In addition to using various data points to identify potential applicants, PGW will also increase its outreach efforts for customers who speak Spanish. Upon the implementation of the new CRP rate (budget bill amount), PGW will also enhance its outreach campaigns to include all identified low-income customers that may qualify for CRP based on their budget bill amount.

Consumption Limits

PGW will now impose consumption limits on CRP participants that demonstrate higher than normal usage. Accounts flagged by PGW to have exceeded the predetermined limit will be provided with an educational letter and referred to LIURP for a determination as to whether the property is eligible to receive weatherization services through the Home Comfort Program.

LIURP “Pilot” Health and Safety Proposal

Beginning in 2017, PGW will pilot a new policy for contractors to spend up to \$2,000 per-project on the installation of health and safety measures without the cost impacting the project’s TRC cost-effectiveness. This proposal is made as a temporary pilot only, as part of the LIURP total spend, and is not intended as a modification (permanent or otherwise) to LIURP. Thus, this pilot will terminate on December 2020. If the spend for this proposal is not permitted to be included as part of the LIURP spend or the LIURP budget is increased to accommodate this program, this pilot proposal should be deemed withdrawn.

PUC Mandated Modifications

As addressed further herein, PGW will also implement the modifications mandated by the Commission pursuant to the August Order. These changes include: (i) adding the Average Bill option to CRP; (ii) modifying the CRP cure to: (a) charge a cure amount due based on updated income; and (b) provide customers re-enrolling with retroactive forgiveness for months cured; and (iii) providing customers with “missed” CRP arrearage forgiveness once the balance is paid in full. For these specific changes, PGW expects implementation to take approximately nine (9) months from approval of the USECP 2017-2020. This implementation will include code development, quality assurance testing, user acceptance testing, and training for all PGW customer service representatives. Although this proposed timeframe is slightly longer than the timeframes set forth in the August Order, these modifications entail systematic complexity and will require significant customer service representative training. Further, PGW’s proposed automation of the CRP application/recertification process is expected to be implemented by August 2018.

Universal Service Programs and Proposed Modifications

Customer Responsibility Program (CRP)

The Customer Responsibility Program was first introduced as a Percent of Income Plan Program (“PIPP”) and approved by the Commission in 2003. The objective of CRP is to help low-income residential customers meet their energy needs by offering payment assistance in the form of an affordable bill. The goals of CRP are to prevent loss of service for vulnerable households, improve payment behavior and assist low-income customers with conserving energy. In addition, PGW strives to reduce collection costs as well as minimize the burden placed on other ratepayers. Participants do not need to demonstrate that they are “payment troubled” in order to qualify. Furthermore, there is no limit on the number of customers that can enroll in CRP. As of February 29, 2016, there were 56,006 participants enrolled in the program.

Program Eligibility- CRP is available to all low-income residential customers with a gross household income and size at or below 150% of the Federal Poverty Level

("FPL"). In order to apply, customers must submit their application by mail or in person at one of PGW's six customer service centers. At the time of application, PGW will determine eligibility and completeness for processing. Customers enrolled in CRP will be required to pay a fixed monthly bill that is based on their gross household size and income. Participants are also required to pay an additional \$5 co-pay which is applied towards their pre-program arrears if they owe a balance at the time of enrollment. Currently, the minimum monthly CRP payment amount is \$25, not including the \$5 co-payment towards the pre-program arrears. At the time of application, the CRP monthly amount will be compared to the customer's budget bill amount in order to determine the lowest monthly payment option.

The table below shows the 2016 income eligibility guidelines along with the current percentage breakdowns by FPL. As an example, a 2-person household whose gross monthly household income was \$1,200 would fall in the 9% of income category and would have a monthly CRP bill that is 9% of their gross monthly household income, or \$108 per month.

Table 1: CRP Percentage Payment Levels

| 2016 Maximum Gross Monthly Household Income by Household Size | | | | | | |
|---------------------------------------------------------------|----------|---------|---------|---------|---------|-----------|
| % Type | % of FPL | 1 | 2 | 3 | 4 | Each add. |
| 8% | 0-50% | \$495 | \$668 | \$840 | \$1,013 | \$173 |
| 9% | 51-100% | \$990 | \$1,335 | \$1,680 | \$2,025 | \$347 |
| 10% | 101-150% | \$1,485 | \$2,003 | \$2,520 | \$3,038 | \$520 |

CRP participants receive a monthly "discount" which represents the difference between the costs for actual usage, minus the CRP billing amount. If a customer owes any arrears at the time of enrollment, they will receive arrearage forgiveness for each monthly CRP bill that is paid on time and in full regardless of any past due bills. Arrearage forgiveness consists of the customer's account balance being reduced by 1/36th of the original pre-program balance amount which essentially eliminates the balance within a three-year period. CRP customers can also pay ahead on their bills. If a CRP participant is current on their agreement and pays more than their CRP balance, the overage will show as a credit which will be applied to future bills until exhausted. CRP customers may also receive free conservation services through the Home Comfort Program.

CRP Components -

- (1) CRP discounted bill – the customer's "asked-to-pay" amount is based on the percentage of income calculation determined by the customer's household size and income in relation to the FPL or the customer's

budget bill amount, whichever is lower. The difference between the CRP monthly bill amount and the actual bill based on usage is called the CRP discount.

- (2) Arrearage forgiveness – At the time of enrollment in CRP, a customer's total arrearage is "frozen," or separated from their asked-to-pay bill, and then forgiven at a fixed rate of 1/36th per month for each month that the customer pays their monthly CRP amount in full and timely regardless of their existing CRP arrearage. Customers will receive retroactive arrearage forgiveness for any months of arrearage forgiveness "missed" once the customer pays the asked to pay bill in full. This forgiveness provides an incentive to make payments of at least their CRP monthly amount. For returning CRP participants, PGW will also provide retroactive forgiveness for months spent outside of the program once the customer satisfies the CRP cure amount in full upon reentry into the program.

In addition to the forgiveness offered, the customer is required to pay \$5/month towards the reduction of any frozen arrears. The \$5/month co-payments made by CRP customers are applied towards the customers' pre-program arrearage only and are handled differently by PGW than the 1/36th arrearage forgiveness for accounting purposes. The \$5/month co-payment made by CRP customers are directly applied against their pre-program arrearage but is not linked to the same accounting tracking mechanism as the program forgiveness. In contrast, when the 1/36th forgiveness is applied to a customer's account, the transaction is linked to a specific general ledger account connected with the company's Universal Service and Energy Conservation surcharge ("USC Surcharge"). This process ensures that the company identifies and recovers only the 1/36th arrearage forgiveness through the USC Surcharge.

CRP Stay-out Provision- PGW will not allow re-enrollment of a customer into CRP (for a one-year period unless specifically identified otherwise below), if the customer:

- i) Has him/herself removed from CRP even though based on household size and income they are still eligible for the program.
- ii) Refuses access to the meter (stay-out until access is granted).
- iii) Commits two or more incidents of unauthorized usage.