



Review of Universal Service and Energy Conservation Programs



Docket No. M-2017-2596907

Staff Report Summarizing Public Comments,
Feedback and Suggestions Regarding Universal Service
and Energy Conservation Programs

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PENNSYLVANIA
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Introduction

By a December 16, 2016 Secretarial Letter at Docket No. L-2016-2557886, the Pennsylvania Public Utility Commission (Commission) opened an initiative to review and revise existing low-income usage reduction regulations. On April 6, 2017, the Commission adopted the Joint Motion of Commissioner David W. Sweet and Vice Chairman Andrew G. Place relative to universal service. The Commission's Order implementing the Joint Motion was entered on May 10, 2017 (May 10 Order), at Docket No. M-2017-2596907, initiating a comprehensive review of the entire universal service and energy conservation model, incorporating the Commission's on-going work on Low-Income Usage Reduction Programs (LIURPs). On May 5, 2017, the Commission commenced a proceeding to review energy burdens and affordability at Docket No, M-2017-2587711.

On July 14, 2017, the Commission published a report developed by the Law Bureau with the assistance of the Bureau of Consumer Services (BCS) on the statutory, regulatory and policy frameworks of existing universal service and energy conservation programs. The Law Bureau Report outlined the processes required to initiate any proposed changes to the existing USECP and LIURP frameworks.

The May 10 Order invited interested parties to submit written comments on their priorities, concerns, and suggestions for amending and improving any or all aspects of universal service programs by August 8, 2017.

On September 13-14, 2017, BCS coordinated a stakeholder meeting (SM) to gather feedback on the previously submitted comments and any other priorities, concerns, or suggested changes pertaining to the USECPs. Interested parties submitted reply comments on October 16, 2017.

Thereafter, BCS, in consultation with the Law Bureau, prepared this report summarizing all parties' comments, feedback, and suggestions.

List of Commenters

On or before August 8, 2017, Comments in this proceeding were filed at this docket by the following organizations:

- Blair County Community Action Agency;
- Commission on Economic Opportunity of Luzerne County (CEO Luzerne);
- Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA), Tenant Union Representative Network (TURN), and Action Alliance of Senior Citizens of Philadelphia (Action Alliance) (collectively Low Income Advocates or Advocates);
- Columbia Gas of Pennsylvania, Inc. (Columbia);
- Duquesne Light Company (DLC);
- Energy Association of Pennsylvania (EAP);
- Indiana County Community Action Program;
- Keystone Energy Efficiency Alliance, Housing Alliance of Pennsylvania, Green and Healthy Homes Initiative, National Consumer Law Center, National Housing Trust, and Natural Resources Defense Council (collectively PA Energy Efficiency for All Coalition [PA-EEFA]);
- Met-Ed Industrial Users Group, the Penelec Industrial Customer Alliance, the Philadelphia Area Industrial Energy Users Group, the PP&L Industrial Customer Alliance, and the West Penn Power Industrial Intervenors (collectively Industrial Customers or Industrials);
- Metropolitan Edison Company (Met-Ed), Pennsylvania Electric Company (Penelec), Pennsylvania Power Company (Penn Power), and West Penn Power Company (West Penn) (collectively FirstEnergy or FirstEnergy Companies);
- National Fuel Gas Distribution Corporation (NFG);
- Office of Consumer Advocate (OCA);
- PECO Energy Company (PECO);
- Pennsylvania Energy Marketers Coalition (PEMC);
- Peoples Natural Gas Company LLC and Peoples Gas Company LLC, f/k/a Peoples TWP (collectively PNG);
- AARP Pennsylvania; ACTION Housing, Inc.; Community Justice Project; Disability Rights Pennsylvania; Health, Education, and Legal Assistance Project: A Medical-Legal Partnership; Homeless Advocacy Project; Interim House, Inc.; Just Harvest; Laurel Legal Services; Legal Aid of Southeastern Pennsylvania; MidPenn Legal Services; Neighborhood Legal Services Association; North Penn Legal Services; Pennsylvania Coalition Against Domestic Violence; Pennsylvania Council of Churches; Pennsylvania Institutional Law Project; Pennsylvania Legal Aid Network; Philadelphia Legal

Assistance; Regional Housing Services; SeniorLAW; Southwestern Pennsylvania Legal Services, Inc.; The Women's Center, Inc.; The Women's Resource Center; Stephen R. Krone; and Medna D. Makhoulf (collectively Pennsylvania Service Providers);

- PA Departments of Aging (Aging), Community and Economic Development (DCED), Environmental Protection (DEP), and Health and Human Services (HHS);
- PA Energy Marketers Coalition (PEMC);
- PA Weatherization Providers Taskforce;
- Philadelphia Department of Human Services (PDHS);
- Philadelphia Gas Works (PGW)
- PPL Electric Utilities Corporation (PPL);
- UGI Utilities, Inc. – Gas Division (UGI-GD), UGI Utilities, Inc. –Electric Division (UGI-ED), UGI Penn Natural Gas, Inc. (UGI-PNG), and UGI Central Penn Gas, Inc. (UGI-CPG) (collectively UGI or UGI companies);
- United Way of Pennsylvania (United Way); and
- Weatherization and Conservation Collaborative (WCC);

On October 16, 2017, Reply Comments in this proceeding were filed at this docket by the following organizations:

- Commission on Economic Opportunity of Hazelton, PA (CEO Hazelton);
- Commission on Economic Opportunity of Wyoming County (CEO Wyoming);
- CEO Luzerne;
- Low Income Advocates;
- Columbia;
- DLC;
- Industrial Customers;
- FirstEnergy;
- Housing Authority of the County of Beaver;
- Housing Development Corporation of NEPA (HDC);
- NFG;
- OCA;
- Office of Small Business Advocate (OSBA);
- PA Chamber of Business and Industry;
- PA Weatherization Providers Taskforce,

- PECO;
- PEMC;
- Peoples;
- PDHS;
- PGW;
- PPL;
- Scranton-Lackawanna Human Development Agency, Inc. (SLHDA);
- UGI;
- United Way; and
- WCC.

The following organizations attended the Commission's Stakeholder meeting, in person or via teleconference, on September 13th and 14th, 2017:

- Burke Vullo Reilly Roberts (representing CEO Luzerne)
- CMC Energy
- Columbia
- Community Legal Services (CLS) (representing TURN)
- Department of Human Services
- Dollar Energy Fund (DEF)
- DLC
- EAP
- Energy Coordinating Agency (ECA)
- FirstEnergy
- Keystone Energy Efficiency Alliance
- McNees, Wallace, & Nurick LLC (representing Industrial Customers)
- NFG
- OCA
- OSBA
- PECO
- Pennsylvania Utility Law Project (PULP) (representing CAUSE-PA)

- Peoples
- P.R. Quinlan
- PGW
- PPL
- SFE Energy
- UGI
- United Way

Executive Summary

In reviewing the many aspects of Universal Service Design and Implementation, the Commission staff finds that utilities, advocates, and community based organizations bring some very different and some very similar opinions and recommendations.

Participants in this proceeding have recognized that some of the original directives in the Customer Assistance Program (CAP) Policy Statement are outdated, some need further definition, and some commenters prefer CAP policy be placed into regulation.

Utilities have traditionally had discretion to define CAP eligibility, with some holding fast to a “payment troubled” requirement, some only requiring self-certification of income as eligibility, and others granting automatic enrollment when a customer receives a Low-Income Home Energy Assistance Program (LIHEAP) grant. Determining household income itself is open to further specification as there can be taxes and deductions from gross earned income that is not applied to gross unearned income; and household income can change drastically from year to year for a self-employed or seasonally employed customer.

As indicated in the comments and at the SM, utilities prefer, in general, to maintain the CAP payment plans each currently offer, although, depending on costs of change, some utilities are willing to consider a single payment plan option or two. However, most advocate maintaining flexibility in program design. Low Income Advocates stress affordability as the main goal of CAPs, noting the benefits of streamlining payment plans according to energy burden or percent of income.

Most utilities and advocates agree that there would be benefits to using a standard “no income form” for all energy assistance programs. This form would require customers to certify that they have no current income and explain how they meet their living expenses. Utilities and advocates also support the development of a common application form that can be used to qualify for all assistance programs.

Sharing data among utilities and the Department of Human Services’ (DHS) programs is recognized as a possible and positive accomplishment if customer permission is obtained and privacy concerns are addressed. Benefits to such income data sharing include utilities’ ability to more simply qualify and recertify customers for CAP, and customer’s ability to document income-eligibility once for multiple assistance program, increasing efficiencies for all. DHS acknowledges that it has had internal conversations on this issue.

Comments and SM discussions that relate to LIURP operations will be addressed as part of the Commission’s review of LIURP regulations at Docket No. L-2016-2557886. Summarized comments related to LIURP in this report generally relate to, or are intertwined with, the design, budgeting, administration, reporting, and evaluation of universal service programs.

Opinions on CARES programs varied, with some commenters' stating it is merely a referral program, others requesting the program be staffed by trained social workers to provide more comprehensive case management, and some suggesting that referral outcomes be tracked and reported to the Commission. Most had concerns with increased costs to implement those suggestions.

Utilities' Hardship Fund Programs differ in both administration and implementation. Most utilities have varying options for fundraising, but few companies currently solicit customer contributions through electronic billing. Others, after discussion, are open to pursue implementing more online solicitations, depending on operational costs. Advocates strongly encourage increased fundraising. The general consensus was that hardship funds should not be derived from base rates.

Most utilities propose increasing the current three-year time-period between the filing of Universal Service and Energy Conservation Plans (USECPs), for several reasons, not the least of which was for increased time to implement recommendations made through third-party universal service evaluations conducted every six years.

There are differing opinions on the Commission's review process for USECPs. Some would prefer they go before an Administrative Law Judge (ALJ) first to allow discovery and establish a certified record. Other parties prefer the Commission maintain the current review process administered by BCS. Opinions also differ as to whether USECP issues can or should be discussed or addressed in a rate case. Program costs are a common thread in these discussions.

Because of the increasing costs of universal service programs, there are very strong opinions as to whether there should be cross-class subsidization. Commercial and industrial advocates assert that since they cannot benefit from these programs, they should not be burdened with the costs. Other parties argue that most residential customers who currently pay for these programs do not benefit from them either and that affordable utility service is a public good that benefits the entire community. Some commenters advised that businesses might leave the utility (*i.e.*, switch to deliverable fuels) if they were required to pay universal service costs.

Comments and SM discussion resulted in thoughtful consideration of issues raised and sometimes reconsidered through Reply Comments. Further stakeholder meetings and collaboratives were frequently recommended.

1. Customer Assistance Programs

Eligibility

Columbia proposes that CAPs should be restricted to income-eligible customers who demonstrate they cannot afford their utility bills. Columbia proposes customers should be required to apply for LIHEAP and Hardship Funds before enrolling for CAP. Sometimes, either Hardship Fund grants or LIHEAP grants may resolve a crisis for a low-income customer, making CAP unnecessary. This could help keep CAP costs down. Columbia Comments at 3.

PGW does not currently require customers to be "payment troubled" to qualify for its CAP. However, it is willing to consider adding this requirement. PGW Reply Comments at 3.

The Low-Income Advocates maintain that all customers with household incomes less than 150% of the Federal Poverty Income Guidelines (FPIGs) are payment-troubled. There should be no further payment-troubled requirement as proof. Low Income Advocate Comments at 34. The Advocates state that allowing all low-income customers to enroll in a CAP before accruing arrears will likely significantly improve payment behaviors – reducing debt management, collections, and uncollectible costs. It is well documented that improved affordability significantly improves payment behavior, noting that when a household receives an affordable bill, they are far more likely to pay their bill. Low Income Advocates Reply Comments at 7-8.

OCA notes that when a confirmed low-income customer misses a monthly utility bill, that utility should initiate a process to enroll that customer in CAP. Utilities should not wait until a customer defaults on a payment agreement. OCA added that even though those with incomes at 151-200% of the FPIG struggle to afford the basic necessities, they are also burdened with helping to financially support universal service programs. According to 52 Pa. Code Section 69.262 Definitions, low-income payment-troubled customers are “those who have failed to maintain one or more payment arrangements.” OCA suggests that definition is too narrow. OCA Comments at 9-10.

EAP agrees that CAP eligibility could be redefined to include those who meet the program's income guidelines in an effort to avoid increasing arrearages. However, it does not support automatically enrolling all low-income customers into a CAP because that assistance may not be needed by all customers and the increased costs to the program would further burden residential ratepayers. EAP Reply Comments at 5-6.

DLC states there is no need for a "payment troubled" requirement. DLC Reply Comments at 17. DLC suggests the Commission take steps to develop eligibility and acceptable documentation for income calculations for different income levels. DLC Reply Comments at 11-12.

PNG states that CAP eligibility should be based on whether the customer is low-income, not payment-troubled. PNG Reply Comments at 3.

PPL Electric Utilities Corporation (PPL) has found that a "payment-troubled" requirement is a barrier to CAP enrollment. It agrees with the Low-Income Advocates that all income-qualified customers should be eligible for CAP. PPL Reply Comments at 3.

PNG strongly discourages a CAP enrollment limit or payment troubled requirement. PNG Reply Comments at 6.

Determining household income

OCA submits the CAP Policy Statement should reflect the fact that 30-, 60- or 90-day annualized income is an appropriate basis for establishing CAP eligibility. CAP eligibility should not be restricted to annual (12-month) income. OCA Comments at 23 and SM.

OCA offers several reasons why CAP should not rely on annual income only. First, it is inconsistent with LIHEAP policy. OCA's understanding is that LIHEAP allows households to use an annualized income (30-, 60-, or 90-day income) or an annual income, whichever provides the greater benefit. OCA urges that the CAP income eligibility determination be reconciled with the LIHEAP income eligibility determination to the extent feasible. These reasons support the use of flexible standards for determining CAP eligibility based on current income. OCA Reply Comments at 5-6.

Second, while the use of tax returns can be a sufficient basis to establish annual income, it can be problematic for self-employed individuals. A low-income, self-employed individual may not be required to file a tax return under the law. Further, that individual is likely to have more dramatic changes of income from year to year. As such, the tax return information may be outdated. OCA Reply Comments at 5.

Third, seasonal laborers will have monthly variations in income that when viewed in isolation may look different than their annual incomes or incomes at the time of their initial application. These three reasons support the use of flexible standards for determining CAP eligibility based on current income. OCA Reply Comments at 5.

DLC would prefer more current income information for its calculation. SM. DLC recommends use of annualized or annual income, whichever is more beneficial to the customer. DLC Reply Comments at 18.

EAP agrees with OCA that annualized income is equivalent to annual income for CAP, but utilities should be permitted to exercise flexibility. EAP Reply Comments at 7.

The Low Income Advocates propose that an applicant/customer should have the choice of using last month's income annualized or last year's, whichever is more beneficial to the applicant. The Advocates would like the Commission to adopt flexible and consistent income documentation standards as many utility USECPs do not disclose how the utility calculates income and/or what documentation the utility requests from CAP applicants. The lack of clear guidelines for income documentation is particularly problematic for low-income populations, which often work "odd jobs," receive inconsistent support from family or friends, or otherwise earn income through

non-traditional employment. The Low-income Advocates recommend that income documentation issues be referred to a working group consisting of Commission staff and interested stakeholders, which could explore the issue more thoroughly and develop recommendations to the Commission in furtherance of a consistent and fair policy for the Commission's adoption. Low Income Advocate Comments at 36-37.

The OCA agrees with the Low-Income Advocates on the recommendation for a working group. However, the Commission should look to the income documentation requirements imposed by Pennsylvania's LIHEAP program for guidance. If the income documentation is sufficient to establish income eligibility to receive LIHEAP assistance, the OCA submits that the same documentation should be sufficient to establish income eligibility for CAP assistance. OCA Reply Comments at 10.

The Low Income Advocates note that customers with earned income may have harder time qualifying for CAP than customers with unearned income. To demonstrate the conundrum, the Advocates offer this example: a household of two persons that relies on a monthly Social Security check of \$2,030 would fall at exactly 150% of the Federal Poverty Income Guidelines and would be eligible for CAP. However, a household of two that receives a paycheck (*i.e.*, net income) for \$2,030 for work performed would not be eligible for CAP because their higher gross income, including tax withholdings and other deductions, is above 150% FPIG. Both households have the same monthly spending power, yet one is eligible for CAP and the other is not. The Low Income Advocates are not suggesting that those with employment income should be given any advantage over non-working families but do assert that all low income households should be assessed for eligibility in CAP based on something closer to actual expendable income – not gross pre-tax income. Low Income Advocate Comments at 37-38.

The Low Income Advocates recommend adoption of a standard earned income disregard of 20% of income which would help place working families on level footing and would better ensure that needy families are able to access the relief they need to meet their monthly expenses. They also recommend that households with fixed income sources –such as Social Security – be permitted to deduct their mandatory Medicare premiums from income, as it is deducted from benefits. Low Income Advocate Comments at 38.

OCA does not support the use of 'income disregards' into the income eligibility determination for CAP. Within the context of the Temporary Assistance for Needy Families (TANF) program, its earned income disregard cannot be separated from TANF's new Work First program policy. TANF's earned income disregard provides an additional incentive (*i.e.*, disregarding 50% of earned income) for TANF recipients to seek jobs and eventually remove themselves from TANF. OCA asserts no such policy justification can (or should) be attached to utility CAP programs. OCA Reply Comments at 7.

If the Commission were to adopt a proposed earned income disregard and/or income deduction for mandatory Medicare premiums, it would, in fact, be relaxing its long-time definition of "low-income," which references 150% of the Federal Poverty Level. CAP participation would extend to some but not all households with income exceeding 150% of Poverty Level. For these

reasons, OCA does not recommend implementing earned income disregards into the CAP program. OCA Reply Comments at 9.

PNG supports applying a standard earned income disregard of an appropriate percentage of income to place working CAP customers on equal footing with those on assistance-based income. PNG Reply Comments at 4.

FirstEnergy's income guidelines must be consistent with LIHEAP's. For this reason, the FirstEnergy does not support including a 20% earned income disregard within the calculation of CAP household income. FirstEnergy Reply Comments at 5.

Asset testing

OCA submits that asset tests should not be used to determine CAP eligibility. OCA opines that requiring a low-income customer to dispose of assets at less than full value and to incur costs in the process of disposal as a requirement to enter a program such as CAP would be counter-productive in both the short- and long-term. OCA Comments at 22-23.

Opinions at the stakeholder meeting varied: PNG had no interest in asset testing as it noted that a customer may have a nice home but their income may not support it. Columbia, however, chooses not to weatherize homes (LIURP) valued over \$800,000. CLS of Philadelphia opposed asset testing and said there is no easy way to determine asset value. SM.

DLC does not support asset testing for CAP. DLC Reply Comments at 18.

PGW does not support asset tests for CAP enrollment but does look at asset valuation (*e.g.*, determining property ownership and value) when investigating potential fraud in CAP. PGW Reply Comments at 5.

The Low Income Advocates agree with OCA and stand firmly opposed to asset testing for CAP eligibility. Low Income Advocates Reply Comments at 27.

Requiring Social Security Numbers

OCA submits that a utility should not require a customer to provide his or her Social Security Number (SSN) as prerequisite to program participation. Moreover, while the utilities may request such SSNs, before doing so, utilities should notify and educate consumers that the request is not, and may not be, mandatory. Utilities should adopt alternatives to the provision of SSNs for those not likely to have SSNs. Finally, utilities should not provide access to SSNs to anyone not requiring access to determine program eligibility and should not maintain records of the SSN beyond the time required to use the SSN to determine program eligibility. OCA Reply Comments at 19-21.

The Low Income Advocates assert that SSNs should not be required to participate in universal service programs. SM

DLC accepts driver's license or other government identification in lieu of SSNs. DLC Reply Comments at 18.

PGW does not require SSN for CAP enrollment, but does ask for it. Upon refusal, PGW permits other ways to verify identity. PGW Reply Comments at 4.

FirstEnergy does not consider a customer's SSN mandatory for CAP but does request it as an efficient means to confirm a customer's identity. FirstEnergy Reply Comments at 4.

Columbia agrees that SSNs should not be required but customers should be permitted to voluntarily provide SSNs. Columbia suggests that the CAP Policy Statement, if updated, clearly state that utilities cannot require an SSN for CAP enrollment but can ask for and use one when provided voluntarily. Columbia Reply Comments at 2-3.

Payment Plans

OCA and Low Income Advocates support percent of income payment plans (PIPs). OCA Comments at 11-12. Low Income Advocates Comments at 6.

NFG opposes a PIP as a uniform program design stating it is unnecessary and would negatively impact its customers. NFG's CAP program (LIRA) encourages resource conservation and rewards consumption management. A PIP would not. Flexibility is key to program success. NFG Reply Comments at 4.

PGW does not support a PIP CAP that allows customers to pay either a percentage of income or the average bill amount, whichever is less. It argues that CAP customers paying the average bill amount have a lower energy burden than PIP customers and should not be subsidized with ratepayer dollars. PGW Reply Comments at 5.

FirstEnergy opposes a statewide requirement for PIP adoption. It maintains that a fixed credit CAP ensures that costs remain reasonable for other customers who are responsible for funding these programs through utility riders. FirstEnergy submits that a PIP design eliminates a customer's responsibility to implement energy conservation behaviors. The legislature clearly intends for utilities to promote energy efficient customer behavior, and a PIP is inconsistent with this objective. FirstEnergy Reply Comments at 7-8.

Flexibility with other plans

PPL supports multiple payment options, including a PIP, that improve customer bill payments. PPL Comments at 10. PPL does not support a requirement that all utilities use the same payment plan design for CAP and specifically opposes a PIP-only mandate. The Commission should consider the costs of such change. PPL Reply Comments at 2. PPL currently offers more than one payment option and stated that if it must change to only offer a PIP, the change could raise program costs by \$500,000 per month. SM.

The Low Income Advocates suggest a PIP as a payment ceiling for alternate CAP payment plans. SM.

PECO and DLC note that it would be difficult to discuss PIPs without discussing an appropriate energy burden level, which is currently being reviewed in another proceeding.¹ SM.

OCA supports flexibility in CAP payment plan designs but argues that programs that explicitly tie CAP bills to an affordable percentage of income may be more effective. Variations on the PIP such as the fixed credit option (FCO) and other designs beyond the PIP should be permitted. OCA Comments at 12. If program designs other than PIP are in place, the OCA recommends that the bill payment patterns be monitored to ensure continued effectiveness. OCA Reply Comments at 36-37.

DLC supports a PIP but maintains that flexibility is needed for changing conditions. If CAP shopping is allowed, an FCO could work for portability. DLC Reply Comments at 18.

Energy Burden

An energy burden and affordability inquiry is proceeding on a separate track at Docket No. M-2017-2587711. Knowing there is a separate proceeding addressing this issue, stakeholders nevertheless made a few comments, emphasizing their positions.

As a quick overview, the Pennsylvania Service Providers, PA-EEFA, the Low Income Advocates, and the WCC recommend a 6% energy burden. Pennsylvania Service Providers Comments at 3; Low Income Advocates Comments at 16-19; PA-EEFA Comments at 6; and WCC Comments at 6. The Low Income Advocates propose 4% for gas heating and 2% for gas. Low Income Advocates Comments at 29-30.

PECO estimates that for every 1% decrease in the energy burden level, its CAP costs will increase by 20%. PECO Comments at 7.

The Low Income Advocates maintain that total payments must stay under 6% of energy burden, so customers can pay based on an ability to pay. Any add-ons like CAP Plus should be part of the program design, not added to the energy burden. Low Income Advocate Comments at 23-24.

UGI noted that it is currently a low-cost commodity and that its customers have choices for other sources of natural gas. It faces concerns that customers would leave its system if costs increase \$5-9 million should there be a 6% energy burden. SM.

EAP and DLC are waiting the results of the Commission's Energy Affordability proceeding at Docket No. M-2017-2587711 before commenting on this issue. SM; DLC Reply Comments at 19.

¹ *Energy Affordability for Low Income Customers*, Docket No. M 2017-2587711.

OCA notes that Pennsylvania is different from other states which have a 6% energy burden. Most other state universal service programs are only open to LIHEAP recipients. Pennsylvania is not the same size as other states, and others do not include similar amounts of ratepayer contributions. SM.

EAP points out that the energy assistance programs in New Jersey and Maryland, which have energy burdens closer to 6%, have a much smaller scope and cost than PA's utility-funded programs. It submits that universal service programs are not intended to be a "catch-all" solution for every Pennsylvanian who might struggle to pay his energy bills. EAP Reply Comments at 3.

PGW asserts that universal service programs are not government programs to help solve poverty in PA. Reductions in energy burden would cost tens of millions of dollars for non-CAP PGW customers, and PGW's CAP costs would grow. It awaits the Commission's energy burden study results. PGW Reply Comments at 6-8.

UGI states that a decision regarding a correct energy burden for low-income customers should be discussed and evaluated after the release of the Energy Affordability Report. It estimates, based on 2016 figures, that lowering the energy burden to 6% for CAP would increase CAP credit expenses by 76%. UGI cautions against comparing Pennsylvania's energy burden to that of other states for several reasons, including differences such as PA does not make CAP a prerequisite for receiving LIHEAP, program scope, and costs. UGI Reply Comments at 3-5.²

PECO notes that if a 6% energy burden requirement is implemented, it would increase CAP Credit expenditures by \$72 million for electric and \$14 million for gas. PECO Reply Comments at 4.

FirstEnergy urges the Commission to use caution in reducing energy burden levels, as the projected increase in costs for other customers would likely be astronomical. Lowering the energy burden to 6% for all CAP participants would result in additional annual CAP costs of approximately \$5.2 million for Met-Ed, \$5.9 million for Penelec, \$1.5 million for Penn Power, and \$9.5 million for West Penn. These projected costs would increase the current level of CAP credit costs by 46% annually. FirstEnergy recommends that the Commission postpone a determination regarding energy burden levels until it completes its Energy Affordability proceeding. FirstEnergy Reply Comments at 10.

The Low Income Advocates respond to concerns of several stakeholders that the cost of providing adequate universal service programming to all those in need is simply too expensive, and cannot or should not be done. The Low Income Advocates assert that the stakeholders making such arguments have misinterpreted the Commission's legal obligation to ensure that

² UGI also provided an appendix to its reply comments comparing Pennsylvania to states with a 6% energy burden benchmark. UGI Reply Comments at Appendix A.

universal service programs remain cost effective as a requirement that they not be too costly. Low Income Advocates Reply Comments at 2.

OCA submits that once the Energy Affordability proceeding is complete and the stakeholders have the opportunity to conduct a full analysis of the findings, further discussions on this issue will be necessary.³ OCA Reply Comments at 22-36.

The Low Income Advocates urge the Commission to continue its universal service inquiry and decision making process in tandem with the Energy Affordability proceeding. The Advocates maintain a delay in progress will simply result in continued hardship for low-income households and, thus, a failure to achieve the intended outcomes expected by the Choice Acts. Low Income Advocates Reply Comments at 17.

Minimum payments

DLC opined that the minimum charge provision in the CAP Policy Statement is outdated as it can be less than the basic service charge; if the utilities could charge both (minimum payment and the basic service charge), it would cover at least a part of the fixed system costs and some percent of energy costs. DLC Comments at 12. DLC supports continuation of minimum CAP payments. DLC Reply Comments at 19.

At the stakeholder meeting, the Low Income Advocates state that low-income customer protections may be lost if minimum payments are added to the distribution cost. SM.

PGW supports maintaining a minimum bill for low or no-income CAP customers. However, it would be willing to participate in a collaborative stakeholder process to establish new minimum payment amounts. PGW Reply Comments at 6.

OCA proposed that minimum payments should balance affordability and payment responsibility and be based on an objective set of factors. OCA submits it is very important to maintain a customer payment mindset as minimum payments help in controlling the costs of CAP programs. OCA Comments at 13-15 and SM. OCA supports the continued use of minimum payments in CAP program design. It has concerns with the proposal to specifically tie the minimum payment to a particular cost component, such as distribution costs or customer charge. It should be tied to CAP customer affordability and to establishing routine payments. OCA Reply Comments at 17.

OCA submits that the following principles should help determine a minimum payment:

- It should impose an obligation to make some payment toward utility bills;

³ OCA provided extensive comments outlining information from Ontario and from three other states. OCA Reply Comments at 22-36.

- It should not be so high as to materially impede achieving the affordability objectives of CAP;
- It should reflect some empirical reality about utility service territories (i.e., there should be range for minimum payments);
- It should reflect the affordability ranges otherwise adopted by the Commission; and
- It should reflect the income for a three-person household living with income at 25% of the FPIG because the average household sizes in Pennsylvania are between two persons and three persons per household;
- It should reflect the average household size in its service territory, and
- It should reflect the household composition at the time of the triennial filing of the USECP.

OCA Reply Comments at 18.

PPL agrees with OCA that utilities should charge minimum payments and that they be uniform across utilities. PPL Reply Comments at 3.

FirstEnergy opposes a minimum payment requirement that would limit the CAP credits received by customers each month. An arrearage copayment is also not compatible with FirstEnergy's CAP design. Such changes would remove a portion of CAP customer benefits and would require a significant overhaul to CAP structure. As a result, to adopt either would require FirstEnergy to significantly modify the current CAP structure. FirstEnergy Reply Comments at 11-12.

Maximum CAP Credits

Columbia does not enforce a limit to CAP credits as its CAP customers should pay the maximum amount they can afford. It would worsen a customer's situation if the customer were removed from CAP for exceeding a maximum amount. Columbia Comments at 4.

Columbia had a pilot program for CAP customers using \$1,000 in credits. It surveyed over 2,200 customers to determine the sources of high usage and to see if the customers met one of the existing exemptions. Only 117 accounts did not meet a policy exemption. Of those, Columbia increased the CAP payment amount for 30 customers. Columbia determined that the cost of implementing the pilot program was substantially greater than the benefits of overall reduced CAP credits. It refers customers to LIURP once they have reached \$1,000 in CAP credits. Columbia Reply Comments at 4.

The Low Income Advocates find limits to CAP credits unduly punitive. Low Income Advocates state that CAP credits need to be different for each income tier. Because the lowest-income customers receive the biggest discounts on CAP discounts, these customers can quickly deplete allowable credits. Low Income Advocates Comments at 6 and SM.

UGI eliminated maximum credits two years ago but the past two winters have been mild. UGI is still analyzing the impact of this change on its companies' CAP costs. SM.

DLC states that current control features such as minimum payments, consumption limits, and maximum CAP credits are appropriate. It suggests evaluating if these current features are effective in controlling program costs, and/or if other measures exist that should be considered. DLC states a CAP participant should have a maximum benefit that reflects the difference between payment assistance and payment of all usage. Duquesne Comments at 11, 13.

The OCA proposes that:

1. Instead of a fixed ceiling on CAP credits, the maximum CAP credits should be indexed to the individual utility's average annual rates, including the default service price (electric) or supplier of last resort price (natural gas), so that the amount of the maximum CAP credit makes sense given the fluctuations in energy costs in the service territory and distribution rate changes.
2. Limitations should be placed on the maximum CAP credits, and they need not be uniform across utilities due to differences in housing stock and participant income.
3. The maximum CAP credit should vary by FPIG level so that they do not disproportionately affect the lowest income customers. It suggested using the average of all companies' maximum credits.
4. Utilities should notify CAP participants when they are approaching the CAP credit ceiling and automatically evaluate them for LIURP.
5. Utilities should waive maximum limits if customers meet the usage exemptions in the CAP Policy Statement.⁴

OCA Comments 25-27.

DLC agrees with OCA that the maximum CAP Credit limit in the CAP Policy Statement needs to be updated or reviewed for inflation and need not be consistent among utilities. DLC Reply Comments at 20.

EAP generally agrees that if maximum CAP credits remain part of the CAP Policy Statement, they should be flexible and not part of a regulation. EAP Reply Comments at 8.

PPL believes that maximum CAP credits should be determined in USECPs, not in the CAP Policy Statement. PPL Comments at 11.

PECO states it has very few customers that reach its maximum CAP credits. It will waive the maximum limit for households experiencing health problems necessitating high energy usage. SM.

⁴ 52 Pa. Code § 69.265(3)(vi)

PGW does not currently set limits on CAP credit usage. PGW plans to initiate a study on the potential impact of implementing a CAP credit maximum as it may be a reasonable way to address concerns of other ratepayer costs. PGW Reply Comments at 10. PGW would support addressing this issue in a rulemaking. PGW Reply Comments at 11.

PNG opposes a setting an absolute limit on the level of CAP credits available to customers. Any regulation should continue to permit exceptions of the maximum for instances such as increased household members, inability to weatherize, and poor housing stock. PNG Reply Comments at 5.

LIHEAP as a prerequisite for CAP eligibility

OCA opposes LIHEAP participation as a prerequisite to CAP. OCA Comments at 32-34, Appendix A, Colton White Paper at 28. OCA recommends removal of the provision in the CAP Policy Statement that allows for a customer to be penalized for failure to apply for LIHEAP.⁵ OCA Comments at 12-13. OCA added that most other states only offer low-income programs to customers approved for LIHEAP, and their programs are much smaller than Pennsylvania's. SM.

EAP supports removing the LIHEAP participation requirement from the CAP Policy Statement. EAP Reply Comments at 9.

DLC opposes LIHEAP application as a requirement for eligibility. DLC Reply Comments at 17.

PNG does not support a requirement for LIHEAP or Hardship Fund eligibility before enrolling in CAP. PNG Reply Comments at 3.

PPL supports OCA's recommendation that the CAP Policy Statement be revised so that CAP customers are not penalized for not applying for LIHEAP. PPL Reply Comments at 3.

The Commission on Economic Opportunity (CEO) states that CAP customers should be encouraged but not required to apply for LIHEAP or Hardship Funds. CEO Reply Comments at 1.

Auto-enrollment of LIHEAP recipients into CAP

LIHEAP serves as an income qualifier for CAP enrollment for both Columbia and UGI. Columbia states, however, that sometimes the LIHEAP grant alone is enough to help the low-income customer out of a temporary hardship and that CAP is therefore not necessary. SM.

⁵ Section 69.265(9)(iv).

PGW supports auto-enrollment of LIHEAP recipients into CAP with an opt-out provision post enrollment. PGW would need access to income and household size to establish a correct CAP payment amount. PGW Reply Comments at 12.

OCA used to support CAP auto-enrollment for LIHEAP recipients before enactment of Chapter 14, which complicated any previous benefit. SM. OCA recommends the CAP Policy Statement address what steps a utility must take when auto-enrolling a LIHEAP recipient into CAP. OCA Comments at 47-48.

The Low Income Advocates prefer use of a LIHEAP grant to certify income eligibility or as a qualification for recertification, not auto enrollment. SM.

FirstEnergy does not endorse auto-enrollment into CAP without both the customer's permission and assurances of customer education. FirstEnergy Reply Comments at 3.

Duquesne no longer auto-enrolls LIHEAP recipients into CAP. It is planning to change its CAP to a PIP and will need the specific income to place customers into the appropriate discount. SM. DLC opposes auto enrollment. Education is a necessary step. DLC Reply Comments at 13.

EAP cautions against a mandate for auto-enrolling every income-eligible customer into CAP as the costs would outweigh the benefits. Not all low-income customers are inherently payment troubled or would want to be in CAP. Increased costs could also cause gas customers to switch to deliverable fuels for heating. EAP encourages broadening of eligibility requirements without mandates. EAP Reply Comments at 6-7.

PNG supports using LIHEAP eligibility to verify income eligibility for CAP, but not for auto-enrollment. LIHEAP, without CAP, is sufficient to make gas service affordable for some customers. PNG Reply Comments at 3.

FirstEnergy proposes that the Commission initiate a stakeholder collaborative among DHS, utilities, and customer advocates to evaluate methods for expediting the CAP enrollment process and explore the viability of automatic enrollment of LIHEAP recipients into CAP. FirstEnergy Reply Comments at 4.

Impact of LIHEAP on CAP

Columbia commented that applying LIHEAP directly to the CAP customers asked-to-pay (ATP) amount allows customers to pay less than they can afford for utility service or it can lead to no payment responsibility for one or more months, disrupting monthly payment habits. Columbia Comments at 10-11.

OCA recommends the Commission should address how to resolve the \$0 payment problem identified in the Columbia comments. The problem occurs with the application of the LIHEAP

grant to the ATP amount. Coordination with the DHS may be necessary to address how to resolve the problem. OCA Reply Comments at 50.⁶

OCA contends that in some other states, a 6% energy burden level is only available for LIHEAP recipients. The Low Income Advocates note that New York does not limit the availability of affordable bills, calculated as 6% of household income, solely to those customers who receive LIHEAP. Unlike in New York, Pennsylvania's Choice Acts⁷ require that all Pennsylvania low-income households have access to affordable utility services through the delivery of appropriately funded universal services – not simply those who are eligible to receive LIHEAP. See 66 Pa. C.S. § 2802(9)-(10), 2804(9), 2203(7)-(9). Low Income Advocates Reply Comments at 16.

FirstEnergy maintains that customers should receive their full CAP and LIHEAP benefits. FirstEnergy Reply Comments at 12.

PGW supports application of LIHEAP grants to the CAP credits, as opposed to the application to the CAP bill. PGW Reply Comments at 12.

Customer Information Data Sharing

EAP supports adding a check box on LIHEAP applications for customers to agree to share their income and household information with utilities to streamline qualification for available energy assistance programs. EAP Reply Comments at 13.

The Low-Income Advocates note that data sharing needs to occur both among some gas and electric companies, to coordinate enrollment, and between the companies and DHS. A customer consent process would need to be established as well. SM and Low Income Advocates at 41.

PGW recommends using DHS' COMPASS system to verify a household's eligibility for CAP, the same process used for the telephone Lifeline program. This could simplify and/or eliminate the need to recertify LIHEAP recipients for CAP. PGW Comments at 2-3.

⁶ OCA's consultant, Mr. Roger Colton, discussed in the White Paper attached to the OCA's Comments, Pennsylvania may want to examine in its CAP Policy Statement as to integrating LIHEAP and CAP programs. Mr. Colton identified many issues that should be reviewed regarding the integration of LIHEAP and CAP including: (1) LIHEAP auto-enrollment; (2) expedited recertification; (3) balancing non-participant burdens with LIHEAP participation; (4) impact of applying LIHEAP to asked-to-pay amounts; (5) mandatory LIHEAP participation as a CAP pre-requisite; and (6) LIHEAP Crisis Grant recipients targeted for CAP participation. OCA Comments at 34, Appendix A, Colton White Paper at 28.

⁷ The Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. §§ 2801-2812, and the Natural Gas Choice and Competition Act, 66 Pa.C.S. §§ 2201-2212.

Columbia states that requiring a customer to verify income once for all programs would save time and money, and increase efficiencies. The company suggests a central repository containing proof of income, household size, program participation, and utility service providers set up with customer permission to help alleviate confidentiality concerns. Utilities would need to share the cost of establishing and maintaining this database. Columbia Comments at 10.

FirstEnergy recommends that EDCs, NGDCs, and DHS should share customer income eligibility information via a data exchange program. Customers could grant explicit permission to release their information to the group. FirstEnergy Comments 8-9.

DHS relayed that it is having internal conversations about this topic, including what information it would need from the utilities. SM.

PNG already has an information sharing program in effect. PNG partners with the Dollar Energy Fund, so its CAP customers can link to the FirstEnergy and Pennsylvania American Water Co. CAP programs. Customers are given the option to consent to shared income documentation. PNG Comments at 10.

PNG recommends that both a uniform statewide application be used for CAP and that application should explicitly include consent to share the underlying income and household information with other utilities servicing the same territory for purposes of establishing CAP eligibility. PNG Comments at 10.

PA Energy Efficiency for All Coalition (PA-EEFA) believes that a LIURP work group could be effective in addressing coordination among utilities to streamline service and data sharing. PA-EEFA Comments at 9-10.

PGW would support a data exchange program, but is wary of costs. PGW would need to recover costs from all ratepayers through its Universal Service surcharge. PGW Reply Comments at 12.

Columbia favors greater coordination and data sharing between utilities and DHS, and implementation of a common platform for income acceptance and calculation. Columbia Reply Comments at 8. It also supports a common income acceptance repository and income-level calculation for DHS and utilities to use to ensure the data sharing stream is relevant and accurate. Columbia Reply Comments at 9.

PECO supports bi-directional data sharing with DHS with customer consent, including (a) name, birthdate, and phone number of each household member; (b) household address; (c) income of each household member; and d) household income as a percent of the FPIG. PECO Reply Comments at 7.

The types of information FirstEnergy would seek within a DHS data-sharing program, with customer's verbal or written consent include: (a) date of last income review; (b) household names and ages; (c) household size; (d) household income amount by household member; (e) sources of household income; and (f) DHS benefits provided. FirstEnergy Reply Comments at 31.

OCA submits that so long as appropriate customer consent has been received, it makes administrative sense to use a uniform application and share data across utilities. It should streamline the application/recertification procedures to eliminate the need for CAP customers to verify information twice, particularly when it is with the same agency. In Columbia's 2015-2018 USECP, the Commission approved the development of a data sharing agreement between Columbia and FirstEnergy to share income and data information. A similar strategy could be developed statewide. OCA Reply Comments at 43-44, *citing* the Columbia 2015-2018 USECP Final Order, Docket No. M-2014-2424462 (Order entered July 8, 2015), at 32-33.

Arrearage forgiveness

OCA recommends the CAP Policy Statement be amended to specify that: (a) CAPs should include customers not receiving a discounted bill but qualifying for arrearage forgiveness; (b) Participants should receive arrearage forgiveness for each on-time and in-full monthly payment and retroactively for months missed once the CAP balance is completely paid; and (c) Tenants of public and/or assisted housing that receive Housing and Urban Development (HUD) energy bill subsidies could participate in CAP to receive pre-CAP arrearage forgiveness but not receive CAP credits. OCA Comments at 11-12, 17 and 28.

PNG prefers that forgiveness apply to all balances that exist on a customer's bill upon CAP enrollment. PNG Reply Comments at 4.

CLS prefers multiple opportunities for forgiveness so that customers can control debt. If arrears are not permitted to mount, the need for forgiveness would not be high. SM.

The Low-Income Advocates support multiple opportunities for forgiveness both for those removed from CAP because they did not recertify or for arrears accrued under previously unaffordable CAP designs. Low Income Advocate Comments at 34. They prefer that customer applicants in transition have arrears forgiven if they have never been in CAP, if they have been homeless, or if they are entering HUD housing. SM.

FirstEnergy is satisfied with its current arrearage forgiveness policy (*i.e.*, offering one-time forgiveness for a balance at initial CAP enrollment). It is concerned with program sustainability if forgiveness is extended. SM. FirstEnergy states that if a customer is removed due to failure to recertify his or her income, the customer may no longer be income-eligible for the program. FirstEnergy would not support allowing this customer to receive a second arrearage forgiveness opportunity. To the extent the Commission is interested in allowing for multiple opportunities of arrearage forgiveness, it should establish explicit frequency and eligibility limitations to ensure the costs associated with this change remain reasonable. FirstEnergy Reply Comments at 14.

DLC is not looking to make any changes to its arrearage forgiveness policy but will consider changes proposed by other stakeholders. DLC Reply Comments at 21.

PPL believes any proposed changes to maximum CAP credits, the reapplication process, and the arrearage forgiveness timeframe should be addressed through the triennial USECP proceeding, not through the CAP Policy Statement. PPL Comments at 11.

Recertification

OCA recommends the following changes to reduce the administrative burden and costs necessary for recertification of the entire CAP population on an annual basis.

1. Recertification should only require reverification of income, not catch-up bill payments as a recertification prerequisite.
2. Amend the CAP Policy Statement to allow for a longer income recertification period if the customer's income is not likely to change from year to year.
3. Annual recertification be waived when the customer receives a LIHEAP grant.
4. The recertification process should be the subject of collaborative discussions to identify best practices. Many utility recertification procedures present substantive barriers to the process of recertification (*e.g.*, significant paperwork, mandatory personal appearances to recertify, unreasonably short recertification periods). Such requirements discourage rather than encourage recertification.

OCA Comments at 45-46.

FirstEnergy is evaluating whether to extend the recertification timeframe for customers with a fixed income or who receive a LIHEAP grant. FirstEnergy Reply Comments at 15.

DLC prefers a two-year cycle for recertification, with more frequent recertification for those reporting no income. SM.

UGI allows recertification once every three years if the CAP customer receives LIHEAP each year. SM.

Columbia notes recertification as its biggest reason for CAP drop outs, even though time limits are very lenient. SM.

The Low Income Advocates prefer coordination of enrollment and recertification with other state and federal assistance programs. They cite a study conducted by the Applied Public Policy Research Institute for Study and Evaluation (APPRISE) which stated that if a household is eligible for food or cash assistance, LIHEAP, or Lifeline, it should automatically be screened and/or enrolled in CAP. They note that in New Jersey, households receiving food assistance are automatically screened for CAP. Low Income Advocate Comments at 41.

DLC notes that a single application form used by all companies/agencies could provide info useful for recertification. DLC does not oppose recertification on a two-year cycle. DLC Reply Comments at 10-11.

DLC is open to OCA's suggestion to develop "best practices" to address common problems with recertification. DLC Reply Comments at 21-22.

EAP agrees with OCA that recertification could be streamlined and on a less-than-annual basis when income such as pension or Social Security is unlikely to change. EAP Reply Comments at 7.

PNG prefers limiting annual recertification to those with no LIHEAP benefit within a year and those with potentially changing income such as employment. Multiple-year recertification is sufficient for those on disability income or Social Security. PNG Reply Comments at 5.

FirstEnergy opines it would be more appropriate to determine recertification timeframes within utilities' USECPs rather than in the CAP Policy Statement. In general, the CAP Policy Statement should not establish specific funding levels or timing restrictions but should allow utilities to design their plans in a way that appropriately fits their customers' needs. FirstEnergy Reply Comments at 15.

PPL states that proposed changes to the recertification process should be addressed in a utility's three-year USECP. PPL Comments at 11. PPL uses an 18-month time for recertification. SM.

PGW recommends developing the recertification process through a collaborative. PGW Reply Comments at 13.

Zero Income Recertification

No stakeholder voiced opposition to a six-month recertification period for CAP customers reporting zero income. SM.

EAP agrees that customers reporting zero income should recertify on a more frequent basis. EAP Reply Comments at 7.

PGW recertifies zero-income customers after six months in CAP. SM. PGW does not agree that it should allow a customer reporting zero income to remain in CAP beyond six months as it would encourage and authorize fraud. PGW Reply Comments at 4.

PPL agrees with OCA that utilities should be consistent in requiring zero income customers to recertify income on a less than annual basis. PPL Reply Comments at 3.

DLC requires customers with zero income to fill out a form explaining how they meet their household expenses, and reviews the account every six months. It also requires customer permission to verify income with government agencies such as the IRS or bankruptcy proceedings. DLC Reply Comments at 18.

CLS requests a non-burdensome and consistent process for those with no income. Pennsylvania needs a standard no-income form for all utilities to use. SM.

Reinstatement

Columbia discourages customers from voluntarily leaving CAP. If a household requests removal from CAP, Columbia sends a letter explaining the household would not be able to re-enroll for 12 months and that the household must catch up missed payments to reinstate CAP. Customers must sign and return that letter for removal. SM.

PGW sends a letter and counsels customers who want to leave CAP. Customers must pay the CAP catch up amount (*i.e.*, the amount they would have paid on CAP) prior to reinstatement. SM. CAP customers who request to be removed from CAP must stay out for one year to prevent “churning.”⁸ PGW Reply Comments at 14.

PNG policy is to keep customers out for 12 months if they voluntarily leave CAP, but it often waives this requirement. It opposes a mandatory stay-out rule for those voluntarily leaving CAP. It prefers to have flexibility to address customers' needs individually. SM and PNG Reply Comments at 5.

PPL supports flexibility in reinstating a customer into CAP to deal with unusual or extenuating customer circumstances. PPL Comments at 11.

OCA, in its initial comments at 17, recommends that the CAP Policy Statement require that voluntary removal should require a 12-month stay out provision to prevent “gaming the system” through churning and increasing costs to non-CAP customers. However, in its reply comments, OCA reflected that at the stakeholder meeting some utilities explained that it is often more effective to allow the customer to return to CAP if they have encountered payment difficulties while out of CAP rather than enforce a 12-month stay-out. Utilities such as Columbia maintain a CAP balance when the customer exits the program and require the customer to pay the CAP balance, if greater than the amount paid while being billed under residential retail rates. In this situation, it is as if the customer never left CAP in the first place. After considering this information, OCA supports allowing such flexibility. OCA Reply Comments at 20.

⁸ “Churning” is the practice of enrolling in CAP when the program amount is lower than actual usage and then leaving the program when the program amount is higher than actual usage.

The Low-Income Advocates support flexibility. They inform customers that, even though bills may be lower in summer, leaving CAP may not be the wisest decision. The Advocates stress educating customers about the consequences of leaving CAP. SM.

FirstEnergy does not support a CAP stay-out period after voluntary removal. It supports allowing utilities the flexibility to determine the criteria for CAP reinstatement as opposed to establishing uniform criteria within the CAP Policy Statement. FirstEnergy Reply Comments at 16.

PECO does not have a stay-out provision for voluntary CAP removal. It does not require a CAP catch-up amount for reinstatement. Former CAP customers are no longer eligible for forgiveness for amounts accrued out of the program if they re-enroll. SM.

Termination

PGW does not remove customers from CAP due to missed payments prior to termination. PGW Reply Comments at 15.

Columbia requires CAP customers to satisfy any missed CAP payments (catch-up) to be reconnected as a CAP customer. SM.

DLC requires those who have a past due balance at time of service termination to pay the past due catch-up amount, curing the default. DLC Reply Comments at 23.

OCA recommends that utilities place CAP customers into the collection cycle for missed CAP payments, including termination of service. Disconnected CAP participants should pay unpaid CAP bills (not at full-tariff rate) and reconnection fees. OCA Comments at 16.

The Low Income Advocates note that termination notices do not explain anything about what may be needed to get back on CAP or to stay in the CAP program. The CAP Policy Statement says that the amount on the termination notice should generally be no more than two CAP bills.⁹ The Advocates recommend revising the CAP Policy Statement to prevent inconsistent statewide CAP termination practices leading to high up-front restoration costs for vulnerable households. SM.

CAP Costs

OCA recommends that utilities identify and report cost savings when a customer enrolls in CAP. OCA Comments at 43.

⁹ Low-Income Advocates Comments at 32, *citing* 52 Pa. Code § 69.265(7)(i).

NFG and FirstEnergy believe it necessary to consider the residential ratepayers funding burden. NFG Comments at 13; FirstEnergy Comments at 3-4.

DLC suggests that current control features such as minimum payments, consumption limits, and maximum CAP credits are sufficient to control program costs. DLC Comments at 11 and 14.

EAP questions how much a utility is responsible to make energy affordable. SM.

The Low Income Advocates question how big is too big for program costs. The answer depends on having data as to whether CAPs are doing what they are designed to do (*i.e.*, providing affordable monthly payments, establishing consistent payment habits, reducing debt, reducing collection costs, etc.). Pennsylvania enacted universal service provisions and required universal service programs to be appropriately funded. If the universal service programs are expensive but not cost-effective, that needs to be addressed. SM.

OCA, Columbia, and the Low Income Advocates oppose CAP participation limits to control program costs. SM.

FirstEnergy reports that customers have testified at its Public Input Hearings that their rates/bills are reaching the saturation point. SM.

PGW has a very high percentage of working poor customers and questions how much other residential ratepayers should have to pay to make CAP bills more affordable. SM.

DLC echoes PGW's concern. DLC's customer base is 89 percent residential, with many being low income. It recommends the Commission wait until the outcome of the energy burden study to make further decisions. SM.

CAP Shopping

The Low Income Advocates assert that everyone wants a statewide solution to CAP shopping. They encourage the Commission to create some level of consistency, weighing hardship versus benefits. SM.

DLC does not recommend a statewide solution. SM.

OCA recommends that consideration be given to fixed rate products that over the term of the contract that would be lower than the price to compare (PTC) for the same term, guaranteed lower than percentage discounts off the PTC rates, and a requirement of no cancellation fees. Effective communications and consumer education must be in place. OCA Comments at 44-45.

Pennsylvania Energy Marketers Coalition (PEMC) urges the Commission to allow time for lessons to be learned from the PPL CAP Standard Offer Program before proposing a universal policy that may limit low income customers from choosing products and services that may provide real and substantial value to them. It questions protecting low income customers vs. preventing them from exercising choices of energy efficiency audits and equipment, or value added services like home heating, ventilation, and air conditioning system repair. PEMC Comments at 2-3.

DLC submits that if EDCs had ownership of alternative energy systems, such as that proposed in House Bill 1799, introduced on September 21, 2017, an EDC could make renewable resources directly applicable to low-income customers. DLC Reply Comments at 7.

PGW supports imposing reasonable limits on CAP shopping and would allow time to evaluate through a separate stakeholder or rulemaking process. PGW Reply Comments at 13-14.

PECO states that the Commission should defer any CAP shopping related proposal until the Commonwealth Court reaches a decision in the PPL CAP Shopping Appeal of the cases at P-2012-2283641 and P-2016-2534980. PECO Reply Comments at 10.

The Low Income Advocates submit that data available in a number of current and pending proceedings show that unrestricted CAP shopping is responsible for millions of dollars in wasted program costs each year and has been a tremendous impediment to the ability of low income consumers to maintain affordable bills throughout the year. Low Income Advocates Reply Comments at 8.

2. CARES

Program Design

OCA proposes that the CARES program be expanded and better coordinated with community based organizations (CBOs). Utilities should refer customers to CARES after the first missed CAP payment. Utilities should have dedicated social worker staff for its CARES program. Utilities should also consider:

1. Trained, specialized staff to address the unique needs of low-income customers
2. Implementation of an “early identification program” (EIP) and
3. Creation of a process of special “skills-based routing” for low-income customers
4. Identify and track the referral outcomes (*i.e.*, in terms of payment enrollments) for case management recipients; and
5. Track the utility bill, payment and arrearage outcomes associated with the CARES case management component.

OCA Comments at 56-58.

The Low Income Advocates support OCA's proposal to adopt an EIP and specialized skills training, which would train utility frontline staff to recognize likely indicators of financial hardship to facilitate an appropriate referral to the utility's universal service programs or to a specialized CARES staff person capable of assisting customers with unique hardships. Low Income Advocates Reply Comments at 32.

PGW notes that referring a customer to CARES with the first missed CAP payment would place additional strain on customer service reps. It recommends CARES exist mainly as a referral program unless a utility voluntarily elects otherwise. PGW recommends that this issue be addressed through a stakeholder working group. PGW Reply Comments at 17-18.

The Low Income Advocates maintain that referrals are part of CARES but not the only service provided. Case management services should remain a primary focal point of CARES to ensure the uniquely vulnerable households receive necessary services and benefits to maintain utility service. Low Income Advocate Reply Comments at 32.

The United Way notes the Commission designated use of the 2-1-1 number as a social service referral network. PA 2-1-1 has trained social workers connecting people to the resources they need. It is an all-in-one referral agency and has referral database of 11,000 agencies. Some customers are afraid to call utilities about termination of service and PA 2-1-1 fills that gap. The agency spends \$3 million per year and would like utilities to use its services and contribute 5% of utility universal service budgets to support PA 2-1-1's work with utility customers. United Way Comments at 10.

PNG makes PA 2-1-1 referrals, stating that customers with utility problems normally have other problems. In addition to PNG's two social workers on staff, it provides training support for PA 2-1-1 phone agents. SM.

EAP opposes any suggestion to mandate funding of PA 2-1-1 with universal service program dollars, particularly as PA 2-1-1 does not operate in all areas of the Commonwealth. EAP Reply Comments at 11.

FirstEnergy opposes the use of ratepayer dollars to fund a third-party organization, such as PA 2-1-1; the funding of PA 2-1-1 would represent a duplicative use of ratepayer dollars for the same services. PA 2-1-1 is not available in all counties served by the jurisdictional utilities. FirstEnergy Reply Comments at 23.

Columbia states PA 2-1-1 services are not available across all of Columbia's service territory and is not in favor of substantially funding it. Columbia Reply Comments at 10.

UGI notes that United Way does not administer the PA 2-1-1 program in many parts of its service territory. Such partnerships should be left to the utility's discretion. UGI Reply Comments at 6.

OCA reports it is unaware of any other state where utilities provide contributions to PA 2-1-1 with funds collected from ratepayers through utility rates. PA 2-1-1 services extend beyond utility services, and utility ratepayer dollars should not be used to address non-utility related issues. OCA Reply Comments at 42.

In reply comments, United Way clarifies its initial request: United Way and PA 2-1-1 respectfully requests that utilities be permitted to invest a portion of their universal service dollars to PA 2-1-1 services. Specifically, it suggests “that up to 5% of a utility's universal service dollars may be directed for use by PA 2-1-1 to support the work [PA 2-1-1 does] with utility customers if the utility determines that such a partnership will allow them to assist financially struggling utility customers more effectively and efficiently.” United Way Reply Comments at 1.

The Low Income Advocates state that United Way's request for 5% of universal service costs - or approximately \$20.9 million - would not only fully eclipse CARES services, it would also subsume nearly half of the aggregate LIURP budget. The Low Income Advocates strongly oppose any determination in this proceeding that one entity, *i.e.*, PA 2-1-1, should be singled out for special treatment and provided with a percentage of total costs. This is particularly true without first determining that PA 2-1-1 actually contributes to energy affordability or enrollment in utility assistance programs. Low Income Advocate Reply Comments at 31-32.

DLC prefers that universal service money remain with EDCs, as currently its CARES program is the most cost effective of its four universal service programs. DLC Reply Comments at 9, 25.

Staffing and Training

The Low Income Advocates proposes dedicated social work staff for CARES. Some utilities rely on call center lists for referrals to universal service program subcontractors with little to no follow-up. CARES funding is often used to pay for general universal service expenses, when it could provide case management and cultivate relationships with a broad range of local agencies and service providers to help households establish and maintain long-term economic stability. Low Income Advocate Comments at 7, 45-46.

Columbia states that having social work training for CARES staff provides a professional service. It does allow for longer call center call times for some CARES referrals. SM. Columbia employs two social service professionals who perform a myriad of services to customers. It is not able to segment the costs of outreach for CARES. Columbia spends \$45,000 in outreach efforts for all Universal Service Programs. Columbia Reply Comments at 5-6.

OCA does not believe that utilities should be required to staff CARES with licensed social workers, but the programs would likely benefit from such staffing. OCA recommends that

utilities should target those customers with very clear and significant problems for CARES services. OCA Reply Comments at 19.

EAP and PGW oppose creating a mandate for utilities to have licensed social worker staff. EAP Reply Comments at 11; PGW Reply Comments at 18.

FirstEnergy does not consider long-term management of the customer's situation to be a primary objective of CARES. Utilities are not in the business of social work and cannot offer these services cost-effectively. FirstEnergy Reply Comments at 21-22.

PPL and NFG oppose the Low Income Advocates' and OCA's proposal to hire social work staff, as such staffing would add significant costs. PPL Reply Comments at 5; NFG Reply Comments at 5.

DLC's CBOs refer customers to CARES at CAP intake. It sees no need to expand staff at this time. DLC Reply Comments at 25.

PNG promotes use of CBOs to determine eligibility for multiple programs across utilities. PNG Comments at 10.

OCA and the Low Income Advocates propose that EDCs and NGDCs share CARES best practices in advisory and stakeholder groups. OCA Comments at 40-43 and SM.

Tracking Outcomes

OCA suggests creation of a process of special “skills-based routing” for low-income customers to (a) identify and track the referral outcomes (in terms of payment enrollments) for case management recipients, and (b) track the utility bill, payment and arrearage outcomes associated with the CARES case management component. OCA Comments at 56-58.

PECO would support tracking outcomes for CARES referrals but would be concerned about costs. SM.

UGI states its customer service group does struggle with this. Tracking outcomes would require program upgrades, and cost is also a question. SM.

EAP agrees that cost is a question and that tracking would be labor intensive as it may need to be done manually. SM.

Columbia has tried to track CARES as short term CRISIS management but found it difficult to do. SM.

United Way agrees tracking is difficult, but it did learn that by texting customers to determine outcomes, it received a much higher customer response rate than follow-up phone calls yielded. SM.

DLC maintains that CARES tracking beyond what's done now is not necessary. DLC Reply Comments at 26.

EAP states utilities cannot track outcomes for CARES but notes that they do report on energy assistance funds received by CARES participants through LIHEAP, Hardship Funds, and third parties in the Universal Services Report. EAP Reply Comments at 11-12.

PGW does not support using ratepayer funds to track referral outcomes. CARES is a short-term, crisis program, which does not always help with long term utility bill payments. PGW Reply Comments at 19.

PNG questions the viability of tracking referral outcomes due to privacy concerns and the staff time needed for updates. CARES information is already part of the Universal Service Report. PNG Reply Comments at 6-7.

PPL opposes OCA's recommendation to track outcomes, as it would be labor intensive, costly and possibly conflict with privacy policies. PPL Reply Comments at 5.

Columbia disagrees with OCA's recommendation to identify and track referral outcomes. Columbia does track and report payments on, and grants to, customer accounts. Additional non-payment assistance should not be tracked as it would overburden CARES representatives and create privacy concerns. Columbia Reply Comments at 6-7.

NFG submits outcome tracking would be inappropriate as it is outside the utilities' duties and would be functionally difficult to accomplish accurately and efficiently. NFG Reply Comments at 5.

3. Hardship Funds

Eligibility

OCA and the Low Income Advocates made several similar recommendations:

1. A CBO should not dictate eligibility requirements of a universal service program such as: recent payments, CAP enrollment, or providing SSNs. Outsourcing Hardship Fund administration to a third party should not hamper the Commission's oversight authority. OCA Comments at 50; Low Income Advocate Comments at 46.

2. Customer auto-pay and e-bill systems do not allow easy donations to Hardship Fund programs. Utilities should provide simple check-off options. OCA Comments at 52; Low Income Advocate Comments at 50.
3. Hardship Fund grants should be available to CAP participants even if the grant does not eliminate all arrears. OCA Comments at 49; Low Income Advocate at SM.

PNG agrees CAP customers should be eligible for Hardship Fund grants. SM.

DLC does not deny Hardship Fund eligibility when the grant amount does not eliminate all arrears and allows CAP customers to qualify for a grant. DLC Reply Comments at 26-27.

Columbia maintains it should be up to the utility's discretion whether CAP recipients should be eligible for hardship grants. Columbia states that CAP customers already receive other substantial discounts and it uses Hardship Fund grants to assist those who just need a little more help than just LIHEAP. Columbia Reply Comments at 7-8.

FirstEnergy maintains that a Hardship Fund recipient should have a good payment history leading up to the hardship; however, FirstEnergy is in the process of evaluating whether a different payment amount or timeframe for prior payments would be appropriate in the determination of Hardship Fund eligibility. FirstEnergy Reply Comments at 20-21.

Funding

The Low Income Advocates state there is increased need for Hardship funds as they periodically run out. The Commission should issue concise regulations, preventing later challenges, assigning pipeline credits, *pro hac vice* fees, and operation and maintenance expense reductions, fines, settlements, and terms of mergers and acquisitions to fund Hardship Fund programs. They also suggested raising funds from customers by allowing them to round up bill payment amounts, or add \$1.00. Low Income Advocate Comments at 49.

Columbia does have an e-bill button for customers to add a Hardship Fund donation. SM.

OCA submits that the Commission could require a Hardship Fund fundraising component. OCA Comments at 50-52. OCA does not support funding through base rates. It supports allocation of refunds, such as pipeline refunds, towards Hardship Fund programs, but believes there may be legal issues with funding through fines/contributions. SM; OCA Reply Comments at 11.

EAP, FirstEnergy, and DLC oppose the use of rate base dollars to fund Hardship Fund grants. EAP Reply Comments at 10; FirstEnergy Reply Comments at 20-21; DLC Reply Comments at 27.

OCA submits that the Hardship Fund is ultimately a voluntary charitable donation, and it is a long-held principle of ratemaking that charitable donations may not be recovered through rates. Instead of requiring a minimum threshold, the OCA recommends that utilities should be required to drive the fundraising efforts. OCA Comments at 50-51.

Conversely, Columbia would prefer the Commission allow Hardship Fund grants cost recovery through base rates. Even though it has increased fundraising activities, associated costs continue to increase, and donations continue to decrease. Columbia Comments at 13.

PGW supports recovery of Hardship Funds through the Universal Service surcharge or base rates. PGW Reply Comments at 20.

PPL states that although the information technology (IT) cost of implementing rounding up bill payments by \$1, \$5, or \$10 could be substantial, it could pay for itself. Recent changes to its annual golf tournament, mirroring PECO's, expanded participation, and both utilities now raise over \$50K each. PPL made adjustments to the timing of its employee donation period in an attempt to increase funds. SM.

United Way stated that funding for Universal Service programs varies statewide. PA 2-1-1 is a single entity to make the entire process as efficient as possible. SM.

ECA asserts that funding is inefficient and the process should be better coordinated. SM.

PGW comments that the City of Philadelphia funds the Utility Emergency Services Fund (USEF) which gives grant money to PGW customers. PGW matches USEF grants with ratepayer funds. The USEF would need to agree to any mandated changes to the Hardship Fund program for this partnership to continue. PGW Reply Comments at 19.

Within cost reasonableness, PGW supports enabling electronically billed customers to contribute to Hardship Funds and increasing program advertising. PGW Reply Comments at 20. PGW prefers the flexibility it has with its USEF program. SM.

WCC urges more advertising to increase Hardship Fund donations. WCC Comments at 5.

PPL disagrees with OCA's suggestion that the Commission needs to direct utilities to engage in or use specific marketing to promote donations to Hardship Funds. PPL Reply Comments at 4.

OCA recommends that the CAP Policy Statement should, at a minimum, provide that companies include a monthly option for customers to donate to the Hardship Fund, with attention to electronic donation capability. EDCs and NGDCs should also consider holding fundraising events and redouble efforts to encourage ratepayer, employee, community, and shareholder contributions. OCA Reply Comments at 11.

NFG continuously strives to expand voluntary contributions to its Hardship Fund and is considering methods to make it easier to donate online. NFG Reply Comments at 5.

EAP agrees that voluntary improvements would increase contributions, such as e-bill and automatic withdrawal payment methods. EAP opposes a mandate for funding changes. EAP Reply Comments at 10.

4. Universal Services Program Design

Statewide Approach--Allow Flexibility vs. Consistency Statewide

PGW comments that the Commission could develop statewide guidelines for universal programs. Utilities would report the costs of running these programs, and the Commission could determine the amount to charge all non-participating customers. A statewide administrator would collect and disburse funds to the utilities for the individual program costs. The Commission's Telecommunications Universal Service Fund (USF) could serve as a template for this model. PGW Comments at 6-7. PGW notes its concerns that differences in housing stock, population age, urban vs. rural areas, and concentration of poverty among utilities could have different cost effects. SM.

PECO has no stance on a statewide program other than if the state ran an income verification program, there could still be flexibility. SM.

The Low Income Advocates support a statewide program and encourage a continuing collaborative. They foresee benefits in areas such as decoupling of costs and collection, streamlined program intake, enrollment, rates, program rules, and referrals. A statewide program would simplify program messaging for outreach, education, and training. CBOs could still be the entry point, providing more consistency and avoiding duplication of costs. Resulting higher universal service enrollment will reduce uncollectible expenses, improve low income families' quality of life, and promote public health, welfare, and safety for the broader community. SM. A consolidated statewide delivery model would ensure universally available and cost-efficient universal service and energy conservation programming, co-administered at the State level, including CAP applications coordinated with a LIURP audit and services. Enrollment in an EDC's CAP should trigger enrollment in the NGDC's CAP and vice versa. The Commission should require a common application form to standardize eligibility, benefits, terms, and conditions across utility service territories. Low Income Advocate Comments at 40-41. The Commission should look to other states that have statewide programs. SM. The Low Income Advocates urge the Commission to either establish a bureau to administer and oversee implementation of a centralized universal service program or contract with a third party to administer a consolidated statewide program. Centralized delivery could continue to promote the use of CBOs to provide in-person intake options, local program outreach, and the delivery of coordinated LIURP services. Low Income Advocates Comments at 67-68.

CLS agrees that statewide programming is necessary, and that PUC jurisdiction is broad, so this could be achieved. SM.

ECA sees a benefit to statewide administration through consistency in applications and income verification. SM.

Columbia sees opportunities for statewide application and income verification but supports flexibility. SM.

UGI questions how a statewide program would work: who would manage it, would it require more utility funding, and would it require staff layoffs. UGI is not convinced it would reduce program costs. The consolidated nature of the four UGI companies' USECPs allows for efficient management of each company's program. SM. UGI Comments at 2-3.

NFG states that a one-size-fits-all approach is not appropriate as universal service programs require flexibility to address the needs of customers living in a specific service territory. There are many differing characteristics of residential housing stock, quality of appliances, usage rates, payment histories, cost of living, and poverty levels. Universal service programs are not intended to provide all resources that low-income homes may need. NFG Comments at 11-12.

PNG notes it is important not to lose sight of differences present in the utility programs across this large and geographically, as well as economically diverse, Commonwealth. It is diverse in terms of population, income levels, age of housing structures, age of residents, and availability of assistance. This impacts the manner in which a utility develops, funds, and delivers its USECP program. PNG opposes a single design for USECP programs across the Commonwealth. Any reworking of the regulations should continue to provide flexibility to the utilities to operate a program based on the needs of the citizens within its territory. PNG Comments at 9.

EAP questions whether any other state has changed from utility-run programs to a statewide model, noting that this would be challenging. SM. EAP opposes mandating uniformity in statewide USECPs. EAP Reply Comments at 5.

The Low Income Advocates assert that a statewide approach to program administration can be structured through either a uniform system benefit charge or statewide program administration. Each utility can set a budget, allocate costs, and account for expenditures based on the actual costs of service for its own customer population. The design and administration of the programs should be consistent across the state to ensure that all low-income Pennsylvanians have access to equally affordable utility service. Low Income Advocates Reply Comments at 17-18.

DLC opposes a statewide administration of universal service programs which would ignore individual design features and lack flexibility. However, it would support the development of a statewide application form as a first step in creating a database to enable all utilities to confirm customer eligibility for programs. DLC is willing to participate in a collaborative to discuss these issues further. DLC Reply Comments at 10-11.

PGW supports a statewide application form for all programs. PGW Reply Comments at 20. PGW advocates that the Commission examine the use of a statewide program including administration and funding so no service territory is overburdened with Universal Service costs. The Commission could establish a uniform benefit for low-income customers based on an acceptable energy burden level. A fund, administered on a statewide basis by the Commission or an outside vendor, could collect from all PA EDCs and NGDCs. The precedent for such a fund is the statewide electric choice education program that collected funds through a Competitive Transition Charge, assessed on all consumers, established in 1998. In 2007, the Commission initiated a statewide consumer education campaign funded by allocating \$5 million from assessments to EDCs to the Commission. PGW Reply Comments at 9.

OCA recommends that a statewide administrator: (1) be a private entity, and (2) hold funding collected in support of universal service programs in trust for low-income ratepayers. OCA Reply Comments at 16.

Columbia disagrees with using a statewide administrator. It would be cost prohibitive and unnecessary to dismantle all individually improved and fine-tuned existing programs. Columbia Reply Comments at 10.

PECO comments that the Commission should carefully consider the costs of transitioning to statewide administration of universal service programs and weigh the customer benefits against the transition's substantial costs. PECO Reply Comments at 7.

FirstEnergy asserts that a single agency administering a CAP on a statewide basis would allow for better coordination among assistance programs and create cost efficiencies. FirstEnergy already took a step towards uniformity by engaging DEF as the USECP administrator for its four jurisdictional EDCs. A single administrator allows for better coordination and a more streamlined data exchange between the Companies and the USECP administrator. While CBOs are an important resource within the communities for providing assistance to those with financial or personal hardships, the involvement of multiple parties in the CAP application process can lead to increased inefficiency in the administration of the program. FirstEnergy recommends a CAP model that uses a central administrator due to the efficiencies and coordination opportunities such an arrangement creates. FirstEnergy Reply Comments at 12-13.

The Industrial Customers state that PULP's proposal for a statewide administrator invites a vast degree of waste and inefficiency into the process as bureaucratic programs are frequently rife with inefficiency and waste, citing PA's Energy Efficiency and Conservation program (Act 129). Joint Reply Comments of Industrial Customers at 18-19.

PGW supports permitting flexibility in utility program design absent statewide funding and administration. PGW Reply Comments at 20-21.

CEO Luzerne, CEO Hazelton, CEO Wyoming, the Housing Development Corporation (HDC) of Northeast Pennsylvania, and the PA Weatherization Providers Task Force recommend continued use of CBOs to administer Universal Service and Energy Conservation programs. CEO Luzerne Reply Comments at 1, CEO Hazelton Reply Comments at 1, CEO of Wyoming Reply Comments at 1, HDC Reply Comments at 1; and PA Weatherization Providers Task Force Reply Comments at 1.

The Housing Authority of Beaver County asks the Commission to consider requiring the energy utilities to prioritize the use of CBOs weatherization network. Housing Authority of Beaver County Reply Comments at 1.

The Wyoming County Commission on Economic Opportunity finds it imperative to maintain use of CBOs to administer Universal Service and Energy Conservation Programs. Wyoming County Commission on Economic Opportunity Reply Comments at 1.

The Commission on Economic Opportunity supports the OCA's recommendation to increase use of CBOs in outreach and intake initiatives for CAP. CEO Reply Comments at 2.

PGW does not rely on CBOs in the same manner as many other utilities.¹⁰ For assistance with utility bills, PGW customers contact the utility. PGW Reply Comments at 18.

PNG supports either information sharing for customer enrollment and a statewide application or an information warehouse to facilitate a streamlined enrollment process for low-income customers. Similar eligibility requirements and guidelines for documentation can provide a simpler process, increased access and a holistic approach for household needs. An organization such as PA 2-1-1 could refer customers for program enrollment and provide pre-screening for eligibility, sharing financial information with customer consent, and warm transfers to utility customer service centers for seamless enrollment. PNG Reply Comments at 7-8.

PECO recommends that the Commission defer substantive changes to USECP requirements until the energy burden investigation is complete. PECO Reply Comments at 3. However, it also notes that process oriented changes, such as a common application form, USECP reporting requirements, and data sharing, need not be deferred and could be explored by a stakeholder work group. PECO Reply Comments at 5.

The Low Income Advocates assert that the full portfolio of universal service programs should be made available to Pennsylvania water and wastewater consumers to ensure that water – an

¹⁰ PGW explained in its 2017-2020 USECP proceeding that it does not contract with CBOs to help customers complete CAP applications/recertifications or to assist with outreach/referrals because those functions are “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 2017-2020 USECP Reply Comments at 5 & 8, Docket No. M-2016-2542415.

essential ingredient to life – remain affordable and accessible to all Pennsylvanians, regardless of income. Low Income Advocates Reply Comments at 33.

Needs Assessment

OCA has found that utilities have defined “confirmed low-income” customers in many different ways. OCA recommends that the definition should be interpreted broadly, including whether customers report they are low-income (self-declaration). OCA Comments at 59 - 60. The OCA recommends that the time-period for which that designation applies to the customer should be longer than a year. OCA Comments at 60.

PECO does not count customers as confirmed low income if they self-declare. SM.

Columbia counts customers as confirmed low-income if they self-declare, are reported as having “level 1” income by BCS, or have otherwise documented that they are low-income (*e.g.*, receive a LIHEAP grant). Income data for confirmed low-income customers can be older than 10 years. It is not clear when a utility must re-verify that a customer is still low-income. SM.

PULP agrees with Columbia that there is a need for standardization for identifying confirmed low-income customers. Some utilities will not count a customer as confirmed low-income if documentation is older than one year. SM

EAP comments that the Commission should reevaluate the definition of "confirmed low income". Self-certification should not be counted. EAP agrees that when customers in CAP receive an income-qualified benefit, they can remain confirmed longer than one year. EAP recommends further discussion. EAP Reply Comments at 12-13.

FirstEnergy states that the definition for "confirmed low income" should not apply to customers who claim to be low-income without providing corroborating information. Utilities should also have the means to request written documentation confirming that the income levels for the household are correct. Consistent with these recommendations, FirstEnergy proposes the following modifying the definition of "confirmed low income" to include only "[a]ccounts where the EDC has obtained specific information that would reasonably place the account in a low-income designation, including household member names and ages, household size, household income by household member, and sources of income, which may be verified by the EDC through written documentation. Income information is valid for at least twelve months after it is confirmed by the EDC." FirstEnergy Reply Comments at 30.

PGW allows self-declaration of income and uses data from the two prior years. Census data is not as current as a utility's current customer's records. PGW Reply Comments at 21. PGW states if the needs assessment is to set appropriate budgets for universal service programs, no useful purpose is served by counting anyone who is not actually eligible and/or not likely to need or accept the services. Using a needs assessment to set a budget for PGW, with the highest

percentage of confirmed low income customers in the Commonwealth, could result in an outsized impact for non-CAP ratepayers. PGW Reply Comments at 22.

The Low Income Advocates assert that restricting confirmed low-income customer counts to only those who have recently participated in a universal service program wrongfully excludes large swaths of the low income population from a utility's needs assessment and skews the overall assessment of need. The Low Income Advocates urge the Commission to adopt clear and inclusive guidelines for utilities to more accurately assess the adequacy of services for the low-income population. Low Income Advocates Reply Comments at 25-26.

EAP asserts that census data do not provide an accurate count of "estimated low-income" customers in a service territory. The process and criteria should be updated and standardized. Any proposed regulations should clarify the purpose, as it should not be the sole determinant of a utility's LIURP jobs, which could overburden the ratepayers of utilities with a high percentage of low-income customers. EAP supports needs assessment tests or tools that allow for flexibility to be reflective of the differences in service territories, income levels, and housing stock. EAP Comments at 6, 14. EAP also noted that some low-income customers do not want or need universal service programs. SM.

NFG has concerns with using census data to determine estimated low-income customers as many households in its service territory use propane for heating, not gas; most of its low-income customers are rural, which makes it difficult to balance need with ratepayer burden. SM.

The Low Income Advocates strongly assert that a "cost-benefit analysis" is an improper means to assess the universal services program need. The intent of the General Assembly was to ensure that PA's low-income families can afford to bring light and heat to their homes. The General Assembly charged the Commission with ensuring that universal service programs are adequately funded, cost-effective and available to those in need. The Low Income Advocates maintain that census data provide a good and universally accepted proxy for conducting an assessment of potential need and should continue to be used in assessing the full potential for program enrollment. Low Income Advocates Reply Comments at 23-24.

OCA recommends that the Commission develop a collaborative to discuss the best practices regarding the data sought to be included in a needs assessment, the appropriate use of the census data and the databases that are the most useful to capture the needed data. There may also be a need to collaboratively map the Public Use Micro-data Areas (PUMAs). This will allow the stakeholders to overlay the utility service territories on top of the census data in order to appropriately apply the census data to an individual service territory. OCA Reply Comments at 12-13.

DLC supports using census information and suggests other helpful data sources (*e.g.*, families receiving free lunches, participants at food banks, and low-income housing). DLC would participate in a collaborative to address this issue. DLC Reply Comments at 11-12.

The Low Income Advocates note that low-income customers who reside in master-metered multifamily homes are not counted in a needs assessment proportionate to the number of residential accounts because they are not residential accounts. Low Income Advocates Reply Comments at 21-22.

PA-EEFA comments that a LIURP needs assessment should be fuel-neutral and be based on a realistic timeframe such as 10-12 years. All utility service territories and geographic regions should assess need universally but with allowances within a service territory for labor, housing types, heating/non-heating, budget adjustments, etc. PA-EEFA Comments at 3-4.

Cost Recovery

Industrial Customers want cost recovery for Universal Service Programs from only residential ratepayers as service programs such as CAP and LIURP are made available only to residential customers. Large commercial and industrial organizations neither benefit from nor are eligible for these programs. Principles of cost causation dictate that costs should be attributed to the customers causing costs to be incurred. The Industrials note that states which spread the cost of low-income programs across all ratepayers do have exemptions and nuances regarding surcharges. Joint Comments of Industrial Customers at 2 and SM.

OCA stresses that Universal Service is for the public good. The literal interpretation of the cost causation argument (*i.e.*, only ratepayers that benefit should pay for the program) would have only low-income customers support the cost of these universal service programs since they are the only customers that can participate. Societal poverty causes the cost, not all or only residential customers. Most states fund low-income energy programs through a system benefits charge that is passed to all ratepayers. CAP credits recovered through the universal service surcharge should be subtracted from base rates. Universal service programs are a public good in Pennsylvania that should be funded by all classes of ratepayers. The whole community benefits from universal service programs because providing affordable home energy addresses public health and safety costs that are borne by all taxpayers (*e.g.*, homelessness). Businesses benefit from these programs because the programs provide help to low-wage employees and low-income customers. Small businesses require low wages employees to survive, but low wages also create a situation where the employees may need help to afford utility service. OCA Comments at 36-40, Appendix A, Colton White Paper at 11-20.

The Low Income Advocates state that, to their knowledge, Pennsylvania is the only state to establish a policy generally limiting cost recovery of universal service programs to the residential class. The Low Income Advocates cite 66 Pa. C.S. § 2206, the Gas Choice Act, which specifically prohibits recovery from the industrial customer for costs related *to consumer education*. However, there is no such restriction for cross class recovery for other universal service costs in the Gas Choice Act and no restrictions in the Electric Choice Act. The Low Income Advocates note the PUC has ample authority to approve cross-class recovery in its

specific mandate to ensure that universal service programs are appropriately funded. Noting the public purpose goals of the Electric and Gas Choice Acts, the toll of poverty, and the consequences of unaffordable utility service, the Low Income Advocates state the safety of the community at large is improved by affordable utility service. Universal Service is the responsibility of all individuals and entities which benefit – either directly or indirectly – from the provision of universal service. Low Income Advocate Comments at 52, 55, and 59.

The Low Income Advocates recommend the Commission institute a uniform system benefit charge across utilities and customer classes. The system benefit charge could provide the greatest flexibility in terms of contracting for services and delivering benefits across utility service territories. It would also provide a consistent and understandable mechanism to recover program costs. Alternately, if the Commission continues to allow recovery through universal service riders, the Low Income Advocates urge the Commission to set forth guidance regarding an appropriate allocation of costs among rate classes. Low Income Advocate Comments at 51-52.

The Industrial Customers assert that utility service is not a 'public good.' They maintain that social policy ratemaking is a faulty approach that will erode time-tested, objective methods of utility ratemaking. A total assistance burden of \$360 million is an enormous one to add to the non-residential classes who are ineligible to participate in the CAP programs in Pennsylvania. Joint Reply Comments of Industrial Customers at 14, 16, 17-18.

The PA Depts. of Aging, DCED, DEP, DOH, DHS jointly recommend that the Commission expand recovery of universal service costs to other rate classes to allow for increased efficacy of the programs while avoiding the need for rate increases within a single rate class. Eleven other states authorize cross-class cost recovery, including OH, NJ, MD, and NY. Universal Service programs legally establish an obligation on public utilities. All utility customers should owe support, and non-residential classes do benefit as a whole. Joint Comments of PA Depts. of Aging, DCED, DEP, DOH, DHS at 3.

PGW, which as a city natural gas distribution company does not have stockholders, collects universal service costs from all ratepayers. All non-residential customers indirectly benefit from keeping the residents of the City of Philadelphia in their homes. Without residents living in the City, Philadelphia businesses may lose their workforce. People living and working in the City help businesses avoid financial losses, increase employee productivity, and retain viable consumers. As part of its current base rate case at Docket No. R-2017-2586783, PGW proposes to continue this allocation. PGW Reply Comments at 23.

The Low Income Advocates note the Choice Acts mandate that full and non-bypassable cost recovery be required to ensure universal service programs are appropriately funded and cost-effective across the Commonwealth. 66 Pa. C.S. §§ 2203(6), 2802(17), 2804(9). Given the statutory authority of the Commission over public utilities, the Low Income Advocates find no merit to the suggestion that the Commission's obligations concerning utility affordability may be

referred to another governmental body, left to the General Assembly or Federal Government, or suspended in the hopes that charities will step in to assist in effectuating the statutory promise of universal service. The Advocates assert the Commission is fully and completely capable of requiring public utilities to implement new programs, establish lower energy burdens, and coordinate practices more effectively to ensure that low-income customers can maintain essential utility service. Low Income Advocates Reply Comments at 11-12.

OSBA echoes all comments made by the Industrials Customers and adds that PGW's universal service costs recovered from industrial and commercial accounts is currently in litigation before the PUC.¹¹ SM.¹² OSBA cites *Popowsky v. Pa. PUC*, 960 A. 2d 189 (Pa. Cmwlth. 2008), in which the Commonwealth Court affirmed the Commission's decision with regard to allocating universal service costs solely to the residential class. OSBA Reply Comments at 3.

The Industrial Customers assert that underlying facts have not changed to justify a reversal of the 25-year Commission precedent of allocating Universal Service program costs solely to the residential class. In a 2004 PPL rate proceeding at R-00049255, the Commission found that Universal Service costs should be allocated to only residential customers and reaffirmed that position in a 2006 Final Order at Docket No. M-00051923. If the Commission makes this policy change, it should identify its reasons for doing so, including what facts or laws have changed to require a departure from established precedent. Joint Reply Comments of Industrial Customers at 4-5, 11.

The Industrial Customers state that if the Commission does reverse precedent, the only conceivable allocation that could be used is a customer or meter allocation and recovery mechanism as opposed to a per-kWh or per-Mcf basis. Joint Reply Comments of Industrial Customers at 20, FN 41.

UGI contends that Universal Service program funding should remain from the class that directly benefits. It cautions against cross-class subsidization as customer choice is not limited to residential customers. Commercial and industrial ratepayers have alternatives to natural gas for energy needs. Some have the ability to bypass the UGI distribution system and directly connect to the interstate pipeline system. Should universal service costs be passed on to them, large customers can choose to procure energy services elsewhere. UGI Reply Comments at 7; SM.

The Low Income Advocates maintain that there is insufficient information or data to support UGI's claim that universal service costs would be a driving factor in the choice of energy service

¹¹ *Pennsylvania Public Utility Commission v. Philadelphia Gas Works*, Docket No. R-2017-2586783.

¹² OSBA also notes that PGW's universal service cost allocation (to all rate classes) was in place before PGW came under PUC oversight. OSBA Reply Comments at 4.

providers. The Advocates assert universal service costs have not caused residential customers to switch away from natural gas. Low Income Advocates Reply Comments at 10-11.

The PA Chamber of Business and Industry (Chamber) professes that the increase in gas production volume is commensurate with decreasing PJM prices. Prolific natural gas production has resulted in significant price decreases for gas utility customers. The Chamber contests the notion that low-income ratepayer assistance programs are in need of expanded investment financed by other rate classes. It strongly opposes proposals to expand cost recovery to all rate classes for these programs, as it would disadvantage the commercial and industrial sector. The Chamber's membership is more than 8,500 businesses of all sizes and industrial and commercial sectors. Its members require affordable, reliable, and competitively priced energy to sustain ongoing operations in the state. A rider on industrial user bills to finance universal service programs would diminish Pennsylvania's competitiveness to attract new investment into this sector, which would clearly run contrary to the Wolf administration's plain desire to attract and promote new investment in manufacturing in Pennsylvania. The Chamber states that in view of the filed comments, it is clear such changes are not needed. What is needed is more economic growth and continued support for competitive energy markets, which will expand economic opportunity and continue to drive down energy costs. PA Chamber of Business and Industry Reply Comments at 1-3.

PECO does not have a specific recommendation regarding the allocation of USECP costs among customer classes, but it offers a breakdown of cross-class allocation if a 6% energy burden would be implemented. The commercial customer class (gas and electric) would be allocated approximately \$33 million (14 percent of overall revenue requirement), and the industrial customer class (gas and electric) would be allocated approximately \$22 million (14.3 percent of its overall revenue requirement.) PECO Reply Comments at 6.

PGW's universal service and energy conservation surcharge does not recover lost revenues, CAP administrative costs, or hardship fund costs. Bad debt offset mechanisms in rate case proceedings further erode the ability of utilities to receive full cost recovery. PGW asks the Commission to clarify what Universal Service costs are recoverable and allow recovery without a USECP review or rate case proceeding. PGW Comments at 6.

Reporting Requirements

Columbia, DLC, FirstEnergy, PGW, PECO, and OCA see merit in developing a working group collaborative to review universal service reporting requirements for clarity and data definition consistency. Columbia Comments at 14, Duquesne Comments at 10, DLC Reply Comments at 14, FirstEnergy Reply Comments at 30, PGW Comments at 4, PECO Reply Comments at 10-11, and OCA Reply Comments at 44-45.

DLC, PGW, and ECA request that the Commission define and identify the data points required to measure the effectiveness of universal service programs. PGW Comments at 3, DLC Comments at 10, and SM.

OCA notes that much of the universal service data reported to BCS is not publicly available. OCA often requests this data through discovery in a base rate proceeding. OCA Reply Comments at 44-45.

PGW asserts that the Commission staff regularly make changes to the LIURP codebook and expect utilities to comply even if the utility does not currently collect the necessary data. PGW recommends that the Commission initiate a stakeholder process to formulate a reportable data list with a subsequent rulemaking requiring that data. It also requests sufficient time to address data request adjustments and full cost recovery for these changes. PGW Comments 3-4.

The Low Income Advocates urge the Commission to make public the universal service data initially reported by utilities (before the BCS/Penn State University validation process). They state that information about CAP payment rates, the number of full on-time payments, and the percentage of CAP bills paid by a customer are missing from the Commission's annual report but are important to assessing whether a given CAP is producing an affordable bill and whether improvements need to be made to specific processes. Data regarding service rates and outcomes for LIURP, CARES, and Hardship Fund programs are withheld from the public. The Low Income Advocates also suggest disclosing other specific data points regarding CAP recertification, maximum CAP benefit levels, CAP shopping information, program coordination among utilities, and periodic termination and reconnection information. Low Income Advocate Comments at 73-74.

PGW does not support a requirement to publicly share the data provided to the Commission. The Commission should be the data clearinghouse for reported program data. PGW Reply Comments at 25.

EAP responded that the utilities have been working to submit more accurate data. They are not opposed to making it public but need further checks/validation first. SM.

WCC requests that BCS provide reported information in a format to facilitate outside data analysis. WCC Comments at 6. DLC agrees with WCC as long as the format ensures the data's security. DLC Reply Comments at 14.

USECP Filing Timeline

EAP, DLC, PGW, FirstEnergy, and PECO all recommend changes to the USECP filing schedule:

- Every 3 years after approval of USECP. EAP Comments at 8; PGW Comments at 7.

- Every 4 or 5 years. Duquesne Comments at 8.
- Every 5 years. PGW Comments at 7-8.
- Every 5 or 6 years. PECO Comments at 17-18.
- Every 4, 5, or 6 years. EAP Comments at 9.
- Every 6 years. FirstEnergy at 8, UGI Comments at 6.

Each of the above makes similar comments such as: needing time for utilities to evaluate a USECP's effectiveness before proposing a new USECP; having flexibility in implementing pilot programs; noting that the USECP approval process is lengthy, and USECPs are sometimes delayed past the starting date; providing BCS with sufficient time for initial review prior to formal Commission action; changing a utility's almost constant state of "planning"; allowing USECPs to be effective for a certain time period after approval before resubmitting the next proposed USECP; and reducing the Commission's workload. PGW Comments 7-8; PPL Comments at 9; PECO Comments at 17-18; FirstEnergy Comments at 8; UGI Comments at 6; Duquesne Comments at 8 DLC Reply Comments at 14; EAP Reply Comments at 12; PGW Reply Comments at 25; PECO Reply Comments at 9-10; and NFG Reply Comments at 6.

PNG does not support lengthening the period between USEC filings. It strongly supports continuing the current process with BCS leading the USECP reviews. PNG Reply Comments at 8.

EAP notes that USECP review requirements are not consistent for EDCs and NGDCs.¹³ EAP Comments at 10.

The Low Income Advocates would not object to extending the current triennial USECP review cycle if a more thorough exchange of data and information were discoverable in the context of a USECP review and if adequate time and process were provided for the nuanced details of universal service program design could be crafted more deliberately in the context of the USECP. They assert that expanded due process would become even more important if the Commission were to prolong its USECP review cycle to every 4, 5, or 6 years. Low Income Advocate Reply Comments at 20-21.

Current USECP approval process vs. a more litigated proceeding

The Low Income Advocates urge the Commission to adopt a more formal USECP review process that includes an opportunity for discovery and an exchange of information. The Advocates note that BCS has taken steps to bring transparency to USECP proceedings, such as

¹³ Pa Code 52 § 54.74(b) and 62.4(b) identify the required contents of USECPs for EDCS and NGDCs, respectively. NGDCs are requested to provide information in their USECPs that are not requested for EDCs. Specifically, NGDC must additionally provide: (1) A description of outreach and intake efforts for each program component; (2) An identification of the specific steps used to identify low-income customers with arrears and to enroll them in appropriate universal service and energy conservation programs; and (3) An identification of the manner in which universal service and energy conservation programs operate in an integrated fashion.

hosting voluntary stakeholder meetings prior to the issuance of a Tentative Order. However, they maintain stakeholders continue to lack adequate access to relevant and timely data and sufficient time to review and analyze USECP proposals to make informed policy recommendations. Whether the Commission continues to administer programs on a utility-by-utility basis or consolidated programming into a statewide administrative model, the Low Income Advocates suggest the following procedural progression:

1. A utility files its triennial USECP, which is immediately referred to the OALJ for the creation of a record. The ALJ assigned to the case oversees the exchange of discovery and the admission of evidence and testimony.
2. The ALJ certifies the complete record to the Commission for a decision.
3. The Commission refers the record to BCS, the Office of Special Assistants, and/or the Law Bureau (as appropriate) to draft a Tentative Order.
4. The Commission issues a Tentative Order, allowing interested stakeholders and the general public to provide comment.
5. At the conclusion of the comment period, the Commission issues a Final Order.

Low Income Advocate Comments at 71-72 and SM.

OCA agrees with the Low Income Advocates. The current review process does not allow discovery or data requests, which denies public service and due process. Twenty days to respond to a USECP Tentative Order is not sufficient. It notes that current base rate proceedings do not permit discussion of USECPs. SM. OCA recommends that a collaborative be developed to discuss and address the issues and concerns with the USECP review process. One critical element that is missing in the current process is the opportunity to exchange information before stakeholders are required to present their comments. There should be some requirement for the exchange of information and opportunity to request data regarding the USECP. Third-party evaluation recommendations should be included as a part of the USECP filing. OCA Reply Comments at 38-39.

CEO Luzerne would prefer a codified review process which allows more notice to and input from interested stakeholders on USECP filings with limited, but formal discovery or exchange of information. An ALJ should review and issue a recommended decision. It notes that a more robust USECP proceeding would prevent, but should not preclude, having Universal Services become an issue in rate cases. CEO Luzerne Comments at 2-3 and SM.

PGW does not support a mandatory litigated proceeding. Even a truncated process, such as a certified record, would still result in increased costs and raise complicated issues about staff's role in these proceedings. A process that sets clear Commission policy through a rulemaking and which enables discussions with the Commission's staff, would be more conducive to better universal service programs than a litigated proceeding which has the effect of shutting down the ability of utilities to informally discuss issues with staff and which results in a more adversarial,

and significantly costlier, approach among interested stakeholders. PGW Reply Comments at 25-28.

Support for maintaining current USECP review process

EAP recommends the Commission continue with the current collaborative process regarding USECP plan approval. Should it be transferred to OALJ, BCS's expertise would be minimized and/or eliminated. A more formal, adjudicated proceeding would jeopardize the existing framework that encourages cooperation, collaboration, and compromise. EAP Comments 15-16; EAP Reply Comments at 12.

UGI values and supports the current USECP review process. Only the triennial USECP review process, with the input and oversight of BCS, has the purview to look at all impacts to a customer's energy burden – both due to base rates and commodity pricing – and accordingly make “holistic” recommendations on the propriety of a utility's universal service programs. UGI therefore recommends that the Commission ensure that utility universal service programs are reviewed in a consistent manner with the input of BCS. UGI Comments at 3-4.

FirstEnergy maintains that USECP reviews should be reserved for the triennial proceedings led by the BCS as opposed to being addressed within utilities' base rate cases. Any time an ALJ makes changes to a FirstEnergy company USECP on a piecemeal basis, the rest of the USECPs of the other FirstEnergy companies are impacted. The costs associated with a BCS-led review of USECPs are far lower than the costs of a fully litigated proceeding. BCS is best-suited for providing recommendations regarding the plans that consider the interplay of each of the programs and the impact on the many components of USECP administration. FirstEnergy Reply Comments at 27-28.

NFG supports the current USECP review process and states that a formal discovery process is unduly burdensome and unnecessary. NFG Reply Comments at 5.

DLC supports the current process without need for hearings or a Recommended Decision from OALJ. DLC Reply Comments at 14.

PECO states that BCS is the appropriate entity to manage the USECP approval process. Automatic referral to OALJ would lengthen USECP proceedings, imposing significant and unnecessary costs on stakeholders, utilities, and the Commission and ultimately on customers. PECO Reply Comments at 9.

Addressing universal service issues in Rate Cases

DLC states that the BCS has no role in base rate cases before an ALJ and cannot ensure that USECP modifications are consistent with the USECP currently in effect. If changes are made through the base rate proceeding, the OALJ should circulate a draft Recommended Decision to

BCS for technical review before issuing the official Recommended Decision. DLC Reply Comments at 16-17.

CEO states that a formal ALJ procedure established for USECP review should not preclude a party in a rate case from addressing universal service issues. Rate cases are an appropriate forum in which to raise and address universal service and energy conservation issues, as an increase in rates would impact funding of universal service programs. CEO Luzerne Comments 2-3.

UGI has concerns with litigating USECPs in a rate case because the rate cases exclude BCS. A rate case is about funding; it is not the place for determining programmatic changes. SM.

PGW echoed UGI's comments and suggests the Commission set clear policy and rules through a CAP rulemaking to achieve a more transparent and streamlined USECP process. SM; PGW Reply Comments at 29.

UGI asserts that one of the largest hurdles to maintaining consistency among the UGI Companies for universal service offerings is the fact that the UGI NGDCs and EDC must each file on an individual basis for base rate relief pursuant to Section 1308(d) of the Public Utility Code, 66 Pa. C.S. § 1308(d) during which universal service offerings are the subject of testimony and recommendations. UGI Comments at 4.

PPL does not support a distribution base rate proceeding as the appropriate forum to address universal service related issues. It is more appropriate and effective to address these programs when the utilities file their proposed USECPs for Commission review and approval. PPL Comments at 9.

EAP notes that funding issues raised by advocates in base rate cases or rider proceedings do not have BCS as a party. At times, rate cases reopen issues previously reviewed and resolved through the USECP proceeding. The Commission should consider how best to align these two processes to maintain consistency but repeats that it does not advocate a more formal, litigated process. EAP Comments at 16.

OCA submits that the Commission should establish by regulation that, in each base rate case, utilities should be required to apply bad debt and working capital offsets reflecting changes in the base CAP participation from the level used to establish base rates. OCA Comments 29-32.

FirstEnergy asserts that fluctuation in the number of CAP enrollees has little, if any, direct relationship to uncollectible and working capital expenses. A fluctuation in the segment of customers enrolled in a FirstEnergy CAP who are actively receiving arrearage forgiveness has very little impact on both the total arrears and the working capital expense for any of the FirstEnergy EDCs. It is entirely inappropriate to prevent utilities from receiving full cost recovery for their customer assistance programs through USECP riders as required by statute. FirstEnergy Reply Comments at 17-18.

OCA does not agree that parties should be prohibited from raising universal service issues in a base rate proceeding or that all low-income customer issues would necessarily fall within the USECP. This incorrectly assumes that the universal service programs have no impact on a base rate proceeding. The converse is also true. OCA maintains the impact of base rate proceedings should also be addressed in a utility's USECP proceeding. OCA opines that the current base rate proceedings do not permit discussion of USECPs. This permits no discovery and no data exchange, precluding due process and resulting in significant cost to the rate base. OCA Comments at 43-44. A prohibition against raising issues related to universal service, however, would essentially prevent the parties from evaluating the impact of the rate case on the poorest of the utility's customers. In a base rate proceeding, all utility tariff provisions are at issue, including the surcharges through which universal service costs are passed on to ratepayers. OCA Reply Comments at 40.

The Low Income Advocates maintain it would be inappropriate to restrict consideration of rate affordability for the significant low-income customer base in proceedings which determine rates. They argue that universal service program issues are also relevant in rate cases: If rates increase, the corresponding need for universal service programming also increases. Furthermore, utility customer service functions, including the operation of universal service programs, are clearly relevant to assessing the reasonableness of a utility's request for any increase in rates. Base rate proceedings often present the only forum for parties to discover details and ask questions about a utility's program services. Low Income Advocate Reply Comments at 20-21.

Conclusion

The Commission's universal service initiative was commenced by order entered on May 10, 2017. It entails a comprehensive review of the Commission's universal service and energy conservation model. The May 10 Order invited interested parties to submit written comments, by August 8, 2017, on their priorities, concerns, and suggestions for amending and improving any or all aspects of universal service programs. Stakeholder meetings were held on September 13-14, 2017, to gather feedback on the previously submitted comments and any other priorities, concerns, or suggested changes pertaining to energy utility USECPs. Interested parties submitted reply comments by October 16, 2017.

This staff report, notice of which will be published in the *Pennsylvania Bulletin*, comports with Ordering Paragraph No. 5 in the May 10, 2017 Order which required that BCS in consultation with the Law Bureau prepare a report summarizing all comments and reply comments as well as input from the stakeholder meeting. This staff report also provides a summary of all options proposed by stakeholders. However, no recommendations are made at this time. Nor is this staff report indicative of how the Commission may decide to act on the subject matter in this or other dockets.¹⁴ 52 Pa. Code § 1.96. The legal, policy, and procedural issues raised in this matter

¹⁴ Specifically-related universal service dockets include *Initiative to Review and Revise the Existing LIURP Regulations at 52 Pa. Code §§ 58.1 – 58.18*, Docket No. L-2016-2557886, and *Energy Affordability for Low-Income Customers*, Docket No. M-2017-2587711.

remain under Commission review and may be factored into a subsequent order at this or other dockets.



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