**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

**Harrisburg, PA 17105-3265**

|  |  |
| --- | --- |
|  | Public Meeting held August 23, 2018 |
| Commissioners Present:  Gladys M. Brown, Chairman  Andrew G. Place, Vice Chairman  Norman J. Kennard  David W. Sweet  John F. Coleman, Jr. | |
| UGI Utilities, Inc.- Gas Division Universal Service and Energy Conservation Plan for 2018-2020 | Docket No. M-2017-2598190 |
| UGI Central Penn Gas, Inc. Universal Service and Energy Conservation Plan for 2018-2020 | Docket No. M-2017-2637094 |
| UGI Penn Natural Gas, Inc. Universal Service and Energy Conservation Plan for 2018-2020 | Docket No. M-2017-2637095 |
| UGI Utilities, Inc.-Electric Division Universal Service and Energy Conservation Plan for 2018-2020 | Docket No. M-2017-2637098 |

**TENTATIVE ORDER**

**BY THE COMMISSION**

On June 30, 2017, UGI Utilities, Inc.- Gas Division (UGI Gas), UGI Penn Natural Gas, Inc. (UGI PNG), UGI Central Penn Gas, Inc. (UGI CPG), and UGI Utilities, Inc.-Electric Division (UGI Electric), (collectively referred to herein as “UGI” or “UGI Companies”), filed a proposed Universal Service and Energy Conservation Plan for 2018-2020 (Proposed 2018-2020 Plan or USECP) in compliance with 52 Pa. Code §§ 54.71 - 54.78 and §§ 62.1 - 62.8. By this Tentative Order, we indicate issues that require further attention on the record before approving a USECP for 2018-2020. We invite parties to comment on any provision of the Proposed 2018-2020 USECP regardless of whether the provision has been addressed in this Tentative Order.

**I. BACKGROUND**

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

The Commission’s Customer Assistance Programs (CAP) Policy Statement at 52 Pa. Code §§ 69.261-69.267 (adopted in 1992 and amended in 1999 and 2010) applies to class A electric distribution companies (EDCs) and natural gas distribution companies (NGDCs) with gross annual operating revenue in excess of $40 million. It provides guidance on affordable payments and arrearages and establishes a process for utilities to work with the Commission’s Bureau of Consumer Services (BCS) to develop CAPs. The Commission balances the interests of customers who benefit from CAPs with the interests of the other residential customers who pay for such programs. *See* *Final Investigatory Order on CAPs: Funding Levels and Cost Recovery Mechanisms*, Docket No. M-00051923 (Dec. 18, 2006), (*Final CAP Investigatory Order*), at 6-7.

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

The Electricity Generation Customer Choice and Competition Act (Electric Competition Act), 66 Pa. C.S. §§ 2801-2812, became effective on January 1, 1997. The Natural Gas Choice and Competition Act (Gas Competition Act), 66 Pa. C.S. §§ 2201-2212, became effective on July 1, 1999. The primary purpose of these Competition Acts was to introduce competition into the retail electric and natural gas generation markets. These two Competition Acts established standards and procedures for the restructuring of the electric and natural gas utility industries. While opening the markets to competition, the Competition Acts also include several provisions relating to universal service to ensure that electric and natural gas service remains available to all customers in the Commonwealth.

The universal service provisions of the Competition Acts, among other things, tie the affordability of electric and natural gas service to a customer’s ability to maintain utility service. The Competition Acts define “universal service and energy conservation” as the policies, practices, and services that help low-income customers maintain utility service. The term includes CAPs, LIURPs, service termination protections, and consumer education. 66 Pa. C.S. §§ 2202 and 2803. The Competition Acts commit the Commission to continuing, at a minimum, the policies, practices, and services that were in existence as of the effective date of the laws. 66 Pa. C.S. §§ 2203(7) and 2802(10). Finally, the Competition Acts require the Commission to ensure that universal service and energy conservation services are appropriately funded and available in each utility distribution territory. 66 Pa. C.S. §§ 2203(8) and 2804(9).

Pennsylvania has acknowledged the importance of helping low-income customers maintain utility service. Under the Competition Acts, universal service programs are subject to the administrative oversight of the Commission, which must ensure that the utilities run the programs in a cost-effective manner. 66 Pa. C.S. §§ 2203(8) and 2804(9). Although the Competition Acts do not define “affordability,” the Commission’s CAP Policy Statement provides guidance on affordable payments. 52 Pa. Code §§ 69.261-69.267. The Commission balances the interests of customers who benefit from the programs with the interests of the customers who pay for the programs. *See* *Final Investigatory Order on CAPs: Funding Levels and Cost Recovery Mechanisms*, Docket No. M-00051923 (Dec. 18, 2006), (*Final CAP Investigatory Order*), at 6-7.

To help meet these requirements, the Commission promulgated the *Universal Service and Energy Conservation Reporting Requirements* regulations (Reporting Requirements). 52 Pa. Code §§ 54.71- 54.78 (electric) and §§ 62.1 - 62.8 (gas). These Reporting Requirements require each NGDC serving more than 100,000 residential accounts and each EDC serving more than 60,000 residential accounts to submit an updated USECP every three years to the Commission for approval. 52 Pa. Code §§ 54.74 and 62.4.

As of June 30, 2017, the approximate number of residential customers served and the number of customers enrolled in CAP by the UGI Companies were as follows:

**TABLE 1**

**Residential Class Size[[1]](#footnote-1) and CAP Enrollment[[2]](#footnote-2) as of June 30, 2017**

|  |  |  |
| --- | --- | --- |
| **UGI Companies** | **Residential Customers** | **CAP Enrollment** |
| UGI Gas | 346,000 | 9,085 |
| UGI PNG | 152,000 | 6,233 |
| UGI CPG | 72,000 | 2,050 |
| UGI Electric | 54,000 | 2,481 |
| **Totals** | **624,000** | **19,849** |

**II. HISTORY**

1. Third-Party Evaluations

A six-year evaluation of UGI Gas and UGI PNG’s universal service and energy conservation efforts was completed in July 2012 by Applied Public Policy Research Institute for Study and Evaluation (APPRISE). 2012 APPRISE Universal Service Evaluation. UGI CPG and UGI Electric were not included in the 2012 APPRISE Universal Service Evaluation.

Additionally, APPRISE conducted the third-party evaluation of LIURP in 2013, as outlined in the regulations at Sections 54.76(a) and 62.6(a). 2013 APPRISE LIURP Evaluation. All four UGI Companies were included in the 2013 APPRISE LIURP Evaluation.

1. 2014-2017 USECP, Docket No. M-2013-2371824

The Companies’ most recent USECP is the 2014-2017 Plan, approved by the Commission at Docket No. M-2013-2371824, by order entered on January 15, 2015 (January 15 Order). The January 15 Order, *inter alia*, ordered the UGI Companies to petition the Commission to eliminate its CAP enrollment limits[[3]](#footnote-3) and reserved two issues for thirty days to allow parties[[4]](#footnote-4) the opportunity to reach a consensus. The two issues reserved were: (1) the calculation of the UGI PNG and UGI Gas projected needs assessments; and (2) the UGI Gas program budget for LIURP. January 15 Order at 80‑81. By Secretarial Letter issued on March 10, 2015, the compliance tariffs were approved. On March 27, 2015, the parties filed a joint petition for settlement of the outstanding issues.[[5]](#footnote-5) By order entered on June 11, 2015, the Commission approved the revised Projected Needs Assessment process, the expansion of the pool of LIURP-eligible customers, the inclusion of the LIURP exception language, and the increased LIURP budget for UGI Gas. The Commission also allowed UGI to file a revision to its Rider LISHP and approved the Second Revised USECP for 2014-2017.

On April 15, 2015, the UGI Companies filed a Petition to eliminate the CAP enrollment limits and for “full recovery of any consequential increases in CAP costs, calculated in accordance with the current cost-recovery mechanism of each [utility], including any and all costs due to CAP enrollment exceeding current enrollment ceilings.” April 2015 Petition at 1. OCA supported the petition. By order entered on September 3, 2015, the Commission granted the Petition and approved the removal of CAP enrollment limits. On September 14, 2015, the UGI Companies filed a Third Revised 2014-2017 USECP consistent with the September 3 Order.

In compliance with the January 15 Order, the UGI Companies filed reports on April 1, 2016, April 3, 2017, and March 28, 2018 that identified the amount spent on customer CAP credits[[6]](#footnote-6) during each previous calendar year in excess of previous limits.

3. *Pa. PUC v. UGI – Gas, et al.*, Docket No. R-2015-2518438, *et al.* (Order entered on October 14, 2016).

In UGI Gas’ base rate proceeding, the Commission approved the following changes to UGI Gas’ universal service programs:

* Increase LIUPR funding by $185,900, effective January 1, 2017. Funds not spent would be rolled to following years. OP No. 34.
* Modify how income is determined and rely on receipt of LIHEAP or participation in CAP. OP No. 35.
* Increase outreach efforts. OP No. 36.
* Inform applicants and customers of security deposit opportunities. OP No. 37.
* Screen and refer customers who call about payment arrangements or credit-related issued to universal service programs. OP No. 38.
* Include active customers who are in default on payment arrangements in reports to Commission. OP No. 39.
* Revise training materials to clarify that low-income customers only need to verify income for waiver of security deposit; they do not need to enroll in universal service programs. OP No. 40.
* Clarify tariff language to reflect that it accepts annualized income to establish cold weather shut off protections. OP No. 41.
* Investigate the feasibility of CBOs using alternative communication methods. OP No. 42.
* Translate additional universal service programs documents into Spanish and increase access to Spanish language interpretation at its CBOs. OP No. 43.
* Accept alternatives to Social Security Numbers as a form of identification for applicants. OP No. 44.

UGI Gas agreed to implement these changes within 90 days of the effective date of the rate increase and to hold a collaborative with the parties to the proceeding for review and comment on implementation of the changes. UGI agreed to file a status report with the Commission within 150 days of the effective date of the rate increase. OP No. 32 and 33.

4. *Pa. PUC, et al. v. UGI PNG, Inc., et al.*, Docket No. R-2016-2580030, *et al*.

In UGI PNG’s base rate proceeding, the ALJ recommended approval of the black box settlement that contained the following universal service provisions:

* Update to CAP enrollment. RD at 41.
* Off-sets to CAP credits and pro-program arrearages for customers receiving short fall credits above the projected enrollment. RE at 41.
* Incorporation customer service-focused practices and procedures as agreed to in the UGI base rate proceeding at *Pa. PUC v. UGI Gas*, *et al.*, Docket No. R-2015-2518438, *et al.* (Order entered on October 14, 2016). RD at 41.
* Increase LIURP budget funding, effective January 1, 2018, by5.7% and roll over any unspent funds to the following years. RD at 44-45.

Additionally, UGI PNG agreed to include the following provisions in its 2018-2020 USECP proposal:

* Base CAP participation at 6,500 participants for the purpose of assessing CAP cost offsets. For CAP customers in excess of 6,500 on an average annual basis, UGI PNG would offset the CAP Credits and actual pre-program arrearages by 14.1%. RD at 42.
* Allow customers to apply or re-certify for CAP using additional methods acceptable to its CBOs. RD at 43.
* Provide its CBOs with lists of low-income customers for direct solicitation unless the customer opts out. RD at 43.
* Screen customers for eligibility and refer customers asking about payment arrangements and credit-related issues to appropriate universal serve programs. RD at 43.

UGI PNG also agreed to:

* Propose changes related to a *de facto* heating program and request waivers to address inoperable furnaces. RD at 46.
* Set aside $150, 000 annually out of the general LIURP budget for furnace repairs and replacements with roll-over the first two years. Thereafter, remaining amounts will roll back into the general LIURP budget. RD at 46.
* Hold collaboratives to discuss inter-utility coordination of LIURP services and request authority to implement any consensus terms. RD at 46-47.
* Request authority to allow Hardship Funds to be used for income-qualified customers to pay reconnection fees. RD at 48.

By order entered on August 31, 2017, the Commission adopted the recommended decision in the UGI PNG base rate case.

5. Proposed 2018-2020 USECP, Docket Nos. M-2017-2598190 (UGI Gas); M‑2017‑2637094 (UGI CPG); M-2017-2637095 (UGI PNG); and M-2017-2637094 (UGI Electric);

In compliance with Commission regulations, the UGI Companies submitted their Proposed 2018-2020 Plan on June 30, 2017. The 2018-2020 Proposed Plan contains four components that help low-income customers maintain utility service. The four components are as follows: (1) CAP, which provides discounted prices and other benefits for low-income residential customers; (2) LIURP, which provides weatherization and usage reduction services to help low-income customers reduce their utility bills; (3) Customer Assistance and Referral Evaluation Services (CARES), which provides referral services for low-income, special needs customers; and (4) a Hardship Fund, entitled Operation Share Energy Fund, which provides grants to customers with hardships who have an inability to pay the full amount of their energy bills and have annual incomes at or below 200% of the Federal Poverty Income Guidelines (FPIG). We shall discuss each program in greater detail below.

**III. DISCUSSION**

1. **USECP Modifications for the 2018-2020 Plan**

The UGI Companies listed several proposed changes for 2018-2020 compared to their last three-year plan:

1. CAP

* Allowing CAP customers to apply or recertify for CAP over the phone, provided they send supportive documentation through mail, fax, or email.[[7]](#footnote-7) Customers will still have the option of applying or recertifying in-person.
* Providing CAP Community Based Organizations (CBOs) with lists of low-income customers for direct CAP solicitation. Customers that opt-out of sharing information with third-parties through the UGI Companies’ customer information system portal will not be included in the solicitation lists. The UGI Companies propose to implement this solicitation in the second year of its Plan.
* Excluding or removing customers from CAP if they operate a business from their residential service location or use utility service to heat a swimming pool.
* Increasing UGI Electric’s minimum CAP payment for electric heating accounts from $25 to $30 to comport with the Commission’s CAP Policy Statement at Section 69.265(3)(i)(C).[[8]](#footnote-8)

1. LIURP

The UGI Companies propose two new provisions for its 2018-2020 USECP.

* Providing Energy Conservation Kits to some non-heating LIURP customers.
* Excluding customers from LIURP if they operate a business from their residential service location or use utility service to heat a swimming pool.

Additionally, consistent with a settlement approved by the Commission in the base rate proceeding at *Pa. PUC, et al. v. UGI PNG, Inc.*, Docket No. R-2016-2580030 (Order entered on August 31, 2017), the LIURP funding for UGI PNG will change in the following manner:

* Increasing UGI PNG LIURP funding by the percentage distribution rate increase for residential customers.
* Increasing the UGI PNG LIURP funding by $150,000 each year, with $100,000 to be collected from the Energy Efficiency and Conservation (EE&C) Rider and $50,000 from the Universal Service Program (USP) Rider.
* Expanding the use of LIURP funds for UGI PNG to include the repair or replacement of inoperable gas furnaces. UGI PNG will increase its per-job cap to $11,000 when furnace replacement is necessary. The company will set aside $150,000 annually from its LIURP budget to pay for furnace repair and replacement. Any unused amount during the first two years of the plan will be rolled over to the next year’s repair and replacement projects. Any unused amount after two years will be rolled into the general LIURP budget.

Further, UGI PNG requests a waiver from Sections 58.11(a), payback rules,[[9]](#footnote-9) and 58.10(a)(1), prioritization factors,[[10]](#footnote-10) as part of its furnace repair/replacement project. If granted, UGI PNG will review the results of the furnace repair/replacement project before determining whether to propose expanding these changes to the other UGI Companies in future USECPs.

1. CARES

* Modifying its procedures regarding how protection from abuse (PFA) accounts are handled to ensure confidentiality of information. Consistent with a Settlement approved by the Commission in the UGI Gas base rate proceeding at *Pa. PUC, et al. v. UGI Gas, Inc.*, Docket No. R-2015-2518438, the account of any customer that provides the UGI Companies with a PFA order will be handled by a smaller number of CARES representatives.

1. Operation Share Energy Fund (UGI Companies’ Hardship Fund)

* Expanding the use of Hardship Funds for UGI PNG to permit their use for reconnection fees, regardless of whether the customer is enrolled in CAP.

1. **Program Descriptions as Proposed for 2018-2020**

1. CAP

The CAP offers more affordable gas and electric bill options to qualified low-income customers who are not able to pay their gas or electric service bills in full. CAP customers also receive 1/36th of pre-program arrearages forgiven for each month of on-time and in-full CAP payments. The UGI Companies apply arrearage forgiveness for each timely and in-full monthly payment, regardless of arrears, and retroactively for any months missed once those months are paid. At a minimum, compliant CAP customers receive $10 of pre-program arrearage forgiveness per month. However, the full minimum arrearage forgiveness will not be applied if the forgiveness would result in a credit balance or a credit balance already exists in a customer’s account.[[11]](#footnote-11)

To be eligible for the UGI Companies’ CAP, a customer must have household income at or below 150% of the FPIG and be a residential customer of a UGI Company. Customers who had been previously enrolled and been removed from a UGI CAP must have cured the reason for their previous dismissal from the program to be eligible for re-enrollment. The UGI Companies require those who voluntarily leave CAP to stay out for a minimum of 12 months. The UGI Companies will waive the stay-out provision for customers who have experienced a demonstrated hardship (*e.g.,* sudden loss of income or other financial/personal setback).

Residential properties are not eligible for CAP if they have any of the following indicators on their account:

* Health care facility;
* Rental property with the account in the landlord’s name;
* Foreign load (one meter supplying multiple units);
* Theft of service;
* A Landlord If Shut-Off (LIFSO) agreement (account in owner’s name);
* Choice customers (accounts with a natural gas supplier);
* Utility service used to operate a pool; or
* Operating a business from the residential property.

The UGI Companies will also deny CAP enrollment if the customer does not demonstrate good faith, honesty, or fair dealing while working with the CAP CBO or if the customer fails to make a good faith effort to conserve energy.

The UGI Companies calculate a customer’s monthly CAP bill based on a percentage of the household’s gross income or the average annual bill for the residence,[[12]](#footnote-12) whichever is more affordable. The percentage of income CAP Payment is shown in Table 2.

**TABLE 2**

**Calculating Percentage of Income for CAP Payment Amount**

|  |  |
| --- | --- |
| **Household Income According to the FPIG** | **Monthly Income % to Pay** |
| 0-50% FPIG | 7% of Household’s monthly income |
| 51- 100% FPIG | 8% of Household’s monthly income |
| 101- 150% FPIG | 9% of Household’s monthly income |

If a customer’s percentage of income amount exceeds the average annual bill for the residence, the average bill for the residence will be used as the customer’s CAP payment amount. The minimum monthly CAP payment amounts are $25 for heating accounts and $15 for non-heating accounts. The UGI Companies do not have an annual limit for CAP credits. Thus, the UGI Companies’ CAP customers are billed the same amount per month, regardless of usage. CAP credits to reduce the bill are applied monthly with each full CAP payment.

CAP customers that transfer utility service to another residence within the service territories will remain in the program and continue to receive CAP bills.

The UGI Companies review the accounts of CAP applicants to determine whether their usage is high. The annual high usage threshold limits for the UGI Companies are shown in Table 3.

**TABLE 3**

**Annual High Usage Thresholds for UGI Companies**

|  |  |
| --- | --- |
| **Company** | **High Usage** |
| UGI Gas | 2,185 ccf |
| UGI PNG | 2,356 ccf |
| UGI CPG | 2,135 ccf |
| UGI Electric | 34,465 kwh |

CAP applicants whose usage exceeds these thresholds and current CAP customers whose annual usage increases by 15% over normalized historical usage are required to speak with a CAP caseworker to discuss potential reasons for the high usage and to engage in an energy education session. The UGI Companies refer those customers to LIURP, if applicable, and continue to monitor household usage for additional outreach and referral. Current CAP customers may also be referred to a Remedial Education Course with a third-party vendor. CAP participants who refuse to participate in LIURP or who fail to comply with high usage controls risk removal from the program.

The UGI Companies contract with several CBOs to administer the CAP programs. These organizations are responsible for accepting CAP applications, verifying eligibility, explaining the benefits of the program to customers, referring participants to other programs, monitoring accounts, and providing energy education sessions to high energy users. In addition, the CAP administering agencies provide education to customers about usage reduction/energy conservation and household budgeting. Recertification for CAP is also handled by the CAP administering agencies. The UGI Companies process any appeals for reconsideration from customers removed from the program within 30 days.

To remain in the CAP, participants must:

* Make monthly CAP payments;
* Apply for LIHEAP grants and direct the payment to the UGI Company;
* Participate in weatherization programs, if eligible, and conserve energy;[[13]](#footnote-13)
* Provide access to the household’s meter, if required;
* Participate and comply with other programs recommended by the agency;
* Report changes of family size and/or income immediately; and
* Apply for assistance grants when eligible.

One or more of these requirements may be waived by the UGI Companies or a CAP CBO if the customer is experiencing extraordinary circumstances.

CAP customers who receive LIHEAP grants and direct them to a UGI Company annually will only be required to provide income documentation for recertification once every three years. CAP customers who do not have a LIHEAP grant issued to a UGI Company will be required to provide income documentation annually to verify that household income remains at or below 150% of the FPIG.

As noted above, customers who voluntarily leave CAP will not be permitted to re-enroll in the program for a period of one year. All customers seeking re-enrollment in CAP must address the reason(s) for their prior default and make up all missed CAP payments or the full balance, if appropriate. CAP customers whose service has been terminated must pay all CAP arrears and the reconnection fee to restore service and re-enroll in the program.

Based on our analysis of the UGI Companies CAP, we require clarification and/or correction regarding the issues detailed below.

1. *CAP Enrollment/Recertification by Telephone* - Clarification Requested.

The UGI Companies’ CAP is administered by a variety of CBOs that are overseen by the UGI Companies’ Customer Outreach Senior Supervisor (COS). With assistance from the COS, the CAP CBOs are responsible for enrolling customers in the CAP and providing customer education. As one of the changes proposed for the 2018-2020 Plan, the UGI Companies will now allow customers and applicants to apply and/or recertify for CAP over the phone with provision of supportive documentation through mail or other means reasonably available to the CBO serving that portion of the company’s service territory, including, but not limited to fax, email, or text messaging. Proposed 2018-2020 Plan at 12. While it is commendable that the UGI Companies plan to offer additional means of communication to promote flexibility and to meet the needs of its customers, the Proposed Plan does not include sufficient details to assure the effective and uniform implementation of this proposed change by all CBOs.

It is imperative that any form of communication between a CBO and a customer be reliable, timely, and consistent. Although the use of alternative means of communication, including fax, email, and text messaging may offer efficiencies, those efficiencies may not be realized if the electronic communication is not timely received or is directed to only one individual or not sufficiently documented. We are concerned that electronic communication by the customer, if not designed to be accessed by multiple individuals at the CBO through such means as a resource account, may not be reliable or timely.

Furthermore, if application or recertification information is obtained by the CBO via telephone, it will be critical for the CBO to accurately and consistently document all required information from the customer. Likewise, the CBO will need to ensure it clearly and consistently provides accurate CAP information to the customer, including payment responsibilities and the ramifications of defaulting from CAP. By allowing the enrollment or recertification process to occur via telephone, the likelihood of inadvertent human error and the variability in the intake or provision of information by the CBO increase.

Although the 2018-2020 Proposed Plan specifies the responsibilities of CBOs in enrolling customers in CAP, including providing education to the customer, the UGI Companies have not elaborated on how they will assure consistency of program approach and implementation, including the provision of proper resources and training to staff at the CBOs.

It is undeniable that the technological landscape continues to evolve at a fast pace, offering new and enhanced ways for customer service. While we are encouraged to see that the UGI Companies are planning to use alternative means of communication to enroll or recertify CAP applicants, we urge the UGI companies to continue to explore other technological enhancements to support CAP enrollment and customer service, including, but not limited to, an online CAP application on a UGI website and the CBOs’ websites.

*Proposed Resolution:* In its response to this Tentative Order, the UGI Companies should explain how they intend to implement protocols that will support the efficient use of electronic communication, including provisions for resource accounts to support the prompt attention to customer needs. The UGI Companies should also specify how CBO employees will be trained to ensure they consistently and accurately request and document the customer’s information, as well as communicate – both verbally and in writing – CAP rights and responsibilities. To that end, we request a copy of the CBO training plan for the UGI Companies as well as the script or protocols the CBO must adhere to when processing customer CAP applications or recertifications, including how the UGI Companies plan to serve customers via telephone who have limited-English proficiency.

*b. Direct CAP Solicitation* – Clarification Requested

In year 2 (*i.e.*, 2019) of this plan, the UGI Companies propose to begin providing CBOs with low-income customer lists for direct CAP solicitation. Under this proposal, customers may refuse to allow their information to be shared with third-parties by selecting a general “opt-out option” on the Customer Information System (CIS) or through following directions contained in bill inserts. Proposed 2018-2020 Plan at 12. Although we support proactive outreach to identify those customers who would most benefit from CAP participation, the UGI Companies should provide additional details to clarify how and under what conditions CAP solicitation will occur.

The UGI Companies specify in their proposal that they will provide options to customers to opt-out from their information being given to third-parties. Proposed   
2018-2020 Plan at 12. However, it is not clear if these options will be convenient and provide maximum flexibility to the customer. It is also not clear how customers will be informed that UGI Companies intend to share their information with CBOs. Additionally, it is unclear whether customers will be asked their preferred method of contact by a CBO. In addition, the UGI Companies have not clarified how their plans for direct CAP solicitation by CBOs coincide with the Companies’ existing Customer Privacy Policy and if that policy will need to be amended to specify what information will and will not be shared for CAP solicitation, including the purpose in sharing that information with CBOs.

It appears that customers will not be asked, in writing or verbally, if they consent to the release of their information to third parties.

*Proposed Resolution:* In its response to this Tentative Order, the UGI Companies should specify the scope and details of their Direct CAP Solicitation plan, including how the companies will uphold the integrity of their data systems as well as the systems of the CBOs to ensure customer information will not be vulnerable or susceptible to fraudulent activities. Furthermore, the UGI Companies should provide clear explanation of how they will ensure that customers understand the opt-out provisions. The UGI Companies should explain why they have proposed an opt-out rather than an opt-in process.

*c. Monitoring of CBO Performance* - Clarification Requested

While not a change from the prior plan, the UGI Companies specify in the Proposed 2018-2020 Plan thatthey will audit the performance of CBOs by reviewing enrollments, re-certifications, and completed tasks. Proposed 2018-2020 Plan at 13. However, the UGI Companies do not elaborate if the focus of this audit will also include an assessment of a CBO’s accuracy in documenting customer information to ensure the most affordable payment is established for the CAP participant. Furthermore, it is not stated or explained in the Proposed 2018-2020 Plan how the results of these audits will be addressed, including whether corrective action plans will be developed to address areas where CBO performance is not optimal.

*Proposed Resolution:* The UGI Companies should elaborate on how data obtained on CBO performance will be used to monitor, assess, and ultimately improve the operations of CBOs in their provision of services to low-income payment-troubled customers.

*d. CAP Customer Eligibility Requirements: Previous Participants* – Clarification Requested

The UGI Companies CAP participants may voluntarily request to be removed from the program if the household’s seasonal usage bills total less than the monthly CAP bill. For these customers who choose to leave CAP, the UGI Companies require that the customers stay out of CAP for a minimum of 12 months before they re-apply to the program. Proposed 2018-2020 Plan at 20.

Although we see merit in discouraging customers from habitually entering and exiting CAP, we question whether the UGI Companies have explored other measures to encourage customers to remain in CAP. For example, before a customer can voluntarily withdraw from CAP, Columbia Gas of Pennsylvania requires the customer to sign a form which describes the benefits of CAP and the requirements to re-enroll in the program. The customer must sign and return the letter to Columbia before the customer is removed from CAP. Final 2015-2018 Plan at 21, filed at Docket No. M-2014-2424462 on August 12, 2015. Such communication could reinforce the benefits of CAP participation and the consequences of leaving the program.

In addition, other companies, including PGW and PPL, established reapplication requirements for their respective CAPs that permit program re-entry if the customer pays the outstanding CAP amount for each month they did not participate in the program. Final 2017-2020 Plan at 18, filed at Docket No. M-2016-2542415 on August 31, 2017 and Final 2017-2019 Plan at 19, filed at Docket No. M-2016-2554787 on November 3, 2017, respectively. Instead of a 12-month stay-out provision, we recommend the UGI Companies consider allowing customers who voluntarily leave CAP to re-enroll if they pay the program amount for months spent out of the program. This practice should eliminate the incentive to leave CAP during low-usage months, encourage year-round participation in CAP, and discourage customers from habitually dropping out and reapplying for CAP coverage.

*Proposed Resolution:* In its response to this Tentative Order, the UGI Companies should identify if they have explored other opportunities to encourage current CAP customers to remain on the CAP, including measures that allow customers who voluntarily leave CAP to reapply if they pay the program amount for the months spent out of the program. Furthermore, the UGI Companies should substantiate the scope of this problem by identifying the number of CAP participants who voluntarily left the program from 2013 through 2017. The UGI Companies should also identify the number of former CAP customers who reapplied for CAP coverage and when they applied for such coverage after leaving the CAP voluntarily. If available, the UGI Companies should also identify any information they have compiled or assessed concerning why CAP participants voluntarily leave the program.

*e. CAP Customer Ineligibility: Business Operating from a Residential Property* – Change Requested

The UGI Companies specify several indicators that will render a residential customer ineligible for CAP, including if the customer is operating a business from their residential property. Proposed 2018-2020 Plan at 14.

We question this prohibition.

Even LIHEAP assistance is available to a household used, in part, for business purposes under certain circumstances. Pennsylvania’s Proposed 2019 LIHEAP State Plan at Section 601.31(2)(iv) will only exclude customers if they are operating a *licensed* business from their residence and are using the home’s utilities as a deduction on their business’ tax return and a majority of the home is used for business purposes. LIHEAP, Fiscal Year 2019 Proposed State Plan, Appendix B, at B-7. Other business uses of an otherwise qualified household do not categorically disqualify a household from LIHEAP assistance.

*Proposed Resolution*: In its response to this Tentative Order, the UGI Companies should address whether they are amenable to revising their CAP eligibility requirements to permit a customer that operates a business from their residence to qualify for CAP under certain conditions.

*f. CAP Customer Eligibility Requirements: Good Faith, Honesty or Fair Dealing* – Clarification Requested

The UGI Companies specify that they reserve the right to deny CAP enrollment if the customer is deemed to lack good faith, honesty, or fair dealing while working with a CAP CBO or one of the UGI Companies during the application process or if the customer fails to engage in good faith efforts to conserve energy. Proposed 2018-2020 Plan at 14.

While the UGI Companies intent to maintain the integrity of their program is laudable, we are concerned this criterion is vague and subject to multiple interpretations. Without establishing specific and objective eligibility criterion, the UGI Companies are vulnerable to creating inconsistencies in program application that could weaken their CAP and create inefficiencies.

*Proposed Resolution*: In its response to this Tentative Order, the UGI Companies should explain how they ensure CAP customer eligibility is consistently and objectively determined and applied. Furthermore, the UGI Companies should define how they plan to provide guidance and/or clarification to the CBOs and potential customers on how they can prove or substantiate their good faith, honesty, or fair dealing efforts, including good faith efforts to conserve energy. To that end, we also request the UGI Companies provide annual statistics for the years 2013-2017 that indicate the number of customers who were denied participation in CAP because they demonstrated a lack of good faith, honesty, or fair dealing or failed to engage in good faith efforts to conserve energy.

*g. CAP Customer Eligibility Requirements: Acceptable Forms of Identification* - Clarification Requested

When applying for CAP, the UGI Companies request applicants provide their Social Security Number (SSN) or Individual Tax Identification Number (ITIN) as a form of customer identification. For those applicants who do not provide their SSN or ITIN, the UGI Companies state they will waive this requirement if the customer provides two other acceptable forms of identification. Proposed 2018-2020 Plan at 13.

To ensure the expeditious processing of the customer’s CAP application, it is recommended that the UGI Companies list or provide examples of the types of identification that are acceptable to the company.

*Proposed Resolution:* In response to this Tentative Order, the UGI Companies should identify the forms of identification they will accept from a customer who applies for CAP if they do not provide an SSN or ITIN.

*h*.  *Elimination of Maximum CAP Credit Limits* – Clarification Requested

In accordance with the Commission’s January 15, 2015, Final Order at Docket No. M-2013-2371824, the UGI Companies eliminated their per-customer maximum CAP credit limit specified in the proposed 2014-2017 USECP. Proposed 2014-2017 Plan at 17. In that proceeding, the UGI Companies contended the elimination of maximum CAP credit limits would improve the availability of the CAP and would eliminate the need for a customer to have a monthly CAP payment amount based on usage. Second Revised Plan 2014-2017 at 6. The UGI Companies further contended that they had not found excessive energy usage among their CAP customers and that they did not anticipate any increase to their CAP budgets as a result of eliminating the CAP credit limits. UGI Comments at 9-10, filed October 22, 2014. Specifically, the UGI Companies stated they reviewed their CAP credit expenses for 2012 and determined that only 1.6% of their CAP customer base exceeded the maximum shortfall for heating customers, which equated to less than $32,000 per year or 0.78% of the total CAP credit expenditures for all UGI Companies. Based on these findings, the UGI Companies estimated their annual CAP costs would increase by less than $32,000 per year if they eliminated the CAP credit limits. UGI Comments at 10, filed October 22, 2014.

Given the projected low-cost impact of the UGI Companies’ CAP, the benefit to its lowest income customers, and the new control measures which would provide energy education and LIURP services to high usage CAP customers, the Commission permitted the UGI Companies to operate without CAP credit limits until its next third-party USECP review. During this interim period, however, the Commission required the UGI Companies to annually report to BCS and all active parties to the proceeding the effect of the program change on CAP credit expenditures. January 15, 2015 Order at 32. The UGI Companies complied with this directive and annually submitted reports in 2016, 2017, and 2018 that included the total amount spent on customer CAP credits during the previous calendar year that exceeded previous CAP limits. The report submitted in 2016 included data from July 15, 2015, through December 31, 2015, which coincided with the implementation of the program change.

With the elimination of their CAP credit limits, the UGI Companies established usage control features to encourage energy conservation among its CAP customers. Those thresholds, identified in Table 4 below for 2018-2020, were determined by analyzing the current population of customers and their usage information. The UGI Companies contend that any customer that applies for CAP with usage that exceeds the thresholds will receive assistance from a CAP caseworker, including energy education and, if applicable, LIURP referral. Once a customer is enrolled in CAP, the UGI Companies state they would continue to monitor the customer’s usage levels to assess where additional outreach, education, and referrals are needed. When an existing CAP customer’s annual usage increases by 15% of the annual historical usage, the UGI Companies state they would conduct additional outreach and assistance activities, including referring customers for an in-home Remedial Education Course with a third-party vendor. The UGI Companies would reserve the option to remove from CAP participants who refuse to participate in LIURP or fail to comply with high-usage controls. Proposed 2018-2020 Plan at 17-18.

**TABLE 4**

**High Usage Thresholds for UGI Companies**

|  |  |
| --- | --- |
| **Company** | **High Usage** |
| UGI Gas | 2,185 ccf |
| UGI PNG | 2,356 ccf |
| UGI CPG | 2,135 ccf |
| UGI Electric | 34,465 kwh |

As articulated in the January 15, 2015 Final Order, we expressed concern that the lack of consumption limits would result in higher program costs that must be borne by non-CAP residential customers. Final Order at 26 entered on January 15, 2015. Based on our analysis of complete calendar-year data submitted by the UGI Companies for 2016 and 2017, the Commission remains concerned that the elimination of maximum CAP credit limits is not creating the uniform program efficiencies that the UGI Companies originally projected.

Table 5 below includes information from the UGI Companies that the Commission used to compare the impact of eliminating the maximum CAP credit limit in calendar years 2016 and 2017. The data was obtained from the second and third annual reports the UGI Companies submitted to BCS on the effect of eliminating the maximum per-customer CAP credit limit.

Although the number of accounts that exceeded the previous CAP limit decreased between 2016 and 2017 for UGI Electric customers (Heating and Non-Heating) resulting in a reduction in the total dollars dedicated to support CAP credit allocations, this pattern did not manifest for UGI Gas, UGI PNG, or UGI CPG. For those Companies, the number of accounts above previous CAP limits increased markedly, resulting in the UGI Companies dedicating additional dollars to support customers in CAP.

**TABLE 5**

**Evaluation of Eliminating Maximum CAP Credit Limit (CY 2016 – CY 2017)**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Utility** | **Account Type** | **Number of accounts above previous CAP**  **2016** | **Number of accounts above previous CAP**  **2017** | **Per cent increase from 2016 to 2017** | **Cost above previous maximum CAP Credit**  **2016** | **Cost above previous maximum CAP Credit**  **2017** | **Per cent increase in cost from 2016 to 2017** |
| UGI Gas | Heating | 89 | 250 | +64% | $19,991 | $71,634 | +72% |
|  | Non-Heating | 3 | 33 | +90% | $189 | $11,504 | +98.4% |
| UGI PNG | Heating | 77 | 88 | +12.5% | $16,074 | $23,964 | +32.9% |
|  | Non-Heating | 0 | 30 | +100% | $0 | $7,726 | +100% |
| UGI CPG | Heating | 61 | 76 | +19.7% | $20,610 | $30,987 | +33.4% |
|  | Non-Heating | 0 | 10 | +100% | $0 | $6,253 | +100% |
| UGI Electric | Heating | 159 | 98 | -62% | $83,973 | $52,283 | -60.6% |
|  | Non-Heating | 314 | 252 | -24.6% | $200,494 | $147,941 | -35.5% |

Source: Second and Third Annual Report on the Effect of Eliminating the Maximum Per-Customer Credit Limit for CAP, filed April 3, 2017, and March 28, 2018, respectively.

The data appear to validate our initial concerns that the UGI Companies may not be able to contain their CAP costs if appropriate CAP credit limits are eliminated. To ascertain whether the above findings reflect the impact of eliminating the maximum CAP credit limit or result from increased CAP participation, we reviewed CAP participation rates for the UGI Companies from 2013 through 2017. See Table 6. Although program participation rates increased across the board, a direct comparison between the data included in Tables 5 and 6 cannot be accurately assessed without additional information from the UGI Companies.

**TABLE 6**

**Average Number of CAP Customers (2013 – 2017)**

|  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- |
| **Utility** | **2013** | **2014** | **2015** | **2016** | **2017** | **Change**  **2013 – 2017** |
| UGI Gas | 4,822 | 6,961 | 8,723 | 8,043 | 8,851 | +83% |
| UGI PNG | 3,771 | 5,449 | 6,774 | 6,088 | 5,958 | +58% |
| UGI CPG | 1,921 | 2,098 | 2,234 | 1,957 | 2,075 | +8% |
| UGI Electric | 1,737 | 2,081 | 2,256 | 2,245 | 2,456 | +41% |

Source: Quarterly CAP enrollment data submitted to BCS by UGI

Table 7 was created below to depict the average annual cost UGI and its subsidiaries assume for the issuance of credits to CAP customers. The data in Table 7 was obtained from the Universal Service Programs & Collections Performance Report for the years 2014-2016. Although it appears the UGI Companies are containing CAP expenses, additional information is needed from the UGI Companies to conclusively determine this fact.

**TABLE 7**

**Average Annual CAP Credits**

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Utility** | **2013** | **2014** | **2015** | **2016** | **Change**  **2013 – 2016** |
| UGI Gas | $461 | $230 | $328 | $163 | -64% |
| UGI PNG | $519 | $275 | $400 | $193 | -62% |

Source: Universal Service Programs & Collections Performance Report (2014, 2015, 2016)

*Proposed Resolution:* To ascertain whether eliminating the maximum CAP credit limit is affecting the UGI Companies’ CAP, as well as average arrearage amounts, termination rates, gross write-offs, and other costs, we request the UGI Companies provide the following information:

* CAP customer participation data from 2013-2017, differentiated by Heating and Non-Heating CAP customers and by FPIG level.
* Average annual CAP credits per customer issued by UGI CPG and UGI Electric from 2013-2017, differentiated by Heating and Non-Heating CAP customers and by FPIG level.
* Average annual CAP credits issued by UGI Gas and UGI PNG from 2013-2017, differentiated by Heating and Non-Heating services customers and by FPIG level.
* Average annual CAP Default Rates by poverty level for UGI CPG and UGI Electric from 2013-2017, differentiated by Heating and Non-Heating CAP customers.
* Average Arrearage on an Agreement by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.
* Average Arrearage Not on an Agreement by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.
* Average Arrearage on an Agreement by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.
* Average Arrearage Not on an Agreement by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.
* The number of Terminations by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.
* The number of Terminations by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.
* Gross Write-Offs in Dollars by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.
* Gross Write-Offs in Dollars by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.

In addition to the above data, we request information from the UGI Companies to assess the effectiveness and impact the company’s High Usage Thresholds are having in reducing CAP customers’ energy usage. To that end, we request the following information from the UGI Companies:

* The number of customers who applied for CAP during the period July-December 2015 and the years 2016 and 2017 who exceeded the energy usage thresholds in Table 4.
* The number of customers who exceeded the energy usage thresholds in Table 4 while participating in the CAP during the period July- December 2015 and/or the years 2016 and 2017.
* The number of CAP customers during the period July- December 2015 and the years 2016 and 2017 who received assistance from a CAP caseworker, including energy education and, if applicable, LIURP referral.
* Stated as an average yearly percentage, the difference in pre-program and current energy usage (+ or –) of CAP customers who exceeded energy usage thresholds but received energy conservation assistance from a CAP caseworker.
* The number of CAP customers during the period July- December 2015 and the years 2016 and 2017 who were removed from the CAP for refusing to participate in the LIURP or for failure to comply with the UGI Companies’ high usage controls.
* CAP customer feedback on the quality of education and outreach the household received on energy conservation practices.

*i. Reinstatement Policy* – Clarification Requested

Under the UGI Companies’ CAP reinstatement policy, customers requesting reinstatement must comply with certain requirements and obligations. Among those, the customer must provide adequate assurance that the reason or reasons for the prior default and resulting program dismissal have been removed or corrected and the customer must make up all missed CAP payments or full balance when appropriate before reinstatement. Proposed 2018- 2020 Plan at 22.

Although it is reasonable that the UGI Companies establish requirements for CAP reinstatement, it is unclear what these payment requirements entail. For example, do the requirements include that customers of UGI Companies seeking reinstatement to CAP are required to pay all CAP arrears and any non-CAP balances that accrued while out of the program or must the customer pay only the CAP amount for the months spent out of the program?

*Proposed Resolution:* In its response to this Tentative Order, the UGI Companies should clarify their CAP customer reinstatement policy, including specifying the exact payment obligations customers must adhere to in order to be reinstated to the CAP.

*j. Calculation and Review of Monthly CAP Payments –* Clarification Requested

As provided in the proposed 2018-2020 USECP, the UGI Companies identify that monthly CAP payment amounts are based on the lower of a specified percentage of the customer’s monthly income or the customer’s average monthly bill. Proposed 2018- 2020 Plan at 14-15.

However, based upon the review of customer complaints by BCS, we are aware of CAP customers being billed at amounts that do not reflect the most affordable, least cost option available to the CAP customer. We stress the importance of utilities conducting regular reviews of CAP customer monthly bills. We note, for example, that Peoples Natural Gas monitors CAP accounts monthly to ensure customers are complying with the terms of the CAP and are receiving the appropriate benefits. Final 2015-2018 Plan at 12, filed at Docket No. M-2014-2432515.

*Proposed Resolution*: In response to this Tentative Order, the UGI Companies should explain the protocols they have established to ensure CAP participants are billed at the most affordable rate, including their adherence to regularly monitoring CAP customer accounts for billing accuracy.

*k. Calculation of Final Bill for CAP Customers –* Clarification Requested

The UGI Companies are calculating final bills of CAP customers discontinuing service at the residential tariff rate rather than under CAP pricing.

Billing a CAP customer at the full residential rate is not consistent with the current and proposed USECP of the UGI Companies which clearly state that monthly CAP payment amounts are based on the lower of the percentage of the customer’s monthly income or the customer’s average monthly bill. Customers leaving CAP are CAP customers until they leave. We are concerned that depending on when in a given billing cycle that a CAP customer leaves, a partial month bill at the residential tariff rate could be greater than even a full month at the CAP price.

*Proposed Resolution:* In response to this Tentative Order, the UGI Companies should clearly articulate in their USECP the policy they will adhere to when assessing the final bill of CAP customers. If the UGI Companies assert that certain deviations from CAP pricing in final bill assessments must occur under certain circumstances, the UGI Companies should clearly explain what those circumstances are and how the deviations will balance the needs of both the Companies and the customers. The UGI Companies should specifically address how they handle a situation in which the partial month final bill at the residential tariff rate is greater than the customer’s full month at the CAP price.

*l. CAP Customer Eligibility Requirements –* Clarification Requested

To be eligible for CAP, a UGI Companies’ customer must have gross household income verified at 150 percent of poverty or less. However, the UGI Companies fail to define the term “household income” in their proposed USECP, including what may or may not be considered or included as household income. Without clear direction to customers concerning CAP eligibility requirements, the UGI Companies’ may be creating unnecessary ambiguity that may impede the effectiveness of their CAP.

*Proposed Resolution:* In response to this Tentative Order, the UGI Companies should clearly define the term “household income” in their proposed USECP as it specifically relates to CAP Customer Eligibility Requirements.

2.Low Income Usage Reduction Program (LIURP)

The UGI Companies’ LIURPs are designed to reduce energy consumption for eligible customers by providing energy conservation measures and education. The purpose of LIURP is to reduce customer arrearage, collection, and termination costs by reducing customer energy consumption. Each LIURP heating customer will receive a free “energy survey/audit.” Energy conservation measures provided by the UGI Companies’ LIURPs may include, but are not limited to, the following services: insulation, furnace repair/replacement, attic ventilation, window replacement, caulking, water heater repair/replacement, and energy education.

Although exceptions may be granted, a customer must be able to demonstrate the following to be eligible for the UGI Companies’ LIURP:

* The customer is an active residential gas heating customer or residential electric customer; [[14]](#footnote-14)
* The customer’s gross household income is at or below 150% of the FPIG;[[15]](#footnote-15)
* The customer’s annual consumption is above average usage; [[16]](#footnote-16)
* The customer’s premises are suitable for weatherization services[[17]](#footnote-17);
* The customer has had continuous service for 12 months;
* The premises are the customer’s primary residence.[[18]](#footnote-18)
* The customer is an active residential gas heating customer or an electrical heating/non-heating customer.

UGI PNG proposes to expand the use of its LIURP Weatherization Program funds to address the repair and replacement of inoperable gas furnaces. UGI PNG would increase its per-job LIURP funding cap to $11,000 where furnace replacement is necessary. UGI PNG would also set aside $150,000 annually from its general LIURP budget for furnace repair and replacement projects. For the first two years of the USECP, any unused amounts would be rolled over to the next year’s budget for furnace repair and replacement projects. If, after two years, there continues to be amounts that roll over, those funds would be rolled to UGI PNG’s general LIURP budget.

Based on our analysis of the UGI Companies’ LIURP, we require clarification and/or correction regarding the issues detailed below.

*a.* *LIURP Weatherization Program Eligibility* – Clarification Requested

In the proposed 2018-2020 USECP, the UGI Companies specify the criteria a customer must meet to be eligible for their LIURP Weatherization Program. As noted previously, those requirements include that a customer’s annual consumption be above average usage.

We find this criterion vague and susceptible to multiple interpretations, thereby creating unnecessary program and customer confusion.

*Proposed Resolution:* In response to this Tentative Order, the UGI Companies should clarify what constitutes “above average annual usage,” including how that usage level was determined.

*b. UGI PNG Request for Waivers* – Action Deferred

LIURP regulations require a customer have above-average usage for the purpose of furnace repair or replacement spending. Additionally, program measures follow applicable payback periods; therefore, a customer’s residence that has been previously weatherized may not be eligible for LIURP until the applicable payback period has expired. UGI PNG is seeking waiver of these LIURP payback regulations for furnace repair and replacement.

*Proposed Resolution:* We shall address the waiver requests in conjunction with our determinations based on the UGI Companies’ response to this Order and stakeholder comments to the waiver request. The waiver petition and answers thereto will be addressed at *UGI PNG 2018-2020 USECP*, Docket No. M-2017-2637095.

3. CARES Program

The CARES Program is an outreach and referral service that is designed to assist customers who are experiencing temporary hardships that could result in an inability to pay their utility bills. Company representatives make referrals to social service agencies and provide information regarding available programs. Any customer of UGI Companies who has a delinquent balance or is experiencing a temporary hardship that could lead to a loss of utility service is eligible for CARES.

In review of the UGI Companies’ CARES Program, it appears the program is being administered in conformance with the Commission’s regulations. See 52 Pa. Code § 54.74(b)(1) and § 62.4(b)(1).

*Proposed Resolution*: At this time, we are not proposing changes to this aspect of the Proposed 2018-2020 Plan.

4. Operation Share Energy Fund

Operation Share is the UGI Companies’ hardship fund. It strives to provide temporary assistance to fixed or low-income customers to help them through a crisis by paying their energy bill. The UGI Companies contract with CBOs that process the grants including determining the amount of the grant to be issued for each customer. Customers enrolled in CAP are not eligible for Operation Share grants.[[19]](#footnote-19) Additionally, to be eligible for an Operation Share grant, customers must[[20]](#footnote-20):

* Have an active residential account with a UGI Company;
* Have not received an Operation Share grant within the last 12 months;
* Have an outstanding utility bill balance;
* Have a household income at or below 200% of the FPIG;
* Provide information to demonstrate an inability to pay (including income and expenses of all household members); and
* Have contacted the company’s credit department to discuss options.

For 2018-2020, UGI PNG proposes to use hardship funds to pay the reconnection fees of customers or applicants who are income qualified for the program, regardless if they were or are currently enrolled in CAP. The UGI Companies state they will consider the result of this program modification in evaluating whether to expand this change to the other UGI Companies.

The UGI Companies match every two dollars contributed by employees, customers, or outside sources with one dollar in energy vouchers. The funds go to the participating CBOs to be disbursed to the UGI Company of each qualifying customer. The number of potential participants depends on the level of donations. Table 8 identifies the maximum Operation Share matching fund amounts for each UGI company:

**TABLE 8**

**2018-2020 Matching Fund Limits**

|  |  |
| --- | --- |
| **Company** | **Matching Funds** |
| UGI Gas | $38,500 |
| UGI PNG | $22,000 |
| UGI CPG | $12,000 |
| UGI Electric | $10,000 |

The maximum amount of an Operation Share grant for all UGI Companies is $400 per household. However, exceptions to the maximum grant may be approved for special circumstance customers.

We have identified several areas of concern.

*a. Use of Operation Share Energy Funds to Pay Reconnection Fees* – Clarification Requested

In the proposed 2018-2020 USECP, UGI PNG proposes to use Operation Share Energy Funds to pay for the reconnection fees of customers or applicants who are income qualified for the program, regardless if they were or are currently enrolled in CAP. UGI CPG, UGI Gas, and UGI Electric will continue to use their discretion, as stated in the 2014-2017 USECP, on whether to use Operation Share grants to pay reconnection fees for CAP customers. Proposed 2018-2020 Plan at 21.

We are concerned about how discretion is exercised regarding the use of Operation Share Energy Funds to pay for the reconnection fees of customers, in particular the likelihood that CAP customers who are disconnected or who are in termination status could potentially be denied an Operation Share grant to cover reconnection expenses.

*Proposed Resolution*: In response to this Tentative Order, the UGI Companies should elaborate on their rationale for their potentially inconsistent use of Operation Share Energy Funds to pay customer reconnection fees, including why only UGI PNG customers are afforded this benefit while customers of UGI CPG, UGI Gas, and UGI Electric may be denied grants for reconnection purposes. Furthermore, the UGI Companies should identify the criteria or evaluation measures that staff at UGI CPG, UGI Gas, and UGI Electric will consistently use in their application of “discretion” to determine if Operation Share assistance will be afforded to CAP participants to reconnect service.

*b. Payment of Operation Share Grants* – Clarification Requested

In Appendix A of the proposed 2018-2020 USECP, the UGI Companies state that voucher payments under the company’s Operation Share Energy Fund will be provided directly to residential customers who are declared eligible by the designated administering agency. However, elsewhere in the plan, the UGI Companies state that all cash funds allocated through the Operation Share program must be retained by the CBO and allocated directly to the UGI Companies. The plan further elaborates that under no circumstances will any payments be made directly to a customer.

These contradictory statements in the proposed 2018-2020 USECP concerning the allocation of Operation Share Grants are confusing and warrant clarification.

*Proposed Resolution:* In response to this Tentative Order, the UGI Companies should clarify their policy for the allocation of grants under the Operation Share Program.

*c. Operation Share Solicitations* – Clarification Requested

The UGI Companies state they are committed to making matching contributions under their Operation Share Program and will contribute one dollar for every two dollars donated by a customer, employee, or outside source, up to specified matching amounts. The UGI Companies also state they will continue to identify ways to increase donations under Operation Share, including encouraging employees to donate, scheduling fundraising events in each of the UGI Companies’ service areas, and appealing directly to customers via a billing insert. Proposed 2018-2020 Plan at A-2.

We are encouraged by the various avenues the UGI Companies are exploring to expand support for their Operation Share Program. We are interested in learning additional information about these efforts, including if the UGI Companies are considering other methods to increase funding for Operation Share such as solicitations through e‑billing.

*Proposed Resolution:* In response to this Tentative Order, the UGI Companies should elaborate on the various ways they plan to increase the scope of their fundraising activities to support Operation Share.

*d. Operation Share Recovery* – Clarification Requested

In Appendix A of the proposed 2018-2020 USECP, the UGI Companies state that they obtain recovery for the Hardship Programs of UGI Gas, UGI PNG, and UGI CPG through their Universal Service Riders (USP Riders).

It is unclear if all funding associated with Operation Share is recovered through the USP Rider.

*Proposed Resolution:* In response to this Tentative Order, the UGI Companies should clarify the scope of their USP Riders for the Operation Share Program, including what expenses of the program are recovered through the USP Riders. The UGI Companies should also document why they are recovering Hardship Funds from ratepayers rather than through voluntary contributions from ratepayers, employees, and shareholders.

1. **Eligibility Criteria**

The four components of the UGI Companies’ 2018-2020 USECP have slightly different eligibility criteria. Table 9 below shows the eligibility criteria for each universal service component.

|  |  |  |
| --- | --- | --- |
| **TABLE 9**  **Eligibility Criteria** | | |
| **Program** | **Income Criteria** | **Other Criteria** |
| CAP | * 150% FPIG or less | * Active residential heating or non-heating customer. * If previously in CAP, must have cured any prior default. * If left CAP voluntarily, must stay out of CAP for 12 months (exceptions made for demonstrated hardship). |
| LIURP | * 150% FPIG or less * 20% of participants may have income up to 200% | * Residential customer, above average consumption, continuous service for 12 months, and living in the primary residence. * Residence must be suitable for weatherization. |
| CARES | * Negative ability to pay | * Temporary hardship; delinquent balance; or special need. |
| Operation Share | * 200% FPIG or less | * Active residential customer faced with a hardship; outstanding balance; inability to pay energy bills. * Must not have received an Operation Share grant in the past 12 months. * Customers with delinquent balances must first contact the UGI Company’s Credit Department. * Must not be enrolled in CAP. |

**D. Projected Needs Assessment**

Pursuant to Section 62.4(b)(3), UGI Gas and UGI PNG submitted a needs assessment, as provided in Table 10, for each USECP component. Proposed 2018- 2020 Plan at B-1. Included in this assessment is the number of estimated and identified low-income customers, the number of estimated and identified payment-troubled, low-income customers, the number of customers still needing LIURP services and the cost to serve them, and the enrollment size of CAP to serve all eligible customers. Since UGI Electric and UGI CPG have less than 100,000 residential customers each, they are not required to submit a needs assessment.

|  |  |  |
| --- | --- | --- |
| **TABLE 10**  **UGI Gas and UGI PNG**  **Projected Needs Assessment**  **(Based on 2015 Census Data)** | | |
|  | **UGI Gas** | **UGI PNG** |
| Number of Identified Low-Income Customers | 34,269 | 23,061 |
| Estimate of Number of Low-Income Customers | 91,478 | 49,410 |
| Number of Identified Payment-Troubled Low-Income Customers [[21]](#footnote-21) | 25,955 | 16,800 |
| Number of Customers In Need of LIURP Services [[22]](#footnote-22) | 5,251 | 4,756 |
| Cost of Serving the Number of Customers In Need of LIURP Services | $36,142,633 | $28,131,740 |
| Enrollment Size of CAP to Serve all Eligible Customers | 34,269 | 23,061 |

Although UGI Gas and UGI PNG were compliant by providing the information included in Table 10 in their USECP, the number of Identified Payment-Troubled Low-Income Customers identified in the plan are substantially higher than the figures they reported for the 2016 Universal Service Programs & Collections Performance Report. For example, for the 2016 Universal Service Programs & Collections Performance Report, UGI Gas and UGI PNG reported 8,353 and 4,663 Confirmed Low-Income, Payment-Troubled Customers, respectively. 2016 Report on Universal Service Programs & Collections Performance at 9. These figures contrast markedly with the figures provided in the proposed USECP where UGI Gas and UGI PNG reported 25,955 and 16,800 Payment-Troubled, Low-Income customers, respectively. 2018-2020 Proposed Plan at B-1.

Furthermore, while the number of customers in need of LIURP Services is documented for both UGI Gas and UGI PNG in the Proposed Plan, these numbers are provided in totality and are not broken down by certain eligibility as referenced in footnote 35 of the 2018-2020 USECP, including: (1) identified low-income; (2) 12 months of consecutive service; (3) meeting LIURP usage criteria; and (4) premises not having received LIURP weatherization services within the past seven (7) years.

With the data included in the Projected Needs Assessment, the UGI Companies included a footnote – number 36 – on page B-1 of the proposed 2018-2020 USECP referring to the information presented on the Enrollment Size of CAP to Serve all Eligible Customers. However, the UGI Companies neglected to include an explanation for the footnote.

*Proposed Resolution:* In response to this Tentative Order, the UGI Companies should explain why there are discrepancies in the number of Payment-Troubled, Low-Income Customers reported by UGI Gas and UGI PNG in the 2016 Universal Service Programs & Collections Performance Report in comparison to the information included in the proposed USECP. With this explanation, the UGI Companies should also clarify what it considers to be a “payment-troubled customer” and if that definition coincides with how the term is defined at 52 Pa. Code § 54.72 and § 62.2. In addition, the UGI Companies should provide the figures that accurately represent the number of Payment-Troubled, Low-Income Customers of UGI Gas and UGI PNG, if the numbers included in the plan are inaccurate, and provide an explanation for footnote 36 on page B-1.

In addition to the above information, the Commission requests the UGI Companies provide data for both UGI Gas and UGI PNG that further distinguish the number of customers in need of LIURP services based upon the following eligibility criteria:

* The number of identified low-income customers;
* The number of customers with 12 months of consecutive service;
* The number of customers meeting LIURP usage criteria;
* The number of customers whose premises has not received LIURP weatherization services within the past 7 years.

1. **Projected Enrollment Levels**

Table 11 shows the UGI Companies’ enrollment projections for each program component for the calendar years covered by the proposed Plan:

**TABLE 11**

**Projected Universal Service Enrollments by Company by Year**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2018** | **2019** | **2020** |
| **UGI Gas** |  |  |  |
| CAP | 9,426 | 9,897 | 10,392 |
| LIURP | 187 | 187 | 187 |
| CARES | 110 | 110 | 110 |
| Operation Share | 385 | 385 | 385 |
| **UGI PNG** |  |  |  |
| CAP | 6,515 | 6,841 | 7,183 |
| LIURP | 177 | 177 | 177 |
| CARES | 60 | 60 | 60 |
| Operation Share | 185 | 185 | 185 |
| **UGI CPG** |  |  |  |
| CAP | 2,311 | 2,427 | 2,548 |
| LIURP | 71 | 71 | 71 |
| CARES | 15 | 15 | 15 |
| Operation Share | 120 | 120 | 120 |
| **UGI Electric** |  |  |  |
| CAP | 2,617 | 2,747 | 2,885 |
| LIURP | 30 | 30 | 30 |
| CARES | 20 | 20 | 20 |
| Operation Share | 98 | 98 | 98 |

*Proposed Resolution*: At this time, we are not proposing changes to this aspect of the proposed 2018-2020 Plan.

1. **Program Budgets**

Table 12 below shows the proposed budget levels for the UGI Companies’ universal service components for 2018- 2020 and their respective proposed universal service program spending.

**TABLE 12**

**Projected Universal Service Budgets by Company**

|  |  |  |  |
| --- | --- | --- | --- |
|  | **2018** | **2019** | **2020** |
| **UGI Gas** |  |  |  |
| CAP | $3,970,000 | $4,135,000 | $4,341,750 |
| LIURP | $1,286,000 | $1,286,000 | $1,286,000 |
| CARES\* | $70,000 | $70,000 | $70,000 |
| Operation Share\* | $157,700 | $157,700 | $157,700 |
| **Total** | **$5,259,700** | **$5,424,700** | **$5,631,450** |
| # of non-CAP Residential Customers | 338,284 | 338,284 | 338,284 |
| Average Spending/Customer/Month | $1.30 | $1.34 | $1.39 |
|  |  |  |  |
| **UGI PNG** |  |  |  |
| CAP | $3,025,000 | $3,235,000 | $3,396,750 |
| LIURP | $1,048,450 | $1,048,450 | $1,048,450 |
| CARES\* | $35,000 | $35,000 | $35,000 |
| Operation Share\*\* | $75,850 | $75,850 | $75,850 |
| **Total** | **$4,075,300** | **$4,285,300** | **$4,447,050** |
| # of non-CAP Residential Customers | 146,339 | 146,339 | 146,339 |
| Average Spending/Customer/Month | $2.32 | $2.44 | $2.53 |
|  |  |  |  |
| **UGI CPG** |  |  |  |
| CAP | $1,099,000 | $1,158,000 | $1,737,000 |
| LIURP | $500,000 | $500,000 | $500,000 |
| CARES\* | $10,000 | $10,000 | $10,000 |
| Operation Share\*\* | $49,200 | $49,200 | $49,200 |
| **Total** | **$1,600,200** | **$1,659,200** | **$2,238,200** |
| # of non-CAP Residential Customers | 70,139 | 70,139 | 70,139 |
| Average Spending/Customer/Month | $1.90 | $1.97 | $2.66 |
|  |  |  |  |
| **UGI Electric** |  |  |  |
| CAP | $1,991,000 | $2,595,500 | $2,725,275 |
| LIURP | $124,750 | $124,750 | $124,750 |
| CARES\* | $20,000 | $20,000 | $20,000 |
| Operation Share\* | $39,950 | $39,950 | $39,950 |
| **Total** | **$2,116,700** | **$2,721,200** | **$2,850,975** |
| # of non-CAP Residential Customers | 51,678 | 51,678 | 51,678 |
| Average Spending/Customer/Month | $3.41 | $4.39 | $4.60 |

\*These funds are not recovered in the UGI Companies’ base rates or their universal service fund surcharge. Therefore, they are not included in the “Total” rows above or the “Average Spending/Customer/Month” calculations.

**\*\***OnlyOperation Share’sadministrative costs are recovered from residential ratepayers. The Projected Administrative Budget amounts for 2018-2020 include: UGI Gas ($3,700);

UGI PNG ($1,850); UGI CPG ($1,200); UGI Electric ($950).

Although the UGI Companies were compliant by including projected universal service program spending for 2018-2020 in their plan, we are concerned about the budget data presented for UGI Electric, including the increase in the average monthly spending anticipated by customers to support Universal Service Programs. We note in the Commission’s January 15 Order at 66 that the average monthly spending per customer for UGI Electric averaged $3.03 for the years 2014-2017. This figure contrasts markedly with the average monthly spending per UGI Electric customer anticipated for 2018-2020, which is $4.13.

*Proposed Resolution:* In response to this Tentative Order, the UGI Companies should address our concerns regarding the average monthly spending anticipated for customers to support UGI Electric’s Universal Service Programs, including identifying the factors that may be contributing to these increases and the company’s plans to contain or mitigate these issues.

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

The Competition Acts direct the Commission to encourage utility companies to use community-based organizations to assist in the operation of universal service programs. 66 Pa. C.S. §§ 2203(8) and 2804(9). In accordance with these provisions, the UGI Companies use the CBOs listed below for CAP administration in their respective service territories:

UGI Gas

* Commission on Economic Opportunity –Hazleton
* Easton Area Neighborhood Center
* Lancaster CAP
* Lebanon County Christian Ministries
* Neighborhood Housing Services of Greater Berks, Inc.
* The Salvation Army –Allentown
* The Salvation Army–Harrisburg
* The Salvation Army–Reading

UGI Electric

* Commission on Economic Opportunity

UGI PNG

* Union-Snyder Community Action Agency
* AGAPE
* Commission on Economic Opportunity
* Scranton Lackawanna Human Development Agency/SLHDA
* Social Service Assistance Program - S.T.E.P., Inc.
* TREHAB, Inc.

UGI CPG

* Central PA Community Action Program, Inc.
* Central Susquehanna Opportunities, Inc.
* Commission on Economic Opportunity
* Northern Tier Community Action
* Schuylkill County Community Action
* Social Service Assistance Program - S.T.E.P., Inc.
* The Salvation Army –East Stroudsburg
* The Salvation Army Service Center–Hamburg
* TREHAB, Inc.
* Union Snyder Community Action Agency
* Warren/Forest Economic Opportunity Council

*Proposed Resolution*: At this time, we are not proposing changes to this aspect of the UGI Companies’ proposed 2018-2020 Plan.

**H. Organizational Structure of Universal Service Staff**

The organizational structure for the UGI Companies’ Universal Services Programs is as follows:

* + Director, Customer Service (1 full time)
  + Customer Outreach Senior Supervisor (1 full time)
  + Senior Customer Outreach Coordinator (1 full time)
  + Senior Customer Outreach Representative (1 full time)
  + Customer Outreach Representatives (7 full time)

*Proposed Resolution*: At this time, we are not proposing changes to this aspect of the UGI Companies’ proposed 2018-2020 Plan.

**I. Integration of Universal Service Programs**

To integrate universal service operations, the UGI Companies and contractors screen, enroll, and refer customers to any of their four universal service programs, as well as to LIHEAP and state weatherization programs such as administered by the Department of Community and Economic Development. The UGI Companies use a Customer Outreach System to communicate and refer eligible customers.

*Proposed Resolution*: At this time, we are not proposing changes to this aspect of the UGI Companies’ proposed 2018-2020 Plan.

**V. Conclusion**

This Tentative Order sets forth the aspects that the UGI Companies will need to address prior to our approval of its Proposed 2018-2020 Plan. This Tentative Order also calls for comments from stakeholders.

In particular, we direct the UGI Companies to address the following points in their responses and supplemental information relative to this Order consistent with the discussion and directions herein:

1. Explain how they intend to implement protocols that will support the efficient use of electronic communication, including the possible use of resource accounts, to support the prompt attention to customer needs. In addition:

1. Specify how CBO employees will be trained to ensure they consistently and accurately request and document the customer’s information, as well as communicate – both verbally and in writing – CAP rights and responsibilities.
2. Provide a copy of the UGI Companies’ CBO training plan as well as the script or protocols the CBO must adhere to when processing customer CAP applications or recertifications.
3. Explain how CBOs will serve customers via telephone who have limited-English proficiency.

2. Specify the scope and details of their Direct CAP Solicitation plan, including how the companies will uphold the integrity of their data systems as well as the systems of the CBOs to ensure customer information will not be vulnerable or susceptible to fraudulent activities. In addition, the companies should provide clear explanation of how they will ensure that customers understand the opt-out provisions and explain why they have proposed an opt-out provision rather than an opt-in process.

3. Elaborate how data obtained on CBO performance will be used to monitor, assess, and ultimately improve the operations of CBOs in their provision of services to low-income payment-troubled customers.

4. Identify if the UGI Companies explored other opportunities to encourage current CAP customers to remain on the CAP, including measures that allow customers to reapply for CAP if they meet certain requirements. In addition:

1. Substantiate the scope of problems associated with CAP customers who regularly leave and re-apply to the CAP by identifying the number of CAP participants who voluntarily leave the program, the number who were removed from the program, and the outstanding balances for each group.
2. Identify the number of former CAP customers who reapplied for CAP coverage and when they applied for such coverage after leaving the CAP.
3. Identify any information it has compiled or assessed concerning why CAP participants voluntarily leave the program and if such reasons could be addressed or mitigated through certain program changes or enhancements.

5. Address whether the UGI Companies are amenable to revising their CAP eligibility requirements to permit a CAP customer to operate a business from their residential property under certain conditions.

6. Explain how the UGI Companies will ensure CAP customer eligibility is consistently and objectively determined and applied. In addition:

1. Define how the UGI Companies plan to provide guidance and/or clarification to its CBOs and potential customers on how they can prove or substantiate their good faith, honesty, or fair dealing efforts, including good faith efforts to conserve energy.
2. Provide annual statistics for the years 2013-2017 that indicate the number of customers who were denied from participating in the CAP because they demonstrated a lack of good faith, honesty, or fair dealing or failed to engage in good faith efforts to conserve energy.

7. Identify the forms of identification they will accept from a customer who applies for CAP if they do not provide an SSN or ITIN.

8. Provide CAP customer participation data from 2013-2017, differentiated by Heating and Non-Heating CAP customers and by FPIG level. In addition:

1. Provide the average annual CAP credits per customer issued by UGI CPG and UGI Electric from 2013-2017, differentiated by Heating and Non-Heating CAP customers and by FPIG level.
2. Provide the average annual CAP credits issued by UGI Gas and UGI PNG from 2013-2017, differentiated by Heating and Non-Heating services customers and by FPIG level.
3. Average annual CAP Default Rates by poverty level for UGI CPG and UGI Electric from 2013-2017, differentiated by Heating and Non-Heating CAP customers.
4. Average Arrearage on an Agreement by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.
5. Average Arrearage Not on an Agreement by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.
6. Average Arrearage on an Agreement by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.
7. Average Arrearage Not on an Agreement by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.
8. The number of Terminations by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.
9. The number of Terminations by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.
10. Gross Write-Offs in Dollars by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.
11. Gross Write-Offs in Dollars by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.
12. Provide the number of customers who applied for CAP during the period July- December 2015 and the years 2016 and 2017 who exceeded the energy usage thresholds in Table 4 of this Tentative Order.
13. Provide the number of customers who exceeded the energy usage thresholds in Table 4 of this Tentative Order while participating in the CAP during the period July-December 2015 and the years 2016 and 2017.
14. Provide the number of CAP customers during the period July- December 2015 and the years 2016 and 2017 who received assistance from a CAP caseworker, including energy education and, if applicable, LIURP referral.
15. Provide the difference - stated as an average yearly percentage - in pre-program and current energy usage (+ or –) of CAP customers who exceeded energy usage thresholds but received energy conservation assistance from a CAP caseworker.
16. Provide the number of CAP customers during the period July- December 2015 and the years 2016 and 2017 who were removed from the CAP for refusing to participate in the LIURP or for failure to comply with the UGI Companies’ high usage controls.
17. Provide CAP customer feedback on the quality of education and outreach the household received on energy conservation practices.

9. Clarify the CAP customer reinstatement policy, including specifying the exact payment obligations customers must adhere to in order to be reinstated to the CAP.

10. Explain the protocols the UGI Companies have established to ensure CAP participants are billed at the most affordable rate, including their adherence to regularly monitoring CAP customer accounts for billing accuracy.

11. Identify in their USECP the policy the UGI Companies will adhere to when assessing the final bill of CAP customers. If the UGI Companies assert that certain deviations in final bill assessments must occur under certain circumstances, the UGI Companies should clearly explain what those circumstances are and how the deviations will balance the needs of both the company and the customer. The UGI Companies should also address how they handle a situation in which the partial month final bill at the residential tariff rate is greater than the customer’s full month at the CAP price.

12. Define the term “household income” in their USECP as it specifically relates to CAP Customer Eligibility Requirements.

13. Clarify what constitutes “above average annual usage” regarding LIURP Weatherization Program Eligibility, including how that usage level was determined.

14. Elaborate on their rationale for their potentially inconsistent use of Operation Share Energy Funds to pay customer reconnection fees, including explaining why only UGI PNG customers are afforded this benefit while customers of UGI CPG, UGI Gas, and UGI Electric may be denied grants for reconnection purposes. In addition, Identify the criteria or evaluation measures that staff at UGI CPG, UGI Gas, and UGI Electric will consistently use in their application of “discretion” to determine if Operation Share assistance will be afforded to CAP participants to reconnect service.

15. Explain the UGI Companies’ policy for the allocation of grants under the Operation Share Program.

16. Elaborate on the various ways the UGI Companies plan to increase the scope of their fundraising activities to support Operation Share.

17. Clarify the scope of their USP Rider for the Operation Share Program, including what expenses of the program are being recovered through the USP Riders.

18. Explain why there are discrepancies in the number of Payment-Troubled, Low-Income Customers reported by UGI Gas and UGI PNG in the 2016 Universal Service Programs & Collections Performance Report in comparison to the information included in the proposed USECP. In addition:

1. Clarify what the UGI Companies consider to be a “payment-troubled customer” and if that definition coincides with how the term is defined at 52 Pa. Code § 54.72 and § 62.2.
2. Provide the figures that accurately represent the number of Payment-Troubled, Low-Income Customers of UGI Gas and UGI PNG, if the numbers included in the plan are inaccurate.
3. Provide an explanation for footnote 36 on page B-1.
4. Provide data for both UGI Gas and UGI PNG that further distinguishes the number of customers in need of LIURP services based upon the following eligibility criteria:
   * 1. The number of identified low-income customers;
     2. The number of customers with 12 months of consecutive service;
     3. The number of customers meeting LIURP usage criteria;
     4. The number of customers whose premises has not received LIURP weatherization services within the past 7 years.

19. Identify the factors that may be contributing to the increases in the average monthly spending anticipated of customers to support UGI Electric’s Universal Service Programs, including the companies’ plans to contain or mitigate these issues.

The UGI Companies’ responses and supplemental information must be filed and served on or before twenty (20) days after the entry of this Tentative Order. To the extent that the UGI Companies have responsive or new proposals for additional relief, those proposals, along with timelines and cost estimates, should be described in the response to afford other parties the opportunity to comment and reply.

Comments are due twenty (20) days after the UGI Companies’ responses and supplemental information filing deadline, and reply comments are due fifteen (15) days thereafter. If the comments and reply comments raise relevant material factual issues, we may refer this matter, in whole or in part, to the OALJ for hearing and decision;

**THEREFORE,**

**IT IS ORDERED:**

1. That approval of the Universal Service and Energy Conservation Plan for 2018-2020 as filed by UGI Utilities, Inc.- Gas Division, UGI Penn Natural Gas, Inc., UGI Central Penn Gas, Inc., and UGI Utilities, Inc.-Electric Division, on June 30, 2017 is withheld pending review of requested information and stakeholder comments, as set forth in this Tentative Order.

2. That a copy of this Tentative Order be served on UGI Utilities, Inc.- Gas Division, UGI Penn Natural Gas, Inc., UGI Central Penn Gas, Inc., UGI Utilities, Inc.-Electric Division, the Office of the Consumer Advocate, the Office of Small Business Advocate, the Bureau of Investigation and Enforcement, and the Public Utility Law Project. Copies shall also be served on the parties to *UGI Utilities 2014-2017 USECP*, Docket No. M-2013-2371824; *Pa. PUC v. UGI – Gas*, Docket No. R-2015-2518438; and *Pa. PUC v. UGI PNG*, Docket No. R-2016-2580030.

3. That UGI Utilities, Inc.- Gas Division, UGI Penn Natural Gas, Inc., UGI Central Penn Gas, Inc., and UGI Utilities, Inc.-Electric Division shall file and serve the responses and supplemental information requested herein within twenty (20) days of the entry of this order.

4. That the UGI Companies shall address the following points in their responses and supplemental information relative to this Order consistent with the discussion and directions herein:

A. Explain how they intend to implement protocols that will support the efficient use of electronic communication, including the possible use of resource accounts, to support the prompt attention to customer needs. In addition:

i) Specify how CBO employees will be trained to ensure they consistently and accurately request and document the customer’s information, as well as communicate – both verbally and in writing – CAP rights and responsibilities.

ii) Provide a copy of the UGI Companies’ CBO training plan as well as the script or protocols the CBO must adhere to when processing customer CAP applications or recertifications.

iii) Explain how CBOs will serve customers via telephone who have limited-English proficiency.

B. Specify the scope and details of their Direct CAP Solicitation plan, including how the companies will uphold the integrity of their data systems as well as the systems of the CBOs to ensure customer information will not be vulnerable or susceptible to fraudulent activities. In addition, the companies should provide clear explanation of how they will ensure that customers understand the opt-out provisions and explain why they have proposed an opt-out provision rather than an opt-in process.

C. Elaborate how data obtained on CBO performance will be used to monitor, assess, and ultimately improve the operations of CBOs in their provision of services to low-income payment-troubled customers.

D. Identify if the UGI Companies explored other opportunities to encourage current CAP customers to remain on the CAP , including measures that allow customers to reapply for CAP if they meet certain requirements. In addition:

i) Substantiate the scope of problems associated with CAP customers who regularly leave and re-apply to the CAP by identifying the number of CAP participants who voluntarily leave the program, the number who were removed from the program, and the outstanding balances for each group.

ii) Identify the number of former CAP customers who reapplied for CAP coverage and when they applied for such coverage after leaving the CAP.

iii) Identify any information it has compiled or assessed concerning why CAP participants voluntarily leave the program and if such reasons could be addressed or mitigated through certain program changes or enhancements.

E. Address whether the UGI Companies are amenable to revising their CAP eligibility requirements to permit a CAP customer to operate a business from their residential property under certain conditions.

F. Explain how the UGI Companies will ensure CAP customer eligibility is consistently and objectively determined and applied. In addition:

i) Define how the UGI Companies plan to provide guidance and/or clarification to its CBOs and potential customers on how they can prove or substantiate their good faith, honesty, or fair dealing efforts, including good faith efforts to conserve energy.

ii) Provide annual statistics for the years 2013-2017 that indicate the number of customers who were denied from participating in the CAP because they demonstrated a lack of good faith, honesty, or fair dealing or failed to engage in good faith efforts to conserve energy.

G. Identify the forms of identification they will accept from a customer who applies for CAP if they do not provide an SSN or ITIN.

H. Provide CAP customer participation data from 2013-2017, differentiated by Heating and Non-Heating CAP customers and by FPIG level. In addition:

i) Provide the average annual CAP credits per customer issued by UGI CPG and UGI Electric from 2013-2017, differentiated by Heating and Non-Heating CAP customers and by FPIG level.

ii) Provide the average annual CAP credits issued by UGI Gas and UGI PNG from 2013-2017, differentiated by Heating and Non-Heating services customers and by FPIG level.

iii) Average annual CAP Default Rates by poverty level for UGI CPG and UGI Electric from 2013-2017, differentiated by Heating and Non-Heating CAP customers.

iv) Average Arrearage on an Agreement by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.

v) Average Arrearage Not on an Agreement by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.

vi) Average Arrearage on an Agreement by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.

vii) Average Arrearage Not on an Agreement by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.

viii) The number of Terminations by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.

ix) The number of Terminations by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.

x) Gross Write-Offs in Dollars by Residential Customers for UGI CPG and UGI Electric for the years 2013-2017.

xi) Gross Write-Offs in Dollars by Confirmed Low-Income Customers for UGI CPG and UGI Electric for the years 2013-2017.xi) Provide the number of customers who applied for CAP during the period July- December 2015 and the years 2016 and 2017 who exceeded the energy usage thresholds in Table 4 of this Tentative Order.

xii) Provide the number of customers who exceeded the energy usage thresholds in Table 4 of this Tentative Order while participating in the CAP program during the period July-December 2015 and the years 2016 and 2017.

xiii) Provide the number of CAP customers during the period July- December 2015 and the years 2016 and 2017 who received assistance from a CAP caseworker, including energy education and, if applicable, LIURP referral.

xiv) Provide the difference - stated as an average yearly percentage - in pre-program and current energy usage (+ or –) of CAP customers who exceeded energy usage thresholds but received energy conservation assistance from a CAP caseworker.

xv) Provide the number of CAP customers during the period July- December 2015 and the years 2016 and 2017 who were removed from the CAP for refusing to participate in the LIURP or for failure to comply with the UGI Companies’ high usage controls.

xvi) Provide CAP customer feedback on the quality of education and outreach the household received on energy conservation practices.

I. Clarify the CAP customer reinstatement policy, including specifying the exact payment obligations customers must adhere to in order to be reinstated to the CAP.

J. Explain the protocols the UGI Companies have established to ensure CAP participants are billed at the most affordable rate, including their adherence to regularly monitoring CAP customer accounts for billing accuracy.

K. Identify in their USECP the policy the UGI Companies will adhere to when assessing the final bill of CAP customers. If the UGI Companies assert that certain deviations in final bill assessments must occur under certain circumstances, the UGI Companies should clearly explain what those circumstances are and how the deviations will balance the needs of both the company and the customer. The UGI Companies should also address how they handle a situation in which the partial month final bill at the residential tariff rate is greater than the customer’s full month at the CAP price.

L. Define the term “household income” in their USECP as it specifically relates to CAP Customer Eligibility Requirements.

M. Clarify what constitutes “above average annual usage” regarding LIURP Weatherization Program Eligibility, including how that usage level was determined.

N. Elaborate on their rationale for their potentially inconsistent use of Operation Share Energy Funds to pay customer reconnection fees, including explaining why only UGI PNG customers are afforded this benefit while customers of UGI CPG, UGI Gas, and UGI Electric may be denied grants for reconnection purposes. In addition:

i) Identify the criteria or evaluation measures that staff at UGI CPG, UGI Gas, and UGI Electric will consistently use in their application of “discretion” to determine if Operation Share assistance will be afforded to CAP participants to reconnect service.

O. Explain the UGI Companies’ policy for the allocation of grants under the Operation Share Program.

P. Elaborate on the various ways the UGI Companies plan to increase the scope of their fundraising activities to support Operation Share.

Q. Clarify the scope of their USP Rider for the Operation Share Program, including what expenses of the program are being recovered through the USP Riders.

R. Explain why there are discrepancies in the number of Payment-Troubled, Low-Income Customers reported by UGI Gas and UGI PNG in the 2016 Universal Service Programs & Collections Performance Report in comparison to the information included in the USECP. In addition:

i) Clarify what the UGI Companies consider to be a “payment-troubled customer” and if that definition coincides with how the term is defined at 52 Pa. Code § 54.72 and § 62.2.

ii) Provide the figures that accurately represent the number of Payment-Troubled, Low-Income Customers of UGI Gas and UGI PNG, if the numbers included in the plan are inaccurate.

iii) Provide an explanation for footnote 36 on page B-1.

iv) Provide data for both UGI Gas and UGI PNG that further distinguishes the number of customers in need of LIURP services based upon the following eligibility criteria:

1. The number of identified low-income customers;
2. The number of customers with 12 months of consecutive service;
3. The number of customers meeting LIURP usage criteria;
4. The number of customers whose premises has not received LIURP weatherization services within the past 7 years.

S. Identify the factors that may be contributing to the increases in the average monthly spending anticipated of customers to support UGI Electric’s Universal Service Programs, including the companies’ plans to contain or mitigate these issues.

5 That comments to this Tentative Order shall be filed within twenty (20) days after the filing deadline for the responses and supplemental information. Reply comments shall be filed within fifteen (15) days thereafter.

6. That one original signed copy of comments and reply comments shall be filed with the Commission’s Secretary at: Pennsylvania Public Utility Commission P.O. Box 3265, Harrisburg, PA 17105-3265. Comments may also be filed electronically through the Commission’s e-filing system, in which case no paper copy needs to be filed with the Secretary provided that the comments are less than 250 pages.

7. That an electronic copy, in WORD® or WORD®-compatible format, of all filed submissions, comments, and reply comments be provided to Michele Tate, Bureau of Consumer Services, [mtate@pa.gov](mailto:mtate@pa.gov), Joseph Magee, Bureau of Consumer Services, [jmagee@pa.gov](mailto:jmagee@pa.gov), and to Louise Fink Smith, Law Bureau, [finksmith@pa.gov](mailto:finksmith@pa.gov).

8. That the contact person for this Tentative Order is Michele Tate, Bureau of Consumer Services, 717-787-5155, [mtate@pa.gov](mailto:mtate@pa.gov).

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

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: August 23, 2018

ORDER ENTERED: August 23, 2018

1. Proposed 2018-2020 Plan at 1-2. [↑](#footnote-ref-1)
2. As reported to BCS. [↑](#footnote-ref-2)
3. The January 15 Order directed UGI to eliminate CAP Credit limits within six months of the entry date of the Order and to report annually to BCS, and all active parties to the proceeding, the effect of this change on CAP credit expenditures. This report is due by April 1st each year, beginning in April 2016, and should identify the total amount spent on customer CAP credits during the previous calendar year that was made in excess of its previous limits. January 15 Order at 80. [↑](#footnote-ref-3)
4. The UGI Distribution Companies, the Pennsylvania Utility Law Project (PULP), and the Office of Consumer Advocate (OCA) were the only active parties to this proceeding. [↑](#footnote-ref-4)
5. The parties agreed to the following changes:

   1. Strike the figure for “Estimated Number of Payment-Troubled, Low-Income Customers” as a separate line item, since this figure equals the “Identified Payment-Troubled Low-Income Customers” set forth in the needs assessment;
   2. Refine LIURP eligibility criteria to include in the LIURP-eligible pool of customers those who had not received weatherization services within the past seven (7) years - resulting in a net increase of LIURP-eligible customers; and
   3. Restate in the USECP the policy to grant exceptions, where warranted, on a case-by-case basis to customers who do not meet the Plan’s LIURP eligibility criteria and report such exceptions annually to the Commission.

   [↑](#footnote-ref-5)
6. CAP credits are the difference between the amount billed at the standard residential rate and the amount billed pursuant to CAP pricing. [↑](#footnote-ref-6)
7. The UGI Companies report that only one CAP CBO, The Salvation Army of Harrisburg serving UGI Gas, does not accept emailed documentation. Proposed 2018-2020 Plan at Appendix C. [↑](#footnote-ref-7)
8. Section 69.265(3)(i)(C): “A CAP participant payment for an electric heating account should be at least $30-$40 a month.” [↑](#footnote-ref-8)
9. Section 58.11(a):

   If an applicant is eligible to receive program services, an onsite energy survey shall be performed to determine if the installation of program measures would be appropriate. The installation of a program measure is considered appropriate if it is not already present and performing effectively and when the energy savings derived from the installation will result in a simple payback of 7 years or less. A 12-year simple payback criterion shall be utilized for the installation of side wall insulation, attic insulation, space heating system replacement, water heater replacements and refrigerator replacement when the expected lifetime of the measure exceeds the payback period. [↑](#footnote-ref-9)
10. Section 58.10(a)(1):

    Among eligible customers, those with the largest usage and greatest opportunities for bill reductions relative to the cost of providing program services shall receive services first. When prioritizing eligible customers by usage level, several factors shall be considered when feasible. These factors include: the size of the dwelling, the number of occupants and the end uses of the utility service. When prioritizing eligible customers by opportunities for bill reductions, utility rate factors which may tend to limit (for example, declining block rates) or facilitate, for example, time-of-day rates or heating rates, bill reductions somewhat independently of absolute usage levels should be considered. [↑](#footnote-ref-10)
11. Withheld forgiveness will be applied after the credit balance is used. Proposed 2018-2020 Plan at 16. [↑](#footnote-ref-11)
12. If 12 months of usage data are not available for the residence, the average annual bill is determined by using the average bill for all residential customers. Proposed 2018-2020 Plan at 11. [↑](#footnote-ref-12)
13. The UGI Companies may grant exceptions to its energy usage requirement if consumption levels are beyond the customer’s ability to control. Proposed UGI 2018-2020 Plan at 18. [↑](#footnote-ref-13)
14. UGI PNG will waive the requirement that the customer be an active gas heating customer for the purpose of furnace repair or replacement spending. [↑](#footnote-ref-14)
15. A portion of LIURP participants, up to 20%, may have household incomes at 151%-200% of the FPIG. [↑](#footnote-ref-15)
16. UGI PNG is seeking Commission waiver of the LIURP regulation requiring the customer have above-average usage for the purpose of furnace repair or replacement spending. [↑](#footnote-ref-16)
17. Program measures follow applicable payback periods; therefore, a customer’s residence that has been previously weatherized may not be eligible for LIURP until the applicable payback period has expired. However, UGI PNG is seeking Commission waiver of the LIURP payback regulations for furnace repair and replacement. [↑](#footnote-ref-17)
18. The program is available to both homeowners and renters. Renters must provide with written permission from landlords. [↑](#footnote-ref-18)
19. The UGI Companies currently have the discretion to use Operation Share grants to pay reconnection fees for CAP customers. Proposed 2018-2020 Plan at 21. [↑](#footnote-ref-19)
20. The UGI Companies or the CBOs may waive a requirement in extraordinary circumstances. Proposed 2018-2020 USECP at 9. [↑](#footnote-ref-20)
21. 52 Pa. Code § 62.4 requires the inclusion of estimated low-income payment-troubled customers in a NGDC’s needs assessment. Due to the methodology employed by the UGI Companies, this figure is equal to the identified payment-troubled low-income customers set forth in line 3 and is not repeated to avoid redundancy. [↑](#footnote-ref-21)
22. This figure accounts for the following eligibility criteria: (1) identified low-income; (2) 12 months of consecutive service; (3) meeting LIURP usage criteria; (4) premises not having received LIURP weatherization services within the past seven (7) years. The UGI Companies may grant exceptions where warranted on a case-by-case basis to customers who do not meet this eligibility criteria and will report exceptions annually to the Commission. [↑](#footnote-ref-22)