



PEOPLES™

MAKING YOUR LIFE BETTER.

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VIA ELECTRONIC FILING

April 8, 2019

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

Re: Supplemental Information Submittal
Docket Number: M-2017-2587711

Dear Secretary Chiavetta:

In response to the Commission Order of January 17, 2019 and the subsequent Secretarial Letter issued March 7, 2019, Peoples Natural Gas Company LLC and Peoples Gas Company LLC (collectively “Peoples”) submits the attached supplemental information regarding projected costs and savings that may occur under a potential maximum energy burden Customer Assistance Program for natural gas utilities in Pennsylvania.

Should you have any questions or concerns regarding this matter, please do not hesitate to contact Rita Black, Director of Customer Relations at (412) 208-6530 or the undersigned at (412) 208-6834.

Very truly yours,

/es/ Jennifer L. Petrisek

cc (via email): Joe Magee, Supervisor, Energy Policy, Bureau of Consumer Services
Louise Fink Smith, Assistant Counsel, Law Bureau

Peoples Natural Gas Company LLC and Peoples Gas Company LLC (collectively, "Peoples")

In response to the Commission Order of January 17, 2019 and subsequent Secretarial Letter issued March 7, 2019, Peoples submits this supplemental information regarding projected costs and savings that may occur under a potential six percent maximum energy burden CAP program for natural gas utilities in Pennsylvania.

Please note that the Peoples companies operate a CAP program for customers with incomes between 151 and 200% of Federal Poverty Levels. For the purposes of this exercise, calculations are limited to the traditional CAP program, which serves customers with incomes at or below 150% of Federal Poverty Level.

In the development of the cost estimates, the following measures and assumptions were utilized:

- The current program, including its provisions for percentage of income payment amounts, CAP minimum payments and CAP Plus mechanism was used as the baseline.
- All projections provided on a yearly basis reflect the change in CAP costs in relation to this baseline.
- Projections for 2016, 2017 and 2018 were developed using mid-year effective rates. The CAP Plus rate in effect for the majority of the calendar year was also used in the calculation.
- Projections for 2019 for the Peoples and Equitable Divisions of Peoples Natural Gas reflect the proposed increase to the delivery rate and customer charge as proposed in its current base rate proceeding which was filed in late January of 2019. (Docket R-2018-3006818).
- Projections for 2020 and 2021 are the same as 2019 because the companies have not projected significant changes in participation, rates and or customer usage levels that would affect CAP cost projections in these out years.
- The projections are based on actual expected expenses and are not reflective of cost recovery calculations, which may or may not limit recovery of certain expenses.

Cost and Savings Analysis**System Changes**

Peoples currently offers a percentage of income CAP program in which the customer pays the lower of the calculated percentage of income payment or the average bill. The currently effective percentage of income levels are as follows:

Federal Poverty Limit	Percentage of Income Payment Amount
0 to 50%	8% (minimum payment of \$25)
51 to 100%	9%
101 to 150%	10%
151 to 200%	11% ¹

System Changes (continued)

¹ This group is excluded from all cost/savings calculations provided.

If the only change to Peoples' existing program is a reduction in the percentage of income amount to 6% and all other parameters of the existing programs remained in place, the IT cost to make this change is estimated to be \$6,000 and such a change could be implemented within 30 days of an Order from the Commission.

If the Commission adopts a 6% natural gas energy burden program, in which the customer pays the lower of the calculated 6% or the average bill, but other existing provisions are eliminated, the following system changes would be required:

- Eliminate \$5 pre-program arrears add-on and CAP Plus mechanism
- Eliminate \$25 minimum payment
- Update all existing CAP accounts with new CAP provisions

The estimated cost of these changes is \$100,000 and the implementation timeframe would be dependent on the time required to make the changes as well as the status of other planned IT projects using the same resources.

Pre-program Arrearages and In-program Arrearages

Currently, customers who enroll into Peoples CAP program with a pre-program balance pay a \$5 add-on payment towards their pre-program balance and receive Arrearage Forgiveness benefits (1/36th of the pre-program balance) for each full CAP payment made. If the \$5 pre-program add-on were eliminated, Arrearage Forgiveness costs at each of the Peoples companies would be projected to increase \$60 per year, per participant with arrearages. A projection of this increase to Arrearage Forgiveness for each of the companies/divisions for each year is included in the cost projection tables.

Cost Savings

Because the CAP program's current percentage of income payment amounts are higher than 6% and customers already receive the benefit of paying the lower of the percentage of income payment or the average bill amount, there are no projected cost savings for the CAP program itself. While a lower CAP payment should improve payment compliance, there is not enough information available regarding affordability and payment compliance to project a potential impact to uncollectible balances and collection costs.

Elimination of Payment Troubled Requirement

Peoples current CAP program does not require income eligible customers to be payment troubled, defined as failure to maintain a payment arrangement, in order to participate in CAP. Therefore, there are no cost impacts in the provided projections in relation to a potential elimination of the payment troubled requirement. There is a payment-troubled provision for customers with incomes between 151 and 200% of Federal Poverty Level, but this group is not included in the cost analysis.

Zero Income Tallies

Zero income tallies were provided as required by the April 1, 2019 Universal Service Reporting due date.

Scenario 1 – Assume CAP participants pay the lower of 6 percent of their income or the average bill.

2016	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credit Increase	\$3,387,564	\$2,956,860	\$830,593
Arrearage Forgiveness	\$118,935	\$96,795	\$25,560
Total	\$3,506,499	\$3,053,659	\$856,153

2017	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$4,339,056	\$3,465,695	\$1,006,410
Arrearage Forgiveness	\$158,580	\$129,060	\$34,080
Total	\$4,497,636	\$3,594,759	\$1,040,490

2018	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$5,379,153	\$4,422,798	\$1,159,184
Arrearage Forgiveness	\$433,860	\$356,400	\$81,480
Total	\$5,813,013	\$4,779,198	\$1,240,664

2019	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$5,766,020	\$5,278,402	\$1,022,119
Arrearage Forgiveness	\$433,860	\$356,400	\$81,480
Total	\$6,199,880	\$5,633,802	\$1,103,599

2020	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$5,766,020	\$5,278,402	\$1,022,119
Arrearage Forgiveness	\$433,860	\$356,400	\$81,480
Total	\$6,199,880	\$5,634,802	\$1,103,599

2021	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$5,766,020	\$5,278,402	\$1,022,119
Arrearage Forgiveness	\$433,860	\$356,400	\$81,480
Total	\$6,199,880	\$5,634,802	\$1,103,599

Scenario 2 – Assume CAP participants pay the lower of 6 percent of their income or the average bill and that all other existing provisions of the Company’s CAP plan remain intact.

2016	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$1,748,631	\$1,382,051	\$456,293
Arrearage Forgiveness	\$0	\$0	\$0
Total	\$1,748,631	\$1,382,051	\$456,293

2017	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$1,412,323	\$1,470,962	\$478,494
Arrearage Forgiveness	\$0	\$0	\$0
Total	\$1,412,323	\$1,470,962	\$478,494

2018	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$2,611,308	\$2,425,063	\$630,857
Arrearage Forgiveness	\$0	\$0	\$0
Total	\$2,611,308	\$2,425,063	\$630,857

2019	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$3,752,361	\$3,663,984	\$700,253
Arrearage Forgiveness	\$0	\$0	\$0
Total	\$3,752,361	\$3,663,984	\$700,253

2020	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$3,752,361	\$3,663,984	\$700,253
Arrearage Forgiveness	\$0	\$0	\$0
Total	\$3,752,361	\$3,663,984	\$700,253

2021	PNG- Peoples Division	PNG- Equitable Division	Peoples Gas LLC
CAP Credits	\$3,752,361	\$3,663,984	\$700,253
Arrearage Forgiveness	\$0	\$0	\$0
Total	\$3,752,361	\$3,663,984	\$700,253