



PHILADELPHIA GAS WORKS

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April 8, 2019

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
400 North Street
Harrisburg, PA 17120

**Re: “Home Energy Affordability for Low-Income Customers in Pennsylvania” Report
Supplemental Information; M-2017-2587711**

Dear Secretary Chiavetta:

Enclosed for filing is Philadelphia Gas Works’ Supplemental Information as ordered by the Commission in its January 17, 2019 Order.

If additional information is required, please do not hesitate to contact the undersigned. Thank you for your assistance in the matter.

Very truly yours,


Graciela Christlieb, Esq.

cc: Certificate of Service

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Energy Affordability for Low-Income :
Customers : Docket No. M-2017-2587711

**PHILADELPHIA GAS WORKS
SUPPLEMENTAL INFORMATION**

INTRODUCTION

By Order entered January 17, 2019 (“Order”), the Pennsylvania Public Utility Commission (“Commission” or “PUC”) published a staff report entitled “Home Energy Affordability for Low Income Customers in Pennsylvania” (“Report”). The Report was prepared by the Commission’s Bureau of Consumer Services (“BCS”) and Law Bureau in compliance with Commission Order entered May 5, 2017 at this Docket. Goals for the Report and this Docket include the determination of an affordable energy burden for low-income Pennsylvanians and a determination whether related existing PUC guidelines require modification. The Order required that public utilities provide supplemental information and data within thirty (30) days of the entry of the Order.

As scheduled in the Order, Philadelphia Gas Works (“PGW”) participated in a stakeholder meeting on February 6, 2019. Subsequently, by Secretarial Letter dated March 7, 2019 (“Letter”), the Commission made modifications to some of the data required by the Order, and established that all supplemental information be provided within thirty (30) days of the date of

the Letter (i.e. April 8, 2019). Namely, the Order and Letter required submission of the below supplemental information and data:

- I. Updates or corrections to the data submitted to the Commission for 2012 to 2016
- II. Cost forecasts based on a 10% maximum energy burden for the years 2016 through 2021, based on two (2) scenarios
- III. Estimates of the impact on enrollments to PGW's customer assistance program ("CAP" or "CRP") if restrictions other than low income status are eliminated for the years 2017 to 2021; and
- IV. Monthly customer tallies for all CAP customers claiming zero income in 2016 and 2017.

Given the significance of this proceeding to PGW and its ratepayers, PGW appreciates this opportunity to provide the below supplemental information and data.

SUPPLEMENTAL INFORMATION AND DATA

I. Updates or corrections to the data submitted to the Commission for 2012 to 2016

PGW has not become aware of any modifications needed to the data it submitted to the Commission.

II. Cost forecast based on a 10% maximum energy burden (6% for natural gas heat¹) for the years 2016 through 2021 based on the two (2) below scenarios

1. Estimate for charging all CAP customers the lesser of an average bill or 6% of the household's income for the yearly periods from 2016 through 2021 ("Scenario 1"). This estimate does not include system change costs, additional CAP charges, CAP credit limits, minimum payment/bill requirements, or other costs not related to charging the CAP customer the lesser of an average bill or the designated percent of income; and
2. Estimate for charging all CAP customers the lesser of an average bill or the PIP CAP model at 6% from 2016 through 2021. This estimate includes utility CAP charges, minimum payment restrictions, CAP credit limits, and other CAP costs/savings ("Scenario 2").

¹ PGW assumed 6% for gas non-heat also.

A. Introduction

PGW retained the Applied Public Policy Research Institute for Study and Evaluation (APPRISE) to perform an evaluation of the Scenarios for PGW. With respect to CRP's current structure, it: (i) is a percentage of income payment plan (PIPP), plus an average bill option; (ii) does not have credit limits; (iii) requires a monthly \$5 co-pay for customers with pre-program arrears; (iv) has a \$25 minimum payment requirement; and (v) does not have a payment troubled requirement. Through PGW's Universal Service and Energy Conservation Surcharge ("Surcharge"), PGW recovers the costs of the CRP discount (i.e. difference between the actual bills and the CRP bills) ("Discount") and CRP arrearage forgiveness ("Arrearage Forgiveness"). The Surcharge is billed to all firm ratepayers; the Surcharge is not billed to interruptible ratepayers.

B. Cost Forecasts

2016 and 2017 Scenario 1 and Scenario 2 Forecast Costs

Below are the full 2016 and 2017 Scenario 1 and 2 cost estimates of the impact of a 6% gas energy burden. With respect to reductions to write-offs for CRP participation, PGW has a CRP bad debt offset mechanism ("Write-off Offset," detailed below) that addresses reductions to write-offs related to increases in CRP enrollments between rate cases.²

The Discount related to changing to a 6% energy burden is shown in the Scenario 1 charts' costs for the Increased Subsidy for Full Year and Part Year Customers and the New Participant Subsidy.³

² The current offset mechanism was agreed pursuant to a rate case settlement; its existence should not be assumed to mean that PGW agrees that such a mechanism is advisable from a policy perspective or valid, or that PGW agrees with the formula and percentage used for the mechanism.

³ Full year current participants are those who had 11 or 12 months of CRP bills; partial year current participants are those who had less than 11 months of CRP bills. To arrive at the number of likely new participants, APPRISE

Scenario 1

Scenario 1 - 2017	No Minimum Payment No Arrearage Co-Pay Average Bill Option							
	0%-50%		51%-100%		101%-150%		All Poverty Levels	
	6% Burden		6% Burden		6% Burden		6% Burden	
Increased Subsidy Full Year Customer	\$2,520,190		\$9,129,390		\$3,612,320		\$15,261,900	
Increased Subsidy Part Year Customer	\$312,015		\$788,788		\$273,280		\$1,374,083	
New Participant Subsidy	\$75,291		\$1,088,634		\$1,523,170		\$2,687,095	
Arrearage Forgiveness Current Participant	\$333,800		\$572,470		\$162,048		\$1,068,318	
Arrearage Forgiveness No Co-Pay	\$333,800		\$451,950		\$114,784		\$900,534	
Arrearage Forgiveness New Participant	\$15,720		\$110,980		\$123,720		\$250,420	
Reduced Shutoff Current Participant	(\$14,591)		(\$26,341)		(\$5,903)		(\$46,835)	
Reduced Shutoff New Participant	(\$137)		(\$970)		(\$1,082)		(\$2,189)	
Write-off Offset	(\$463,387)		(\$846,644)		(\$383,360)		(\$1,693,391)	
Increased Shutoff Ratepayers	\$2,386		\$8,637		\$4,154		\$15,177	
Increased W/O Ratepayers	\$3,514		\$12,722		\$6,118		\$22,355	
Total Cost Increase	\$3,118,601		\$11,289,617		\$5,429,249		\$19,837,467	

estimated the number of non-participants in each poverty level and household size, the estimated percent who would begin to participate because the program would be beneficial, and the relevant average subsidy cost; the estimated number of new participants is approximately 12,521 for Scenario 1 and 12,500 for Scenario 2. It is assumed that arrearage forgiveness costs would increase: for current participants due to lower bills, due to new participants, and due to not charging the \$5 co-pay in Scenario 1. APPRISE conservatively speculated that shutoffs would be reduced by .5 percentage points for new CRP entrants; and that the non-CRP customer termination rate would increase from 5.8% to 5.88% given the increased CRP-related Surcharge cost.

Scenario 1 - 2016	No Minimum Payment No Arrearage Co-Pay Average Bill Option							
	0%-50%		51%-100%		101%-150%		All Poverty Levels	
	6% Burden		6% Burden		6% Burden		6% Burden	
Increased Subsidy Full Year Customer	\$2,723,553		\$10,071,398		\$4,307,647		\$17,102,598	
Increased Subsidy Part Year Customer	\$364,964		\$934,650		\$388,058		\$1,687,672	
New Participant Subsidy	\$75,291		\$1,088,634		\$1,523,170		\$2,687,095	
Arrearage Forgiveness Current Participant	\$373,821		\$700,329		\$219,861		\$1,294,011	
Arrearage Forgiveness No Co-Pay	\$347,120		\$483,561		\$130,288		\$960,968	
Arrearage Forgiveness New Participant	\$15,720		\$110,980		\$123,720		\$250,420	
Reduced Shutoff Current Participant	(\$15,563)		(\$29,155)		(\$7,119)		(\$51,837)	
Reduced Shutoff New Participant	(\$137)		(\$970)		(\$1,082)		(\$2,189)	
Write-off Offset	(\$506,138)		(\$944,541)		(\$426,087)		(\$1,876,766)	
Increased Shutoff Ratepayers	\$2,325		\$8,544		\$4,307		\$15,177	
Increased W/O Ratepayers	\$3,425		\$12,585		\$6,344		\$22,355	
Total Cost Increase	\$3,384,381		\$12,436,015		\$6,269,108		\$22,089,504	

Scenario 2

Scenario 2 - 2017	\$25 Minimum Payment \$5/Month Arrearage Co-Pay Average Bill Option							
	0%-50%		51%-100%		101%-150%		All Poverty Levels	
	6% Burden		6% Burden		6% Burden		6% Burden	
Increased Subsidy Full Year Customer	\$1,852,590		\$9,129,390		\$3,612,320		\$14,594,300	
Increased Subsidy Part Year Customer	\$234,850		\$788,788		\$273,280		\$1,296,918	
New Participant Subsidy	\$73,542		\$1,088,453		\$1,522,903		\$2,684,898	
Arrearage Forgiveness Current Participant	\$333,800		\$572,470		\$162,048		\$1,068,318	
Arrearage Forgiveness New Participant	\$15,300		\$110,980		\$123,720		\$250,000	
Reduced Shutoff Current Participant	(\$14,591)		(\$26,341)		(\$5,903)		(\$46,835)	
Reduced Shutoff New Participant	(\$134)		(\$970)		(\$1,082)		(\$2,186)	
Write-off Offset	(\$457,142)		(\$836,012)		(\$378,546)		(\$1,671,700)	
Increased Shutoff Ratepayers	\$1,702		\$9,042		\$4,433		\$15,177	
Increased W/O Ratepayers	\$2,507		\$13,318		\$6,530		\$22,355	
Total Cost Increase	\$2,042,424		\$10,849,118		\$5,319,703		\$18,211,245	

Scenario 2 - 2016	\$25 Minimum Payment \$5/Month Arrearage Co-Pay Average Bill Option							
	0%-50%		51%-100%		101%-150%		All Poverty Levels	
	6% Burden		6% Burden		6% Burden		6% Burden	
Increased Subsidy Full Year Customer	\$2,011,513		\$10,071,398		\$4,307,647		\$16,390,558	
Increased Subsidy Part Year Customer	\$269,756		\$934,650		\$388,058		\$1,592,464	
New Participant Subsidy	\$73,542		\$1,088,453		\$1,522,903		\$2,684,898	
Arrearage Forgiveness Current Participant	\$373,821		\$700,329		\$219,861		\$1,294,011	
Arrearage Forgiveness New Participant	\$15,300		\$110,980		\$123,720		\$250,000	
Reduced Shutoff Current Participant	(\$15,563)		(\$29,155)		(\$7,119)		(\$51,837)	
Reduced Shutoff New Participant	(\$134)		(\$970)		(\$1,082)		(\$2,186)	
Write-off Offset	(\$498,420)		(\$930,952)		(\$419,957)		(\$1,849,329)	
Increased Shutoff Ratepayers	\$1,666		\$8,927		\$4,584		\$15,177	
Increased W/O Ratepayers	\$2,455		\$13,148		\$6,752		\$22,355	
Total Cost Increase	\$2,233,936		\$11,966,808		\$6,145,367		\$20,346,111	

2016-2021 Cost Forecasts

Below are 2016-2021 forecasts. Forecasting the future costs of a significant change to the energy burden is a speculative exercise. The forecasting herein is based on a number of limitations/assumptions. For example, these forecasts:

- Do not include potential impacts that would result from an economic recession or a significant increase in energy costs.

- Make a number of assumptions regarding new CRP entrants, including but not limited to that new entrants' income would be at the top of their relevant poverty level group income.
- Speculate on how payment patterns would improve with a reduced energy burden.
- Do not examine LIHEAP grant impacts.

The 6% cost increase forecast below relies on available 2017 data (such as census and actual customer data). Available data was used because the actual costs can be much higher than anticipated, as seen in New Jersey's Universal Service Fund. The 6% cost increase shown below should be expected to change based on a number of factors, such as gas costs, weather, payment practices, and the economy (including related to the increase in the Annual CAP Surcharge increase shown below, but which is not reflected in the forecasted 6% cost). The 2017 cost for the revised energy burden was used by APPRISE to project future costs as it provides the best estimate at this time.

Additionally, CRP has undergone a number of significant recent changes. These changes will increase the costs of CRP regardless of the outcome of this proceeding, and have not been reflected in costs reviewed by the Commission in the past. A summary of some of the recent changes is: (1) at the end of June 2018, PGW added an average bill option to its program; and (2) arrearage forgiveness is provided: (i) regardless of arrears as long as the customer makes a full CRP payment; and (ii) for all months paid when unpaid CRP bills are paid in full. A forecast for the cost related to these two changes is detailed in the charts below.

These estimates do not include the costs of PGW’s other universal service programs, and (other than for the Total Energy Burden Cost Increase) reflect only the CRP costs that would be recovered through the Surcharge (i.e. the Discount and Arrearage Forgiveness). Actual CRP Surcharge costs are shown for 2016 through 2018.

Scenario 1

Scenario 1	2016	2017	2018	2019	2020	2021
6% Energy Burden Cost Increase	\$22,089,504	\$19,837,467	\$19,837,467	\$19,837,467	\$19,837,467	\$19,837,467
Annual CAP Surcharge (Discount plus Arrearage Forgiveness)	\$46,007,760	\$47,584,162	\$56,944,213	\$57,946,938	\$66,225,896	\$75,023,432
Projected Arrearage Forgiveness Revisions	\$4,628,636	\$4,628,636	\$2,314,318	\$2,314,318	\$2,314,318	\$2,314,318
Projected Arrearage Forgiveness Increase due to 2018 Program Changes	N/A	N/A	N/A	N/A	N/A	N/A
CAP Surcharge Cost Plus Full Cost of Revised Energy Burden	\$72,725,900	\$72,050,265	\$79,095,998	\$80,098,723	\$88,377,681	\$97,175,217

Scenario 2

Scenario 2	2016	2017	2018	2019	2020	2021
6% Energy Burden Cost Increase	\$20,346,111	\$18,211,245	\$18,211,245	\$18,211,245	\$18,211,245	\$18,211,245
Annual CAP Surcharge (Discount plus Arrearage Forgiveness)	\$46,007,760	\$47,584,162	\$56,944,213	\$57,946,938	\$66,225,896	\$75,023,432
Projected Arrearage Forgiveness Revisions	\$4,628,636	\$4,628,636	\$2,314,318	\$2,314,318	\$2,314,318	\$2,314,318
Projected Arrearage Forgiveness Increase due to 2018 Program Changes	N/A	N/A	N/A	N/A	N/A	N/A
CAP Surcharge Cost Plus Full Cost of Revised Energy Burden	\$70,982,507	\$70,424,043	\$77,469,776	\$78,472,501	\$86,571,459	\$95,548,995

Related System Change Costs

PGW estimates the system related costs of changing to a 6% energy burden are approximately \$55,300. These costs are in addition to the costs above. This estimate is subject to change depending on clarifications regarding program structure provided in this proceeding.

III. Estimates of the impact on enrollments to CRP if restrictions other than low income status are eliminated for the years 2017 to 2021

CRP participants do not need to demonstrate that they are “payment troubled” in order to qualify, and PGW does not have a limit on the number of customers who can participate in CRP. From a policy perspective, a “payment troubled” requirement for CRP could encourage customers in need to fall behind in bill payments in order to qualify.

IV. Monthly new CRP applications and CRP re-certifications for customers claiming zero income in 2016 and 2017

Below are counts for new CRP applications and CRP re-certifications for customers claiming zero income in 2016 and 2017. The total number of zero income customers active on CRP as of April 3, 2019 is 351; this number does not include new applications and re-certifications not yet processed.

Monthly New Applications & Re-certifications	2016	Heat	Non-Heat		2017	Heat	Non-Heat
<i>January</i>	5	4	1		0	0	0
<i>February</i>	2	2	0		4	4	0
<i>March</i>	3	3	0		47	43	4
<i>April</i>	0	0	0		12	10	2
<i>May</i>	0	0	0		9	9	0
<i>June</i>	2	2	0		1	1	0
<i>July</i>	2	2	0		29	28	1
<i>August</i>	2	2	0		15	15	0
<i>September</i>	4	4	0		20	19	1
<i>October</i>	2	2	0		4	3	1
<i>November</i>	0	0	0		0	0	0
<i>December</i>	3	3	0		7	7	0

Respectfully Submitted,

Graciela Christlieb, Esq.
 Philadelphia Gas Works
 800 West Montgomery Ave.
 Philadelphia, PA 19122



PHILADELPHIA GAS WORKS

800 West Montgomery Avenue • Philadelphia, PA 19122

CERTIFICATE OF SERVICE

I hereby certify that this day I served a copy of PGW's Supplemental Information upon the persons listed below in the manner indicated in accordance with the requirements of 52 Pa. Code Section 1.54.

Via First Class Mail

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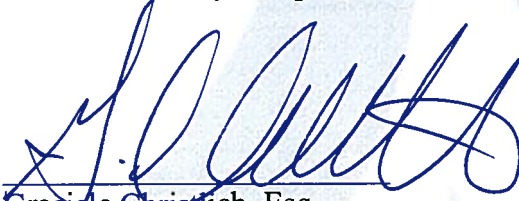
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Dated this 8th day of April, 2019



Graciela Cristofeb, Esq.