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May 8, 2019

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17105-3265

Re: Columbia Gas of Pennsylvania, Inc.
Energy Affordability for Low-Income Customers
Docket No. M-2017-2587711

Dear Secretary Chiavetta:

Pursuant to the Commission Order entered January 17, 2019, and the Secretarial letter dated March 7, 2019, enclosed please find the written Comments of Columbia Gas of Pennsylvania regarding Energy Affordability for Low Income Customers.

Should you have any questions, please do not hesitate to contact the undersigned at (717) 233-1351.

Very truly yours,

Amy E. Hirakis

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Counsel for
Columbia Gas of Pennsylvania, Inc.

/kak
Enclosure
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF
COLUMBIA GAS OF PENNSYLVANIA, INC.

I. INTRODUCTION

On January 17, 2019, the Pennsylvania Public Utility Commission ("Commission") entered an Order at the above referenced docket releasing a report titled *"Home Energy Affordability for Low-Income Customers in Pennsylvania"* ("Report").[1] The Report, which was prepared by the Commission's Bureau of Consumer Services ("BCS") and Law Bureau (collectively, "staff"), provides the results of staff's study of identifying affordable energy burden levels for Pennsylvania's low-income population by evaluating the effectiveness of the public utilities' current customer assistance programs ("CAPs").[2] The January 17, 2019 Order also requested supplemental information from the natural gas distribution companies ("NGDCs") and electric distribution companies ("EDCs"), and established comment/reply comment periods. The January 17, 2019 Order also scheduled a stakeholder meeting on February 6, 2019.

Columbia Gas of Pennsylvania, Inc. ("Columbia" or the "Company") is a public utility and NGDC that provides natural gas distribution service to approximately 395,000 residential customers throughout its service territory, which includes 26 counties in

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[1] Vice Chairman David W. Sweet and Commissioner Andrew G. Place each made statements at the January 17, 2019 Public Meeting corresponding to the Report. Discussion of these statements are below.
[2] As noted in the Report, the Report is the work product of staff and does not reflect the opinions of the Commission.

western and central Pennsylvania. Columbia has over 35 years of experience in designing and managing universal service programs,[3] and provides CAP services to approximately 23,000 low income customers per year. As a provider of universal service programs, Columbia welcomes the opportunity to provide comment on the Report to assist the Commission in its review of this report and in its evaluation of whether there needs to be any changes to the Commission's CAP Policy Statement and/or other universal service program guidelines.

Columbia submits the following comments for the Commission's consideration.

II. COMMENTS

Columbia appreciates the efforts of the Commission to evaluate the affordability of Customer Assistance Programs ("CAP"). CAPs have been in existence for more than twenty-five years and a state-wide periodic review is appropriate.

As noted, Columbia has been operating its CAP since 1992. It began as a four year, 1,000 customer pilot and now assists more than 23,000 customers with reduced affordable monthly payments. Over the CAP's 26 year history, it has been evaluated by a third party over seven times which has resulted in modifications for process and impact improvements. Each evaluation was reviewed by the BCS and every recommended change was carefully reviewed and analyzed to ensure that the change would result in cost effective, affordable benefits to CAP customers while minimizing the cost burden to the non-CAP residential customers funding the program.

As a result of this deliberate and thoughtful evolution of the Company's CAP, Columbia CAP customers average less than 4% removal from the program for non-

[3] Columbia began its first universal service program in 1984 with the Hardship Fund, followed by its Customer Assistance Referral and Evaluation Program ("CARES") in 1986, the Low Income Usage Reduction Program ("LIURP") in 1988, and the Customer Assistance Program ("CAP") in 1992.

payment. Bearing in mind customers must demonstrate an inability to pay to be considered eligible for CAP, a 4% removal rate for non-payment indicates Columbia's current CAP is successfully assisting customers with their payment issue, as it was originally intended.

Columbia offers the following comments and observations resulting from its specific experience as the first Pennsylvania utility to provide its customers a CAP.[4] Specifically, Columbia's comments will address the following topics:

- CAP designs should balance affordability of the utility bill for CAP participants with the cost incurred by non-participating residential customers;
- Concerns with the recommendation of a maximum 10% Percent of Income plan (PIP) for all CAP customers; and
- Address the additional questions raised by Commissioners.

a. CAP designs should balance affordability and cost

Columbia supports the current utility specific model that has served Pennsylvania customers for more than 25 years. The existing requirements for regular evaluation and three year review provide ample opportunity for program enhancements with input from all stakeholders and interested parties. As a result of the numerous third party evaluations conducted over the years, utilities have seasoned, mature programs that are well positioned to address the specific needs of their low income customers based on each utility's unique customer demographics.

[4] In addition to its comments provided herein, it supports the comments submitted by the Energy Association of Pennsylvania ("EAP").

A utility specific design has multiple benefits. It allows the utility to design a program that best addresses its particular customer base whether rural or urban, elderly or working poor and other outreach considerations. It also allows for utilities to be cognizant of the goal of these programs, and to reduce the overall cost of serving their specific low income customer population using funds provided by non-participating customers. The primary objectives of the program should be to assist those in need to afford their energy bills, specifically their gas and electric bills, while minimizing the burden on non-participating customers. These programs should not be designed to subsidize other non-utility bills, which is an objective that is better suited in a legislative environment.

To that end, in order to minimize program costs, a customer that has not demonstrated an inability to pay their utility bill should not be given a lower bill, and likewise, every effort should be made to ensure CAP participants are paying the maximum amount while still remaining affordable.[5]

Columbia's CAP design embraces both of these elements resulting in non-participating customers paying approximately $60 annually for the CAP program. Columbia estimates that if all low income customers were eligible to participate in CAP, the cost of the program would triple even with current gas prices. If gas prices were to increase to levels experienced in 2008, the CAP shortfall would be significantly more, increasing the likelihood of unaffordability for those between 150% and 200% of poverty, and potentially increasing unnecessary program participation and expense. This cycle seems imprudent. Further, Columbia notes that while the Report did not identify a

[5] For some customers, such as those without income, an affordable bill is based on the minimum payment amount established by the Commission's CAP Policy Statement at 52 Pa. Code §69.265. Columbia supports the continuation of a minimum bill.

conclusive definition of affordability, the Report did conclude that current CAPs were helping to reduce the energy burden of low income customers.

b. Concerns with a 10% PIP

Columbia's concerns with the proposed 10% PIP include the following:

- Columbia's experience and prior evaluations recommend a menu of payment plan options to provide more affordable options for all participants;
- The majority of Columbia's current CAP customers would see an increase in their CAP payment plan at 6% of their income;
- A PIP does not encourage conservation;
- Any changes in CAP design should recognize the value of a LIHEAP grant as a resource to reduce the overall cost of CAP; and
- Co- payments, minimum payments and maximum credits need to be maintained.

Prior Evaluations:

Columbia's current CAP design offers a menu of payment options, which include a (1) Percent of Income plan (PIP) at 7% for customers less than 110% of poverty and 9% for customers between 111% and 150%, (2) average of payments prior to joining CAP, or (3) 50% of the budget. This menu of CAP options was designed after review of the program's first four years of data when the Company only offered a PIP. Evaluators in 1996 reported customers paid more in total prior to joining CAP than once in CAP with the percentages at that time being 5, 7 and 9. Based on these studies, the Bureau of Consumer Services recommended in a memo to Columbia that the Company raise CAP payment amounts since the payments were significantly less than customers had made prior to enrollment in CAP. Furthermore, these early findings revealed that larger families had higher dropout rates indicating that larger families place additional burdens on a household's ability to pay its bills. For reasons such as these, Columbia, with the support of the BCS, designed a menu of payment plan options in order to best serve all customers needing assistance, including larger family households with larger incomes resulting in higher, possibly still unaffordable PIP payment plan options. Columbia's objective was to maximize the amount the customer was able to pay, not less than what they were previously paying, while still making payments affordable. The primary goal was to keep customers active in the program, making regular monthly payments and remaining out of traditional collection cycles. The selection of the CAP payment option are processed manually by the CAP administrative agency prioritizing the highest amount that is affordable. Although participation rates within each option change daily, there is an equal distribution of customers on each payment option, further demonstrating the value of multiple payment options.

Increased CAP Payments:

Columbia's CAP customers currently pay on average 4.2% of their income. Therefore, the majority of customers will see an increase in their payment plan if there is a move to a 6% PIP. This will undoubtedly make CAP less affordable for some Columbia customers and may increase default rates. As mentioned prior, Columbia currently experiences a low non-payment default rate. An increase in required "asked to pay" amounts for some CAP customers could cause an increase in collection activity and potentially greater bad debt for the Company as customers fall out of CAP and into traditional collections cycles. Likewise, some customers may pay less than they can afford and increase program shortfall costs. Both scenarios could result in higher program costs and the burden paid by non-participant customers.

<u>PIP Impact on Conservation:</u>

A recurring criticism of a straight PIP is the lack of motivation for a participant to reduce usage. Columbia's low income customers use on average more gas than its non-low income customers. Once on a flat payment plan, there is no incentive to reduce usage. It is an unfortunate fact that Columbia weatherization contractors and staff must often resort to threats of removal from CAP in order for participants to cooperate with free weatherization. A straight PIP will exacerbate this problem.

<u>Recognize Impact of LIHEAP Grants on CAP:</u>

When CAPs were initially designed, LIHEAP grants were applied toward CAP customers' shortfall balances in an effort to reduce the cost of CAP. The reason for this was because CAP payment plans are designed to provide an affordable monthly payment plan. A LIHEAP grant on top of that, was over subsidizing a customer. In 2010 the LIHEAP policy changed to require that utilities use the grant to instead further reduce a customer's required payment as opposed to applying the grant to the shortfall balances. In addition, applying the LIHEAP grant in this manner many times creates bill credits for CAP customers that result in months, if not full years, of no required payments from a customer. However, their neighbor who is just over the LIHEAP guideline is paying their full bill plus a portion of the CAP participant's bill. This is not cost effective nor prudent program management. Any CAP design should recognize the potential of a LIHEAP grant and consider that grant amount as part of a customer's required payment. Every utility is required to return unused LIHEAP funds to the Department of Human Services ("DHS") after eighteen months. This process is labor intensive due to so many CAP customers receiving more LIHEAP than their entire yearly CAP bill. Columbia's average CAP required monthly payment is $51.00. Customers at the lowest income can receive as much as $1,000 in a LIHEAP grant. This past July, Columbia returned to DHS a total of $102,328.56 for 396 CAP customers who did not utilize their entire 2016-2017 LIHEAP benefit.

CAP Control Features:

Existing controls including co-payment towards preprogram balances, minimum payments and maximum credits have been piloted, evaluated and adopted over the years in order to control costs, incent good payment behavior and encourage personal accountability. Columbia believes these time tested controls should continue in some form.

Commissioner directed questions

Vice Chairman Sweet posed the following several questions about LIHEAP[6]:

- How, if at all, are LIHEAP applications encouraged at the time of CAP enrollment? Are there ways the intake process could be improved to ensure dual enrollment in both programs?
- What are the known or perceived barriers to LIHEAP enrollment (administrative or otherwise), if any?
- What are the advantages or disadvantages of requiring a LIHEAP application in order to receive CAP benefits?

Columbia's responses to these questions are as follows:

LIHEAP is encouraged during CAP enrollment with an explanation of how to apply and a statement on the "responsibility" page of the application that each participant is required to sign. In addition, Columbia's CAP customers receive a phone call reminding them to apply for LIHEAP, and an insert about LIHEAP is included in their bill. Columbia

[6] See Statement of Vice Chairman David W. Sweet.

also promotes LIHEAP through television and radio ads during the heating season. A reciprocal agreement between DHS and the utilities would allow us to share information and automatically provide LIHEAP grants to CAP customers; however information sharing could increase the number of people receiving grants and could greatly reduce the size of all LIHEAP grants as the demand would be greater than the amount of funds available. A more realistic approach would be to share income information and perhaps allow utilities to provide lists of CAP customers to DHS for purposes of reverification and to ensure that the customer is applying for LIHEAP for either gas or electric. At this point, a utility is not aware if a customer has applied for LIHEAP for another company. The concept of sharing income information amongst interested parties has the potential to reduce processing time and administrative costs.

Vice Chairman Sweet also posed a question focused on whether all rate classes should pay for CAP.[7] Columbia's CAP eligibility guidelines only permit residential customers to participate in CAP. Non-profit organizations or any other small commercial or industrial customer cannot participate in CAP. It is the Company's understanding that non-residential classes oppose the proposal that they fund a customer program for which they cannot participate.[8] Columbia believes that the assessment of fees should remain with the customer class in which their customers are also recipients of the program benefits. It is also important to consider that the Company competes with other fuel sources to serve industrial and large commercial sites. An additional fee that is billed to these customers to assist low income gas customers would not have a corresponding fee

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[7] *Id.*

[8] In the Commission's Review of Universal Service and Energy Conservation Programs, at Docket. No. M-2017-2596907, the Office of Small Business Advocate ("OSBA"), the Industrial Customers, and the PA Chamber of Business and Industry each filed comments opposing the proposal that non-residential customer classes fund universal service programs.

from a deliverable fuel vendor's price, and this would put Columbia and other NGDCs at a disadvantage in competing with these other vendors.

In addition, Vice Chairman Sweet asked what would be the impact of limiting each utilities' CAP budget to 2% of revenues from sales to end use customers, similarly to a New York model.[9] For Columbia, 2% of revenue would equate to just under twelve million dollars. Columbia's shortfall costs were $17 million in 2018 and the total cost of CAP was more than $22 Million in 2018. A 2% CAP on revenue would mean less than half of Columbia's customers would be served through CAP or each customer would need to pay a higher CAP payment.

Commissioner Place questioned what the results have been for customers and program participants in Ohio since its adoption of the 10% combined PIP.[10] It is important to note that in Ohio, a customer with a separate gas and electric company is asked to pay a 6% PIP to each company for a maximum of 12%. The Columbia Gas of Ohio's rate has decreased since the adoption mostly as a result of lower gas prices. It is difficult to determine the rate impact of moving from the prior design to 6% of income in isolation due to other contributing factors like lower gas cost and customer participation/default rates.

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[9] *Id.*

[10] *See* Statement of Commissioner Andrew G. Place.

III. CONCLUSION

Columbia recognizes the value of evaluating the current CAP designs to determine whether these designs provide affordable bills for all customers. Based on the Report, Columbia submits that there is not enough evidence to suggest that the existing structures are not affordable and supports the continuation of its current model and CAP design. Columbia appreciates the opportunity to provide comments to this important discussion.

Respectfully submitted,

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