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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
Harrisburg, PA 17120

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

Dear Secretary Chiavetta:

Pursuant to the Commission's Order entered January 17, 2019 in the above-referenced proceeding, enclosed herewith for filing are the Comments of Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company and West Penn Power Company.

Please contact me if you have any questions regarding this matter.

Very truly yours,

Teresa K. Harrold

Enclosures

c: Louise Fink Smith, finksmith@pa.gov
Joseph Magee, jmagee@pa.gov
As Per Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF METROPOLITAN EDISON COMPANY, PENNSYLVANIA ELECTRIC COMPANY, PENNSYLVANIA POWER COMPANY AND WEST PENN POWER COMPANY

I. INTRODUCTION AND BACKGROUND

On May 5, 2017, the Pennsylvania Public Utility Commission ("Commission") entered an Order directing the Bureau of Consumer Services ("BCS") to prepare a report to determine what constitutes an affordable energy burden level for low-income customers enrolled in the customer assistance programs ("CAP") of electric distribution companies ("EDCs") and natural gas distribution companies ("NGDCs"). Based on this report, the Commission planned to evaluate whether any changes should be made to CAP rules and regulations to promote more affordable energy burden levels for CAP customers.

On January 17, 2019, the Commission released the BCS' *Report on Home Energy Affordability for Low-Income Customers in Pennsylvania* ("Report"), which examined CAP participant data provided by EDCs and NGDCs and evaluated the impact of establishing a statewide CAP energy burden level of 10%. The Commission requested that EDCs and NGDCs provide their own cost forecasts based on a 10% maximum energy burden. A Secretarial Letter providing clarification on this supplemental information request was issued on March 7, 2019. On April 8, 2019, Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company (collectively, the "Companies") filed their supplemental information at the Commission along with other EDCs and NGDCs. The Companies hereby submit the following comments to address the proposed 10% maximum energy burden in the Report, as well as certain other issues raised by Vice Chairman Sweet and Commissioner Place in the above-referenced proceeding.

II. COMMENTS

A. Positive Impact of a 10% Maximum Energy Burden on the Companies' CAPs

Transitioning to a 10% maximum energy burden for CAP customers would have a minimal cost impact based on the current structure of the Companies' CAPs. Currently, the Companies' CAPs include targeted energy burden levels of 3% for non-electric heating customers and 9% for electric heating customers. These energy burden levels are paired with subsidy credit maximums, which means that certain CAP customers with high electric usage may still end up paying more than the targeted energy burden levels of 3% and 9%. However, because the Companies' CAPs are already structured to achieve energy burden levels close to 10%, this proposal would have a minimal impact on the Companies' CAP costs, and possibly result in savings if subsidy credit maximums and other cost control measures within the Companies' CAP rules are maintained.

The adoption of a 10% maximum energy burden would create some administrative efficiencies for the Companies as well. The Companies are required to enroll all CAP customers in budget billing to reduce the potential for monthly bill fluctuations based on usage. At the end of each annual budget billing period, CAP customers are charged or credited an annual true-up amount, which reconciles their budget billed amount with their actual usage. Under normal circumstances, the true-up amount is insignificant because the budget billed charges throughout the prior year are adjusted each quarter based on the customer's actual usage. However, in some cases, unexpected changes in usage patterns could result in the customer being charged a true-up amount, which may be difficult for CAP customers to afford. To resolve this issue, the Companies are proposing to credit CAP customers for their budget true-up amount in their pending joint universal service and energy conservation plan.[1] Although this proposal solves the problem of high true-up amounts charged to CAP customers, the Companies are concerned that their CAP budget billing rules and true-up requirements are becoming increasingly complex from an administrative perspective and may be difficult for CAP customers to understand.

A 10% maximum energy burden applied to all CAP customers would alleviate this administrative complexity. CAP customers would be charged no more than their 10% energy burden each month, which is based on the customer's income. CAP customers would not experience significant bill fluctuations, because they would be charged based on this flat 10% energy burden amount. To the extent the customer uses more electricity than his or her 10% energy burden, this additional amount would be collected through the Companies' universal service cost riders. The Companies expect that this approach would be easier to implement and understand than the Companies' current CAP rules around budget billing and true-up credits.[2]

B. Negative Impact of a 10% Maximum Energy Burden on the Companies' CAPs

Despite the potential for cost savings and increased administrative efficiency, the Companies are concerned that this proposal may be inconsistent with certain statutory goals related to energy efficiency. If a flat 10% maximum energy burden is adopted, CAP customers will have no incentive to reduce their electric usage. This change is likely to reduce CAP customer interest

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[1] *Joint Universal Service and Energy Conservation Plan of Metropolitan Edison Company, Pennsylvania Electric Company Pennsylvania Power Company, and West Penn Power Company for 2019-2021*; Docket Nos. M-2017-2636969, M-2017-2636973, M-2017-2636976, and M-2017-2636978 (Supplemental Information filing dated Jan. 7, 2019).

[2] The Companies also provide a true-up credit where a customer has less than 12 months of usage at a service location and the PCAP credits originally provided were lower than required based on subsequent actual usage. A flat 10% energy burden requirement would eliminate the need for this true-up mechanism as well.

in the Companies' WARM and energy efficiency and conservation ("EE&C") programs, and potentially increase total CAP costs passed on to other customers.

As part of Act 129 of 2008, the General Assembly recognized the importance of establishing EE&C measures in order to promote "affordable and available electric service to all residents."[3] Pursuant to Act 129, each EDC is required to adopt an EE&C program, and achieve certain annual reductions in systemwide usage.[4] In addition, under the Commission's regulations at 52 Pa. Code § 58.1, *et seq.*, the Commission requires utilities "to establish fair, effective and efficient energy usage reduction programs for their low income customers."[5]

A flat 10% energy burden for CAP customers is contrary to these statutory and regulatory goals focused on increasing energy efficiency. No matter how high a CAP customer's actual usage is, the customer would be charged no more than 10% of their income. Under such circumstances, customers would have no incentive to reduce their electric usage through the adoption of energy efficiency measures. The Companies expect that this change would reduce participation in the Companies' EE&C and WARM programs. Currently, the Companies have over 57,799 CAP participants and eliminating the incentive for these customers to participate in the Companies' EE&C and WARM programs could have a noticeable impact on the Companies' future ability to meet their EE&C goals.

Accordingly, to the extent the Commission orders a 10% maximum energy burden for CAP customers, additional measures, such as subsidy credit maximums, must also be adopted in order to promote energy efficient behavior among CAP participants consistent with the goals of Act 129. Because other customers would be responsible to pay for the difference between CAP customers'

[3] H.B. 2200 of 2008 ("Act 129").
[4] *See id.*
[5] 52 Pa. Code § 58.1.

actual usage and their 10% energy burden, these additional cost control measures are also necessary to advance the Commission's statutory goal to promote cost-effective CAPs.[6] If there is no incentive for CAP customers to reduce their usage, the CAP costs collected from customers through the Companies' universal service cost riders are likely to increase.

C. The Relationship Between LIHEAP and the Companies' CAPs

In a Statement issued January 17, 2019, Vice Chairman Sweet requested that stakeholders address how the LIHEAP and CAP enrollment processes should be coordinated. Currently, the Companies promote LIHEAP during the CAP application and recertification processes. Because LIHEAP is administered by the Department of Human Services ("DHS") and subject to different rules than CAPs, additional coordination between the program enrollment processes has not been established. Unlike CAPs, LIHEAP is not available year-round and dual enrollment during non-LIHEAP periods could not occur. Other customers may be eligible for a LIHEAP grant, but not eligible for certain CAP credits where their usage is low or they have no account balance. Due to these program inconsistencies, automatic enrollment into both CAP and LIHEAP may not be possible. However, the Companies are open to exploring whether income information for customers could be shared between utilities and DHS to streamline enrollment into the programs.

The Companies do not support making LIHEAP participation a requirement for CAP enrollment. Because LIHEAP funding may only be available to one of the customer's utilities based on the customer's heat source, utilities may be unaware if a CAP applicant is a current LIHEAP participant. To ensure that low-income customers face fewer barriers to PCAP participation and are provided every reasonable opportunity to manage their electric bills, the

[6] 66 Pa.C.S. §§ 2203(8) and 2804(9).

Companies do not support requiring customers to participate in LIHEAP in order to be eligible for CAPs.

D. The Adoption of CAP Spending Limits

Vice Chairman Sweet also requested that stakeholders comment on whether a spending limit should be adopted to minimize the CAP costs assessed to other customers similar to New York's cap based on 2% of revenues for sales to end-use customers. The Companies applied this 2% cap on total distribution revenues for residential customers and determined that the CAP budget for the Companies would be $21.5 million. Considering that CAP costs are currently over $65 million, a 2% cap would require the Companies to significantly limit their CAP benefits.[7]

E. The Impact of Ohio's 10% Energy Burden Requirement

In a Statement issued on January 17, 2019, Commissioner Place sought information related to the impact of Ohio's 10% energy burden requirement. The Companies coordinated with their sister Ohio utilities and compared their CAPs to the Ohio Percentage of Income Payment Plan Plus ("PIPP Plus"). PIPP Plus features a fixed monthly bill based on 6% (non-electric heat) or 10% (electric heat) of the customer's household income. The balance of the utility bill is subsidized by the state of Ohio. There is a minimum monthly payment requirement of $10. When customers pay on time and in full each month, a portion of their account balance is forgiven. Some disadvantages of PIPP Plus include various payment requirements to remain in the program or to re-enroll. Customers must be current with their monthly PIPP obligations at their annual PIPP Plus anniversary to remain an active participant in the program. If a customer does not make full and timely payments each month, monthly credits are not earned and the customer's account

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[7] The Companies also calculated a total CAP budget of only $24.3 million based on a cap of 2% on the average residential customer bill, which also would result in the Companies significantly trimming back their CAP offerings.

balance may increase. When customers are removed from the program, there are payment requirements that must be fulfilled, including missed PIPP installments and subsequent charges, in order to re-enroll.

In May 2016, Apprise, Inc. ("Apprise") prepared a PIPP Plus Evaluation Report. The Ohio Development Services Agency, Community Services Division administers the electric portion of PIPP Plus and contracted with Apprise to study the impacts of the program. The goals of the program evaluation were to assess the effectiveness of certain changes to PIPP Plus that focused on providing incentives for regular, on-time payments and consequences for failure to adhere to program rules. With respect to energy burden, Apprise concluded that in the absence of PIPP Plus, participants would be paying approximately 27 percent of their income for electricity. By participating in PIPP Plus, the average energy burden decreased to about 15 percent. Cost control measures including monthly full and timely payments and payment requirements to re-enroll may impact the actual energy burden level of PIPP Plus participants.

F. The Impact of a Flat 10% Energy Burden Requirement

Commissioner Place also questions whether a flat 10% energy burden should be adopted, or if instead, tiered energy burden requirements should be established based on customer income. The Companies' current CAPs include flat 3% and 9% energy burden requirements, dependent on heat type, and continue to support this approach over a tiered approach. Because the CAP credit is calculated for each individual customer's income and heat type, the amount of subsidy provided to each customer already varies based on income with the largest CAP credits available to customers at the lowest incomes. A tiered approach is unnecessary to achieve this objective.

III. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company appreciate the opportunity to provide comments in the above-referenced proceeding.

Respectfully submitted,

Dated: May 8, 2019

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CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below.

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