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E-File

May 8, 2019

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor North
P.O. Box 3265
Harrisburg, PA 17120-3265

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

Dear Secretary Chiavetta:

Enclosed for filing on behalf of PPL Electric Utilities Corporation are comments as requested by the Commission in the above referenced matter.

The enclosed comments are being filed to summarize the data PPL Electric Utilities submitted to the above docket on April 8, 2019, per the directions of the January 17, 2019 Order in the matter.

Pursuant to 52 Pa. Code § 1.11, the enclosed document is to be deemed filed on May 8, 2019, which is the date it was filed electronically using the Commission's E-filing system.

If you have any questions, please do not hesitate to contact me.

Respectfully submitted,

Michael J. Shafer

Enclosure

cc: Joseph Magee - Email
Louise Fink Smith - Email

CERTIFICATE OF SERVICE

I hereby certify that true and correct copies of the foregoing have been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

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Date: May 8, 2019

Michael J. Shafer

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

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

COMMENTS OF
PPL ELECTRIC UTILITIES CORPORATION

I. INTRODUCTION & BACKGROUND

On May 5, 2017, the Pennsylvania Public Utility Commission ("PUC" or "Commission") issued an Order at this docket to initiate "a study regarding home energy burdens in Pennsylvania."[1] The study's development and issuance was referred to the Commission's Bureau of Consumer Services ("BCS"). The study sought to determine what constitutes an affordable energy burden for low-income households in Pennsylvania and whether any changes to the PUC's Customer Assistance Program ("CAP") Policy Statement or other Universal Service and Energy Conservation Program guidelines are necessary.

As a result of the May 2017 Order the PUC issued a staff report that summarized and analyzed data obtained from Pennsylvania Electric Distribution Companies ("EDCs") and Natural Gas Distribution Companies ("NGDCs"). In summary, the study: (1) summarized the Pennsylvania Energy Assistance Program, (2) summarized the Low-Income Home Energy Assistance Program ("LIHEAP") as overseen by the Commonwealth's Department of Human Services ("DHS"), (3) provided staff observations based upon the data and analysis completed as part of the study, (4) sought supplemental information and data from EDCs and NGDC's to clarify previously submitted data, (5) scheduled a February 2019 stakeholder meeting, and (6)

[1] Opinion & Order, Energy Affordability for Low-Income Customers, Docket No. M-2017-2587711 (entered on May 5, 2017).

created a Universal Service Rider ("USR") Working Group to "standardize USR Protocols for data Definitions, Tracking, and Reporting."[2]

PPL Electric Utilities Corporation ("PPL Electric") recognizes the importance of energy affordability for all of its customers, especially low-income households, and continually strives to meet the needs of its customers by providing safe, reliable, and affordable energy. In support of the Commission and the efforts put forward to develop this study, PPL Electric has submitted the data requested in the PUC Order issued January 2019 to this docket on April 8, 2019. Further, PPL Electric respectfully submits these Comments to summarize data submitted on April 8, 2019, and to answer questions presented by both PUC Vice Chairman Sweet and Commissioner Place in the PUC Public Meeting held January 17, 2019.

II. COMMENTS

A. Data Submission

On April 8, 2019, PPL Electric submitted answers to the PUC's request for additional data and information, per the January 2019 PUC Order. The PUC Order issued the following four requests: (1) provide any corrected or updated data to that which had been previously submitted per the May 2017 Order, (2) provide a cost forecast based upon a 10% maximum energy burden for 2017 through 2021, identifying various elements in the analysis, (3) provide estimates of the impact on enrollments and to CAP costs if restrictions other than low-income are eliminated in 2017 through 2021, and (4) provide monthly customer tallies for all CAP customers claiming zero income in 2016 and 2017. Below is a summary of PPL Electric's responses to the questions presented by the PUC Order.

1. *Provide any corrected or updated data for 2012 through 2016.*

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[2] Order, Energy Affordability for Low-Income Customers, Docket No. M-2017-2587711 (issued at Public Meeting held on January 17, 2019).

Upon review of previously submitted data for 2012 through 2016, PPL Electric does not have any corrections or revisions to provide.

2. *Provide cost forecasts based on a 10% maximum energy burden for 2017 through 2021.*

PPL Electric provided a detailed cost forecast for 2016 through 2021 as well as additional notes concerning the methodology used and forecast variables implemented in its filing on April 8, 2019, at this docket.

In summary, PPL Electric found that implementing a flat 10% maximum energy burden for PPL Electric CAP customers would result in Tier I and Tier II CAP customers, on average, receiving an increase in CAP credits, thereby reducing their overall energy burden compared to PPL Electric's current program. However, implementing a flat 10% maximum energy burden to Tier III CAP customers would reduce their CAP credits and result, on average, in an increase of Tier III customer's energy burden with respect to PPL Electric's current program[3]. Per the January 2019 Order, PPL Electric also modeled a 10% maximum energy burden with additional program variables[4] to determine the relative impact on the CAP. Inclusion of these forecasting and cost variables did not significantly change the results of the flat 10% energy burden analysis. All three Tiers saw the same relative results with respect to program costs compared to the current program, and a nominal decrease in CAP credits relative to the proposed flat 10% energy burden threshold.

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[3] Customer Assistance Program Tiers are defined as follows: Tier I – 50% or below the federal poverty level, Tier II – 51%-100% below the federal poverty level, and Tier III – 101%-150% below the federal poverty level).

[4] See PPL Electric Utilities Corporation Data Submission Attachment 2, issued April 8, 2019, at Docket No. M-2017-2587711

Specifically, for the period of 2017 through 2021, under the flat 10% maximum energy burden analysis, inclusive of additional program costs, Tier I and II CAP customers could see a net increase in CAP credits. Tier I CAP customers could see an average increase in CAP credits of $1.7 million per year, and Tier II CAP customers could see an average increase in CAP credits of $600,000 per year. Conversely, Tier III customers saw a reduction in CAP credits of approximately $6 million per year. Across all three CAP Tiers, CAP credits reduced by a net average of $3.7 million per year. As the data provides, compared to the current PPL Electric CAP dynamics, Tier I and II CAP customers have an energy burden slightly above the flat 10% energy burden set in this study; whereas, Tier III CAP customers have an energy burden below the flat 10% energy burden utilized in this study.

3. *Provide estimates of the impact on enrollments and to CAP costs if restrictions other than low-income are eliminated in 2017 through 2021.*

In previous years, PPL Electric had three primary eligibility requirements: 1) residential customers must be deemed "low-income" per the regulatory standards[5], 2) customers must have income (i.e. zero-income customers were not eligible), and 3) customers must have an arrearage[6]. PPL Electric's Universal Service and Energy Conservation Plan for 2017-2019 ("USECP") was updated, removing the income and arrearage requirements for eligibility in PPL Electric's CAP[7]. Going forward, customers will now solely be evaluated for CAP based upon whether they meet the definition of low-income.

[5] *See* 52 Pa. Code § 54.72.
[6] *See* PPL Electric's Universal Service and Energy Conservation Plan for 2014-2016. Docket No. M-2013-2367021.
[7] The Commission approved PPL Electric's 2017-2019 USECP on December 7, 2017, which removed the pre-program arrearage eligibility requirement. On April 18, 2018, the Commission entered an Order approving the amendment of PPL Electric's 2017-2019 USECP to include the proposed "zero-income" addendum. Docket No. M-2016-2554787

As such, PPL Electric's sole qualification for enrollment into its CAP, called "OnTrack", is based upon whether a customer is deemed "low income" by the regulatory standards[8] in place. If other CAP eligibility requirements are eliminated by the PUC, other than the requirement that customers be "low-income", there would be no impact to PPL Electric's OnTrack program.

4. Provide monthly customer tallies for all CAP customers claiming zero income in 2016 and 2017.

In 2016 and 2017, PPL Electric's CAP did not allow customers with a zero income to participate in the program. As a result, PPL Electric had no data to provide.

In summary, as displayed in the data provided in PPL Electric's data filings, overall USR cost recovery would slightly decrease if a flat 10% maximum energy burden were implemented as compared to the program mechanics currently implemented by PPL Electric. This shows that granting PPL Electric the flexibility to manage its program within the bounds of the CAP policy statement achieves the intended results of the CAP – to dynamically support low-income customers in need.

C. Questions Put Forward by Vice Chairman Sweet

In conjunction with the PUC's Order issued at the Public Meeting held January 17, 2019, Vice Chairman Sweet issued a Statement concerning the study's findings. In this statement, Vice Chairman Sweet issued a series of questions across two topic areas: (1) the relationship of LIHEAP to the utility CAP, and (2) the impact of limits on CAP spend and if CAP cost recovery should be expanded to all customers classes, not just the residential customer group.[9]

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[8] *See* 52 Pa. Code § 54.72.
[9] Statement of Vice Chairman David W. Sweet, issued at Public Meeting held January 17, 2019, at Docket No. M-2017-2587711.

Questions Concerning LIHEAP

1. *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?*

As explained in Vice Chairman Sweet's Statement, LIHEAP and CAP are related, but have unique differences in their implementation – one a federal program managed through a state agency, the other a state-developed program tailored specifically for Pennsylvania residents. PPL Electric works with its low-income customers to determine all potential programs available for these at-risk customers to lessen their burden. During the LIHEAP enrollment period (November to April, annually), PPL Electric does guide customers that are eligible for LIHEAP to participate and receive financial support toward their energy costs.

Of note, customer participation in LIHEAP eases the process for customers to enroll in PPL Electric's OnTrack program by eliminating the customer's need to provide proof of income. Proof of income is required to participate in LIHEAP, and as such, PPL Electric accepts an approval into LIHEAP as having met the proof of income requirement for OnTrack. Additionally, if a customer is participating in LIHEAP during recertification for OnTrack, the customer is automatically renewed for one cycle. More specifically, OnTrack recertification occurs every 18 months. If during the OnTrack recertification a customer receives LIHEAP, the customer is automatically recertified for OnTrack if the customer was not automatically renewed in the prior OnTrack recertification.

2. *What are the known or perceived barriers to LIHEAP enrollment (administrative or otherwise), if any?*

As summarized above, PPL Electric actively works with low-income customers to utilize the energy assistance programs available to them which include PPL Electric OnTrack program, LIHEAP, Operation Help, WRAP, and CARES.

While PPL Electric does not see any systemic issues with LIHEAP enrollment, there are some programmatic barriers that complicate and potentially limit customer participation. These barriers include LIHEAP enrollment timing not corresponding with Pennsylvania's CAP timing, and the LIHEAP rules can change changing annually.

Enrollment timing for the two programs are not the same. The CAP enrollment period is continuous while LIHEAP enrollment typically runs from November to April annually. As such, when low-income customers enroll for the PPL Electric's OnTrack program, LIHEAP may not be open for enrollment, thus limiting participation in the federal program.

As also mentioned above, LIHEAP rules can change annually. This can increase customer confusion and increase the program's complexity depending on the rule change. Changes to LIHEAP rules can in turn complicate any potential association of LIHEAP with Pennsylvania's CAP. For example, during the 2017/2018 period, LIHEAP implemented a new program offering additional funding for customers who had received a termination notice dated June 28 through August 27, or were terminated after the close of the season. While the goal of the program was to avoid customer termination and restore customer service, it resulted in customer confusion. Customers did not understand that the program was an extension of the current season, not application for the new season (2018/2019). As such, utilities had to take additional steps and actively promote the next season to these customers, who did not understand that they were obligated to re-apply for the following season's benefits.

Another example of an unintended change leading to issues occurred during the 2018/2019 season when DHS did not approve the utility to administer the utility file transfer program until March, a month later than was typical based upon prior years. This resulted in a back-log of applications, confusion on behalf of customers, and unnecessary complication.

While these are just two examples, the primary barrier utilities and customers experience relate to rules changes to the program, and differences in timing and program processes. They lead to confusion on the part of customers and DHS partners who actively work to promote the programs and enroll customers.

3. *What are the advantages or disadvantages of requiring a LIHEAP application in order to receive CAP benefits?*

As expressed above, there are both benefits and barriers associated with utilizing LIHEAP in conjunction with CAP enrollment. Once a customer is enrolled in LIHEAP, PPL Electric's process to enroll customer in CAP can be simplified – streamlining CAP enrollment. Conversely, LIHEAP enrollment, and the mechanics of the program, can be complicated and difficult for a customer to understand. Furthermore, timing of the two programs does not currently match, which is a major issue that must be overcome for the two programs to be linked.

PPL Electric believes it should continue to direct customers to LIHEAP and support their enrollment process where possible. Customer participation in LIHEAP reduces the customer's energy burden and can help simplify customer enrollment into the CAP. PPL Electric does not, however believe that LIHEAP participation should be mandated. At a minimum, timing of the two programs does not match which could result in customers receiving less support on their energy bills, increasing their energy burden, and potentially increasing the amount of uncollectibles for the utility.

PPL Electric has noted that the data and information transferred from the Department of Human Services ("DHS") to PPL Electric concerning customer participation in LIHEAP and the quantity of customer credits associated with that participation is lacking. Specifically, PPL Electric believes it would benefit from the following additional information when evaluating customers for CAP: (1) number of people per household, (2) age of occupants, (3) monthly income, and (4) the amount of customer rent or mortgage (as applicable). Inclusion of these data attributes in addition to customer account and credit information would improve CAP processing and enrollment efficiency.

In general, PPL Electric understands that LIHEAP and CAP are purposefully independent programs, focusing on reducing low-income customer energy burdens through similar but different ways. There are advantages and disadvantages in the way the programs are implemented in relation to each other. PPL Electric believes that linking LIHEAP enrollment to CAP enrollment unnecessarily complicates the CAP process to the detriment of the low-income customers that need support. LIHEAP and CAP should remain separate programs.

Questions Concerning CAP Spending Limits and CAP Cost Recovery

1. *New York has limited the budget for each utility's payment assistance program to 2% of revenues for sales to end-use customers. If energy burden thresholds are lowered in order to make energy bills more affordable for low-income households in Pennsylvania, should a cap on customer assistance spending also be considered? If so, what would be the financial impact of a 2% cap of revenue from sales to end-use customers? How would this affect current CAP customers?*

Current average annual USR costs are $90.5 million per year for 2017 through 2021. As presented in Attachment 1 to the PPL Electric data submission on April 8, 2019, implementing a 10% maximum energy burden would result in an average USR cost of $86.8 million per year during this same forecast period. Based upon PPL Electric's average annual operating revenues from 2016 through 2018, the application of a 2% cost cap on CAP credits would result in an average CAP limit of $44.1 million per year. Implementing a 2% cost cap, when compared to PPL Electric's average annual USR costs or the modeled 10% maximum energy burden, shows a significant constriction of the CAP by more than 50%.

By direct comparison, a 2% cost cap on CAP spend would result in a net reduction of $46.4 million and $42.6 million, current USR and 10% maximum energy burden, respectively. A fixed cost cap such as this would result in fewer low-income customers being enrolled into the PPL Electric CAP. Implementing such a cost cap also increases the complexity of the CAP itself, as customers that may otherwise be eligible for the program due to their energy burden and resulting need, but may not be enrolled if the cost cap is reached and program is closed. This is exacerbated if a cost cap is implemented in conjunction with a fixed percentage maximum energy burden threshold, as utilities are forced to contend with two program rules that are potentially at odds with each other – a cost cap limiting maximum program spend, and a fixed energy burden threshold that requires acceptance into the CAP if a low-income customer's burden exceeds the limit.

As an overarching principle, PPL Electric firmly believes its current CAP program meets the needs of its low-income customers by reducing the impact of energy spend for these customers, incentivizing low-income customers on the CAP to be efficient with their energy usage to maximize the credits they receive, maintaining transparency of the program, and limiting program complexity. As presented in PPL Electric's data submission and in these Comments, implementing a 10% maximum energy burden limit or a 2% cost cap on CAP spend runs the risk of complicating the program, creates unnecessarily rigid program limits, and in some instances creates winners and losers within the program where there ought not be any. While a CAP spend limit could be used to minimize upward spend pressure, spending limits are likely to differ from utility to utility making such a fixed, state-wide limit difficult to appropriately derive and implement. These differences can arise from a series of factors including the striation of low-income customers among the three CAP tiers, operating revenues of utilities, and the impact on non-low-income customers that bear the burden of paying for the CAP program. As such, PPL Electric believes its current Customer Assistance Program, OnTrack, be maintained.

2. *New York utilities recover their payment assistance costs from all rate classes. If Pennsylvania adopted a similar policy, what impact would cost sharing have on all participating rate classes if Ohio or New York's energy burden thresholds were adopted?*

The data submitted by PPL Electric on April 8, 2019, detailed the forecasted impact of a 10% maximum energy burden on CAP customers, resulting in a total annual program cost of approximately $86.8 million. Simply put, if these USR costs were recovered from all customers instead of just residential customers, as they are now, the burden to fund the CAP program by residential customers would be reduced and spread to the other customer groups. Further discussions and analysis would be required to determine how costs would be spread – such as through a fixed customer charge, based upon usage, or some other mechanism. As such, exact impact to the other customer classes cannot be determined at this time.

In addition to considering the financial impact of spreading costs to other customers classes, the PUC should also consider which customers benefit or have the potential to benefit from the CAP. Commercial and Industrial customers are not eligible to receive CAP support. As such, they have not been burdened with the responsibility of subsidizing the CAP program, as residential customers have – who are eligible to enroll if certain criteria are met. The current policy of only residential customers supporting CAP programs is consistent with the costcausation principles established in *Lloyd v. Pa. PUC*, 904 A.2d 1010 (Pa. Cmwlth. 2005), in that it avoids cross-subsidization by other rate classes that will not benefit from CAP services.

D. Questions Put Forward by Commissioner Place

In addition to the statement issued by Vice Chairman Sweet, Commissioner Place also issued a Statement concerning the study's findings, and in general, seeking input from parties to expand upon the data provided and results of the study. [10]

As put forward in these Comments and the data provided in response to the May 2017 and January 2019 Orders, PPL Electric does not believe any additional analysis is necessary. Whether PPL Electric's current CAP program is maintained, or a flat 10% maximum energy burden is implemented, by and large, PPL Electric's program will not substantially change. The data provided by PPL Electric shows that a flat 10% limit slightly adjusts cap credits to the three low-income tier customers, but overall, only changes the USR costs, on average, from $90.5 million per year to $86.8 million per year.

PPL Electric supports continuing OnTrack in its current form as it meets customer needs and has been determined through previous litigated proceedings to not be overly burdensome to non-CAP customers. As a coincidental result, the current program nearly matches the 10% maximum burden proposed by the PUC, without narrowly limiting support to customers based upon a static ceiling. While comparisons to neighboring states can be done, PPL Electric recommends hesitation when doing so. State-to-state customer demographics, customer needs, and other related impacts vary, meaning a one-size-fits all decision is not necessarily appropriate. PPL Electric stands behind its current CAP, which successfully supports in-need low-income customers.

[10] Statement of Commissioner Andrew G. Place, Public Meeting held on January 17, 2019, at Docket No. M-2017-2587711.

III. CONCLUSION

The focus of the utility data requests and questions put forward in Vice Chairman Sweet and Commissioner Place's Statements is to determine if a 10% maximum energy burden would be appropriate, if other elements could be added to utility CAP to further support low-income customers, and to loosely discern the effectiveness of current programs. As explained in these Comments and data provided throughout the process, PPL Electric's program is successful, and a 10% maximum energy burden does not drastically alter the credits provided to CAP customers. As also highlighted in PPL Electric's Comments, there are many variables that influence how utility programs are implemented. Utility Customer Assistance Programs are complex – a one-size-fits-all approach may not be appropriate, and special care must be taken when adjusting CAP targets, CAP credits, and other related attributes to ensure both opportunities and negative consequences are taken into consideration. PPL Electric appreciates the opportunity to provide these Comments.

Respectfully submitted,

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