

**PENNSYLVANIA
PUBLIC UTILITY COMMISSION
Harrisburg, PA 17105-3265**

Public Meeting held December 22, 2022

Commissioners Present:

Gladys Brown Dutrieuille, Chairman
Stephen M. DeFrank, Vice Chairman
Ralph V. Yanora
Kathryn L. Zerfuss
John F. Coleman, Jr.

National Fuel Gas Distribution Corporation's
Universal Service and Energy Conservation Plan for
2022-2026 Submitted in Compliance with
52 Pa. Code § 62.4

Docket No. M-2021-3024935

ORDER

BY THE COMMISSION

Before us for disposition is the Petition of National Fuel Gas Distribution Corporation (NFG), filed on October 12, 2022, at Docket No. M-2021-3024935 (October 2022 Petition). NFG seeks to, *inter alia*, modify its current Customer Assistance Program (CAP), known as the Low Income Residential Assistance (LIRA) program, from a rate discount design to a percentage of income payment (PIP) design. NFG also seeks approval to amend its 2022-2026 Universal Service and Energy Conservation Plan (2022 USECP) and LIRA application. There is no opposition to the October 2022 Petition. This Order grants the October 2022 Petition.

BACKGROUND

2022 USECP (Docket No. M-2021-3024935)

On March 31, 2021, NFG Filed its Proposed 2022-2026 USECP (Proposed 2022 USECP) at Docket No. M-2021-3024935. On July 15, 2021, the Commission entered an Order (July 2021 Order) requesting additional information and stakeholder comment. On August 24, 2021, NFG filed Supplemental Information. The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA) and the Office of Consumer Advocate (OCA) individually filed comments on September 14, 2021. CAUSE-PA, OCA, and NFG individually filed reply comments on October 13, 2021. On May 3, 2022, the Commission entered an Order (May 2022 Order) approving the proposed 2022 USECP, with modifications. In the May 2022 Order, we required NFG to, *inter alia*, amend the LIRA payment methodology by rounding-up when determining the rate discount tier and eliminate the 36-month time limit for customers to receive pre-program arrearage (PPA) forgiveness. May 2022 Order at 76, 78, OP #5(a)-(b), OP#7.

On May 18, 2022, NFG filed a Petition for Clarification and Reconsideration (May 2022 Petition) seeking, *inter alia*, expedited approval of a temporary stay of the LIRA IT Changes to allow NFG to propose a LIRA PIP design within 90 days. NFG asserted that the level of IT complexities involved in implementing the Commission's LIRA modifications as directed in the May Order were significant. NFG explained that, based on recent positions of the Commission and stakeholders in the 2022 USECP proceeding, it may ultimately be required to move to a PIP or another CAP payment design in the future. NFG contended that it would be prudent to use ratepayer funds to implement a PIP now, rather than changing its current LIRA rate discount design to adhere to the May 2022 Order and then implement a PIP later. NFG also noted that a PIP design would provide LIRA customers with the same general benefits of the approved

rate discount design but would be clearer and easier to understand. May 2022 Petition at ¶11-¶12.

NFG proposed to work collaboratively with CAUSE-PA and OCA by meeting with these advocates at least three times during the 90-day period to receive feedback on its PIP design. May 2022 Petition at ¶18-¶19. There was no opposition to the May 2022 Petition. On July 14, 2022, the Commission entered an Order (July 2022 Order) approving the May 2022 Petition.

On October 12, 2022, NFG filed its October 2022 Petition, and OCA separately submitted a letter in lieu of an answer (OCA Letter). On October 13, 2022, CAUSE-PA also submitted a letter in lieu of an answer (CAUSE-PA Letter).

NFG's LIRA

NFG's LIRA program currently offers "discounted rates" to payment-troubled heating customers whose income is equal to or less than 150% of the Federal Poverty Income Guideline (FPIG) and who are unable to pay their regular monthly natural gas utility bills. 2022 USECP at 17.¹

LIRA customers currently receive monthly bills discounted by 10%-80% depending on the customer's household size and household income². Once the annual energy burden for the household is determined, NFG calculates the annual discount amount by subtracting the total of the household energy burden payment from the

¹ All citations to the 2022 USECP refer to the document filed on June 14, 2022, at Docket No. M-2021-3024935.

² In the May 2022 Order, the Commission approved NFG's proposal to implement a new 90% "discount rate" as part of its 2022 USECP to conform to the recommended maximum energy burdens in the CAP Policy Statement. NFG proposed suspending implementation of this change in its May 2022 Petition pending consideration of its PIP proposal. The Commission approved this proposal in its July 2022 Order.

estimated annual bill. NFG uses the annual discount amount to determine a rate discount percentage for the LIRA household (rounding to the nearest 10%). 2022 USECP at 24.

OCTOBER 2022 PETITION

The October 2022 Petition proposes to change LIRA from a rate discount CAP to a PIP CAP. Specifically, under the proposed PIP, LIRA customers will (1) pay the lesser of their monthly average payment, or their PIP Amount (subject to a \$12 minimum payment) and (2) receive a one-time conversion of their in-program arrears (IPA) to PPAs³ on the date of the PIP implementation. NFG reports that it will require approximately 18 months to implement its PIP due to the need for IT changes and testing. NFG proposes to file a letter identifying the specific implementation date for its PIP (*i.e.*, PIP Implementation Date) within nine months after Commission approval. October 2022 Petition at ¶ 15.

NFG reports that the PIP amounts will be based on a household’s FPIG tier, as follows:

Table 1
Proposed LIRA PIP

FPIG Tier	PIP Amount
0-50%	4%
51-150%	6%

NFG reports that the average bill amount will be determined by multiplying the rolling 12-month average consumption by the rate applicable to the non-LIRA residential customer. The LIRA customer will pay the PIP or average monthly bill amount, whichever is less, subject to the minimum LIRA payment amount of \$12. Revised 2022 USECP at 21.

³ IPAs are not eligible for LIRA forgiveness; PPAs are.

NFG provided the following annual cost projections for LIRA based on maintaining its current rate discount through 2023 and implementing the proposed PIP in 2024:

Table 2
Revised LIRA Costs

	2022 Rate Discount	2023 Rate Discount	2024 PIP	2025 PIP	2026 PIP
Discounts	\$2,407,846	\$2,581,985	\$3,180,988	\$3,381,972	\$3,582,956
PPA Forgiveness	\$553,470	\$593,498	\$633,526	\$673,554	\$713,582
Admin	\$181,489	\$194,615	\$207,740	\$220,866	\$233,992
Total	\$3,142,805	\$3,370,098	\$4,022,255	\$4,276,392	\$4,530,530
Enrollment Projection*	8,476	9,089	9,702	10,315	10,928

*Enrollment projections are based on the number provided by NFG in its 2022 USECP Reply Comments. NFG Reply Comments at 5. October 2022 Petition at ¶ 18.

NFG projects the switch to a PIP will also result in the following one-time costs:

- IT Programming/System Costs: \$673,000
- Administrative Costs: \$154,000.
- One-Time Conversion of LIRA IPAs to PPAs: Based on the total amount of LIRA IPA balances at the time of conversion (\$422,816, as of August 23, 2022.).

October 2022 Petition at ¶ 19.

NFG notes that there are several areas where the text of its 2022 USECP will need to change after LIRA is converted to a PIP. NFG included clean and red-lined versions of a proposed Revised 2022 USECP as an attachment to its October 2022 Petition (*i.e.*,

Exhibits A-1 and A-2). These proposed language changes include explaining, *inter alia*, how LIRA bills and energy burdens will be determined both before and after the PIP implementation. October 2022 Petition at ¶ 16-17. Revised 2022 USECP at 19-21, 29-30.

NFG is also proposing “technical modifications” to other portions of its 2022 USECP. Specifically, NFG is proposing formatting changes to the sections addressing LIRA eligibility and application processing. NFG states that these changes increase the readability of those sections and explain program features in the text rather than referring to another document. October 2022 Petition at ¶ 20-21, Revised 2022 USECP at 23-24, 33-34.

NFG also proposes to amend its paper and online LIRA application to remove a reference to income of minors in the household since that income is no longer counted in determining household income. October 2022 Petition at ¶ 22-23.

Finally, NFG requests Commission approval to work with its universal service advisory committee (USAC) to develop a new program name for its CAP to better reflect the new program design. NFG proposes to file a revised USECP shortly before the PIP implementation date, with references to LIRA removed and replaced with the new program name. NFG reports that this further revised USECP will also remove language pertaining to the pre-PIP provisions of LIRA as well. October 2022 Petition at ¶ 25-28.

STAKEHOLDER RESPONSE

Both OCA and CAUSE-PA separately support NFG’s October 2022 Petition. OCA Letter at 1, CAUSE-PA Letter at 2. The Commission received no other answers or responses to the October 2022 Petition.

DISCUSSION

In the May 2022 Order, we directed NFG to modify its LIRA design – that provides rate discounts based on 10% tiers (10%-80%) – to ensure that a LIRA payment does not exceed NFG’s proposed energy burden thresholds by rounding up to the nearest 10% when determining a rate discount. May 3 Order at 76, OP #5(a). This change, which was suspended through the July 2022 Order, would, for example, allow LIRA customers needing a rate discount of 41% through 49% to automatically receive a discount of 50%. While this would ensure the LIRA rate discount would not exceed customer energy burden targets, it could also result in customers receiving larger discounts than needed to meet those targets. A PIP design will help to address this potential over-subsidization of LIRA bills that are funded by residential ratepayers. We also find it reasonable to allow a one-time transfer of IPAs when LIRA customers are transitioned to the PIP to address the impact of customers having incurred energy burden in excess of the targets in the rate discount program.⁴

Based on NFG's projected costs, we anticipate that the cost per non-LIRA ratepayer will increase initially by 30 cents per month and could increase to as much as 50 cents per month based on NFG’s enrollments projections as illustrated in the Table 3 below⁵:

⁴ The Commission has also approved a similar one-time transfer of IPA balances to PPAs when Duquesne Light Company (Duquesne) transitioned to a PIP. *See* Duquesne 2020-2025 USECP Order, Docket No. M-2019-3008227 (Order entered April 14, 2022), at 38.

⁵ We note that we have previously questioned NFG’s enrollment projections, as average LIRA enrollments have consistently fallen below 8,000 annually. *See* July 2021 Order at 43-44 and May 2022 Order at 65. NFG, however, still projects enrollment levels to reach approximately 11,000 by 2026. May 2022 Order at 65. While the estimates in Table 3 do factor in growth in LIRA enrollment, they do not, however, factor in any change in the number of residential customers. If the number of residential customers increases or the number of LIRA participants does not meet or exceed projections over the life of the 2022 USECP, the cost per month per ratepayer would be expected to be less than estimated in Table 3.

Table 3
LIRA Costs Per Ratepayer Per Month

	2022 Rate Discount	2023 Rate Discount	2024 PIP	2025 PIP	2026 PIP
Total Costs	\$3,142,805	\$3,370,098	\$4,022,255	\$4,276,392	\$4,530,530
Projected Enrollments	8,476	9,089	9,702	10,315	10,928
Cost Per Month Per Ratepayer*	\$1.37	\$1.47	\$1.76	\$1.87	\$1.98

* Based on average of 190,806 non-LIRA residential customers in 2021. *2021 Report on Universal Service Programs and Collections Performance* at 91.

Having analyzed the proposal and noting that we have not received any objections regarding the October 2022 Petition, we find the NFG’s proposed LIRA PIP design reasonable and in the public’s interest.

Accordingly, we approve NFG’s LIRA PIP design, implementation timetable, and proposed revisions to its 2022 USECP.

We also approve NFG’s proposal to amend its LIRA application. As unearned income for minors is no longer counted as part of household income when determining LIRA eligibility and benefits,⁶ language referencing this income should be removed from the LIRA application. Accordingly, NFG is directed to file and serve the revised application at this docket within 30 days from the date of this Order.

Finally, we have no objection NFG’s request to work with its USAC to rename its CAP to better reflect its change from a “rate assistance” program to a PIP. NFG does not require Commission approval to consult with its USAC on potential changes to its universal service programs. NFG may propose its new program name for its CAP in its

⁶ 2022 USECP at 13.

revised 2022 USECP, which shall be filed within three months of the PIP implementation date.

CONCLUSION

Accordingly, the Commission hereby approves NFG's request to (1) implement its proposed PIP within 18 months and establish a PIP implementation date within nine months; (2) update language and formatting to its 2022 USECP; and (3) update its LIRA application to reflect changes in the 2022 USECP; **THEREFORE,**

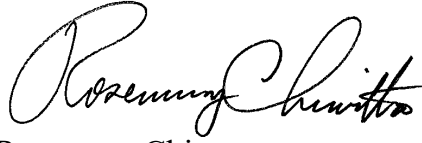
IT IS ORDERED:

1. That National Fuel Gas Distribution Corporation's Petition filed on October 12, 2022, is granted, consistent with this Order.

2. That National Fuel Gas Distribution Corporation shall file and serve a letter at this docket within nine months from the date of this Order identifying a specified date for implementation of a percent of income payment design for its customer assistance program.

3. That the National Fuel Gas Distribution Corporation Proposed Amended 2022 Universal Service and Energy Conservation Plan as attached to the October 12, 2022 Petition is approved.

BY THE COMMISSION,

A handwritten signature in black ink, appearing to read "Rosemary Chiavetta". The signature is fluid and cursive, with the first name being the most prominent.

Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: December 22, 2022

ORDER ENTERED: December 22, 2022