

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

Public Meeting held December 21, 2023

Commissioners Present:

Stephen M. DeFrank, Chairman
Kimberly Barrow, Vice Chair
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

National Fuel Gas Distribution Corporation's
Petition to Amend 2022-2026 Universal Service and
Energy Conservation Plan

Docket No. P-2023-3043550

Pennsylvania Public Utility Commission v. National
Fuel Gas Distribution Corporation

Docket No. R-2022-3035880

ORDER

BY THE COMMISSION

Before us for disposition is the Petition of National Fuel Gas Distribution Corporation (NFG), filed on October 16, 2023, at Docket No. M-2021-3024935 (October 2023 Petition) and P-2023-3043550. NFG seeks an expedited review to, *inter alia*, expand its Low Consumption-LIURP Pilot program (LC-LIURP Pilot), modify the calculation it uses to determine a customer's average monthly bill under its approved

Low Income Residential Assistance (LIRA)¹ Percent of Income Payment (PIP), and make modifications to its 2022-2026 Universal Service and Energy Conservation Plan (2022 USECP) to reflect changes approved in its Rate Case Settlement at Docket No. R-2022-3035730. NFG also attached a Proposed Amended 2022 USECP reflecting these changes. There is no opposition to the October 2023 Petition. This Order grants the October 2023 Petition, in part, and denies it, in part.

I. BACKGROUND

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

On March 31, 2021, NFG Filed its Proposed 2022 USECP at Docket No. M-2021-3024935. On May 3, 2022, the Commission entered an Order (May 2022 Order) approving the Proposed 2022 USECP, with modifications. 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. 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 and served a Petition (October 2022 Petition) proposing to change LIRA from a rate discount CAP to a PIP CAP. Specifically, it proposed that 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 pre-program arrears for forgiveness on the date of the PIP implementation. The Office of Consumer Advocate (OCA) and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania

¹ LIRA is NFG's Customer Assistance Program (CAP).

(CAUSE-PA) separately submitted letters in lieu of Answers to the October 2022 Petition on October 12 and October 13, 2022, respectively. On December 22, 2022, the Commission entered an Order (December 2022 Order) approving NFG's October 2022 Petition. The Commission directed NFG to submit a timeline for its PIP implementation within nine months (*i.e.*, by or before September 22, 2023) and to implement its PIP within 18 months (*i.e.*, by or before June 22, 2024). December 2022 Order at 9.

II. STAKEHOLDER RESPONSE

NFG reports that both OCA and CAUSE-PA have been consulted and do not oppose the proposals in the October 2023 Petition. October 2023 Petition at 1. Additionally, CAUSE-PA and OCA separately submitted letters in lieu of Answers to the October 2023 Petition on October 19 and October 30, 2023, respectively, both noting that they are not opposed to the October 2023 Petition. CAUSE-PA Letter at 1; OCA Letter at 2. The Commission received no other answers or other responses to the October 2023 Petition.

III. DISCUSSION

It is the responsibility of the Commission to ensure that universal service and energy conservation programs are appropriately funded and available to low-income customers. 66 Pa. C.S. § 2203(8). The Commission is also required to determine if

natural gas distribution companies (NGDC) are meeting the general goals of universal service and energy conservation programs. 52 Pa. Code § 62.3.²

A. LC-LIURP Pilot

On March 8, 2019, NFG filed and served a Petition (March 2019 Petition) at Docket No. P-2019-3008559 seeking approval to amend its 2017 USECP to establish a two-year LIURP pilot program, entitled the LC-LIURP Pilot. The proposed LC-LIURP Pilot sought to expand its eligibility requirements to enable more LIRA customers to qualify for LIURP and complete more jobs, specifically serving 20 LIRA customers annually who meet certain usage and square footage requirements with a budget of \$125,000 each year. March 2019 Petition at 1-2.

CAUSE-PA and OCA separately filed Answers in support of the LC-LIURP Pilot on March 28, 2019. However, the parties separately raised concerns that eligibility criteria may be too limited in scope. CAUSE-PA Answer at 2; OCA Answer at 2. In its Reply Comments filed on April 5, 2019, NFG proposed to modify the LC-LIURP Pilot's eligibility requirements to allow more customers to qualify. NFG proposed the following modifications:

² 52 Pa. Code § 62.3 (relating to universal service and energy conservation program goals):

(a) The Commission will determine if the NGDC meets the goals of universal service and energy conservation programs.

(b) The general goals of universal service and energy conservation programs include the following:

(1) To protect consumers' health and safety by helping low-income customers maintain affordable natural gas service.

(2) To provide for affordable natural gas service by making available payment assistance to low-income customers.

(3) To help low-income customers conserve energy and reduce residential utility bills.

(4) To ensure universal service and energy conservation programs are operated in a cost-effective and efficient manner.

- First priority would be given to a homeowner who resides in the identified single-family house in which the square footage is less than or equal to 1,299 square feet and for which annual consumption is greater than or equal to the house square footage but does not exceed 1,300 CCF.
- Second priority would be given to homeowners regardless of the home's square footage if NFG believes that the household would achieve sufficient energy savings through participation in LIURP.
- Final priority would be given to customers regardless of home ownership status, such as renters, in single-family or multifamily properties.

NFG Reply Comments at 1-2.

On October 24, 2019, the Commission entered an Order (October 2019 Order) at Docket No. P-2019-3008559, granting NFG's March 2019 Petition to amend its 2017 USECP to include the LC-LIURP Pilot, as modified. The Commission directed NFG to file a revised 2017-2020 USECP including the LC-LIURP Pilot, as modified.

On November 19, 2019, NFG filed and served a Revised 2017 USECP at Docket No. M-2016-2573847, consistent with the October 2019 Order. The Commission approved the Revised 2017 USECP via a Secretarial Letter issued on January 30, 2020, at Docket Nos. P-2019-3008559 and M-2016-2573847.

On March 31, 2021, NFG filed and served its proposed 2022 USECP at Docket No. M-2021-3024935. In the proposed 2022 USECP, NFG proposed to expand the LC-LIURP Pilot through January 2023 and to reduce the usage eligibility threshold to 900 CCF. Proposed 2022 USECP at 30, NFG Supplemental Information at 10. The Commission approved the NFG's requests through its May 2022 Order. May 2022 Order at 42-44.

1. Proposed Changes

NFG is proposing to make LC-LIURP a component of its LIURP (*i.e.*, no longer a “pilot program”), through the duration of its 2022 USECP and to increase the income limit to qualify for LC-LIURP from 150% of the Federal Poverty Income Guidelines (FPIG) to 200% of the FPIG. This proposal would leave LC-LIURP in place through at least 2027. Additionally, NFG proposes to eliminate the following eligibility requirements for LC-LIURP:

- Customer must be enrolled in LIRA.
- Customer must live in Erie, Crawford, Venango, or Warren counties.
- Customers are served based on priority tiers.

NFG asserts that these changes will provide weatherization benefits to approximately 9,300 customers with annual usage between 900-1299 CCF and income at or below 200% of the FPIG. October 2023 Petition at 9-10.

NFG submits that expanding the eligibility requirements for the LC-LIURP would address its historically underspent LIURP budget and allow more customers to qualify for weatherization benefits without increasing program costs. NFG states that LC-LIURP would continue to be funded from its existing LIURP budget and that unspent LC-LIURP funds would continue to be rolled over and added to the LIURP budget for the next program year. NFG states that it would implement the changes to LC-LIURP as soon as it receives Commission approval. October 2023 Petition at 11-12.

NFG has provided updated projections to its enrollments and spending in LC-LIURP, LIURP and the Emergency Repair and Replace Program (ERRP)³ based on its proposed changes to LC-LIURP. As reflected in Table 1, NFG proposes to complete on average approximately 82 LIURP jobs annually from 2023-2027, which appears to be a significant decrease in the approximately 120 or more annual LIURP jobs it projected for 2023-2026 in its current 2022 USECP. NFG is also proposing to spend \$341,000 less annually on LIURP and ERRP from 2024 through 2026 than what it projected in its current 2022 USECP, as shown in Table 2.

Table 1

Projected LIURP Production					
Program Year	2023**	2024	2025	2026	2027
Proposed LC-LIURP*	25	148	143	137	132
Current LIURP	135	130	124	119	N/A
Proposed LIURP	87	86	83	80	77
Current ERRP	84	79	74	70	N/A
Proposed ERRP	84	79	75	70	66

Source: 2022 USECP at 41, Proposed Amended 2022 USECP at 45.

*NFG proposed to complete 20 LC-LIURP Pilot jobs annually, totaling 40 customers from 2020 through 2021. 2022 USECP at 37.

**The figures for 2023 reflect only jobs that will be offered through the proposed expanded LC-LIURP if Commission approval is received by or before October 31, 2023.

Table 2

Projected LIURP Spending					
Program Year	2023	2024	2025	2026	2027
Proposed LC-LIURP	\$133,000	\$823,000	\$827,000	\$824,000	\$826,000
Current LIURP & ERRP	\$863,000	\$1,113,000	\$1,113,000	\$1,113,000	N/A
Proposed LIURP & ERRP	\$759,000	\$772,000	\$776,000	\$774,000	\$775,000

Source: 2022 USECP at 40, Proposed Amended 2022 USECP at 45.

³ NFG's ERRP assists LIURP eligible customers with emergency repairs and/or replacement of gas heating equipment and hot water tanks. ERRP is funding through NFG's LIURP budget. 2022 USECP at 5.

*From 2021 through 2023, \$250,000 was allocated from the LIURP budget to spent on LC-LIURP Pilot jobs.

On average, NFG has completed approximately 104 LIURP jobs over the past five years (*i.e.*, 2018—2022), as shown in Table 3. In its Proposed Amended 2022 USECP, NFG projects to complete 21% fewer jobs under its existing LIURP from 2023 through 2027 than it completed in 2018 through 2022, on average. However, when counting the projected number of jobs under its proposed LC-LIURP, the average number of households who are projected to receive weatherization services annually in 2023 through 2027 (*i.e.*, 199)⁴ would be 91% higher than the past five-year annual average (*i.e.*, 104). This change will also help to address its historical underspending of LIURP funds, which had accumulated to over \$2 million in 2022.

Table 3
LIURP Spending & Production 2018—2022

Production*					
	2018	2019	2020	2021	2022
Actual Jobs Completed	149	123	77	94	78
Spending**					
	2018	2019	2020	2021	2022
Projected Budget	\$2,039,835	\$2,007,897	\$2,129,300	\$2,609,065	\$2,936,096
Actual Spending	\$1,331,938	\$1,178,597	\$820,235	\$972,968	\$847,500
Unspent/Carryover	\$707,897	\$829,300	\$1,309,065	\$1,636,097	\$2,088,596

Source: 2018 Report on Universal Service Programs & Collections Performance at 47-48; 2019 Report on Universal Service Programs & Collections Performance at 46- 47; 2020 Report on Universal Service Programs & Collections Performance at 53-54; 2021 Report on Universal Service Programs & Collections Performance at 55-56; and 2022 Report on Universal Service Programs & Collections Performance at 54-55.

*Includes only LIURP Jobs.

**Includes LIURP and ERRP Budget.

⁴ This is the annual average number of customers projected to receive weatherization from LIURP and LC-LIURP.

2. Resolution

We find that NFG's LC-LIURP meets the general goals of universal service and energy conservation programs as established at 52 Pa. Code § 62.3. We also find NFG's proposal to expand the LC-LIURP eligibility requirements to all qualified low-income customers regardless of their LIRA status to be consistent with the Commission's regulation at 52 Pa. Code § 58.10(a)(1) (relating to program announcement) which does not require customers to be enrolled in customer assistance programs to be eligible for LIURP but rather expressly prioritizes eligible LIURP customers based on usage, arrears, and income. Further, we find merit in NFG's proposal to expand the LC-LIURP income limits to serve customers with income at or below 200% of the FPIG. This change will allow more low-income customers to qualify for LC-LIURP and, subsequently, address NFG's historically underspent LIURP budget.

As NFG has not proposed to extend LC-LIURP beyond the duration of its 2022 USECP, we cannot approve its proposal to make LC-LIURP a permanent part of NFG's LIURP. If the October 2023 Petition is approved, LC-LIURP may end when NFG's 2022 USECP is replaced. Therefore, the program cannot be considered a permanent part of NFG's LIURP and will remain a pilot with the approval granted herein. We approve the proposed modifications to LC-LIURP as reflected in NFG's October 2023 Petition and Proposed Amended 2022 USECP, subject to the characterization of LC-LIURP continuing as a pilot program.⁵

NFG shall track the LC-LIURP pilot spending, including the administrative costs, separate from the LIURP budget. Additionally, NFG shall annually report the LC-LIURP data consistent with the universal service reporting requirements at 52 Pa. Code § 62.5(ii)(II) (relating to annual residential collection and universal service and

⁵ Proposed Amended 2022 USECP at 7-8, 17, 19, 25, 35, 39-42, 44-46, and 48.

energy conservation program reporting requirements) and file and serve the LC-LIURP program data annually by April 1 each year at Docket No. M-2021-3024935 for the duration of its 2022 USECP. Beginning April 1, 2024, the LC-LIURP program data to be filed and served annually must include the following:

- Program spending for the recently completed program year, separated into amounts spent for LC-LIURP jobs and expended for administrative costs.
- Projected program spending for the current program year, separated into budgeted amounts for LC-LIURP jobs and administrative costs.
- Total number of LC-LIURP jobs completed for the recently completed program year.
- Number of LC-LIURP jobs projected to be completed for the current program year.
- Average LC-LIURP job costs for the recently completed program year.

We also direct NFG, by or before its next USECP filing, to either propose incorporating the LC-LIURP Pilot as a permanent part of its LIURP (as may be modified at that time) or propose to discontinue the program, with justifications for either proposal.

B. LIRA PIP

NFG's LIRA program currently offers "discounted rates" to payment-troubled heating customers whose income is equal to or less than 150% of the FPIG and who are

unable to pay their regular monthly natural gas utility bills. 2022 USECP at 19.⁶ LIRA customers currently receive budget bills discounted by 10%-80% depending on the customer's household size and household income.⁷

Under NFG's approved PIP, a LIRA customer would pay the PIP or average monthly bill amount, whichever is less, subject to the minimum LIRA payment amount of \$12. The customers' average bill amount will be determined by multiplying the rolling 12-month average natural gas consumption of the household by the rate applicable to non-LIRA residential customers. 2022 USECP at 19-22.

1. Proposed Changes

As described above, under NFG's approved PIP, a LIRA customer will be required to pay the lesser of the PIP or the customer's average monthly bill. LIRA bills will be reviewed monthly to ensure that customers are paying the lesser of the two options. 2022 USECP at 22.

In its October 2023 Petition, NFG is proposing to change the way it would calculate a LIRA customer's average monthly bill. NFG states that LIRA bills would continue to be calculated monthly at the lower of the PIP or average monthly bill, but the average monthly bill would be determined using the existing LIRA budget bill calculation instead of a rolling 12-month consumption average. NFG submits that the benefits for this modification include greater efficiency and a reduction in PIP

⁶ All citations to the 2022 USECP refer to the document filed on October 12, 2022, at Docket No. M-2021-3024935.

⁷ 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.

implementation costs, as NFG would not need to program a new average bill calculation. October 2023 Petition at 13-14.

2. Resolution

We find that using its existing budget bill calculation as part of the LIRA PIP will allow NFG to determine a customer's average monthly bill without making additional system changes, the cost of which would be recovered from non-LIRA residential ratepayers. We find this change reasonable and in the public's interest. Accordingly, we approve NFG's request to modify its average monthly bill calculation for its LIRA PIP and the proposed revisions related to this change reflected in its Proposed Amended 2022 USECP at 24.

C. 2022 Base Rate Case

On October 28, 2022, NFG filed for a general rate increase at Docket No. R-2022-3035880. On April 13, 2023, a Joint Petition for Settlement (2022 Rate Case Settlement)⁸ was filed, which included, *inter alia*, provisions impacting NFG's universal service programs. On May 3, 2023, the Administrative Law Judge (ALJ) issued a Recommended Decision (May 2023 Recommended Decision) recommending approval of the 2022 Rate Case Settlement without modification. By Order entered on June 15, 2023, the Commission approved the May 2023 Recommended Decision. June 2023 Order at 1-2.

As part of the universal service provisions in the 2022 Rate Case Settlement, NFG agreed, *inter alia*, to:

⁸ The Joint Petitioners in the 2022 Rate Case Settlement were NFG, the Bureau of Investigation and Enforcement, OCA, the Office of Small Business Advocate, CAUSE-PA, and the Pennsylvania Weatherization Providers Task Force, Inc.

- Increase its annual LIURP budget by \$91,000. Any unused funds from a program year will be rolled over and added to LIURP funds for the subsequent program year. 2022 Rate Case Settlement at 13-14, ¶54.
- Increase its annual contributions to its Neighbor for Neighbor (NFN)⁹ fund from \$67,000 to \$92,000. NFG also agreed to roll over any unused NFN funds from a program year to the subsequent program year. 2022 Rate Case Settlement at 14, ¶55.

1. Proposed Changes

In its October 2023 Petition, NFG is proposing to update its 2022 USECP to reflect changes approved in its 2022 Rate Case. These changes include reflecting the approved increases to its NFN and LIURP budgets.

NFG already updated the annual stakeholder contribution for NFN from \$67,000 to \$92,000 beginning October 1, 2023. These are not ratepayer funds. Thus, NFG's obligation relative to this docket is to ensure that the 2022 USECP on file with the Commission accurately reflects the NFN budget and other provisions.

NFG updated the annual LIURP budget from \$1,300,000 to \$1,391,000. However, NFG did not indicate in which program year this increased budget would begin. NFG also amended its LIURP administrative costs to reflect an increase from \$187,000 to \$208,000. October 2023 Petition at 8, 11-12, Proposed Amended 2022 USECP at 44.

⁹ NFN is NFG's Hardship Fund program, which is one of the four requisite universal service programs.

2. Resolution

We approve NFG's proposed revisions to its NFN and LIURP budgets in its Proposed Amended 2022 USECP, which are consistent with its approved 2022 Rate Case Settlement. NFG did not, however, include an implementation date for the increase to its LIURP budget. Accordingly, NFG is directed to include the date on which its new annual LIURP budget became effective in a further Amended 2022 USECP.

IV. CONCLUSION

Accordingly, we deny NFG's request to make the LC-LIURP a permanent component of its LIURP portfolio only through the end of the 2022 USECP. LC-LIURP will instead remain a pilot program through the remainder of NFG's 2022 USECP. We approve NFG's request to (1) modify the LC-LIURP eligibility requirements as proposed (2) modify its calculation for determining average monthly bill for the LIRA PIP; (3) incorporate provision of its 2022 Rate Case Settlement into its 2022 USECP; and (4) the updated language and formatting reflecting these approved changes in its Proposed Amended 2022 USECP. We direct NFG to file and serve a further Amended 2022 USECP within 10 days from the entry date of this Order reflecting (1) that LC-LIURP will remain a pilot for the duration of its 2022 USECP and (2) the date or program year the \$91,000 increase to its annual LIURP budget became effective; **THEREFORE,**

IT IS ORDERED:

1. That National Fuel Gas Distribution Corporation's Petition filed on October 16, 2023, is granted, in part, and denied, in part, consistent with this Order.

2. That the National Fuel Gas Distribution Corporation shall file a further Amended 2022-2026 Universal Service and Energy Conservation Plan within ten (10) days of the entry date of this Order.

3. That the further Amended 2022-2026 Universal Service and Energy Conservation Plan shall be provided electronically in Word[®]-compatible format to Norma Bowman, Bureau of Consumer Services, nobowman@pa.gov; Stephanie Wilson, Law Bureau, stepwilson@pa.gov; and Louise Fink Smith, Law Bureau, finksmith@pa.gov.

4. That the further Amended 2022-2026 Universal Service and Energy Conservation Plan shall identify:

- a) LC-LIURP as a pilot program running only for the duration of the 2022-2026 Universal Service and Energy Conservation Plan.
- b) When the \$91,000 increase to the annual LIURP budget became effective.

5. That National Fuel Gas Distribution Corporation shall propose incorporating the LC-LIURP Pilot as a permanent part of its LIURP, as may be amended, or propose to discontinue the program, with justifications for either proposal, by or before its next USECP filing.

6. That the National Fuel Gas Corporation shall file and serve an annual report on April 1 each year at Docket No. M-2021-3024935, beginning in 2024, for the duration of its 2022 USECP. This report shall include the following:

- a) Program spending for the recently completed program year, separated into amounts spent for LC-LIURP jobs and expended for administrative costs.

- b) Projected program spending for the current program year, separated into budgeted amounts for LC-LIURP jobs and administrative costs.
- c) Total number of LC-LIURP jobs completed for the recently completed program year.
- d) Number of LC-LIURP jobs projected to be completed for the current program year.
- e) Average LC-LIURP job costs for the recently completed program year.

BY THE COMMISSION,



Rosemary Chiavetta
Secretary

(SEAL)

ORDER ADOPTED: December 21, 2023

ORDER ENTERED: December 21, 2023