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January 16, 2024

Via Electronic Filing
Rosemary Chiavetta, Secretary
PA Public Utility Commission
PO Box 3265
Harrisburg, PA 17105-3265

Re: Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1 – 58.18 – Docket No. L-2016-2557886

Dear Secretary Chiavetta:

Enclosed for electronic filing please find the Comments of Philadelphia Gas Works ("PGW") with regard to the above-referenced matter. An electronic copy in Word format is being provided to the following:

Regina Carter, Bureau of Consumer Services – regincarte@pa.gov
Joseph Magee, Bureau of Consumer Services – jmagee@pa.gov
Louise Fink Smith, Esq., Law Bureau – finksmith@pa.gov
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Please contact me with any questions or concerns.

Sincerely,

/s/ Lauren M. Burge

Lauren M. Burge

Enclosure

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Initiative to Review and Revise the Existing	:	
Low-Income Usage Reduction Program (LIURP)	:	Docket No. L-2016-2557886
Regulations at 52 Pa. Code §§ 58.1 – 58.18	:	

COMMENTS OF PHILADELPHIA GAS WORKS TO NOTICE OF PROPOSED RULEMAKING

I. Introduction

PGW appreciates the opportunity to provide these comments to the Pennsylvania Public Utility Commission's Notice of Proposed Rulemaking (NOPR) issued as part of its Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1 – 58.18, Docket No. L-2016-2557886. PGW has one of the largest LIURP programs in the Commonwealth (its program is the largest natural gas program) and, more importantly, usually spends or comes close to spending its entire budget each year. Historically, PGW's program has differed significantly from other utility programs since PGW has measured its program consistent with current industry standards, using a Total Resource Cost test. In addition, PGW has implemented a significant number of pilots over the years, including a health and safety pilot that enabled it to treat more customer homes comprehensively.

II. Comments on Proposed Regulations Revisions

1) Section 58.4. LIURP budgets.

The NOPR proposes to modify Section 58.4 to, among other things, allow a utility to spend a percentage of its LIURP budget on special needs customers. While PGW does not object to the ability for other utilities to make this change at their election, PGW has a significant percentage of low-income customers in its service territory, who have significant need, and PGW does not agree that it should defer funds from these customers to special needs customers, as customers who earn less than 150% FPL make up 23.6% of PGW's residential customers, compared to the state's average of 15.3%.[1] PGW recognizes that other utilities may welcome a broader income range, and thus a larger pool of eligible customers, because it will enable them to meet their yearly budgets more easily. However, PGW has had no difficulty spending its LIURP budget due to its proactive selection process, mandatory treatment for eligible CAP (PGW's "Customer Responsibility Program" or "CRP") customers, and its significant low-income customer count. Expanding beyond low-income customer services means that PGW would have to spread its LIURP funding across a greater number of customers, to the detriment of its low-income customers. Given the fact that there are still many eligible customers with incomes significantly below 150% FPL, and that PGW prioritizes treatment based on highest gas usage, this would result in services being diverted away from customers who have the greatest need and opportunity for reducing their energy burden. PGW does not have a need to expand income eligibility.

Changing any eligibility point to 200% FPL instead of 150% FPL would also result in significant systematic changes and costs for PGW (which, as a cash flow entity, would be wholly borne by its customers). Currently, PGW assigns customers to its LIURP program based on evidence of low-income status. Neither PGW nor its Conservation Service Providers (CSPs) perform income verification on customers for LIURP treatment and PGW does not have a system for verifying incomes above 150% FPL. PGW proposes the following changes to the NOPR proposed language (underlined below):

[1] Pa. PUC Universal Service Programs & Collections Performance 2022 Report, at page 8.

§ 58.4.a.2 Special needs customers

(a.2) Special needs customers. A public utility may <u>at its election, but it not required to,</u> spend up to 25% of its annual LIURP budget on eligible special needs customers as defined in § 58.2 (relating to definitions).

2) Section 58.5 Administrative Costs

PGW disagrees with the NOPR's proposed change to Section 58.5, which addresses administrative costs and states that a public utility may not spend more than 15% of its annual LIURP budget on administrative costs, as defined in § 58.2. PGW has requested and been granted a waiver of Section 58.5 in its Universal Service and Energy Conservation Plan (USECP). The Home Comfort program's administrative expenses exceed the 15 percent cap for administrative charges because PGW's program design is based on industry standard Total Resource Cost (TRC) cost-effectiveness targets. These targets better serve the intent of this regulation (protection of rate-payer dollars) in a more effective manner than by strictly adhering to administrative cost caps. When treating homes more comprehensively, which PGW does through adherence of TRC, there are more administrative costs required. These include additional scheduling and coordination of subcontractors and health and safety remediations, as multiple visits are often required as compared to the types of jobs performed in PGW's LIURP (also called "Home Comfort"). PGW's use of TRC is also explained further in comments on Section 58.11.

3) Section 58.9. LIURP outreach.

The NOPR proposes to modify Section 58.9 to include additional advertising requirements. Targeted communication would have very little value for PGW's LIURP program due to its selection process. The enrollment process for PGW's LIURP is entirely internal – customers are assigned to the program based on total (high) usage and arrears, as defined in Section 58.1, and there is no open enrollment. This ensures that customers with the greatest need are served by the program. Because customers are chosen by PGW and cannot apply or ask to be enrolled, advertising the program would not be effective in reaching more customers than the current approach, and may cause confusion for customers. Furthermore, weatherizing the homes of customers who do not have high usage when there is a significant group of low-income customers in more need would be an inefficient use of ratepayer funds. Thus, PGW recommends that the regulations do not include a requirement to advertise its LIURP program, since it would be costly, unnecessary and ineffective.

4) Section 58.10. Prioritization of program services.

The NOPR proposes to modify Section 58.10 to include CAP shortfall as one of the factors that a utility is required to consider when prioritizing eligible customers. PGW submits that LIURP outreach should not be prioritized based on CAP shortfall. CAP shortfall is an absolute figure that may not fully capture a home's relative needs. Other factors outlined in the proposal, such as dwelling size, number of occupants, number of consecutive service months at a given dwelling, and utility end uses are arbitrary for the purpose of PGW's LIURP selection. PGW's current selection criteria of prioritizing customers with the highest gas usage already addresses cost burden effectively, since customers with higher usage receiving CAP assistance will logically have higher CAP shortfalls, since CAP assistance amounts are given as a flat rate or as a percentage of the customer's income and are not tied to usage. Additionally, prioritizing LIURP outreach based on pre-program arrearages would be unhelpful, since PGW already has programs for arrearage forgiveness outside of LIURP. Instead of regulation, prioritization criteria for LIURP can be outlined in full in USECPs with an opportunity for input from various stakeholders.

Additionally, PGW strongly disagrees with the proposed change to Section 58.10(d) that states that CAP-eligible customers cannot be required to receive program services. PGW proposes that the second sentence of the proposed Section 58.10(d) language be struck. PGW has a requirement that customers on CAP who are assigned in LIURP must accept services. PGW sends a series of three warning letters to customers before removing them from CRP. The participation requirement for CRP customers has been effective for increasing LIURP participation. This can be seen by the fact that in the last year CRP customers comprised 61% of all customers assigned for LIURP, and CRP customers have a higher participation rate and account for 73% of everyone treated. Furthermore, other ratepayers subsidize CRP and the costs for PGW customers can be significant. Per the most recent PUC Universal Service Report, PGW non-CAP customers pay more than any other regulated utility customer in the Commonwealth towards universal services.[2] It is unfair to those customers that CRP customers would be allowed to receive the benefits of the program without the responsibility of accepting free services designed to reduce their subsidy. In addition, CRP customers do not have to accept LIURP if they are unable to do so – such as if they have hardships relating to medical issues, work or travel, death in the family, as well as reasons relating to health and safety or structural issues in the home.

5) Section 58.11.(d) Energy audit.

Section 58.11(d) of the NOPR states that an energy audit must determine "whether the total estimated energy savings would exceed the cost of installation of all program measures over the expected lifetime of those program measures." PGW agrees with this approach but differs with the proposed methodologies in two areas. First, the approach of evaluating measures for cost effectiveness based on the lifetime of the measure is inconsistent with the PUC's approach of

[2] Pa. PUC Universal Service Programs & Collections Performance 2022 Report, at page 71.

assessing measures based on a 7- or 12-year payback period. Certain measures have lifetimes that are much longer than 12 years – for example, furnaces have a lifetime of 25 years and air sealing has a lifetime of 20 years. These are standard measure lifetimes accepted by many other utilities and utility commissions nationwide, and several of the measures in the Act 129 TRM have much longer lifetimes than 12 years. PGW submits that considering the lifetime of measures is a better metric for deciding which measures to install, and provides a better representation of true cost-effectiveness than a 7- and 12-year payback system.

Secondly, PGW respectfully submits that cost-effectiveness should be calculated at the job-level and not on the basis of each individual measure. Since 2011, PGW has requested and received waivers of Section 58.11 to allow it to measure cost-effectiveness using a TRC approach rather than the standard 7- and 12-year payback evaluation. Using TRC at the job level promotes comprehensive weatherization and maximum customer comfort, as it allows the CSP to treat the whole house as a system and use certain highly cost-effective measures to offset the low cost-effectiveness of other measures, thus leading to a greater number of measures installed. For example, in a given job, certain air sealing activities could have low levels of cost-effectiveness, while insulation is highly cost-effective. A CSP would benefit most from evaluating these measures as a combined work scope, since installing the insulation without first air sealing would run counter to good building science practices and would cause the insulation to be less effective at preventing heat loss.

PGW proposes the language below for Section 58.11(d):

> *(d) To evaluate whether the installation of program measures on a dwelling are appropriate, the energy audit must determine both:*

(1) Whether a program measure is not already present or is not performing effectively.

(2) Whether the total estimated energy savings would exceed the cost of installation of all program measures over the expected lifetime of those program measures, based on the cost effectiveness that the utility applies, which has been included in their Universal Service Plan.

6) Section 58.11a. Fuel switching.

PGW does believe that the Commission has the authority undertaken in Section 58.11a to encourage or require one utility's customer to pay for fuel switching.[3] The PUC should not require PGW ratepayers to subsidize fuel switching to the electric utility. PGW recommends that the utility that will be switched to should be the entity paying for any fuel switching costs.

7) Section 58.12. Incidental repairs and health and safety measures.

The NOPR proposes changes to Section 58.12 to establish provisions for both incidental and health and safety measures. Developing protocols for incidental repairs and health and safety measures is a positive step, recognizing the significant barriers of health and safety issues. However, PGW disagrees with requiring specific cost allowance measures as a criterion for when to install these measures. There is a wide range of costs for health and safety and incidental repairs, and these have no bearing on the cost-effectiveness of the overall job.

[3] PGW is not aware of any statutory provision that authorizes or requires the Commission to encourage or require fuel switching.

PGW has obtained a waiver for the standard 7- and 12-year payback tests in its 2023-2027 USECP, and instead uses a TRC approach for calculating cost-effectiveness, which is a better way to incorporate incidental repairs within a job cost-effectively. The TRC benefit-to-cost ratio test recognizes the long-term benefits of natural gas weatherization measures such as heating systems, air sealing, and insulation that have lifetimes greater than 20 years. This allows PGW and its CSPs to determine the benefit of a given measure relative to the savings that the total work scope achieves. As an example, PGW may treat a home that includes a $3,000 repair which might have been deemed too costly to repair under a strict cap on repair costs. That repair would allow the CSP to perform comprehensive air sealing and insulation and a heater replacement, making the job cost-effective overall. This approach allows for a utility to analyze the cost of incidental repairs in the context of the total job scope and overall benefits they will provide. This allows for deeper weatherization in homes and also preserves LIURP's purpose as a weatherization program, rather than a health and safety or home repair program.

As the Commission stated in its recent order approving PGW's USECP for 2023-2027:

> We also approve waiving the provisions of Section 58.11(a) to allow PGW to continue to use its existing cost/benefit calculation to establish cost-effectiveness for Home Comfort jobs. We have encouraged public utilities in previous USECP proceedings, to be flexible when applying the seven or 12-year payback to individual LIURP measures, in favor of an approach which evaluates the cost-effectiveness of the entire job. This approach follows the national best practice trends for whole house treatment and minimizes the intrusions on the customer by efficiently treating as much of the home as possible in one time. This waiver of Section 58.11(a), relative to Home Comfort, does not excuse PGW from complying with the rest of its obligations under Section 58.11, 52 Pa. Code § 58.11.[4]

[4] *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2023-2027 Submitted in Compliance with 52 Pa. Code § 62.4*, Docket No. M-2021-3029323, Order entered Jan. 12, 2023, at 75.

PGW has been exploring methods of including health and safety measures and incidental repairs in its LIURP program for many years. The utility has had success with implementation of its Health & Safety Pilot program, in which PGW allocates $100,000 annually that can be used for health and safety remediations that cannot be otherwise incorporated as part of a cost-effective job. When calculating the cost effectiveness of the measure or job, the CSP may exclude the cost of all or part of health and safety measures such as roof repairs, mold remediation, knob and tube wiring remediation and chimney liners in its cost effectiveness analysis, and charge these costs to the Health and Safety Pilot program budget. As part of PGW's most recent third-party LIURP evaluation, 86 cases that participated in the Pilot in 2021 were examined and were found to have achieved gross savings of 271 ccf (18.7% of pre-treatment usage). The average gross savings for the H&S Pilot jobs were approximately 81% higher than the average gross savings of 150 ccf for all comprehensive jobs. Based on the results for the comparison group of comprehensive jobs, the estimated net savings were 301 ccf (20.8%). These results point to the benefits of PGW's ability to exclude certain health and safety measures from TRC cost-effectiveness calculations via the dedicated budget the Pilot provides. In particular, the Pilot has been helpful in addressing knob-and-tube wire remediation, a common challenge facing low-income Philadelphians, and often a primary reason why attic insulation cannot be installed cost effectively without Pilot funding.

7) Section 58.13. Energy conservation education.

The NOPR proposes changes to Section 58.13 regarding energy conservation education and related energy savings. PGW provides education to all LIURP customers, which is incorporated into the energy assessment. We recommend that utilities not be required to itemize customer education as a standalone measure, but should be able to roll the cost of any customer education into the cost of the energy assessment. With this exception, PGW supports EAP's comments on the proposed changes to this section.

With reference to Section 58.13(d)(4), PGW has already implemented a process to follow up with customers whose usage has increased 12 months after their participation in LIURP. PGW is utilizing its third-party inspection contractor to perform follow-up inspections with a limited number of these customers, with the goal of identifying the reason(s) for increased usage. The inspector provides customer education on site, when appropriate. However, PGW supports EAP's recommendations regarding follow-up education for these customers.

8) Section 58.14. Quality Control.

The NOPR also proposes changes to Section 58.14a regarding quality control of program measures. PGW has already incorporated quality assurance into its LIURP protocols, and as such, has no objections to most of the proposed quality assurance requirements. However, PGW uses different criteria for judging what percentage of cases to inspect. The proposal requires that 10% of full-cost space- and water-heating jobs and 5% of baseload jobs be inspected. PGW currently inspects 10% of comprehensively closed jobs and 5% of closed-limited jobs (in which only an audit and certain direct-install measures are performed). Distinguishing between heat, water heat and baseload is not an effective approach. In PGW's program, 44% of the jobs receive limited measures at the time of the audit, which may include faucet and shower aerators, a thermostat and pipe wrap, and the total job cost is on average $299. Comprehensive measures like insulation cannot be performed due to health and safety issues. While an inspector can sometimes glean important takeaways as to why more work wasn't performed, the majority of the time there were truly no other cost-effective weatherization opportunities. As such, it is cost-ineffective to inspect closed-limited jobs. As it costs PGW an average cost of $299 to treat a closed-limited job and an average cost of $508.90 per inspection, inspections of these limited jobs are more costly than the work performed, making inspections cost-ineffective.

PGW recommends changing 58.14a(b) to:

(b) A public utility shall schedule post-installation inspections on a minimum of 10% of completed full cost space-heating and a minimum of 5% for jobs that are either baseload, water heating, or jobs in which limited measures were performed only at the initial energy assessment for each ESP performing such program measures.