

**PENNSYLVANIA PUBLIC UTILITY COMMISSION  
HARRISBURG, PENNSYLVANIA 17120**

**Petition of Philadelphia Gas Works  
for Approval of Demand-Side  
Management (DSM) Plan for FY  
2016-2020; Philadelphia Gas Works  
Universal Service and Energy  
Conservation Plan for 2014-2016**

**Public Meeting Held June 30, 2016  
2459362-OSA  
Docket No. P-2014-2459362**

**Issues 1 & 2**

**MOTION OF CHAIRMAN GLADYS M. BROWN**

Before the Commission for consideration and disposition is the Petition of Philadelphia Gas Works (PGW) for approval of its Phase II Demand-Side Management (DSM) plan for 2016-2020. PGW's Phase II DSM Plan was approved by Recommended Decision (RD) in March 2016. PGW filed Exceptions to the RD, while numerous parties to the proceeding filed Replies to Exceptions.

One of the issues raised in this proceeding is the appropriate DSM Phase II budget amount for PGW's Low Income Usage Reduction Program (LIURP). The RD recommends that PGW maintain the current LIURP budget for the remainder of the Phase II Plan, which would be \$7.6 million annually or \$38 million total over the life of the Plan. This outcome is consistent with the recommendations of the Office of Consumer Advocate (OCA) and other parties. PGW proposes that current funding levels be reduced.

The RD reasons that PGW's LIURP at its current budget level is a cost-effective program that provides a significant benefit to both program participants and to the ratepayers who pay the costs of the program. The RD further reasons that PGW has not demonstrated that the need for the LIURP program has decreased and has not met the regulatory requirements for a reduction in its LIURP budget.<sup>1</sup>

In contrast, PGW does not believe that maintaining a LIURP budget at current levels is sustainable and proposes to reduce its LIURP budget over the life of the Plan to almost \$16 million or approximately \$3.2 million annually. PGW argues that this proposed budget meets statutory requirements that its LIURP be "appropriately funded" and significantly exceeds the regulatory requirement that LIURP programs shall be at least .2% of a utility's jurisdictional revenues.<sup>2</sup> According to PGW, this proposed budget would result in a LIURP budget of 0.45%

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<sup>1</sup> These regulatory requirements include Section 2203(8) of Public Utility Code, which requires that universal service and energy conservation plans be "appropriately funded." These regulatory requirements also include Section 58.4(c) of the Commission's regulations, which establishes guidelines for revising universal service and energy conservation program funding.

<sup>2</sup> PGW St. 2 at 5; 66 Pa.C.S. § 2203 (8); 52 Pa.Code § 58.4(a). PGW notes that the current funding level is 436% of the minimum budget required by this Commission regulation.

of PGW's forecasted revenue and would be consistent with the 0.45% statewide average for LIURP spending (as calculated based on the data available during this proceeding).

PGW further seeks a waiver of our Program Funding Regulations at §58.4, which *inter alia*, mandates that a revision to a covered utility's program funding level is to be computed based on a four factor needs assessment. In summary, these factors are the following:

- (1) The number of eligible customers that could be provided cost-effective usage reduction services.
- (2) Expected customer participation rates for eligible customers.
- (3) The total expense of providing usage reduction services
- (4) A plan for providing services within a reasonable period of time

I have concerns with waiving these requirements. As such, I believe it is prudent for this Commission to run its own needs assessment to guide our decision on the appropriate LIURP budget for PGW. Specifically, I propose to run a needs assessment, using information from the most recent Universal Service and Energy Conservation Program filings for each of the major natural gas distribution companies. A review of these filings provides information related to number of eligible LIURP jobs, number of anticipated jobs completed per year, the cost per job, the total LIURP budget, and the job completion rate.<sup>34</sup> Table 1 below summarizes this information.<sup>5</sup>

Table 1 - NGDC LIURP Data

	Columbia	Peoples	Peoples - Eqt	National Fuel	PECO	PGW	UGI	UGI-PNG	
Total LIURP Eligible Customers	17,504	14,604	9,319	13,695	32,170	71,625	7,265	6,861	Total 173,043
Anticipated Annual LIURP Jobs	600	245	165	250	1,345	2,108	176	121	Total 5,010
Cost Per Job	\$ 7,917	\$ 5,102	\$ 4,848	\$ 5,200	\$ 1,673	\$ 3,605	\$ 6,250	\$ 7,025	Average \$ 5,203
LIURP Annual Spend - 2014	\$ 4,750,000	\$ 1,250,000	\$ 800,000	\$ 1,300,000	\$ 2,250,000	\$ 7,600,000	\$ 1,100,000	\$ 850,000	Average \$ 2,487,500
Job Completion Rate (Anticipated Jobs/Eligible Jobs)	3.43%	1.68%	1.77%	1.83%	4.18%	2.94%	2.42%	1.76%	Average 2.50%

Using this information, I believe this Commission can run two calculations that directly take into account the four factors of a needs assessment in our Regulations and that can help us determine the appropriate LIURP budget for PGW.

<sup>3</sup> Cost per job - This figure is calculated from the raw budget and proposed jobs numbers, but may be different than what is actually reported due to a change in number of actual jobs performed, or total budget being expended during a particular program year.

<sup>4</sup> Columbia at M-2014-2424462, Peoples at M-2014-2432515, Peoples-EQT at M-2014-2432515, National Fuel Gas at M-2013-2366232, PECO at M-2012-2290911, PGW at M-2013-2366301, UGI at M-2013-2371824, and UGI-PNG at M-2013-2371825.

<sup>5</sup> The Commission is taking administrative notice of the information in Table 1 pursuant to 52 Pa. Code § 5.408.

- **Job Completion Rate Budget Calculation**

This methodology uses PGW's total number of eligible customers, the rate of job completion for the entire state, and PGW's historical cost per project to determine a reasonable budget for PGW.

First, we calculate an expected number of completed jobs per year by multiplying PGW's total number of eligible LIURP Customers (71,625) by the state's average job completion rate (2.5%). Second, we take this result and multiply it by the average cost per job in PGW (\$3,605). This needs based method provides a total LIURP budget result of \$6,455,203.

PGW's Eligible LIURP Customers	71,625	PGW's Annual Job Completions	1,791
State Average Job Completion Rate	x 2.50%	PGW Cost Per Job	x \$ 3,605
	1,791		Final Result -> \$ 6,455,203

- **Historical Cost Budget Calculation**

This methodology uses PGW's historical program cost, the average cost of per job in the state, and PGW's average cost per job to determine a reasonable budget.

First, we calculate an expected number of jobs to be completed each year by dividing the state average cost per job (\$5,421) into the historical total program cost for PGW (\$7,600,000). Second, we take this result and multiple it by the average cost per job for PGW (\$3,605). This method produces a budget result of \$5,054,645.

PGW's Historical Program Cost	7,600,000	PGW's Annual Job Completions	1,461
State Cost Per Job	/ 5,203	PGW Cost Per Job	x \$ 3,605
Projected Annual Jobs	1,461		Final Result -> \$ 5,265,808

A simple average of the two calculations explained above result in a LIURP budget of \$5,860,506. I believe this budget represents a reasonable result. Consistent with the Commission's Regulations at §5.408, I move that official notice of these new facts and calculations be placed on the record and that parties to this proceeding be afforded the opportunity to comment on this \$5,860,506 LIURP budget figure.

I would encourage the parties to address PGW's LIURP budget based upon the total cost of LIURP eligible projects and set a reasonable expectation of the time necessary to meet that need. In this way, the budget would be driven by the timeline needed to accomplish total saturation of eligible LIURP customers. The parties should consider the rate impact of the higher budget on PGW's customers. It is a matter of public record that PGW already has the highest universal service budget of any public utility in this Commonwealth, and that its customers have the heaviest burden in paying for these programs

Additionally, I think it is important to consider how the Commission should address PGW's LIURP funding going forward. By way of background, LIURP is administered under Chapter 62 of our regulations,<sup>6</sup> which requires NGDCs to file Universal Service and Energy Conservation Plans (USECP) every three years on a staggered basis.<sup>7</sup> However, PGW's LIURP funding is treated differently as a result of the *DSM Settlement Order*.<sup>8</sup> In that proceeding, the Commission approved the settling parties' request that the LIURP funding level for PGW be addressed in the DSM case, and not as part of normal USECP process.

The Commission addressed whether to continue this unique treatment of LIURP in PGW's recent USECP case.<sup>9</sup> In that proceeding, the OCA argued that consideration of LIURP funding for PGW should once again be included in the USECP process. The Commission responded by agreeing to "reserve judgment as to whether PGW may continue its [LIURP] program as part of its DSM, or revert it back to LIURP as part of its USECP, pending our review of PGW's DSM proposal to be filed later this year..."<sup>10</sup>

In the instant case, PGW proposed that LIURP should remain in the DSM for various reasons. The other parties did not have a position on this and the ALJs recommend that PGW's request be approved.<sup>11</sup> However, as the Commission noted in PGW's USECP proceeding, the carving-out of the LIURP issue in the DSM settlement has limited the scope of our USECP review for PGW.<sup>12</sup> Moreover, as evidenced by this Motion and the administrative notice taken herein, there are many facts that were not developed on the record that are relevant to the funding of PGW's LIURP. The lack of record information in the DSM proceeding makes it more difficult for the Commission to make a decision regarding LIURP funding. This alone suggests that a more appropriate place for the Commission to consider the LIURP issue would be in PGW's current (or next) USECP proceeding. Doing so would also promote consistency of the Commission's approach to LIURP across all NGDCs. Accordingly, I encourage PGW to consider this in the future and ask the Parties to address this change in their Comments.

Finally, PGW has stated in both its testimony and Exceptions that, to the extent its preferred cost-recovery mechanisms were rejected, and a larger budget for LIURP approved, it may need to reevaluate the approved budget for the voluntary portion of this program. I acknowledge PGW's analysis, and recognize that there may need to be some revision to these voluntary programs to ensure that its pipeline replacement program and other core operations are adequately funded.

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<sup>6</sup> 52 Pa. Code §§ 62.1 - 62.8.

<sup>7</sup> A Secretarial Letter dated June 27, 2014 set May 1, 2016 as PGW's current filing date. The next USECP thereafter is due on February 1, 2020.

<sup>8</sup> *Pa. PUC, et al. v. PGW*, Docket No. R-200902139884, *et al.* and *PGW's Revised Petition for Approval of Energy Conservation and Demand Side Management Plan*, Docket No. P-2009-2097539 (*DSM Settlement Order*).

<sup>9</sup> *Philadelphia Gas Works Universal Service and Energy Conservation Plan for 2014-2016 Submitted in Compliance with 52 Pa. Code § 62.4*, Docket No. M-2013-2366301, Final Order entered August 22, 2014 (*2014 USECP Order*).

<sup>10</sup> *2014 USECP Order* at 49.

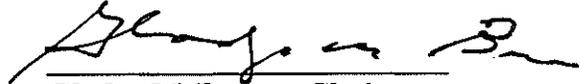
<sup>11</sup> Recommended Decision at 133-134.

<sup>12</sup> *2014 USECP Order* at 45 ("As noted above, since [LIURP] is part of PGW's DSM, it was not being evaluated in conjunction with the full spectrum of low-income considerations that apply to USECP issues, but was meeting the LIURP reporting requirements under the Universal Services programs.")

**THEREFORE, I move that:**

1. The Philadelphia Gas Works request for waiver of 52 Pa. Code §58.4 be denied.
2. The Recommended Decision be modified, consistent with this Motion.
3. The Office of Special Assistants prepare a Tentative Opinion and Order consistent with this Motion.
4. The active parties in this proceeding be afforded 10-days to comment.
5. Absent any comments the Tentative Opinion and Order become final by operation of law.

**June 30, 2016**  
**Date**

  
**Gladys M. Brown, Chairman**