

COMMONWEALTH OF PENNSYLVANIA



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January 30, 2017

Rosemary Chiavetta, Secretary  
PA Public Utility Commission  
Commonwealth Keystone Bldg.  
400 North Street  
Harrisburg, PA 17120

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 please find the Office of Consumer Advocate's Comments in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

A handwritten signature in cursive script that reads "Christy M. Appleby".

Christy M. Appleby  
Assistant Consumer Advocate  
PA Attorney I.D. # 85824

Enclosures

cc: Louise Fink Smith, Law Bureau  
Sarah Dewey, BCS  
Certificate of Service

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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 :

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COMMENTS  
OF THE  
OFFICE OF CONSUMER ADVOCATE

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Dated: January 30, 2017

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## I. INTRODUCTION

On December 16, 2016, the Pennsylvania Public Utility Commission (Commission) issued a Secretarial Letter requesting comments regarding the scope of a future rulemaking to update the Commission's existing Low Income Usage Reduction Program (LIURP) regulations at 52 Pa. Code §§ 58.1- 58.18. The Secretarial Letter requested written responses thirty days after publication in the *Pennsylvania Bulletin* and written reply responses thirty days thereafter. The Secretarial Letter was published in the *Pennsylvania Bulletin* on Saturday, December 31, 2016.

The Office of Consumer Advocate (OCA) appreciates the opportunity to provide comments to the Commission regarding electric distribution company (EDC) and natural gas distribution company (NGDC) Low Income Usage Reduction Programs.<sup>1</sup> Each EDC and NGDC is required to file a triennial universal service plan with four components: (1) a Customer Assistance Program (CAP) program to provide discounted rates to low-income residential customers; (2) the LIURP that provides weatherization and usage reduction services to help low-income customers reduce their utility bills; (3) the Customer Assistance and Referral Evaluation Services (CARES) program, which provides referral services for low-income, special needs customers; and (4) the Hardship Fund, which provides grants to customers who have their utility service terminated or are threatened with termination. 52 Pa. Code § 54.74 (electric distribution

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<sup>1</sup> The OCA was assisted in the preparation of these Comments by its consultant, Roger D. Colton. Roger Colton is a principal in the firm of Fisher Sheehan & Colton, Public Finance and General Economics. Mr. Colton provides technical assistance to a variety of public utilities, state agencies and consumer organizations on rate and consumer service issues for telephone, water/sewer, natural gas and electric utilities. Mr. Colton's work focuses on low-income energy issues, and he has testified and published extensively in this area.

requirements); 52 Pa. Code § 62.4 (natural gas distribution requirements). These four components are designed to achieve the following goals:

- (1) To protect consumers' health and safety by helping low-income customers maintain service.
- (2) To provide for affordable electric service by making available payment assistance to low-income customers.
- (3) To assist low-income customers conserve energy and reduce residential utility bills.
- (4) To establish universal service and energy conservation programs that are operated in a cost-effective and efficient manner.

52 Pa. Code § 54.73(b) (electric distribution requirements); 52 Pa. Code § 62.3 (natural gas distribution requirements). The four components are designed to work together to provide a "more cost-effective approach for dealing with issues of customer inability to pay than are traditional collection methods." See, CAP Policy Statement Order, Docket No. M-991232, 29 Pa. Bull. 2495 (March 31, 1999).

The OCA submits that Pennsylvania's experience with LIURP and other universal service programs, has demonstrated the benefit of these programs to customers, non-CAP residential ratepayers who pay the costs of the programs, and to utilities. LIURP originally dates from the Commission's 1984 rulemaking in Recommendations for Dealing with Payment Troubled Customers, Docket No. M-840403. Recommendations for Dealing with Payment Troubled Customers, Docket No. M-840403, 52 Pa. Code §69.154, 17 Pa. Bull. 3220 (August 1, 1987). The programs were originally designed as a part of the Customer Assistance Programs in order to find better ways to address payment-troubled customers rather than the endless and costly collection/termination cycle that had traditionally been pursued.

In moving to restructured electric and natural gas industries, the General Assembly codified the requirements for natural gas and electric distribution companies to provide assistance to low-income customers through universal service and energy conservation

programs. The Electricity Generation Customer Choice and Competition Act and the Natural Gas Choice and Competition Act contain identical language which requires that universal service programs be maintained and that the commission ensure that universal service and energy conservation policies, activities and services are appropriately funded and available in the service territory. 66 Pa. C.S. §§ 2203 (7), 2203(8), 2802(10), 2804(9).

As a general matter, the OCA has long supported LIURP programs as a cost-effective and reasonable means to provide benefits to low-income customers and non-low-income customers who pay the costs of the program. The Commission's regulations regarding LIURP have not been updated since 1998. In that twenty year period, however, the universal service programs, including LIURP, have greatly expanded and evolved. In its Secretarial Letter, the Commission identified fourteen questions that address aspects of potential changes to the LIURP regulations. The OCA supports the Commission's efforts to re-examine the LIURP regulations to determine areas that may need to be updated. In Section A below, the OCA provides preliminary recommendations for several areas of the LIURP regulations that may merit updates. The OCA addresses the Commission's fourteen questions in Section B below.

## II. COMMENTS

### A. OCA Comments

#### 1. Overview

The identified purpose of LIURP in the Commission's regulations is to "assist low income customers to conserve energy and reduce residential energy bills" in order to decrease the "incidence and risk of customer payment delinquencies and the attendant carrying costs." 52 Pa. Code § 58.1. Section 58.1 further provides that the "programs should also result in improved health, safety and comfort levels for program recipients." 52 Pa. Code § 58.1.

In order to better achieve this purpose, the OCA recommends that the Commission address at least the following areas in any LIURP regulation revisions: (1) LIURP funding; (2) needs assessment for both single-family homes and multi-family dwellings; (3) partnerships; (4) de facto space heating; (5) program eligibility; and (6) cost-effectiveness of LIURP. These areas represent the OCA's preliminary assessment. The OCA looks forward to reviewing the Comments of all stakeholders as consideration of these important issues continues.

#### 2. OCA Recommendations

##### a. LIURP funding levels.

The OCA submits that an area of the Commission's regulations that should be examined for revision is the manner in which the budget funding levels for LIURP are established. Each service territory is different, and the funding levels should be set based upon the low-income customer needs in the service territory, the identified needs assessment within the service territory, and the impact on those customers who bear the costs of the program. The key areas that must be addressed include: (1) how the LIURP funding levels are determined; (2) the factors that must be considered to change a LIURP budget; (3) how budgets which are not expended in a

programmatic year should be treated; (4) how multi-family properties should be treated; and (5) whether health and safety expenditures should be specifically allowed for in the Commission's regulations.

The LIURP funding levels for natural gas utilities and electric distribution companies are set forth in the Commission's regulations. Sections 58.4 (a)-(b) state:

(a) General guidelines for gas utilities. Annual funding for a covered natural gas utility's usage reduction program shall be at least .2% of a covered utility's jurisdictional revenues. Covered gas utilities shall submit annual program budgets to the Commission. A covered gas utility will continue to fund its usage reduction program at this level until the Commission acts upon a petition from the utility for a different funding level, or until the Commission reviews the need for program services and revises the funding level through a Commission order that addresses the recovery of program costs in utility rates. Proposed funding revisions that would involve a reduction in program funding shall include public notice found acceptable by the Commission's Bureau of Consumer Services, and the opportunity for public input from affected persons or entities.

(b) General guidelines for electric utilities. A target annual funding level for a covered electric utility is computed at the time of the Commission's initial approval of the utility's proposed program. A covered electric utility shall continue funding the program at that level until the Commission acts upon a petition from the utility for a revised funding level, or until the Commission reviews the need for program services and revises the funding level through a Commission order that addresses the recovery of program costs in utility rates. Proposed funding revisions that would involve a reduction in program funding shall include public notice found acceptable by the Commission's Bureau of Consumer Services, and the opportunity for public input from affected persons or entities.

52 Pa. Code §§ 58.4(a)-(b). Changes to funding levels are to be computed based upon the following factors identified in Section 58.4(c):

(1) The number of eligible customers that could be provided cost-effective usage reduction services. The calculation shall take into consideration the number of dwellings that have already received or are not otherwise in need of, usage reduction services.

(2) Expected customer participation rates for eligible customers. Expected participation rates shall be based on historical participation rates when customers have been solicited through approved personal contact method.

(3) The total expense of providing usage reduction services, including costs of program measures, conservation education expenses and prorated expenses for program administration.

(4) A plan for providing program services within a reasonable period of time, with consideration given to the contractor capacity necessary for provision of services and the impact on utility rates.

52 Pa. Code § 58.4 (c).

As an initial matter, in the OCA's view, the spending levels set forth in Section 58.4(a) for natural gas companies are out of date. 52 Pa. Code § 58.4(a). A spending level of 0.2% of jurisdictional revenues dates from the Commission's initial policy statement regarding LIURP in the 1984 rulemaking and the initial pilot programs that were established to fund universal service programs. See, Recommendations for Dealing with Payment Troubled Customers, Docket No. M-840403, 52 Pa. Code 69.154, 17 Pa. Bulletin 3225 (August 1, 1987). Since that time, the OCA submits that the low-income programs, including LIURP, have greatly expanded and the needs for LIURP funding have also changed based upon changes in the economy and housing stock. The Commission's regulations for natural gas companies should reflect the evolving LIURP needs.

The Commission has previously acknowledged that the standard is not a minimum of 0.2% but instead, the standard is the needs of the service territory. In the recent UGI Universal Services and Energy Conservation proceeding, the Commission stated that "the 0.2% of 'jurisdictional revenues' is a starting point or floor for LIURP budgets, rather than a ceiling." UGI Utilities, Inc. -Gas Division, UGI Utilities, Inc.- Electric Division, UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc., Universal Service and Energy Conservation Plan for 2014-2017 Submitted in Compliance with 52 Pa. Code § 54.74 and § 62.4, Docket No. M-2013-2371824, at 70 (January 15, 2015) (UGI USECP Order). As one example, UGI Gas had been

funding its program at 0.2% of jurisdictional revenues. After review of this practice, the Commission ordered the Company to address issues with the Needs Assessment for LIURP and the resultant budget for LIURP. UGI USECP Order at 70.

Consistent with this decision, the OCA submits that the reference in Section 58.4(a) to “the 0.2% of jurisdictional revenues” should be eliminated and replaced with language regarding the needs of the service territory. 52 Pa. Code § 58.4(a). Such language should require adequate funding to meet the identified needs of the service territory. The OCA would also recommend that similar language regarding the needs of the service territory be included in Section 58.4(b) for electric utilities. See, 52 Pa. Code § 58.4(b).

In addition, the standards set forth in Section 58.4 (c) regarding the factors to be considered for a change in a LIURP budget should be maintained. 52 Pa. Code § 58.4(c). The LIURP budget is typically proposed and approved in the Company’s triennial filing.<sup>2</sup> As part of this analysis, the OCA recommends that the Commission maintain the current standards set forth in Section 58.4(c) regarding how the budget level may be revised and the factors that may be identified for a budget revision. The identified factors directly tie the budget level to the needs of the service territory and changes to the needs in the service territory. It is important that the Commission continue to maintain standards for changes to the budget.

Another corollary issue is how the LIURP budget should be spent. The Commission’s regulations are silent regarding what happens to the LIURP budget if the budget is not spent in the program year. This issue has been raised in some of the most recent universal service proceedings addressing universal service issues, and the OCA submits that it should be treated in a consistent manner across the utilities. The OCA submits that if the Company under-spends its

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<sup>2</sup> The OCA notes that the LIURP budget may be changed in other proceedings, such as a base rate proceeding.

annual budget, the amount of the under-spending should be rolled over into the next year's budget. There are numerous reasons why a Company may under-spend its budget in a particular year. The Company may have been able to achieve greater efficiencies than expected, or alternatively, some intervening action may have prevented the Company from achieving its targets. In either scenario, the OCA submits that the dollars should be maintained as a part of the budget and roll forward into the next programmatic year. The need still exists for the services, and the budgeted dollars should be used to further address that need.

As discussed in more detail in the needs assessment section below, the OCA also recommends that the Commission include a separate budget process for multi-family properties. Multi-family properties and single family properties have different needs and different budget requirements. The OCA submits that the revisions to the regulations should address these differences.

Finally, as discussed in the OCA's response to the Commission's Question 6 in Section B below, the OCA supports the inclusion of specific funding to be allocated for health and safety measures. In the universal service proceedings, some utilities specifically identify a budget for health and safety measures while others do not. This inconsistency should be addressed in the Commission's revisions to LIURP. While the general provision in Section 58.1 outlines the need for health and safety measures, the regulations do not include a specific provision to include health and safety measures in the LIURP funding levels. Section 58.12 identifies that "expenditures on program measures may include incidental repairs to the dwelling necessary to permit proper installation of the program measures or repairs to existing weatherization measures which are needed to make those measures operate effectively." 52 Pa. Code § 58.12. Section 58.12, however, does not specifically identify the types of expenditures to be included within the

“incidental repairs,” or if the incidental repairs also includes health and safety expenditures. The OCA submits that the installation of health and safety measures allow for the weatherization improvements to operate more efficiently and ensure the safety of the home.

b. Needs Assessment

i. Overview

The OCA submits that revisions to the LIURP regulations for the needs assessment and the LIURP funding levels discussed in Section II(A)(2)(a) above must be considered together. The individual service territory’s needs assessment should continue to be the foundation for establishing the LIURP spending levels. The OCA supports maintaining the existing needs assessment requirements as identified in Section 62.4(b) for natural gas distribution utilities and in Section 54.74(b) for electric distribution utilities. 52 Pa. Code §§ 54.74(b), 62.4(b). The OCA recommends, however, that a more detailed description of the needs assessment as found in Section 62.4(b)(3) be added for electric distribution utilities and that additional factors be added to the needs assessment.

The Commission has an obligation under Sections 2804(9) and 2203(8) of the Public Utility Code to establish universal service programs, including the weatherization program, which is appropriately funded and available in each electric or natural gas service territory. 66 Pa. C.S. §§ 2804(9), 2203(8). For NGDCs, Section 62.4(b) of the Commission’s regulations requires that the needs assessment for each component of the universal services program, including LIURP, include the following:

The needs assessment shall include the number of identified low-income customers and an estimated of low-income customers, the number of identified payment-troubled, low-income customers, an estimated of payment-troubled, low-income customers, the number of customers who still need LIURP services and the cost to serve that number, and enrollment size of CAP to serve all eligible customers.

52 Pa. Code § 62.4(b)(3) (natural gas distribution requirements). The OCA submits that the these parameters for needs assessment should be maintained for LIURP, applied to EDC programs, and continue to be specific to the service territory.

The Commission has previously recognized that each service territory is unique and may require different LIURP programs to address the individual needs of the service territory. In prior Commission Orders, the Commission has recognized the importance of the individualized needs of the service territory. Re Guidelines for Universal Service and Energy Conservation Program, 1997 Pa. PUC LEXIS 43, \*29, Order (July 10, 1997) (1997 Guidelines Order). In its 1997 Guidelines Order regarding electric company universal service programs, the Commission stated:

In order to meet our charge under the statute it is necessary that the needs of the EDC's territory be assessed. Such a study of the community is necessary to ensure that programs are well directed to meet the greatest need in the community for affordable energy. The needs assessment should examine the market for and acceptance of universal service programming in the territory.

1997 Guidelines Order at 29.

The Commission maintained this standard for universal service programs in its more recent 2006 generic proceeding. Customer Assistance Programs: Funding Levels and Cost Recovery, 2006 Pa. PUC LEXIS 108, 7-8, Order (December 18, 2006) (2006 CAP Funding Order). The 2006 CAP Funding Order provided that:

We agree that the most appropriate course is to continue our review of funding on a case-by-case basis as part of each utility's "triennial review" process under 52 Pa. Code §§ 54.74 and 62.4 rather than establish a specific level of funding. The Commission has historically considered demographics, consideration of need, and the costs of CAP when determining whether a utility's CAP is appropriately funded and available as required by statute. 66 Pa. C.S. §§ 2804(9), 2203(8). There are two additional factors that must be considered in making funding decisions. First, as explained below, the Commission will revise its policy statement on CAP to expressly state that the Commission will consider the

interest of all customers, including those not enrolled in CAP programs. Second, the policy statement should be revised to state that the Commission will consider its previous decisions regarding the CAP funding levels of other utilities to the extent those utilities are similar in size, demographics, etc., to the utility whose funding level is under review. While the Commission recognizes differences among utilities, we should also recognize similarities, and will be strive to be consistent in our decisions.

2006 CAP Funding Order at 7-8. These same standards apply equally to LIURP and all other universal service programs. Critical to LIURP is the unique need of the service territory, particularly as it may concern such things as the housing stock and the cost to treat homes within the service territory.

ii. Additional Factors

In addition to the factors identified in Section 58.4(c), the needs assessment should also identify: (1) the type of housing in the service territory (i.e. single family, duplexes, row homes, multi-family); (2) the average age of the housing stock in the service territory; (3) the number of customers who directly pay their utility bills (to distinguish master-metered versus individually metered customers); (4) the type of heating fuel used by the customer; (5) those housing units occupied by low-income households; (6) the housing units that have not previously been treated with LIURP (or some other usage reduction program such as the federal Weatherization Assistance Program (WAP), Act 129 or the voluntary gas programs) services in a time period longer than that which would not preclude re-treatment; and (7) a timeline for completion. Moreover, the OCA submits that the Commission should provide additional guidance on how to identify those housing units that need to be treated. For example, if LIURP treated a unit that is to be re-treated after seven years, those units treated seven or more years ago should be excluded from units counted as previously treated.

As to the timeline for completion of the projected number of homes, this factor is directly tied to what the budget level should be. The Commission's regulations should require that the needs assessment include an identification of the number of units that need to be treated with LIURP and a timeline for when all such identified units will be completed. The timeline should also take into account that after a certain number of years, units will need to be eligible to be retreated. The OCA submits that there are different ways that this issue can be approached, but this is an issue that should be treated uniformly across all utilities.

iii. Multi-family needs assessment

The Commission's current regulations are silent on the issue of multi-family homes. In the Commission's Question 10, the Commission specifically asks whether there are better options to reach residents of multi-family housing. Secretarial Letter at 5. As part of a rulemaking, the OCA recommends that the Commission define multi-family properties, address the way that multi-family properties are to be treated, and address the proposed cost-recovery for multi-family properties. A distinction should be made in the regulations between the treatment of master-metered multi-family properties and tenant-metered multi-family properties. The OCA submits that the issue of multi-family properties, in particular the treatment of master-metered properties, must be considered along with the Act 129 EE&C programs and the voluntary natural gas energy efficiency and demand side management programs.

The OCA submits that a multi-family needs assessment should be completed as a separate component of the overall needs assessment. Multi-family projects have different needs than a single family home or single tenant property. Moreover, if multi-family and single family properties are not treated separately in the needs assessment and the budget, the multi-family budget could disproportionately consume the LIURP budget. The OCA submits that the

Commission's regulations should include a separate budget and separate needs assessment for multi-family properties. A distinction should also be made in the regulations regarding the cost recovery for master-metered multi-family properties and tenant-metered multi-family properties.

The multi-family LIURP regulations will also need to coordinate with the treatment of multi-family properties in the Act 129 EE&C programs and the voluntary natural gas energy efficiency and demand side management programs. Act 129 EE&C programs, in particular, have much larger budgets than the LIURP programs. The OCA submits that the Commission will have a much greater opportunity to address multi-family properties within the context of the Act 129 EE&C programs, particularly with respect to master-metered multi-family properties where the low-income customer is not the direct customer of the utility.

Another area of concern regarding the treatment of multi-family properties within LIURP is the cost recovery. With the exception of PGW's program, the costs of LIURP are recovered entirely from the residential customer class. Act 129 EE&C programs and voluntary natural gas programs allocate the costs of the programs according to the customer class that directly benefits from the program. The OCA submits that it would not be appropriate to include the costs of a commercial customer's weatherization treatment through the LIURP funding mechanism where the bill reductions would go directly to the landlord and not the tenant. Moreover, some multi-family properties may be mixed use in terms of sharing space with a commercial business or may be a combination of low-income and non-low-income family dwellings.

In instances where multi-family residents are direct customers of the utility, LIURP funding should not be used to treat such housing unless a minimum proportion of the housing units in the multi-family buildings are "low-income" as defined in the LIURP regulations.<sup>3</sup> A

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<sup>3</sup> The OCA notes that "low-income" may be defined differently for purposes of other state or federal housing programs. For example, state or federal housing programs may define "low-income" in terms of 50-80% of median

multi-family property should be substantially more than 50% low-income to be deemed LIURP-eligible. Even if the property is deemed to be LIURP-eligible, the costs of providing usage reduction to that property should be allocated between LIURP and Act 129 programs based on the costs that are used for the low-income units and costs that are used for non-low-income units. LIURP should not be charged for serving non-low-income units.

Finally, as to the definition of “multi-family” dwelling, while it may seem obvious that a “multi-family” dwelling would contain more than one housing unit, the OCA submits that the issue may be more complex. Dwelling units with less than four units are often single-family homes that have been converted to multiple apartments. In contrast, when multi-family buildings are defined to be larger buildings, such as the Census Bureau’s classification as five or more units, there are different issues presented for usage reduction programs. These types of dwellings may involve a different building structure or different types of energy-consuming systems (*i.e.*, hot water, heating). Moreover, larger multi-family building complexes, frequently have different ownership attributes. The larger buildings are more frequently, and to a greater extent, rental units with few, if any, residents purchasing their units (such as a condo). Large and small buildings also present different usage reduction issues.

c. Partnerships

Section 58.7(a) of the Commission’s regulations states that “a covered utility shall coordinate program service with existing resources in the community.” 52 Pa. Code § 58.7. The OCA strongly supports strengthening the requirement to coordinate programs in the community in the Commission’s LIURP regulations. The OCA recommends that the Commission’s regulations specifically define the coordination required between the electric distribution and

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income, which may differ from the Commission’s definition of low-income for the purposes of its universal service programs.

natural gas distribution LIURP programs, the Act 129 EE&C programs, the voluntary natural gas programs, and the federal weatherization programs. Such coordination of the programs will benefit all customers, both low-income participants enrolled in LIURP by maximizing limited resources and non-CAP participants by improving the cost-effectiveness of LIURP.

The Commission states in its Secretarial Letter that the Commission has been working with the Department of Community and Economic Development (DCED) on a statewide initiative to coordinate the Weatherization Assistance Program (WAP) with LIURP and the Act 129 EE&C programs. Secretarial Letter at 2-3. The two agencies have agreed to share data and analysis of the weatherization programs. Secretarial Letter at 2-3. The OCA strongly applauds the Commission for this initiative. The OCA strongly supports this coordination of the WAP program and the Commission's energy efficiency programs. The cost-effectiveness regulations may differ between the WAP program and the LIURP program but greater efficiency can be gained if these programs work together. The OCA recommends that the regulations provide the flexibility necessary to be able to effectively maximize the weatherization dollars available between LIURP and WAP.

The OCA also encourages increased coordination between the electric distribution and natural gas distribution LIURP programs. The OCA submits that electric and natural gas companies with overlapping service territories are drawing their LIURP participants from the same pool of applicants and should coordinate their efforts to maximize the benefits to the utilities and the low-income customers. In many cases, the same contractor is working for both the electric and the natural gas distribution companies. In those cases, the OCA submits that it is much more cost-effective to have the electric and natural gas distribution companies partner together to coordinate the installation of respective program measures than to have the natural

gas distribution company install measures on one day and then for the electric distribution company to separately install measures on another day a month later. The OCA submits that increased coordination would also help to ease the burden on the low-income customer because the low-income customer would only need to make him or herself available on one day for both utilities. The OCA submits that this may help to increase low-income customer participation in the programs because it will minimize the level of inconvenience for the customer.

The OCA would also encourage partnerships with housing developers. Where those partnerships involve LIURP funds or Act 129 EE&C program funds, the OCA submits that the Commission should ensure that LIURP dollars are only used to fund energy efficiency programs that are above and beyond what is required by the housing developer's financing and the Act 129 programs. For example, the OCA would oppose LIURP dollars being used to fund measures which are already required through the building code efficiency standards or as a part of the funding for the housing project.

To the extent possible, the OCA also recommends that the Companies coordinate resources with water utilities. Water utilities in Pennsylvania such as Pennsylvania American Water, Aqua Pennsylvania, York Water and the Philadelphia Water Department provide water-saving devices as part of their respective programs. The Companies should coordinate with the water companies to the extent that the installation of water-saving devices will also address energy efficiency needs.

d. De Facto Space Heating

The problem of *de facto* space heating has been identified in several EDC territories. The problem arises when a household is without its main source of heat. This can occur because of a broken furnace, termination of natural gas service or insufficient funds by the household to

obtain deliverable fuel. When the circumstances occur, low-income customers will often use a portable electric space heater to heat their homes. A broken natural gas furnace, for example, then becomes a problem for the electric distribution utility as electric soars in an attempt to heat the home. The OCA submits that the Commission should consider development of a *de facto* space heating program as part of its LIURP regulations. Such a *de facto* space heating program, by necessity, will need to coordinate many different sources of assistance. Coordination between NGDCs and EDCs as a first step will help to address the root cause of the use of *de facto* space heating.

The current LIURP regulations are silent on the problem of *de facto* space heating. LIURP is designed to reduce customer energy bills, to control high usage and to make homes more energy efficient. When low-income households are placed in the situation where they are faced with the prospect of going through the winter months without heat because they cannot afford to fix their furnace or repair their service lines, the customers will often turn to secondary heating sources to replace that lost source of natural gas heating, or what has been termed *de facto* space heating. Sometimes that secondary source may be electric space heater or kerosene space heater, and sometimes that secondary source is an oven or kitchen range. In each of these circumstances, not only is the secondary source inordinately inefficient from an energy usage perspective but these secondary sources are extraordinarily expensive for the household, and may also be very dangerous. When viewed as a whole, a *de facto* space heating program will serve the same purposes as the LIURP program, by reducing overall energy bills, controlling overall high usage, and making homes more energy efficient. The *de facto* space heating program will also address the problem of electric CAP credits increasing due to higher usage with less efficient space heaters.

The solution to the *de facto* space heating problem is not simple. The problem of *de facto* space heating is a joint problem for both electric and natural gas distribution companies. Electric distribution companies often do not want to expend ratepayer dollars on the repair of a broken natural gas furnace. The broken natural gas furnace, however, results in increased costs of the program for electric distribution ratepayers due to the use of inefficient electric portable space heaters. The problem for the natural gas distribution company, however, is that repair of a broken natural gas furnace would not result in decreased energy consumption for the natural gas distribution company, so the natural gas distribution company may have trouble justifying the expenditure under its LIURP cost-benefit requirements.

The OCA submits that the regulations should work to address this problem to address the issues for both electric and natural gas distribution companies. Some companies have implemented programs such as furnace or line repair programs to address *de facto* space heating. See, Peoples Natural Gas Company LLC Universal Service and Energy Conservation Plan for 2015-2018 at 32. The OCA submits that the LIURP regulations should specifically identify measures to address *de facto* space heating and direct EDCs and NGDCs to work together on these initiatives. In addition, consideration should be given to the cost-effectiveness requirements so as to enable the necessary measures.

e. Program eligibility

The LIURP regulations should include consistent LIURP program eligibility requirements. Currently, the LIURP program eligibility differs from one utility to the next. Some utilities have expanded their LIURP eligibility to 200% of the Federal Poverty Level. Some utilities have set-aside a specific amount of their budget, such as 20% or 25% of their budget, to serve the population between 151-200% of the Federal Poverty Level. Some utilities

may require “special circumstances” to allow customers outside of the CAP program to be served by LIURP. The OCA submits that the program eligibility for LIURP should be consistent to avoid customer confusion and to provide for a consistent program design across the Commonwealth. The OCA supports a portion of LIURP dollars being allocated to customers between 151-200% of the Federal Poverty Level; program eligibility for low-income, non-CAP participants; and prioritization of LIURP for customers who are in danger of exceeding their maximum CAP credit.

The OCA recommends that the Commission’s regulations provide a specific set-aside of the LIURP budget to address low-income customer between 151-200% of the Federal Poverty Level. For customers between 151-200% of the Federal Poverty Level, LIURP may be the only available resource to help a customer to reduce their bills. The primary basis for enrollment in LIURP for customers between 151-200% of the Federal Poverty Level should be the usage levels of the participant.

The OCA also does not believe that LIURP should be restricted to CAP customers. LIURP should be targeted towards the highest users with the primary goal of reducing energy usage. All customers, and the system, can benefit from reducing the energy use of the highest use customers whether or not the customer is in CAP.

Finally, the OCA submits that LIURP should also specifically be directed towards those customers who are in danger of hitting their CAP credit ceilings. If the customer is about to reach their maximum CAP credits, the customer would lose access to further CAP credits and the overall affordability of the customer’s bill would be in jeopardy. Moreover, if customer is about to hit the maximum CAP credit, then the overall costs to non-CAP participants who pay for the program will increase.

These eligibility requirements will need to be harmonized in the development of a budget and plan. But all these elements are critical to meeting customer needs.

f. Cost-effectiveness

The OCA submits that the Commission's LIURP regulations regarding cost-effectiveness should also be revised. The approach towards energy efficiency in Pennsylvania has evolved since the 1998 regulations were implemented. The OCA recommends two changes to the LIURP regulations to reflect this evolution. The OCA submits that the LIURP regulations should support a whole-house cost-effectiveness approach and should reflect the life of the program measures being installed rather than the limited payback period in the regulations. The OCA submits that the LIURP regulations should also require a reporting of the impact of LIURP on nonpayment and arrears.

The OCA submits that the payback periods included in the regulations have limited the efforts of the Companies to provide some program installation measures. The LIURP regulations should update the payback periods and use the service life of the measure being installed instead of the limited seven or twelve year payback period.

For the installation of program measures, Section 58.11(a) states:

(a) If an applicant is eligible to receive program services, an onsite energy survey shall be performed to determine if the installation of program measures would be appropriate. The installation of a program measure is considered appropriate if it is not already present and performing effectively and when the energy savings from the installation will result in a simple payback of 7 years or less. A 12-year simple payback criterion shall be utilized for the installation of side wall insulation, attic insulation, space heating system replacement, water heater replacements and refrigerator replacement when the expected lifetime of the measure exceeds the payback period.

52 Pa. Code § 58.11(a). The seven or twelve year payback may be too limited and may prevent the utility from being able to install measures that would otherwise be cost-effective over the life

of the measure. Such a restriction may prevent the installation of measures that could provide significant energy savings for consumers.<sup>4</sup>

In addition, the OCA submits that the regulations should support a whole house approach. The Company should have the flexibility under the regulations to install all energy efficiency measures that have been deemed to be appropriate by a comprehensive audit so long as the overall job, or total project, will remain cost-effective. The cost-benefit analysis should not necessarily apply to each individual measure, but to the project as a whole. The Act 129 programs and PGW's Demand Side Management program focus on total program or total plan, and such an approach applied to a project would provide the Company with greater flexibility to install additional energy efficiency measures.

The OCA submits that the LIURP regulations should also more fully consider the impacts of LIURP measures on the costs of a utility's CAP program and its overall uncollectible expense. The Penn State LIURP study found that LIURP reduces the nonpayment of customers and reduces the arrears. See, Long-Term Study of Pennsylvania's Low Income Usage Reduction Program: Analyses and Discussion (January 2009) (Penn State Study). A reduction in arrears would result in a working capital reduction, a reduction in bad debt, an overall reduction in uncollectible expense, and a reduction in collection expense. In addition, one important impact of LIURP is to reduce the costs of a utility's CAP program. To the extent that usage of the CAP participant can be reduced, the resulting CAP credits charged to the non-participating residential customers through a Universal Service Rider will be reduced as well.<sup>5</sup>

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<sup>4</sup> Act 129 allows for a fifteen year measure life when considering cost-effectiveness. See, 66 Pa. C.S. § 2806.1(m). While this would be an improvement, it too may be too limiting for some program measures.

<sup>5</sup> In Section 69.266 of the CAP Policy Statement, the cost recovery for CAPs includes the impact of the program on the working capital and credit and uncollectibles. 52 Pa. Code § 69.266.

The biggest and most common reduction in utility-related costs would arise from a reduction in utility working capital requirements. A working capital savings would result from any reduction in LIURP participant arrearages, even if that reduction does not result in a \$0 arrearage. If a customer without LIURP treatment had \$300 in arrears, while a customer treated through LIURP has a \$100 arrears, the utility will experience the resulting decrease in carrying costs associated with the \$200 reduction. Along with the reduction in working capital, of course, will be the reduction in any return requirement associated with the working capital. Moreover, along with the reduction in any return requirement will be a reduction in the taxes associated with the equity component of the return on the working capital. Reductions in bad debt and credit and collection costs should also be experienced.

The OCA submits that sufficient research has been performed, including the Penn State University evaluation of LIURP undertaken by the Commission, to conclude that LIURP results in a reduction in arrears and in an improvement in payment patterns. The OCA submits that failure to account for these impacts in the analysis sets the value of such improvements at \$0 and does not account for the full scope of benefits provided by LIURP.

The OCA submits that the LIURP regulations should be amended to reflect the changes in the way that cost-effectiveness for energy efficiency programs is calculated since the 1998 regulations were implemented. The OCA submits that the LIURP regulations should be modified both: (1) to more directly recognize the objective of helping to control the costs of CAP Credits chargeable to non-participants; (2) to provide an accounting for the value of the reduced CAP Credits in an analysis of the cost-effectiveness of the programs; and (3) to more directly recognize the reduction in utility operating costs.

## **B. OCA Responses to Commission Questions**

**1. Are the existing regulations meeting the charge in 52 Pa. Code § 58.1? If not, what changes should be made?**

**Response:** The charge set forth in Section 58.1 of the Commission’s regulations is “to assist low income customers conserve energy and reduce residential energy bills.” 52 Pa. Code § 58.1. Consistent with the stated purpose, LIURP should be designed to decrease “the incidence and risk of customer payment delinquencies and the attendant utility costs associated with uncollectible accounts expense, collection costs and arrearage carrying costs.” *Id.* As discussed in Section A above, the LIURP regulations should rigorously consider the need in the service territory and as to the cost-effectiveness, the OCA submits that the LIURP regulations should be modified to more fully consider the impacts of LIURP measures outside of usage reduction, such as the impacts of LIURP on the costs of a utility’s CAP program and operations cost.

**2. How should LIURPs be structured to maximize coordination with weatherization programs such as DCED’s WAP and Act 129 programs?**

**Response:** Effective coordination between DCED’s WAP, the electric utility’s Act 129 programs, the natural gas utilities’ LIURP and voluntary energy efficiency and demand side management programs, is essential to maximize the cost-effectiveness of the LIURP programs. The primary improved coordination should be directed to the use of a “whole house” approach to treating LIURP homes where providers can meet the home’s needs in a single treatment visit. Providing LIURP resources to WAP service providers that can be allocated to natural gas and/or electric usage reduction measures (as the case may be) once a home is selected for treatment would allow WAP, natural gas utilities, and electric utilities, each to fund the most cost-effective measures in a home being treated. Through such an approach, the appropriate electric and natural gas measures would be selected through a whole house audit without requiring separate gas and electric service providers to visit the home. The need for separate customer applications

and program eligibility determinations would also be avoided. In addition, where needed, allowable expenditures on health and safety measures, and/or incidental housing repairs, could be combined to the extent and in the magnitude needed, so as to minimize the impact of these non-energy saving expenditures on the cost/benefit determinations by fuel.

**3. How can utilities ensure that they are reaching all demographics of the eligible populations in their service territories?**

**Response:** The OCA submits that the means to address “all demographics” of eligible populations should be a function of utility best practices rather than a function of regulations. While the OCA agrees that LIURP should include a diverse population of eligible consumers, the means to reach those eligible populations will vary depending upon the individual demographics of the service territory. The barriers to reach the eligible population may also vary depending upon the nature of the barrier. A key element is to first understand the population to be targeted and whether that population is sufficiently participating in the program. For example, the strategies to engage the younger demographic population may differ significantly from the strategies necessary to engage an older demographic population. Moreover, the barriers to enrollment may also differ for a non-English speaking consumer versus an English speaking consumer.

The OCA submits that the necessary regulatory measure would be to identify reporting requirements to determine how the companies are serving the needs of the service territory. An established metric would allow the utility to design a program to target the unmet needs of the population within its service territory.

**4. What design would better assist/encourage all low-income customers to conserve energy to reduce their residential energy bills and decrease the incidence and risk of payment delinquencies? How does energy education play a role in behavior change?**

**Response:** As discussed in Section A above, the OCA submits that a move toward deeper “whole house” retrofits may better assist low-income customers to reduce their energy bills, and as a result, assist low-income customers to decrease the incidence and risk of payment delinquencies. Whole house retrofits would differ from the existing LIURP regulations in two important ways: (1) it would involve doing all available energy efficiency investments in a home once a home (gas and/or electricity) is treated at all, so long as the treatment as a whole is cost-effective and (2) it would involve determining the cost-effectiveness of what treatments are to be performed in a home based on an assessment of the cost-effectiveness of each measure over the life of the measure, rather than limiting measure payments to seven or twelve years payback. See, 52 Pa. Code § 58.11 (a).

The whole house treatment approach would largely eliminate the distinction between natural gas, electric baseload, electric heating, and electric hot water LIURP jobs. Instead, the allocation of costs for electric and natural gas measures would become more of an accounting process once a home is treated with all cost-effective measures.

With respect to the role of energy education, the OCA submits that energy education plays an important role. The timing of the energy education can be particularly important. To the extent that “energy education” is used as a substantial part of LIURP spending, it should be targeted to the “remedial in-home visits” found by Penn State to be effective. Penn State reported:

Refining this model by running it for those households who did not reduce their energy consumption versus those that did, remedial in-home contacts [sic] is only significant for households that did not reduce their energy consumption. It thus appears that remedial energy education visits may be effective in minimizing the impact of the “rebound effect.” In other words, these educational visits contribute toward household increasing their energy consumption to a lesser degree than if they did not receive such visits. However, non-in home contact methods, such as

telephone calls or mailings, do not have a significant impact in changes [sic] in energy consumption

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Remedial in-home educational visits are positively associated with reductions in arrearage for both those households who fail to reduce their overall arrearage and those that do, and for households that fail to reduce their energy consumption and those that do. Thus, remedial educational visits appear to present a unique opportunity for companies to increase energy savings. The earlier that companies can identify non-saving households, the more impact they can have on reducing the rebounding effect.

Long-Term Study of Pennsylvania's Low Income Usage Reduction Program: Analyses and Discussion at 46 (January 2009). As can be seen from the Penn State work, the same observations that were made about reductions in energy usage arising from "energy education" apply to reductions in arrearages.

**5. How can the utilities use their LIURPs to better address costs associated with uncollectible accounts expense, collection costs, and arrearage carrying costs?**

**Response:** The OCA submits that the reduction of uncollectible accounts expense, collection costs, and arrearage carrying costs is an outcome of LIURP. The appropriate targeting of LIURP services can assist in reducing energy bills and managing costs. For example, the presence and/or level of arrears could be used in two ways: (a) to target outreach regarding the benefits of LIURP and (b) to select the customers receiving LIURP services amongst customers with similar usage levels. While LIURP services cannot directly address the situation of a customer who is already in arrears, LIURP services can and should be used as a preventative measure to help reduce future costs associated with uncollectible accounts, collection costs and arrearage carrying costs.

The OCA offers two suggestions to better use LIURP to address growing uncollectible accounts expense, collection costs and arrearages:

- improve the coordination and information exchange between utility credit and collection processes/account managers and local community-based organizations such as community based organizations (CBOs). Persons in the community are often the best way to reach hard-to-reach customers, and
  - incorporate a non-utility based contact regarding the availability of LIURP into the collection process, including the ability to use LIURP to address existing arrearage issues and threats of disconnection.
- 6. How can LIURPs best provide for increased health, safety, and comfort levels for participants?**

**Response:** Section 58.1 states that “the programs should also result in improved health, safety and comfort levels for program recipients.” 52 Pa. Code § 58.1. Health, safety and “incidental” categories are three different types of expenditures. The OCA submits that utilities should be allowed to use some portion of their LIURP budgets for the categories of health, safety, and “incidental” expenditures.

Incidental repairs are specifically defined in the Commission’s regulations and should continue to be included in the Commission’s LIURP regulations. Section 58.12 describe “incidental” repairs as:

Expenditures on program measures may include incidental repairs to the dwelling necessary to permit proper installation of the program measures or repairs to existing weatherization measures which are needed to make those measures operate effectively.

52 Pa. Code 58.12. “Incidental” expenditures, for example, might involve minor housing repairs needed to make usage reduction measures feasible such as fixing a window or door frame. The OCA submits that like with the health and safety measures, this will provide the flexibility to address incidental repairs necessary for the installation of the energy efficiency measures.

Although Section 58.1 of the Commission’s regulations reference “health and safety” measures, the regulations do not include a definition. Generally, the Commission has supported the installation of health and safety measures. Some of the health and safety measures may

include installing smoke alarms or carbon monoxide detectors, performing combustion analysis, and identifying potential hazards such as mold, asbestos and moisture. In its recent Order regarding PECO's Universal Service and Energy Conservation Plan, the Commission discussed the importance of these measures:

We remain concerned, however, that routine health and safety measures do not have a separate allowance limit or threshold. The Commission has previously noted that while many homes require substantial rehabilitation and repair work beyond the scope of LIURP, there are numerous homes that could benefit from minor repairs or renovations that enable the installed weatherization measures to function as intended. A customer ultimately benefits from the additional energy savings and comfort provided by having those measures installed.

We strongly suggest that PECO develop a health and safety guideline or allowance threshold to give contractors some flexibility when encountering issues that could be easily remedied with a small investment. Conversely, we do not want the cost of those health and safety measures to adversely affect per job program costs. LIURP reporting has always had a separate category for ancillary or incidental repairs — *i.e.*, those repairs necessary for the proper function of an installed measure. Starting with the reporting for the 2015 Program Year, due by April 30<sup>th</sup> 2017, PECO is directed to report health and safety measure costs as a separate category and line item, as outlined in the Table 1 and Table 2 reporting forms and defined in the LIURP Codebook. By tracking these costs as a separate category, they can be treated in the same manner as administrative costs and removed from the overall job cost and savings calculations, but the costs can still be tracked and monitored.

PECO 2016-2018 USECP, M-2015-2507139, at 50 (August 11, 2016) (footnotes omitted); see also, PPL 2014-2016 USECP. Docket No. M-2013-2367021, at 41-42 (September 11, 2014).

The Commission may wish to provide more guidance on health and safety measures as part of its regulations.

**7. How can LIURPs maximize participation and avoid disqualifications of households due to factors such [as] housing stock conditions?**

**Response:** Housing stock conditions must be evaluated when a Company evaluates a customer for installation of weatherization benefits. The key analysis is to determine whether the weatherization measures will be cost-effective given the housing stock conditions. Examples

of housing stock conditions where weatherization may not be cost-effective would include: (1) elevated carbon monoxide levels where abatement is not possible using LIURP funds; (2) existing moisture problems that cannot be resolved under the health and safety limits; (3) the building structure or its mechanical systems, including electrical and plumbing, are in such a state of disrepair that failure is imminent and these conditions cannot be resolved with LIURP alone; and the extent and condition of lead-based paint or asbestos in the house. The OCA submits that, where possible, the Company should attempt to refer the consumer to other possible sources of funding to remediate the program.

The OCA submits that the LIURP regulations cannot address all potential situations. However, the parameters can be established to try to limit the number of houses that are eliminated. The OCA recommends the following parameters:

- First, the primary regulatory need for seeking such external assistance is to ensure that these homes do not go untreated because of timing issues. LIURP service providers should be allowed sufficient time to make referrals for other types of assistance and have repairs completed prior to a determination that the housing unit is disqualified from receiving LIURP services.
  - Second, LIURP service providers should maintain internal lists of programs to which housing units can be referred in the event that sufficient remediation is not possible to allow LIURP to proceed.
  - Finally, the regulations should ensure a complete recording of the number of housing units disqualified from LIURP services along with a complete documentation of the circumstances underlying the disqualification. A record of the frequency and causes for disqualification are important to allow subsequent efforts to devote non-ratepayer dollars to remediate these homes, which remediation would allow the possibility of future LIURP treatment.
- 8. What is the appropriate percentage of federal poverty income level to determine eligibility for LIURP?**

**Response:** The percentage of income level which establishes eligibility for LIURP does not need to be identical to the percentage of income level which establishes eligibility for the

Customer Assistance Programs (CAPs). The OCA submits that the approach taken by several utilities in Pennsylvania should be embedded into the regulations. The bulk of dollars for LIURP should be set aside for those customers who are income-eligible for CAP. However, the OCA recommends that the Commission's regulations allow a utility to earmark a certain level of funding, such as 20 or 25% for households with income above 150% of the Federal Poverty Level, but not more than 200% of the Federal Poverty Level.

**9. With the additional energy burdens associated with warm weather, what, if any, changes are necessary to place a greater emphasis on cooling needs?**

**Response:** In order to address cooling needs, LIURP will need to be modified to allow a multi-fuel whole house approach as discussed in response to Question 10 below and in Section A above. The LIURP programs should coordinate between electric and natural gas utilities. To the extent the heating and cooling systems are operated by different energy sources such as electric and a deliverable fuel source, this issue would need to be addressed.

**10. What are options to better serve renters, encourage landlord participation, and reach residents of multifamily housing?**

**Response:** As discussed in Section A above regarding the need assessment, the OCA submits that multi-family housing is best addressed through the electric utility's Act 129 programs and voluntary natural gas programs. The OCA submits that LIURP funds should not be used for multi-family housing programs where the tenant is not the direct customer of the utility. In those instances, the multi-family housing should be treated as a commercial property with appropriate cost recovery through the Act 129 program or a voluntary natural gas program.

In instances where multi-family residents are direct customers of the utility, LIURP funding should not be used to treat such housing unless a minimum proportion of the housing

units in the multi-family buildings are “low-income” as defined in the LIURP regulations.<sup>6</sup> A multi-family property should be substantially more than 50% low-income to be deemed LIURP-eligible. Even if the property is deemed to be LIURP-eligible, the costs of providing usage reduction to that property should be allocated to LIURP based on the costs that are used for the low-income units and what costs are used for non-low-income units. LIURP should not be charged for serving non-low-income units.

One primary way to reach landlords is to work with partnerships. The Pennsylvania Housing Finance Agency (PHFA), for example, administers the Low-Income Housing Tax Credit (LIHTC) program in Pennsylvania. According to HUD’s LIHTC database, between 1987 and 2014 (the last year for which data is available), 41,881 low-income LIHTC units<sup>7</sup> were placed into service in 66 different Pennsylvania counties. Under federal regulations, however, LIHTC units may, but need not, stay “affordable” in perpetuity. Instead, units must remain affordable for only 30 years. According to the HUD database, 14,528 low-income units were placed into service between 1987 and 1995, meaning that their affordability requirement “expires” (these housing units are known as “expiring use” properties) between 2017 and 2025.

Another type of program partner involves working with local professionals such as architects and, even more frequently, commercial construction managers. These professionals are the persons who are most likely to be aware of renovations and repairs occurring in rental properties with which energy usage reduction measures might be piggybacked.

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<sup>6</sup> The OCA notes that “low-income” may be defined differently for purposes of other state or federal housing programs. For example, state or federal housing programs may define “low-income” in terms of 50-80% of median income, which may differ from the Commission’s definition of low-income for the purposes of its universal service programs.

<sup>7</sup> Remember that “low-income” for purposes of LIHTC and other HUD programs may be set equal to a percentage of median income, which frequently exceeds 150% of Federal Poverty Level.

In addition to these program partners, utilities might seek to work with local property inspectors. Rental units may receive inspections at a much higher frequency than do single-family homes. Renovations and repairs resulting from these inspections are more frequent as well. Working with inspectors to identify rental housing that will be undertaking renovations and/or repairs could easily provide an entry point for introducing the availability of weatherization to be performed at the same time.

Another aspect of attracting landlords for weatherization initiatives involves the local permitting process. Obtaining local building (electrical) permits often involve submission of a “plan” (including blueprints, etc.) that local officials review both before and after the work is completed. Having LIURP programs seek an expedited permit process for usage reduction projects that are not really “construction” projects would make the weatherization process substantially more attractive to the building owner/manager.

11. **Should the requirements regarding a needs assessment in developing LIURP budgets, as outlined at 52 Pa. Code § 58.4(c), be updated to provide a calculation methodology uniform across all utilities? If so, provide possible methodologies.**

**Response:** The LIURP regulations should include a uniform methodology for calculating the required “needs assessment.” However, the budget level should be specific to the utility and the needs of the service territory.

In addition to the factors identified in the current LIURP regulations, the needs assessment should include additional factors as discussed in Section III(A)(2)(b)(ii) above. In addition to the factors identified in Section 58.4(c), the needs assessment should also identify: (1) the type of housing in the service territory (i.e. single family, duplexes, row homes, multi-family); (2) the average age of the housing stock in the service territory; (3) the number of customers who directly pay their utility bills (to distinguish master-metered versus individually

metered customers); (4) the type of heating fuel used by the customer; (5) those housing units occupied by low-income households; (6) the housing units that have not previously been treated with LIURP (or some other usage reduction program such as the federal Weatherization Assistance Program (WAP), Act 129 or the voluntary gas programs) services in a time period longer than that which would not preclude re-treatment; and (7) a timeline for completion. The annual LIURP budget should be sufficient to achieve the treatment of eligible households.

**12. Should the interplay between CAPs and LIURPs be addressed within the context of LIURP regulations? If so, how?**

**Response:** Yes. The four components of the universal service programs (CAP, LIURP, CARES and the Hardship Fund) should be designed to operate as a cohesive whole. The OCA submits that there are several areas in particular where there should be interplay between CAPs and LIURPs. One area is at the application stage. A determination of eligibility for CAP should be *ipso facto* a determination of eligibility for LIURP without the need for any further application process. However, conversely, CAP eligibility, standing alone, should not be a condition for LIURP eligibility, *i.e.* LIURP should not be limited exclusively to CAP participants.

Another area where there should be interplay between CAP and LIURP is when a high usage customer exceeds their maximum CAP credit. LIURP can provide a valuable tool to help CAP participants who have exceeded their maximum CAP credit. The OCA submits that a set-aside should be established to direct high use CAP participants who have reached their maximum CAP credit to LIURP.

**13. Are there specific “best practices” that would serve the LIURP objectives which should be standardized across all the utilities? If so, what are they? For example, is there a more optimal and cost effective method(s) of procuring energy efficiency services so as to maximize energy savings at lower unit costs?**

**Response:** At this time, the OCA does not have any specific recommendations regarding “best practices” to be implemented regarding the design of LIURP.

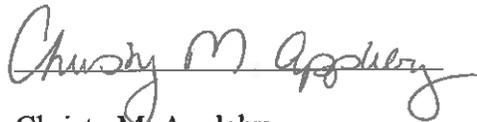
**14. The Commission also welcomes stakeholder input on other LIURP issues or topics.**

**Response:** The OCA has identified its additional LIURP recommendations in Section A above.

### III. CONCLUSION

The Office of Consumer Advocate again commends the Commission for this initiative and thanks the Commission for this opportunity to comment. LIURP plays a critical role in helping low-income customers to reduce their consumption and in helping to contain the costs of the universal service programs. The OCA looks forward to continuing discussion of these important matters.

Respectfully Submitted,



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DATE: January 30, 2017  
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CERTIFICATE OF SERVICE

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

I hereby certify that I have this day served a true copy of the foregoing document, the Office of Consumer Advocate's Comments, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code §1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 30th day of January 2017.

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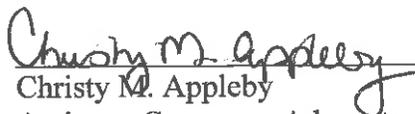
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