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January 30, 2017

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, Second Floor
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:

Attached please find *Comments of PECO Energy Company ("PECO") In Response to Secretarial Letter*, on the above captioned case, which was filed on this date.

If you have any questions regarding this filing, please contact me directly at 215.841.6863.

Sincerely,



Ward L. Smith
Assistant General Counsel

Attachment

C: Sarah Dewey, PUC
Louise Fink Smith, PUC

**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
PECO ENERGY COMPANY (“PECO”)
IN RESPONSE TO SECRETARIAL LETTER**

I. INTRODUCTION & BACKGROUND

On December 16, 2016, the Pennsylvania Public Utility Commission (“PUC” or “Commission”) issued a Secretarial Letter seeking stakeholder input on several topics in order to inform 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 seeks to leverage knowledge and experience gained by the utilities and other stakeholders since the existing LIURP regulations were promulgated in 1993 and amended in 1998 in order to improve the program and maximize ratepayer and participant benefit.

The Energy Association of Pennsylvania (“EAP”) is filing comments on behalf of the utility industry. PECO supports the EAP comments. In addition, through this filing PECO has provided answers to the Commission’s questions in its own right.

Before proceeding to the Commission’s fourteen specific questions, PECO would like to address a few general policy issues. As its name suggests, LIURP is a usage reduction program. In PECO’s view, LIURP program funds should be used almost exclusively towards the purpose

of usage reduction, with any other goals being secondary and subsidiary. This is an important caution. In PECO's experience, it is easy for stakeholders to think of LIURP as an omnibus program whose funds can be spent toward the achievement of numerous goals, as long as the expenditures help to provide affordable service to low-income customers. PECO respectfully submits that we should not take that path – while LIURP can help to provide affordable service, it is only one tool for doing so, and LIURP expenditures must remain focused on usage reduction.

Second, and relatedly, service to low-income customers is a very complex policy arena in which government agencies, non-government organizations, utilities and others all devote time and resources to trying to solve the same overall societal problem of providing affordable utility service to low-income customers. The 1996 retail competition statute, 66 Pa. C.S. §2801(9) and (10), contains much-quoted language that electric service is essential to the health and well-being of residents, and that the Commonwealth must “at a minimum, continue the protections, policies and services that now [in 1996] assist customers who are low-income to afford electric service.” Sometimes, this language is used to support a position that, if other entities such as government agencies and non-governmental organizations are unable to achieve their programmatic goals with low-income customers, then the utility must step in and provide additional benefits until the ultimate goal of affordable service is met. In other words, sometimes utilities are posed as a sort of “social agency of last resort” that must cure all policy ills in this area. PECO respectfully submits that this is not the proper framework for thinking about the role of utilities in general or of LIURP specifically. Utilities and their customers are important stakeholders in this issue, but they have a limited, defined role – they are not the ultimate backstop.

Third, we should begin this discussion with an explicit understanding that LIURP funding is and must be limited. This not to say that current budgets are necessarily set at the proper level – the Commission has asked for commentary on that issue in its question 11 regarding a standard needs assessment, and adoption of any changes to the needs assessment may cause the budgets of various utilities to increase, decrease, or stay the same. But ultimately, once such a framework of funds is set, the amount of funds available for LIURP at any given time for any given utility must be and will be limited. That creates a zero-sum environment – unless we identify a more productive or efficient method of delivering LIURP services, every new initiative will mean taking funds away from an existing initiative. This inherent tradeoff is an important constraint of limited-fund programs, and must be taken into account in evaluating new proposals. Put most simply, in a limited-funding environment an idea can be good, but still should not receive funds, if giving it those funds would require reduction of expenditures of another, more important program. Conversely, it can also mean that a measure that has been funded for many years may need to be curtailed or displaced to make way for a new program that will deliver better results. But it may not be possible to do both.

Finally, while part of the drive of this rulemaking appears to be a desire to devise a consistent statewide LIURP framework where possible, it should be kept in mind that utility LIURP programs are actually quite different from each other. LIURP programs are defined by, among other things, the low-income population in the service territory, weather patterns, the state of housing stock, the delivery of services by government agencies and non-government organizations, the amount of funds spent on LIURP in recent years, and other factors. A given LIURP program may be absolutely appropriate for Utility A and absolutely inappropriate for Utility B at a given time; the same program may be appropriate for Utility A now, but not five

years from now. The regulatory framework should be sufficiently flexible to allow for those useful variations to occur.

II. COMMENTS ON SPECIFIC QUESTIONS RAISED BY THE COMMISSION

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

PECO agrees with EAP that in general the programs meet the regulatory charge and the intent of the General Assembly as set forth in Act 114 of 1986 and the competition statutes.

With that said, there is room for improvement in LIURP programs, and PECO has identified those opportunities in its comments and by its support of the EAP comments.

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

Since 2009, PECO has coordinated its Act 129 and LIURP programs. PECO uses funds from its Act 129 Low-Income Energy Efficiency Program to install additional energy efficiency measures for LIURP participants. When such coordination is achieved it is a true productivity “win” that can reduce program costs, reduce lost wages and inconvenience for participants by allowing a single visit to the home for multiple programs, and help to ensure that low-income households receive the most comprehensive energy efficiency measures.

With that said, coordination with energy efficiency programs overseen by outside agencies can be difficult to achieve. WAP, for example, frequently has long backlogs that hinder the ability to do meaningful coordination of programs.

Given PECO’s overall positive experience with program coordination, PECO believes that the Commission should, either through changes to its LIURP rules or through permissive policy interpretations, provide utilities with the opportunity to attempt further coordination between LIURP, WAP, and Act 129. While PECO does not have concrete solutions at this time, it believes that the following opportunities should be explored:

- *Eligibility and Targeting:* Varying eligibility standards and targeting requirements between the programs can serve as a barrier to coordination. When possible, such requirements should be reduced or eliminated to encourage increased coordination. For example, a PA utility may reduce or eliminate the usage threshold required for program participation if the program is jointly delivered with WAP, or the WAP may move a household higher on the eligibility list if the WAP services can be coordinated with LIURP.
- *Energy Survey Requirements:* The cost savings from coordination are largest when one energy survey can be done for both programs to determine which measures should be installed, rather than having a separate audit for each program. Efforts might be made to have LIURP and WAP programs develop a joint audit data collection system to allow for such coordination.

- *Administrative Costs:* There are some administrative costs for coordination of services to determine which households are good targets for joint service delivery and for receiving approval from both programs. Such administrative costs should be allowed as a coordination expense, as they will be lower than the cost of an additional audit.
- *Measure Installation:* Act 129 can be an effective means to provide additional electric measures to LIURP participants. These services can help to achieve the goals of both programs, and such coordination should be encouraged.

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

PECO compares its LIURP participation to demographic data within its service territory, and confers with outside consultants, to make sure that its outreach programs reach all demographics of the eligible population in its service territory, and believes that it does a good job of doing so. However, if other commenters identify underserved demographic groups in their comments, PECO is open to discussion about methods of effectively communicating with those groups.

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?

PECO believes that the key measures to assist low-income customers to conserve energy are already in place or can be developed as per other portions of these comments. For example, measures should include:

- *Require CAP Participants to Accept LIURP:* Utilities should remove CAP participants from CAP if they are targeted for LIURP based on their usage and have not responded to LIURP solicitation attempts or have refused to participate in LIURP. PECO notes that, in its most recent Three-Year Plan Proceeding, some of the low-income advocates suggested that CAP customers should be able to refuse LIURP with impunity and either continue to receive CAP discounts or retroactively receive CAP discounts if and when they finally agree to accept LIURP. PECO strongly recommends that this is not an appropriate approach, as it allows customers to be LIURP “scofflaws” without consequence. Of course, customers whose landlords do not approve participation or who have other extenuating circumstances should be exempt from CAP removal on that basis. PECO has some suggestions for improving landlord situations in response to Question 10.
- *Provide education and outreach about LIURP:* Utilities should continue to provide education and outreach about LIURP to all identified low-income customers who attend community events or call the utility to request assistance.
- *Coordination of Act 129 services for low-income customers:* As described in response to Question 2.

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

LIURP can help reduce uncollectible account expense and related expenses by helping the customer reduce usage. Reduced usage equals reduced bills, which can (but does not always) result in improved payment metrics. PECO is not aware of any way that LIURP properly assists with these metrics, other than through usage reduction. Therefore, the various methods described in these comments and the EAP comments to improve usage reduction are the sole method of using LIURP to reduce uncollectible account expense and related costs. PECO provides some additional thoughts in response to Question 14.

6. How can LIURPs best provide for increased health, safety, and comfort levels for participants?

PECO believes that LIURP dollars should be used almost exclusively for the goal of usage reduction. In PECO's view, the primary issue with regard to LIURP and health and safety is that, if certain health and safety issues exist (such as mold or pest remediation), LIURP funds currently cannot be used to remediate the health and safety measure and the LIURP audit cannot proceed. Alleviating the health and safety measure in such situations may be the only means of achieving usage reduction. PECO thus believes that there may be room to allow LIURP funds to be spent on health and safety in some situations, but only with the ultimate goal of usage reduction.

To take an extreme example, if PECO entered a low-income home and found that the home had in place excellent low-usage lighting, excellent insulation and weather stripping, etc., but an infestation of pests, it would not be appropriate to spend LIURP funds on pest remediation. However, if spending limited LIURP funds on pest remediation would allow the LIURP team to safely introduce remedial energy usage reduction measures, then the pest remediation might be an appropriate use of LIURP funds. In such a situation, the goal would be implementing usage reduction measures, but there could be an incidental positive effect on health, safety, and comfort.

PECO would support limited use of LIURP funds to address health and safety issues, as long as three important limiting factors are in effect. First, there must be a material usage reduction measure that will be implementable only upon removal of the health and safety concern. Probably, this should be implemented by ensuring the total expenditure, including the health and safety component, meets appropriate payback hurdles.

Second, there should be a limitation, either on an audit-by-audit or overall project basis, on the percentage of LIURP funds that can be utilized for such measures.

Third, PECO believes that the Commission should allow, but not require, utilities to use a limited amount of LIURP funds on health and safety issues such as mold and pest remediation. For some programs at some times, there may be such a large pool of usage reduction measures that can be implemented that the entire budget can be properly spent without a foray into health and safety; other utilities may have exhausted – picked the low-hanging fruit – of usage reduction and need to spend limited funds on health and safety in order to reach the next tier of usage reduction opportunities. Because the propriety of this usage may vary from utility-to-utility and from time-to-time, PECO recommends that the Commission allow utilities to propose, in their triennial plans, any health and safety spending to be done with LIURP funds that the utility expects to make over the next three-year period. These proposals would then be subject to Commission review. PECO also believes that if the Commission’s regulations need to be changed to enable this initiative, the regulations should make clear that the utility service provider is allowed, but not required, to make such a proposal based upon its understanding of other LIURP usage reduction targets still available in its service territory.

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

PECO believes that it is not the role of utilities or within the scope of LIURP to address the Commonwealth's housing stock conditions. The primary purpose of LIURP is to reduce energy consumption via conservation in order to help make energy bills more affordable, not to remediate or rehabilitate homes. As noted by EAP, PECO and other utilities are willing to partner with other community agencies (e.g. Habitat for Humanity) in order to comprehensively address issues where possible. In addition, the health and safety proposal comments discussed above, if adopted, would allow a limited amount of LIURP funds to be used on housing stock issues, but only when the payoff in usage reductions makes such expenditures worthwhile.

8. What is the appropriate percentage of federal poverty income level to determine eligibility for LIURP?

Current eligibility guidelines require at least 80% of program spending to be focused on customers with income less than 150% of the federal poverty level, with the remaining 20% targetable to customers with income of 151-200%. PECO supports allowing greater latitude in spending LIURP funds on customers in the 151-200% income levels. PECO does not have a specific proposal, but believes that substantial energy reduction opportunities are being foregone due to the 20% limitation.

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

Pennsylvania remains primarily a cold-weather state, and commenters, including industry commenters, may therefore not recommend focus on warm weather needs for purposes of LIURP. PECO notes, however, that its service territory is unique among the Pennsylvania utilities in that it is a summer-peaking utility. While PECO agrees that statewide programs focused on warm weather are probably not appropriate, PECO is willing to work with the Commission and stakeholders to explore warm weather opportunities.

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

Landlords are not generally subject to the Commission's jurisdiction, and thus probably cannot be forced by regulation to grant access for LIURP measures. PECO believes that efforts to decrease landlord refusals therefore should be focused on education, information, and outreach to landlords.

The precise nature of such outreach does not need to be decided in this rulemaking, but it would be quite helpful to have the regulations make clear that LIURP funds may be used to support such landlord outreach efforts and to encourage utilities to undertake such efforts.

While it is not appropriate for the regulations to require specific types of education or outreach, PECO notes that with clear support and cost recovery guidance, utilities could, for example:

- Brainstorm with building owners and building owner associations on how best to publicize LIURP to this population and how to increase participation among landlords and multi-family buildings in LIURP.
- Develop a clear and consistent definition of the landlord's responsibility for contributing to the cost of LIURP as well as other requirements for landlord participation in LIURP.
- Develop clear definitions of when the building as a whole can be served with building level measures and the part of the cost that LIURP covers.
- Determine whether there are public lists of qualified low-income multi-family buildings that may be treated by LIURP.

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

PECO supports the development of a standard needs assessment test or tool that allows for some flexibility to be reflective of the differences in service territories, income levels, housing stock, number and percentage of eligible customers, the number of high-usage CAP customers who have not received LIURP treatment in recent years, etc. PECO would be willing to participate with other stakeholders to work toward a consensus improved methodology.

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

As noted in the Secretarial Letter, CAP participation is not a requirement for LIURP eligibility (although, conversely, one must give LIURP access in order to be eligible for CAP). PECO believes this rulemaking effort should highlight and reiterate that latitude, so that utilities will have flexibility to best achieve the goals of LIURP. If serving CAP customers will provide the greatest benefit to low-income customers and to the utility's ratepayers, the utility should target this customer base. If the utility's program has served most of the CAP participants with the greatest opportunities for energy savings, LIURP should be directed to serve other low-income customers with greater opportunities for energy saving and improved affordability.

13. Are there specific “best practices” that would better 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?

In general, PECO believes that the greatest reductions in energy usage can be achieved by keeping measures within the following three steps:

- Target the highest users.
- Provide installation of major measures where cost-effective opportunities are present.
- Provide effective quality installations.

PECO believes that evaluating all LIURP practices for consistency with that framework is a key best practice.

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

PECO also recommends discussion of the following potential changes to the existing regulations.

A. Prioritization for LIURP – Energy Burden

§ 58.10. *Program Announcement* states that customers should be prioritized for LIURP services in the following order:

- Those with the largest usage and greatest opportunities for bill reductions relative to the cost of providing program services shall receive services first.
- Next, those with the greatest arrearages shall receive services.
- Next, those with incomes which place them farthest below the maximum eligibility level shall receive services.

Some research has shown that customers who face the greatest energy burdens (energy cost as a percentage of income) also have the greatest difficulty paying their energy bills. Therefore, allowing energy burden to also be taken into consideration as a key factor in targeting LIURP may result in additional positive effect on uncollectible account expense.

B. Measure Life

§ 58.11. *Energy survey* states that the installation of a program measure is considered appropriate if it is not already present and performing effectively and when the energy savings derived from the installation will result in a simple payback of 7 years or less, or twelve years or less for certain specified measures.

PECO believes that the LIURP regulations should adopt a different definition of life measure -- the median number of years that the measure is in place and operable. If LIURP programs are able to utilize the full useful life of the measure in question when determining whether it should be installed, much greater latitude will be given to install measures that, over their full life, are usage-reduction warranted.

PECO requested its outside consultant, APPRISE, to provide summary of measure life metrics based on useful life that are currently being used in some jurisdiction. They are summarized in Table I. PECO is open to discussion of other specific useful life designations, but believes that this table is a good starting point. The shift to actual life of the measure is an important change that should be made in this regulatory review.

Table I
Measure Lifetimes Used in Various Studies and Technical Reference Manuals

Measure	Measure Life (Years)					
	Calmac ¹	CT ²	VT ³	MA ⁴	NJ ⁵	NEEP ⁶
Refrigerator	18	12	12	12	12	12
Gas Furnace	18	20	20		20	18
Gas Boiler		20	25	20	20	18
Air Sealing		20		20	30	15
Attic/Ceiling/Floor Insulation	25	25		20	30	25
Wall Insulation	25			20		
Duct Sealing/Insulation	15-25	20		18	15	20
Pipe Insulation	22	15	15	7		15
Electric Water Heater	15		15		10	
Gas Water Heater	13				10	13
Heat Pump Water Heater	13	10	13	10		13

C. LIURP Evaluation

§ 58.15. *Program evaluation* provides general guidelines for evaluating program effectiveness. PECO believes that the guidelines be expanded to allow the use of weather normalization and the use of a comparison group in reviews. PECO’s outside consultant APPRISE advises that the use of weather normalization is critical to adjust for significant changes in weather from one year to the next, and that the true impact of LIURP cannot be measured without controlling for the impacts of weather. Additionally, there are many other factors that may impact changes in energy usage in addition to LIURP. Some of these factors include changes in energy prices, the economy, and other information related to energy conservation that has been provided in the marketplace. APPRISE advises that it is important to use a comparison group to control for these other factors.

¹ http://www.calmac.org/events/APX_F.pdf

² CT TRM (2016): Eversource Energy and United Illuminating. “Connecticut Program Savings Document, 11th Edition for 2016 Program Year.” October 1, 2015.

³ VT TRM (2015): Efficiency Vermont. “Technical Reference user Manual (TRM). Measure Savings Algorithms and Cost Assumptions.” March 16, 2015.

⁴ MA TRM (2013-2015): Mass Save. “Massachusetts Technical Reference Manual for Estimating Savings from Energy Efficiency Measures, 2013-2015 Program Years – Plan Version.” October 31, 2012.

⁵ NJ TRM (2014): New Jersey Board of Public Utilities. “New Jersey Clean Energy Program Protocols to Measure Resource Savings, Revisions to August 2012 Protocols.” March 17, 2014.

⁶ NEEP TRM (2015): “Mid-Atlantic Technical Reference Manual Version 5.0.” June 2015.

III. CONCLUSION

PECO respectfully requests that the Commission consider these comments as it develops the rulemaking on this issue.

Respectfully submitted,



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