

COMMONWEALTH OF PENNSYLVANIA



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March 1, 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 Reply Comments in the above-referenced proceeding.

Copies have been served per the attached Certificate of Service.

Respectfully submitted,

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Assistant Consumer Advocate
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Enclosures

cc: Louise Fink Smith, Law Bureau
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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 :

REPLY COMMENTS
OF THE
OFFICE OF CONSUMER ADVOCATE

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Dated: March 1, 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 comments thirty days after publication in the *Pennsylvania Bulletin* and written reply comments thirty days thereafter. The Secretarial Letter was published in the *Pennsylvania Bulletin* on Saturday, December 31, 2016.

On January 30, 2017, Comments were filed by the Office of Consumer Advocate; the Energy Association of Pennsylvania (EAP);¹ the Joint Comments of the Pennsylvania Utility Law Project, the Natural Resources Defense Council, the National Housing Trust, the Keystone Energy Efficiency Alliance, Action Housing, Inc., the Housing Alliance of Pennsylvania, Regional Housing Legal Services, and Community Legal Services of Philadelphia, Inc. (collectively Pa. Energy Efficiency for all Coalition (PA-EEFA); Duquesne Light Company (Duquesne); Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company (collectively FirstEnergy Companies); PECO Energy Company (PECO); Philadelphia Gas Works (PGW); PPL Electric Utilities Corporation (PPL Electric); Commission on Economic Opportunity (CEO); National Fuel Gas Distribution Corporation (NFGD); Joint Comments of the Pennsylvania Department of Community and Economic Development (DCED) and Department of Environmental Protection (DEP); Energy

¹ Columbia Gas Company and Peoples Natural Gas Company LLC, Peoples Natural Gas Company LLC – Equitable Division and Peoples TWP LLC (collectively Peoples) each filed a letter which stated that the respective Companies supported the Comments of EAP.

Coordinating Agency (ECA)² and the Pennsylvania Weatherization Providers Task Force (Weatherization Providers).

As a general matter, the OCA supports many of the recommendations provided in the comments as discussed below. LIURP is a cost-effective and reasonable means to provide benefits to low-income customers; to reduce the costs of programs, such as the Customer Assistance Program (CAP); supported by non-low-income customers who pay the costs of the program; and to improve health and safety within communities. The OCA supports the Commission's efforts to re-examine the LIURP regulations to determine areas that may need to be updated. The OCA continues to support the recommendations in its Comments 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. The OCA looks forward to working with the Commission and the parties to revise the Commission's LIURP regulations.

II. REPLY COMMENTS

A. Introduction

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." *Id.* The OCA submits that LIURP is

² The OCA received the Comments for the ECA in an e-mail on March 1, 2017. The ECA's Comments are not included on the docket sheet for Docket No. L-2016-2557886 on the Commission's website.

an important tool, but it is only one tool in the complete toolbox of programs available to assist low-income customers to maintain affordable utility service. Amendments to the LIURP regulations should be directed towards assisting the program to improve the reach of the program and to provide greater benefits to both low-income participants and the non-CAP ratepayers who pay the costs of the program.

B. OCA Reply Comments Regarding 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?

As discussed in the OCA's Comments, the charge set forth in Section 58.1 of the LIURP regulations is "to assist low income customers conserve energy and reduce residential energy bills." 52 Pa. Code § 58.1. The OCA submits that 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.

While the OCA agrees with PECO's Comments that the overarching purpose of the LIURP regulations should be usage reduction, the OCA submits that EAP and Duquesne Light raised two important caveats to this premise which should be reflected in the LIURP regulations. See, PECO Comments at 2; see also, EAP Comments at 6, Duquesne Comments at 4. EAP stated that "homes may see an increase in energy usage post-treatment, but this does not mean the program failed them or the program's purpose." EAP Comments at 6. Duquesne noted that once LIURP jobs are completed, there may be an increase in energy usage which could be attributable to a variety of factors such as "lifestyle change, family demographics, a housing issue or use of a heating source that was previously broken." Duquesne Comments at 4. The

OCA submits that as EAP and Duquesne have identified, usage reduction should be considered a means to an end. LIURP should be designed to improve affordability, to reduce the CAP costs to non-participating ratepayers who pay for CAP, and to reduce the costs of non-payment.

The OCA submits that the overall objective should not stand in the way of allowing for some exceptions to the customers who are targeted for LIURP assistance. One example may be targeting some portion of LIURP to CAP participants who are at, or above, their CAP credit ceiling. Some customers reach their maximum CAP credit ceiling because of high usage, but others may reach their maximum CAP credit ceiling because of extremely low incomes.

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

Section 58.7 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 coordination of programs in the community. In its Comments, the OCA stated that 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. OCA Comments at 14-16, 23-24. PA-EEFA's Comments urge this same approach and that the programs should be delivered as "integrated programs." PA-EEFA Comments at 7.

In particular, the OCA agrees with PA-EEFA's Comments that:

LIURP, Act 129 (and, to the extent possible, WAP) should be viewed as different funding streams in an integrated program, rather than as different programs. Adopting this perspective can help prevent critical services from being denied when the rules of a single program that is being delivered to a household are restrictive to meet that household's needs.

PA-EEFA Comments at 8; see also, ECA Comments at 2; Joint DCED and DEP Comments at 2. The OCA strongly supports such a “whole house” approach 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. 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. See, OCA Comments at 25.

The OCA agrees with PECO’s Comments that eligibility requirements should be reduced or eliminated, if necessary, to encourage increased coordination among the programs. For example, PECO suggests that the utility may reduce or eliminate the usage threshold required for program participation if the program is jointly delivered with WAP, or WAP may be able to prioritize the household on the eligibility list if the services can be coordinated with LIURP. PECO Comments at 6-7. PECO also suggests that the energy surveys be made identical and proposes a joint audit data collection system to allow for such coordination. PECO Comments at 6. PECO also suggests that administrative costs for coordination be allocated between programs. PECO Comments at 7.

The OCA submits that these proposals would encourage further coordination and help to eliminate some of the administrative barriers to coordination of service. 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 all

treatments. 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.

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

As the OCA discussed in its Comments, the means to address “all demographics” of eligible populations should be a function of utility practices rather than a function of regulations. OCA Comments at 24. Many of the Comments identify potential improvements to outreach practices to assist utilities to reach different demographics of the eligible populations in the service territories, but the Commenters did not identify specific needed changes to the regulations. See, Weatherization Providers Comments at 2; CEO Comments at 2; PA-EEFA Comments at 14; Duquesne Comments at 5; PPL Comments at 4; FirstEnergy Comments at 6; EAP Comments at 9. The OCA submits that each of the utilities should examine these potential best practices to examine whether they would be beneficial in their individual service territories.

In its Comments, PA-EEFA did identify measures which could be codified into regulations including: (1) providing outreach in plain language; (2) taking reasonable steps to ensure meaningful access to non-English proficient households; (3) providing not only written translations, but also “oral interpretation;” and (4) accepting referrals from community based organizations and conservation service providers even if such referrals have not met a threshold for high use. See, PA-EFFA Comments at 13-14. The OCA submits that the Commission may want to explore implementing PA-EFFA’s proposed measures, as well as improvements identified by other Commenters, to increase the breadth of the demographics targeted by the Company’s outreach information.

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?

As the OCA discussed in its Comments, energy education plays an important role in LIURP. OCA Comments at 25-26. The timing of energy education can be particularly important. In its Comments, the OCA recommends the approach for “remedial in-home visits” identified in Penn State’s Long-Term Study of Pennsylvania’s Low Income Usage Reduction Program: Analyses and Discussion (Penn State Study). Penn State Study at 46; OCA Comments at 25-26. This appears to be the approach that Duquesne recommends in its Comments as well. Duquesne Comments at 5.

The OCA also supports the recommendation of PPL to provide LIURP education where a CAP customer may have low usage or be “an unlikely candidate for direct-install measures.” PPL Comments at 5. The OCA submits that this education may help to control CAP costs, even where a customer may not otherwise qualify for direct install measures.

The OCA also supports the recommendation of PECO to provide education and outreach about LIURP to all identified low-income customers who attend community events or call the utility for assistance. PECO Comments at 9. The OCA submits that education and information about the program are key elements to successful customer engagement in LIURP.

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

The OCA submits that the reduction of uncollectible accounts expense, collection costs, and arrearage carrying costs is an outcome of LIURP. The OCA agrees with the suggestion of Duquesne in its Comments that the usage reduction programs “tend to work best in tandem with other mechanisms or programs such as budget billing for CAP, which can further assist customers reduce arrearage (if one exists) and establish good payment habits.” Duquesne

Comments at 6. The OCA supports the use of budget billing for CAP to assist customers with managing the potential seasonal fluctuations inherent in gas and electric usage.

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

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. As the OCA stated in its Comments, the OCA supports the use of some portion of the LIURP budget for the categories of health, safety, and “incidental” expenditures. EAP, FirstEnergy, PECO, PPL, CEO, and PA-EEFA also support the use of health and safety measures within the LIURP budget. FirstEnergy and EAP both argue against a mandated requirement to install health and safety measures. FirstEnergy Comments at 8; EAP Comments at 10-12.

PECO provided three criteria to assess health and safety measures. In particular, the OCA agrees with two of PECO’s Comments regarding proposed changes to the regulations to address health and safety measures. Specifically, the OCA agrees that 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 and 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. PECO Comments at 11-12. The OCA submits that the two proposals would provide a regulatory foundation for utilities to implement necessary health and safety measures, but at the same time, they would also limit the percentage of funds within the LIURP budget that could be used. This would provide flexibility to the utility to implement health and safety measure, but at the time, implement a regulatory safeguard so that the exception of health and safety measures does not become the primary use of the LIURP budget. As to PECO’s third criteria that there must be a material usage reduction measure that will be implementable only

upon removal of the health and safety concern, the OCA is unclear as to the meaning or import of this criteria. From the OCA's reading, this criteria could eliminate most health and safety measures, including such things as smoke detectors and carbon monoxide detectors.

In its Comments, PA-EEFA also raises the issue of secondary heating, or *de facto* space heating. PA-EEFA Comments at 17-18. The OCA agrees with PA-EEFA's Comments regarding the importance of addressing *de facto* space heating but suggests that this should be addressed as a standalone issue in the regulations. See, OCA Comments at 16-18. The OCA submits that the regulations should work to specifically address *de facto* space heating for both natural gas and electric distribution companies. The OCA recommends that the LIURP regulations specifically identify measures to address *de facto* space heating and the utilities should be directed to work together on these initiatives.

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

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. The OCA recommends, as discussed in its Comments, that parameters be established to try to limit the number of houses that are eliminated. See, OCA Comments at 29. The OCA submits that, where possible, the Company should attempt to refer the consumer to other possible sources of funding to remediate the house. OCA Comments at 29. The OCA does not see LIURP as a housing rehabilitation program. The OCA submits that appropriate parameters should be drawn between the LIURP program, a conservation program paid for by other residential ratepayers, and other housing programs which are designed to address housing stock conditions.

The OCA agrees with the Comments of EAP that:

It is not the role of utilities, nor within the jurisdictional 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 make energy bills more affordable, not to remediate or rehabilitate all low income housing stock.

EAP Comments at 12; see also, Duquesne Comments at 7. The OCA agrees with EAP, FirstEnergy, Duquesne, PECO, and PPL that referrals should be made to other agencies to perform this work. See, EAP Comments at 12; FirstEnergy Comments at 9; Duquesne Comments at 7-8; PECO Comments at 13; PPL Comments at 8.

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

The Comments identify five potential scenarios regarding the appropriate Federal Poverty Level to determine eligibility for LIURP. The OCA, PA-EEFA, and Columbia propose that the eligibility for LIURP should be maintained at 150% of the Federal Poverty Level (FPL) with a set aside of up to 20% or 25% for those customers between 151-200% of the FPL. OCA Comments at 29-30; PA-EEFA Comments at 20; Columbia Letter. NFG, CEO, FirstEnergy, and Weatherization Providers propose expanding the eligibility to 200% of the FPL. NFG Comments at 5; CEO Comments at 1; Weatherization Providers Comments at 1; FirstEnergy Comments at 5-6. PECO and Duquesne propose that the 150% of the FPL be maintained but the budget limitations for those between 151-200% of the FPL should be relaxed. PECO Comments at 14; see also, Duquesne Comments at 8. EAP and PPL propose that the utilities have greater flexibility to determine whether and how much of a budget to focus on participants between 151-200% of the FPL. EAP Comments at 13; PPL Comments at 7. PGW proposes that the utilities should have flexibility to determine the income limits based upon the needs of the service territory. PGW Comments at 9.

The OCA recommends that the bulk of dollars for LIURP should be set aside for those customers who are income-eligible for CAP. The OCA, however, recognizes that there is also a need for LIURP assistance for customers with incomes between 151-200% of the FPL. The OCA recommends that the Commission allow a utility to earmark a certain level of funding, such as 20% or 25% for households with income above 150% of the FPL, but not more than 200% of the FPL.

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

Based upon the Comments, it appears that many electric utilities already address cooling needs within the LIURP program. See, PPL Comments at 8; Duquesne Comments at 8-9; FirstEnergy Comments at 9. PPL states that it includes window air conditioner replacement as a measure. PPL Comments at 8. Duquesne states that it includes potential window unit and central air conditioner replacement if the job meets the cost-benefit analysis. Duquesne Comments at 8-9. FirstEnergy states that it includes cooling measures such as window film, reflective roof coating, and air conditioning timers. FirstEnergy Comments at 9. PECO states that it is willing to work on integrating cooling opportunities since it is a summer-peaking utility. PECO Comments at 15.

The LIURP regulations allow for, but do not require, utilities to address cooling. It appears that many of the electric distribution utilities are already working to address cooling issues. The OCA would encourage electric distribution utilities to continue to address cooling measures within LIURP. The OCA submits that efforts to address cooling needs should also be coordinated between the natural gas and electric distribution companies. To the extent that the natural gas utility becomes aware of a situation where cooling needs should be addressed, the

OCA submits that the natural gas utility should coordinate with the electric utility to see if the situation can be addressed.

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

As discussed in the OCA's Comments, 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 proper cost-recovery for multi-family properties. See, OCA Comments at 12-14, 30-31. A distinction should be made in the regulations between the treatment of master-metered multi-family properties and individually-metered, multi-family properties. The OCA submits that many multi-family housing issues, in particular the treatment of master-metered multi-family properties, are best addressed through the electric utility's Act 129 programs and the voluntary natural gas programs. OCA Comments at 12-14, 30-31. The OCA submits that the Commission will have a much greater opportunity to address multi-family properties within the context of the much larger budgets 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. The LIURP funds should only be used where the tenant is the direct customer of the utility and the percentage of low-income tenants in the housing exceeds a specific percentage.

The OCA, however, does recommend that a separate needs assessment for LIURP be created in the regulations to identify individually-metered, multi-family housing needs in the service territory where the tenant is the utility customer.³ Such a needs assessment will assist in identifying needs and determining a proper approach.

³ As the OCA states in its Comments, if multi-family and single family properties are not treated separately in the needs assessment, the multi-family budget could disproportionately consume the LIURP budget. OCA Comments at 12.

PA-EFFA, PECO and CEO make several recommendations regarding multi-family housing and how they should be addressed in the LIURP regulations. The OCA will address some of these recommendations below.

The OCA does not agree with PA-EEFA's proposal that the LIURP regulations should be changed "to allow LIURP services to be provided for the benefit of low-income multi-family tenants who reside in buildings that are heated with gas when the account is master-metered in the owner/landlord's name." PA-EEFA Comments at 25. The low-income customer, in this situation, is not the utility customer. The customer is the commercial landlord being served under a commercial tariff. The OCA submits that residential ratepayer dollars should not be used to support a commercial landlord customer. NFG and EAP specifically agreed with the OCA's position on this issue that residential ratepayer dollars should not be used to support master-metered multi-family buildings. NFG Comments at 3; EAP Comments at 14.

There were several proposals regarding multi-family properties that PA-EEFA made that the OCA can support. PA-EEFA proposed that the LIURP regulations should "create targets for multifamily participation." PA-EEFA Comments at 24. The OCA supports the concept of creating targets for participation for multi-family housing where the tenant is the utility customer. The OCA recommended in its Comments that the LIURP regulations create a separate multi-family needs analysis for tenant-paid situations, and such a target should be incorporated as a part of that needs analysis. OCA Comments at 12-14.

The OCA also supports PA-EEFA's recommendation that "the Commission consider revising LIURP regulations to look at high usage on a square foot basis rather than in a strict usage threshold." PA-EEFA Comments at 24. PA-EEFA stated that "this would allow for effective remediation of multifamily buildings that may not meet the strict usage threshold but

that nonetheless may have high usage per square foot of their residence.” PA-EEFA Comments at 24. The OCA agrees that in multi-family dwellings where the tenant pays the utility bill, the residence is often less efficient on a square footage basis than in a single family home. OCA consultant, Roger D. Colton,⁴ created the following chart to demonstrate the usage per household versus the usage per square foot in different types of dwellings:

Housing Unit Type	Per Household (million Btu)	Per Square Foot (thousand Btu)
Single-Family	126.9	44.6
Single-Family Detached	130.9	44.0
Single-Family Attached	102.5	50.3
Multi-Family	77.4	78.1
Apartments in 2-4 Unit Buildings	95.4	80.1
Apartments in 5 or More Unit Buildings	64.7	76.2
Mobile Homes	79.2	76.9

2009 RECS (Residential Energy Consumption Survey), Table CE1.02. The OCA submits that this inefficiency should be given proper consideration.

PECO proposes that the Commission provide cost recovery guidance. PECO Comments at 16. The OCA agrees that to the extent that multi-family housing is addressed in the LIURP regulations, the regulations should specifically identify how costs are to be recovered from ratepayers for individually metered and master-metered properties. In addition, the cost recovery guidance should address the treatment of common areas in buildings that are individually-metered as well as the types of costs that can be supported by the LIURP budget.

⁴ As the OCA noted on page 1, footnote 1 of its Comments, the OCA was assisted in the preparation of its Comments by its consultant, Roger D. Colton. Mr. Colton also assisted in the preparation of these Reply Comments. His credentials are identified at page 1, footnote of the OCA’s Comments in this docket.

The Commission should also address what percentage of tenants should be “low-income” for a building to be treated by LIURP funds. CEO suggests in its Comments that if 50% of multi-family units are occupied by low-income tenants then the entire building should be deemed to be low-income. CEO Comments at 4. The OCA does not agree that 50% is sufficient to be deemed low-income for purposes of using LIURP funds and submits that the percentage should be higher. The OCA has previously recommended that the percentage of low-income tenants be at least 75%.

- 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.**

In Comments, the majority of interested stakeholders, including the OCA, agreed that a standardized methodology should be explored and agreed that there should be flexibility to address individual needs within the service territory. In Comments, the OCA, CEO, PECO, and PPL recommend that the LIURP regulations include a uniform methodology for calculating the needs assessment. OCA Comments at 32-33; CEO Comments at 4; PECO Comments at 17; PPL Comments at 9. The OCA also recommends that the budget level be specific to the utility and the needs of the service territory. OCA Comments at 32. Duquesne proposes a stakeholder discussion to update the needs assessment prior to any regulatory change but recommended “a needs assessment that, at a minimum, allows for flexibility to account for differences in service territories (such as lack of all electric homes) and income levels.” Duquesne Comments at 9. FirstEnergy also recommends a working group to evaluate changes to a needs assessment methodology but that the methodology should recognize the difference in service territories. FirstEnergy Comments at 10. EAP and PECO propose a standard needs assessment with flexibility to address differences in the service territories. EAP Comments at 14-15; PECO

Comments at 17. NFG did not agree that the needs assessment methodology should be uniform. NFG Comments at 5.

In its Comments, PA-EEFA recommends that once a needs assessment is completed, there should be a demonstrable connection between the needs assessment and what the utility proposes to do. PA-EEFA Comments at 26-27. Specifically, PA-EEFA recommends that the needs assessment should be used to:

- (1) Determine the total number of income-eligible low-income households within each service territory using current census data.
- (2) Determine expected costs per customer needed to provide comprehensive, fuel neutral efficiency services based on standards to be developed by the Commission that achieve acceptable energy savings.
- (3) Establish a policy for the length of time over which it would be reasonable and appropriate to provide services to all eligible customers.
- (4) Adjust each utility's budget allocation based on the unique factors of each service territory (such as the cost of labor, typical needs of the predominant housing type, cost savings produced through efficiently administered universal service programs that may be used to extend the reach of the budget, etc.)

PA-EEFA Comments at 27. To this list, the OCA would add that the analysis must also account for the impact on non-participating customers who pay the costs of LIURP. PGW raised a similar consideration in its Comments. PGW Comments at 12. The OCA submits that the interests and needs of low-income customers must always be balanced by the costs/benefits to all other ratepayers.

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

The OCA submits that the four components of the universal service programs (CAP, LIURP, CARES and the Hardship Fund) should be designed to operate as a cohesive whole. OCA Comments at 33. In its Comments, the OCA recommends that a CAP applicant should

ipso facto be eligible for LIURP without the need for a separate application and that LIURP be specifically targeted towards those customers in danger of exceeding the maximum CAP credit. OCA Comments at 33. The OCA submits that these recommendations are a means to make the LIURP program more effective and not a strict integration of the CAP and LIURP programs.

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?**

In general, all of the Comments, including the OCA’s, propose that “best practices” should not be written into the LIURP regulations. In particular, the OCA agrees with EAP’s statement that best practices will change over time. EAP Comments at 16. The OCA supports the proposed approaches taken by PPL and FirstEnergy to address best practices as a part of the three-year USECP plans. FirstEnergy Comments at 11; PPL Comments at 9-10. FirstEnergy correctly notes that “the appropriate measures, budget level, outreach efforts, and agency coordination are dependent on the demographics, location, housing stock, and weather conditions of the particular utility.” FirstEnergy Comments at 11-12. The OCA also agrees with Duquesne Light’s recommendation to address best practices as part of a collaborative effort through the exchange of information in stakeholder groups. Duquesne Comments at 10-11.

The one best practice that could potentially be written into the regulations is the whole house approach. The OCA supports PA-EEFA’s recommendation that:

Shifting program focus from the current, fragmented, fuel and measure specific approach to an integrated, whole project approach will best serve the needs of low-income households and will have the greatest effect on reducing arrearages by saving households the most money on the overall energy bills, and will provide the greatest societal benefits per ratepayer dollar invested.

PA-EFFA Comments at 30. As the OCA discussed in response to question 2 above and in its Comments, the LIURP regulations should encourage partnerships with other programs and utilities and to coordinate services so that providers can meet the home's needs in a single treatment visit. See, OCA Comments at 14-16, 23-24. Such coordination of the programs will benefit all customers, both low-income participants enrolled in LIURP by maximizing resources, and those customers that support the programs by improving the cost-effectiveness of LIURP.

The OCA, however, does not support PA-EEFA's proposal to amend the regulations to move towards a performance or outcome-based compensation structure for LIURP. The OCA is concerned that a performance or outcome-based compensation structure may increase the overall administrative costs of the program. Any movement towards a performance or outcome-based compensation structure should be reviewed on a case-by-case basis to determine whether the benefits provided outweigh the costs. The OCA submits that the regulations should not mandate the implementation of such a structure and should continue to maintain a cap on the overall administrative costs of the program.

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

The OCA agrees with many of the suggested proposals in the Comments. In particular, the OCA addresses two of the ideas presented below: (1) stakeholder group to discuss all issues, including payback periods and (2) whether the energy burdens should be taken into consideration in an evaluation of targeting LIURP. The OCA supports both of these proposals.

The OCA supports PGW's general recommendation to implement a stakeholder group to address all of the issues raised in the Secretarial Letter. PGW Comments at 14. The OCA submits that the stakeholder group would provide a valuable opportunity for the stakeholders to share their experiences and insight into how the LIURP regulations can be updated. The OCA

agrees with PGW's assessment that the regulations "should allow for the adoption of innovative approaches, cost effectiveness evaluations, modern equipment and technologies so LIURP implementation can continue to evolve going forward." PGW Comments at 14.

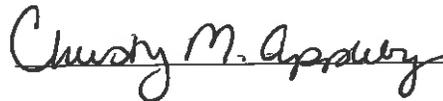
In particular, FirstEnergy, Duquesne, EAP and PECO recommend that the issue of payback periods be addressed in the LIURP regulations, and FirstEnergy recommends that the issue first be addressed in a stakeholder group. FirstEnergy Comments at 12; Duquesne Comments at 11; EAP Comments at 16; PECO Comments at 20. A typical payback period for a LIURP measure is either seven or twelve years. See, 52 Pa. Code § 58.11. FirstEnergy states that the Commission and other stakeholders should evaluate through a working group whether the payback periods are appropriate in light of the LIURP measure deployment and developments in usage reduction technology. FirstEnergy Comments at 12. The OCA agrees that a working group would be a good forum to address the payback periods, so that the interested stakeholders could have an active dialogue regarding the impacts of the current LIURP regulation payback periods on the implemented measures.

In its Comments, PECO raises the issue of whether utilities should be allowed to take energy burdens into consideration as a factor in targeting LIURP. PECO Comments at 20. The OCA supports the idea that special LIURP funding should be directed towards customers in the deepest poverty, *i.e.* below 50% of the FPL. The OCA submits that these customers have special needs caused by their extremely low incomes and higher energy burdens. Targeting customers with the highest energy burdens would also have the impact, for CAP customers, of generating the greatest reduction in CAP credits. Those customers with the highest energy burdens are also more likely to reach the maximum CAP credit and impact their continuing affordability if the customer exceeds the maximum CAP credit.

III. CONCLUSION

The Office of Consumer Advocate supports the Commission's initiative to update the Commission's LIURP regulations. The OCA respectfully requests that the Commission consider the above Reply Comments in conjunction with the OCA's Comments filed on January 30, 2017 in this matter. The OCA looks forward to continuing discussion of these important matters with the Commission and the parties.

Respectfully Submitted,



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DATE: March 1, 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 Reply 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:

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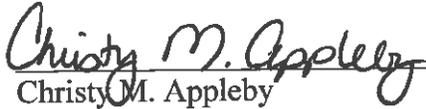
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