



National Fuel

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Deputy General Counsel

August 8, 2017

VIA ELECTRONIC FILING

Ms. Rosemary Chiavetta
PA Public Utility Commission
P.O. Box 3265
Harrisburg, PA 17105-3265

RE: Review of Universal Service and Energy
Conservation Programs
Docket No. M-2017-2596907

Dear Secretary Chiavetta:

Enclosed please find National Fuel Gas Distribution Corporation's comments in the above-referenced matter.

Please feel free to contact me at 814-871-8035 if you have any questions.

Sincerely,

Maureen Geary Krowicki

MGK/cjc

Enclosure

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Review of Universal Service and Energy :
Conservation Programs : **COMMENTS**
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Docket Number: M-2017-2596907
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**COMMENTS OF
NATIONAL FUEL GAS DISTRIBUTION CORPORATION
August 8, 2017**

TO THE PENNSYLVANIA PUBLIC UTILITY COMMISSION:

I. Introduction.

On May 10, 2017 the Pennsylvania Public Utility Commission (the “Commission”) issued an Opinion and Order initiating a comprehensive review of the entire Universal Service and Energy Conservation model. In doing so, the Commission consolidated the related proceedings on Low-Income Usage Reduction Programs (LIURPs) and energy affordability matters into this comprehensive review. The Commission is seeking comments from all interested stakeholders due to the far reaching implication of these programs for both the utility companies and the public at large.

In its Opinion and Order, the Commission requested that the Commission’s Law Bureau submit a report to the Commission within thirty (30) days of the entry date of the Commission’s Opinion and Order, outlining the statutory, regulatory, and policy frameworks of existing

Universal Service and Energy Conservation Programs and the processes required to initiate any proposed changes to these existing statutory, regulatory, and policy frameworks. The Law Bureau report was made public on July 14, 2017. The report provided an overview of the history of universal services programs and the steps required to implement new laws or changes addressing these programs.

The Commission invited interested parties to submit comments at this docket within ninety (90) days of the entry date of this Opinion and Order, on August 8, 2017. The Commission noted that the nature of the comments can be broad and may include, but are not limited to, issues of program design, implementation, costs, cost recovery, administration, reporting, and evaluation.

National Fuel Gas Distribution Corporation (“National Fuel”, “Distribution” or “the Company”) submits the following Comments to express its views on the programs it offers and the value they provide to the Company’s customers.

II. Comments

Distribution, a gas-only company, serves approximately 735,000 customers in New York and Pennsylvania. In Pennsylvania alone, Distribution serves over 214,000 customers spanning fourteen counties in the Northwest and Central areas of the Commonwealth. The customers in Distributions territory are diverse in terms of geographic and economic circumstances.

National Fuel, like all other Natural Gas Distribution Companies (“NGDCs”), has four components to its universal services plan including a Low Income Residential Assistance

Program (LIRA)¹, a low-income usage reduction program (LIURP), a customer assistance and referral evaluation services (CARES) program, and the Neighbor for Neighbor Heat Fund.² These programs are generally directed to low-income customers, which is defined by 52 Pa. Code §54.72 as those residential customers whose household income is at or below 150% of the Federal Poverty Income Guidelines. There is also assistance for individuals without consideration of income who suffer from an unexpected financial hardship or are a member of another disadvantaged group.

National Fuel recognizes that Pennsylvania natural gas utilities provide gas service to thousands of low-income customers who at times struggle to pay their bill and are therefore at risk of having their utility services terminated. Recognizing these risks and the need to have solutions for low-income customers, National Fuel has been at the forefront providing programs that help individuals in need.

The Company's long history of providing services for special needs customers including the low income and the elderly started with the first program, The Neighbor for Neighbor Heat Fund, in November of 1983. By 1991, the Company launched the LIRA program, its rate discounting program. What initially started out as a 1,000 customer study has grown to an uncapped program that has averaged 9,777 participants per year. LIRA was praised by Temple University, who independently appraised the pilot program. Temple's report called LIRA a "cost-effective, reasonable, and successful intervention in addressing the revenue shortfall and

¹ LIRA is what National Fuel calls its customer assistance program (CAP).

² National Fuel's hardship fund program funded totally by donations.

energy provision dilemmas presented by low-income payment-troubled households. It is clear that National Fuel has designed a program that was relatively easy to administer, maintained customer participation, changed gas consumption behavior, and altered payment patterns as well.”

Temple’s assessment of LIRA holds true to the Company’s universal services today—namely cost-effective programs that provide payment troubled low-income customers with the support they need to afford service, establish consistent payments, and effectively manage their energy usage. These factors make National Fuel’s universal services model successful.

Details regarding National Fuel’s various programs, and the benefits they provide, is discussed in greater detail below.

A. Low Income Residential Assistance Services (LIRA)

1. LIRA Generally

LIRA is an alternative discounted rate program (under 52 Pa. Code § 69.267) for payment-troubled, low-income customers. LIRA incorporates the BCS affordability guidelines in establishing a discounted rate. The percent of poverty guidelines establishes three clear tiers 0-50; 50-100; and 101-150 with customer affordability linked to each one. The LIRA payment amount is based on budget billing and the appropriate discount from a minimum of 10% to 80% is applied, again reflecting the BCS affordability guidelines. The discount amount is applied to the customer’s consumption which National Fuel believes is meaningful and key for a customer assistance program which establishes an affordable customer payment. As a result of this usage link a customer has the opportunity to reduce their end costs by reducing their consumption. In

addition to household income, the calculation for the determined LIRA payment amount also considers the household size and determines a consumer consumption threshold (monthly average bill), to avoid fluctuations in monthly payment amounts due. Lastly, the LIRA discount is recalculated as needed to address changing conditions which assures proper adjustments are made and customer affordability is maintained.

The program was created to assist low-income customers who have been unable to pay their regular monthly bills and, as a result, have entered into one or more payment arrangements. The program is intended to encourage better payment habits from these payment-troubled customers, which can help the Company better manage their collection costs. Low-income customers are better able to manage their gas utility costs through: (1) lower rates; (2) intensive monitoring by company representatives; (3) conservation education; and (4) assistance to maximize household resources by linking customers to all available income support programs. Throughout the course of its LIRA program National Fuel has strived to keep the rates for those in the program and the residential ratepayer who financially support the program affordable. Over the years, National Fuel has made the necessary adjustments to meet these goals.

In addition to having a discounted rate, and thus more affordable payments, the LIRA customer can obtain arrearage forgiveness of their past due balance by participating in the program and making timely payments. Not only do LIRA customers get the benefits of forgiveness, they are encouraged and incentivized to establish positive paying and conservation habits with the ultimate goal toward self-sufficiency and independence.

LIRA also encourages individuals to monitor their usage. Unlike some plans which set payment amounts solely on income, LIRA takes into account usage. This encourages customers

to conserve resources and rewards better consumption management. LIRA also helps to achieve a level of fairness by involving consumption into the total amount paid by customers. This feature allows low-income customers the options to change usage habits to lower their payments even further.

To facilitate energy management and conservation, an Energy Management representative offers energy education for each LIRA residence and audits are provided for those customers whose usage exceeds that of the typical residential customer. A weatherization program is also provided for customers who meet the eligibility requirements for the Low Income Usage Reduction Program (LIURP). LIRA participants with usage \leq 105 thousand cubic feet (MCF) per year are provided with general written energy education materials including simple tips on controlling gas usage in the home. Participants exceeding 105 MCF, but less than 130 MCF, have the opportunity to have an auditor come to the residence to give specific recommendations to lower gas usage. Participants using more than 130 MCF are referred to the LIURP where they are evaluated for inclusion in the program. If eligible, work will be performed. If the customer is ineligible, the participant will only be scheduled for an energy audit where residence-specific recommendations for usage reduction will be made.

LIRAs main benefit is providing lower, more affordable payments for customers. However, since consumption is tied to the program it provides incentives for customers to take an active role in understanding their energy consumption and encourages conservation efforts. Additionally, the LIRA program encourages monthly payments resulting in arrearage forgiveness. This unique mix of benefits make LIRA a solid program for low-income customers.

2. Arrearage Forgiveness

In addition to having a lower rate, the LIRA customer can obtain arrearage forgiveness of their past due balance. Upon acceptance into the program, the customer has an opportunity to have their balance removed or forgiven. Initially the customer has twenty-four months of potential arrearage forgiveness. If the customer fails to receive all debt forgiveness during the first 24 months, the second phase will extend the customer an additional 12 months extension for potential forgiveness of any remaining balance. If a LIRA customer pays the to-date balance down to 0, the corresponding forgiveness will be removed as long as it was paid within the first 36 months of enrollment. Arrearage forgiveness can also be realized each time a payment is received that is equal to or greater than the billed amount, provided that the customer remains within the 36 month of participation. Arrearage forgiveness rewards customers for more timely payment habits but offers an additional twelve months if a customer does miss a payment in the first twenty-four months. Since forgiveness in the program is time stamped (a maximum of 36 months) it provides incentives for customers to take an active role in understanding their payment efforts and encourages lower or no outstanding debt.

3. Effectiveness of LIRA

The Company believes its LIRA has been a very cost effective and efficient program. Based on information contained in the 2015 Universal Service Program & Collections Performance report, Distribution's CAP expenditure per CAP customer and per residential customer was the lowest among the gas utilities reporting. In addition, Distribution's total Universal Services costs per CAP customer and per residential customer are the lowest of the gas utilities. Distribution has been able to control the costs of its program while at the same time

reach a very high level of participation as determined by the high percentage of confirmed low income customers in debt on a payment agreement, which is the main criteria for LIRA enrollment.

Distribution also believes that its LIRA program has a very distinct advantage in that the customer is heating with natural gas. In comparing the total bill for a residential heating customer as prepared in the Rate Comparison report, a residential customer heating with natural gas has seen a decline in their total bill of over 37% from the peak in 2009 whereas a residential customer heating with electricity has seen an increase in their total bill of over 38%. Lower heating bills are beneficial to the low income population as well as the residential customer. Lower heating bills allows for lower arrearages for customers entering the LIRA program which helps control the costs of arrearage that is forgiven.

B. Customer Assistance and Referral Evaluations Services (CARES)

National Fuel developed the Customer Assistance and Referral Evaluation Services (CARES) program to assist low income, fixed income, special needs, and payment troubled customers who are experiencing short-term financial hardships.

The purpose of the CARES program is twofold. First, The CARES program helps address health and safety concerns relating to utility service by providing important benefits. When appropriate, the customer is temporarily protected from termination of service until attempts can be made to find financial assistance or payment arrangements. Company representatives work with selected, payment troubled customers on a personal basis in order to maximize the customer's ability to pay their utility bills. Second, the CARES program uses a

case management approach to help customers with special needs. Special needs customers include those who have experienced a family crisis such as loss of income, divorce, or major illness. They may also include those who have physical or mental disabilities, low incomes, or are older adults. The CARES representatives can make payment arrangements and make referrals to specific services for each customer enrolled in the program. These referrals often result in cash assistance for the household. Referrals are also made for other services such as food, shelter, employment and medical assistance. The program provides improved access to the various forms of energy and non-energy related community-based social service agencies/programs. In recognizing and addressing the needs of these payment troubled customers, NFG as a community partner continues its' good stewardship assisting the customers in maintaining their quality of life and independence.

Enrollment in the CARES program is limited to customers with special circumstances that are temporary. CARES representatives fully recognize that the temporary nature of these needs in no way diminishes the severity of the problems these households face. CARES helps to ensure that customers who have suffered a temporary setback have the tools they need to maintain all their heating needs while not falling behind on payments.

C. Low Income Usage Reduction Program (LIURP)

In addition to helping customers to better afford their heating, National Fuel takes steps to provide and install cost saving measures for those who meet the eligibility guides for LIURP. Identified customers who have annual consumption equal to or in excess of 130 MCF will be referred to the Energy Management Department for possible LIURP participation. The Emergency Repair and Replacement Program (ERRP) is also available for homeowners who are

having issues with their heating equipment or water heater that meet specific eligibility guidelines. There are no consumption minimums for program qualifications. If a customer contacts the Company with this need and is eligible a referral to the Energy Management Department is completed and the equipment will be repaired or replaced at no cost to the consumer in need.

LIURP often works hand in hand with LIRA to assist and protect the interests of low income customers. As discussed previously, LIRA bills are based in part on consumption levels. Through LIURP, the company is able to provide low-income customers with recourses they need to reduce their energy usage, thus reducing their bills.

When a customer qualifies for LIURP there are numerous services they can receive including a heating system safety check; an energy audit, energy education; wall and/or attic insulation when appropriate; a blower door-guided air sealing; other energy conservation measures and a follow up post inspection by a National Fuel representative.

National Fuel utilizes cost-effective methods to all eligible Universal Service programs to ensure optimal results. LIURP is a crucial resource to enable customers to have more efficient homes and lower utility bills. Participation in both National Fuel's LIRA program and LIURP maximizes customer benefits. Additionally, where ever possible there is coordinated efforts with First Energy and the Commonwealth's weatherization programs to provide optimal outcomes for the eligible customer.

D. Neighbor for Neighbor Heat Fund

The Neighbor for Neighbor Heat Fund is a voluntary program designed to provide assistance to qualifying individuals who require financial aid to meet basic energy needs. This

Hardship program provides help to prevent disconnection of utility service, to pay overdue bills, to purchase any type of heating fuel or to repair minor heating equipment.

Neighbor for Neighbor is funded by public donations. National Fuel stockholders match every dollar up to \$100,000 for use within National Fuel's service territory. National Fuel has also taken an active role in expanding program participation and contributions by holding biannual human service meetings outreaching to agencies in a continuing effort to identify individuals who would qualify for this assistance.. A most recent example of our targeted outreach included Community Resources for Independence, Northwest Pennsylvania United Way Offices and CareerLink. These efforts have increased awareness and have been well received. National Fuel believes this continued outreach will help the program continue to grow. Additionally, the use of community agencies such as Community Actions and area United Way organizations for screening, processing, and approving these grants keeps National Fuel engaged in its communities. These partnerships further National Fuel's outreach goals informing the agencies and customers of all the Universal Programs offered.

E. Universal Service Plans must remain flexible.

National Fuel believes that its Universal Service programs have numerous benefits and serves its customers well. Further, the Company realizes that flexibility is key to allow utilities to achieve success with the programs they have developed. Each utility has developed programs that are approved periodically by the PUC, that serve their specific service territories well. Universal Service programs have been designed to best address the needs of the customers in a given service territory, and a one-size-fits-all policy is not appropriate. The design of various universal service programs can be greatly influenced by a variety of factors including the (1) average size of the residence, the age and condition of the housing stock, quality of appliances,

usage rates, payment histories, the cost of living, and the poverty level in the service territory. These differences in service territories requires programs to be targeted and company-specific focus as opposed to general overall mandates.

Utilities work diligently with interested stakeholders to review their plans and associated changes to their assistance program in order to ensure that their plan fits the unique needs of its service territory. These procedures ensure robust programs that protect the interests of customers within the utilities territories. Any overarching change would limit the effectiveness of this type of a review process and would ultimately hurt customers. Accordingly, the Commission should respect these difference and provide the utilities with the requisite flexibility to effectively serve their customer base with the appropriate universal services programs.

F. Energy Burden and Efficiency

As previously stated, National Fuel takes great efforts to maintain affordable natural gas service for its customers. Through its participation in, and commitment to our universal services programs National Fuel is committed to ensure resources are available to help low-income individuals maintain their service, establish good payment habits, be energy efficient, and have access to additional help in crisis situations.

In addition to its large role in Universal Services programs, National Fuel is able to keep costs low for customers by being one of the most efficient utility providers in the state. Lower heating bills are beneficial to the low income population as well as the residential customer. As stated above, lower heating bills allows for lower arrearages for customers entering the LIRA program which helps control the costs of arrearage that is forgiven. This efficiency, coupled with the abundance of shale gas, and the historically low gas prices, customers in National Fuel's service territory are seeing affordable, steady gas rates.

National Fuel is actively continuing to expand the participants for all the above discussed programs. National Fuel relies on community outreach, reaching out to various groups and organizations, and alerting eligible customers of the programs when they call the Company. National Fuel provides support for customers trying to enroll in, or stay enrolled in these programs. As a result of the Company's efforts, more customers will be referred, enrolled, and assisted.

National Fuel is committed to these programs, and is focused on increasing participation in them, it is worth noting that expanding these programs too drastically could impact the remainder of the customer base. There are individuals who may struggle with all their financial responsibilities but not qualify for any universal services. We should endeavor to make sure that the burden of these programs is not so great that it negatively impacts other customers in a substantial way. As CAP program costs like LIRA continue to rise, it is important to note that most utilities recover these cost from their other customers, including those who just miss qualifying for the program.

While there are individuals who may struggle with payments, regardless of income level, it is not the responsibility of utilities to provide resources for all these individuals. While National Fuel is proud to provide support for low-income customers, universal services are not intended to be a catch-all. There are numerous organizations, both private and governmental, that are better equipped to provide additional support to those in need. Recognizing these limitations, National Fuel will continue to do its best to reach out to as many eligible customers for participation in its universal services programs.

III. Conclusion

National Fuel Gas Distribution Corporation again appreciates the opportunity to provide comment on Universal Services. National Fuel remains committed to these programs and believes it has established and developed programs that truly help low-income customers achieve affordable rates and better manage their usage; emphasizing conservation, efficiency, and establishing consistent payments.

Respectfully submitted,

Dated: 8/8/17



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