

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

**2019 Amendments to CAP Policy  
Statement at 52 Pa. Code  
§§ 69-261-69.267**

**Public Meeting September 19, 2019  
3012599-LAW  
Docket No. M-2019-3012599**

**STATEMENT OF VICE CHAIRMAN DAVID W. SWEET**

I would like to once again acknowledge and personally thank the parties and Commission staff that have worked extensively on what has culminated in a final action today to approve an amended CAP Policy Statement. It needs to be stated that Pennsylvania universal service programs are among the most robust in the nation. Of this we can be proud, but more needs to be done.

Since joining the Commission in 2016, my analysis of universal service programs was: (1) that low-income customers, particularly those living at or below 50% of the Federal Poverty Income Guideline (FPIG), consistently pay an extremely high percentage of their income on electric and gas service; (2) that overall participation in customer assistance programs (CAPs) was considerably low, stagnant around 30%;<sup>1</sup> (3) that the Commission was not adequately monitoring utility compliance with the 1992 CAP Policy Statement; and (4) that CAP costs were disproportionately varied across utility service territories, which unfortunately meant that residential ratepayers in certain parts of the state paid more for energy assistance than others. My fundamental goal throughout both the *Energy Affordability* and *Comprehensive Review of Universal Service and Energy Conservation* proceedings was to confront these matters holistically, and to find policy and regulatory solutions that would correct what I saw as major deficiencies in what is an important, beneficial service available to the nearly 2 million low-income customers living in Pennsylvania.<sup>2</sup>

I believe the revised Policy Statement will significantly address the majority of my concerns given the reduction in the maximum, combined CAP energy burden from 17% to 6% for the lowest income households, as well as the establishment of consumer education and outreach plan criteria as a way to improve upon stagnant participation levels in CAP. Given the renewed attention to these important matters, I have no doubt that the Commission will be committed to ensuring compliance with these goals.

Regarding costs, *The Energy Affordability Study*, published by Commission staff and released in January 2019, provided a rough estimate of what these policy changes could cost non-CAP, residential ratepayers. Staff estimated that on average, CAP costs would increase annually by \$15, or \$1.25 per month<sup>3</sup> – a perceptibly nominal difference to what is a tremendous savings for customers who otherwise struggle to pay for a basic household necessity.

However, admittedly several important variables were not considered in this estimate; and so, the cost of our final proposed policy changes cannot yet be precisely identified. The onus will be on each electric distribution company (EDC) and natural gas distribution company (NGDC) to either adopt these policies in Universal Service and Energy Conservation Plan (USECP) proceedings, or fully demonstrate

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<sup>1</sup> See *2011 – 2017 Reports on Universal Service Programs & Collections Performance*.

<sup>2</sup> See *2017 Reports on Universal Service Programs & Collections Performance*, pages 7-8.

<sup>3</sup> See *Home Energy Affordability for Low-Income Customers in Pennsylvania*, Docket No. M-2017-2587711, page 108.

why adoption cannot be met, especially considering the policy amendment that CAP costs can be recovered from all rate classes – not just from residential customers.

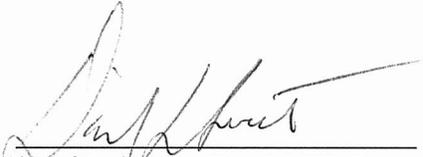
Yet, none of this solves the unequal nature of how customers in different utility service territories are charged varying universal service costs. This becomes particularly apparent for the roughly 500,000 customers receiving natural gas distribution service from Philadelphia Gas Works (PGW). The average non-CAP PGW ratepayer pays \$81.26 annually to support these programs – nearly seven times the amount of a National Fuel Gas customer.<sup>4</sup> This anomaly occurs because CAP and other universal service programs<sup>5</sup> are not funded through a statewide pool, but rather utility by utility based on service area.

Philadelphia is home to a much larger number of citizens in poverty than any other jurisdiction, and these residents would benefit the most from the proposed reductions to the energy burden thresholds. However, understanding that our action today will likely further increase costs to PGW's non-CAP ratepayers, I encourage the utility to speak to this dilemma in its next USECP filing, noting that any attempt to forgo inclusion of the proposed CAP policies for rate impact reasons, while reasonable, also denies Philadelphia's poor from fully benefiting from greater CAP benefits.

PGW's unique situation goes beyond matters of universal service. The Company annually pays \$18 million to the City of Philadelphia, and nearly \$1 million to the Philadelphia Gas Commission<sup>6</sup> – ironically roughly the same estimated value if a 6% energy burden was adopted.<sup>7,8</sup> I urge the City to forgo these payments and devote the money instead to a full-scale effort by PGW to significantly reduce the heating bills of its low-income residents. Moreover, the General Assembly should consider developing a statewide pool to support energy assistance in areas of high poverty, urban and rural.

Today, the Commission took the necessary steps to improve upon utility-sponsored energy assistance programs, and it is my expectation that as a result, utilities will heed Commission guidance on these issues. For the remainder of my term, I will be paying close attention to utility adherence to these policies both in USCEP proceedings and rate case filings, and encourage my colleagues to do so, as well.

**Date: September 19, 2019**



**Vice Chairman David W. Sweet**

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<sup>4</sup> See *2017 Reports on Universal Service Programs and Collections Performance*, page 73.

<sup>5</sup> The Low-Income Usage Reduction Program, Customer Assistance and Referral Evaluation Services, and Hardship Fund.

<sup>6</sup> See *Philadelphia Gas Works, Management Efficiency Investigation Evaluating the Implementation of Selected Recommendations from the 2015 Stratified Management and Operations Audit Report*, Docket No. D-2017-262752, page 38.

<sup>7</sup> See *Home Energy Affordability for Low-Income Customers in Pennsylvania*, Docket No. M-2017-2587711, page 106.

<sup>8</sup> The amended, final CAP Policy Statement proposes the following tiered energy burden thresholds: for customers within 0%-50% of the FPIG, the maximum energy burden is 4% for natural gas heating, 2% for electric non-heating, and 6% for electric heating. For customers within 51%-100% and 101%-150% of the FPIG, the maximum energy burden is 6% for natural gas heating, 4% for electric non-heating, and 10% for electric heating.