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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

2674

Proposed Rulemaking Relating to Universal Service and Energy Conservation Reporting Requirements, 52 Pa. Code §§ 54.71 – 54.78 (electric); §§ 62.1 – 62.8 (Natural Gas) and Customer Assistance Programs, §§ 76.2 – 76.6	:	**Docket No. L-00070186**

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INDEPENDENT REGULATORY
REVIEW COMMISSION

COMMENTS OF METROPOLITAN EDISON COMPANY,
PENNSYLVANIA ELECTRIC COMPANY
AND PENNSYLVANIA POWER COMPANY

I. INTRODUCTION

In December 2005, the Pennsylvania Public Utility Commission ("Commission") initiated a comprehensive investigation regarding Customer Assistance Programs ("CAP"): Funding Levels and Cost Recovery Mechanisms.[1] The Commission closed its investigation and entered a Final Investigatory Order on December 18, 2006.[2] In the Final Investigatory Order, the Commission directed, *inter alia*, that a rulemaking be initiated to revise the existing regulations at 52 Pa. Code §54.74 and §62.4. On August 30, 2007, the Commission adopted an Order and Proposed Rulemaking[3] which appeared in the *Pennsylvania Bulletin* of February 9, 2008,[4] and invited interested parties to submit comments on the proposed rulemaking relating to universal service and energy conservation reporting requirements and CAPs. Metropolitan Edison

[1] *Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms*, Docket No. M-00051923, Order entered December 15, 2005.
[2] *Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms*, Docket No. M-00051923, Final Investigatory Order entered December 18, 2006.
[3] *Proposed Rulemaking Relating to Universal Service and Energy Conservation Reporting Requirements, 52 Pa. Code §§ 54.71 – 54.78 (electric); §§ 62.1 – 62.8 (natural gas) and Customer Assistance Programs, §§ 76.1 – 76.6*, Docket No. L-00070186, Order and Proposed Rulemaking entered September 4, 2007.
[4] 38 Pa. B. 776.

Company, Pennsylvania Electric Company and Pennsylvania Power Company ("the Companies") submitted comments on April 18, 2008, and the Companies continue to support their comments contained therein.

Recently, pursuant to a Notice published in the *Pennsylvania Bulletin* on April 2, 2010,[5] the Commission continued the original proposed rulemaking and reopened the public comment period to accept additional public comments and suggestions on six specific topics. In response to the Commission's request for additional comments on specific topics including, but not limited to, the six specific areas raised in the Notice, the Companies respectfully submit the comments set forth herein.

II. COMMENTS

1. The impact of the Department of Public Welfare's proposed policy change regarding the use of Low-Income Home Energy Assistance Program (LIHEAP) funds on a distribution company's Customer Assistance Program (CAP) design.

The Pennsylvania Department of Public Welfare ("DPW") is requiring that the Companies stop using CAP participants' net energy burden (i.e., the most recent 12 monthly consumption bills minus the most recent LIHEAP grant amount) and to begin using CAP participants' gross energy burden (i.e., the most recent 12 monthly consumption bills) when calculating monthly CAP subsidy (shortfall) benefits. Currently, by combining both LIHEAP grant dollars and CAP subsidy dollars, the CAP program attempts to limit electric heat participants' monthly consumption bill payments to no more than 6 percent of the household's

[5] 40 Pa. B. 1764.

gross income. This is currently done using the following formula to calculate participants' monthly CAP subsidy benefits:

1) Calculate 6 percent of a participant's gross household income;

2) Calculate the household's net energy burden by adding the last twelve consumption bills and subtracting the most recent LIHEAP grant amount;

3) Determine whether or not the net energy burden is more than 6 percent of household gross income;

4) Subtract the 6 percent of household gross income amount from the net energy burden to determine the amount of annual CAP subsidy needed; and

5) Divide by 12 to determine the monthly CAP subsidy to be awarded at billing.

Removing the most recent LIHEAP grant amount from the energy burden calculation will significantly increase CAP subsidy awards. Thus, the calculation being required by DPW would cause the following results:

1) Provide unnecessarily high CAP subsidies for electric heat participants also receiving LIHEAP;

2) Reduce the need for energy conservation on the part of CAP electric heat participants; and

3) Significantly increase the cost of CAP for all residential ratepayers.

By eliminating LIHEAP grant dollars as part of the CAP subsidy benefit calculation, the Companies' CAP design may need to be revised so that the CAP program attempts to limit an electric heat participant's monthly consumption bill payments to no more than 12 percent of the household's gross income. This change would maintain approximately the current level of total benefits awarded (CAP and LIHEAP combined), and allow the CAP program design to attain the objectives of the program going forward while avoiding a significant increase in the cost of CAP. The objectives of CAP are to:

- Improve a customer's payment ability and consistency;
- Reduce a customer's consumption of electricity through energy conservation; and
- Eliminate pre-program debt.

Regardless of how CAP subsidy benefits are calculated, CAP participants that receive LIHEAP will continue to have their LIHEAP grant dollars applied against their monthly CAP bill obligation. LIHEAP grant dollars will not be applied against CAP pre-program deferred arrears.

2) **Factors that may impact CAP costs and affordability of bills, such as increased CAP enrollment levels, the recent economic decline, the expiration of electric generation rate caps, the impact on residential rates from the initiation of energy efficiency and conservation programs under Act 129 of 2008, and the potential impact on residential bills from smart metering initiatives.**

CAP enrollment levels have increased significantly in recent years. Between January 1, 2008 and March 31, 2010, the Companies have experienced a combined increase of 49.52 percent in the number of CAP participants; 51.53 percent at Met-Ed, 48.15 percent at Penelec and 49.27 percent at Penn Power.

It appears that the recent economic decline may have significantly contributed to the increase in CAP participation. According to the updated poverty statistics as developed by the Pennsylvania State University Consumer Services Information Systems Project ("CSIS") to estimate the number of households living at 150 percent of the federal poverty income guidelines, poverty in the Met-Ed, Penelec and Penn Power service territories has risen sharply over the past nine years – at least six percentage points at each company.[6] The table illustrated below compares current poverty statistics with those of the 2000 U.S. Census.

Company Name	Dec 2000 Number Residential Customers	Dec 2000 Number Residential Customers <150% of Poverty	Dec 2000 Estimated Residential Customers <150% of Poverty % to Total	Dec 2009 Number Residential Customers	Dec 2009 Number Residential Customers <150% of Poverty	Dec 2009 Estimated Residential Customers <150% of Poverty % to Total
Met-Ed	479,218	69,237	14.45 %	485,668	98,341	20.25 %
Penelec	503,672	117,858	23.40 %	505,563	153,633	30.39 %
Penn Power	139,748	28,557	20.44 %	139,951	37,160	26.55 %

In addition to the overall economic decline, all of the other factors listed in the Commission's Topic No. 2 will impact the costs of the CAP program. The expiration of rate caps may impact CAP participation, as well as the cost of implementing recent legislative mandates such as Act 129 energy efficiency and conservation programs and smart metering initiatives that will increase utility costs and add an additional cost to ratepayers' monthly electric bills.

3) **Whether cost recovery mechanisms, which have been implemented by some distribution companies, have produced savings from an improved timeliness of collection activities and whether these savings should be considered in evaluating costs claimed for rate recovery.**

Cost recovery mechanisms are not designed or linked to provide savings or improve collection activities. Savings, if any, are small and very difficult to measure but would always be reflected in subsequent base rate case proceedings as part of the development of cost of service rates and rate design. In many cases, collection efforts do not stop as a result of participation in CAP programs. There is no direct relationship between cost recovery mechanism for universal service programs and the costs of collection activities.

[6] The updated statistics were extracted from the U.S. Census Bureau's American Community Survey of 2006-2008.

4) **Proposed rules in 52 Pa. Code §§ 54.74 and 62.4 (relating to review of universal service and energy conservation plans, funding and cost recovery), which create a triennial review process that takes the form of a tariff filing and addresses CAP program funding.**

While filings every three years have made sense in the past, the Companies recommend that these regulations include a provision that would allow an EDC the option to submit a filing more frequently when necessary. There may exist a potential need to update a universal service plan on a more frequent basis so that beneficial design changes and changing cost levels based on changing needs can be implemented sooner, rather than having to wait three years to do so. The Companies support a review process which takes the form of a tariff filing and addresses CAP program design criteria and cost recovery on a case-by-case basis. In addition, the Companies recommend that the tariff itself only include a company's universal service and energy conservation cost recovery provisions and rider details, with the universal service and energy conservation plan included as part of the tariff *filing*.

5) **Commissioner Kim Pizzingrilli's statement on Dominion Peoples Universal Service and Energy Conservation Plan or 2009-2011, Docket No. M-2008-2044646 (January 15, 2009), which discusses a Commission reporting requirement that directs all distribution companies to fully document the rate effect of program modifications in future universal service plans (USP). Under the requirement, distribution companies would include a table showing annual costs for each program, total cost for all USPs and the monthly cost of the programs on a per residential customer basis.**

The Companies believe the proposal recommended by former Commissioner Pizzingrilli is reasonable and note that this type of data is already provided by utilities. The Companies note that providing estimated monthly costs and percentage increases in monthly charges for a typical residential customer would be based on each company's projected costs submitted with the filing and existing rates and monthly charges at the time of each company's filing.

6) **The Commission's USP approval process, specifically, whether the Commission should issue tentative orders to provide an opportunity for comments and reply comments before approving a distribution company's USP, and whether the companies' USPs should be served on the statutory advocates.**

The Companies do not oppose this proposal and point out that it is similar to the process already in existence to review Universal Service Plan filings. However, the Companies recommend that a reasonable time period for the Commission to act on a company's proposed universal service and energy conservation plan be prescribed, such as 180 days after its tariff filing is submitted. Having a prescribed time period for the Commission to act on a company's plan would provide time certainty to a historically uncertain process, help companies regularly plan for and implement universal service programs and alleviate any need for the variation of the dates when a triennial filing is to be submitted. A review process which takes the form of a tariff filing and addresses CAP program design criteria and cost recovery on a case-by-case basis will allow any interested party, including Commission staff, to formally participate in the proceeding and offer its views on the submitted filing for he Commission's consideration. Finally, the Companies are not opposed to serving a copy of the Universal Service plan filings on the statutory advocates and, in fact, the Companies routinely provide those parties with copies of various filings.

III. CONCLUSION

The Companies appreciate the opportunity to provide these additional comments on the Commission's proposed rulemaking relating to universal service and customer assistance programs.

Respectfully submitted,

Dated: June 2, 2010

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Pennsylvania Power Company

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<u>CERTIFICATE OF SERVICE</u>

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below, in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant).

Service by overnight United Parcel Service, as follows:

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

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JUN 2 2010
PA PUBLIC UTILITY COMMISSION
SECRETARY'S BUREAU

Service by electronic mail, as follows:

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Dated: June 2, 2010

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VIA OVERNIGHT UNITED PARCEL SERVICE

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Proposed Rulemaking Relating to Universal Service and Energy Conservation Reporting Requirements, 52 Pa. Code §§ 54.71 – 54.78 (electric); §§ 62.1 – 62.8 (Natural Gas) and Customer Assistance Programs, §§ 76.1 – 76.6 Docket No. L-00070186

Dear Secretary Chiavetta:

Enclosed for filing are an original and sixteen (16) copies of Comments of Metropolitan Edison Company, Pennsylvania Electric Company and Pennsylvania Power Company in response to the Commission reopening the comment period to accept additional public comments in the above-captioned docket.

Please date stamp the additional copy and return it to me in the enclosed, postage-prepaid envelope. Please contact me if you have any questions regarding this matter.

Very truly yours,

Bradley A. Bingaman

dlm
Enclosures

c: As Per Certificate of Service