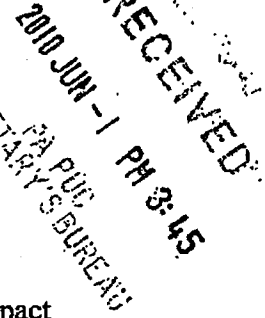
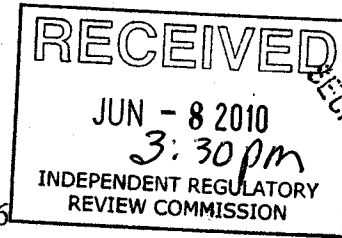


2674.

To: Rosemary Chiavetta, Secretary  
 From: Linda Blanchette  
 Date: June 2, 2010  
 Subject: Comments on Docket No. L-00070186



The Pennsylvania Department of Public Welfare (DPW) recognizes the positive impact that Customer Assistance Programs (CAP) have on low income households and applauds the Pennsylvania Utility Commission (PUC) for supporting the establishment of these programs in the commonwealth.

DPW administers the Low Income Heating Energy Assistance Program (LIHEAP), with responsibility for compliance with federal statute, program planning, budget development and management, eligibility determination and benefit issuance, and quality assurance and monitoring. Within this context, DPW must ensure that LIHEAP funds are applied in a manner that is consistent with federal law, specifically:

- 42 U.S.C. § 8621(a) showing Congress' intent that the LIHEAP cash grants meet the immediate home energy needs of households, not bills and arrearages for past energy usage that have accumulated over time, especially if those bills will be forgiven through a customer assistance program.
- The definition also ensures that Pennsylvania complies with the LIHEAP statute sections 42 U.S.C. § 8624(b)(5) - "the highest level of assistance will be furnished to those households which have the lowest incomes and the highest energy costs or needs in relation to income, taking into account family size" and
- 42 U.S.C. § 8624(b)(7)(B), which requires that states establish procedures to assure that the home energy supplier will charge the eligible household, in the normal billing process, the difference between the actual cost of the home energy and the amount of the LIHEAP payment made by the State.

These provisions require that LIHEAP funds must be applied in full to the benefit of the individual eligible household that applies, that LIHEAP grants are used to help the household meet their immediate heating needs, that LIHEAP customers are not treated adversely, and that the department must be able to monitor that LIHEAP funds are used in accordance with federal statute.

In response to concerns raised by the US Department of Health and Human Services, DPW has clarified and strengthened the policy regarding the manner in which a LIHEAP cash grant is applied to the account of a customer participating in a Customer Assistance Program (CAP). The policy requires that the grant be applied as follows:

- First, to any past due CAP payment or 'asked to pay' amount,
- Second, to the current CAP payment or 'asked to pay' amount, and
- Third, if any LIHEAP funds remain, they should be applied to future CAP payments until exhausted.

By applying the LIHEAP cash grant in this manner, DPW can be assured that payments are made consistent with federal statute as noted above.

Some objections have been raised about this payment methodology and the potential impact on CAP designs, particularly the potential impact on other rate payers as LIHEAP grants will no longer be used to reduce CAP credits or otherwise subsidize a CAP design.

While DPW acknowledges these concerns, the department continues to believe that the policy as set forth is consistent with federal law and, more importantly, is the most beneficial application of LIHEAP funds to ensure the health and safety of eligible LIHEAP recipients. At an eligibility level of 150% of Federal Poverty Income Guidelines (FPIG), LIHEAP recipients are among the most vulnerable in the commonwealth. Moreover, 31% of LIHEAP recipients are elderly, 35% are living with a disability, and 18% have children who are under 5 years of age in the household. For these households, keeping up with expenses is a continuous struggle and getting the full benefit of the LIHEAP grant to help with utility bills is essential to their health and safety.

To illustrate this point, consider the following example:

LIHEAP CAP customer		Non LIHEAP CAP Customer	
Income	\$15000	Income	\$15000
Annual usage based bill	\$1500	Annual usage based bill	\$1500
Annual CAP credit	\$250	Annual Cap Credit	\$250
Net annual bill	\$1250	Net annual bill	\$1250
Monthly CAP payment	\$105	Monthly CAP payment	\$105
LIHEAP grant	\$300	LIHEAP grant	\$0
Monthly CAP payment	\$105	Monthly CAP payment	\$105

In this example, the LIHEAP household received no benefit from the LIHEAP grant to meet their immediate heating needs, which is the monthly out of pocket CAP payment. The household is in the exact same position they would have been had they not applied and been determined eligible for a LIHEAP cash grant.

Under DPW's policy, the \$300 LIHEAP grant would mean that the household would have the means to pay the \$105 CAP payment for almost three full months, assuring that they could stay current with their CAP payments and avoid utility shut off. It is reasonable for these households, who have applied and have been determined eligible for a LIHEAP cash grant, to expect that the grant will be used as intended to pay their monthly utility bill. DPW remains open to discussion with the PUC and individual regulated utility companies about options for CAP designs that assure that the individual household that applies and is eligible for a LIHEAP cash grant receives the full benefit of the grant to meet their immediate heating needs.

Low income, vulnerable households face very real challenges in meeting basic needs such as housing, utilities, food, transportation and clothing. In most cases, housing alone consumes about 30% or more of the household income, leaving little to address the other areas of need. A basic LIHEAP grant means not only help with utility payments during the coldest winter months; it may also mean that for those few months they may be better able meet some other critical needs.

Utility companies have argued that the DPW policy unduly burdens the ratepayers who support the CAP design, including those who are low income but who have not applied for LIHEAP. DPW has not been provided with any data to support this position; however, the department has considered this argument by using the example of Philadelphia Gas Works (PGW), which is the utility company with the highest dependence on LIHEAP funds to support their CAP program as well as the highest cost per ratepayer for universal services spending. The average universal service spending by PGW ratepayers is \$220.05 per year, which is 66% higher than the average spending by customers of other natural gas utilities.

On average over the last ten years, \$18 million dollars in LIHEAP cash grant funding is directed to PGW each year. It is DPW's understanding that approximately \$15 million in LIHEAP funding is directed to the Customer Responsibility Program (CRP). Cash grants to the CRP customers were not applied to the accounts of the eligible, approved LIHEAP households; rather, PGW has used that amount to support the CRP, thereby reducing the burden on other ratepayers at the expense of individual LIHEAP households.

If it is true that PGW must shift that cost from the individual LIHEAP households to the 481,000 PGW ratepayers, the additional cost will be approximately \$2.60 more per month per household. While any rate increase can be difficult, a \$2.60 monthly increase to other ratepayers is substantially less burdensome than the loss of an average cash grant of \$230 by a very low income eligible LIHEAP household whose grant is not applied in full to their account.

Compared to PGW's annual spending rate of \$220.05 per customer, on average, universal service spending by electric rate payers is \$43.45 per year. For natural gas customers, the amount is \$74.32.<sup>1</sup> These lower annual costs mean that any rate increase resulting from the DPW LIHEAP policy will be substantially lower than the \$2.60 per month estimated impact on PGW customers. Here again, we see a stark comparison between the current costs and assumed increase to rate payers versus the loss of a \$230 LIHEAP cash grant to a very low income household.

DPW believes that the policy of applying the LIHEAP cash grant to the account of the eligible, approved household is consistent with the letter and intent of federal law. Moreover, the policy assures that the funds are appropriately directed to ensure the health and safety of low income, vulnerable households in a manner that is equitable and accountable.

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<sup>1</sup> Pennsylvania Utility Commission. Appendix 8 – Universal Service Programs Spending Levels and Cost Recovery Mechanisms

Opponents of the DPW policy also cite examples of other states where LIHEAP grants are used in the calculation of the targeted energy burden. These examples generally involve programs that are statewide and programs that have targeted energy burdens that are significantly lower than Pennsylvania's targeted energy burden of up to 17% as provided in the Policy Statement for CAP. Even the Commission's proposed lower targeted energy burden of 10% is still significantly higher than the 6% in New Jersey and Illinois, the 5% in Colorado, and the 2.46% in Nevada. The establishment of a statewide program with lower targeted energy burdens would certainly promote more effective coordination with LIHEAP and further support the goal of achieving actual affordability of life-essential utility service to low income households.

Therefore, DPW would also like to express support for the proposed changes to set a maximum energy burden of 10% or less for Pennsylvania's CAP designs, and to allow for a deduction of at least 20% from all earned income to compensate for taxes and other expenses when determining the energy burden.

These changes, along with full compliance with DPW's LIHEAP policy, will result in more affordable utility bills for low income households, therefore promoting the health and safety of families across the commonwealth.

Thank you for the opportunity to comment.



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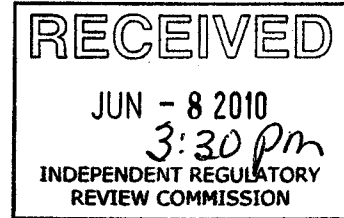
LINDA T. BLANCHETTE  
Deputy Secretary for  
Income Maintenance

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JUN - 1 2010

2674

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, Pennsylvania 17120



Re: Docket No. L-00070186

Dear Secretary McNulty:

Enclosed please find for filing the comments from the Office of Income Maintenance, Department of Public Welfare in reference to the above-referenced proceeding.

As per instructions, an electronic version of these comments has been sent to: Stephanie Wimer, Law Bureau, [stwimer@state.pa.us](mailto:stwimer@state.pa.us) and Grace McGovern, Bureau of Consumer Services, [gmcgovern@state.pa.us](mailto:gmcgovern@state.pa.us).

Sincerely,

Linda T. Blanchette

Enclosure

RECEIVED  
2010 JUN - 1 PM 3:45  
PA PUC  
SECRETARY'S BUREAU