BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Act 129 Energy Efficiency and Conservation Program Phase Two	: : :	**Docket No. M-2012-2289411**

COMMENTS
OF
THE COALITION FOR AFFORDABLE UTILITY SERVICES AND ENERGY EFFICIENCY IN PENNSYLVANIA

Submitted in Response to the March 1, 2012 Secretarial Letter

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INTRODUCTION

These comments are submitted by the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), through its attorneys at the Pennsylvania Utility Law Project, pursuant to the Pennsylvania Public Utility Commission's (the "Commission") invitation for interested parties to comment upon issues related to the Act 129 Energy Efficiency and Conservation Program Phase Two.[1]

CAUSE-PA is a statewide unincorporated association of low-income individuals which advocates on behalf of its members to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating and telecommunication services. CAUSE-PA membership is open to moderate- and low-income individuals residing in the Commonwealth of Pennsylvania who are committed to the goal of helping low-income families maintain affordable access to utility services and achieve economic independence and family well-being.

CAUSE-PA is interested in the creation and development of effective energy conservation and energy efficiency programs targeted to assist low-income Pennsylvanians because these programs are essential for the maintenance of the long term affordability of electricity as well as the maintenance of household health and welfare. To that end, the bulk of the comments submitted by CAUSE-PA focus on issues concerning the existence of the low-income carve out and the need for this dedicated carve out to be strengthened in Phase Two of Act 129.

Specifically, these Comments address the following issues:

(1) The planning timeline;

[1] See Secretarial Letter Re: Act 129 Energy Efficiency and Conservation Program Phase Two, Docket No. M-2012-2289411, dated March 1, 2012.

(2) the need to maintain a low-income carve out;

(3) the need to designate targeted energy savings to be achieved for the low-income population;

(4) the need to innovatively expand EE&C services beyond those presently provided;

(5) the need to ensure that low-income residential customers are not adversely affected by on-bill financing;

(6) the need to create a multifamily carve out with dedicated funding specifically targeted at subsidized multifamily properties providing affordable low-income housing; and,

(7) Other issues addressed in the Commission's March 1, 2012 Secretarial Letter.

CAUSE-PA thanks the Commission for the opportunity to comment upon and assist the Commission in its efforts to design and implement Phase Two of the Energy Efficiency & Conservation (EE&C) programs provided for in Act 129.

<u>The Planning Timeline</u>

CAUSE-PA notes that the March 1, 2012, Secretarial Letter provides a timeline indicating that the Tentative Implementation Order will be on the Public Meeting agenda on May, 10, 2012; and that the Statewide Evaluator's Pennsylvania Electricity Baseline Study Results and the Statewide Evaluator's Pennsylvania Electricity Market Potential Study Results (jointly designated as "Study Results" or "Reports") will also each be released on that date.

It is anticipated that the Study Results will provide significant additional information to the Commission and to the interested stakeholders. The Study Results may affect recommendations concerning additional energy savings opportunities, unmet needs, future energy savings targets and budget allocations. Therefore, these Comments, which have been have been prepared without the benefit of those Reports, address the policy issues raised within the Secretarial Letter. While the Secretarial Letter sets out a reasonable planning timeline, CAUSE-PA respectfully requests that the Commission exercise flexibility within this proposed scheduled in order to provide Commission staff and the stakeholders with adequate opportunity to review and comment upon the recommendations made within the Study Results.

<u>The Low-Income Sector Carve-Out Should Continue</u>

The Commission has specifically requested comments on whether it should continue to include a low-income element in future EE&C Plans and if so, what form or requirements should the low-income element entail.

Phase One of Act 129 required each EE&C plan to include specific Energy Efficiency (EE) measures for households at or below 150% of the Federal Poverty Income Guidelines in proportion to that sector's share of the total energy usage in the Electric Distribution Company's ("EDC's") service territory.[2]

CAUSE-PA strongly supports, within Phase Two of Act 129, the continuation of a low-income carve-out which requires each EDC to develop energy efficiency plans which include EE&C programs targeted to low-income households with incomes at or below 150% of the Federal Poverty Income Guidelines (FPIG).

CAUSE-PA submits that the Commission should specify that an effective and efficient EEC program for the low-income sector be included within Phase Two of the EE&C Plans of

[2] See 66 Pa.C.S. § 2806.1(b)(1)(i)(G).

each EDC and that each plan include the following elements, listed below, most of which are more fully addressed within the body of these comments..

1. The carve out should be clarified to include specific targeted goals of proportional energy savings to be obtained in addition to the proportional allocation of measures referred to in 66 Pa.C.S. § 2806.1(b)(1)(i)(G).

2. Low-Income EE&C program budgets must be sufficient to achieve the designated low-income energy savings targets.

3. Programs should be directed to households with incomes of 150% FPIG or below.

4. Expenditures of an electric distribution company within this sector must be in addition to expenditures made under 52 Pa. Code Ch. 58 (relating to residential low income usage reduction programs).

5. Within the low-income EE&C plan, the EDC should be required to submit clear and detailed plans regarding the specific process it will use and the steps it will take to coordinate measures with other programs administered by the Commission, or another federal or state agency.

6. The EDCs should be encouraged to create innovative elements within the low-income program sector which expand and leverage the existing resources of LIURP by addressing important and presently unaddressed issues such as the use of *de facto* electric heating and the treatment of multifamily buildings housing low-income residents at affordable rents; and

7. On-bill financing elements should not be permitted within low-income residential sector programs.

A. The low-income carve-out is an integral part of Act 129 and should continue.

As a part of the overall reductions in consumption required by Act 129, the Act designates that low-income households with incomes at or below 150% of the federal poverty income guidelines receive specific energy efficiency measures proportionate to those households' share of the total energy usage in the service territory.[3]

[3] 66 Pa.C.S. § 2806.1(b)(1)(i)(B) and (G).

This specific low-income carve-out which designates EE&C services to the most economically vulnerable customers makes abundant sense. Energy efficiency creates, social, economic and health benefits for these households; however, these households' relative poverty precludes them from taking steps on their own to ensure that their homes are appropriately weatherized without sacrificing other life essential bills such as food, shelter, and medical expenses. Thus targeted savings for this group of households is appropriate on a number of levels.

First, low-income households generally live in older and less energy efficient dwellings as compared to non low-income households. Second, the inelasticity of the low-income household budget renders that household incapable of bearing the costs of high energy use and the inability to pay for energy costs results in higher levels of uncollectible debt and service termination of low income households.[4] This inability has been recognized by the development of Universal Service Programs which assist low-income households maintain affordable monthly bills through Customer Assistance Plans ("CAPs") and which provide efficiency services through LIURP. The cost in dollars and social resources of uncollectible expenses related to low-income customer defaults, increasing CAP costs, service terminations and medical resources is significant and energy-efficiency services directed to low-income households is an effective tool to reduce these costs to other ratepayers and to society as a whole. CAUSE-PA strongly supports the continuation of the low-income carve-out Not only is the carve out

[4] *2010 Report on Universal Service Programs & Collections Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies*,, Pennsylvania Public Utility Commission, Bureau of Consumer Services; Percent of Total Residential Electric Customers in Debt = 10% (p.15), Percent of Confirmed Low Income Electric Customers in Debt = 26% (p.55);
Termination Rate of Residential Electric Customers =3.46%(p.11), Termination Rate of Confirmed Low Income Electric Customers=11.72%(p.12).Gross Write-Offs Ratio-Residential Electric Customers=1.78%(p.23), Gross Write-Offs Ratio-Confirmed Low Income Residential Electric Customers=7.9% (p.24).

required by Act 129, it is in the public interest as an effective cost control mechanism for other ratepayers.

B. The carve out should be clarified to include specific targeted goals of energy savings for low-income households proportionate to those households' share of the total energy usage in the service territory. This goal is to be obtained <u>in addition</u> to the proportional allocation of measures referred to in 66 Pa.C.S. § 2806.1(b)(1)(i)(G).

Act 129 states:

> The [EDC's EE&C] plan shall include specific energy efficiency measures for households at or below 150% of the federal poverty income guidelines. The number of measures shall be proportionate to those households' share of the total energy usage in the service territory. The electric distribution company shall coordinate measures under this clause with other programs administered by the commission or another federal or state agency. The expenditures of an electric distribution company under this clause shall be in addition to expenditures made under 52 Pa. Code Ch. 58 (relating to residential low income usage reduction programs).

66 Pa.C.S. § 2806.1(b)(1)(i)(G)

In the initial Phase of Act 129, the Commission acknowledged that full implementation of Section 2806.1(b)(i)(G) would take some time. The usage data referred to in Act 129 was not readily available, since, at the time of initial Act 129 program development, the EDCs did not maintain information on energy usage by customer income level that could be used to determine the share of total energy usage in the service territory that is attributed to low-income customers. As such, the Commission and the EDCs were constrained to using estimates and the tools at hand in order to achieve the goals of Act 129. The standard used by the Commission to review how an EDC calculated the low-income customer share was based on a standard of reasonableness and any census or other demographic data which was relevant and reliable.[5] The Commission recognized that alternative guidance and standards were required and convened a

[5] *See e.g.* Petition of PPL Electric Utilities Corporation for Approval of its Energy Efficiency and Conservation Plan, Docket No. M-2009-2093216, Order Entered October 26, 2009 at 25-26.

Working Group to assist it in the development and implementation of appropriate standards.[6] The Working Group Report sets forth supplemental information that may be used to gauge the effectiveness of programs for low-income households and serves as a basis for recommendations to make adjustments to those programs through modifications to EE&C plans in future years, in a manner that is consistent with the overall goals of the plans**,** or for designing EE&C plans beyond May 31, 2013.[7]

Although the Working Group recognized that the statutory language regarding "measures" restricted the ability of the Commission to determine EDC compliance through other standards, the Report indicated that:

> … among the requirements of EDCs was that, on a quarterly basis, EDCs must report actual energy reductions from each customer sector, including the low-income sector, and each sector's proportion of the total energy reductions. The proportion of energy reductions by sector, the proportion of program costs by sector, and other results may be used by the EDCs and the Commission to determine if adjustments to the EE&C plans are necessary during 2010-2013. **These results may also be used to define the requirements for EE&C plans beyond 2013.** Report at 8 (emphasis added.)

Detailed Recommendation 1 and Table 1 of the *Report of the Act 129 Low-Income Working Group* (enclosed as Appendix 1) provides a concrete basis for the Commission to determine and establish proportional energy savings goals. **The targeted level of Low-Income household usage as a percentage of total consumption ranges from 7.84%-9.51% among the EDCs.** CAUSE- PA respectfully submits that it is this standard and level at which targeted goals should be established. Setting energy reduction goals at those levels is consistent with the statutory intent to achieve meaningful energy reduction within the low-income sector, and the availability of appropriate data provides the Commission with significant reason and opportunity

[6] *Ibid.* at 26 ("So we are not forced to use substitute data in the future, the Commission will convene a working group that will be charged with developing implementation standards for deploying proportional energy efficiency and conservation measures to low-income customers.")

[7] Report of the Act 129 Low-Income Working Group Docket No. M-2009-214680, March 19, 2010 at 3.

to enunciate specific Phase Two low-income sector energy savings targets for each service territory which are proportionate to those households' share of the total energy usage in a manner consistent with the methodology and conclusions of the Working Group.

C. Low-Income EE&C program budgets must be sufficient to achieve the designated low-income energy savings targets.

As stated above, although the Commission, in the development of Phase One, indicated that it will determine the level of EDC low-income sector compliance by looking at the proportional numbers of measures provided by the EDC, the Commission retains the ability to set targeted energy saving goals for that sector and ensure that an appropriate budget is directed to that sector to enable the EDC to achieve appropriate energy savings levels. CAUSE-PA endorses this approach. The Commission should first set targeted energy savings goals for this sector and develop a budget around those goals rather than setting a budget and then buying all of the EE that the budget allows.

As demonstrated within the Comments above, low-income households – unlike higher income households - are not able to be incentivized to take on EE because these households lack the economic resources to do so absent significant subsidization. The setting of targeted energy efficiency goals and a budget that is reasonably designed to accomplish those goals would enable EDCs to have greater certainty of achieving compliance. Moreover, such a program could be structured to allow EDCs to be deemed to meet their obligations as long as they spend the budget allocated for the low-income sector. Given the significant experience gained in Phase One of these programs, CAUSE-PA is confident in the abilities of the EDCs with Stakeholder guidance and Commission direction to determine the budget amounts reasonably required to achieve the targeted savings expressed above.

D. Low-Income Sector programs should be directed to households with incomes of 150% FPIG or below.

The Commission has requested comment on whether the low income segment should be expanded to include low-income households at or below 250% of the Federal Poverty Income Guidelines. CAUSE-PA respectfully asserts that the income level requirement for the low-income sector must remain at 150% FPIG.

CAUSE-PA readily acknowledges that households within the 151-250% FPIG level are often faced with difficult economic conditions and are often not financially equipped to pay for needed and important energy efficiency services.[8] We are sympathetic to their plight, and suggest later within these comments ways the Commission may choose to address the needs of this income group. However, our position that the low-income carve out continues to be directed to households with incomes at or below 150% of the FPIG, is based upon the following:

i. The statute at 66 Pa.C.S. § 2806.1(b)(1)(i)(G) specifically designates that the low-income sector EE&C programs are to be directed to households with incomes at or below 150% FPIG.

ii. The needs of the statutorily targeted group of households with incomes of 150% FPIG and below are great and have not yet been fully addressed. This population alone comprises more than 1.2 million EDC heating and non-heating households.[9] The combined efforts of LIURP weatherization and Act 129 Phase I have not yet been able to achieve satisfactory energy efficiency reduction to these targeted households.

[8] See reference to the Pennsylvania Self-Sufficiency Standard within these comments at pages 15-17.
[9] Report of the Act 129 Low-Income Working Group Docket No. M-2009-214680, March 19, 2010, at 6.

The average household income of electric CAP customers in 2010 was only $13,540.[10] The simple reality is that households at or below 150% of the FPIGs are in need of additional assistance. Low- income EDC customers at 150% FPIG or below have a significantly higher termination rate than electric residential ratepayers. In 2010, residential electric customers as a whole had a statewide residential EDC termination rate of 3.46%, while in that same year the confirmed low-income termination rate was 14.08%.[11] It is respectfully submitted that a population with a termination rate greater than 4 times the general termination rate requires full and undiluted resources available to achieve energy efficiency services

Moreover, while payment troubled households at 150% FPIG and below are eligible for and receive CAP program benefits as part of the Commonwealth's universal service program requirements, these benefits are paid for by other residential ratepayers. Additionally, CAP customers also bear unique responsibilities such as requirements to maintain energy usage at reduced levels so as not to be removed from CAP or not to exceed maximum energy credits which would require the household to pay full tariff rates. Current and past CAP households are also significantly restricted from receiving any Commission ordered or imposed payment agreement based upon CAP program arrears. It is good public policy to target this specific population for energy efficiency services. Expanding the eligibility base, prior to receiving substantially greater penetration within the already existing low-income designation, is simply not in the public interest and will only increase costs generally to all ratepayers.

Furthermore, it would be difficult to effectively identify and target households with incomes between 151-250% of FPIG since here is no current ability to measure the energy usage

[10] *Report on Universal Service Programs & Collections Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies*,, Pennsylvania Public Utility Commission, Bureau of Consumer Services; at 33.
[11] *Ibid* at 11-12.

of this population in each service territory or appropriately target programs and identify budgets for this population. The Commission and the EDCs have had a long history of developing methods of identifying "confirmed" low-income customers through eligibility for LIHEAP, CAP and other related programs. As a result of this history there is data which exists to determine the percentage of low-income energy usage within each service territory. There is no readily apparent parallel method which exists for quantifying the number of households or energy use for a "confirmed" 151-250% FPIG population. Thus, in the end, it would be impractical to expand services to a larger population group for whom the scope of service territory energy usage and cost of treatment is unknown..

E. Affordable Programs for Households within 151-250% of FPIG

In the Secretarial Letter, the Commission invited discussion regarding the potential to make EE measures more affordable to households in the 151-250% range of the poverty guidelines. Although, these households should not be considered as part of the low-income carve-out (see discussion in section D), CAUSE-PA does believe that such opportunities exist.

a. Multifamily Housing- as discussed in greater detail in these comments below and within the Pennsylvania Housing Finance Agency ("PHFA"), Pennsylvania Utility Law Project ("PULP") and National Housing Trust ("NHT") letter submitted to this Docket in response to the Secretarial Letter, there is significant reason and opportunity for the Commission to target selected PHFA related multifamily properties which provide affordable rents for additional energy efficiency opportunities. For example, there are more than 140,000 affordable multifamily apartments throughout the state of Pennsylvania. These apartments are financed through various federal and state housing programs and are home to families and elderly individuals with incomes less than 60% of the area median income. These properties therefore serve tenants whose incomes may be greater than 150% FPIG but still within the 151-250% FPIG range. This is thus a fertile area in which to direct services and resources to those above the income cap set in Act 129 for the low-income sector.

b. Economic Incentives- Households within the 151-250% FPIG income range currently receive no specifically designated EE&C assistance. CAUSE-PA recommends that the EDCs and the Commission provide pilot projects which provide targeted incentives to these households. Such pilots may include providing services and measures at significant discounts based upon a sliding scale calibrated to household income or increasing the levels of rebates proportionately according to the same scale.

c. Coordination of Services- As the Secretarial Letter indicates, this income level group may have overlapping eligibility, to some degree, with a select group of LIURP recipients. Eligibility will also overlap with Weatherization Assistance Program recipients. In order to leverage and maximize the benefits of income eligibility overlap, the Commission should direct that EDCs coordinate, wherever possible, the provision of EE&C measures with these other programs. The Commission's Universal Service Coordination Working Group has already developed protocols for coordination of services within the low-income category. Those protocols could be modified or expanded, where appropriate, to include households which are within the 151-250% FPIG range.

F The EDCs should be encouraged to create innovative elements which expand and leverage existing resources by addressing important and presently unaddressed issues such as the use of *de facto* electric heating and the treatment of multifamily buildings housing low-income residents at affordable rents.

Act 129 provides to both the Commission and to EDCs significant flexibility in the manner in which cost effective energy savings may be achieved while at the same time enabling the Commission to focus on finding solutions for significant challenges which are not currently and cannot adequately be addressed through other low-income energy efficiency programs such as the Weatherization Assistance Program and LIURP. CAUSE-PA respectfully suggests that the Commission take this opportunity, during the planning stage for Act 129 Phase II implementation, to consider methods of addressing some of these challenges which are complementary, but not duplicative of currently existing programs. As an example, incentives should be provided to EDC's and customers to enable, through repair or replacement, the reduction in the utilization of *de facto* electric heating such as electric space heaters with a more efficient central heating system.

The EDCs should also be encouraged to create innovative elements to address important and presently unmet opportunities such as the use of *de facto* electric heating and the treatment of multifamily buildings housing low-income residents at affordable rents.

De facto electric space heating is one area of significant concern which is not currently being adequately addressed. The term "*de facto* heating" is used to describe when customers use portable space heaters as their primary heating source because they do not have use of their central heating system. The situation most often occurs when the customer's central heating system is broken and in need of repair, or when the delivery of natural gas or other non-utility delivered heating fuel, such as fuel oil, wood or coal has been terminated or depleted. Using portable space heaters for whole-house heating is a potentially unaffordable and unsafe alternate central heating source. The number of customers doing so has risen dramatically over the past several years, especially with the dramatic increase in the cost of home heating oil. In the aggregate, d*e facto* electric space heating is a source of significant energy inefficiency. Addressing the reduction of *de facto* heating provides the Commission and EDCs a path to achieve energy usage reductions, ratepayer cost reductions and safer living conditions.

The essential problem presented is that *de facto* heating most generally occurs within low-income households that are unable to pay for furnace repair or replacement, oil delivery, or restoration of natural gas service. For these low-income households the use of electric space heating is often the last and only remaining alternative to freezing during the winter. In the short term, purchasing space heaters is significantly cheaper than furnace repair or replacement, the cost of a minimum delivery amount of fuel oil, or being able to pay a past due balance, or a deposit and reconnection fee to a Natural Gas Distribution Company (NGDC.) However, in the long term, the direct and indirect cost to that household and to other ratepayers becomes expensive. Space heaters are inefficient, sometimes unsafe, and quite costly to operate. Users of electric space heating are generally paying a more expensive non-heating electric rate than consumers using a central heating system. Furthermore, if that household participates in a CAP, their maximum CAP credit level is set at a lower level than if they were designated as a heating customer; leading to depletion of CAP credits and potential removal from CAP rates. The resulting full tariff rates create an unaffordable energy burden requiring additional subsidization by other rate payers. Ultimately, once April arrives and the moratorium has ended, service termination will likely occur.

CAUSE-PA recommends that in Phase Two the Commission direct EDCs to develop innovative pilot programs within each of its EE&C plans directed to the reduction of the utilization of inefficient space heating and the replacement with more efficient alternatives.

G. Alternative Financing Mechanisms

Recognizing that ratepayers are already stretched thin and the need for energy efficiency/weatherization dollars is dwindling, some interested stakeholders at the Commission's March 16, 2012 stakeholders meeting suggested that the Commission should consider energy efficiency financing through either on-bill financing and/or on-bill repayment programs.

CAUSE-PA does not support either on-bill financing or on-bill repayment programs for residential customers, particularly low-income residential customers. The simple economic reality of low-income households is that these households have no elasticity in their budgets.

To understand just how serious of a problem budget inelasticity is, the benchmark most often used by low-income advocates is the Pennsylvania Self-Sufficiency Standard published periodically by the nonprofit Pathways PA.[12] The Self-Sufficiency Standard is a tool developed by Diana Pearce, the director of the Center for Women's Welfare at the University of Washington, in order to provide fact-based pictures of the true cost of living for families of different sizes, living in different geographic regions of the country. For years, Pathways PA, working with the Center for Women's Welfare, has been responsible for publishing and updating the Self-Sufficiency Standard applicable to the different counties of Pennsylvania.[13]

[12] http://www.pathwayspa.org (Last visited: April 15, 2012).

[13] The current available version of the Self Sufficiency Standard for Pennsylvania as a percentage of the federal poverty level is for the year 2010. It is available on Pathway PA's website at: http://www.pathwayspa.org/10-11_SS_Standard.pdf. (Last visited: April, 15, 2012).

By way of example, **Figure 1**, shows the current self-sufficiency standard for a household of one adult and one pre-school child and a two-adult household with one school-age child and one pre-schooler for five counties in various parts of the Commonwealth.[14]

Figure 1:

County	**One adult, one child**		**Two adults, two children**	
	Annual self-sufficiency Std.	Self-sufficiency Std. as % of Federal Poverty Level	Annual self-sufficiency std.	Self-sufficiency Std. as % of Federal Poverty Level
Erie	$35,928	247%	$53,077	241%
Lancaster	$37,612	258%	$54,821	249%
Luzerne	$31,935	219%	$49,167	223%
Philadelphia	$41,863	287%	$54,705	299%
Washington	$34,924	240%	$53,573	243%

In these counties, the income levels that allow a household to be self-sufficient are about 2.5 times or greater than the federal poverty level. **Figure 1,** above, demonstrates that many people living in households with incomes *significantly higher* than those eligible for LIURP, Act 129's low-income programs or for assistance from the Low-Income Home Energy Assistance Program (LIHEAP) do not have sufficient monthly income to pay all their essential expenses, including their utility bills. The situation is all the worse for households living at or below 150% of the federal poverty income guidelines.

Households at 150% of the federal poverty guideline lack sufficient income to pay for all of their essential needs. Before all of the bills are paid, low-income families scraping by

[14] The self-sufficiency standard for all counties within Pennsylvania is attached hereto as Appendix B.

routinely run out of money. Many of them cannot afford to pay for utility service because of the cost of competing essential needs like rent, food, and medicine. This fact is evidenced in the higher termination rate for confirmed low-income customers as compared to all residential customers. In 2010, the average termination rate for confirmed low-income electric customers across all of the EDCs was 11.72% compared to 3.46% of all residential customers.[15]

Given this reality it is difficult to see any legitimate rationale to lend low-income customers money for energy efficiency improvements. These households – and those with incomes up to 250% of the federal poverty income guidelines – simply cannot afford necessities let alone additional financing.

A key underlying assumption behind implementation of energy efficiency financing, including the on-bill financing and on-bill repayment models is the concept of net bill neutrality—that is, the consumer's energy bill, which includes a loan repayment component, will be equal to or less than the consumer's bill prior to the installation of energy efficiency upgrades. In short, lenders and consumers enter into the loan agreement assuming that financed energy efficiency measures will generate savings that are greater than monthly principal and interest payments. However, in the case of residential energy efficiency improvements, it is unrealistic or impossible for a lender, utility company or contractor to guarantee that bill neutrality will actually be achieved. Even if energy savings could be accurately predicted, it is, at best, uncertain whether net residential bill neutrality can ever be achieved. Simply put, without *guarantee* of net residential bill neutrality, on-bill financing is simply too big of a risk for low and moderate income households.

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[15] See Report on 2010 Universal Service Programs & Collection Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies at 11-12. Available at: http://www.puc.state.pa.us/general/publications_reports/pdf/EDC_NGDC_UniServ_Rpt2010.pdf (Last visited: April 16, 2012).

Even assuming residential bill neutrality were possible, a host of other concerns remain. For instance, would utilities be permitted to terminate service if all utility bills were paid but the financing charges were not paid? How and under what circumstances would consumers negotiate a payment plan when they have fallen behind on both their utility and loan payments? How are partial utility payments applied? Would LIHEAP funds be permitted to be used to pay energy efficiency loan charges? What are the rules regarding resumption of service after a disconnection for non-payment and what happens to the efficiency loan arrearage? All of these issues, and others, would have to be addressed prior to the initiation of such a program – even in pilot format.

CAUSE-PA submits that at this stage of their development, on-bill financing and on-bill repayment programs do not have a place within the framework of Act 129 and the Commission should not consider their development.

H. Additional means to target low-income households and achieve significant energy efficiency savings: Multifamily Rental Housing.

CAUSE-PA fully supports the targeting of energy efficiency upgrades in multifamily rental housing as a cost-effective means to reduce energy consumption, maintain housing affordability, and create healthier, more comfortable living environments for moderate- and low-income families. Many of CAUSE-PA's members are renters and some reside in low-income, multifamily residential buildings.

Energy efficiency improvements in these buildings will supplement the benefits which are provided directly to low-income ratepayers (which should continue through existing low-income utility programs) and otherwise benefit low- and moderate-income residents through reduced utility costs and increased affordable housing opportunities. In properties where owners pay the utility bill, energy efficiency improvements will lower operating costs, reducing the need for owners to raise rents. All Pennsylvania taxpayers will benefit through reduced demand on the state's energy system and increased economic output.

CAUSE-PA supports the creation and implementation of a multifamily carve-out that will serve as an effective supplement to enhance and complement the low-income carve-out that is already in place. To that end, CAUSE-PA supports the Comments filed by coalition of organizations lead by the National Housing Trust, the Pennsylvania Housing Finance Agency, and the Pennsylvania Utility Law Project.

Response to Specific Questions Contained in the March 1, 2012 Secretarial Letter

In addition to the issues addressed above, the Commission sought comments from interested stake holders on the following issues. CAUSE-PA files these comments to assist the Commission in reaching it determination. However, recognizing, that these issues do not touch exclusively, or even principally on low-income concerns, CAUSE-PA's comments on each will be brief.

a. Length of Second EE&C Program

For planning purposes, the Commission indicated that it was interested in recommendations concerning the number of years that a second EE&C Program should run. Recognizing that the Commission must balance the need for accuracy in forecast or energy prices and technological advances with the increased administrative costs associated with implementing EE&C plans of shorter lengths, CAUSE-PA recommends that the Commission extend the program for an additional five years. This time period has not proven to be unmanageable for the EDCs in the implementation of their current EE&C plans. CAUSE-PA submits that a plan in line with that which was contemplated by the General Assembly in its enactment of Act 129 best meets to goals of that legislation. Moreover, a plan of five years in length provides the market certainty needed to continue to leverage the gains reached in the first phase of Act 129. As the Commission itself recognized in the Secretarial Letter, the more frequently the Commission engages in the EE&C Program design, planning, adoption and implementation process, the greater the associated administrative costs that are ultimately borne by the ratepayers. Thus, CAUSE-PA supports a five-year plan.

b. Inclusion of a Demand Response Curtailment Program

The initial phase of EE&C programs included a multi-year EE program with a one-year demand response program that will be implemented during the summer of 2012. There has been significant money spent and invested in this demand response infrastructure and, for the benefit of the ratepayers who paid for these programs, CAUSE-PA submits that the second phase should also have a demand response program.

In order for this to occur, Act 129 requires the Commission to compare the total costs of each EE&C plan to the total savings in energy and capacity costs to retail customers in the Commonwealth or other costs determined by the Commission. If the Commission determines that the benefits of the plans exceed the costs, the Commission must set additional, incremental requirements for reductions in peak demand. Importantly, Act 129 gives the Commission latitude to set future reductions in peak demand for either the 100 hours of greatest demand or an alternative reduction that is approved by the Commission.[16]

Until the Statewide evaluator's report is issued on the current peak demand program, none of us will know whether the peak demand program as conceived in the legislation will be cost effective. We do, however, know that the current formula is riddled with significant uncertainty.

[16] See 66 Pa.C.S. § 2806.1(d)(2).

In the Secretarial Letter, the Commission laid out a number of different scenarios for dealing with the issue of peak demand and demand response generally. While CAUSE-PA does not have an opinion on those specifics, it does appear that demand response programs have been relatively popular within the residential rate classes and it would seem to be a waste of ratepayer dollars to discontinue those programs after only one summer of use. Since the equipment is already deployed – or mostly deployed – CAUSE-PA submits that a demand response program should continue in some manner.

c. __Aligning EDC Targets and Funding Using Dollars per MWh of Expected Reductions__

Act 129 restricts the total cost of any EDC plan to no more than 2% of that EDC's 2006 total annual revenue.[17] In addition, for the initial round of EE&C Plans, Act 129 sets uniform percentage reduction targets to be achieved under that 2% revenue cap. Because of differences between the EDCs' 2006 revenues, the amount of funding available for each EDC EE&C plan varies, with some EDCs having significantly more dollars per megawatt hour (MWh) of expected reductions available than the others.

In the Secretarial Letter, the Commission asked the parties whether it as should address this imbalance in the next round of EE&C plans and, if so, how? CAUSE-PA is sympathetic to these concerns and believes that the first method suggested by the Commission in its Secretarial Letter -- to vary each EDC's reduction targets to be consistent with the amount of funding available under each EDC's 2% revenue cap – may be the most effective means of addressing this discrepancy. Under this approach, an EDC with more funding would have a higher consumption reduction target than an EDC with less available funding However, CAUSE-PA submits that there may well be other means of addressing this inequity. From the perspective of

[17] 66 Pa.C.S. §2806.1(g).

CAUSE-PA, the goal should be to maximize the dollars available and minimize the inequities faced by smaller EDCs. Thus, the goal should not be uniformity per se, but fairness. Ratepayers in a smaller EDC are no less entitled to energy efficiency than those who reside in a service territory of a larger EDC. As such, the Commission should set targets that are aggressive for each EDC yet at the same time achievable with reasonably structured EE&C Plans.

CAUSE-PA does not support a uniform percentage reduction target set at the EDC with the lowest available funding because this would diminish the overall weatherization dollars that are available throughout the Commonwealth. This is not a desirable goal in light of the significant need that continues to persist.

d. <u>Transition Issues</u>

The Commission also sought comments on a number of transition issues in its Secretarial Letter; however, CAUSE-PA limits its comments specifically to the issue of whether the Commission should give consideration, in the potential next phase, to an EDC that exceeds its Phase One EE targets. CAUSE-PA fully supports this concept. EDCs should be encouraged to exceed their EE&C targets in Phase One by permitting them to bank savings from one period to the next. Specifically an EDC, that achieves more than its 3% reduction in its Phase One EE program, should receive credit toward achieving its incremental second target in the amount it exceeds its Phase One target. This sort of incentive will allow EDCs to continue to implement their programs while Phase Two is getting up and running and will not result in a “dark period” where Act 129 is dormant because Phase One targets have been met but Phase Two has not yet started.

CONCLUSION

In Conclusion, CAUSE-PA again thanks the Commission for the opportunity to submit these comments and looks forward to a successful Phase Two. CAUSE-PA respectfully request that the Commission issue a Tentative Order reflecting the comments expressed herein and which incorporates a low income carve out targeting specified energy savings as well as a program directed to multi-family buildings housing providing affordable rents.

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APPENDIX 1

PA PUBLIC UTILITY COMMISSION

Report of the Act 129 Low-Income Working Group

Docket No. M-2009-2146801

March 19, 2010

Recommendations

1. Estimated Baseline Usage of Low-Income Households

In calculating the estimated baseline usage of low-income households, the Working Group developed Table 1 below.[5] The information used to calculate the estimated baseline usage of low-income households includes:

a) 2008 Census Data for the number of low-income households furnished by Pennsylvania State University, which is attached as Appendix A and shows an increase in the percentage of low-income households from 19.33% in 2000 to 25.10% in 2008;[6]
b) December 31, 2009 Total Residential (Including Low-Income Customer) Counts provided by the EDCs;
c) 2009 Total kWh Usage (Heating & Non-Heating) Data for Residential and Low-Income Customers supplied by EDCs for inclusion in the Chapter 14 Report, which is required by 66 Pa.C.S. §1415; and
d) Total Consumption (MWh) from the 2009 Annual Resource Planning Reports, which are required by 52 Pa.Code §§57.141-57.154.

[5] If an EDC obtains additional data in the future that further refines these estimated calculations, such data may be submitted to the Commission and the Working Group participants for consideration in the annual review process.

[6] 2008 Census Data was not available for the following counties with populations below 7,200: Cameron, Forest, Fulton, Montour, Potter and Sullivan. These counties were not surveyed in 2008. The census data from 2000 was used.

Using this data, the Working Group calculated, for each EDC, the estimated amount of usage and the percentage of estimated consumption attributable to low-income households. Specifically, the column in Table 1 designated as "Total kWh (Heating & Non-Heating) Usage Low-Income Households" establishes estimated baseline usage data for the low-income sector and the last column shows the estimated percent of usage by low-income households compared to total consumption.

Table 1 Total kWh (Heating & Non-Heating)

	Percent of Households that are Low-Income (2008 Census)	Heating Residential Customers (2009 Ch 14 Report Data)	Heating Low-Income Households (% LI x Heating)	Heating Annual Usage (2009 Ch 14 Report Data)	Total kWh Usage Heating Low-Income Households	Total kWh Usage Heating Residential Households
Allegheny	25.18%	106,611	26,845	17,999	483,176,852	1,918,891,389
Duquesne	27.74%	31,623	8,772	12,842	112,652,852	406,102,566
PECO-Elec.	25.62%	159,404	40,839	16,416	670,418,028	2,616,776,064
PPL	23.66%	398,141	94,200	16,690	1,572,200,680	6,644,973,290
*Met.Ed.	20.25%	102,060	20,667	16,771	346,608,773	1,711,648,260
*Penelec	30.39%	57,100	17,353	14,165	245,800,854	808,821,500
*Penn Power	26.55%	18,882	5,013	21,695	108,760,745	409,644,990
*First Energy Corporation						

	Percent of Households that are Low-Income (2008 Census)	Non-Heating Residential Customers (2009 Ch 14 Report Data)	Non-Heating Low-Income Households (% LI x Non-Heating)	Non-Heating Annual Usage (2009 Ch 14 Report Data)	Total kWh Usage Non-Heating Low-Income Households	Total kWh Usage Non-Heating Residential Households
Allegheny	25.18%	507,444	127,774	10,212	1,304,832,165	5,182,018,128
Duquesne	27.74%	492,471	136,611	7,170	979,504,136	3,531,017,070
PECO-Elec.	25.62%	1,246,496	319,352	7,992	2,552,263,383	9,961,996,032
PPL	23.66%	823,407	194,818	9,262	1,804,405,207	7,626,395,634
*Met. Ed.	20.25%	382,322	77,420	9,953	770,563,300	3,805,250,866
*Penelec	30.39%	447,815	136,091	8,243	1,121,797,936	3,691,339,045
*Penn Power	26.55%	120,966	32,116	8,543	274,371,029	1,033,412,538

	Total (Heating & Non-Heating) Low-Income Households	Total kWh Usage Heating Low-Income Customers	Total kWh Usage Non-Heating Low-Income Households	Total kWh (Heating & Non-Heating) Baseline Usage Low-Income Households	Total kWh (Heating & Non-Heating) Usage Residential Households	Total Consumption MWh for 2008** (2009 ARPR)	Percent kWh Usage Low-Income Households vs Total Consumption
Allegheny	154,619	483,176,852	1,304,832,165	1,788,009,016	7,100,909,517	21,043,842	8.50
Duquesne	145,384	112,652,852	979,504,135	1,092,156,987	3,937,119,636	13,860,634	7.88
PECO-Elec.	360,192	670,418,028	2,552,263,383	3,222,681,411	12,578,772,096	40,014,695	8.05
PPL	289,018	1,572,200,680	1,804,405,207	3,376,605,887	14,271,368,924	39,090,157	8.64
*Met. Ed.	98,087	346,608,773	770,563,300	1,117,172,073	5,516,899,126	14,240,733	7.84
*Penelec	153,444	245,800,854	1,121,797,936	1,367,598,790	4,500,160,545	14,379,251	9.51
*Penn Power	37,130	108,760,745	274,371,029	383,131,774	1,443,057,528	4,695,840	8.16

2008 Census Data Provided By Penn State
2009 Chapter 14 Report Data (Data reported on or before March 1st of following year.)
2009 Annual Resource Planning Report (ARPR) Sample Calc: Allegheny 8.50 % = [1,788,009,016 kWh * (1 MW/1000 kW) * 100]/21,043,842 MWh
**Does not include system losses or company use.