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VIA E-Filing

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

**Re: Columbia Gas of Pennsylvania, Inc.
USECP Comments
Docket No. M-2017-2596907**

Dear Ms. Chiavetta:

Pursuant to the Opinion and Order entered May 10, 2017 by the Pennsylvania Public Utility Commission, enclosed please find the Comments of Columbia Gas of Pennsylvania, Inc. regarding the above captioned matter.

Please direct any questions with regard to this filing to the undersigned by calling (724) 416-6347.

Sincerely,

A handwritten signature in blue ink that reads "Meagan Bielanin Moore".

Meagan Bielanin Moore
Counsel for
Columbia Gas of Pennsylvania, Inc.

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

COMMENTS OF COLUMBIA GAS OF PENNSYLVANIA, INC.

I. INTRODUCTION

On May 10, 2017, the Pennsylvania Public Utility Commission (“Commission”) entered an Opinion and Order at the above-captioned docket to initiate a review of Universal Service and Energy Conservation Programs (“USECP”) and to seek comments from interested stakeholders regarding all aspects of the entire Universal Service and Energy Conservation model. This review incorporates and expands the Commission’s current work regarding Low-Income Usage Reduction Program (“LIURP”) and energy affordability matters¹. Specifically, the Commission’s Opinion and Order provides interested stakeholders with the opportunity to file comments regarding issues involving but not limited to program design, implementation costs, cost recovery, administration, reporting and evaluation². Columbia Gas of Pennsylvania, Inc. (“Columbia” or “the Company”) appreciates the opportunity to provide input on this important issue and commends the Commission for soliciting comments on this topic.

II. BACKGROUND

Universal Service Programs incorporate CAPs, LIURP, CAREs and utility hardship funds. Usually, these programs are available to low-income customers³ and sometimes

¹ Opinion and Order pg 1; Docket L-2016-2557886

² Id. at 4.

³ Low income is defined as 150% of the Federal Poverty Income Guidelines or less.

to those customers that can meet certain qualifications. Columbia began its first Universal Service Program, the Hardship Fund⁴ in 1984, followed by the Customer Assistance Referral and Evaluation program⁵ (“CARES”) in 1986, Low Income Usage Reduction Program⁶ (“LIURP”) in 1988, and the Customer Assistance Program⁷ (“CAP”) in 1992. Columbia incorporates its comments as filed in response to the Secretarial Letter issued December 16, 2016 at Docket No. L-2016-2557886, and also directs the Commission to the comments filed by the Energy Association (“EAP”) in this matter. Columbia submits the following comments for the Commission’s consideration.

III. COMMENTS

A. Program Design

1. *Columbia Supports Design Flexibility*

Columbia supports the current practice that allows for utilities to have flexibility in program design since service territories, customer demographics and customer needs are unique to each utility. Flexibility allows a utility to tailor its programs to fit the needs

⁴ The Hardship Fund is a Columbia-sponsored fuel fund that provides financial assistance through grants to low-income (0%-200% of federal poverty level), payment-troubled customers, and is administered by the Dollar Energy Fund. Columbia contributes one dollar of shareholder money for every dollar contributed by its customers to the Dollar Energy Fund. Annually, Columbia raises \$100,000-\$125,000 in customer contributions. Combined with the shareholder match, typically about \$250,000 is contributed towards the accounts of Columbia’s payment-troubled, low-income customers.

⁵ CARES offers personalized assistance to customers having difficulty paying their gas bills and serves as a helping hand to those customers experiencing temporary hardships. The CARES program offers basic budgeting, counseling, customized payment plan and linkage to energy grant programs and community resources.

⁶ LIURP is a free weatherization program that first identifies an energy picture of your home and then takes action to seal up areas where heat escapes. This free program is designed for customers with low incomes and high gas usage. The goal is to help customers better manage energy use and gas heating costs by reducing natural gas consumption.

⁷ The CAP program offers affordable payment plans for customers with low income and long-term bill payment problems.

of its customers in the most cost effective manner. All USECP programs should remain administered by each utility and designed specifically for the utility's customer base.

Columbia maintains that USECP programs should be incorporated using the best tools or programs for each customer situation in order to provide the most effective solutions. For example:

- LIURP should prioritize CAP customers in order to reduce the cost of CAP shortfall that is borne by other customers;
- Higher income Hardship Fund customers should also be prioritized for LIURP, thus reducing the need for hardship fund aid in the future;
- Hardship Funds and the Low-Income Heating Energy Assistance Program (“LIHEAP”) should be considered as solutions for payment troubled customers before referring such customers to CAP since CAP is the most costly assistance option.

Further, Columbia submits the following examples of the specific designs and strategies that are necessary to implement its CAP and Hardship Fund programs.

2. CAP Design

While CAP provides the greatest benefits to program participants, as mentioned above, CAP is likely the most expensive of all programs to administer. Therefore, CAP should be available only to those who can demonstrate that they cannot afford their utility bills. Even though a household may qualify as low income, it does not necessarily mean they are having difficulty paying their bills. In cases where a low income customer cannot demonstrate payment difficulty, Columbia submits that automatic CAP enrollment based

only upon income guidelines is not justifiable and unnecessarily raises CAP program costs. Moreover, while CAP participation should be encouraged where CAP is the best option for a payment troubled customer, CAP participation should come with a participant's understanding and acknowledgement that they are responsible for complying with program obligations as a requirement of continued participation. A CAP customer's failure to comply with program obligations should result in consequences, such as reinstatement of customer responsibility for the payment of pre-program arrearages and, where appropriate, termination of service⁸ in order to rectify the situation quickly and redirect the customer towards an affordable path.

Columbia's approved CAP features different options for determining a customer's monthly "asked to pay" amount. Those options include percent of income, a percent of bill, minimum payment and average of payments prior to joining CAP. Originally, CAP's philosophy provided for a CAP participant to pay the maximum amount per month from among those options. Columbia maintains that this philosophy should be the foundation of any CAP payment plan design. This principle is fair to both the low income customer who benefits from CAP and the customers who fund CAP. Moreover, an assessment of the affordability of a payment plan needs to consider the cost effectiveness of that plan on all other customers, including those whose incomes are slightly over the CAP eligibility guidelines and who are, therefore, required to pay their entire bill, a portion of which funds CAP program costs. Columbia submits that CAP designs that enable customers to pay less than what they can afford results in non-CAP customers subsidizing non-utility

⁸ Columbia notes that it seeks to avoid service termination, when possible.

related expenses. Avoidance of this indirect outcome should be a goal of any USECP program.

3. *Columbia's Hardship Fund Design*

The Hardship Fund is a vital component of Columbia's portfolio of low-income programs. It is an intermediate level of assistance between LIHEAP and CAP. Not every low income customer will require the full assistance and protections of the CAP program. Columbia has low income, low usage customers who are capable of paying their entire annual bill by using a LIHEAP grant to supplement their monthly payments. However, the Hardship Fund applies for those customers who need a little more than a LIHEAP grant, but do not need reduced bills and arrearage forgiveness that are features of the CAP program. The Hardship Fund provides up to \$500 of additional assistance to qualified, low-income customers, whereas, CAP provides an average of \$760 in annual CAP credits and \$40 in annual arrearage forgiveness. For customers who can remain current on their gas bill with \$500 from the Hardship Fund, it is more efficient and is less costly to other ratepayers to use the Hardship Fund instead of entering such customers into CAP.

4. *Columbia Supports a Design with Coordination of Benefits between USECPs*

Though the Company supports flexibility in program design, there are significant opportunities for coordination of benefits between other programs and these should be considered whenever possible. For instance, income verification is a costly and labor intensive process that could be centralized and accessed by multiple programs including gas and electric utilities, hardship funds and the Department of Human Services ("DHS"). A central repository containing proof of income, household size, program participation and utility service usage could be maintained, using shared funding by each of the entities

having access to the records. If a customer were only required to verify income once, annually, the reduction of duplicative effort would result in the savings of both time and money. It would also be more convenient for the customer. It would be important to include DHS in discussions related to a central repository since DHS verifies a substantial number of households' income each year.

Columbia recommends the coordination of benefits among utility and government programs, where it is practical to do so, in order to leverage program effectiveness, increase customer satisfaction and spread administrative costs. For example, when a weatherization contractor does work at a particular residence for multiple programs, synchronizing the work is much less complicated, avoids scheduling difficulties that are associated with the use of multiple contractors, and reduces costs. By the same token, Columbia recognizes that limiting contractors to those who are willing to work on multiple weatherization programs for different entities could impact productivity and deter competition among contractors, which could ultimately increase costs. Within the context of flexible program design that Columbia favors, when possible, coordinated jobs make sense, but should not be required when the exclusion of productive, reasonably priced contractors would result.

Using consistent forms for income documentation and consistent standards for determining income eligibility would facilitate coordination among programs. Columbia submits that use of the guidelines accepted by DHS for LIHEAP by all utilities would

establish greater consistency among utility programs. Additionally, if all utilities used the same form for zero income⁹, it could be shared with other utilities when appropriate.

B. Program Implementation

1. *BCS Decisions Contradict Approved USECPs*

USECP programs are reviewed and approved by the Commission. Accordingly, Columbia submits that the Bureau of Consumer Services “(BCS)” should not have the authority to render a decision in an informal complaint that conflicts with a utility’s approved USECP. For instance, Columbia’s current USECP dictates that a customer who has been removed from CAP for non-payment must submit all missed CAP payments as a condition to reentry into CAP. However, BCS has issued informal complaint decisions that allow for payment of less than the full CAP arrears for reentry into CAP. For example, Columbia’s approved USECP establishes that CAP arrears includes all missed payments after a participant’s removal from CAP. Notwithstanding this clear Commission-approved directive, in BCS case #3516409, the investigator informed Columbia that CAP arrears are not defined to increase once a customer is removed from CAP. Utilities should not be placed in a position whereby they must incur the expense associated with a formal appeal of a BCS decision in order to be able to follow their Commission approved USECPs.

2. *Chapter 14’s Impact on CAP Reentry*

In addition to BCS decisions that conflict with Columbia’s Commission-approved USECP, BCS is also issuing payment arrangements for CAP participants that conflict with

⁹ In its review of recent USECP filings, the Commission’s Bureau of Consumer Services has insisted that USECPs include a form to document customers with zero income.

Section 1405(c) of Chapter 14. Columbia submits that the Commission should instruct BCS to refrain from doing so in the future. The following examples illustrate the problem that is associated with BCS's establishment of payment arrangements for CAP customers. Recently, Columbia lawfully terminated a CAP customer's service for non-payment. The customer received CAP benefits for many years, was on one payment plan in a recent year and owed over \$800 in CAP arrears. In order to restore service to this customer, the Company had to offer the options either to pay \$800 with a valid CAP application or to pay 1/24th of the full balance of \$1,824 under Chapter 14 guidelines, which was \$76.00. The customer had the option either to apply for LIHEAP, CRISIS and the Dollar Energy Fund to assist with the \$800 or simply pay the \$76. Understandably, the customer opted for the non-CAP option to pay the \$76.00 for reconnection. Once connected, the customer was no longer eligible for CRISIS or Dollar Energy Fund because the CRISIS had been averted. For re-entry into the CAP program at \$54 per month, the customer would still need to pay \$724 to catch up on missed CAP payments. Since the customer chose the \$76 restoration amount, the customer instead had to agree to a \$104 per month payment plan for the next 2 years to pay off the arrearages incurred. Unfortunately, the customer failed to stay current on her \$104 payment plan and was later terminated again for non-payment. Due to a history of failed payment plans, she was now required to pay the full balance of \$1,931 in order to restore service. It is unlikely that a low income family would have the resources to pay the full restoration amount and there is not enough hardship fund available to substitute this type of payment requirement. This example is not an isolated situation and occurs daily.

Another example involves a CAP customer whose service had been shut-off for non-payment who had the option either to pay \$800 plus a valid CAP application to restore service or simply to pay \$126.64 under Chapter 14 guidelines. The customer's total unpaid balance was over \$2,700. The customer chose to restore service for \$126.64. Currently, the customer owes a total balance of \$3,025 and has been issued a termination notice requiring full payment of \$2,968 arrears. As a final example, a customer was given a choice of \$659 in CAP arrears or \$96.00 to restore. After choosing option B of \$96, the customer is now facing termination of over \$1,800 and the CAP amount for re-entry is \$800 since that is the maximum we can request as approved in our USECP. In each example given, Columbia suggests that working with the customer from the onset with USECP programs would have yielded a better outcome for these individuals than restoration under Chapter 14 guidelines that BCS requires Columbia to offer.

3. *Section 56.97 Payment Arrangement Provisions*

The Company is mandated by the Commission¹⁰ to offer payment arrangements to all customers when they contact the Company regarding a proposed termination. However, whenever the Company enters into a payment arrangement with a customer who is facing termination while the CRISIS program is open, the opportunity for that customer to receive CRISIS funds to assist with the increasing arrearages is eliminated, since DHS considers the CRISIS to have been averted at the point a termination is stopped due to a payment arrangement. CRISIS grants in past years have been as high as \$800 and most recently \$500. Columbia requests that the Commission consider amending Section 56.97, or provide a limited waiver of the payment arrangement provision under

¹⁰ 52 Pa. Code § 56.97(a)(2)(ii).

Section 56.97(a)(2)(ii) when CRISIS funds are available in an effort to assist a payment troubled, low income customer with longer term assistance.

4. *Confidentiality and Privacy Concerns*

The need for confidentiality and customers' privacy protections in USECPs are legitimate and need to be considered. However, the sharing of customer information between and among programs is necessary in order to improve efficiencies. The establishment of a centralized database with customer permission for an entity to retrieve the data would help to alleviate confidentiality concerns. Many customers would be willing to grant access to this data in an effort to avoid having to provide the same information to multiple entities at separate times.

5. *LIHEAP and CAP Dynamic Increases Non-Payment*

Unfortunately, recent interpretations regarding the manner in which LIHEAP funds can be used restrict strategic leveraging of LIHEAP with CAP to resolve long-term payment troubled situations in a cost effective manner. As originally conceived, while CAP participants are required to apply for LIHEAP, the CAP payment plan is set at the most a customer can pay on a monthly basis without the assumption that the customer will receive any LIHEAP grant amount. When a CAP customer does receive a LIHEAP grant, the funds are paid directly to Columbia as the "Vendor" under the LIHEAP program. Because CAP customers are already being provided an affordable bill under CAP, Columbia's prior CAP used the LIHEAP grants received for all CAP customers to reduce the amount of discounts that were recovered from non-CAP customers by applying the grants against the CAP customer shortfall. In the summer of 2009, the Pennsylvania Department of Public Welfare ("DPW") proposed changes in the way federal LIHEAP

grants are applied to the accounts of CAP customers. Specifically, DPW directed distribution companies to apply the LIHEAP cash grants to the customer's monthly asked to pay amount, rather than the CAP credit. Consequently, now when a CAP customer receives a LIHEAP grant, the grant is now required to be treated as a customer payment, which further reduces the customer's CAP "asked to pay" amount. Under this design, the CAP customer now has excess money to use for something other than the utility bill and the other customers are paying for that excess.

Further complicating the situation, the LIHEAP grant is often posted in full onto an account, relieving the customer of any payment for several months or longer. Columbia submits that this is at odds with a CAP design feature, whereby participants are provided with an affordable payment in order to help them to develop the habit of making timely and regular account payments. It is understandable that a customer who goes without any required utility payment for multiple months would find other uses for that money and then struggle to pay when suddenly required to make monthly payments again. Therefore, the original CAP designers intended to require twelve monthly payments to improve payment behavior and promote the maintenance of a monthly household budget. The current situation is counter to the original intent of CAP and instead, increases non-payment. This also appears to be in direct conflict of what Chapter 14, The Responsible Utility Customer Protection Act, was intended to do.

C. Program Costs

1. LIURP Costs

A component of LIURP is that utilities cannot weatherize a home that is unsafe for human habitation or where an adverse condition will be exacerbated by weatherization.

However, utilities may spend a certain amount on Health and Safety measures in order to make a home eligible for weatherization measures. LIURP Health and Safety budgets have increased over the years, which has allowed for the completion of more weatherization jobs. However, consideration of the benefits to the ratepayers must be considered when establishing the steps that a Company considers to make a house fit for weatherization. At some point, the work becomes more rehabilitative than improvement-based and is not cost effective. For example, re-wiring an entire house due to the presence of knob and tube wiring, complete roof installations, and installation of drainage systems may make the house ready to weatherize but at a very high cost. The biggest opportunity to increase health and safety budgets while maintaining cost effectiveness exists when customers are on CAP and have very high CAP credits or shortfall. In these cases, it may be cost justified to spend more money in making the home fit for weatherization to reduce year over year shortfall costs.

Most LIURP contractors also participate in multiple utility programs as well as county weatherization programs. The cost to train these contractors is currently distributed unevenly based on specific program requirements and spending levels. LIURP budgets should include training costs to contractors, and utilities should be encouraged to adopt state wide standards and training practices to help spread the cost of training more evenly among all programs.

2. *Columbia's CAP Customer Purchase Gas Plan*

Under its approved USECP, Columbia has operated as an aggregator to purchase gas from Natural Gas Suppliers (“NGS”) on CAP customers’ behalf for more than a decade. Through this process, CAP customers agree to allow Columbia to purchase gas

for the entire CAP pool of customers and Columbia seeks bids from interested NGSs each year to supply that pool. A bid is only accepted if it is projected to be less than the price to compare. In the absence of an active supplier through a qualifying bid, Columbia arranges for CAP customers' supply and Columbia puts out quarterly requests for proposals. This program component has resulted in savings that reduce the cost of the program to ratepayers. More importantly, it does not create the risk of increased payments or a decreased CAP credit for individual CAP customers.

3. ***Funding of the Hardship Fund***

In recent Columbia rate case proceedings, the Commission's Bureau of Investigation and Enforcement ("I&E") has opposed the recovery of Hardship Fund costs through base rates, and suggested that the program should be funded by "voluntary" sources only. Columbia disagrees and submits that many other states, such as Maryland, continue to use ratepayer funds to fund utility hardship funds. Unfortunately, donations to the Company's Hardship Fund continue to decrease even while fundraising activities and the costs associated with those activities continue to increase. In Columbia's 2016 base rate case, the Commission allowed Columbia to use pipeline penalty credits and refunds, which are not voluntary sources, to fund its current Hardship Fund through at least February of 2018¹¹. Maintaining funding in a utility's hardship fund is vital, as a recent internal examination of program participation showed that an increase in hardship funds lowers CAP participation. This demonstrates that there are customers who choose to apply to the Hardship Fund instead of participating in CAP. Effectively, it is more cost-effective for low-income customers to use funding from the Hardship Fund as opposed to

¹¹ Docket No. R-2017-2591326.

CAP as the Hardship Fund program is less expensive for both the ratepayer and the Company. Therefore, Columbia posits that the funding of the Hardship Fund should not be replaced by voluntary funding sources only. Hardship Fund participation decreases CAP costs and, therefore, benefits customers who pay for CAP through their rates. Accordingly, Columbia submits that it is equitable to include Hardship Fund costs as an element of base rates.

D. Program Reporting

1. *Columbia Recommends the Creation of a USECP Reporting Working Group*

Consistency in program reporting is important, as consistency allows for accurate comparisons between programs and utilities. Columbia submits that a working group should be formed to review current practices and gain consensus on consistent definitions. Issues that need to be resolved include:

- the best way to define and identify estimated low income
- the number of years a self-reported financial should be accepted to determine confirmed low income
- whether the reported low income arrears, payment plans and collection costs should include CAP on the Universal Service Reporting Requirements.

These questions should be consistently reported and documented across all utilities.

2. *Actual Savings and Health Benefits Should be Used to Measure Results*

Historically, energy savings is the primary driver of a successful LIURP program. Columbia supports the continued use of actual savings to measure results. However, there are significant health impacts related to LIURP that should also be considered and

measured. The installation of new heating systems, introduction of heat to unheated spaces, or a substitution of unsafe unvented space heaters with central or vented heating systems directly benefit a customer's health. In many cases, these instances add usage to the home, thus negatively impacting a utility's overall savings data. These cases need to be well documented ahead of time and tracked separately to give a more comprehensive picture of the scope of LIURP benefits on customers without creating a negative impact on traditional savings.

IV. Conclusion

Columbia Gas of Pennsylvania, Inc. appreciates the opportunity to provide these comments in response to the Commission's Opinion and Order. For the reasons set forth above, Columbia respectfully requests that the Commission consider the Company's comments as it makes a determination regarding appropriate future actions in its review of Universal Service and Energy Conservation Programs.

Respectfully Submitted,



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