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VIA ELECTRONIC FILING

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

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

Dear Secretary Chiavetta:

Enclosed, please find the reply comments of the UGI Distribution Companies in response to the initial comments filed at the above docket, as further informed by the Bureau of Consumer Services Stakeholder Collaborative held on September 13-14, 2017.

Very truly yours,

Danielle Jouenne
Counsel for the UGI Distribution Companies

Enclosure

UGI appreciates this opportunity to submit Reply Comments to the Comments of various parties in response to the Pennsylvania Public Utility Commission's ("Commission") Opinion and Order entered on May 10, 2017 in the above-captioned proceeding ("USECP Order"). UGI filed timely initial comments to the Commission on August 8, 2017. Pursuant to USECP Order, reply comments were permitted 30 days after stakeholder meetings, in which UGI participated, and which were held on September 13 and 14, 2017. UGI's reply comments addresses the positions and suggestions raised by certain stakeholders in filed comments as well as those raised during the September 2017 stakeholder meetings. UGI incorporates its initial Comments by reference and supports the comments and reply comments filed at this docket by the Energy Association of Pennsylvania ("EAP").

II. Energy Burden

In both the filed comments and at the stakeholder meeting, various parties discussed the use of a customer's energy burden as a benchmark for utility payments. Currently, the Commission's policy statement states that CAP payments for total electric and natural gas home energy should not exceed 17% of the CAP participant's annual income.¹ Certain parties, including the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA") and the Philadelphia Department of Human Services suggest lowering this energy burden to 6%.

CAUSE-PA proposes reducing the energy burden to 6% of income for low income households. CAUSE-PA cites a 2015 Bureau of Consumer Services ("BCS") report indicating that non-low income households have an energy burden of 1-5%. CAUSE-PA and others

¹ 52 Pa. Code § 69.265(2)

therefore contend that a 17% energy burden for low-income customers is too high. CAUSE-PA relies on the principle that shelter costs should not exceed 30% of income, and that utility costs should not exceed 20% of shelter costs and contends that a 6% energy burden would make the burden on low income households comparable to the 1-5% energy burden on non-low income households. Finally, CAUSE-PA points out that other states such as New York, New Jersey, Maryland, Colorado, and Illinois have instituted a 6% energy burden.

To address the issue of energy burden, the Commission has initiated a study regarding home energy burdens in Pennsylvania. The study will be concluded by BCS by February 5, 2018, and BCS will report its finding to the Commission by May 5, 2018. After this report, the Commission will make the final report public and solicit comments as well as reply comments.

UGI believes a decision regarding the correct energy burden for low-income customers should be discussed and evaluated after the release of the BCS study. In addition, any decrease in the energy burden for low income households must be balanced against the resulting increase in the costs borne by non-low income customers for those programs. UGI estimates based on 2016 figures, that lowering of the energy burden to 6% for its CAP program would have increased shortfall expense by \$3,674,218.38 from the 2016 shortfall amount of 4,859,510.92, equating to a 76% increase. Non-low income customers in the residential rate base would bear this increased cost. This increased cost would disproportionately hurt those customers who are earning just above the low-income threshold and could potentially jeopardize their ability to afford their energy bills.

UGI recommends that the Commission balance the needs of low income customers while ensuring that energy stay affordable for ratepayers who pay for the low-income program

subsidies. UGI is particularly mindful of the fact that residential ratepayers have several options for home heating and cooking needs besides natural gas. It would not benefit low-income utility customers to render natural gas unaffordable in comparison to other non-utility energy sources. Over the long term, higher utility energy costs will contribute to consumer decision making on energy and could negatively impact the residential rate base. The customers of non-utility energy providers do not benefit from the various low-income assistance programs available to utility customers. Therefore, economic factors which influence residential customers to choose non-utility energy sources are deleterious to them personally, and, by eroding the residential class rate base, undermine the program funding that supports low-income programs.

UGI would also caution the Commission against accepting CAUSE-PA's direct comparison of Pennsylvania's energy burden to that of other states. In New Hampshire, New Jersey, Maryland, Colorado, and Illinois, enrollment in LIHEAP is a prerequisite for enrollment in CAP, thus limiting the size of CAP enrollment. Pennsylvania has no such requirement, and so lowering the energy burden in Pennsylvania would have a greater overall impact on the cost of assistance programs than in other states. Similarly, the programs in other cold weather states, such as Michigan and Minnesota, are much smaller in scope and cost than Pennsylvania's utility-funded programs. Simply facially comparing Pennsylvania's energy burden limits to that of other states does not provide an accurate and complete picture of the true cost of the energy burden.

Finally, UGI would direct the Commission's attention to the fact that funding of Pennsylvania CAP programs today far exceeds the spending of the majority of the states. At the stakeholder meeting, The Office of Consumer Advocate's ("OCA") Acting Consumer Advocate

Tanya McCloskey stated that Pennsylvania's current CAP spending was second behind only California in total annual dollars. UGI was unable to confirm OCA's recent figures, but did locate 2014 data from the U.S. Department of Health and Human Services supporting OCA's statement. The 2014 data indicated that Pennsylvania was third in CAP spending behind only California and Texas and that Pennsylvania's spending exceeded that of states with greater populations such as New York and Illinois.

A comparison of Pennsylvania to those states with a 6% energy burden benchmark cited by CAUSE-PA is set forth in **Appendix A**.

III. CARES Program Design

In both the filed comments and at the stakeholder meeting, various parties discussed the proper program design and staffing procedures regarding the CARES program. In particular, the United Way suggested an implementation of the PA 2-1-1 program as a way to connect those in need to energy assistance programs. The United Way requested that that 5% of all universal service funds be directed to support the 2-1-1 program and the work it does with utility customers. The United Way argues such funding would streamline and simplify the process for customers to find assistance.

UGI's CARES Program provides personal assistance and referrals to payment-troubled customers and helps improve their delinquent bill payment problems. The CARES Program identifies special needs customers and guides them to the appropriate program or agency. CARES concentrates on the low-income segment that may lack the knowledge of energy conservation, budget counseling and fuel assistance programs. CARES is intended to be a short-term assistance referral program to guide a customer through a difficult time and to help inform

and educate them about the available assistance. The CARES Program also provides extensive LIHEAP outreach to help increase awareness of the program and encourage all eligible households to apply for grants.

UGI notes that while some utilities have constructive collaborations with the United Way's 211 program, the United Way does not administer the 211 program in many parts of the UGI service territory, such as in South-central Pennsylvania and in the Northeast. Therefore, UGI is cautious of one-size-fits-all approach to the 211 program. UGI is a strong supporter of the United Way and is open to dialogue with the United Way on ways to improve UGI customer access to United Way services, where the United Way programs are available in the UGI service territories, however, UGI believes that such partnerships and charitable giving decision making should be left to the discretion of the utilities themselves.

IV. Universal Services Funding

In both the filed comments and at the stakeholder meeting, certain parties advocated for cross-class cost recovery, notably in the joint comments of the Pennsylvania Departments of Aging, Community and Economic Development, Environmental Protection, Health, and Human Services ("Commonwealth Agencies"), the OCA, and CAUSE-PA. Currently, universal service programs in Pennsylvania are funded exclusively by the residential customer base. Advocates of cross-class subsidization argue that cross-class cost recovery is the "prevailing policy across the nation." CAUSE-PA in particular argues because of the public service nature of such programs, all customers, of any class or rate, should be required to contribute.

The OCA similarly points to the indirect benefits all customers receive from the improved communities that assistance programs create. The Commonwealth Agencies argue

that because the assistance programs are required by law, and because all customers, regardless of class, benefit from a well-regulated public utility service, all customers should help support these programs. Moreover, the Department of Aging identifies cross-class subsidization as a necessary avenue to increase funding to the programs without placing that burden disproportionately on the residential customer class.

UGI shares with these parties a desire to alleviate the burden universal service program costs on non-low income residential ratepayers. As stated previously, UGI is mindful of the impact of higher residential energy costs on a customer's decision to select a regulated-utility energy source. However, UGI would caution the advocates of cross-class subsidization that customer choice is not limited to the residential rate class. Commercial ratepayers also have alternatives to natural gas for their energy needs. Some customers, due to geographic location, have the ability bypass the UGI distribution system and directly connect to the interstate pipeline system.

UGI contends that universal service programs remain funded by the class that can directly benefit and participate in programs bear the burden for those programs. Although UGI acknowledges the arguments that other classes benefit indirectly from the universal service programs, the fact remains that if a commercial or industrial ratepayer becomes payment troubled, it cannot take advantage of the assistance the universal service programs provide. Residential ratepayers, on the other hand, fund a program that will, in the event of hardships in their life, directly assist them in return.

V. CONCLUSION

UGI respectfully requests that the Commission consider these reply comments.

Respectfully submitted,

Danielle Jouenne /CD

Danielle Jouenne
Counsel for the UGI Distribution Companies

APPENDIX A

2014 STATE-BY-STATE RATEPAYER FUNDED LOW-INCOME ENERGY ASSISTANCE AND ENERGY EFFICIENCY PROGRAMS

Ranking	State	Rate Assistance (CAP)	Energy Efficiency (LIHEAP)	Total	Population ²
1	California	\$1,403,200,000.00	\$390,700,000.00	\$1,793,900,000	\$39,250,017
2	Texas	\$392,409,318.00	\$25,592,915.00	\$418,002,233	27,862,596
3	Pennsylvania	\$360,846,482.00	\$48,619,871.00	\$409,466,353	12,784,227
4	Ohio	\$334,638,817.00	\$65,909,369.00	\$400,548,186	11,614,373
5	New Jersey	\$234,339,731.00	\$31,700,000.00	\$266,039,731	2,081,015
6	Massachusetts	\$123,969,642.00	\$38,545,744.00	\$162,515,386	\$6,811,779
7	New York	\$120,400,000.00	\$59,325,256.00	\$179,725,256	19,745,289
8	Illinois	\$64,100,000.00	\$11,668,214.00	\$75,768,214	\$12,801,539
9	Maryland	\$62,300,000.00	\$34,976,592.00	\$97,276,592	\$6,016,447
10	Arizona	\$51,514,973.00	\$4,394,227.00	\$55,909,200	\$6,931,071
11	Michigan	\$50,000,000.00	\$30,626,383.00	\$80,626,383	\$9,928,300
12	Washington	\$44,558,252.00	\$6,592,174.00	\$51,150,426	7,288,000
13	Wisconsin	\$43,200,000.00	\$36,836,700.00	\$80,036,700	5,778,708
14	Connecticut	\$26,357,482.00	\$29,396,267.00	\$55,753,749	\$3,576,452
15	Georgia	\$23,489,716.00	\$2,750,000.00	\$26,239,716	\$10,310,371
16	Oregon	\$21,063,985.00	\$11,724,663.00	\$32,788,648	4,093,465
17	Minnesota	\$18,459,657.00	\$8,190,253.00	\$26,649,910	5,519,952
18	New Hampshire	\$15,220,892.00	\$5,016,103.00	\$20,236,995	1,334,795
19	Oklahoma	\$12,000,000.00	\$9,084,760.00	\$21,084,760	3,923,561
20	Colorado	\$10,675,168.00	\$7,455,567.00	\$18,130,735	\$5,540,545
21	Rhode Island	\$9,873,150.00	\$21,192,491.00	\$31,065,641	1,056,426
22	District of Columbia	\$9,870,524.00	\$6,099,890.00	\$15,970,414	\$681,170
23	Maine	\$8,121,857.00	\$3,273,335.00	\$11,395,192	\$1,331,479
24	Indiana	\$7,264,720.00	\$6,996,341.00	\$14,261,061	\$6,633,053
25	Nevada	\$5,667,477.00	\$3,076,218.00	\$8,743,695	2,940,058
26	Utah	\$5,375,671.00	\$1,040,345.00	\$6,416,016	3,051,217
27	Montana	\$5,105,824.00	\$3,090,679.00	\$8,196,503	1,042,520
28	Kentucky	\$2,982,799.00	\$0.00	\$2,982,788	\$4,436,974
29	Vermont	\$2,171,836.00	\$932,679.00	\$3,104,515	624,594
30	Alabama	\$1,733,283.00	\$0.00	\$1,733,283	\$4,863,300
31	Mississippi	\$850,000.00	\$752,951.00	\$1,602,951	2,988,726
32	Delaware	\$400,000.00	\$400,000.00	\$800,000	\$952,065
33	Arkansas	\$0.00	\$275,564.00	\$275,564	\$2,988,248
34	Idaho	\$0.00	\$2,255,097.00	\$2,255,097	\$1,683,140
35	Iowa	\$0.00	\$6,210,739.00	\$6,210,739	\$3,134,693
36	Missouri	\$0.00	\$2,897,877.00	\$2,897,877	6,093,000
37	New Mexico	\$0.00	\$846,325.00	\$846,325	8,944,469
38	North Dakota	\$0.00	\$13,200.00	\$13,200	757,952
39	West Virginia	\$0.00	\$1,485,264.00	\$1,485,264	1,831,102

1. Source: <https://liheapch.acf.hhs.gov/Supplements/2014/supplement14.htm>

2. Source: <https://www2.census.gov/programs-surveys/popest/tables/2010-2016/state/totals/>