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**RECEIVED**

October 1, 2015

OCT 2 2015

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105-3265

PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

Dear Secretary Chiavetta:

PECO Energy Company is hereby submitting to the Pennsylvania Public Utility Commission its Universal Services Three Year Plan (2016 to 2018).

If you have any questions please do not hesitate to contact me at 215-841-5777.

Sincerely,

A handwritten signature in black ink, appearing to be "R. Webster".

Enclosures

Cc: Alexis Bechtel, Director, Bureau of Consumer Services  
Grace McGovern, Supervisor, Bureau of Consumer Services

**PECO Energy Company  
Universal Services  
Three-Year Plan  
2016 to 2018**

**Prepared by:  
Patricia King  
Manager, Universal Services**

**Submitted October 1, 2015**

PECO Energy Company  
Universal Services  
Three-Year Plan  
2016 – 2018  
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## I. INTRODUCTION

The Universal Services' programs offered by PECO Energy Company ("*PECO*" or "*the Company*") are designed to provide low-income, residential customers with continued electric or gas service in exchange for reduced monthly payments based on individual household needs including gross household income and usage. PECO's first Three-Year Plan was submitted in 2002. PECO is pleased to submit the following Universal Services Plan for 2016 - 2018 in accordance with 52 Pa. Code §54.74.

PECO's Customer Assistance Program (CAP) began in 1984 in which all participants paid a fixed minimum charge each month. Twelve years later, by 1996, PECO had enrolled approximately 30,000 customers into CAP. During 1996, PECO also implemented a new pilot CAP Rate, initially limited to 10,000 customers, in which participants would be placed into various rate discount tiers based upon their household income levels. By early 1998, the pilot CAP Rate became fully subscribed up to the 10,000-customer limit. As part of its 1998 Electric Restructuring Settlement, PECO transferred 30,000 customers from the CAP program that incorporated a fixed monthly charge to the CAP Rate tiered program and expanded participation on an "open enrollment basis" to those who qualified with an "initial maximum participation level" of 100,000 customers. Participation in the tiered CAP Rate program grew to about 83,000 customers by March 2000. In that month, PECO also entered into the PECO/Unicom Merger Settlement, in which it agreed to continue the CAP Rate as an "open enrollment program" with a "provisional maximum participation level" of 125,000 customers. By 2005, CAP Rate participation increased to approximately 103,000 customers, making PECO's program the largest Universal Services program in Pennsylvania. In 2006, CAP Rate was opened up to unlimited participation. PECO's CAP enrollment has remained at approximately 140,000 customers since September 2010.

From 1998 to the present, PECO's CAP Rate tier program was regularly modified as a result of Settlements and Orders of the Pennsylvania Public Utility Commission ("Commission" or "PUC"), but remained within the overall tiered rate approach. In 2014, and 2015, however, PECO met with interested stakeholders and agreed to implement a new form of CAP program known as the "Fixed Credit Option," or "FCO," beginning in October 2016. On July 8, 2015, the Commission approved that proposal. This 2016-2018 Three-Year Plan primarily focuses on the new FCO program that will be implemented in October 2016. From January to October 2016, PECO's existing CAP Rate program will remain in effect. Details of the CAP Rate program can be found in Attachment D.

PECO's Universal Services Program has six components

- Customer Assistance Program (CAP) – Fixed Credit Option (FCO)
- Low Income Usage Reduction Program (LIURP)
- Matching Energy Assistance Fund (MEAF)
- Customer Assistance and Referral Evaluation Services (CARES)
- Education-Outreach Programs
- External Grant Program Administration (e.g., LIHEAP)

## II. NEEDS ASSESSMENT

PECO utilizes data from the U.S. Census Bureau and its Customer Information System to determine the possible number of low-income customers in its service territory that may qualify for the Company's Universal Services programs.

According to the 2012 U.S. Census data, approximately 414,000 households who live in PECO's service territory have income at or below 150% of the Federal Poverty Level (FPL) and 542,000 households have income at or below 200% of the FPL.

<b>PECO Service Territory Poverty Chart</b>		
<b>County</b>	<b>Households &lt; 150% FPL</b>	<b>Households &lt; 200% FPL</b>
Bucks	31,980	50,100
Chester	28,115	41,804
Montgomery	46,236	66,451
Philadelphia	262,214	317,758
Delaware	45,155	65,002
York <sup>1</sup>	750	1,175
<b>Total</b>	<b>414,450</b>	<b>542,290</b>

Utilizing 2012 U.S. Census data, the Company has a population of 542,000 households that may be eligible to receive assistance from PECO's low-income programs including CAP, LIURP, CARES and MEAF.

Not all households in the aforementioned table are direct customers of PECO (*i.e. mass-metered apartment buildings, etc.*). Therefore, the numbers in the aforementioned table overstate PECO's opportunity for enrollment in its various low-income assistance programs.

As reported in the annual Universal Services Reporting Requirement – Total Number Low Income Households Estimated, PECO estimates that 450,015 households in our service territory are low-income.

<sup>1</sup> York County – The total population for York County is 168,000 households. PECO has 4,700 customers in York County. The total number of households at or below 150% FPL in York County is 38,362, or 16%. Of the 4,700 PECO customers in York County, 750 (or 16%) would be CAP Rate eligible. Using this same methodology, 1,175 or 25% households would be 200% FPL.

### **III. PECO's UNIVERSAL SERVICES DEPARTMENT**

PECO has a full staff of experienced Universal Services' employees that support the Company's low-income programs. In addition to a full staff of experienced Universal Services employees, PECO employs various vendor resources as well.

PECO's Universal Services' department consists of a manager, analysts, program support representatives, and CARES administrators.

#### **1. CAP – Customer Assistance Program; FCO – Fixed Credit Option**

##### **A. Program Description**

Customer Assistance Program – “CAP” is an assistance program for PECO's low-income, residential customers whose total household income levels are at or below 150% FPL. PECO identifies CAP customers through a variety of means such as when a customer calls into one of our PECO call centers, at an Outreach event or by referrals from various human services agencies.

The three year period for this 3-Year Plan (2016 – 2018) includes both the existing CAP Rate program and the new CAP Fixed Credit Option “FCO” program. The CAP Rate program will end when the new CAP FCO program is implemented in October 2016. Until the new FCO program is implemented, the existing CAP Rate program parameters and details will govern PECO's CAP program. *(See attachment D on page 45 of this Plan for a full description of the existing CAP Rate Program).* As noted in the Introduction on page 3, this Three-Year Plan focuses on the new CAP FCO program.

Under the FCO, the goal will be to provide each customer with a fixed credit for the year that will result in the customer receiving affordable bills for utility service. The amount of fixed credit will be determined separately for each customer's household, and will be based primarily on the total gross income of the household, the number of residents in the household, and the utility usage of the household in the prior year. The details of the specific calculation were determined by Commission Order, and are set forth in Attachment B on page 29 of this Plan.

**B. Eligibility Criteria and Program Requirements for CAP Rate**

1. Eligibility Criteria: A customer with a verified, total household gross income at or below 150% of the FPL is eligible for PECO's CAP program. Income verification must be documented through PECO's income verification process. The FCO monthly credit is dependent upon the household FPL and usage.

2. Program requirements: The existing PECO CAP Rate program will remain in effect until October 2016. The new CAP FCO program will be implemented in October 2016. The 2 programs will not co-exist. Upon implementation, the existing CAP Rate program will be replaced by the new CAP FCO program.

*The program components below apply to the new CAP FCO program. (See Attachment D on page 45 of this Plan for a full description of the CAP Rate Program.)*

**Program Requirements**

- A. Complete a CAP application and provide documented proof of income for all adult household members.
- B. Agree to re-certification every 2 years.
- C. Report any change in household income to PECO right away.
- D. Pay their CAP bills on time and in full each month, or late charges will be assessed on past due balances and service may be terminated.
- E. Provide PECO permission to verify their income with authorized entities including credit reporting bureaus.
- F. Participate in energy reduction and conservation programs offered by PECO (i.e. LIURP), if identified as high-usage.
- G. Requested to provide social security numbers for themselves and any member of their household.
- H. Identify one premise to apply CAP benefits; A customer cannot enroll multiple accounts on CAP.
- I. Encouraged to apply for a Low Income Home Energy Assistance Program (LIHEAP) grant each LIHEAP season.
- J. Currently, CAP customers cannot have an alternative generation supplier. The courts and the Commission may change those rules during the term of this 3-Year Plan, if so, PECO will adopt a CAP shopping program consistent with Commission rules and guidance at that time.

3. CAP Application / Enrollment Process – In order to be considered for CAP, a customer is required to complete and sign a CAP application. The customer must also provide proof of income for all adult household members (*18 years of age or older*). Acceptable forms of income are listed on the back of the CAP application.

In the Settlement in which PECO agreed to proceed with the Fixed Credit Option, PECO agreed as follows: “Customers determined eligible as a result of a LIHEAP Cash Grant will, if possible, be placed into the federal poverty level commensurate with the LIHEAP grant amount.”

In order to properly place a customer in the FCO program, PECO must have information on the customer’s actual income (*not merely a range of incomes*) and the customer’s household size; neither of those types of information is provided to PECO with a LIHEAP Grant. PECO has therefore concluded that it is not possible to use LIHEAP Grant information to properly place a customer in the FCO program.

However, PECO will use that information to target customers to receive a CAP application that will allow them to enroll in CAP. Specifically, when the FPL requirements that are set for LIHEAP enrollment are equal to or less than the FPL requirements set for CAP, PECO will utilize the list of LIHEAP recipients to identify potential CAP customers. When this circumstance exists, PECO will mail a CAP application to those customers along with a letter explaining CAP and the benefits of CAP.

PECO currently receives CAP applications via 4 communication mediums – U.S. Mail, Fax, Email and On-Line. PECO uses non-binding internal targets, known as Service Level Agreements or SLAs, to measure its performance in processing these applications. The SLA current for U.S. Mail is 7 business days. The current SLA for all other communication mediums (*Fax, E-Mail and On-Line*) is 3 days.

The majority of CAP applications continue to come to PECO via U.S. Mail (*note: PECO pays all postage*). PECO continues to encourage customers to use electronic communication mediums for CAP enrollment, namely E-Mail and On-Line submissions. PECO has recently seen a slight increase in electronic CAP application submissions over manual submissions. If this trend continues, PECO will re-evaluate and adjust its SLAs to reflect business conditions at that time.

4. CAP Re-enrollment – PECO customers previously removed from CAP that submit a completed CAP application (*and are income eligible for CAP*) are reenrolled on the CAP program. Customers that are reenrolled on CAP are not eligible for PPA forgiveness.



5. CAP Recertification: CAP customers must re-certify their income eligibility every 2 years and are informed of this during the initial intake process.

For a customer who is due for CAP re-certification and has received utility assistance from LIHEAP, the customer's income information may automatically be validated if LIHEAP income eligibility was based upon identical income parameters as CAP and if the income verification process of the Department of Human Services (DHS) is acceptable to PECO. The customer could then be re-certified and may not be required to provide a new, completed CAP application. Although PECO will allow CAP auto-recertification for customers who received a LIHEAP grant, in order to maintain the integrity of the CAP program, PECO will require a completed CAP application at least every 6 years.

If a customer who is due for CAP re-certification does not receive utility assistance from LIHEAP, a completed, signed CAP application is required every 2 years.

When the customer responds to the initial re-certification letter with complete documentation and remains eligible for CAP, they will receive a letter from PECO confirming that the process has been completed. This letter reaffirms Universal Services' program requirements and customer obligations.

If the customer responds with incomplete or inadequate information, PECO will send a letter requesting the missing information.

If there is no response from the customer to the initial re-certification letter, a second letter is sent 15 days later requesting the necessary income information and explaining the risk of being removed from CAP.

The CAP recertification process lasts a total of 45 days. It starts 30 days prior to the recertification date and concludes 15 days after the recertification date. If the re-certification process is not completed within 45 days after the re-certification process began, the customer will lose the benefits of CAP. If that occurs, a CAP removal letter will be mailed to the customer. The account will then be removed from CAP and returned to standard rates. The customer is eligible to re-apply for CAP at any time.

6. Pre-Program Arrearages: PECO's Pre-Program Arrearage (PPA) component is a key element of PECO's CAP. It is designed to provide the customer with a fresh start and also achieve the goal of improving customer payment behaviors.

PECO will forgive all Pre-Program Arrearages (*the delinquency before the customer's initial enrollment in CAP*), if the customer pays his / her new, discounted CAP bill on time and in full each month.

The requirement to pay the bill on-time every month is intended to establish a positive payment history for the customer enabling them to remain current and out of the collection process.

Customers who benefited from PPA forgiveness as an adult household member at another address may not be eligible for PPA forgiveness at a new address.

CAP customers are entitled to PPA forgiveness only at their initial enrollment in CAP. If a customer is eligible for PPA forgiveness (*i.e. they have not received or benefited from PPA forgiveness in the past*), the customer's total arrearage is set-aside and divided into 12 equal parts. Each month the CAP customer pays their new, affordable CAP bill in full and on time, one-twelfth of their PPA is forgiven.

PECO allows for customers who may have missed a PPA "forgiveness" due to late or missed payments to "catch-up" on missed forgivenesses. Whenever a customer brings their bill current during the initial 12-month period of PPA set-up, PECO will forgive any missed forgivenesses the customer did not receive during that time. If the customer brings their bill current after the 12-month period or beyond, PECO will forgive all missed forgivenesses.

7. Portability: Both CAP and PPA programs port as noted below;

CAP Portability – PECO's CAP program is portable and moves from one premise to another premise within PECO's service territory as long as the direct transfer of service occurs within a 60-day window from the date the service was disconnected at the previous address, and the date the service was connected at the current address.

PPA Portability – If a customer moves from one premise to another, previously unforgiven PPA will be transferred to the customer's new address and continue to be eligible for forgiveness as long as the customer remains CAP eligible.

8. Arrearages: Every PECO customer is subject to PECO's credit and collection policy, up to and including termination.

CAP customers are not eligible for payment arrangements.

CAP Rate customers who are converted to the new CAP FCO in October 2016 will be afforded a one-time, "In-Program Arrearage Forgiveness" ("InPA Forgiveness"). In October 2016, if a customer has developed an arrearage since joining the CAP program – known as an "in-program arrearage," PECO will provide a special arrangement that allows the customer to pay 1/3 of that arrearage amount and have the remaining 2/3 forgiven. This program was approved by the Commission in early 2015 in PECO's last base rate case proceeding. The details of the "In-Program Arrearage Forgiveness"

program are included in Attachment C on page 36 to this Plan. Once a customer is enrolled in the InPA program, the customer will continue to be eligible to receive InPA arrearage forgiveness through the 60-month term of the InPA program, even if the customer is temporarily moved to Rate R or RH, provided however that if the customer is moved to Rate R or RH due to fraud, theft of service, or other misappropriation of service, the customer will no longer be eligible for InPA forgiveness during the period the customer is not receiving CAP service. CAP customers are not eligible for payment arrangements beyond the initial "In-Program Arrearage Forgiveness Agreement."

Customers who developed in-program arrearages may have used medical certificates to delay or avoid termination of service due to the in-program arrearages. If so, the customer will only be allowed to use any remaining medical certificate renewals while on the InPA Forgiveness Program. If a customer fully utilized their medical certificates and renewals prior to entering the InPA Forgiveness program and the account has been coded as "Medical Certificate Non-Renewal," the fact of the customer entering the InPA Forgiveness Program will not create any rights to the use of additional medical certificates.

9. Dismissal from CAP: Customers may be dismissed by PECO from CAP for the following reasons; over income guidelines, failure to meet program requirements, failure to accept program services, failure to participate in a LIURP audit, failure to complete the recertification process, fraud, theft of service, or other misappropriations of service.

10. Policies for Fraud, Theft of Service and Other Misappropriations of Service: PECO views theft of service as a serious public safety issue. In cases of theft of service, the customer is placing both his / her household as well as the community at large in an unsafe condition. For this reason, PECO will not tolerate theft of service.

PECO will conduct an investigation of any CAP account if PECO becomes aware of potential fraud, theft of service or other misappropriations of service.

In the course of reviewing CAP applications for enrollment or re-certification, action may be taken to review the application for potential fraud or misrepresentation of information (*e.g., validate suspected occupants, investigate inconsistent household / demographic information provided during the application process, theft of service, "name-game", etc.*).

As part of PECO's standard revenue protection practices, customer information may be analyzed for potential fraud. The investigation may include a credit check and a probe into how the customer pays for basic living expenses. Fraud includes, but is not limited to, *misrepresentation of the customer's identity for the purpose of obtaining utility*

service or CAP benefits, misrepresentation of income or occupant information, tampering with PECO's equipment or otherwise obtaining service illegally.

PECO will follow its normal practices for investigation of fraud, theft of service, and other misappropriations of service which may result in some or all of the following; back billing, removal from CAP and termination of service.

Once an account is removed from CAP for fraud, theft of service, or other misappropriations of service, the customer will not be eligible to receive CAP benefits for one full year from the date of removal. Customers may also be held liable for some or all of the following including account arrearages (*forgiven or not forgiven*), pre-program arrearages, In-Program Arrearage Forgiveness (*i.e. one-time forgiveness program during the implementation of CAP FCO in October 2016*), and related account collection fees.

11. Enrollment Limits: There is currently no enrollment limit for CAP.

C. **Projected Enrollment Levels**

For the past 5 years, PECO's CAP enrollment has remained around 140,000 customers. We anticipate 2016 will continue to fall within this range. We are uncertain of the impact the new CAP FCO program will have on enrollment and therefore are unable to project enrollment levels for that program. We would like to note however that CAP enrollment numbers may be reduced significantly during 2017 and 2018 when customers are asked to recertify. We anticipate that many customers who received discounted rates in PECO's current tiered program may not receive a credit under the new FCO program. PECO cannot project whether those customers will conclude that it is worthwhile for them to remain in CAP if that happens.

D. **CAP Program Budget**

See Section VI on page 25

E. **Plans to use Community Based Organizations**

PECO will continue to partner with Community-Based Organizations (CBOs) to promote its Universal Services' CAP program.

**F. Explanation of any differences between this plan and previous 3 year plan**

- Changed the CAP Rate program to the CAP FCO program, thereby eliminating CAP tiers
- Deleted all references to the CAP Rate program and directed readers to Attachment D on page 45 of this Plan
- Included description and steps required to calculate an individual customers FCO (*Attachment B on page 29 of this Plan*)
- Added the following CAP program requirements for the new CAP FCO;
  - CAP customers are not eligible for payment agreements
  - InPA program
- Changed LIHEAP auto-enrollment to LIHEAP outreach for CAP customers post CAP FCO
- LIHEAP auto-recertification – Completed CAP application required every 6 years
- CAP customers who benefited from the one-time “In-Program Arrearage Forgiveness” program are not eligible for medical certificates if they are coded MCNR (*Medical Certificate Non-Renewal*)
- CAP enrollment levels do not have actual numbers due to the uncertainty of the CAP FCO
- CAP benefit now includes customer usage in addition to household FPL

## 2. LOW INCOME USAGE REDUCTION PROGRAM (LIURP)

### A. Program Description

LIURP is a usage reduction program for low income, residential customers with household gross income at or below 200% of the FPL and high usage as defined under LIURP eligibility criteria on page 14 of this Plan.

LIURP assistance includes direct weatherization and conservation measures as well as in-home education that promote usage reduction for the customer. PECO will also refer LIURP participants to CAP, LIHEAP, MEAF and other appropriate low-income programs.

PECO will make the following changes to its LIURP program:

- Beginning October 2017, for a period of three years, PECO will increase its current annual electric LIURP budget by \$700,000 per year for the purpose of implementing measures for Defacto Heating customers (*Note: "De facto" heating refers to Rate R customers, whose residence is normally heated by a source other than electricity, but where the customer is in-fact heating with electricity (usually space heaters) because the other-fuel heating is not available. This can be due to a broken gas or oil furnace; it can also be due to inability to pay gas or oil bills, resulting in termination of that service. In such situations the customer often heats their home using inefficient electric space heaters, driving their electric bills.*)

#### LIURP Health and Safety Allowances;

PECO's LIURP values nothing more than the health and safety of our participants and service providers. Our comprehensive approach to client health and safety includes lifesaving devices such as smoke detectors and carbon monoxide alarms, which are installed on-site during the initial audit. Our auditors perform an in-depth visual inspection of the building, along with diagnostic testing such as combustion analysis, zonal pressure diagnostics, and infrared thermography where applicable.

The customer is always informed of any hazards found during this inspection, including but not limited to: gross moisture problems, visible mold growth, friable asbestos, potential carbon monoxide sources, and other real or potential indoor air quality (IAQ) concerns.

Carbon monoxide and other combustion appliance hazards are remedied through service or replacement as needed. Space heaters are addressed through client education in every house where they are found. We refer clients to other programs for assistance with

hazard that are beyond the scope of LIURP, such as electrical problems, structural damage to the property, or heating system malfunctions that our program is unable to address.

#### LIURP Contractors;

PECO has one vendor who has contractual responsibility for managing all subcontractors for PECO's LIURP program. PECO requires that the primary vendor as well as all subcontractors including Energy Auditors, Field Supervisors, Inspectors, Plumbers, Electricians, etc. are certified in their particular craft(s) and hold and maintain professional licenses, certifications and BPI certification.

#### LIURP Quality Controls;

PECO's LIURP vendor is required to inspect all heating audits and 5% of all base-load audits once all identified measures have been installed and completed. Both energy auditors and sub-contractors have "on-site" and "in-progress" supervision and inspections.

The LIURP Customer Cares Unit conducts real-time observations of telephone calls in addition to having floor supervision which provides support to LIURP Customer Service Representatives (CSR's) during communication with customers.

PECO LIURP Quality Control activities focus on customer and contractor safety; quality workmanship; customer satisfaction; adherence to LIURP guidelines; and OSHA standards.

#### **B. Eligibility Criteria**

Low-income residential customers whose household incomes are at or below 200% of the FPL and deemed high usage as defined in the paragraph below are eligible for LIURP. Special consideration is given to CAP households.

LIURP applicants must have household monthly average usage levels that exceed 600 kWh per month for electric base load, or exceed 1,400 kWh per month for electric heat, or exceed 50 Ccf per month for gas heat. CAP customers with monthly average usage at or above 500 kWh are also eligible for LIURP.

LIURP is required for CAP customers who are deemed high users as defined by LIURP standards. CAP customers who refuse a LIURP audit will be removed from CAP after a series of communications including letters and phone calls.

PECO's LIURP program is available to eligible residential customers any month of the calendar year. There is no restriction on receiving services during the non-heating season. Potential LIURP Population;

<b>Audit Type</b>	<b>Anticipated Population (#)</b>	<b>Average cost (\$)</b>	<b>Sub-Total (\$)</b>
Electric Base-load	67,557	476	32,125,380
Electric Heating	50,003	1,538	76,889,613
Gas Heating	66,847	1,967	131,473,343
<b>Total</b>	<b>184,407</b>		<b>\$240,488,336</b>

**C. Projected Enrollment Levels**

The number of customers who receive LIURP services is determined annually. The projected enrollment levels are based on the average cost per audit serviced in the current program year plus anticipated cost increases. The average cost per audit is applied to the annual program budget less anticipated administrative costs to determine the projected enrollment levels for the upcoming program year.

PECO anticipates the LIURP program will serve a consistent number of customers in the next three years. For the preceding three years, PECO's LIURP Program serviced an average of 9,000 customers per year. Although the number of audits may decrease as the cost of measures increase, PECO anticipates this number will remain consistent for calendar years 2016 – 2018.

**D. LIURP Program Budget**

The anticipated LIURP total program budget for each program year is \$7,850,000 beginning in 2016. The budget for the electric LIURP program is \$5,600,000.00. The budget for the gas LIURP program is \$2,250,000. The administrative costs will not exceed the standards set in Chapter 58, Residential Low Income Usage Reduction Program and our LIURP commitment in the Commission approved settlement agreement. LIURP budget will increase by \$700,000 per year for a period of three years for the purpose of treating Defacto heating conditions beginning in October 2017.

**E. Plans to Use Community-Based Organizations**

The company does not propose to utilize community-based organizations in the delivery of LIURP services.

**F. Explanation of any Differences Between This Plan and Previous 3 Year Plan**

- Additional \$700,000 for Defacto Heating conditions will be appropriated.



### 3. MATCHING ENERGY ASSISTANCE FUND (MEAF)

The information provided in this section reflects the current procedures and policies for the administration of the Matching Energy Assistance Fund (MEAF).

#### A. Program Description

The Matching Energy Assistance Fund (MEAF) is PECO's hardship fund program. There are two components; MEAF contributors and MEAF grants.

- **Contributors** – Customers or interested parties can pledge donations through monthly bill payment, MEAF brochure, or the PECO website ([www.peco.com](http://www.peco.com)). Donations can be either a one-time or recurring, which can be added to the customer's bill on a monthly basis.
- **Grants** – Residential customers whose income is at or below 175% of the FPL; have not received a MEAF grant in the past 24 months; are in imminent danger of service termination or their services have been terminated; and can bring their balance to zero are eligible for a MEAF grant.

The maximum MEAF grant is five hundred dollars (\$500) per commodity. The grant must eliminate the total amount due, excluding pre-program arrearage as well as bills not yet due. If the grant amount does not bring the bill to zero, the customer will be required to make a payment and/or solicit other third party grants to satisfy the remaining total amount due before receiving the MEAF grant.

PECO will continue its MEAF fundraising. PECO will continue to utilize MEAF bill inserts as a vehicle for customer outreach and contribution solicitation. In addition, customers have the ability to contribute to MEAF via a check off box on their bill stub.

The list of MEAF agency intake sites is found in Attachment A on page 27.

#### B. Eligibility Criteria

A residential customer must

- Meet the income eligibility of 175% of the FPL.
- Demonstrate an emergency need / hardship, (*i.e. service is in imminent danger of termination or has been terminated*).
- Be a resident within the county where they are applying for a MEAF grant.
- Not received a MEAF grant in the past 2 years.
- Must bring the account balance to zero – this requirement can be met via a MEAF grant, customer co-payments and/or other grants.

PECO has established a MEAF intake site in each of the 6 counties within its service territory.

With these requirements, it is difficult to forecast the total eligible MEAF population. PECO has provided grants to an average of 1,000 customers a year historically and believes this serves as our best estimate for the potential eligible population.

**C. Projected Enrollment Levels**

Over the past 3 years, an average of 1,000 customers a year have benefited from a MEAF grant. Due to the unpredictability of customer donations and additional amounts from fundraising efforts, PECO has not estimated enrollment levels for the three year period of 2016 - 2018.

**D. Matching Energy Assistance Fund (MEAF) Program Budget**

See Section VI on page 25

**E. Plans To Use Community-Based Organizations**

PECO uses the county fuel fund agencies to administer MEAF. The county fuel fund agencies are members of the Universal Service Advisory Committee.

**F. Explanation of any Differences Between This Plan and Previous 3 Year Plan**

None

#### **4. CUSTOMER ASSISTANCE AND REFERRAL EVALUATION SERVICES PROGRAM (CARES)**

##### **A. Program Description**

PECO's CARES program is a referral and information service designed to assist low-income customers with special needs and / or extenuating circumstances that hinders their ability to pay their utility bill. When appropriate, eligible customers receive temporary protection from termination of service and specific education and referral information for energy and non-energy related assistance.

CARES services will continue in conjunction with PECO's Universal Services programs.

The goal of the CARES component of Universal Services is to educate and inform PECO customers of available resources such as, energy and non-energy assistance, budget counseling and housing assistance. This is to maximize the ability of customers to pay their energy bills.

There are two components to PECO's CARES program. PECO maintains an extensive referral network of community organizations, government agencies, and social service agencies that assists low-income customers. The second component is an in-house assistance program that includes Universal Services' CARES administrators. CARES administrators assist customers on a personal basis with the identification of grant assistance and direct referrals. CARES administrators work with individual customers to ensure the customer receives the assistance they are eligible for based upon their income and circumstances and will provide direct follow-up to the customer as appropriate. Follow-up may be conducted with the agency accepting the CARES referral.

##### **B. Eligibility Criteria**

*Customers who are low-income (200% FPL or below), have special needs, and / or extenuating circumstances.*

*Special needs and / or extenuating circumstances are difficult to forecast to determine the total eligible CARES population. PECO has provided CARES services to an average of 2,500 customers a year historically via direct CARES referrals and believes this serves as our best estimate for the potential eligible population.*

**C. Projected Enrollment Levels**

PECO has helped an average of 2,500 customers per year via direct CARES referrals. PECO will work to improve its referral of CAP customers through the CARES program to facilitate the receipt of income assistance that might be of help in retiring past-due utility bills.

**D. CARES Program Budget**

See Section VI on page 25

**E. Plans to Use Community-Based Organizations**

PECO will continue to use the services and referrals from community-based organizations to assist in the enrollment of low-income residential customers into the CARES program. See Appendix A on page 27 of this Plan for a list of agency referrals.

**F. Explanation of any Differences Between This Plan and Previous 3 Year Plan**

➤ None

## 5. UNIVERSAL SERVICES EDUCATION-OUTREACH PROGRAMS

### A. Program Description

PECO's Universal Services' Outreach and Education Strategy have been enhanced to communicate directly and indirectly to all customers in its service territory. It has been designed to create a consistent and far reaching awareness of program benefits, provide tools for a streamlined and complete enrollment process, and maintain PECO's image to its customers as a community partner. PECO utilizes several methods for outreach including solicitation and direct enrollment when performing the following:

- LIURP recipients are referred directly to LIURP for evaluation
- MEAF recipients are referred to MEAF agencies
- Universal Services Website provides a description and contact information for CAP, LIURP, MEAF, LIHEAP and CARES. The website also provides a printable CAP application and on-line CAP enrollment

#### **PECO conducts two types of outreach events:**

- 1) PECO provides train-the-trainer sessions to educate service providers and staff members of community organizations and health providers such as Neighborhood Energy Centers (NECs), Community Based Organizations (CBOs), and legal service organizations.
- 2) Direct Customer Outreach – PECO conducts outreach in the communities with PECO's service territories to increase customer's awareness of and access to its low-income programs. In some cases, at these events, PECO representatives will provide assistance with LIHEAP and CAP applications.

## **6: UNIVERSAL SERVICES EXTERNAL GRANT PROGRAM ADMINISTRATION (E.G. LIHEAP, ETC.)**

Universal Services continues to manage external grant administration and assist Community Based Organizations (CBO), Neighborhood Energy Centers (NEC), and other agencies that provide financial assistance to low-income residential customers in energy related crisis.

Examples of grant programs that PECO will help to support include but are not limited to:

### Pennsylvania Low Income Home Energy Assistance Program (LIHEAP)

There are three components to LIHEAP: Cash, Crisis and weatherization assistance. Recipients can allocate their LIHEAP payment to any utility, oil or gas company that serves them. The Cash program provides a direct payment to a vendor, such as PECO. The Crisis program allocates funding for emergencies including purchasing home heating fuel, preventing service from termination, or reinstating service that has been terminated for non-payment. The weatherization program provides funding for winter emergencies including repairing leaking pipes and broken furnaces. Funding for the LIHEAP program is appropriated by Congress under the Labor/Health and Human Services Appropriations Bill. The federal funding (*and subsequent state funding*) is subject to change each year.

### Program Characteristics:

- Grants are based on household size and income, type of fuel used and geographical region.
- Late charges are suspended on LIHEAP recipient accounts from the time the grant is received until the end of the LIHEAP season per the annual LIHEAP State Plan.
- PECO will continue to review the size of LIHEAP grants annually in order to establish a maximum threshold for acceptance of LIHEAP Crisis grants. The ceiling will be established annually in order to give customers the best opportunity for success moving forward.
- PECO conducts a Winter Survey each year which identifies customers that were terminated and not restored in the given year. PECO then reaches out to those customers to confirm the property is occupied, in an effort to have these customers apply for LIHEAP Cash and Crisis grants to have their service restored.
- In an effort to help low-income customers maintain active service, every February PECO conducts an “Expedited mailing” to customers that have been identified as being Crisis eligible. The mailing will include a termination notice with a

termination date of April 1, 20XX. The termination notice is required for a LIHEAP Crisis grant. The mailing will also include a letter informing the customer that they are LIHEAP Crisis eligible and how to apply for a LIHEAP Crisis grant. In the explanation letter, customers are asked to call PECO's LIHEAP Hotline for more information.

➤ LIHEAP grants are posted to customer accounts in the following order:

- Past due balance
- Current charges
- Credit to account

#### **IV. COLLECTION STRATEGY**

PECO's collection strategy for CAP customers is not materially different from its standard collection strategy and procedure. PECO's strategy is to begin collection action as soon as a customer becomes past due to enable the customer to bring the account current as soon as possible so that he/she will not be placed in a "catch-up" situation that is not manageable. A CAP customer who does not pay the bill will be subject to termination for non-payment.

If a customer pays more than the amount due in a given billing period, or otherwise has a credit balance at the end of their billing period, the credit balance will be carried forward to the next month's bill. The credit balance amount will then be applied against the next month's bill, using the Company's then-current payment priority posting rules.

While PECO does not maintain a distinct set of different collection rules for CAP customers, the Company does have a significant number of benefits and safeguards designed solely for low-income customers.

- PECO will not charge a deposit for low-income customers with incomes below 150% of FPL. PECO will charge a deposit regardless of income level in the case of post-bankruptcy account.
- PECO does not terminate service to verified low-income customers (250% FPL or below) during the winter period (December 1<sup>st</sup> – April 1<sup>st</sup>).
- CAP customers are not eligible for payment agreements.



## **V. COST RECOVERY**

The Commission has proposed that utilities' Three-Year Plan filings should incorporate a utility's CAP rules into its tariff, and that the cost recovery mechanisms for its low income programs should be included in the Three-Year Plan filing.

PECO's CAP program rules are materially incorporated in its existing CAP Tariffs, which have been previously approved by the Commission.

As to cost recovery, PECO's CARES costs, LIHEAP administrative costs and MEAF administrative costs are included in its existing base rates. MEAF matching contributions are funded by shareholders and cost recovery is not obtained.

PECO's CAP costs are recovered as follows and are based upon the Default Service Plan settlement. Adjustments to that amount up or down will be implemented through its Electric USFC from time-to-time as adjustments are made to the benefits flowing to customers.

For natural gas, PECO's CAP costs are recovered through its base rates. Adjustments to that amount, up or down, will be implemented through its gas USFC from time-to-time as adjustments are made to the benefits flowing to customers.

## VI. BUDGET

Universal Services Cost Description	2016 Projected Costs	2017 Projected Costs	2018 Projected Costs
<b>by Expense Type:</b>			
Internal-staffing and related expenses	\$1,729,187	\$1,741,818	\$1,771,374
Outreach and Advertising	\$256,752	\$257,175	\$259,728
Company MEAF contribution <sup>2</sup>	\$250,000	\$250,000	\$250,000
Consumer Education	\$16,609	\$22,770	\$23,454
IT expense	\$149,953	\$149,953	\$149,953
Contractor Costs	\$11,500,490	\$11,601,904	\$11,719,035
<b>Total expense</b>	<b>\$13,902,991</b>	<b>\$14,023,620</b>	<b>\$14,173,542</b>
<b>by Program Type:</b>			
CAP	\$3,360,019	\$3,437,517	\$3,529,319
CARES	\$372,372	\$374,760	\$382,319
LIHEAP	\$988,613	\$982,571	\$1,003,467
LIURP	\$7,954,697	\$7,956,018	\$7,960,282
MEAF <sup>3</sup>	\$930,958	\$969,891	\$989,432
OUTREACH	\$296,333	\$302,864	\$308,724
<b>Total expense</b>	<b>\$13,902,991</b>	<b>\$14,023,620</b>	<b>\$14,173,542</b>
<b>Total CAP Rates Costs:</b>			
CAP Operations expense (from above)	\$3,360,019	\$3,437,517	\$3,529,319
PPA Set-Aside <sup>4</sup>	\$13,100,000	\$12,500,000	\$11,900,000
CAP Credits (Shortfall)	\$84,200,000	\$83,500,000	\$86,100,000
<b>Total expense</b>	<b>\$100,660,019</b>	<b>\$99,437,517</b>	<b>\$101,529,319</b>

Note: All Universal Services' expenses, excluding the MEAF company match, are recoverable either through base rates or the USFC. The USFC is a mechanism to adjust the CAP shortfall amount established in the base rate case for the actual shortfall. All other Universal Service costs are recovered through base rates and are not subject to an annual adjustment.

<sup>2</sup> PECO's MEAF Company Matching Contribution, currently at \$250k per year, is not included in base rates or the USFC and is funded by the corporation.

<sup>3</sup> See previous footnote

<sup>4</sup> When dollars are designated to be set aside as CAP pre-program arrearage ("PPA"), PECO accounts for those dollars as fully uncollectible. The full amount of the PPA is thus accounted for as a program cost. The forecasted PPA Set-aside for 2015 LRP 1.0 based on flat YOY (Year-Over CA). New Enrollment and a 10% reduction in average value per PPA in 2016 followed by 5% reduction in 2017 and 2018.

## **VIII. USE OF COMMUNITY BASED ORGANIZATIONS**

PECO continually seeks community partners that provide opportunities and access to resources that offer the assistance that our customers may need. The Company maintains relationships with the following community based organizations (CBOs):

- Utility Emergency Services Fund (UESF) – Philadelphia County
- Montgomery County Community Action Agency Development Commission – Montgomery County
- Community Action Agency of Delaware County – Delaware County
- Mason Dixon Cares – York County
- Bucks County Opportunity Council Inc. – Bucks County

PECO continuously works with several other CBOs throughout PECO's service territory to develop an ongoing relationship to provide referral services such as job / skill training, budget counseling and to conduct education workshops.

**ATTACHMENT A**

**Community Based Organizations (CBO's)**

**PECO uses the following County Fuel Fund Agencies to administer its Matching Energy Assistance Fund (MEAF).**

**Utility Emergency Services Fund (UESF)**

Philadelphia County  
One Penn Center at Suburban Station  
1617 JFK Boulevard, Suite 840  
Philadelphia, PA 19103  
Telephone: 215-972-5170  
Fax: 215-972-5174  
[www.uesfacts.org](http://www.uesfacts.org)

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**Montgomery County Community Action Development Commission (CADCOM)**

Montgomery County  
113 E. Main Street  
Norristown, PA 19401  
Telephone: 610-277-6363  
Fax: 610-277-7399  
[www.cadcom.org](http://www.cadcom.org)

**Chester County**

Torres Credit Services  
Phone: 1-800-403-6806

**Bucks County Opportunity Council, Inc. (BCOC)**

Bucks County  
100 Doyle Street  
Doylestown PA, 18901  
Email: [bcoc@bcoc.org](mailto:bcoc@bcoc.org)  
Phone: (215) 345-8175  
Fax: (215) 345-8573  
[www.bcoc.org](http://www.bcoc.org)

**Community Action Agency of Delaware County (CAADC)**

Delaware County  
1414 Meetinghouse Road  
Boothwyn, PA 19061  
Telephone: 610-874-8451  
Fax: 610-874-8476  
Email: [www.caadc.com](http://www.caadc.com)

Mason-Dixon Community Services Inc.

York County

5 Pendryus Street, Suite 2

Delta, PA 17314

Telephone: 717-456-5559

Fax: 717-456-6508

[www.mason-dixon.org](http://www.mason-dixon.org)

Neighborhood Energy Centers

- New Kensington – 215-427-0350
- ACHIEVEability – 215-748-8838
- Congreso de Latinos Unidos, Inc. – 215-763-8870
- Germantown Ave. Crisis Ministry – 215-843-2340
- HACE – 215-426-8025
- Hunting Park NAC – 215-225-5560
- United Communities – 215 467-8700
- Diversified Community Services – 215 336-3511
- Southwest CDC – 215 729-0800
- We Never Say Never – 215 452-0440
- Strawberry Mansion – 215 235-7505
- Center in the Park – 215 848-7722
- Nicetown CDC – 215 329-1824
- GPASS – 215 456-0308

PECO continually seeks community based organizations (CBOs) that provide opportunities and access to resources that offer assistance to our low-income, residential customers. Through direct outreach, PECO seeks to leverage customer assistance throughout our service territory. PECO continues to provide advocacy for federal funding when available.

*Note: Contact information for the aforementioned CBOs, inclusive of PECO's MEAF agencies, can change during the years governing this 3-Year Plan.*

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**ATTACHMENT B**

**CAP FCO Calculation:**

Prior to October 2016, the 2013 – 2015 PECO 3-Year Plan Settlement will continue to govern CAP program activities. Post October 2016, the CAP FCO program activities will govern PECO's CAP. The FCO calculation is outlined below;

**Fixed Credit Option (FCO) Calculation**

**A. FCO/CAP Design**

1. Determination of Credits:

Beginning with PECO's October 2016 IT push, PECO will implement a new design for its Customer Assistance Program ("CAP"). The new CAP design will be based upon the Fixed Credit Option ("FCO"), with customer benefits calculated as follows:

Step 1: Determine customer's prior year's undiscounted charges:

- For each CAP customer, PECO will review the customer's bills at that residence for the prior 12 months and determine the dollar amount that the customer would have been charged *on an undiscounted basis* in those prior 12 months for their PECO-supplied utility service, including both the regulated and unregulated portions of that service (that is, including generation service, whether obtained from an EGS or PECO, and natural gas commodity service, whether obtained from an NGS or PECO) (the "Base Charge(s)").
- For regulated charges, the undiscounted charge will be calculated using the PECO tariff rates in effect for the time period being examined. For generation charges, the undiscounted charges will be calculated using PECO's generation price-to-compare ("PTC") for the time period being examined. For natural gas commodity charges, the undiscounted charges will be calculated using PECO's natural gas PTC for the time period being examined. (For the effect of base rate cases and quarterly GSA filings on determination of Base Charges, see Step 6 below.)
- Pro forma method of determining prior year's usage: If the customer does not have 12 months of prior service at their current residence at the time the above calculation is conducted, then PECO will create a pro forma profile to calculate that customer's trailing twelve months

usage/charges. The pro forma profile will be based on the following, in order of preference if data is available:<sup>1</sup>

- Usage at that residence by the customer for the months available and actual usage by prior customers for the months unavailable.
  - Usage at that residence by prior customers;
  - Usage at similar residences or CAP residences in the same area; or
  - System-wide usage or CAP usage averages.
- PECO will prepare a weather normalization table that compares the weather in each of the trailing twelve months to “normal” weather for that calendar month, and which gives an adjustment factor to normalize usage and charges for each month on a weather-adjusted basis. This chart will be updated each month so that, at any time, PECO has available adjustment factors for the trailing 12 months. Once PECO has determined the Base Charges, those charges will be weather-normalized using the weather normalization table to create the “Weather-Normalized Base Charges.”

Step 2: Determine Verified Household Income and Federal Poverty Level:

- PECO’s existing income verification procedures will be used to determine Verified Household Income. PECO will then use that information and the number of people in the household to determine the household’s Federal Poverty Level<sup>2</sup>.

Step 3: Determine customer’s allowable Energy Burden:

- Once the household’s Federal Poverty Level has been determined, PECO will determine the household’s allowable Energy Burden, as follows:<sup>3</sup>

Table 1: Energy Burdens

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<sup>1</sup> Because of the quarterly recalculations discussed in Step 6 below, these pro forma calculations will start to be replaced by data on the customer’s actual usage three months after the pro forma calculation is done.

<sup>2</sup> A customer’s Federal Poverty Level percentage will be determined by reference to the then-current version of the Federal Poverty Guidelines published by the Federal Department of Health and Human Services.

<sup>3</sup> The table is based upon the ranges found at 52 Pa. Code §69.265 (2)(i)(A). In each case, the energy burden listed in the table is the maximum allowable energy burden for that poverty level. If the Commission changes the energy burden ranges set forth in its Policy Statement, PECO will utilize the new maximum allowable energy burden for each poverty level.

FPL	Electric Non-Heating <sup>4</sup>	Electric Heating <sup>5</sup>	Electric with Gas Heating <sup>6</sup>
0-50%	5%	13%	13%
51-100%	6%	16%	16%
101-150%	7%	17%	17%

**Step 4: Calculate customer's Annual Credit:**

- PECO will determine the customer's Annual Credit by multiplying the Verified Household Income times that household's allowable Energy Burden to determine an Annual CAP Bill amount. The Annual CAP Bill will then be subtracted from the Weather-Normalized Base Charges; the resulting amount is the Annual Credit amount for that household. That is: Weather-Normalized Base Charges – Annual CAP Bill = Annual Credit.

The maximum Annual Credit for any household will be as follows:<sup>7</sup>

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<sup>4</sup> Applies to PECO Rate R customers who use a non-PECO heating fuel source, including PGW, propane, and oil.

<sup>5</sup> Applies to PECO Rate RH customers.

<sup>6</sup> Applies to PECO dual commodity customers.

<sup>7</sup> The maximum Annual Credit was calculated to provide bills within Commission energy burden guidelines to approximately 93% of Rate R customers (including dual fuel customers), and approximately 96% of Rate RH customers. In addition, application of the Commission-required minimum monthly bills (\$12 for Rate R; \$30 for Rate RH) results in bills above Commission energy burden guidelines for approximately 6% of PECO's CAP customers overall. The combination of those two effects will result in 12% of PECO's Rate R, and 10% for PECO's Rate RH, with bills exceeding Commission energy burden guidelines, assuming a normal weather year.

The maximum Annual Credit levels set forth above will remain at these levels for four years after the program is implemented in October 2016. After four years, PECO will confer with the other signatories to determine whether there is a consensus new maximum Annual Credit level. If so, PECO will adopt that new level in its next-filed Three-Year Plan. If no consensus is reached, PECO may propose a new maximum Annual Credit level in its next-filed Three-Year Plan.

The maximum Annual Credits set forth in the table have been determined in an effort to reduce the number of CAP customers whose bills exceed commission energy burden guidelines. The Commission has previously granted PECO permission to apply maximum annual credits on a system-wide average, rather than as an individual customer limit. This settlement continues that practice. See also section A3 (Cost Containment) below.



Table 2: Maximum Annual Credits

FPL	Electric Non-Heating (Rate R) <sup>8</sup>	Electric Heating (Rate RH) <sup>9</sup>	Electric with Gas Heating (PECO Dual Commodity Customer) <sup>10</sup>
0-50%	\$2,048	\$2,922	Same as Rate R for electric service; no maximum for gas service <sup>11</sup>
51-100%	\$1,389	\$1,881	
101-150%	\$1,241	\$1,661	

(These are the credit limits for any given household. PECO will also continue to apply a system-wide cost containment mechanism in which the total cost of its program is limited to the number of participants in the program times the inflation-adjusted Maximum Annual Credit set forth set forth in the Commission’s guidelines at 52 Pa. Code § 69.265(3)(v).)

Step 5: Apply Annual Credit to Bill:

PECO will apply the total dollar amount of the Annual Credit over the course of the year. The credits will be applied in a manner intended to track the seasonal nature of usage, using the following monthly percentage<sup>12</sup>:

<sup>8</sup> If PECO is granted an electric base rate increase, the maximum allowable credits will be increased by a percentage equal to the system-wide residential distribution rate increase, applied to the portion of the Maximum Credit that is attributable to distribution rates.

<sup>9</sup> If PECO is granted an electric base rate increase, the maximum allowable credits will be increased by a percentage equal to the system-wide residential heating distribution rate increase, applied to the portion of the Maximum Credit that is attributable to distribution rates.

<sup>10</sup> If PECO is granted a gas base rate increase, the maximum allowable credits will be increased by a percentage equal to the system-wide residential distribution rate increase, applied to the portion of the Maximum Credit that is attributable to distribution rates.

<sup>11</sup> This continues PECO’s current gas CAP program policy.

<sup>12</sup> PECO may adjust these percentages to reflect the most current data available to it at any given time. However, any such adjustments will affect only the distribution of the Annual Credit to bills, not the amount of the Annual Credit.

Table 3: Seasonality Distribution

Month	Rate R	Rate RH	Gas
Jan	9.6%	13.9%	20.6%
Feb	8.9%	14.2%	19.5%
Mar	8.9%	12.2%	14.5%
Apr	7.0%	9.0%	9.6%
May	5.8%	5.3%	4.5%
June	7.7%	5.2%	2.6%
July	11.3%	6.4%	2.0%
Aug	10.6%	5.9%	1.8%
Sept	9.3%	5.4%	2.0%
Oct	6.6%	4.5%	2.6%
Nov	6.6%	6.4%	6.9%
Dec	8.7%	11.7%	13.6%
Total	100.0%	100.0%	100.0%

- Credits will be applied on a “rolling” basis; that is, if the customer’s credit in a month exceeds the outstanding balance, the credit will be “rolled” forward to future months and used to offset future balances.

Step 6: Periodic Recalculation and Adjustment of Annual Credit

- PECO will recalculate Step 2 for each customer during a biennial certification and recalculation. At that time, each customer will be required to re-verify their income level and size of household.
- PECO will recalculate Steps 1, 3, 4 and 5 annually to determine a new Annual Credit for each customer. PECO will perform this recalculation on or near the anniversary of a customer’s enrollment in the FCO, but retains the right to spread the recalculation event across the full calendar year for work management purposes.
- Every three months, PECO will recalculate Step 1 using the customer’s most recent three months’ data on usage/charges. PECO will then use the results of the Step 1 recalculation as inputs to complete Steps 2 through 5 to determine a Quarterly Recalculation of the Annual Credit. The adjusted Annual Credit will be applied to bills on a going-forward basis. This quarterly recalculation will be coordinated with the results of PECO’s quarterly Generation Services Adjustment filing and approval so that, in each such quarterly

adjustment, PECO's just-approved PTC will replace the oldest three months of PTC data in the underlying calculation.

- At any time during the year, a customer may verify to PECO that their household income or size of household has changed. Upon completion of that verification, if the changes result in a change in FPL tier, then PECO will recalculate Steps 1 through 5 to determine and apply a new Annual Credit for that household. The new Annual Credit will be applied prospectively beginning with the next monthly bill after the recalculation is completed and processed through PECO's billing system.
- At any time during the year, a customer may verify to PECO that a member of their household has increased usage as a result of medical reasons documented by a medical professional and that such increased, medically-driven usage is expected to be a part of that customer's long-term (more than 12 months) usage pattern. PECO will verify, through field visits or otherwise, that the increased usage is expected to be long-term. Upon such verification, PECO will increase the customer's Annual Credit by an amount equal to the estimated charges for increased usage as a result of medical equipment for the remainder of that quarter, provided however that the Annual Credit cannot exceed the maximum Annual Credit specified above in Step 4.

#### Step 7: New entrants to CAP program after program begins

- Customers who enter CAP after the FCO program begins will be required to verify income and household size. PECO will then apply Steps 1 through 6 to the new CAP participant.

## 2. Customers Who Do Not Receive An Annual Credit

- In the FCO, it is possible for a customer to be income-eligible for CAP (defined as having income of less than 150% of the Federal Poverty Level), but nonetheless receive a \$0 credit.
- Phase-Out Benefit: PECO estimates that, under the FCO approach, approximately 40,000 households that receive rate discounts under PECO's current program will not receive discounts under the FCO. PECO will identify the individuals in that category as of the October 2016 FCO implementation date and, for that population, will provide a Phase-Out Benefit of \$50 per household. The Phase-Out Benefit will be provided as a monthly bill credit of \$4.17 for each month the household continues to take service, up to a maximum of 12 consecutive months

- **Other Benefits:** Any customer who is verified to be eligible for CAP, but who does not receive an Annual Credit, will nonetheless be eligible for any other benefits that may be available to CAP customers including, but not limited to, PPA forgiveness, LIURP priority, etc., according to the terms of those program components.

### 3. Cost Containment

- **Minimum monthly billing amounts:** The Commission's CAP Guidelines, 52 Pa. Code §69.265(3)(i), state that CAP participant payments should be at least:
  - Rate R: \$12 per month
  - Rate RH: \$30 per month
  - Gas Heat: \$25 per month
- Each monthly bill rendered under this program will have an asked-to-pay amount equal or greater to these monthly minimums, even if a rolling credit creates an overall credit or owed amount of less than the applicable minimum (\$12, \$25 or \$30).
- **Maximum Annual Credits:** The maximum Annual Credits set forth in Table 2 of this settlement exceed the maximum annual credits set forth in the Commission's guidelines at 52 Pa. Code § 69.265(3)(v). However, the Commission has previously granted PECO permission to apply those maximum annual credits on a system-wide average, rather than as an individual customer limit. This practice will continue.

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**ATTACHMENT C**

(In-Program Arrearage Forgiveness)  
To The Joint Petition For Settlement Of Rate Investigation

PA. P.U.C. V. PECO Energy Company  
Docket No. R-2015-2468981

**I. Background**

1. On July 8, 2015, the Pennsylvania Public Commission ("Commission") approved a multi-party settlement related to PECO's 2013-2015 Universal Service and Energy Conservation Plan in Docket No. M-2012-2290911. In that Order, the Commission approved PECO to implement, in October 2016, a form of Customer Assistance Program ("CAP"), known as the Fixed Credit Option ("FCO"). The move from PECO's existing CAP program to the FCO approach represents a fundamental change in CAP approach and structure that is designed and intended to significantly increase both the breadth and depth of affordability of service to PECO's low-income customers.
2. As of this time, PECO's customers who participate in PECO's existing CAP program have accumulated approximately \$45 million of "in-program arrears" – that is, amounts that the customers have been billed since they entered the CAP program, but which they have not paid. The \$45 million includes amounts that are currently overdue, as well as amounts owed for prior service that are currently subject to a payment arrangement. This amount does not include any amounts owed for prior service that are classified as pre-program arrears. The parties have agreed that PECO's historic CAP program did not provide rates that comprehensively met the Commission's guidelines for affordable service, and that this unaffordability was a material factor in the customer's developing the \$45 million in-program arrearage.
3. The testimony of BI&E (J. Dagadu) and the OCA (R. Colton) contains claims that PECO is responsible for a portion of the IPA arrearages due to PECO's collection practices or for other reasons. This settlement does not admit or deny those claims; to the extent that any party considers those claims to be a valid part of this settlement, PECO's guarantee to absorb 1/3 of the in-program arrearages, as set forth in detail below, is deemed to include and fully resolve such claims.
4. The parties further recognize that, when PECO implements the FCO program in October 2016, the full collection of the \$45 million of in-program arrears from CAP customers with the arrears will present substantial challenges to the success of the FCO program due to the potential impacts on affordability.

5. The parties have agreed to an in-program arrearage forgiveness program that will materially decrease the obligation of PECO's CAP customers to pay the accumulated \$45 million of in-program arrearages. The parties believe and agree that PECO's transition from its current program to the FCO program presents a unique opportunity to improve affordability for PECO's CAP customers. Given the unique circumstances presented, the parties have agreed to the approach set forth below to address the in-program arrearages. For its part, PECO has agreed that, for 1/3 of the arrearages, it will write-off those arrearages and not seek rate recovery of that 1/3. The other parties have agreed that PECO may recover the remaining 2/3 of the arrearages, as a transition cost of moving to the FCO, through a combination of CAP customer payments and rate recovery, as set forth at length below.
6. This Appendix describes: (a) how the arrearage forgiveness program will be applied to CAP customers' bills, and (b) how PECO will be allowed to recover 2/3 of the transition costs.

## **II. Application of In-program Arrearage Forgiveness ("IPAF") To CAP Customer Bills**

1. PECO will continue to work to collect and mitigate in-program arrears between now and October 2016.
2. When the FCO program goes live in October 2016, PECO will determine the in-program arrearage balance for each CAP customer ("Customer Final IPA Balance") as of the implementation of the FCO program. Collectively, all Customer Final IPA Balances will constitute the "System Final IPA Balance," which will be addressed in the cost recovery section of this term sheet.
3. For each customer, 1/3 of their Customer Final IPA Balance will be designated as that customer's IPA Payment Arrangement Balance ("IPA PAR Balance") and will be recovered from the customer over a 60-month payment arrangement. The remaining 2/3 of the Customer Final IPA Balance will be tracked for potential forgiveness as a Customer Deferred Amount.
4. During the 60-month duration of the payment arrangement, whenever a customer pays \$1 of their IPA PAR Balance, the customer will receive permanent forgiveness of \$2 of their Customer Deferred Amount. (The cost recovery mechanism for this forgiveness is described in the cost recovery section, below.)
5. If a customer transfers their service to a new location and account during the 60-month duration of the payment arrangement, the payment arrangement shall transfer

to the new account on the same terms and conditions as at the initial residence. For customers whose service is terminated pursuant to 52 Pa. Code §56.81 and whose account is then finalized prior to that customer paying their entire IPA PAR Balance, PECO will recombine the unpaid IPA PAR Balance and the unforgiven Customer Deferred Amount to constitute that customer's Remaining IPA Balance. (An example of this calculation is attached as Exhibit 1.) The CAP customer shall continue to owe the Remaining IPA Balance, and PECO shall continue normal credit and collections practices with respect to the Remaining IPA Balance. However, if the customer successfully reinstates service during the initial 60-month term of the payment arrangement, the customer's payment arrangement shall be re-established, on the same terms and conditions as the original payment arrangement, with the specific limitation that the payment arrangement term shall expire 60 months after the FCO program is initiated. Customers who discontinue service pursuant to 52 Pa. Code § 56.72 prior to that customer paying their entire IPA PAR Balance will be handled under the termination rules set forth above, including the ability to reinstate the payment agreement if the customer successfully reinitiates service during the initial 60-month term of the payment arrangement.

### **III. IPAF Cost Recovery**

1. PECO commits and guarantees that it will not, in this rate proceeding or any future rate proceeding, seek to collect an amount equal to 1/3 of the System Final IPA Balance, provided that the PECO guarantee shall have the same guarantee status as the regulatory asset guarantees described below. For example, if the System Final IPA Balance is \$45 million, PECO's cost recovery will not exceed \$30 million cumulatively from ratepayers and CAP customers in arrears. A detailed method of ensuring that guarantee is set forth below.
2. PECO will be allowed to collect \$2 million per year through the base rates established in this proceeding as a transition cost associated with in-program arrearage forgiveness (the "2015 Base Rate Case Allowance").
3. Once PECO has determined the System Final IPA Balance in October 2016, it will implement through its Universal Services Fund Charge ("USFC") a correction factor ("USFC Correction Factor"), using the formula set forth in Exhibit 2. The formula is designed such that the net sum of the 2015 Base Rate Case Allowance and the USFC Adjustment divided by the System Final IPA Balance will be the same ratio as the 2015 Base Rate Case Allowance divided by PECO's base rate claim of \$44.511 million.
4. Whenever a CAP customer makes a payment of \$1 toward their IPA PAR Balance, PECO will write-off \$1 of the Customer Deferral Amount; PECO will not seek rate recovery of the written off amounts through any rate mechanism. In addition, in its

next USFC filing, PECO will include \$1 for recovery through the USFC (the "USFC Matching Amounts"). The USFC collections described herein will not include the offsets for uncollectible expense (22%) and cash working capital (5%) that are used for some PECO USFC charges.

5. In PECO's future rate case(s), PECO will make a claim for FCO Transition Cost equal to 2/3 of the System Final IPA Balance, net of the following: (1) all revenues received through the 2015 Base Rate Case Allowance, as adjusted by the USFC Correction Factor, (2) all amounts paid by CAP customers toward their IPA PAR Balances, and (3) the USFC Matching Amounts. PECO's right to the prospective full recovery of its claimed FCO Transition Cost may not be challenged other than with respect to proof of the amount claimed or claims of calculation error. As a result of the approval in this proceeding of PECO's future FCO Transition Cost claim, PECO may hold the amount of the FCO Transition Cost claim as a regulatory asset, with such regulatory asset to be amortized over three years beginning with the effective date of the new tariff rates approved in PECO's future base rate case in which it makes the claim for FCO Transition Costs.
6. To ensure PECO's 1/3 guarantee, PECO will track its collections from the following sources: (1) all revenues received through the 2015 Base Rate Case Allowance, as adjusted by the USFC Correction Factor, (2) all amounts paid by CAP customers toward their IPA PAR Balances, (3) the USFC Matching Amounts, and (4) all revenues received through the FCO Transition Cost expense in future base rate case(s). When the total of all those collections equals 2/3 of the System Final IPA Balance, PECO will provide a credit to its USFC so that it will be collecting \$0, on an ongoing basis, from base rates and the USFC. Examples of this calculation are shown in Exhibit 3.

#### **IV. Additional Issues:**

1. If the total amount of the System Final IPA Balance to be included in this program exceeds \$46.7 million, or 5% above the current \$44.5 million estimate included in the Company's 2015 base rate filing, the Company agrees to provide to the parties an explanation for the increase and a description of all collection activities undertaken between the date of this Settlement and October 2016 that were designed to collect IPA balances.
2. PECO agrees to serve all parties of record in this proceeding with its yearly USFC reconciliation filing. In that filing, PECO will provide supporting documentation and explanation of any methodology and formulae employed to determine the amount of in-program arrearages included in the USFC rider. PECO will also provide a statement of the in-program arrearages recovered through both the USFC and base rates, in that year as well as cumulatively.



3. PECO agrees to improve its referral of CAP customers through its CARES program or other appropriate communication channel to facilitate the receipt of income assistance that might be of help in retiring past-due utility bills, including assisting CAP participants with applying for and receiving the Earned Income Tax Credit (EITC). PECO shall report on these efforts at its Universal Service Advisory Committee meetings.
  
4. PECO will evaluate whether it is over-noticing disconnections of service and tighten its business rule for when a notice of termination is issued. PECO shall report the results at its Universal Service Advisory Committee meeting and discuss reasonable notice procedures with the Universal Service Advisory Committee.

**Exhibit 1: Determination of Remaining IPA Balance:**

1. The Remaining IPA Balance shall be determined as follows: (Example):

Customer Final IPA Balance (established in October 2016): \$1800

Customer Payments to IPA PAR Balance (made prior to  
account being finalized): -\$50

Permanent Forgiveness of Customer Deferred Amount: -\$100

Remaining IPA Balance: \$1650

The above customer, with a finalized account, would thus still owe \$1650.

**Exhibit 2**

**Determination of USFC Correction Factor**

$$\begin{array}{r} \text{System Final IPA Balance} \\ \hline \text{Factor} \end{array} = \text{USFC Correction Factor}$$

\$44.511 (PECO's rate case IPA claim)

Example: System Final IPA Balance = \$42 million

$$\begin{array}{r} 42,000,000 \\ \hline 44,511,000 \end{array} = .944$$

In this example, PECO would make an adjustment in its next USFC filing as follows:

$$(\text{USFC Correction Factor} * \$2\text{M}) - \$2\text{M} = \text{USFC Adjustment}$$

$$(.944 * \$2\text{M}) - \$2\text{M} = ( \$112,000) \text{ USFC Adjustment}$$

Note that, as stated in the text of the settlement, the ratios remain the same.  
Thus:

$$\$2.0 \text{ million} / \$44.511 \text{ million} = .0449$$

$$(\$2.0 \text{ million} - \$0.112 \text{ million}) / 42 \text{ million} = .0449$$

- The USFC Correction Factor will be applied prospectively, beginning with the effective date of PECO's next USFC filing. An additional adjustment will be made to apply the USFC Correction Factor retrospectively to the base rate revenues collected between January 1, 2016 and the effective date of the prospective correction, amortized over the same number of months as the over or under collection occurred.
- The USFC collections described herein will not include the offsets for uncollectible expense (22%) and cash working capital (5%) that are used for some PECO USFC charges.

### Exhibit 3: Examples of PECO Guarantee

#### Example 1: No USFC Adjustment, Assumes Customers Pay 40% of Their IPA Balance, 5 Years Until Next Base Rate Case

(millions)

<b>Revenue Collection Assumptions:</b>	
IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$44.511
2015 Base Rate Allowance, Annual	\$2
USFC Correction	\$0
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$2
<b>Revenue Collection:</b>	
2015 Base Rate Case Allowance, 5 Years	\$10
CAP Customer Payments To System Final IPA Balance Over 5 Years (Annual Collections = $44.511/3/5*.4 = \$1.18696$ )	\$5.9348
USFC Matching Amounts	\$5.9348
Total Revenues Received Prior to Next Base Rate Case	\$21.8696
<b>Calculation of PECO Transition Cost Claim in Next Base Rate Case:</b>	
System Final IPA Balance	\$44.511
-1/3 PECO Guarantee	(14.837)
- Total Revenues Collected	(\$21.8696)
= PECO Transition Cost Claim	\$7.8044
Three-Year Amortization = Annual Rev Req	\$2.6014

When PECO's collections of its Transition Cost Claim equal \$7.8044, an offsetting annual USFC credit of \$2.6014 would be put in place to zero out the then-ongoing base rate recoveries.

**Example 2: USFC Adjustment, Assumes Customers Pay 30% of Their IPA Balance; 5 Years Until Next Base Rate Case**

(millions)

**Revenue Collection Assumptions:**

IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$42
2015 Base Rate Allowance, Annual	\$2
USFC Correction (see Exhibit 2)	(\$.112)
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$1.888

**Revenue Collection:**

2015 Base Rate Case Allowance, 5 Years	\$9.44
CAP Customer Payments To System Final IPA Balance Over 5 Years (Annual Collections = $42/3/5 \cdot .3 = \$0.84$ )	\$4.2
USFC Matching Amounts	\$4.2
Total Revenues Received Prior to Next Base Rate Case	\$17.84

**Calculation of PECO Transition Cost Claim in Next Base Rate Case:**

System Final IPA Balance	\$42
-1/3 PECO Guarantee	(14)
- Total Revenues Collected	(\$17.84)
= PECO Transition Cost Claim	\$10.16
Three-Year Amortization = Annual Rev Req	\$3.3866

When PECO's collections of its Transition Cost Claim equal \$10.16, an offsetting annual USFC credit of \$3.3866 would be put in place to zero out the then-ongoing base rate recoveries.

**Example 3: USFC Adjustment, Assumes Customers Pay 30% of Their IPA Balance; 4 Years Until Next Base Rate Case**

	(millions)
<b>Revenue Collection Assumptions:</b>	
IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$42
2015 Base Rate Allowance, Annual	\$2
USFC Correction (see Exhibit 2)	(\$ .112)
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$1.888
<b>Revenue Collection:</b>	
2015 Base Rate Case Allowance, 4 Years	\$7.552
CAP Customer Payments To System Final IPA Balance Over 4 Years (Annual Collections = $42/3/5 * .3 = \$0.84$ )	\$3.36
USFC Matching Amounts	\$3.36
Total Revenues Received Prior to Next Base Rate Case	\$14.272
<b>Calculation of PECO Transition Cost Claim in Next Base Rate Case:</b>	
System Final IPA Balance	\$42
-1/3 PECO Guarantee	(14)
- Total Revenues Collected	(\$14.272)
= PECO Transition Cost Claim	\$13.728
Three-Year Amortization = Annual Rev Req	\$4.576

In this example, the 5-year program period for arrearage forgiveness would still be active when PECO goes in for its next base rate case. PECO would thus continue to track customer payments toward their IPA PAR Balances and USFC Matching Amounts. When PECO's collections of its Transition Cost Claim, post base rate Customer Payments and post base rate case USFC Matching Amounts equal \$13.728 million, an offsetting annual USFC credit of \$4.576 would be put in place to zero out the then-ongoing base rate recoveries. If subsequent analysis showed that a timing mismatch between the IPAF program and PECO's base rate case had resulted in collection by PECO of more than \$28 million, that amount would be returned through a USFC credit.

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**ATTACHMENT D**

**CAP Rate Program**

*(From PECO Universal Services' 2013 – 2015 Three-Year Plan Re-Submitted 5/30/14)*

**I. CAP RATE**

**A. Program Description**

CAP Rate is a discounted, residential, tariff rate for PECO's low-income, residential customers, whose total household income levels are at or below 150% of the FPL. A customer's past due balance amount does not factor into PECO's eligibility determination. Enrolling eligible customers into the CAP Rate program allows many customers to avoid service terminations and maintain consistent payment patterns.

PECO identifies potential CAP Rate enrollees through a variety of means such as, customer telephone inquiries, when a customer receives energy assistance grants; referrals from community groups, other utilities or state agencies; public outreach sessions, community workshops and PECO or advocate-sponsored events for low income customers. After PECO identifies potential CAP Rate enrollees, it asks these customers if they are interested in receiving information about Universal Services programs, and provides information and applications to those who are interested.

Working with DPW, PECO established certain circumstances under which it would accept low income verifications performed by DPW and use them to enroll customers into the CAP Rate program. When the FPL requirements that are set for LIHEAP enrollment are equal to or less than the FPL requirements that are set for CAP Rate enrollment, PECO will rely upon income verifications already performed by DPW; otherwise referred to as "data of the commonwealth". When this circumstance exists, PECO will automatically enroll qualified customers into its CAP Rate program at the highest CAP Rate tier, currently CAP Rate E1. PECO will also mail a CAP acceptance notification letter to each new CAP Rate customer that is automatically enrolled into the program. The letter serves 2 purposes. First, it notifies the customer they are now enrolled in CAP Rate (*and explains what their responsibilities are for continued enrollment*), and second, it encourages the customer to provide their total household proof of income to PECO, which helps ensure they will be enrolled in the most affordable CAP rate for their specific total household gross income. As directed by the Commission's April 4, 2013 Order (p. 52, concluding paragraph 4), PECO will inform LIHEAP auto-enrollees who have not previously participated in PECO's CAP program of their rights and responsibilities under the CAP program. Those customers will be required to complete the enrollment process by making a positive statement that they wish to remain enrolled in PECO's CAP program and, to the extent not otherwise available to PECO, provide income and household size information. If such a positive statement to complete the enrollment process is not received by PECO within 60 days, the customer will be

removed from CAP, and will be deemed not to have been enrolled in PECO's CAP program for the 60-day period.

### Residential Electric CAP Rates

*CAP Rate Overview effective January 1, 2013* – CAP Rates and their associated discounts for the period effective January 1, 2013 are included in the charts below: Update with January 2014 numbers

CAP Rate	Rate	Months	Max Discount
<b>CAP Rate A</b>	Non-heat	All months	\$12 for the first 1,000 kWh
0-25% FPIG			Each kWh > 1000 kWh billed at CAP D Rates
(with special circumstances)			\$30 for the first 2,000 kWh
			Each kWh > 2000 billed at CAP D Rates
	Heating	October - June	\$30 for the first 1,000 kWh
		July - September	Each kWh > 1,000 billed at CAP D Rates
<b>CAP Rate B*</b>	Non-heat	Oct - May	92% of first 650 kWh up to \$100.91
0-25% FPIG	Minimum bill of \$12	June	92% of first 650 kWh up to \$100.91
(no extenuating circumstances)	Heating	July - Sept	92% of first 750 kWh up to \$115.44
		Oct & May	88% of first 650 kWh up to \$85.46
		Nov - Apr	88% of first 1,500 kWh up to \$189.06
		June	88% of first 650 kWh up to \$96.53
		July - Sept	88% of first 750 kWh up to \$110.42
<b>CAP Rate C*</b>	Non-heat	Oct - May	85% of first 650 kWh up to \$93.24
26-50% FPIG		June	85% of first 650 kWh up to \$93.24
		July - Sept	85% of first 750 kWh up to \$106.66
	Heating	Oct & May	76% of first 650 kWh up to \$73.80
		Nov - Apr	76% of first 1,500 kWh up to \$163.28
		June	76% of first 650 kWh up to \$83.36
		July - Sept	76% of first 750 kWh up to \$95.36
<b>CAP Rate D*</b>	Non-heat	Oct - May	68% of first 650 kWh up to \$74.59
51-75% FPIG		June - Sept	68% of first 650 kWh up to \$74.59
		Oct & May	50% of first 650 kWh up to \$48.56

		Nov - Apr	50% of first 1,500 kWh up to \$107.42
		June - Sept	50% of first 650 kWh up to \$54.85
<b>CAP Rate D1*</b>	Non-heat	Oct - May	61% of first 650 kWh up to \$66.91
76-100% FPIG		June - Sept	61% of first 650 kWh up to \$66.91
	Heating	Oct & May	37% of first 650 kWh up to \$35.93
		Nov - Apr	37% of first 1,500 kWh up to \$79.49
		June - Sept	37% of first 650 kWh up to \$40.59
<b>CAP Rate E*</b>	Non-heat	Oct - May	36% of first 650 kWh up to \$39.49
101-125% FPIG		June - Sept	36% of first 650 kWh up to \$39.49
	Heating	Oct & May	4% of first 650 kWh up to \$3.88
		Nov - Apr	4% of first 1,500 kWh up to \$8.59
		June - Sept	4% of first 650 kWh up to \$4.39
<b>CAP Rate E1*</b>	Non-heat	Oct - May	19% of first 650 kWh up to \$20.84
126-150% FPIG		June - Sept	19% of first 650 kWh up to \$20.84
	Heating	Full residential rate	0% discount
			0% discount
*CAP Rate B, C, D, D1, E, E1 customers who exceed the kWh noted are billed on the full Residential rate.			

**Note: Electric Rates will be adjusted annually based on market prices**



**Residential Gas CAP Rates and Discount**

PECO provides the following discounts in its natural gas CAP program effective 12/1/2012: Give current rates

**CAP Rate A – Gas:**

CAP TIER	FPL%	CAP Gas Residential & Gas Residential Heating Discount %	CAP Gas RATE (CIMS Rate Description)	Maximum Discount	Monthly Bill Minimum
CAP A	0-25% (With Extenuating Circumstances)  Income Verification is required <u>annually</u>	79% applied to total bill <i>(Note: must pay at least the monthly minimum)</i>	CAP Option A Gas Residential Service	Total bill	\$10.00
			CAP Option A Gas Residential Heating Svc	Total bill	\$25.00

**CAP Rate B – Gas:**

CAP TIER	FPL%	CAP Gas Residential & Gas Residential Heating Discount %	CAP Gas RATE (CIMS Rate Description)	Maximum Discount	Monthly Bill Minimum
CAP B	0-25% (Without Extenuating Circumstances)  Income Verification is required <u>every two years</u>	79% applied to total bill <i>(Note: must pay at least the monthly minimum)</i>	CAP Option B Gas Residential Service	Total bill	\$10.00
			CAP Option B Gas Residential Heating Svc	Total bill	\$25.00

**CAP Rate C – Gas:**

CAP TIER	FPL%	CAP Gas Residential & Gas Residential Heating Discount %	CAP Gas RATE (CIMS Rate Description)	Maximum Discount	Monthly Bill Minimum
CAP C	26-50%  Income	68% applied to total bill <i>(Note: must pay at</i>	CAP Option C Gas Residential Service	Total bill	\$10.00

	Verification is required <u>every two years</u>	<i>least the monthly minimum)</i>	<b>CAP Option C Gas Residential Heating Svc</b>	Total bill	\$25.00
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**CAP Rate D – Gas:**

CAP TIER	FPL%	CAP Gas Residential & Gas Residential Heating Discount %	CAP Gas RATE (CIMS Rate Description)	Maximum Discount	Monthly Bill Minimum
CAP D	51-75%  Income Verification is required <u>every two years</u>	29% applied to total bill <i>(Note: must pay at least the monthly minimum)</i>	CAP Option D Gas Residential Service	Total bill	\$10.00
			CAP Option D Gas Residential Heating Svc	Total bill	\$25.00

**CAP Rate D1 – Gas:**

CAP TIER	FPL%	CAP Gas Residential & Gas Residential Heating Discount %	CAP Gas RATE (CIMS Rate Description)	Maximum Discount	Monthly Bill Minimum
CAP D1	76-100%  Income Verification is required <u>every two years</u>	12% applied to total bill <i>(Note: must pay at least the monthly minimum)</i>	CAP Option D1 Gas Residential Service	Total bill	\$10.00
			CAP Option D1 Gas Residential Heating Svc	Total bill	\$25.00

**CAP Rate E – Gas:**

CAP TIER	FPL%	CAP Gas Residential & Gas Residential Heating Discount %	CAP Gas RATE (CIMS Rate Description)	Maximum Discount	Monthly Bill Minimum
CAP E	101-125%  Income Verification is required <u>every two years</u>	0% applied to total bill <i>(Note: must pay at least the monthly minimum)</i>	CAP Option E Gas Residential Service	Total bill	\$10.00
			CAP Option E Gas Residential Heating Svc	Total bill	\$25.00

**CAP Rate E1 – Gas:**

CAP TIER	FPL%	CAP Gas Residential & Gas Residential Heating Discount %	CAP Gas RATE (CIMS Rate Description)	Maximum Discount	Monthly Bill Minimum
CAP E1	125-150%  Income	Nominal 0% applied to total bill <i>(Note: must pay at</i>	CAP Option E1 Gas Residential Service	Total bill	\$10.00

Verification is required <u>every two years</u>	<i>least the monthly minimum)</i>	<b>CAP Option E1 Gas Residential Heating Svc</b>	<b>Total bill</b>	<b>\$25.00</b>
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**Note: Gas rates will be adjusted quarterly based on natural gas market prices**

**B. Eligibility Criteria and Program Requirements for CAP Rate**

1. Eligibility Criteria: A customer with a verified total household gross income at or below 150% of the FPL is eligible for PECO's CAP Rate program. The CAP Rate discount is dependent upon the FPL tier of the household. There are 14 CAP Rates (7 electric and 7 gas) available to PECO's low-income customers.

2. Program requirements:

- Complete a CAP Rate application, or be previously approved through fuel assistance or state agency requirements
- As directed by the Commission's April 4, 2013 Order (p. 52, concluding paragraph 5), PECO will request but will not require a social security or ITIN number for the customer of record or any household member for purposes of enrollment into CAP.
- Provide proof of gross income for all household members. PECO may also consider the income of household members who have not reached the age of majority. As directed by the Commission's April 4, 2013 Order (p. 53, concluding paragraph 6), if a customer or any household member 18 years of age or older claims no income, the customer or household member must provide a statement demonstrating how they pay their monthly expenses.
- Customers with multiple accounts qualify for CAP Rate only at one premise
- Provide PECO permission to verify their income with state agencies
- Pay their CAP Rate bills on time and in full each month, or late charges will be assessed on past-due balances and service may be terminated
- Participate in energy reduction and conservation programs offered by PECO (i.e. LIURP) if identified as high-usage per LIURP usage guidelines
- Currently, CAP customers can not have an alternative generation supplier. Starting in April 2014, CAP customers will be able to shop for an alternative electric supplier. As of March 2014, CAP Shopping was suspended indefinitely per court order
- Agree to re-certification for the respective cycle based on CAP rate tier (*every 2 years for CAP Rates B – E1 or every year for CAP Rate A*)
- CAP Rate customers are encouraged to apply for a Low Income Home Energy Assistance Program (LIHEAP) grant each LIHEAP season
- Report any change in household income to PECO right away
- CAP customers must submit to investigation if fraud is suspected. Investigations may include a credit check and other income verification methods.

3. Application Process – In order to be considered for CAP Rate, the customer is required to complete an application process. The customer must provide PECO with permission to contact state agencies to verify income. PECO may use the Pennsylvania Department of Public Welfare (DPW), the Pennsylvania Department of Revenue and the Matching Energy Assistance Fund (MEAF) agencies for income verification. If the agency is unable or unwilling to verify the customer's income, then the customer must complete a CAP application which includes proof of household gross income. *The income certification process is an integral part of the CAP Rate process.* Due to multiple levels of discounts, it is imperative that the Company obtains accurate income information to enroll the customer in the most advantageous rate.

5. CAP Recertification: CAP Rate customers must re-certify their income eligibility and are informed of this during the initial intake process. Customers in CAP Rates B, C, D, D1, E and E1 must re-certify every 2 years. Customers on CAP Rate A must re-certify annually.

The re-certification process begins 30 days before a customer's 2 year CAP Rate anniversary. The customer receives a letter that they have completed 1 or 2 years, (*1-year for CAP rate A – 2 years for all other CAP rates*), of participation in the CAP program and income verification for re-certification is now required to remain on the program.

This initial letter informs the customer of documentation necessary to maintain eligibility. The customer must submit a completed CAP Rate application along with their total gross household income verification. The information requested on the application allows the Company to complete additional validation, if necessary, but more importantly provides accurate demographic data that is used to complete the yearly Annual Universal Services Programs and Collections Performance Report required by 52 Pa. Code §54.75.

For a customer who is due for re-certification and has received utility assistance such as LIHEAP, the customer's income information may automatically be validated if the utility assistance was based upon identical income parameters and if the income verification process of the agency or entity giving that other assistance is acceptable to PECO. The customer could then be re-certified and may not be required to provide a completed CAP Rate application.

When the customer responds to the initial re-certification letter, with complete documentation and remains eligible for CAP Rate, they will receive a letter confirming that the processes have been completed. This letter reaffirms the Universal Service program requirements and customer obligations.

If the customer responds with incomplete or inadequate information, PECO will send a letter requesting the missing information. The customer will continue to receive the CAP Rate until re-certification is complete.

If there is no response from the customer to the initial CAP re-certification letter, a second letter is sent 15 days later requesting the necessary income information and explaining the risk of being removed from CAP Rate.

The CAP recertification process lasts a total of 45 days. It starts 30 days prior to the recertification date and concludes 15 days after the recertification date. If the re-certification process is not completed within 45 days after the re-certification process began, the customer will lose the benefit of the CAP Rate discount. If that occurs, a CAP Rate removal letter will be mailed to the customer advising the customer they no longer qualify for CAP rate. The account will then be removed from the CAP Rate and returned to standard residential rates.

5. Pre-program Arrearages: PECO's Pre-Program Arrearage (PPA) component is a key element of the CAP Rate program. It is designed to achieve the goal of improving customer payment. PECO will forgive all pre-program arrearages (*the delinquency before your first time enrollment on CAP Rate*) if the customer pays his/her new, discounted CAP Rate bill on time and in full each month. The requirement to pay the bill monthly is intended to establish a positive payment history for the customer enabling them to remain current or out of the collection process. This process was enhanced in the Gas Base Rate case so that, beginning April 1, 2009, payments will count towards meeting the forgiveness goal on a twelve month pro rata basis. For each month in which the CAP customer pays their bill in full and on time, one-twelfth of their pre-program arrearage will be forgiven. The forgiveness component is intended to provide a fresh start for the customer and allowing the customer to begin timely payments under a reduced rate. A CAP customer will be eligible for preprogram arrearage forgiveness at the time of their initial enrollment only. As directed by the Commission's April 4, 2013 Order (p. 52, concluding paragraph 3), PECO will continue to apply 1/12<sup>th</sup> PPA forgiveness for payments received throughout the year on a month-to-month basis. PECO will also enable an enhanced forgiveness process for customers who are caught up on payments at the 12 month mark or beyond. Customers who benefited from PPA forgiveness as an adult household member at another address may not be eligible for PPA forgiveness at a new address.

6. CAP Rate program arrearages: Every PECO customer is subject to PECO's credit and collection policy, which includes termination. CAP customers, pursuant to provisions in chapter 56.100 are not subject to termination between December 1<sup>st</sup> and April 1<sup>st</sup>.

7. Dismissal from CAP Rate: Customers may be dismissed by PECO from CAP Rate for the following reasons; over income guidelines, failure to meet program requirements, failure to accept program services, failure to participate in a LIURP audit, failure to complete the recertification process, fraud, theft of service, or other misappropriations of service.

8. Policies for Fraud, Theft of Service and Other Misappropriations of Service: PECO will conduct an investigation of any CAP Rate account if it becomes aware of the potential of fraud, theft of service or other misappropriations of service. In the course of reviewing CAP Rate applications for enrollment or re-certification, action may be taken to review potential fraud (*e.g., validate suspected occupants, investigate inconsistent household / demographic information provided during the application process, theft of service, "name-game", etc.*). As part of PECO's standard revenue protection practices, customer information may be analyzed for potential fraud. The investigation may include a credit check and a probe into how the customer pays for basic living expenses. Fraud includes, but is not limited to, misrepresentation of the customer's identity for the purpose of obtaining utility service or CAP Rate, misrepresentation of income or occupant information, tampering with PECO's equipment or otherwise obtaining service illegally. PECO will follow its normal practices for investigation of fraud, theft of service, and other misappropriations of service which may result in some or all of the following - back billing, removal from CAP and termination. Once an account is removed for fraud, application is denied, theft of service, or other misappropriations of service, the customer will not be eligible for CAP Rate for one full year from the time of removal. Customers will also be held liable for some or all of the following including account arrearages (*forgiven or not forgiven*) pre-program arrearages and related account collection fees. PECO views theft of service as a serious public safety issue. In cases of theft of service, the customer is placing both his/her household as well as the community at large in unsafe conditions. For this reason, PECO will not tolerate theft of service.

9. Enrollment Limits: There is currently no enrollment limit for the CAP Rate program.

