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March 16, 2016

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

SUBJECT: Comments of PECO Energy Company on the Universal Service and Energy Conservation Plan for 2016-2018, Docket No. M-2015-2507139

Dear Secretary Chiavetta:

Attached are PECO's comments in response to the Pennsylvania Public Utility Commission's Tentative Order that was issued on February 25, 2016. In the Tentative Order, the Commission tentatively approved PECO's Three-Year Plan for the period 2016-2018, but requested comments and information from PECO on seventeen specified issues. PECO is pleased to provide these comments and the information requested by the Commission.

If you have any questions regarding this matter, please call me at 215-841-5777.

Sincerely,



Copies to: Joseph Magee, Bureau of Consumer Services
Sarah Dewey, Bureau of Consumer Services
Louise Fink Smith, Law Bureau
Office of Consumer Advocate
Small Business Advocate
Bureau of Investigation & Enforcement
Community Legal Services
Pennsylvania Utility Law Project

Enclosures

Commission Question 1: Confirm whether the seasonal distribution of CAP credits (Table 5) do not total 100% annually due to a rounding or other issue or provide necessary corrections.

PECO Comment on Question 1:

PECO identified one transcription error that is described and corrected below. The remaining totaling issues are due to rounding.

The Table in question, as presented in PECO's Proposed 2016-18 Three-Year Plan (p. 33), provides the following data:

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	<u>8.9%</u>	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%

The emphasized entry for Rate R in March is a transcription error. PECO has reviewed the original spreadsheet used to generate this table, and the proper entry for March in Rate R is 8.0%. All remaining totaling issues are due to rounding.

Unfortunately, this transcription error occurred early when PECO and the other stakeholders were negotiating the terms of this settlement, and each iteration of the settlement documents exchanged by the stakeholders had the transcription error embedded in it. However, PECO does not believe that any of the stakeholders intended or expected that Rate R customers would receive an annual credit in excess of 100% of the targeted distribution, and that the transcription error (and subsequent failure to notice that the Rate R column did actually total to greater than 100%) was simply a mutual mistake by all of the negotiating parties. PECO therefore proposes to file a Revised Proposed 2016-18 Three-Year Plan ("Revised Plan") in which the transcription error for March, Rate R, is corrected as follows:

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	<u>8.0%</u>	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%

Commission Question 2: Explain a customer's payment responsibility if the customer cancels service while receiving InPA Forgiveness.

PECO Comment on Question 2:

In-Program Arrearage Forgiveness ("InPA Forgiveness") issues are addressed in Attachment C to the settlement of PECO's most recent rate case at Docket No. R-2015-2468981. Appendix C was reproduced as pages 36-44 of PECO's Three-Year Plan. The specific issue raised in this question is addressed at Section II.5 and Exhibit 1 of Appendix C, which are reproduced at pages 38 and 40 of the Three-Year Plan.

In a nutshell, when a customer voluntarily discontinues service while in the InPA Forgiveness program, that customer's unpaid arrearage will be treated the same as for a customer whose service is terminated.¹ That treatment has two material elements. First, PECO will calculate how much the customer still owes (unpaid and unforgiven amounts), and that amount will be placed onto the customer's account for collection, which will then be subject to normal credit and collection practices.² Second, if the customer later reinitiates service on the PECO system during the five-year term of the InPA Forgiveness program, the customer will be allowed to re-enter the InPA Forgiveness program on terms specified in the settlement.³

¹ Three-Year Plan, p. 38: "Customers who discontinue service pursuant to 52 Pa. Code §56.72 prior to a 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."

² Three-Year Plan, p. 38: "For customers 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 the customer's Remaining IPA Balance. (An example of this calculation is attached as Exhibit A [N.B. Exhibit 1 is reproduced at page 40 of the Three-Year Plan.]) The CAP customers shall continue to owe the Remaining IPA Balance, and PECO shall continue normal credit and collection practices with respect to the Remaining IPA Balance."

³ Three-Year Plan, p. 38: "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 shall expire 60 months after the FCO program is initiated."

Commission Question 3: Explain how [PECO] will educate consumers about the upcoming changes to its CAP and, on an ongoing basis, the benefits and responsibilities of the program.

PECO Comment on Question 3:

The FCO program does not go live for seven months (in October 2016), and the external consumer education program is slated to begin in three months (in June 2016). PECO has determined that it will use a mix of external communications vehicles to inform PECO customers about the upcoming changes to the CAP program. PECO will develop and implement a comprehensive campaign to educate PECO's low-income customers who are currently enrolled in CAP as well as future customers who may be eligible for CAP. PECO will utilize direct customer mailings to existing CAP customers, outreach events in low-income communities, earned media, web-based messaging, on-hold messages at the CAP Call Center, bill inserts, brochures, news releases, and for limited, special needs customers, we will provide in-home visits. These activities will begin in June 2016 and continue in earnest until December 2016. Thereafter, (*January 2017 and beyond*), PECO will continue to incorporate information about the new CAP program in all outreach events and communications (*i.e. CAP letters, brochures, etc.*). All communications will explain both the benefits and responsibilities of the new CAP program.

PECO met with low-income stakeholders to obtain their input on the communication plan immediately after settling the FCO case in Docket No. M-2012-2290911. After PECO completes work on its content messaging, it intends to socialize its consumer education plan with the low-income advocates and the Commission their comments before PECO finalizes its plan.

Commission Question 4: Clarify what situations would require that a customer pay for forgiven arrears once removed from CAP for fraud, theft of service, or other misappropriations of service.

PECO Comment on Question 4:

This question relates to the following statement on page 11 of the Three-Year Plan: “Customers [who are removed from CAP for fraud, theft of service, or other misappropriations of service] may also be held liable for some or all of the following account arrearages . . . “

As the Tentative Order notes (p. 17), there are various situations in which recourse for forgiven arrears should, or should not, be pursued. PECO generally agrees with the distinction made in the Tentative Order. For example, if a higher-income customer fraudulently misrepresents their income to enroll in CAP and thus obtains arrearage forgiveness to which they are not entitled, PECO would expect to place the forgiven arrears back on the account of the customer and demand payment of it. Conversely, if a truly low-income customer committed theft of service by, for example, meter tampering, PECO would remove that customer from CAP for a year and would seek recovery of the stolen amounts – but if the customer had also paid toward an accumulated arrearage and earned InPA forgiveness during that period, PECO does not believe that the low-income customer should be required to repay such arrearages because the customer was income eligible for the program and did pay their 1/3rd share of the arrearages.

These two examples are intended to illustrate, rather than to comprehensively cover, the possible scenarios. In PECO’s experience, the scenarios that arise with fraud, theft of service, and misappropriation of service tend to be intensely fact-specific, and PECO respectfully requests that it be allowed the latitude to apply this rule as circumstances suggest (and thus the use in the Three-Year Plan of the permissive “may also be held liable” rather than the directive “shall also be held liable.”) If a customer believes that PECO has treated it unfairly, that customer will have the recourse of filing a complaint with the Bureau of Consumer Services.

Commission Question 5: Explain reenrollment requirements for customers removed from CAP.

PECO Comment on Question 5:

Customers may be removed from CAP for six reasons. The reasons, and the re-enrollment requirements for each, are set forth below.

1. Customer request: The customer may re-enroll upon filling out a CAP application and verifying income eligibility.
2. Over income guidelines for CAP: The customer may re-enroll upon filling out a CAP application and verifying income eligibility.
3. Failure to recertify: The customer may re-enroll upon completion of the re-certification process.
4. Refusal to submit to a LIURP audit: The customer may re-enroll after they allow PECO to complete a LIURP audit as well as any associated remediation measures identified during the LIURP audit.
5. Theft of service or other fraud: The customer cannot re-enroll for a period of one year. After that time, the customer may re-enroll upon filling out a CAP application and verifying income eligibility.
6. Shopping for generation service (after being informed that CAP Shopping has not yet been implemented, and being given the opportunity to remain on CAP without shopping rather than being removed): The customer cannot re-enroll while taking service from an alternative generation supplier. Upon leaving the supplier, the customer may re-enroll upon filling out a CAP application and verifying income eligibility.

Please note that CAP customers whose service is terminated for non-payment are not removed from CAP, and therefore they generally do not need to re-enroll in CAP when they have their service restored. Service restoration requirements for such customers are discussed in answer to Question 6. However, if a customer's service is terminated for non-payment, and then the account is finaled, the customer will then need to re-enroll in CAP by filling out a CAP application and verifying income eligibility.

Commission Question 6: Explain restoration requirements for CAP or CAP-eligible customers.

PECO Comment on Question 6:

The restoration rules for CAP and CAP- eligible customers are essentially the same as for non-low-income customers. That is, the customer can have their service restored by paying the restoration past due amount or catch-up amount. CAP and CAP-eligible customers do have additional resources, not available to other customers, to assist them to satisfy their arrearage – the arrearage can be satisfied via a direct customer payment, a LIHEAP grant, a MEAF grant or any other type of grant (or combination thereof). As with other customers, CAP or CAP-eligible customer may also be restored if they are approved for a medical certificate or Protection From Abuse order (PFA).

Commission Question 7: Update the LIURP budget to reflect the \$700,000 for the *de facto* heating pilot and estimate its potential *de facto* heating jobs for the electric and gas categories in 2017 and 2018.

PECO Comment on Question 7:

This question relates to the LIURP Program Budget section on page 15 the Three-Year Plan, which states in material part that:

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. . . . 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.

The budget numbers for LIURP and *de facto* heating were purposefully reported separately because the budget years for LIURP and the *de facto* heating pilot do not coincide, making it impossible to provide a cumulative annual total for the two combined budgets. PECO's LIURP budget year is for the calendar year (Jan/Dec). The *de facto* heating pilot budget begins in October 2017, and the first budget year for that program is thus not a calendar year (Oct 2017 – Sept 2018). At this time, PECO does not know how the first year *de facto* heating pilot budget will be allocated across calendar years 2017 and 2018. PECO might choose to frontload spending into the last few months of 2017 – or it may choose to spread the spending evenly across 12 months.

Similarly, PECO cannot at this time estimate the number of jobs that will be funded by the \$700,000 allocation, and whether those jobs will be attributable to gas or electric measures, because this pilot is still in the preliminary planning stages.

Indeed, this pilot does not begin until 2017 specifically to allow PECO to implement its Fixed Credit Option program in October 2016 and then, based on how that program develops, to allow PECO to coordinate use of these funds with the up-and-running FCO program. (Not incidentally, the timing also allows PECO to keep its Universal Services and support personnel focused on implementation of the Fixed Credit Option CAP Program through October 2016 and then refocus on the *de facto* pilot after that time.) For PECO, the ability to have the FCO program up-and-running before designing the pilot was a material factor in agreeing to even pursue the *de facto* heating pilot. Consequently, the level of detail

requested by this question is simply not known at this time, and will not be known until pilot design progresses in 2017.

PECO therefore respectfully submits that this change should not be made. Please note, however, that PECO does propose other changes to this passage in its comments to Commission Question 11.

Commission Question 8: Explain [PECO's] thresholds for providing LIURP treatment or disqualifying a home due to safety concerns and identify any specific health and safety spending guidelines or minor repair allowance limits.

PECO Comment on Question 8:

The threshold distinction for deciding whether to treat, or to disqualify, a home for LIURP treatment is as follows:

- A LIURP audit may be performed as long as the conditions in the house allow for the initial visit to be safely conducted (*i.e.* the building is structurally sound and without dangerous environmental issues such as flooding and major sewage leaks).
- The installation of LIURP measures will be limited by the following: roof leaks, greater than six square feet of mold-like substances, structural issues that make work on the residence unsafe or which will render the LIURP measure ineffective, significant indoor air quality issues, gross moisture infiltration, and the existence of major incomplete renovations.

As noted at page 13 of the Three-Year Plan, LIURP funds are routinely used for a limited number of important health and safety measures, including installation of smoke detectors and CO2 alarms and work to remedy appliance CO2 and combustion hazards. These routine health and safety measures do not have a separate allowance limit. When possible, PECO refers larger issues (listed on page 13, including gross moisture issues, visible mold growth, etc.) to agencies or non-LIURP programs to assist the customer to alleviate health and safety concerns prior to LIURP treatment; if such referrals are successful, then LIURP treatments proceed after the health or safety concern is resolved.

Minor repairs that also have energy reduction benefits sufficient to meet the threshold for cost-effective payback (e.g. window pane replacement, plumbing access hatch repair, attic access hatch repair) are included as LIURP measures and do not have a separate repair allowance limit.

Commission Question 9: Clarify if [PECO] is requiring every contractor and subcontractor performing LIURP work to have all of the certifications listed and provide more details regarding the requirements for LIURP contractors and subcontractors.

PECO Comment on Question 9:

On page 14 of the Three-Year Plan, PECO states that: "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 crafts and hold and maintain professional licenses, certifications, and BPI certification."

The intention of the emphasized phrase above is to convey that each contractor or subcontractor is required to have the certifications necessary for their particular craft, but is not required to have the certifications needed for other crafts. Specifically:

- Energy Auditors must be certified with a minimum of Building Analyst Certification through Building Performance Institute (BPI). This certification must be acquired within one (1) year of hire. Training must be ongoing until certification is acquired. The current necessary certification in order to perform heating audits is the Building Performance Institute Building Analyst 1200 Certification.
- Field Supervisors: Weatherization Subcontractors performing home performance work must have a foreman on site with both BPI Building Analyst and Building Envelope Professional certifications. Other certifications required include OSHA 10, OSHA 30 Certification and Lead Safe Work Practices.
- Inspectors must be certified with a minimum of Building Analyst and Building Envelope Certification through Building Performance Institute (BPI). This certification must be acquired within one (1) year of hire. Training must be ongoing until certification is acquired. The current necessary certification in order to perform heating audits is the Building Performance Institute Building Analyst 1200 Certification.
- HVAC subcontractors at the Master Plumber or Journeyman level are required to be professionally licensed with a reciprocal agreement to perform work anywhere in the PECO territory with a minimum of 575 hours of technical training.
- Electricians are required to secure professional electricians license in their respective fields that meets all applicable regulations with a reciprocal agreement to perform work anywhere in the PECO territory.

Commission Question 10: Address concerns raised regarding both PECO's use of only one LIURP contractor and the accuracy of LIURP data reported to BCS and PSU.

PECO Comment on Question 10:

In PECO's experience, the use of a single contractor to handle LIURP matters from start to finish has proven to be administratively effective and a key to managing the program's administrative cost. PECO also believes that the use of a single contractor has increased work coordination and implementation, customer satisfaction, and quality of work. PECO is not aware of any reason to believe that fragmentation of this work among various contractors would increase program efficiency.

As to whether it is appropriate for a vendor to perform quality control and assessment of its own work, PECO notes that every contractor – LIURP or otherwise – ideally should have an internal quality assessment and quality control function. Such internal quality assessments are one of the key drivers of high performance workplaces. In fact, the presence of such an internal quality control function should not raise concerns; its *absence* should raise concerns. This is why Internal Audit departments and internal Quality Assessment and Control functions are nearly ubiquitous in American corporations.

With that said, PECO agrees that it is also necessary to have external reviews done. To that end, PECO has an external assessment of its LIURP program done each year (and submits that assessment to the Commission). In addition, in recent years PECO has commissioned two external audits of its LIURP contractor – one by APPRISE, and one by Pure Energy.

On page 22, the Tentative Order also notes that: “[I]t is not necessary to inspect ALL heating jobs to ensure that they are meeting work quality standards. No other EDC or NGDC participating in LIURP routinely inspects 100% of its jobs, as this is quite costly.” PECO agrees with this comment and will reduce the percentage of inspections of heating jobs. PECO will confer with BCS to determine a target inspection rate, based upon BCS's knowledge of the experience of other EDCs and NGDCs.

As to PECO's data reporting to the Pennsylvania State University, the Commission's Tentative Order states (p. 22): "Additionally, over the last several years, PECO has sent incomplete and miscoded data LIURP data to BCS and to the PUC's LIURP contractor, The Pennsylvania State University, for analysis. . . . It is imperative that PECO continue to work with BCS to resolve any future reporting issues and provide usable and complete data."

PECO agrees completely with this view, and will schedule a meeting with BCS to obtain additional details about the perceived "incomplete and miscoded data" and how to avoid this in the future. The LIURP data interchange with Penn State is largely performed on PECO's behalf by Dr. Jacqueline Berger of the Applied Public Policy Research Institute for Study and Evaluation (APPRISE). Dr. Berger is a highly regarded professional in her field, and in PECO's experience she is extremely knowledgeable about data collection and analysis in general, and about PECO's Universal Services programs in particular. PECO has reviewed a sampling of the historic email exchanges between Penn State and Dr. Berger over the past several years, and to PECO they appear to reflect congenial, collegial inquiries from Penn State for follow-up data and clarifications, which are most often answered by Dr. Berger, with the requested data or clarification, within a day. PECO therefore welcomes the opportunity to gain a better understanding of why its view of the PSU/PECO interactions appears to be completely different than BCS's view of those same interactions – and critically, how to come to a common view. Consequently, PECO will schedule the noted follow-up meeting with BCS to further explore BCS's concerns.

Commission Question 11: Update the LIURP budget with the additional annual \$1 million funding for 2017 and 2018 and show the appropriation of funds between electric and gas components.

PECO Comment on Question 11:

The annual \$1 million funding referred to in this question is derived from the Joint Settlement in Docket No. M-2012-2290911, which states in material part that:

Beginning October 2017, for a period of three years PECO will commit \$1 million annually in additional funds to LIURP to reduce the energy burden of CAP customers whose bills exceed the Commission's energy burden guidelines. These funds are in addition to the \$700,000 designated in this settlement to address *de facto* heating, but at PECO's discretion may be used for the *de facto* heating program if PECO determines that there is demand for additional *de facto* heating services and that such additional expenditures can be made within *de facto* heating program guidelines.

As with the *de facto* heating pilot referred to in Question 7, this additional "spend" has a non-calendar budget year, making it impossible to combine it with the calendar year LIURP budget. In addition, as with the *de facto* heating pilot, the use of the additional LIURP budget is specifically intended to be supplemental to and informed by the implementation of the Fixed Credit Option in October 2016, and does not begin until October 2017. Moreover, the settlement language specifically gives PECO the option to deploy the funds to the *de facto* heating pilot rather than traditional LIURP measures. For the reasons discussed in PECO's Comments on Question 7, PECO has similarly not made any final decisions regarding the allocation of these LIURP funds, either as to *de facto* heating vs. traditional LIURP, or as to whether the spending will be frontloaded in the final months of calendar year 2017 or spread evenly over the 12-month period October 2017-September 2018.

With that said, PECO is currently evaluating whether these funds can be effectively deployed as part of the *de facto* heating program for 2017, and if the demand is demonstrated it intends to deploy the entire \$1 million for the 2017 budget to *de facto* heating. A decision on 2018 allocation (*de facto* heating vs. traditional LIURP) will not be made until data from the 2017 activities are available.

PECO does recognize, however, that the \$1 million additional budget dollars agreed to in Docket No. M-2012-2290911 and set forth in the settlement language above do not appear to be recognized in the

LIURP Budget section of its Three-Year Plan as filed. PECO therefore proposes that, in its Revised Plan, it revise the LIURP Budget section to read:

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. The budget for the gas LIURP program is \$2,250,000. . . . LIURP budget will increase by \$700,000 per year for a period of three years for the purpose of treating *de facto* heating conditions beginning in October 2017. In addition to the funds noted above, as directed by the Commission-approved settlement in Docket No. M-2012-2290911, for a three-year period beginning in October 2017, PECO will commit \$1 million annually to either the LIURP program or its *de facto* heating program, deployed according to the provisions of that settlement.

Commission Question 12: Revise the LIURP job estimates for electric and gas customers, including those that will result from the additional funding in 2017 and 2018.

PECO Comment on Question 12:

This question has two elements. First, the Tentative Order suggests (p. 24) that PECO's estimate that it will service 9,000 LIURP enrollees is not accurate, and suggests that it should be revised (based on BCS's review of historical data (2012-14) as reported in the Universal Service Programs and Collections Performance Reports) to more than 10,500. Second, the Tentative Order request that PECO update the expected number of jobs to reflect the additional \$1 million of funding discussed in Question 11.

As to the first issue, PECO notes that historical data on achieved services is only one input into the process of estimating future jobs. The type and cost of measures expected to be implemented in a residence and other key factors also affect the projected job estimates. Simply, because the annual budget is fixed, if the remedial measures are more expensive, then a lesser number of jobs can be accomplished. That is PECO's current intention and expectation – to do fewer jobs that on average take more funds to complete. This is reflected in PECO's data shown in the most recent Universal Service Programs and Collections Performance Reports (for 2014) in which PECO projected, for 2015, that it would perform 1,040 electric heating jobs, 7,069 electric baseload jobs, and 1,050 gas heating jobs, for a total of 9159 expected jobs in 2015. This distribution and number of jobs is consistent with PECO's expectation that it will perform approximately 9000 jobs (in the approximate distribution projected for 2015) in 2016-18.

PECO regularly revises its LIURP estimates based on most recent data, and PECO would be happy to engage in further discussions with BCS regarding PECO's method of estimating jobs. But PECO does not currently estimate that it will perform 10,500 LIURP jobs annually during the period in question, and it therefore respectfully request that it not be required to revise its estimate to state such an estimate.

As to the second issue, as noted in PECO's Comment on Question 11, PECO currently anticipates spending the additional settlement funds on its *de facto* heating program in 2017, and has not made a determination of where to spend the funds for 2018. At this time there is therefore no anticipated increase in LIURP jobs related to these settlement funds.

Commission Question 13: Revise [PECO's] needs assessment with updated information for York County.

PECO Comment on Question 13:

PECO has 4,700 customers in York County. In its Needs Assessment (p. 4), PECO estimated that 750 of those customers had household incomes below 150% of the Federal Poverty Level, and 1,175 of those customers had household incomes below 200% of the Federal Poverty Level.

The Tentative Order (p. 27) notes that, based on 2012 U.S. Census data, 23% of York County's residents have income at or below 150% of the Federal Poverty Level, and 32% have incomes at or below 200%. Applied to PECO's 4,700 customers in York County, that would equate to 1081 customers at or below 150%, and 1504 customers at or below 200%.

PECO proposes that, in its Revised Plan, it substitute these new numbers (1081 and 1504) in a revised Needs Assessment table (and eliminate the associated footnote) on page 4 of its Three-Year Plan. Of course, in that same table PECO will also re-total the service territory numbers. (The total number of households at need in the PECO service territory will therefore increase from 414,450 to 414,751 for customers at or below 150%, and from 542,290 to 542,619 for customers at or below 200%.)

Commission Question 14: Explain the projected fluctuations in its 2016-2018 CAP credit costs.

PECO Comment on Question 14:

The question refers to PECO's estimated CAP credit costs:

Year	Estimated Costs
2016	\$84.2
2017	\$83.5
2018	\$86.1

As the Tentative Order anticipates (p. 29), the change from 2016 to 2017 is due to the change from PECO's existing tier system to the Fixed Credit Option in October 2016. The Fixed Credit Option is expected to cost less in its first full year of operation (2017) than the tiered system cost in the prior year (2016), and the decrease in estimated costs for 2017 reflects that expectation.

The change in 2018 reflects a different issue. Under the Fixed Credit Option, if and as generation prices increase, customers' credits will be adjusted upward each quarter to maintain their overall utility bill at an affordable level. PECO therefore projects a hypothetical increase in credit costs to reflect that inflation potential. The 2018 cost estimate, which is about 3% higher than the 2017 cost estimate, provides an estimate of the effect on program costs from an approximate 5% increase in generation pricing. If generation prices do not increase year-over-year, then the credit costs will not increase. But the budget as presented reflects the potential for the FCO program costs to react to inflation in generation costs.

Commission Question 15: Provide a cost and usage breakdown of [PECO's] estimated MEAF budget.

PECO Comment on Question 15:

The Tentative Order (p. 30) provides additional background regarding this question. In a nutshell, the Tentative Order notes that PECO's MEAF program has a 2016 budget of \$916,000, that PECO's corporate match is \$250,000, that the Commission therefore assumes that the MEAF benefits paid equal \$500,000. The Tentative Order then notes that this appears to mean that administrative costs for the program are approximately \$400,000. The Tentative Order states that: "If this assumption is accurate, spending over \$400,000/year . . . for administering the \$500,000 Hardship Fund budget seems excessive." The Tentative Order then requests a MEAF budget cost breakdown, to include "the estimated number of customer/employee donations, ratepayer assessments, company contributions, administrative costs, and any other expense associated with the program."

There is one large MEAF expenditure, not discussed in the Tentative Order, that will clarify a great deal of the Commission's confusion. PECO provides operating funds to community-based organizations and credit service companies that are the MEAF agencies operating in PECO service territory. That operating fund support is above and beyond the matching funds provided by PECO. The operational support of the MEAF agencies is included in the administrative costs in the MEAF budget.

For 2016, those amounts are:

Organization	PECO-Supplied Funding Support
Bucks County Opportunity	\$10,384
Community Action Agency	\$10,284
Montgomery County Community	\$12,297
Torres Credit Services, Inc.	\$191,795
Utility Emergency Services Fund	\$261,475
York County	\$1,323
Total	\$487,583

These agencies provide MEAF services, but also provide other low-income services in their communities.

PECO itself incurs approximately \$175,000 in annual costs, primarily for its in-house personnel, to administer the MEAF program and conduct related outreach and coordination with these agencies.

All of the costs discussed to this point are recovered in base rates.

The MEAF benefits that flow to customers through this program have two primary sources. First is the PECO corporate match, which as noted is \$250,000. Those costs are not recovered from customers, but

instead are borne by shareholders. The second source of funds are customer/employee donations. These, obviously, are not recovered through rates. They are also not reflected in the PECO budget. Instead, when PECO collects MEAF contributions from customers/employees, it distributes those funds to the agencies noted above. The agencies can then use those funds to provide benefits to their low-income clients by seeking a PECO match, which PECO will fund up to its budget limit of \$250,000. The Tentative Order is therefore correct that nominally \$500,000 of MEAF benefits are provided to customers each year.

Commission Question 16: Explain how [PECO] recovers its universal service outreach costs.

PECO Comment on Question 16:

The Tentative Order (pp. 30-31) specifies that this question is directed to the table found at page 25 of PECO's Three-Year Plan. The inquiry is how PECO recovers the amounts listed in the line item "Outreach" as itemized in that table.

The costs itemized on the Outreach line in the referenced table are recovered through base rates.

Commission Question 17: Provide additional information about [PECO's] universal service organizational structure.

PECO Comment on Question 17:

As the Tentative Order notes (p. 32), PECO's prior Three-Year Plans contained an organization chart for its Universal Services programs, including specific job titles (and sometimes names of employees in certain jobs at the time the Plan was filed). PECO removed the organizational chart because, in recent years, stakeholders have begun to treat the Three-Year Plan not as a general description of PECO's Universal Services programs (which PECO believes it was originally intended to be), but instead as a prescriptive tariff document that is used to argue that PECO is not allowed to make any changes to the programs described therein during the three year tenure of a given plan.

Given that the Three-Year Plan has more recently been treated as a prescriptive tariff document, PECO concluded that it is no longer appropriate to include detailed staffing information in the Plan itself, because that might cause a stakeholder to believe that PECO is required to keep a specific staffing level or organizational structure in place throughout the Plan term. It is PECO's understanding that the Commission has neither the authority nor the intention to direct specific levels of staffing or organizational structure at a utility, and therefore PECO removed the organization chart in order to avoid a conflict over that issue and to preserve its right to make changes to its organizational structure and staffing.

PECO notes that it has reviewed the approved Three-Year Plans of other Pennsylvania utilities, and it does not believe that they contain detailed information on organization and staffing.

With those cautions, PECO provides the following additional information regarding the organizational structure of its Universal Services organization:

PECO currently has ten full time employees in its Universal Services department including the manager. See Universal Services' organization chart included below. Additionally, PECO has three outsourced vendors that do support work for LIURP, CAP, LIHEAP and MEAF. Specifically, PECO has a LIURP vendor

that serves as a LIURP call center, schedules LIURP appointments, and provides follow-up administrative services for customers post LIURP audit. PECO also has a LIHEAP / MEAF vendor that provides call center capabilities as well as general program support. And finally, PECO has a CAP Call Center that provides call center support as well as back office support via enrolling customers in CAP.

