October 16, 2017

VIA ELECTRONIC FILING

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

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

Dear Secretary Chiavetta:


Please contact me if you have any questions regarding this matter.

Very truly yours,

\[Signature\]

Teresa K. Harrold

Enclosures

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As Per Certificate of Service
1. INTRODUCTION AND BACKGROUND

The Pennsylvania Public Utility Commission ("PUC" or "Commission") is currently engaged in a comprehensive review of the universal service and energy conservation programs ("USECPs") of electric distribution companies ("EDCs") and natural gas distribution companies ("NGDCs") within Pennsylvania.¹ On August 8, 2017, stakeholders submitted their recommendations regarding "issues of program design, implementation, costs, cost recovery, administration, reporting, and evaluation," as well as "their priorities, concerns, and suggested changes to the Universal Service and Energy Conservation programs."² Subsequently, the Commission held stakeholder meetings on September 13 and 14 to obtain additional feedback regarding the topics raised in initial comments and any additional priorities, concerns, or suggested changes to the programs. The Commission requested that stakeholders provide reply comments by October 16, 2017, to respond to all issues raised in initial comments and at the stakeholder meetings. Metropolitan Edison Company ("Met-Ed"), Pennsylvania Electric Company

² May 10 Order, pp. 4-5.
("Penelec"), Pennsylvania Power Company ("Penn Power"), and West Penn Power Company ("West Penn") (referred to individually as "Company" or in combination as "Companies") respectfully submit the following reply comments.

II. REPLY COMMENTS

Certain competing themes exist in the comments of other stakeholders and through the feedback provided at the stakeholder meetings. While all stakeholders agree that the Commission should investigate the need for USECP improvements, certain stakeholders are in favor of substantially increasing the breadth of USECPs, which inevitably would increase the costs of the programs. By contrast, other stakeholders would prefer to generally maintain the current USECP framework while creating improvements in USECP coordination and cost efficiencies in an effort to manage the costs to other ratepayers. Under the Electricity Generation Customer Choice and Competition Act\(^3\) ("Electric Competition Act") and the Natural Gas Choice and Competition Act\(^4\) ("Natural Gas Competition Act"), the Commission is tasked with ensuring that USECPs operate in a cost-effective manner, as utilities are required to receive full cost recovery for their USECP implementation.\(^5\) In light of this statutory directive, the Companies oppose expansion of the scope and costs of USECPs where that expansion is not cost-effective.

The Companies’ reply comments are divided into sections related to each available assistance program within the Companies’ USECPs: the customer assistance program ("CAP"), also known for the Companies as the Pennsylvania Customer Assistance Program ("PCAP"); the Hardship Fund; customer assistance and referral evaluation services ("CARES"); and the low-income usage reduction program ("LIURP"), also known for the Companies as the WARM

\(^3\) 66 Pa.C.S. §§ 2801-2812.
\(^4\) 66 Pa.C.S. §§ 2201-2212.
\(^5\) 66 Pa.C.S. § 2804(8) and (9); 66 Pa.C.S. § 2203(6) and (8).
program. In addition, a final section of the reply comments addresses overarching USECP administrative issues. Each section is further broken down to respond to specific topics raised in stakeholders’ initial comments and during the September 13 and 14 stakeholder meetings.\(^6\)

A. **CAP**

1. **Auto-Enrollment of LIHEAP Customers Into PCAP**

At the stakeholder meetings, the BCS asked whether a customer’s receipt of low-income home energy assistance program (“LIHEAP”) assistance warrants automatic enrollment of the customer in a utility’s CAP. In its comments, the Office of Consumer Advocate (“OCA”) further requests that the Commission clarify whether automatic enrollment of LIHEAP recipients within CAP is permissible under the CAP Policy Statement.\(^7\) In most respects, the Companies’ criteria for evaluating a customer’s income eligibility are the same as LIHEAP’s. Nevertheless, the Companies cannot endorse the automatic enrollment of a customer in any programs, including PCAP, without both the customer’s permission and assurances related to customer education.

As part of this proceeding, the Companies are seeking improvements to the coordination process between utilities and the Department of Human Services (“DHS”), which administers LIHEAP. As discussed later in reply comments, the Companies support the development of a data-sharing system between DHS and utilities to expedite the USECP enrollment process. The Companies would oppose the automatic enrollment of LIHEAP customers into PCAP, unless the enrollment process includes obtaining customer consent and a significant customer education component to ensure that customers are aware of PCAP parameters before they agree to enroll.

\(^6\) The Companies’ decision not to address a topic raised in comments or at the stakeholder meetings should not be considered endorsement of that topic.

\(^7\) OCA Comments, pp. 47-48.
Within its comments, the OCA states that certain issues raised in this proceeding would be better addressed within stakeholder collaboratives as opposed to through a formal change to the CAP Policy Statement.\(^8\) The Companies submit that the development of joint practices among utilities and DHS to expedite the CAP enrollment process is one such issue. With DHS’s consent, the Companies propose that the Commission initiate a stakeholder collaborative among DHS, utilities, and customer advocates to evaluate methods for expediting the CAP enrollment process and explore the viability of automatic enrollment of customers into CAP.

2. **Social Security Number Application Requirement**

Some utilities, including the Companies, request that applicants provide their social security number as part of the CAP application process. The OCA contends that a customer’s CAP enrollment should not be contingent on the customer providing his or her social security number.\(^9\) The Companies seek to clarify that they do not consider a customer’s social security number mandatory within the PCAP application process. Although the Companies’ third party PCAP administrator, the Dollar Energy Fund ("DEF"), requests customers’ social security numbers, customers may choose not to provide them. A social security number is requested as an efficient means for confirming a customer’s identity. Where a customer refuses to provide it, DEF instead will request that the customer provide a copy of his or her government-issued identification card or documents to confirm a customer’s identify.

3. **Eligible CAP Household Income**

The Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"), the Tenant Union Representative Network ("TURN"), and the Action Alliance of Senior Citizens of Greater Philadelphia ("Action Alliance") (in combination with TURN and

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\(^8\) OCA Comments, p. 6.

\(^9\) OCA Comments, pp. 19-20.
CAUSE-PA, the “Low Income Advocates”) argue that, for purposes of CAP eligibility, a customer’s household income should be adjusted based on certain types of income the customer receives. Under current CAP rules, CAPs consider gross income when determining whether household income is at our below 150% of federal poverty income guidelines.\(^ {10}\) As a result, a working customer may not be eligible for CAP while a customer receiving social security may be eligible, even though both customers have the same “take home” pay. To address this discrepancy, the Low Income Advocates propose a 20% earned income disregard for working customers.

The Companies consider the gross monthly income of a household when determining PCAP eligibility. The Companies’ criteria for determining household income are nearly identical to LIHEAP’s. Importantly, the Commission uses the same income criteria as the Companies when determining the appropriate length for Commission-issued payment arrangements.

Although the Companies understand the Low Income Advocates’ concerns, the Companies would like to take advantage of additional coordination with LIHEAP for purposes of PCAP enrollment and recertification. Neither the Companies nor LIHEAP include earned income disregards in their gross monthly income calculations. In order for the Companies to utilize LIHEAP participation as a method for determining PCAP eligibility, the Companies’ income guidelines must be consistent with LIHEAP’s. For this reason, the Companies do not support including the Low Income Advocates’ proposed 20% earned income disregard within the calculation of CAP household income.

4. **CAP as a Percentage of Income Program**

The Low Income Advocates and the OCA suggest that CAPs should be structured as percentage of income plans (“PIPs”).\(^ {11}\) Under a PIP, a customer’s monthly credit is based on the

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\(^{10}\) Low Income Advocates’ Comments, p. 37.

\(^{11}\) Low Income Advocates’ Comments, p. 28; OCA Comments, p. 11.
customer’s energy burden level. A customer with a higher income would receive a lower monthly credit than a customer with a lower income. The size of the credit would be determined by the energy burden level established by the utility or the Commission. In addition, increases and decreases in a customer’s monthly usage would cause the credit to fluctuate each month to ensure that the customer pays no more than the dollar amount associated with the customer’s energy burden level.

The Companies consider PCAP to have certain PIP characteristics, but it is not identical to the proposed PIP described above. Under PCAP rules, a customer’s monthly credit is determined based on the customer’s income, heating source type, and consumption bill history. Unlike under a PIP, a customer’s monthly credit will remain fixed rather than be adjusted based on a customer’s usage. A fixed credit program like PCAP also ensures that costs remain reasonable for other customers who are responsible for funding these programs through utility riders.

The Companies continue to support their current PCAP design and would oppose modifying their program to provide fluctuating monthly energy credits based on customers’ energy burden level. The primary reason for the Companies’ opposition to a PIP design is that it entirely eliminates a customer’s responsibility to implement energy conservation behaviors. Under PCAP, if a customer uses less electricity, the PCAP credit will go farther towards reducing the customer’s monthly bill, which encourages customers to reduce their usage. By contrast, under a PIP, a customer’s credit will reduce their monthly bill to the same dollar amount each month, and the customer has no incentive to conserve energy.

A CAP that does not encourage energy efficient behavior is arguably inconsistent with current law. The Electric Competition Act refers to CAP and similar assistance programs as
“universal service and energy conservation policies.” In 2008, the Pennsylvania legislature further amended the Public Utility Code to require EDCs to adopt energy efficiency and conservation plans and meet mandatory reductions for customer consumption and demand in their service territories. In adopting these laws, the legislature clearly intends for utilities to promote energy efficient customer behavior. A PIP that would allow low-income customers to use an unlimited amount of electricity for the same cost is inconsistent with this objective.

Before adopting PCAP, West Penn implemented a program called the Low Income Payment and Usage Reduction Program (“LIPURP”), which was designed as a PIP with a fixed monthly customer obligation. For example, some customers were billed as low as thirty dollars per month regardless of how much electricity they used. After the transition to PCAP, some LIPURP customers notified West Penn that they were unaware of their actual electric usage because their only concern had been to make their minimum monthly payment requirement under LIPURP. The former LIPURP customers disputed their current bills based on the mistaken belief that their usage had increased when, in actually, the customers’ usage remained consistent over time. As a PIP, LIPURP eliminated both the incentive to conserve electricity, as well customers’ understanding of the impact of their electric usage on their bills.

Removing the incentive for low-income customers to conserve energy is not cost-effective, and would result in increased costs to other customers who subsidize CAPs. As already stated, the Commission is required within the Electric and Natural Gas Competition Acts to ensure utilities’ USECPs are “cost-effective.” Under current PCAP rules, costs to other customers are controlled because PCAP participants receive a fixed credit that is subject to a credit maximum. If a PIP

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12 66 Pa.C.S. § 2804(8) and (9).
14 66 Pa.C.S. § 2804(8) and (9); 66 Pa.C.S. § 2203(6) and (8).
were adopted, credits would fluctuate and there would no longer be a credit maximum to control costs. The costs would increase even more dramatically due to the removal of the incentive for CAP participants to conserve electricity.

Finally, transitioning from a fixed credit program to a PIP would likely result in significant system changes for the Companies and additional costs to their other customers. While the Companies understand that this proceeding may ultimately result in new costs to support certain program improvements, the Companies do not believe the costs associated with conversion to a PIP are warranted. A fixed credit CAP that encourages energy efficiency behavior and controls costs to other customers is highly preferable to a PIP, which would accomplish the opposite. For these reasons, the Companies oppose a statewide requirement for PIP adoption.

5. Energy Burden

As part of this proceeding, a number of stakeholders, including the Pennsylvania Department of Aging, the Pennsylvania Department of Community and Economic Development, the Pennsylvania Department of Environmental Protection, the Pennsylvania Department of Health, and DHS (collectively, the “PA Departments”), as well as the Philadelphia Department of Human Services, the Low Income Advocates, and certain Pennsylvania service providers, seek reductions in the energy burden for low-income customers. The Low Income Advocates, the Philadelphia Department of Human Services, and the PA Service Providers specifically support

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15 AARP Pennsylvania; ACTION Housing, Inc.; Community Justice Project; Disability Rights Pennsylvania; Health, Education, and Legal Assistance Project; A Medical-Legal Partnership; Homeless Advocacy Project; Interim House, Inc.; Just Harvest; Laurel Legal Services; Legal Aid of Southeastern Pennsylvania; MidPenn Legal Services; Neighborhood Legal Services Association; North Penn Legal Services; Pennsylvania Coalition Against Domestic Violence; Pennsylvania Council of Churches; Pennsylvania Institutional Law Project; Pennsylvania Legal Aid Network; Philadelphia Legal Assistance; Regional Housing Legal Services, SeniorLAW; Southwestern Pennsylvania Legal Services, Inc.; the Women’s Center, Inc.; the Women’s Resource Center; Stephen R. Krone, in his personal capacity; and Medha D. Makhoul, in his personal capacity (collectively, the “PA Service Providers”).

16 PA Departments’ Comments, p. 2; Philadelphia Department of Human Services, p. 4; Low Income Advocates’ Comments, p. 6; and PA Service Providers’ Comments, p. 3.
an energy burden level of six percent.\textsuperscript{17} The Low Income Advocates explain that the six percent energy burden level should be further broken down by heat source. For customers with electric heating, a customer’s electricity bill should be no more than six percent of their monthly household income. For non-electric heating customers, a customer’s electricity bill should represent no more than two percent of their monthly household income, leaving the remaining four percent to go towards payment of the customer’s heating bills.\textsuperscript{18} A lower energy burden is attractive in theory, as it could result in more affordable electric bills for CAP participants and fewer uncollectibles. However, the Companies urge the Commission to use caution in reducing energy burden levels, as the projected increase in costs for other customers would likely be astronomical.

Under the Companies’ current PCAP rules, PCAP customers’ monthly credits establish an average energy burden of eleven percent for electric heating customers and six percent for non-electric heating customers. PCAP credit amounts are already substantial, with monthly credits up to $92.50 for non-electric heating customers and up to $225.83 for electric heating customers.\textsuperscript{19} Based on the Companies’ calculations, lowering the energy burden to six percent for all PCAP participants would result in additional annual PCAP costs of approximately $5.2 million for Met-Ed; $5.9 million for Penelec; $1.5 million for Penn Power; and $9.5 million for West Penn. These projected costs would increase the current level of PCAP credit costs by 46% annually. As PCAP customers are already receiving significant monthly credits that cover a large percentage of their monthly electricity bills, such a significant increase in PCAP costs is unjustified.

\textsuperscript{17} Philadelphia Department of Human Services, p. 4; Low Income Advocates’ Comments, p. 6; and PA Service Providers’ Comments, p. 3.

\textsuperscript{18} Low Income Advocates’ Comments, pp. 29-30.

\textsuperscript{19} The credit maximums vary by Company. The credit amounts identified are those of Penelec. The maximum monthly credits for Met-Ed, Penn Power, and West Penn are as follows: Met-Ed, $90.83 for non-electric heating customers and $222.50 for electric heating customers; Penn Power, $90.83 for non-electric heating customers and $225 for electric heating customers; and West Penn, $86.67 for non-electric heating customers and $212.50 for electric heating customers.
A 46% annual increase in PCAP credit costs would cause the electricity costs for other customers, who support these programs, to rise. The Commission must consider the impact of these cost increases on other customers, particularly those whose incomes are between 151% and 250% of the federal poverty income guidelines. Such customers are not eligible for most USECPs due to their income exceeding 150% of the federal poverty income guidelines, yet these customers may still face challenges paying their monthly bills. Significant increases in CAP costs should be evaluated carefully to ensure the impact to these customers is not unreasonable.

The Companies acknowledge that a number of stakeholders challenged current energy burden levels in their comments, and agree that the Commission should determine a reasonable energy burden level for CAP customers. Considering the likelihood of significant costs to other customers, however, the Commission should postpone a determination regarding energy burden levels until it completes its energy affordability study at Docket No. M-2017-2587711. The energy affordability study is scheduled to be completed by May 5, 2018, after which stakeholders will have an opportunity to comment on the results. To ensure that a reasonable energy burden is developed, which considers the impact on both CAP participants as well as other customers, the Commission should delay revisions to the energy burden levels until the energy affordability study is completed.

6. Monthly Minimum Payments

In its initial comments, the OCA advocated minimum monthly payments by CAP participants in order to encourage regular bill payment by CAP customers.\(^{20}\) Specifically, if application of a customer’s CAP credit causes the customer’s bill to fall below a prescribed minimum payment amount, the customer would still be responsible to make the full minimum payment.

\(^{20}\) OCA Comments, p. 14.
payment. The Companies understand the reasoning behind the OCA’s proposal and typically would support efforts towards encouraging timely bill payments by customers. In this case, however, the Companies’ fixed credit PCAP program is not compatible with a minimum payment requirement.

Under PCAP rules, the PCAP benefit is calculated for the portion of the annual energy burden that is in excess of the customer’s required percentage of income amount. A PCAP participant receives twelve equal monthly credits, which, when totaled, are equivalent to a customer’s full PCAP subsidy amount. Therefore, a minimum payment requirement would take away a portion of the PCAP benefits that are otherwise calculated as owed to the customer. The Companies would need to significantly overhaul their current PCAP structure in order to implement a minimum payment requirement. As a result, at this time, the Companies would not support the inclusion of a minimum payment requirement within PCAP.

7. Copayments on Pre-Program Arrearages

The OCA also supports a CAP component that requires CAP customers to make copayments against their pre-program deferred arrears equivalent to either half a percent or one percent of a customer’s income.21 While the Companies appreciate this proposal to the extent that it holds CAP customers responsible for their prior arrearages, the Companies do not support this proposal as their current PCAP structure does not allow for monthly copayments by customers towards their arrearages. Instead, under PCAP, customers who make full payments each month receive an arrearage forgiveness credit equivalent to 1/36th of their pre-program arrearage balance. This aspect of PCAP encourages full and timely bill payments by PCAP customers. The Companies’ PCAP system is simply not configured to apply a portion of a customer’s monthly

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21 OCA Comments, p. 27.
payments towards the pre-program deferred arrearage amount. As a result, to adopt this recommendation would require the Companies to significantly modify their current PCAP structure.

8. Impact of LIHEAP Grants on the CAP Bill

The OCA requests that the Commission modify the CAP Policy Statement to identify the impact of a LIHEAP grant on a CAP bill.\textsuperscript{22} Although the OCA does not provide an explicit recommendation to the Commission, the OCA raises the question of whether the LIHEAP grant should be applied to a CAP customer’s “asked to pay” amount, or if instead, the CAP benefits should be reduced by the amount of the LIHEAP grant. It is the Companies’ position that any LIHEAP grant should overlay, rather than reduce, the CAP credit, because the purpose of LIHEAP grants differs from the purpose of CAP. LIHEAP grants are typically given to supplement winter heating bills. LIHEAP is specifically targeted towards a subset of CAP customers due to the likelihood that their electric bills will be higher. LIHEAP-eligible customers should therefore receive both their full CAP and LIHEAP benefits.

9. CAP Administration

The Low Income Advocates propose the adoption of a uniform statewide program for CAP administration, noting that such a program would provide “the most efficient platform for program outreach and coordination of program benefits among the portfolio of available services.”\textsuperscript{23} The Companies agree that a single agency administering CAP would allow for better coordination among assistance programs and create cost efficiencies. The Companies already took a step towards uniformity by engaging DEF as their USECP administrator. DEF handles customer applications for all of the Companies’ USECPs and, as the single administrator, is able to identify

\textsuperscript{22} OCA Comments, pp. 32-33.

\textsuperscript{23} Low Income Advocates, p. 7.
all of the programs for which the customer is eligible. A single administrator allows for better coordination and a more streamlined data exchange between the Companies and their USECP administrator. The Companies continue to support the development of procedures that allow for a centralized and uniform application process and better coordination procedures.

The Low Income Advocates also suggest, however, that utilities should continue to use community-based organizations ("CBOs") as the "point of service" for CAP.\textsuperscript{24} The Companies struggle to reconcile these two aspects of the Low Income Advocates' proposal. One of the primary benefits of a uniform statewide CAP program would be to reduce the number of parties involved in a customer's CAP application process in order to enroll the customer in CAP more expeditiously and allow for better coordination among all of the assistance programs for which the customer is eligible. While CBOs are an important resource within the communities of the Commonwealth for providing assistance to residents who are experiencing financial or personal hardships, the involvement of multiple parties in the CAP application process can lead to increased inefficiency in the administration of the program. The Companies believe coordination with CBOs should occur wherever possible to ensure customers are aware of all of the available assistance for which they are eligible. However, the Companies recommend a PCAP model that uses a central administrator due to the efficiencies and coordination opportunities it creates.

10. Arrearage Forgiveness

PCAP features a one-time pre-program arrearage forgiveness opportunity. When the customer enrolls in PCAP, any arrearages with the Company will be deferred and subsequently forgiven over the next three years if the customer maintains service and current PCAP payments. The Low Income Advocates do not oppose a one-time arrearage forgiveness opportunity, but

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\textsuperscript{24} Id.
instead approach the issue of arrearage forgiveness in the same discussion that it addresses a former CAP customer’s post program arrearages. When a customer is removed from PCAP, the customer will be charged full tariff rates. This practice is fair for the simple reason that a customer who is not eligible for PCAP cannot continue to receive PCAP bill credits. If a customer is removed due to failure to recertify his or her income, the customer may no longer be income-eligible for the program. This customer should not continue to receive PCAP benefits and should be charged and subject to collection efforts based on full tariff rates. If the customer later provides income information to the Companies that proves the customer is once again eligible for PCAP, the customer is responsible to pay the bills associated with the timeframe the customer was removed from PCAP. In general, the Companies would not support allowing this customer to receive a second arrearage forgiveness opportunity.

The Companies’ limit of one-time arrearage forgiveness was primarily adopted as a cost control measure. While the Companies would prefer to continue enforcing a single forgiveness opportunity, the Companies acknowledge that other states handle arrearage forgiveness differently. For example, in Maryland, customers may receive arrearage forgiveness every seven years, but Maryland also adopted a maximum forgiveness credit amount of $2,000 at each forgiveness opportunity. The Companies are not familiar with any other state that allows for multiple arrearage forgiveness opportunities without some mechanism for controlling the associated costs. Accordingly, to the extent the Commission is interested in allowing for multiple opportunities of arrearage forgiveness, the Commission should establish explicit frequency and eligibility limitations to ensure the costs associated with this change remain reasonable.

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25 Low Income Advocates’ Comments, pp. 31-32.
11. Recertification Timeframe

Consistent with the CAP Policy Statement, PCAP requires that participants recertify to ensure they are income-eligible for PCAP on an annual basis.\textsuperscript{26} However, the OCA proposes longer recertification timeframes, arguing that customers with fixed income or who receive a LIHEAP grant should be permitted to recertify their income less frequently than on an annual basis.\textsuperscript{27} The Companies are aware that other Pennsylvania utilities are either currently or considering extending recertification timeframes where a CAP customer receives LIHEAP benefits. The rationale for this change is that DHS has already confirmed that the customer’s household income is at or below 150\% of federal poverty income guidelines, so it is unnecessary for the utility to also confirm the customer’s income. Consistent with the OCA’s recommendation, the Companies are evaluating whether to extend the recertification timeframe for customers with a fixed income or who receive a LIHEAP grant. The Companies will propose any changes to their recertification timeframes within their next triennial USECP filings. In addition, the Companies believe it would be more appropriate to determine recertification timeframes within utilities’ USECPs rather than in the CAP Policy Statement. In general, the CAP Policy Statement should not establish specific funding levels or timing restrictions in order to eliminate the need for the Commission to make regular revisions to the Policy Statement, and to allow utilities to design their plans in a way that appropriately fits their customers’ needs.

12. CAP Reinstatement

As part of the stakeholder meetings, stakeholders discussed whether customers removed from CAP should be barred from returning to CAP for twelve months, i.e., a twelve-month stay out, or whether instead utilities should have flexibility to reinstate customers into CAP. The OCA

\textsuperscript{26} 52 Pa. Code § 69.265(6)(viii).
\textsuperscript{27} OCA Comments, pp. 45-46.
recommends a twelve-month stay out only where a customer voluntarily removes himself from CAP.\textsuperscript{28} The Companies do not support a PCAP stay out after removal. As long as a customer is eligible for PCAP and has fulfilled all payment obligations, the customer should be reenrolled in PCAP. In addition, the Companies support allowing utilities flexibility to determine the criteria for CAP reinstatement as opposed to establishing uniform criteria within the CAP Policy Statement. Utilities are closer to the costs of their programs and have the most accurate understanding of what CAP restrictions are necessary to balance the interests of PCAP customers against the costs that would be imposed on other ratepayers.

13. Declining Participation Rates

Both the Low Income Advocates and the OCA identify declining CAP participation rates as a concern.\textsuperscript{29} Although it is the right of CAP-eligible customers to choose not to participate in CAP, the Companies are also interested in exploring ways to increase their PCAP participation levels. The Companies are in the process of reviewing current barriers to PCAP participation in an effort to increase their PCAP enrollment levels. In the Companies’ next triennial USECP filings, the Companies plan to submit revisions to the Commission that are aimed at reducing current barriers to PCAP participation. As part of this proceeding, the Companies are willing to work with the Commission and other stakeholders to address the potential causes of declining participation rates in an effort to improve PCAP enrollment levels.

14. CAP Offsets

The Electric and Natural Gas Competition Acts clearly state that utilities should receive full cost recovery for all USECP implementation.\textsuperscript{30} As part of this proceeding, the OCA argues

\textsuperscript{28} OCA Comments, pp. 15-16.
\textsuperscript{29} Low Income Advocates’ Comments, pp. 21-22; OCA Comments, pp. 46-47.
\textsuperscript{30} 66 Pa.C.S. § 2804(8) and (9); 66 Pa.C.S. § 2203(6) and (8).
that utilities should apply bad debt and working capital offsets for increases in the base CAP participation level established in the utility’s most recent base rate case in order to avoid double collection.\textsuperscript{31} The premise of the OCA’s position is that as CAP customers increase, a utility’s uncollectible and working capital expenses will inevitably decrease. This premise is inherently flawed, as the fluctuation in the number of PCAP enrollees has little, if any, direct relationship to Companies’ uncollectible and working capital expenses. As a result, the Commission must reject the OCA’s proposal that utilities’ USECP riders should include offsets representing (incorrectly assumed) reductions in uncollectible and working capital expenses as a violation of the Electric and Natural Gas Competition Acts.

The OCA is wrong in its conclusion that there is a direct correlation between a fluctuation in the number of CAP participants and a utility’s uncollectible expense. The Companies’ uncollectible expenses are impacted by a number of variable factors, including write-offs, revenues, the economy, the weather, calculation methodology, and demographics. When calculating their uncollectible expenses, the Companies use historical trending of customer write-offs as a percentage of revenues, along with prospective analysis including business, economic, and weather forecasts. Therefore, the impact of a fluctuation in the participant levels in the Companies’ customer assistance programs, and specifically the potential arrearage forgiveness amounts associated with PCAP enrollment, plays only a small part in the determination of an appropriate uncollectible expense amount.

The OCA also is incorrect in its assumptions regarding the impact of an increase in CAP customers on a utility’s working capital expense. When a utility is carrying arrears on its books, the utility’s working capital expense increases. Yet, a fluctuation in the level of CAP enrollment

\textsuperscript{31} OCA Comments, pp. 29-31.
has little relationship to a utility’s total arrears. Customers of all income levels may have arrears with the Companies, which may fluctuate for any number of reasons, including the period between service ending and write-off, revenues, the economy, the weather, and demographics. Customers also continue to request new service and discontinue service, which are factors totally outside of utility control. A fluctuation in the segment of customers enrolled in PCAP who are actively receiving arrearage forgiveness has very little impact on both the total arrears and the working capital expense for the Companies.

Further, an increased enrollment of customers in PCAP has a minimal impact on working capital due to the manner in which arrearage forgiveness is applied to a PCAP customer’s account. At the time of initial PCAP enrollment, the existing arrears for PCAP customers are collected over a thirty-six-month period. If a customer is removed from PCAP for any reason, including moving out of the service location, failure to certify household income, or failure to meet another eligibility requirement, the customer’s arrears are not fully collected and remain on the Companies’ books until the balance is paid, the balance is written off due to a final bill, or the customer enrolls in PCAP again to continue receiving arrearage forgiveness credits on the remainder. The Companies do not experience a contemporaneous reduction in working capital as a result of a PCAP customer’s opportunity for arrearage forgiveness. As a result, an increase in the number of PCAP participants would have an insignificant impact on the Companies’ working capital expenses.

Because neither a utility’s uncollectible expense nor a utility’s working capital expense experiences any significant impact as a result of a fluctuation in PCAP enrollment level, it is entirely inappropriate to prevent utilities from receiving full cost recovery for their customer assistance programs through USECP riders as required by statute. The OCA’s proposal is even more egregious when considering the impact on utilities between rate cases. A utility’s
uncollectible expense is determined during a base rate case. Once determined, the uncollectible expense remains static until the next base rate case is filed. For any of the reasons already discussed, e.g., economic changes, weather factors, etc., the actual level of a utility’s uncollectibles may increase between base rate cases. When this occurs, the utility will be under-collecting on its uncollectible expense until it is in a position to file another base rate case. Utilities should not, and legally cannot, be placed in a potential position of both under-collecting within their base rates for uncollectible expense and offsetting their collections within their USECP riders.

Under the Electric and Natural Gas Competition Acts, utilities are required to receive full cost recovery for USECP implementation through their USECP riders.\textsuperscript{32} Forcing utilities to include offsets within their USECP riders constitutes a violation of this statutory requirement. The Commission should reject any overarching change to CAP policy that would prohibit utilities from receiving full cost recovery for USECP implementation within their USECP riders.\textsuperscript{33}

B. Hardship Funds

The Companies’ Hardship Fund is consistent with many of the recommendations made by stakeholders. Consistent with the recommendations of both the OCA and the Low Income Advocates,\textsuperscript{34} PCAP customers who receive a termination notice or who were previously disconnected may be eligible for the Companies’ Hardship Fund. Where a Hardship Fund grant would only be one of many grants needed to bring the customer’s account current to avoid termination or provide reconnection of service, the Hardship Fund grant would still be available

\textsuperscript{32} 66 Pa.C.S. § 2804(8) and (9); 66 Pa.C.S. § 2203(6) and (8).


\textsuperscript{34} OCA Comments, p. 50; Low Income Advocates’ Comments, p. 47.
to the customer in conjunction with other grants. Non-PCAP customers may be eligible for the Hardship Fund whether or not they are actively subject to termination efforts. At the point in the year when the funds become limited, however, the Hardship Fund may restrict its grants to only customers under threat of termination or seeking reconnection.

Further, the Companies engage in a number of different fundraising efforts for the Hardship Fund. As recommended by the Low Income Advocates at the September 13 stakeholder meeting, the Companies’ customers have the ability to sign up for automatic monthly contributions to the Hardship Fund. The Companies also actively solicit for donations through a number of fundraising events, including the Warm-a-thon and Cool Down for Warm.

Nevertheless, the Low Income Advocates request that utilities determine additional funding sources for the Hardship Fund, including recovering the costs associated with the Hardship Fund in base rates. The Companies oppose the collection of Hardship Fund dollars through their base rates as contrary to the purpose of the Hardship Fund. The Hardship Fund is designed to receive voluntary funding from utilities’ employees, customers, and shareholders. Even if the Commission were to modify the structure of the Hardship Fund to receive mandatory funding from other ratepayers, these costs should be collected through utilities’ USECP riders consistent with the Electric and Natural Gas Competition Acts, and not base rates.

Another area of contention between the Companies and the Low Income Advocates is the Companies’ requirement of recent payment activity by Hardship Fund recipients. In order to be eligible to receive a Hardship Fund grant, the customer must have made a payment of at least $150 within the last three months. The purpose of this payment requirement is to ensure that the

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35 Low Income Advocates’ Comments, n. 106.
36 66 Pa.C.S. § 2804(8) and (9); 66 Pa.C.S. § 2203(6) and (8).
37 Low Income Advocates’ Comments, pp. 46-47.
customers receiving Hardship Fund grants were, prior to the hardship, making an effort to pay their bills. While it is the Companies’ position that a Hardship Fund recipient should have a good payment history leading up to the hardship, the Companies are in the process of evaluating whether a different payment amount or timeframe for the prior payments would be appropriate in the determination of Hardship Fund eligibility. Any proposed change to this requirement would be included in the Companies’ triennial USECP filings.

C. CARES

The Companies’ CARES program is designed to refer customers dealing with a temporary hardship to internal and external assistance programs that are targeted for the particular circumstances of the customer’s hardship. CARES candidates are identified through a number of channels, including through review of customer service representative contacts, state representatives, informal or formal complaint proceedings, community agencies, the WARM program, or by customer service center staff. Once a CARES customer is identified, CARES representatives will discuss the customer’s hardship and refer the customer to appropriate assistance organizations. The Companies continue to explore partnerships with additional CBOs and other assistance organizations in an effort to provide a range of options to CARES customers. Although CARES representatives will occasionally follow up with the customer regarding the assistance, the Companies do not consider long-term management of the customer’s situation to be a primary objective of CARES.

Both the Low Income Advocates and the OCA describe CARES as a long-term management program that features utility employees trained in social work who continue to track a customer’s account after referral services are provided.\textsuperscript{38} The Companies do not agree that the

\textsuperscript{38} Low Income Advocates’ Comments, pp. 45-46; OCA Comments, pp. 56-58.
role of CARES is to offer long-term case management and customer tracking. After the Companies refer customers to appropriate assistance organizations or CBOs, it is these organizations who should be responsible for offering the customers long-term case management services. Assistance organizations are much better suited to offer long-term case management and social work services, as these are the primary functions of their organization. Utilities are not in the business of social work and cannot offer these services cost-effectively. Instead, the Companies’ CARES employees are trained to work with customers and provide them appropriate referrals, which should be the primary focus of CARES.

Similarly, the Companies are not well-positioned to provide reporting information related to the long-term success of CARES referrals. After the Companies refer a CARES customer to an assistance organization, the Companies frequently are not notified regarding the outcomes of these referrals. Neither the customer nor the assistance organization is required to inform the Companies regarding the success of the referral. In fact, the assistance organization may be prevented from disclosing any information to utilities due to confidentiality concerns. Even if the Companies were to track the accounts of every CARES customer, the Companies would not be able to discern if changes in arrearage levels occurred as a result of CARES assistance or due to a completely independent reason. For these reasons, the Companies would not support modification of the Companies’ CARES program to focus on increased long-term case management and tracking of CARES customers.

Finally, the United Way of Pennsylvania (“United Way”) recommends the use of the United Way’s 2-1-1 program as part of utilities’ CARES programs. 2-1-1 offers both telephonic and online referrals to assistance organizations that serve customers’ counties and may be able to

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39 OCA Comments, pp. 57-58.
40 United Way Comments, p. 7.
provide financial assistance with customers’ utility bills. While the Companies intend to continue referring customers to 2-1-1 as one of the many options available to them through CARES, the Companies would oppose any requirement for utilities to provide mandatory funding to 2-1-1.

The Companies oppose the use of ratepayer dollars to fund a third-party organization, such as 2-1-1, which provides referral services. The dollars collected from other customers to fund USECPs should instead go directly towards utility programs that reduce the electric bills of low-income customers. In addition, as the Companies’ CARES program already provides similar referral services to 2-1-1, the funding of 2-1-1 would represent a duplicative use of ratepayer dollars for the same services. Finally, based on the Companies’ review of the 2-1-1 service territories, 2-1-1 is not available in all of the Pennsylvania counties served by the Companies. For these reasons, the Companies cannot support utility funding of the 2-1-1 program.

D. LIURP/WARM

1. CAP and LIURP Interplay

The coordination of CAP and LIURP is an important component of the Companies’ USECPs. When a customer applies for PCAP, the customer is also required to apply for WARM, the Companies’ LIURP program. Wherever possible, the Companies will conduct a WARM audit and perform WARM services for PCAP customers in order to reduce customers’ household usage. A reduction in household usage may allow the Companies to reduce the PCAP credit to the customer without increasing the amount the customer is to pay monthly. Therefore, a coordination of PCAP and WARM permits the Companies to increase the cost-effectiveness of PCAP.

At the stakeholder meetings, the BCS raised the issue of whether customers should be required to accept LIURP service in order to participate in CAP. It is the Companies’ position that, barring exceptional circumstances, a customer should be required to participate in WARM to
enroll in PCAP. In general, this requirement has not been controversial among the Companies’ PCAP customers. The Companies have encountered very few situations where a customer refuses WARM services. Of course, in a situation where a WARM audit or WARM services are not permitted, such as landlord refusal, the customer may still enroll in PCAP. In addition, the Companies will always work with the customer to resolve any concerns the customer has related to WARM. Accordingly, the Companies recommend that the Commission continue to allow utilities to include LIURP participation as a prerequisite for CAP enrollment.

2. LIURP Administration

At the stakeholder meetings, the BCS requested feedback regarding LIURP administration, namely, whether utilities should use a single LIURP provider or different CBOs and contractors for LIURP administration. The Companies continue to support their WARM model, which utilizes a single administrator, DEF, to handle the WARM application process and coordinate the initial WARM audit. The Companies subsequently work with both CBOs and private contractors to perform the WARM audit and installation services.

In order to complete WARM installation in a timely manner, the Companies must engage both CBOs and private contractors. Both the Commission on Economic Opportunity ("CEO") and the Pennsylvania Weatherization Providers Task Force submitted comments supporting the use of CBOS for performing LIURP services.⁴¹ The Companies agree that CBOs perform WARM services effectively and intend to continue working with CBOs. However, due to both the frequency and location of WARM jobs, both CBOs and private contractors must be involved in the WARM installation process.

⁴¹ CEO Comments, p. 3; Pennsylvania Weatherization Providers Task Force Comments, p. 1.
Because the Companies perform thousands of WARM jobs annually throughout a number of rural areas in Pennsylvania, the jobs may only be completed efficiently by engaging both CBOs and private contractors. The Companies have not observed any difference in quality between the WARM services of CBOs and private contractors. In a 2016 report regarding the Companies’ WARM program, APPRISE, Inc. found that the usage savings from WARM jobs performed by CBOs and private contractors were relatively equivalent.\(^{42}\) Based on the Companies’ prior experiences with WARM implementation, the Companies recommend that the Commission continue to permit utilities to engage both CBOs and private contractors to perform WARM services.

3. Multifamily Issues

The Pennsylvania Energy Efficiency For All Coalition (“PA-EEFA”) suggests that the Commission’s regulations should be revised to consider customer usage on a square footage basis to determine LIURP eligibility in an effort to serve more multifamily homes.\(^{43}\) Unfortunately, the Companies do not have reliable information related to the square footage of the properties they serve, particularly with respect to individual apartments. Without access to reliable square footage information, the Companies cannot use square footage as one of the criteria for WARM eligibility.

To be considered eligible for WARM, a customer’s annual usage must be greater than 6,500 kWh. WARM focuses on homes with higher usage in an effort to create the highest level of program and customer savings. If a customer’s usage is less than 6,500 kWh, potentially because the customer lives in an apartment with lower square footage, the customer is still eligible to participate in the Companies’ Energy Efficiency and Conservation ("EE&C") programs, which


\(^{43}\) PA-EEFA Comments, p. 7. PA-EEFA’s members consist of the Keystone Energy Efficiency Alliance; the Housing Alliance of Pennsylvania; the Green and Healthy Homes Initiative; the National Consumer Law Center; the National Housing Trust; and the Natural Resources Defense Council.
do not include any mandatory usage requirements. In addition, EE&C programs include specific
targets for low-income customers at multifamily housing. WARM should continue to focus its
services on the highest users, while homes with lower usage may still obtain energy efficiency
measures by participating in the Companies’ EE&C programs.

4. Landlord Approval

As part of the stakeholder meetings, the BCS raised the issue of landlord refusal to LIURP
participation and is seeking feedback from stakeholders regarding possible methods for
overcoming this issue. Because landlord approval is required to install most LIURP measures,
landlord refusal is one of the significant barriers to the Companies’ ability to deploy WARM
services, particularly for multifamily housing. To encourage landlord participation in WARM, the
Companies employ a number of tactics to involve landlords in the WARM process in an effort to
receive landlord approval. The Companies offer landlord education regarding WARM and all
program measures. Landlords are permitted to attend the WARM audit, and assist the Companies
in choosing the measures that will be installed at the building. To minimize the administrative
burden on landlords, landlords are able to sign a single form to approve WARM installation
throughout an entire building. Finally, if the landlord still refuses WARM measures, the
Companies are in the process of evaluating whether customers at the building would still be
eligible to receive baseload measures, e.g., energy efficient light bulbs or smart power strips,
despite the landlord’s refusal. The Commission should consider all of these options to improve
landlord approval rates for LIURP participation.
E. USECP Administration Issues

1. USECP Filing Issues

The Low Income Advocates and CEO recommend that the Commission modify its procedure for evaluation of utilities’ triennial USECP filings by establishing a formal proceeding before an administrative law judge ("ALJ") to receive testimony and briefing regarding the filings. Currently, a utility’s USECP filing is submitted to the Commission’s BCS on a triennial basis, which reviews the filing and requests any additional information needed from the utility. Once the BCS has sufficient information, the Commission will prepare a Tentative Order that approves or rejects each of the components within the utility’s filing. Afterwards, the utility and stakeholders are given an opportunity to provide comments and reply comments in response to the Tentative Order. Pursuant to the Commission’s regulations, the Commission must then “act on the plans within 90 days of the EDC filing date.”

The significant challenge associated with consideration of USECPs before an ALJ, which also exists when USECP issues are evaluated during a utility’s base rate case, relates to the interrelationship of utilities’ assistance programs. When an ALJ decides a case, the ALJ will rightly consider each component of a program, evaluate the arguments for and against the component, and either approve or reject it. However, the Companies develop each USECP program based on assumptions related to other programs. For example, the PCAP budget is based, in part, on the requirement for PCAP customers to participate in WARM. If this requirement were eliminated, the Companies would need to reevaluate the budgets for both PCAP and WARM. Each time the ALJ approves or denies a component of the Companies’ programs on a piecemeal basis, the rest of the Companies’ USECPs would be impacted. It is for this same reason that concerns

\[44\text{ Pa. Code § 54.74(a)(6); see also 52 Pa. Code § 62.4(a)(5) (identifying the timeline requirement for NGDCs).}\]
related to utilities’ USECPs should be reserved for the triennial proceedings led by the BCS as opposed to within utilities’ base rate cases.

The BCS is in a position to understand the interrelationship of USECP issues and consider this interrelationship when proposing modifications to the plans. The BCS addresses low-income customer service issues on a daily basis, and maintains an internal expertise and familiarity with all utilities’ USECPs. The BCS regularly works with DHS, CBOs, and other organizations responsible for administering and coordinating with USECPs. In addition, the costs associated with a BCS-led review of USECPs are far lower than the costs of a fully litigated proceeding before an ALJ, which would include the costs of testimony and exhibit preparation, witnesses, external consultants, hearings, etc. The BCS is best-suited for providing recommendations regarding the plans that consider the interplay of each of the programs and the impact on the many components of plan administration. The Companies continue to support the current Commission evaluation process for USECPs led by the BCS.

2. Cost Recovery

The Commission’s goal in this proceeding is to receive information from stakeholders related to “issues of program design, implementation, costs, cost recovery, administration, reporting, and evaluation,” and “priorities, concerns, and suggested changes to the Universal Service and Energy Conservation programs.” Under the Electric and Natural Gas Competition Acts, utilities are authorized to receive full cost recovery for their USECP implementation. To the extent the Commission adopts changes to USECPs that result in additional costs to the Companies, pursuant to the Electric Competition Act, the Companies would expect to receive full and timely cost recovery through their Universal Service Cost riders.

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45 May 10 Order, pp. 4-5.
46 66 Pa.C.S. § 2804(8) and (9); 66 Pa.C.S. § 2203(6) and (8).
3. Confirmed Low Income

In initial comments, the Low Income Advocates and the Office of Consumer Advocate request that the Commission determine a single definition for “confirmed low income” customers that would apply uniformly across utility service territories. Currently, the Commission’s USECP regulations define “confirmed low-income residential account” as “[a]ccounts where the EDC has obtained information that would reasonably place the customer in a low-income designation.” Subject to a few modifications, this definition continues to be appropriate for identifying confirmed low income customers.

Specifically, the definition for “confirmed low income” should not apply to customers who claim to be low-income without providing corroborating information. The customer must be able to identify all household members, their monthly income levels, and the sources of their income. Utilities should also have the means to request written documentation confirming that the income levels for the household are correct. It is crucial that utilities continue to receive this information to ensure that the significant benefits of USECPs are limited to eligible customers only.

In addition, once the utility obtains the customer’s income information, the Companies recommend that this income level be considered valid for at least twelve months. The CAP Policy Statement requires that utilities verify a customer’s CAP eligibility on an annual basis. To the extent the Commission modifies this requirement in the CAP Policy Statement, then the time period over which an income level would be considered valid could be extended.

Consistent with these recommendations, the Companies propose the following underlined modifications to the definition for “confirmed low income:” “[a]ccounts where the EDC has

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47 Low Income Advocates’ Comments, pp. 20-21; OCA Comments, pp. 59-60.
obtained specific information that would reasonably place the account in a low-income designation, including household member names and ages, household size, household income by household member, and sources of income, which may be verified by the EDC through written documentation. Income information is valid for at least twelve months after it is confirmed by the EDC. 

4. Reporting Requirements

Both the Low Income Advocates and the OCA propose amendments to USECP reporting requirements. Utilities are subject to a number of USECP reporting requirements under the Commission’s regulations. The usefulness of each data point within utilities’ USECP reporting obligations is an unwieldy topic to address within comments. The Companies submit that USECP reporting is another issue that should be reserved for a stakeholder collaborative. Within the context of a collaborative, stakeholders, utilities, and the BCS could work together to evaluate the most useful data points, which are also not too onerous for the utilities to provide. A collaborative process would likely result in comprehensive reporting requirements that are supported by most, if not all, stakeholders, which could subsequently be submitted to the Commission for review and approval.

5. Data-Sharing Requirements Between Utilities and DHS

At the stakeholder meetings, the BCS requested feedback from utilities regarding the types of information that would be useful as part of a future data-sharing program with DHS. In the

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50 In the Commission’s Rulemaking to Amend the Provisions of 52 Pa. Code, Chapter 56 to Comply with the Amended Provisions of 66 Pa. C.S. Chapter 14 at Docket No. L-2015-2508421, the Companies proposed a definition for “confirmed to be eligible for a customer assistance program.” The Companies recommend that the definitions of “confirmed low income” in Chapter 54 and “confirmed to be eligible for a customer assistance program” in Chapter 56 complement each other.

51 Low Income Advocates’ Comments, pp. 72-75; OCA Comments, pp. 43, 52, and 57.

52 See, e.g., 52 Pa. Code § 54.75.
Companies' initial comments in this proceeding, the Companies proposed the development of a data-sharing system with DHS to create efficiencies in the USECP application process.\(^{53}\) When a customer applies for the Companies' USECPs, the income verification process could be expedited if the customer provided income information to DHS within the previous twelve months and the information was accessible to the Companies.

The types of information the Companies are seeking within a DHS data-sharing program include: a) date of last income review; b) household names and ages; c) household size; d) household income by household member; e) sources of household income; and f) DHS benefits provided. Customers would only be included in the DHS data-sharing program if they consent, either verbally or in writing, to have their income information shared with their utility companies. If the Commission approves the concept of a data-sharing system between utilities and DHS as part of this proceeding, then utilities and DHS would be able to explore development of the system.

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\(^{53}\) Companies' Comments, p. 9.
III. CONCLUSION

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company appreciate the opportunity to provide reply comments in this proceeding.

Respectfully submitted,

Dated: October 16, 2017

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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Review of Universal Service and Energy Conservation Programs

Docket No. M-2017-2596907

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the individuals listed below.

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