2010 Impact Assessment of the FirstEnergy Pennsylvania Universal Service Programs:

Metropolitan Edison

Pennsylvania Electric Company

Penn Power

An Independent Analysis of Universal Service Programs

Prepared by:

H. Gil Peach, PhD.,
Marcia Lehman, Essential Energy
Erika Lehmann PhD & Zipora Weinbaum PhD, Smith & Lehman Consulting
John Mitchell, B.S., Jai J. Mitchell Analytics

H. Gil Peach & Associates/Scan America®
October 2010

Scan America® Vision Statement

To be a world leader in developing truthful measurement and useful results; to support development of efficient, ethical, and effective practices, sustained economically, to advance human development.

Scan America® Goals Statement

- Excellence in the integration of knowledge, method, and practice
- Improvement and learning at all levels
- Contextually sound measurement, analysis, and reporting
- Anticipate and meet the needs of our clients
- Awareness of human relevance and of the ethical core of research
- To go further, to find better ways

Scan America® Mission Statement

With extensive experience in North America, Europe, and Asia, together we can provide the full range of management, planning, and evaluation services – wherever and whenever there is a need.

Scan America® Website

www.scanamerica.net

H. GIL PEACH & ASSOCIATES LLC
16232 NW Oak Hills Drive
Beaverton, Oregon 97006-5242, USA
Telephone: (503) 645-0716 EIN: 93-1323715
Fax: (800) 204-3803 DUNS: 60-279-2954

H. Gil Peach, Ph.D.
hgilpeach@scanamerica.net

SCANADA CONSULTANTS LTD.
1446 Birchwood Drive
Mississauga, Ontario L5J 1T2, Canada
Telephone: (905) 403-9835

C. Eric Bonnyman, M.Sc.
scanada@sypatico.net

ÅF-ENERGI & MILJÖ AB
Division Head, Energy & Environment
Box 8133
SE-104 20 Stockholm, Sweden
Telephone: +46-8 657 13 89

Agneta Persson, M.Sc.
agneta.persson@enel.af.se

Suggested Citation:

Peach, H. Gil, Marcia Lehman, Erika Lehmann, Zipora Weinbaum, and John Mitchell. *Impact Assessment of the FirstEnergy Pennsylvania Universal Service Programs*. Beaverton, Oregon: H. Gil Peach & Associates, 2010, Monograph 102010-1.

Impact Assessment of the FirstEnergy Pennsylvania Universal Service Programs

Metropolitan Edison – Pennsylvania Electric Company – Penn Power

Table of Contents

Tables

Figures

EXECUTIVE SUMMARY

Impact evaluations in Pennsylvania are commissioned by the utility and conducted in accordance with direction from the utility and policy guidance and standards set forth by the Pennsylvania Public Utility Commission, Bureau of Consumer Services (BCS). The guidelines for both the Universal Service programs and the evaluation are provided in the Pennsylvania Code, secretarial letters from the Commission, and BCS documents as well as in the state's restructuring legislation. In accord with direction by the Commission, evaluation guidelines were developed through the collaboration of BCS, the Electricity Distribution Companies (EDCs), and the Natural Gas Distribution Companies (NGDCs). Evaluations are carried out periodically, according to a schedule set by the Commission, to help utility management insure the programs are effectively and efficiently meeting human needs, meet utility goals and objectives, and fulfill the goals for Pennsylvania Universal Service Programs. The goals of Pennsylvania Universal Service Programs are:

- To protect consumers' health and safety by helping low-income customers maintain affordable utility service.
- To provide for affordable utility service by making available payment assistance to low-income customers.
- To help low-income customers conserve energy and reduce residential utility bills.
- To ensure utilities operate universal service and energy conservation programs in a cost-effective and efficient manner.

In insuring that the FirstEnergy Universal Service Programs are continuing to meet the goals of Universal Service, this evaluation develops information to answer a set of standard questions for Universal Service Programs. The evaluation of the Low Income Usage Reduction Program (LIURP/WARM) is not included under the terms of reference for this evaluation. Under the terms of reference, the portions of the Universal Service Program goals that form the focus of the evaluation are limited.

Basic Finding

With one exception, we find all of the FirstEnergy of Pennsylvania Universal Service Programs to be operating in full conformance with the policy guidance of the Bureau of Consumer Services, the relevant sections of the Pennsylvania Code, and Program Plans as approved by the Bureau of Consumer Services. The Pennsylvania Customer Assistance Programs (PCAP) for Met Edison, Penelec, and

Penn Power are exceptionally well designed. The fuel fund component, administered through Dollar Energy, works as planned, subject to funding available. As a special program, CARES is not as vibrant as it could be, but follows commission direction to utilities for melding CARES functions into mature Customer Assistance Programs. The one area in which normal program operations are on hold is recertification.

Primary Issue: Restore the Welfare Department Electronic Data Exchange

PCAP is currently operating during a long breakdown in the data exchange relationship with the Pennsylvania Department of Welfare. This breakdown in the established data exchange is the most important issue in this evaluation. Breakdown means that the recertification step (customers are required to recertify each year to continue in the Universal Service Programs) is suspended, creating a current backlog in the tens of thousands of cases. *We recommend this as a matter of priority for FirstEnergy and the Bureau of Consumer Service to work though to resolution with the Department of Welfare*.

Automatic electronic recertification based on information known to the Department of Welfare is the *least cost* method of performing recertification. Otherwise, there is a *high cost to individual customers*, many of whom are elderly, disabled, have medical problems, or are otherwise burdened to assemble required documentation and travel with the correct material to a community agency. There is also *a significant dollar cost in agency staff time* to process recertification at an agency (see Section 5, Pp. 20-23 and Section 13, Pp. 87-88.)

Second Issue: Adjust the Eligibility Level to 160% of Poverty

In 2011, the federal eligibility level for the Low Income Home Energy Assistance Program (LIHEAP) goes to 160% of the federal poverty level. This raises the question of revisiting the current 150% of federal poverty level for the Pennsylvania Customer Assistance Programs.

The federal poverty level is simply not a good measure of need; the income insufficiency estimate, calculated on a county level for different family types is much better (see the Introduction, Pp. 6-8). But, should it not be possible to move to the income insufficiency system, aligning the programs to the new federal standard would be practical; it would keep PCAP in line with the standard to be implemented by the Pennsylvania Department of Welfare.

Third Issue: Increase Maximum Payments

In the years of the electric deregulation experiment, temporary rate caps were established for Pennsylvania electric utilities as a part of the bargain that allowed deregulation to go forward. As these caps expire and rates must be raised, PCAP will only adjust to cover increases up to its own caps of $960 per year for homes with electric service but without electric heat and $2400 per year for homes that have electric heat. One of the FirstEnergy utilities is already beyond removal of the rate cap, and two will have the rate cap removed in fall of 2010. PCAP as currently constituted will shield most participant households from the rate increase, but unless the PCAP caps are raised some households will face part of the increased total bill and a few may face all of it. Currently, the PCAP maximums of $960 per year for homes with electric service and $2400 per year for home with electric heat are permitted to be adjusted according to increases in the Consumer Price Index (CPI). However, we are in a deflationary recession and the CPI has not risen and is unlikely to rise even while electricity cost will rise. Accordingly, there should be an adjustment of these maximum values to take the electricity cost rise into account.

Fourth Issue: Model Changes due to the Requirement to Treat LIHEAP outside of PCAP

The requirement to treat federal Low Income Home Energy Assistance Program (LHEAP) payments outside PCAP is settled policy. Yet, as a side effect, it creates a fairness problem, modifies the simple percentage of income payment plan model under which PCAP operates and leads to higher overall PCAP program costs for households with electric heat (see Section 14). Only households with electric heat are affected by this change.

To mitigate the additional cost, FirstEnergy may raise the customer percentage of income payment from six percent of household income to twelve percent of household income. This would permit the LIHEAP program to function within the interpretation of its rules as determined by the Pennsylvania Department of Welfare but compensate for this windfall overage to households that receive LIHEAP payments for their electric service. We recommend that this program change be carefully modeled to understand how close it comes to a fair offset to LIHEAP. It seems reasonable if every household applies (as is the current requirement) for and receives LIHEAP. However modeling should also estimate the proportion of households for which this assumption does not hold, assess effects on these households, and determine how to mitigate these effects.

Other Findings

- The appropriate population is being served as defined in the policy guidance provided by the Bureau of Consumer Services and the relevant provisions of the Pennsylvania Code. There is, of course, the usual problem that the old 1960s' federal poverty definitions are not a good measure of need, while newer measures of income insufficiency are better (See Section 1).

- The customer distribution by CAP payment plan is singular, since for each utility there is only one percentage of income payment design (See Section 2).

- CAP retention rates are quite good. The major reason for leaving CAP is an increase in income (See Section 3 and Section 15).

- There is an effective link between PCAP and participation in other energy assistance programs (See Section 4).

- CAP control features are effective in controlling program costs (See Section 5).

- The link between PCAP and the Low Income Usage Reduction Program (LIURP/WARM) is effective (See Section 6 and the separate study, WARM Program Annual Report for 2008. FirstEnergy, June 2010).

- Collection on missed PCAP payments is timely. FirstEnergy is following the Commission approved default procedures (See Section 7).

- Participation in FirstEnergy Universal Service Programs does decrease terminations (See Section 8).

- Participation in FirstEnergy Universal Service Programs does decrease collections costs (See Section 9).

- The PCAP Program is cost effective (See Section 10).

- The PCAP Program is optimized. However, the program could be more cost effective and efficient through automatic program enrollment, automatic recertification, more general data linking, moving to a five-year recertification plan, and moving to quarterly recalculation of benefits (See Section 11).

- The programs are inherently sufficiently funded because they are funded through a rate recovery rider, Universal Service Cost – Rider C. This is a superior way to fund responsive programs. At the same time, the rider would have to be adjusted if eligibility were to be assessed in terms of income insufficiency, a better measure of need that the old 1960's federal poverty definitions (See Section 12).

- As noted above, the breakdown of the Department of Welfare data exchange is causing a serious systematic problem and recertification is on hold (See Section 13).

- The recent determination by the Department of Welfare and agreement by the Commission to treat federal Low Income Home Energy Assistance Program (LIHEAP) payments outside the PCAP rate design causes inherent problems of fairness in the resultant uneven treatment of customers and increases the costs of the PCAP program (See Section 14). However, this is settled policy and must be accommodated.

- As with every operational program there are some problems encountered by customers that need to be addressed. However, in this evaluation, these problems were found to be non-systematic. That is, they are not due to program defects. This is a short list which we have provided to FirstEnergy.

As recently as the early 1960's the US was an industrial power. The rapid degradation of jobs and incomes in the US associated with deindustrialization and the globalization of trade is currently punctuated by the failure of the US economic system to provide jobs to workers. The job structure available to workers in the US is heavily damaged compared with the job structure of the period from WWII though the end of the 1960's. With these kinds of unexpected effects in the national economy and the rampant return of poverty to levels not seen since before the War on Poverty, the rate rider approach supports the automatic adjustment of PCAP to the level of need presented from month to month. This is an intelligent and superior mechanism to address full funding: the FirstEnergy PCAP programs do not have a funding problem in responding to the need presented.

In both design and operation, overall, we find the programs well designed and well executed. As noted above, we find the programs operating in conformance with policy guidance from the Bureau of Consumer Services, the relevant provisions of the Pennsylvania Code, and the Program Plans as approved by the Bureau of Consumer Services, with the exception of recertification.

Since PCAP is already an optimal program, recommendations are few and primarily small and technical. The exception is that restoring a functional electronic data exchange arrangement with the Pennsylvania Department of Welfare rises to the level of a systematic issue as well as a necessary technical fix.

Recommendations

(1) **Data Exchange**. Enlist the assistance of the Bureau of Consumer Services in resolving the Department of Welfare data exchange issue.

(2) **Increase Eligibility**. Either move to income insufficiency or calibrate to the new 160% of federal poverty level to be implemented by the Pennsylvania Department of Welfare in 2011.

(3) **Model Changes in PCAP Maximums**. Model the effect of removal of rate caps to determine whether or not to seek an increase in the PCAP caps of $960 and $2400.

(4) **Model Change in Payment Requirement**. Model the effect of increasing the household percentage of income requirement for homes with electric heat from the current six percent of household income to twelve percent of household income. In particular, review the material reality of the assumption that all such households will apply for and receive LIHEAP.

(5) **Reduce Frequency of Recertification**. Request to move recertification to five years.

(6) **Increase Frequency of Recalculation**. Move to a quarterly recalculation of benefits.

(7) **Move Towards Automatic**. Work towards automatic enrollment, automatic recertification, and more general data linking.

(8) **Develop a Strategy for Large Balances**. For pre-program arrearage, modify arrearage forgiveness to forgive half of the outstanding arrearage with the first full percentage of income payment of the PCAP bill, with the rest split evenly over the next eleven months. This will improve recovery, provide a strong signal to the customer that the companies intend to work with the low

income payment troubled customer, and further remove the arrearage as a problem in moves and in case of subsequent termination and restoring of service. For program arrearage and outside of program arrearage, work on policy to ease re-entry to service following a termination, and to PCAP following a termination.

(9) **Improve CARES**. Add three improvements to CARES. Add a "PCAP Vulnerable" status to Chronicles. This would simply create a status in computer records so that anyone looking at the record would know this is a vulnerable customer, and it could be used to see if third party billing could be also established. Add two additional CARES persons per company who would solely do casework including home visits, reporting to the current Outreach Specialists. Develop and implement a CARES standard and system for tracking referrals to service agencies and for CAP participation assistance for CARES customers who lack physical or mental capacity to fully comply with CAP provisions without assistance.

H. Gil Peach

H. Gil Peach, Ph.D.
October 2010

Impact Assessment of the FirstEnergy Pennsylvania Universal Service Programs

INTRODUCTION

FirstEnergy in Pennsylvania is currently comprised of three utilities, Metropolitan Edison, Pennsylvania Electric, and Penn Power. This report is an evaluation of the FirstEnergy Universal Service programs.[1] The report is designed to answer fourteen specific evaluation questions for each of the three utilities. These questions are answered in the sections of this report.

The primary Universal Service program at each of the three operating utilities is the Pennsylvania Customer Assistance Program (PCAP) which provides payment assistance to customer households at 150% of poverty and below. While FirstEnergy has mature experience in operating Universal Service programs, the current form of PCAP is relatively new. Beginning in 2007, the New Jersey model was instituted for PCAP. This model, initiated in New Jersey in the early 2000's and based on studies by Roger Colton, has program features which make it in many ways one of the best designed low-income payment assistance programs. Each utility also has other Universal Service programs, typically melded with PCAP. These include the Low Income Utility Reduction Program (LIURP), the federal/state Low-Income Housing Energy Assistance Program (LIHEAP), payment assistance and the CARES program.

Before moving to the evaluation questions, the first section of the report is a "statement of the times," the current and evolving context in which the programs function.

Statement of the Times: An Increasing Challenge

At least six major factors contribute to the challenging context in which the Universal Services programs currently operate: (1) The cost of energy is going up and it will continue to go up. Here we focus solely on electricity cost, but other forms of energy are also undergoing long term cost increase. (2) For all but a small minority of customers, real income is currently gradually decreasing. For the majority of

[1] Evaluations of this kind are required about every six years by the Pennsylvania Public Utility Commission for all of the larger electric and natural gas utilities regulated by the commission.

customers, it is likely to continue to decrease. (3) Federal energy assistance is an important source of energy assistance to households. However, the amount and timing of federal assistance are not dependable from year to year. Over the long term, federal assistance in real dollars is declining relative to increasing need for assistance. (4) The manufacturing job base that could otherwise be an engine for recovery is long gone; it is difficult to imagine the service sector job base innovating products that might help our weakened economy produce our way out of the current recession. (5) Large long-run increases in electricity use will be driven by climate change over the next several decades. In particular, climate change will increase the need to use electricity to maintain health, work efficiently as humidity and temperature rise, and provide comfort for relaxation and recovery as the number of high-temperature days each year increases and temperature gradually goes up. (6) The federal sector distances itself from the reality of problems experienced by families, households, and utilities by creating a fantasy world of unrealistic Pollyannaish representations. Within this flawed and unrealistic perspective, deep economic problems are made to appear much smaller than they actually are, and the problems faced by households are made difficult to express.

Upward Changes in Energy Costs

Energy costs are trending upwards. While there can be movement up or down from year to year, the general trend is for energy costs to rise due to increasing cost of production in the environmental context of increased extractive pressure on diminishing resources. The 1950’s world of throw-away resources is long over. It becomes more costly and more environmentally risky to extract and deliver oil, gas, and coal as those resources diminish. The easy, low-risk resources have been used up. Renewable forms of electricity generation, such as wind and solar, tend to cost significantly more than coal-based generation.

In addition to the general market trends for energy, the artificial rate caps which were put into place during the years of the deregulation/restructuring experiment will be removed in the fall of 2010, leading to a jump in electric rates.

The general pattern of electric rates in Pennsylvania based on Energy Information Administration data for all utilities is shown in Figure 1.

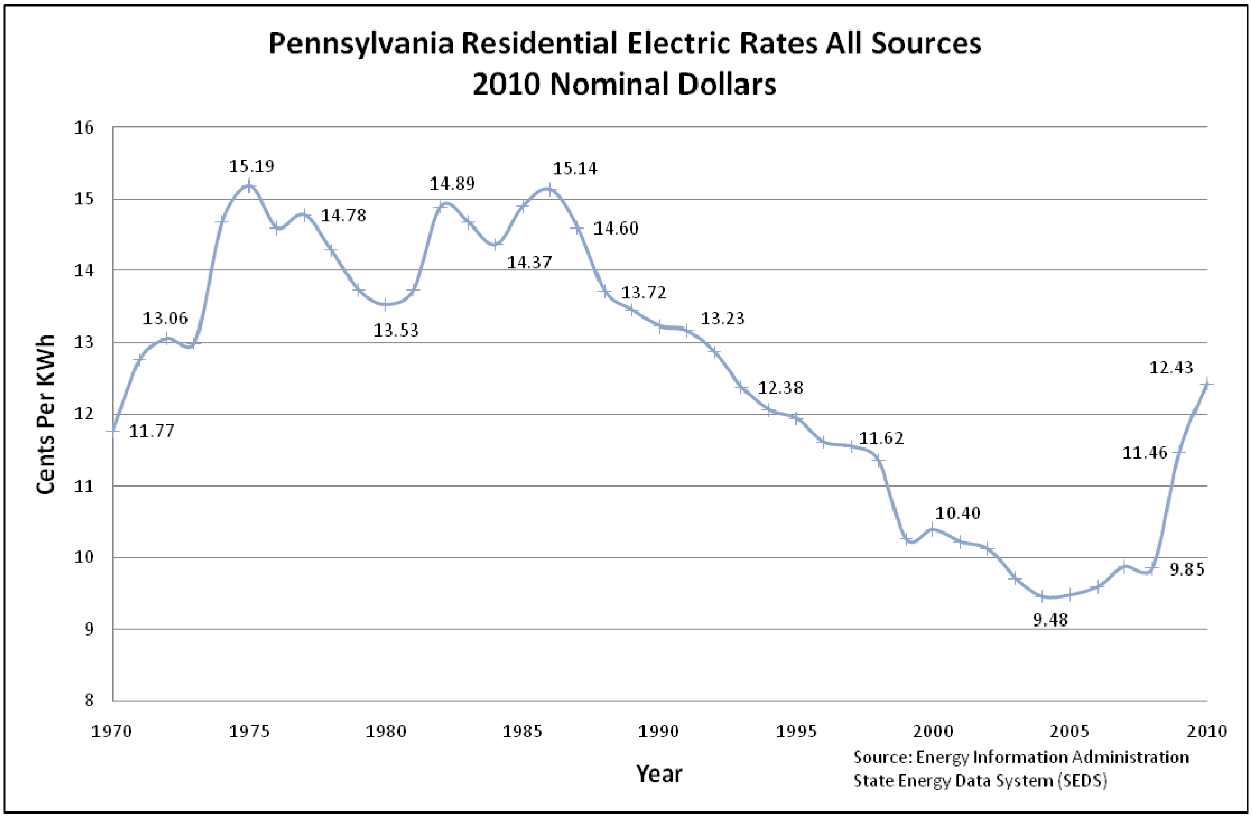

Figure 1: Movement of Average Electric Rates.

Long Downward Shift in Real Income

Real (inflation adjusted) household income is trending downwards. While there can be movement up or down from year to year, statewide the general trend is for the real income of low and middle income families to decrease. As real income has dropped, the number of hours worked per household has increased since average pay began dropping beginning in about in about 1970. Table 1 shows an increase of $1,438 in average real income for the bottom fifth (quintile) of Pennsylvania households between the late 1980s and the middle 2000s.[2] Between the late 1990s and the middle 2000s, this group of households lost $1,281 in real income. Income is shown in Table 2.[3]

---

[2] Bernstein, Jared, Elizabeth McNichol, and Andrew Nicholas, *Pulling apart: a state-by-state analysis of income trends (2008)*. Download from: http:www.epi.org/studies/pulling08/08state-datatables.xls. See the Pennsylvania factsheet.

[3] Note that these tables use official Bureau of Labor Statistics (BLS) data for inflation to arrive at constant dollars. The official BLS data greatly understates actual inflation. However official numbers are useful in showing the direction of change.

Table 1: Income Changes in Pennsylvania.

Change in Average Income (Dollar changes in bold are statistically significant at the 90% level)				
Long-term change: Late 1980s to Mid 2000s				
Change	**Bottom Quintile**	**Middle Quintile**	**Top Quintile**	**Top 5%**
Dollars	**1,438**	**7,391**	**35,522**	**80,075**
Percent	8.2%	16.7%	37.2%	58.8%
Annual Dollars	85	435	2,090	4,710
More recent change: Late 1990s to Mid 2000s				
Change	**Bottom Quintile**	**Middle Quintile**	**Top Quintile**	**Top 5%**
Dollars	**(1,281)**	208	8,135	**25,674**
Percent	-6.3%	0.4%	6.6%	13.5%
Source: See Footnote 2.				

Table 2: Average Income by Quintile at three Times.

Average Income (2005 dollars)*				
Period	**Bottom Quintile**	**Middle Quintile**	**Top Quintile**	**Top 5%**
Late 1980s	17,522	44,374	95,446	136,141
Late 1990s	20,241	51,556	122,832	190,541
Mid 2000s	18,960	51,764	130,968	216,216
* Income is post-tax and includes the value of the EITC and the cash value of food stamps, subsidized school lunch, and housing subsidies.				
Source: See Footnote 2				

The data In Tables 1 & 2 shows the direction of income changes. A good indicator of the impact of these changes for energy burden (the proportion of household income that would need to be spent on energy to pay high energy bills) is given by Roger Colton (Table 3). Note how these changes disproportionately hurt lower income segments within low-income households as a group.

Table 3: Increase in Household Energy Burden (All Fuels).

Low Income Energy Burden, Pennsylvania (Households by Poverty Level Groups)		
Poverty Range	**2004**	**2009**
Below 50%	45.6%	75.4%
50% – 74%	18.5%	30.4%
75% – 100%	13.2%	21.7%
101% – 124%	10.4%	17.0%
125% – 150%	8.5%	13.9%
150% - 185%	7.0%	11.4%
Source: the 2009 data is from Fisher, Sheehan & Colton, Pennsylvania: On the Brink, 2010: Fisher, Sheehan & Colton; Belmont, MA, April 2010 (http://www.fsconline.com/work/heag/heag.htm). The 2004 data is from Fisher, Sheehan & Colton, "Pennsylvania On the Brink, 2005." Fisher, Sheehan & Colton: Belmont MA, April 2005.		

Erratic and Shrinking Federal Energy Assistance

Federal energy assistance is important but uncertain in amount from year to year. The Low Income Home Energy Assistance Program (LIHEAP), a federal block grant, provides a partial safety net. However, it is not an entitlement and each year the amount of funds made available is contingent on the uncertain acts of Congress.[4] According to an analysis by Roger Colton, "Pennsylvania's LIHEAP allocation has lost ground…." "Actual low-income energy bills exceeded affordable energy bills in Pennsylvania by $2,504 million at 2008/2009 winter heating fuel prices. In contrast, Pennsylvania received a gross allotment of federal energy assistance funds of $274.9 million for Fiscal Year 2009."[5] LIHEAP only begins to cover the size of the real needs of Pennsylvania low-income households, and only serves a portion of eligible households. LIHEAP is erratically and unreliably funded and has been declining dramatically in relation to need for assistance.

[4] LIHEAP was established through the Low Income Home Energy Assistance Act, Title XXVI of the Omnibus Budget Reconciliation Act of 1981 (Public Law 97-35).

[5] Fisher, Sheehan & Colton, "On the Brink: 2009, The Home Energy Affordability Gap, April 2010." Belmont, MA: Fisher, Sheehan & Colton, Public Finance and General Economics.

An Ever Smaller Number of Real Jobs

Real jobs pay a family wage. They also provide a full and affordable family medical benefit, an adequate defined benefit pension, job security, and an opportunity for advancement during the years of employment. They are increasingly scarce. Since about 1970, economists and many leaders of both political parties have championed free trade agreements, outsourcing, and off-shoring of jobs as more efficient than the alternative. Over this period and more years, the US has changed from a manufacturing economy to a service economy. Originally, economists told us that only low-end jobs would be lost. But, many mid-range jobs followed, then high-end jobs. It turns out that in manufacturing and development of new products, the practical insights developed through work are at least as important as any academic ideas so the lively centers for this kind of development are now outside the US.[6]

For a typical Pennsylvania moderate size or small city, if we could trace the job structure changes every decade over the past 70 years to the present we would find a loss of real jobs and an increase of routine service work that pays less in comparison, and often provides token or no benefits. Job security is much less, overall, than it was in a manufacturing economy. Real wages have declined significantly. Prospects for career advancement over a lifetime of employment are typically much less because small service sector firms do not offer the range of positions and levels typical of manufacturing. This means that the necessary socioeconomic infrastructure is not present to build our way out of current economic conditions, also the longer the infrastructure is missing and skilled people are getting older without working or while marginally employed in part-time service jobs the former rich pools of employee talent and range of experience diminish and are less available locally when an opportunity for innovation and new products does come about.

Intensifying Climate Change

Climate change will become a stronger and stronger driver of electricity use. Absent significant mitigatation effort, Pennsylvania climate will gradually become hotter so that by mid-century it will feel approximately like today's northern North Carolina lowlands and in the last quarter of the century like today's southern Georgia. More and more hot summer days (above 90 degrees F) will occur each summer in Pennsylvania cities. Heat will cause air quality to deteriorate. Native agricultural yields (for example, milk,

[6] These dynamics are discussed in Rampell, Catherine, "Once a Dynamo, the High Tech Sector is Slow to Hire. *New York Times*, September 6, 2010. Corporations in the high tech sector of the US economy are taking advantage of the "Great Recession" to lay off engineers in the US and expand their overseas work forces, so the high tech sector is not a good prospect for job recovery.

grapes, sweet corn, and apples) will decrease. Hardwood forests will gradually disappear. There will be climate pressure on native animals (such as game fish), and snow will disappear from the state by the end of the century.[7]

These changes will likely cause households and business to use more energy for cooling, substantially increasing the consumer demand for electric energy services.

Federal Problems

The federal government has been to date unable to significantly or consistently address the trends in energy costs, loss of income, diminishing support in relation to need, and the loss of real jobs and climate change. This, in part, is due to the fact that the federal world is not the real world where families and households live. The size of the gap between reality and official reality is huge. For example, the federal government characterizes the economy using statistical series that are well defined in an academic sense, but present an official picture much nicer than the reality of life as it is actually lived. According to the Bureau of Labor Statistics, the unemployment rate for Pennsylvania jumped from 9.1% in May 2009 to 9.3% in May 2010.[8] This is the conventional unemployment rate (series U.3) reported by the Bureau of Labor Statistics (BLS). This is the series consistently reported by the media and consistently referenced in discussions of the economy by federal officials. However, the BLS also maintains a separate, more inclusive, unemployment rate (series U.6) which is more consistent with its original way of calculating unemployment. The U.6 series includes discouraged workers who have engaged in a job search during the past year, but not in the past four weeks. The U.6 series is generally double the U.3 series. Also to maintain compatibility with past practice, there is another piece of unemployment the BLS discarded during the Clinton administration. The additional people discarded from unemployment numbers by the Clinton administration, and thereafter, are those who have not looked for work for over one year.

As a general rule, real unemployment as experienced by households is the combination. To understand the real unemployment situation as experienced by families and households, double the BLS unemployment rate (the U.3 rate) then add three percent. This means when the BLS reports 9.3% the actual rate would be (2*9.3%) + 3% = 21.6%. The actual result for the US as a whole for May 2010 is

---

[7] Union of Concerned Scientists, "Climate Change Impacts and Solutions for Pennsylvania," Cambridge, MA 2008.

[8] Bureau of Labor Statistics, Unemployment Rates by County in Pennsylvania, May 2010. See: http://www.bls.gov/ro3/palaus.htm.

21.7%.[9] This number is consistent with the original method used by the BLS for reporting unemployment before discarding the two categories of discouraged workers. In a severely depressed economy where there are currently five or six persons for every job opening, the BLS official unemployment statistic (U.3) is guaranteed to make the unemployment rate look less than half what it really is.

Similar problems exist with other key official metrics like the Consumer Price Index (CPI) which, through a series of revisions since 1965, reports about one-half of actually experienced inflation in the cost of goods and services. Thus, while payments such as Social Security are adjusted using the CPI, the adjustments are only officially correct and not really correct in relation to changes in costs faced by senior citizens and the disabled.[10]

The federal poverty metric is similarly highly in error compared with actual experience of families and households. In Pennsylvania, Universal Service payment assistance programs are keyed to the 150% of federal poverty and below. However, it would be more realistic to use the Pennsylvania Self-Sufficiency Standard, which varies by family type and by county (Table 4).[11]

To put the matter directly, fatally flawed federal statistical practices produce statistical series that serve to obfuscate the intensity of unemployment, the degree erosion of pay by inflation, and of experience of poverty as experienced by families and households. Since these are the official statistics, they inform the social and political discussion of

---

[9] John Williams, Shadowstats. See Williams' discussion of federal unemployment statistics at http://www.shadowstats.com/. Williams' general method is to recover the original construction of various federal economic statistics, then to trace forward the various modifications introduced in different administrations. Most of these changes in official methods of calculation are supported by interesting academic perspectives but the net effect is to make things look much better than they really are, much as the statistical system of the old Soviet Union was corrupted as their economic reality became more challenging. In the area of unemployment statistics, there is no controversy because the BLS still maintains most of the series that it did before the official number was cut in half under President Johnson. The more recent change under President Clinton is a fact. Williams simply notes these deviations in official counting of unemployment from the original federal method and then puts the pieces back together to arrive at the result calculated by the federal method in effect in 1965. This corresponds well with the actual experience of families and households with unemployment. We accept Williams' methods over BLS modifications based on our over twenty years of low income experience. For a defense of current BLS modifications from within the BLS "silo," see Greenlees & McClelland.

[10] Social Security payments to individuals are adjusted for inflation using the defective official CPI. If adjusted using the method of the original CPI, nearly all Social Security payments would be slightly more than double the actual payments.

[11] Pierce, Diana M., *The Self-Sufficiency Standard for Pennsylvania 2008* (Sixth Edition). University of Washington School of Social Work, Prepared for PathWays PA, PA Department of Labor and Industries, and United Way of Southeastern PA. See Table A, Pp. 4-5. Also see: Pierce, Diana, *Overlooked and Undercounted: Struggling to Make Ends Meet in Pennsylvania*. University of Washington School of Social Work, Prepared for PathWays PA, and the Pennsylvania Department of Labor and Industry.

these matters and make it nearly impossible for local people, cities, counties and states to communicate the reality of the problems experienced at the local level.

Table 4: Self-Sufficiency Equivalent Federal Poverty Level.

Family Type	Current Program	Alternative Income Insufficiency Criterion	
	Poverty Level Eligibility Criterion	Poverty Level Equivalent (Lowest Pennsylvania County)	Poverty Level Equivalent (Highest Pennsylvania County)
One adult, one school age child	150%	165%	298%
One adult, one pre-school and one school age child	150%	177%	320%
Two adults, one pre-school and one school age child	150%	186%	300%

Summary: A Challenging Context

Pennsylvania, like the United States, is in an increasingly difficult situation. Energy and electricity prices are increasing and will increase. For most customers income has been decreasing for some time and will continue to decrease. At the same time, federal support for payment assistance (while important) is not reliable from year to year, is not an entitlement, and has never approached comprehensiveness in meeting need. Real jobs continue to disappear. Overtop this situation is climate change which will gradually increase the need for energy to mitigate its damaging effects. While all of this is happening, the federal level of government operates in a kind of disconnected fantasyland using official statistics that under-represent by half the size of the problems faced individually and collectively by families, households, utilities, and society as a whole; though sometimes very helpful, it is also a major barrier to resolving this set of complex and interacting problems.

Within the context of these competing and combining tendencies, a utility is obligated to try to serve all people. Putting all of these factors together, there is problem of balance between the prospect of growing need and a gradually diminishing resource base from which to consistently meet growing needs. While this problem existed in past years only for Pennsylvania's large urban utilities without suburban service territories, the challenging nature of the context for necessary Universal Service programs is deepening and becoming a statewide fact.

Having described the increasingly difficult context, we next turn to actual operations and the fourteen evaluation questions (and their answers) which structure this report. The first question is if the appropriate population is being served.

Section I: Is the Appropriate Population Being Served?

This question has three parts. First, are the customers enrolled in the Pennsylvania Customer Assistance Program Eligible? Second, does the size of the PCAP program meet the need in the service territory? Third, is recertification completed according to the approved program plan?

Enrollment and Eligibility

Here we check enrolled PCAP customers for income eligibility. With information from computer records on number of persons per household and the household income, we check the PCAP program's assignment of customers to the four income "bins" (used by each of the three companies). This analysis is made easier because each of the three companies assigns program participants to income bins in the same way. Also, analysis is made easier because each of the three utilities operates the same PCAP program, based on the New Jersey model. Besides number of persons per household and household income, the other piece of information required is the federal poverty table. To further simplify analysis for this check, we select a single twelve-month period for which the federal poverty table was constant (Table 5).[12]

[12] The US Congress mandated the continued use of the 2009 table through May 31, 2010. Subsequently, the 2010 guidelines, published by the US Department of Health and Human Services were issued, remaining unchanged from 2009. Source: *Federal Register*, vol. 75, no. 148, pp. 45628-45629. The next revision in the poverty guidelines is expected to occur in January 2011.

Table 5: Federal Poverty Classification for Programs for 2009.

2009 Federal Poverty Guidelines Percentages							
	household size	100% Fed Pov	150% Fed Pov FirstEnergy CAP & WARM	175% Fed Pov NJ HEAP	200% Fed Pov Hardship Funds	210% Fed Pov LIHEAP	225% Fed Pov LIHEAP
A	1	10,830	16,245	18,953	21,660	22,743	24,368
N	2	14,570	21,855	25,498	29,140	30,597	32,783
N	3	18,310	27,465	32,043	36,620	38,451	41,198
U	4	22,050	33,075	38,588	44,100	46,305	49,613
A	5	25,790	38,685	45,133	51,580	54,159	58,028
L	6	29,530	44,295	51,678	59,060	62,013	66,443
	7	33,270	49,905	58,223	66,540	69,867	74,858
	8	37,010	55,515	64,768	74,020	77,721	83,273
	each add'l	3,740	5,610	6,545	7,480	7,854	8,415
M	1	903	1,354	1,579	1,805	1,895	2,031
O	2	1,214	1,821	2,125	2,428	2,550	2,732
N	3	1,526	2,289	2,670	3,052	3,204	3,433
T	4	1,838	2,756	3,216	3,675	3,859	4,134
H	5	2,149	3,224	3,761	4,298	4,513	4,836
L	6	2,461	3,691	4,306	4,922	5,168	5,537
Y	7	2,773	4,159	4,852	5,545	5,822	6,238
	8	3,084	4,626	5,397	6,168	6,477	6,939
	each add'l	312	468	545	623	655	701
W	1	$208	312	364	417	437	469
E	2	$280	420	490	560	588	630
E	3	$352	528	616	704	739	792
K	4	$424	636	742	848	890	954
L	5	$496	744	868	992	1,042	1,116
Y	6	$568	852	994	1,136	1,193	1,278
	7	$640	960	1,120	1,280	1,344	1,440
	8	$712	1,068	1,246	1,423	1,495	1,601
	each add'l	$72	108	126	144	151	162

Note: these limits are based on the Federal Poverty Income limits which are updated annually

Table 6: Met Edison – Appropriate Population.

Met Edison: Eligibility Classification Check						
Evaluation Classification		PCAP Program Classification				
		A1	A2	A3	B1	Total
(hh <=50% of FPL)	A1	1831	0	0	0	1831
(50%< hh <=100% of FPL)	A2	0	2563	0	0	2563
(100%<hh <=110% of FPL)	A3	0	0	469	0	469
(110% <hh <150% of FPL)	B1	0	0	0	1398	1398
Total		1831	2563	469	1398	6261

Table 7: Pennsylvania Electric – Appropriate Population.

Pennsylvania Electric: Eligibility Classification Check						
Evaluation Classification		PCAP Program Classification				
		A1	A2	A3	B1	Total
(hh <=50% of FPL)	A1	2440	0	0	0	2440
(50%< hh <=100% of FPL)	A2	0	3703	0	0	3703
(100%<hh <=110% of FPL)	A3	0	0	633	0	633
(110% <hh <150% of FPL)	B1	0	0	0	1779	1779
Total		2440	3703	633	1779	8555

Table 8: Penn Power -- Appropriate Population.

Penn Power: Eligibility Classification Check						
Evaluation Classification		PCAP Program Classification				
		A1	A2	A3	B1	Total
(hh <=50% of FPL)	A1	750	0	0	0	750
(50%< hh <=100% of FPL)	A2	0	1220	0	0	1220
(100%<hh <=110% of FPL)	A3	0	0	254	0	254
(110% <hh <150% of FPL)	B1	0	0	0	787	787
Total		750	1220	254	787	3011

As shown in Tables 6, 7, and 8, the independent reanalysis of classification information carried out by the evaluation team is a 100% match to the PCAP classification of participants for each of the three utilities. The appropriate population is being served with respect to the program limit on eligibility to at or below 150% of the federal poverty level, and the classifications to reporting groups within this limit are correct.

Meeting the Need

Met Edison, Pennsylvania Electric, and Penn Power are all are experiencing growing need for Universal Service programs, a reflection of the current economic situation in

Pennsylvania and in the United States as a whole. In an earlier section of this report, on context, we noted some of the key trends that drive increasing need. We also noted the problem of whether the current definition of eligibility (as at or below 150% of the federal poverty level) is appropriate, or whether it should be set more realistically, for example, on a county by county basis using the income insufficiency results developed for the Pennsylvania Department of Labor and Industry. Having noted these issues earlier, we focus here only on the current standard of the 150% of poverty level, since that is the level currently set by the commission.

In the FirstEnergy Human Services Plan Filings for Met Edison, Pennsylvania Electric Company, and Penn Power, needs assessments are developed for each utility.[13] In the evaluation review of the needs analysis, we repeated the company's calculations using the company's distribution of customers per county and found them to be completely correct for each of the three utilities. The check calculation for Met Edison, using Census 2000 data, is shown in Table 9. The check calculation for Penn Power is shown in Table 10, and the check calculation for Pennsylvania Electric Company is shown in Table 11.

For this evaluation, the needs analysis tables have been updated using the most recent census information, as developed by Mollie Van Loon, CSIS Project, Penn State University.[14] The distribution of customers by county was retained from the previous calculations. The new calculation for Met Edison is shown in Table 12. The new calculation for Penn Power is shown in Table 13, and the new calculation for the Pennsylvania Electric Company is shown in Table 14.

[13] FirstEnergy Human Services, FirstEnergy Universal Service Programs, Amended Plan Filing for January through December 2008 and Updated Plan Filing for Program Years 2009, 2010, and 2011, Metropolitan Edison Company, February 22, 2008, P. 17; FirstEnergy Human Services, FirstEnergy Universal Service Programs, Amended Plan Filing for January through December 2008 and Updated Plan Filing for Program Years 2009, 2010, and 2011, Pennsylvania Electric Company, P. 17; FirstEnergy Human Services, FirstEnergy Universal Service Programs, Amended Plan Filing for January through December 2008 and Updated Plan Filing for Program Years 2009, 2010, and 2011, Pennsylvania Power Company, February 8, 2008, P. 19.

[14] This information was developed for Pennsylvania Public Commission staff members Dave Mick and Sarah Dewey, and was approved January 12, 2010.

Table 9: Needs Check for Met Edison.

Metropolitan Edison 2000 (Calculation of Households At or Below 150% of Poverty)						
County	**HH**	**<150%**	**%**	**Res Cust**	**<150%**	**%**
Adams	33,647	5,001	14.86%	28,250	4,199	
Berks	141,609	22,070	15.59%	123,376	19,228	
Bucks	218,773	19,515	8.92%	5,071	452	
Chester	158,035	14,104	8.92%	1,115	100	
Cumberland	83,047	10,266	12.36%	9,802	1,212	
Dauphin	102,667	16,920	16.48%	6,014	991	
Lancaster	172,780	23,088	13.36%	1,835	245	
Lebanon	46,611	7,135	15.31%	49,202	7,532	
Lehigh	121,947	19,371	15.88%	3,515	558	
Monroe	49,508	7,893	15.94%	20,776	3,312	
Montgomery	286,255	25,210	8.81%	9,826	865	
Northhampton	101,631	14,973	14.73%	55,512	8,178	
Pike	17,447	2,603	14.92%	15,135	2,258	
York	148,288	19,906	13.42%	149,789	20,107	
Total	1,682,245	208,055	12.37%	479,218	69,239	14.45%

Table 10: Needs Check for Penn Power.

Pennsylvania Electric Company 2000 (Calculation of Households At or Below 150% of Poverty)						
County	**HH**	**<150%**	**%**	**Res Cust**	**<150%**	**%**
Allegheny	537,405	106,443	19.81%	15,788	3,127	
Beaver	72,664	13,626	18.75%	12,037	2,257	
Butler	65,929	11,159	16.93%	23,485	3,975	
Crawford	34,695	7,914	22.81%	6,069	1,384	
Lawrence	37,136	8,630	23.24%	35,901	8,343	
Mercer	46,755	9,530	20.38%	46,468	9,472	
	794,584	157,302		139,748	28,558	20.44%

Table 11: Needs Check for Pennsylvania Electric Company.

Pennsylvania Electric Company 2000 (Calculation of Households At or Below 150% of Poverty)						
County	**HH**	**<150%**	**%**	**Res Cust**	**<150%**	**%**
Armstrong	28,932	6,922	23.93%	108	26	
Bedford	19,800	4,409	22.27%	9,815	2,186	
Blair	51,622	12,543	24.30%	48,556	11,798	
Bradford	24,427	5,316	21.76%	19,341	4,209	
Cambria	60,568	15,047	24.84%	57,524	14,291	
Centre	49,336	13,068	26.49%	4,438	1,176	
Clarion	16,011	4,247	26.53%	4,915	1,304	
Clearfield	32,792	8,074	24.62%	29,940	7,372	
Crawford	34,695	7,914	22.81%	22,542	5,142	
Cumberland	83,047	10,266	12.36%	4,502	557	
Erie	106,488	23,108	21.70%	104,753	22,732	
Forest	1,996	559	28.01%	3,543	992	
Franklin	50,574	8,108	16.03%	4,942	792	
Huntingdon	16,778	3,827	22.81%	11,551	2,635	
Indiana	34,098	9,815	28.78%	22,791	6,560	
Jefferson	18,396	4,285	23.29%	14,260	3,322	
Juniata	8,580	1,731	20.17%	695	140	
Lycoming	47,040	10,598	22.53%	745	168	
McKean	18,027	4,106	22.78%	14,561	3,317	
Mifflin	18,446	4,639	25.15%	19,178	4,823	
Perry	16,742	2,707	16.17%	1,001	162	
Potter	6,988	1,690	24.18%	2,532	612	
Somerset	31,193	7,645	24.51%	26,824	6,574	
Sullivan	2,667	667	25.01%	2,891	723	
Susquehanna	16,543	3,886	23.49%	11,740	2,758	
Tioga	15,942	3,981	24.97%	13,650	3,409	
Venango	22,788	5,600	24.57%	19,109	4,696	
Warren	17,700	3,314	18.72%	15,155	2,837	
Wayne	18,300	4,121	22.52%	2,949	664	
Westmoreland	149,870	27,704	18.49%	2,101	388	
Wyoming	10,822	2,301	21.26%	7,020	1,493	
Total	1,031,208	222,198		503,672	117,856	23.40%

Table 12: New Needs Calculation with 2008 Data for Met Edison.

Metropolitan Edison 2008 (Calculation of Households At or Below 150% of Poverty)						
County	**HH**	**<150%**	**%**	**Res Cust**	**<150%**	**%**
Adams	37,532	7,183	19.14%	28,250	5,407	
Berks	150,144	35,888	23.90%	123,376	29,490	
Bucks	227,655	29,638	13.02%	5,071	660	
Chester	175,047	23,935	13.67%	1,115	152	
Cumberland	90,417	14,343	15.86%	9,802	1,555	
Dauphin	104,924	23,228	22.14%	6,014	1,331	
Lancaster	185,685	40,827	21.99%	1,835	403	
Lebanon	50,352	10,633	21.12%	49,202	10,390	
Lehigh	130,424	30,498	23.38%	3,515	822	
Monroe	60,169	11,828	19.66%	20,776	4,084	
Montgomery	299,280	38,912	13.00%	9,826	1,278	
Northhampton	110,334	20,136	18.25%	55,512	10,131	
Pike	23,261	4,352	18.71%	15,135	2,832	
York	164,587	31,342	19.04%	149,789	28,524	
Total	1,809,811	322,743	17.83%	479,218	97,059	20.25%

Table 13: New Needs Calculation with 2008 Date for Penn Power.

Penn Power 2008 (Calculation of Households At or Below 150% of Poverty)						
County	**HH**	**<150%**	**%**	**Res Cust**	**<150%**	**%**
Allegheny	520,035	131,203	25.23%	15,788	3,983	
Beaver	70,778	17,636	24.92%	12,037	2,999	
Butler	71,389	13,515	18.93%	23,485	4,446	
Crawford	34,877	10,841	31.08%	6,069	1,886	
Lawrence	35,826	10,196	28.46%	35,901	10,217	
Mercer	46,073	13,520	29.34%	46,468	13,636	
	778,978	196,911		139,748	37,168	26.60%

Table 14: New Needs Table with 2008 Data for Pennsylvania Electric Company.

Pennsylvania Electric Company 2008 (Calculation of Households At or Below 150% of Poverty)						
County	**HH**	**<150%**	**%**	**Res Cust**	**<150%**	**%**
Armstrong	29,200	7,367	25.23%	108	27	
Bedford	19,916	6,851	34.40%	9,815	3,376	
Blair	51,012	14,919	29.25%	48,556	14,201	
Bradford	24,891	8,339	33.50%	19,341	6,480	
Cambria	58,683	17,256	29.41%	57,524	16,915	
Centre	51,172	15,794	30.86%	4,438	1,370	
Clarion	15,731	4,846	30.81%	4,915	1,514	
Clearfield	33,217	10,638	32.03%	29,940	9,589	
Crawford	34,877	10,841	31.08%	22,542	7,007	
Cumberland	90,417	14,343	15.86%	4,502	714	
Erie	107,075	32,927	30.75%	104,753	32,213	
Forest	1,996	559	28.01%	3,543	992	
Franklin	57,100	11,391	19.95%	4,942	986	
Huntingdon	16,630	4,606	27.70%	11,551	3,199	
Indiana	34,625	12,398	35.81%	22,791	8,161	
Jefferson	18,475	5,567	30.13%	14,260	4,297	
Juniata	8,786	2,265	25.78%	695	179	
Lycoming	47,644	14,208	29.82%	745	222	
McKean	17,514	5,946	33.95%	14,561	4,943	
Mifflin	19,119	5,935	31.04%	19,178	5,953	
Perry	17,331	3,435	19.82%	1,001	198	
Potter	6,988	1,690	24.18%	2,532	612	
Somerset	30,504	9,623	31.55%	26,824	8,462	
Sullivan	2,667	667	25.01%	2,891	723	
Susquehanna	17,167	4,703	27.40%	11,740	3,216	
Tioga	16,629	5,380	32.35%	13,650	4,416	
Venango	22,382	6,872	30.70%	19,109	5,867	
Warren	17,677	5,068	28.67%	15,155	4,345	
Wayne	20,541	5,746	27.97%	2,949	825	
Westmoreland	151,287	33,520	22.16%	2,101	466	
Wyoming	11,066	2,693	24.34%	7,020	1,708	
Total	1,052,319	286,393		503,672	153,178	30.41%

Following remarkable reduction in income insufficiency during the War on Poverty years of the middle 1960's (the Johnson administration), income insufficiency has been creeping up in the US since the early 1970's.[15] In addition to the constant creep, we now have the current "Great Recession" created by the major banks and finance houses through their derivatives scams. The increase from 2000 to 2008 is shown in Column 4 of Table 15, below.

Table 15: Increasing Need for Universal Service Programs.

Increase in Need over Eight Years (Customer Households at or below 150% of Poverty)			
Col. 1	Col. 2	Col. 3	Col. 4
Company	**Eligible in 2000**	**Eligible in 2008**	**Increase**
Approximate Number of Eligible Households			
Met Edison	69,239	97,059	27,820
Pennsylvania Power Company	28,558	37,168	8,610
Pennsylvania Electric Company	117,856	153,178	35,322
Approximate Percentage of All Households			
Met Edison	14.45%	20.25%	5.8%
Pennsylvania Power Company	20.44%	26.60%	6.2%
Pennsylvania Electric Company	23.40%	30.41%	7.0%
Source: Tables 9-14.			

[15] In most federal tables, the extent of increasing income insufficiency has been masked by successive adjustments within the federal system of statistics, in particular, the modifications made to Consumer Price Index (CPI) since 1965. These successive adjustments all have one or another theoretically reasonable academic argument in their defense. However, the fact remains that without these adjustments the original CPI methodology of 1965 produces results that differ from the official CPI by a factor slightly more than two. In practical terms this means that, for example, Social Security recipients are shorted slightly over one-half of what they would have received without these modifications.

Table 16: Met Edison – Recertification.

Met Edison -- Recertification			
Col. 1	Col. 2	Col. 3	Col. 4
Month	Frequency	Percent	Total for Year
2008			1,492
2	2	0.13	
3	16	1.07	
4	29	1.94	
5	388	26.01	
6	270	18.1	
7	301	20.17	
8	102	6.84	
9	59	3.95	
10	116	7.77	
11	122	8.18	
12	87	5.83	
2009			1,664
1	102	6.13	
2	122	7.33	
3	128	7.69	
4	141	8.47	
5	111	6.67	
6	139	8.35	
7	160	9.62	
8	151	9.07	
9	139	8.35	
10	190	11.42	
11	135	8.11	
12	146	8.77	
2010			1,677
1	263	15.68	
2	265	15.8	
3	342	20.39	
4	505	30.11	
5	302	18.01	

In its plans, as filed, each company projects its estimate number of potential program participants at one-half of the number of eligible customers (this number is shown in Column 2 in the first three rows of Table 15). This is a reasonable and conservative assumption for use in program planning. In any of the payment assistance programs for which enrollment is not automatic, a large percentage of eligible customers do not participate in the program.

For evaluation purposes, we prefer to use the number eligible (Columns 2 and 3, Table 15). While we are able to compute the number and percentage of eligible households for each company for 2008 based on federal census data, we will not have numbers for 2010 until the 2010 census results are published. We do know that there has been no relief from the Great Recession to date, that even the economists who positively spin the numbers are talking about a "jobless recovery," and that many economists predict a long extension of a depressed economy.

We also know that the Congress has difficulty extending unemployment compensation, meager as it is, while five to six persons are striving for each job opening.

In other words, there is a *structural problem* with the *job structure* in the American economy which Congress is not moving immediately to solve, for example with a WPA type program that would put everyone to work (and as a negative consequence, run up a large deficit). Nor is the Congress abrogating the trade treaties that made it in the economic interest of industry to ship manufacturing and high tech jobs overseas.

Table 17: Penelec -- Recertification.

Penelec -- Recertification			
Col. 1	Col. 2	Col. 3	Col. 4
Month	Frequency	Percent	Total for Year
2008			2,208
2	3	0.14	
3	53	2.4	
4	78	3.53	
5	582	26.36	
6	354	16.03	
7	428	19.38	
8	160	7.25	
9	94	4.26	
10	165	7.47	
11	175	7.93	
12	116	5.25	
2009			1,819
1	131	7.2	
2	166	9.13	
3	162	8.91	
4	165	9.07	
5	121	6.65	
6	149	8.19	
7	182	10.01	
8	146	8.03	
9	124	6.82	
10	190	10.45	
11	132	7.26	
12	151	8.3	
2010			1,976
1	229	11.59	
2	282	14.27	
3	308	15.59	
4	788	39.88	
5	368	18.62	
6	1	0.05	

So, more and more families and households are running out of money and will be turned out of their homes and onto the streets, while private helping agencies are already overburdened and the federal social welfare system has been made incapable of meeting needs in the context of a long-term jobless recovery.

In this process it is likely that the percentage of households eligible for PCAP has increased another three percentage points since 2008. However, though we know the direction of the change since 2008, we will not know the full magnitude of the additional service load assigned by the failure of the national economic system thus far until 2010 census results are available.

If current federal trade policy, current federal incomes policy, and the perspective that it is more economically efficient to have more low paid workers overseas and fewer living wage jobs at home are not reversed, this process of general degradation of the workforce will continue with no fixed end in sight. That will mean that the service load will continue to increase. For utilities responsible for Universal Service programs, the failure of the federal government to move beyond a policy of jobless recovery means a certainty of continuing high service loads and continuing increases.

Recertification

According to the Metropolitan Edison Company plan,[16] PCAP participants are required to recertify for program benefits on an annual basis by submitting the details of household income and number of persons in the household. According to the plan, the company will continue to use electronic file transfers between the Pennsylvania Department of Public Welfare (DPW) and FirstEnergy Human Services, to determine if participants are, in fact, active or LIHEAP certified with DPW, to avoid in-person recertification. Also, according to the plan, participants (both electric heat and non-electric heat) who have not been recertified via DPW electronic file transfers by June 30 of each year will be give 60 days to recertify at a community-based organization. The same plan for recertification is used by Pennsylvania Electric Company[17] and by Penn Power.

The actual pattern of recertification for Met Edison is shown in Table 16; for Pennsylvania Electric Company Table 17, and for Penn Power in Table 18. As can be seen in these tables, there is recertification activity each month, but the level of activity is very low.

The problem is that the electronic data exchange with DPW has not been operational.

Table 18: Penn Power -- Recertification.

Penn Power -- Recertification			
Col. 1	Col. 2	Col. 3	Col. 4
Month	Frequency	Percent	Total for Year
2008			462
4	50	10.82	
5	119	25.76	
6	55	11.9	
7	77	16.67	
8	20	4.33	
9	37	8.01	
10	50	10.82	
11	28	6.06	
12	26	5.63	
11	175	7.93	
12	116	5.25	
2009			868
1	43	4.95	
2	41	4.72	
3	46	5.3	
4	54	6.22	
5	58	6.68	
6	92	10.6	
7	108	12.44	
8	74	8.53	
9	79	9.1	
10	111	12.79	
11	78	8.99	
12	84	9.68	
2010			903
1	123	13.62	
2	126	13.95	
3	133	14.73	
4	381	42.19	
5	140	15.5	

[16] FirstEnergy Human Services, FirstEnergy Universal Service Programs, Amended Plan Filing for January through December 2008 and Updated Plan Filing for Program Years 2009, 2010, and 2011, Metropolitan Edison Company, February 22, 2008, Pp. 9-10.

[17] FirstEnergy Human Services, FirstEnergy Universal Service Programs, Amended Plan Filing for January through December 2008 and Updated Plan Filing for Program Years 2009, 2010, and 2011, Pennsylvania Electric Company, Pp. 9-10.

Only a small percentage of cases that need yearly recertification have actually been recertified. This is a serious and systematic problem. As demonstrated by the tables, this problem has lasted for at least two and a half years, creating a huge backlog.

In contrast, electronic checking under an arrangement with the Pennsylvania Department of Welfare is fast, simple, and can cover the majority of cases. The alternative, recertification through a community based organization requires substantial effort and can be costly to individual customers who are elderly, disabled, or who have serious medical problems. We may note here that recertification is not occurring according to the plans filed for each utility. For more on this problem, please see Section 13.

Section 2: Customer Distribution by CAP Payment Plan

Since each of the three FirstEnergy utilities has adopted the New Jersey model for PCAP, there is only one payment plan. In the New Jersey model, a customer with all electric service (including electric heat) is asked to pay six percent of household income. A customer with electric service but with natural gas heat is asked to pay three percent of household income for electric service.

However, there are some additional rules. For accounts without electric heat, there is a $12 minimum monthly payment; for accounts with electric heat there is a $30 minimum monthly payment. Also, the maximum subsidy for an account with no electric heat is $80 per month ($960 per year); the maximum subsidy for an account with electric heat is $200 per month ($2,400 per year). Energy use which exceeds the minimum monthly payment plus the maximum monthly subsidy is billed in full. This last provision keeps in place a cost incentive for conserving energy.[18]

Since within each utility and across the three utilities there is only one and the same payment plan, the distribution by payment plan is simply the number of customers per utility. These distributions are shown in Table 19 for Met Edison, Table 20 for the Pennsylvania Electric Company, and in Table 21 for Penn Power. The income categories maintained by the utilities are also shown in these tables; however, they do not modify the payment plan.

Table 19: Met Edison -- Single Payment Plan.

Met Edison (All PCAP Participants on a Single Payment Plan)			
Evaluation Classification		**Total**	**%**
(hh <=50% of FPL)	**A1**	1831	29.2%
(50%< hh <=100% of FPL)	**A2**	2563	40.9%
(100%<hh <=110% of FPL)	**A3**	469	7.5%
(110% <hh <150% of FPL)	**B1**	1398	22.3%
Total		6261	100.0%

[18] Control features, including consumption limits, are reviewed in the discussion for Question 5.

Table 20: Pennsylvania Electric -- Single Payment Plan.

Pennsylvania Electric Company (All PCAP Participants on a Single Payment Plan)			
Evaluation Classification		**Total**	**%**
(hh <=50% of FPL)	**A1**	2440	28.5%
(50%< hh <=100% of FPL)	**A2**	3703	43.3%
(100%<hh <=110% of FPL)	**A3**	633	7.4%
(110% <hh <150% of FPL)	**B1**	1779	20.8%
Total		8555	100.0%

Table 21: Penn Power -- Single Payment Plan.

Penn Power (All PCAP Participants on a Single Payment Plan)			
Evaluation Classification		**Total**	**%**
(hh <=50% of FPL)	**A1**	750	24.9%
(50%< hh <=100% of FPL)	**A2**	1220	40.5%
(100%<hh <=110% of FPL)	**A3**	254	8.4%
(110% <hh <150% of FPL)	**B1**	787	26.1%
Total		3011	100.0%

Conformance to the CAP Policy Statement, §69.265(2)(i)(A-B) requires observance of the policy intentions set forth by the Pennsylvania Public Utility Commission (PPUC) for program designs using a percentage of income plan. In these sections of the CAP Policy Statement, the commission advocates that the combined CAP payments for total electric and gas home energy should not exceed 17% of the participant household's annual income. While the FirstEnergy utilities cannot control CAP cost of natural gas, the electricity plan for both households with electric heat (6% of household income) is well within this guideline and the percentage for participant homes without electric heat (3% of household income) makes it virtually certain that this overall energy guideline will be followed.

The minimum payment provision (discussed on the previous page) is also in place. Beyond this maximum payments for electric non-heating service are to be from 2% to

7% of household income, with steps relating to poverty level. The payment plan specifies 3%, well within this range. Maximum payments for participant households with electric heat are to be from 5% to 10% of income, depending on poverty level. PCAP is set at 6%; again well within the policy range. The policy guidance for combined CAP bills for electricity and natural gas for households from 0-50% is from 7% to 13% of household income. For households from 51% to 100% of poverty, the policy range is 11% to 16% of income, and for households from 101% to 150% of poverty, the policy range is 15% to 17% of household income. Although the three utilities have no influence on natural gas CAP bills, electric bills in each range have been set to comply for homes with electric heat, and to virtually insure compliance for homes heated by natural gas.

Section 3: PCAP Retention Rates & Why Customers Leave

Met Edison

For Met Edison of all the reasons for removal from the program, exceeding the income limit is the primary reason. About one-third of households removed from PCAP were removed for exceeding the income limit. The second most frequent reason is “other.” This category covers mistakes on applications (a small number of which may indicate fraud). The third most frequent reason is “not primary residence.” This accounts for about fourteen percent of removals.   The remaining reasons account for smaller percentages of removals (Figure 1). In Figure 2, the percentages are given by dividing the number of Met Edison customers removed for a specific reason by the total number of Met Edison customers removed during the time window for the analysis.

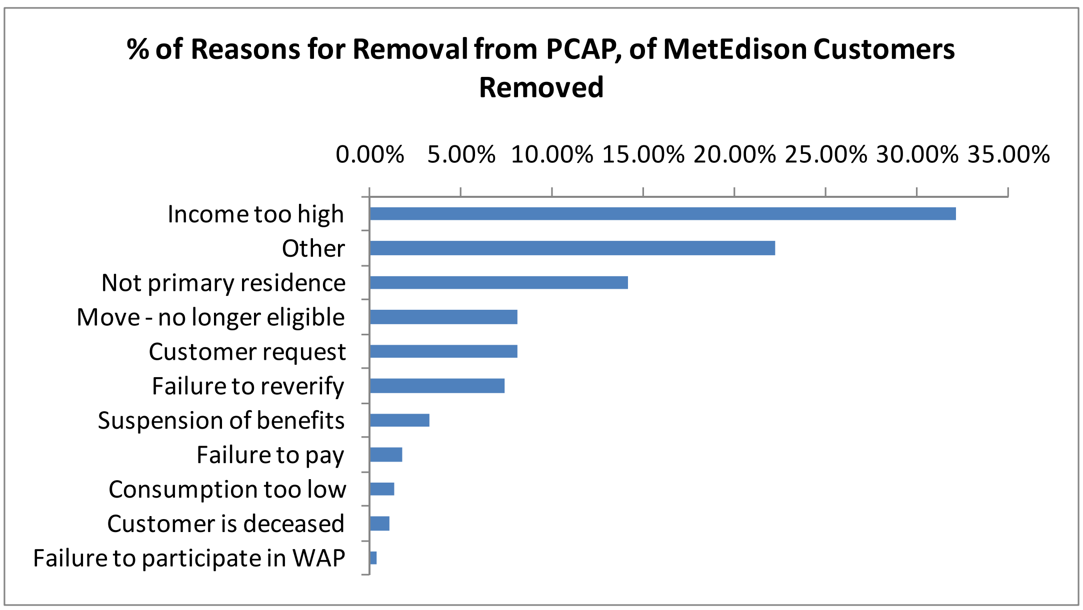

Figure 2: Removals as a Percentage of Customers Removed – Met Edison.

Another way to look at removals from the Met Edison PCAP program is shown in Figure 3. This is the same information presented in Figure 2, but shows the percentages as a result of dividing the number of households removed for a specific reason by the total number of households in the analysis (including households retained and households removed) for the analysis time window. This presentation emphasizes the very small number of households removed from PCAP as a percentage of all Met Edison PCAP customers.

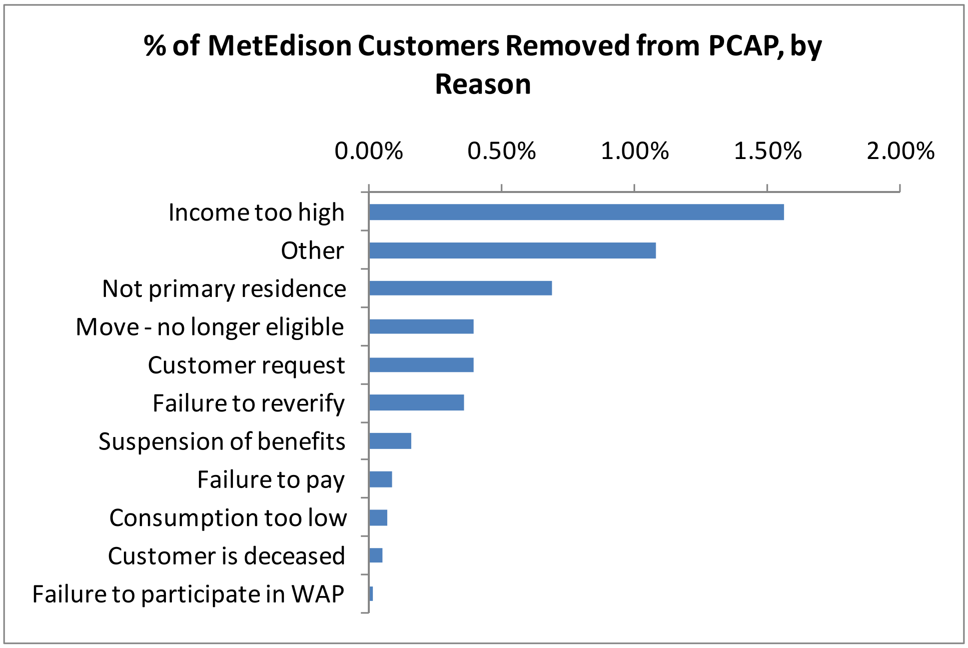

Figure 3: Removals as a Percentage of all PCAP Customers - Met Edison.

The pattern of overall PCAP program retention for Met Edison is shown in Figure 4. The graph in Figure 4 is based on analysis of 5,404 enrollments of unique Business Partners (multiple enrollments were excluded). There were 410 program removals in this sample (7.7%). The graph shows how removals occurred over time during a twenty-four month time window. The scale on the Y-axis is percentage of participants retained. The scale on the X-axis is months since enrollment. This graph illustrates very good program retention.

Figure 5 shows how the graph from Figure 4 breaks down by source of income. As might be expected, those on retirement income (senior citizens) show the most stable retention pattern, follow by households with current employment. The least stable group for retention is composed of households experiencing unemployment.

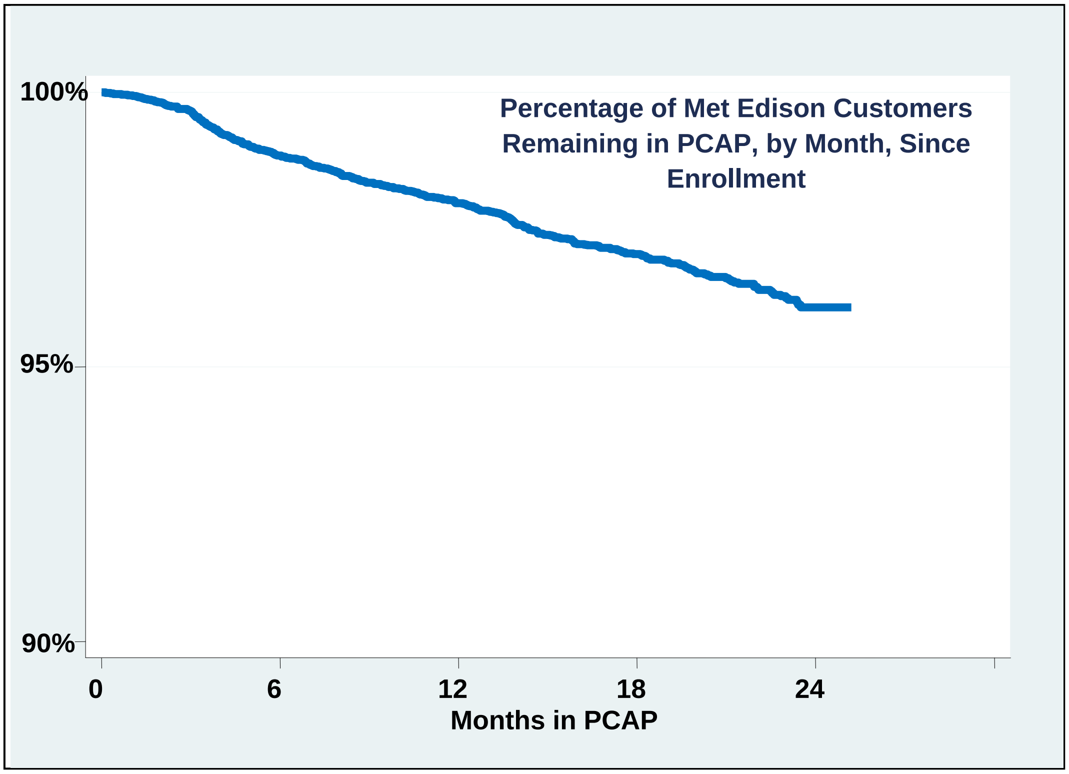

Figure 4: Program Retention -- Met Edison.

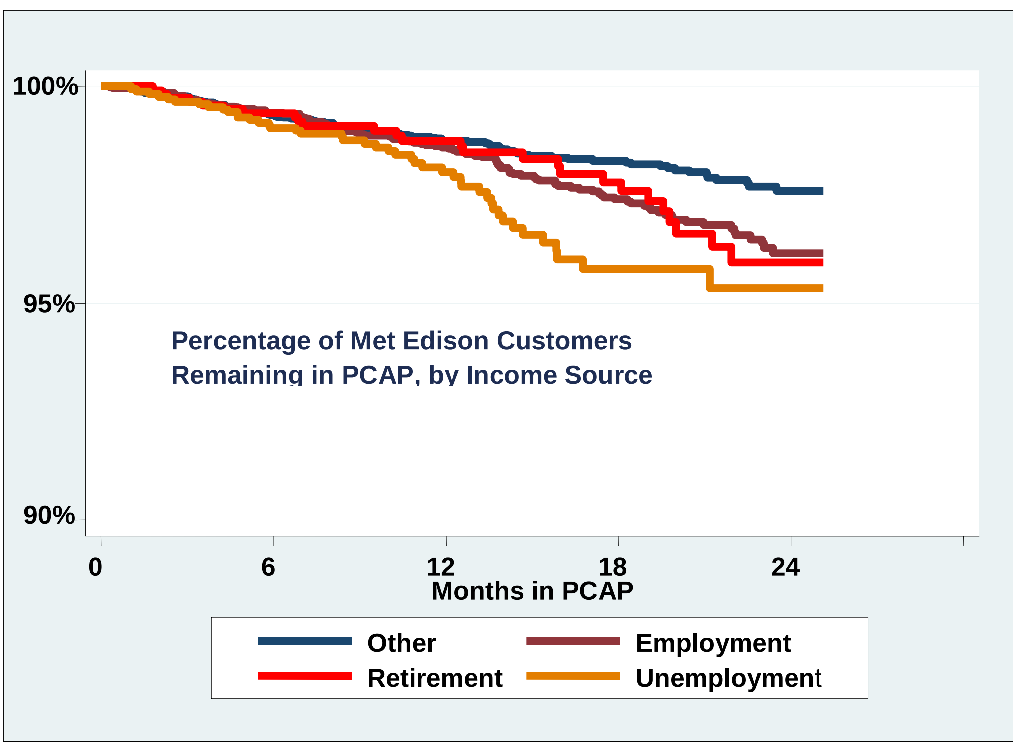

Figure 5: Program Retention by Source of Income -- Met Edison.

Pennsylvania Electric

For Pennsylvania Electric, of all the reasons for removal from the program, exceeding the income limit is the primary reason. About one-third of households removed from PCAP were removed for exceeding the income limit. The second most frequent reason is "other." This category covers mistakes on applications (which may or may not indicate fraud). The third most frequent reason is "not primary residence." This accounts for about fourteen percent of removals. The remaining reasons account for smaller percentages of removals (Figure 6). In this figure, the percentages shown are calculated by dividing the number of Pennsylvania Electric customers removed for a specific reason by the total number of Pennsylvania Electric customers removed during the twenty-four month time window for the analysis.

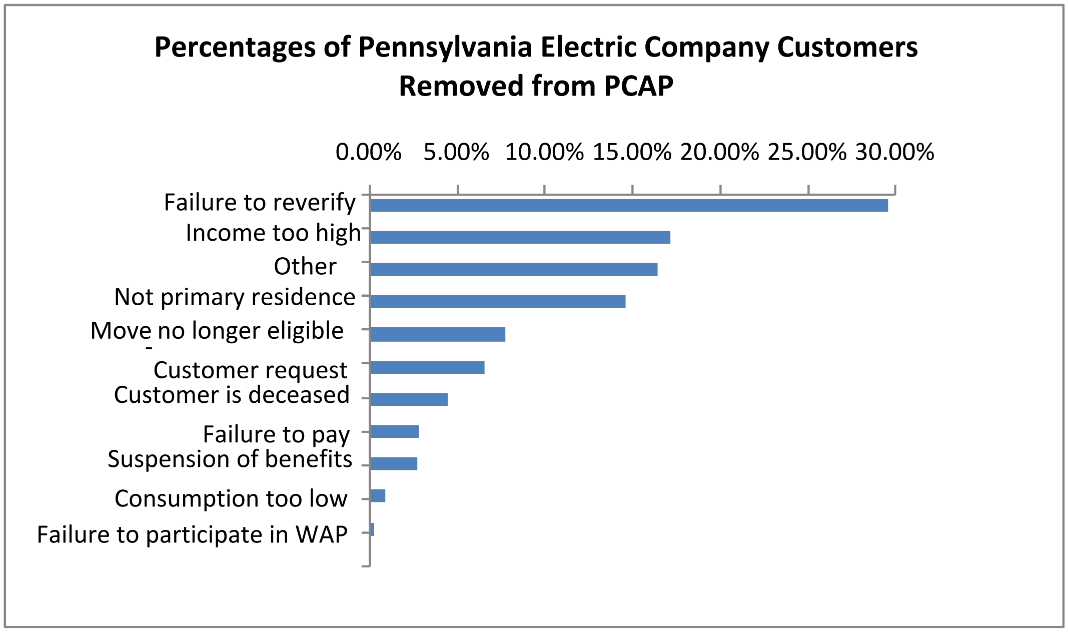

Figure 6: Removals as Percentage of Customers Removed – Penelec.

Another way to look at removals from the Pennsylvania Electric PCAP program is shown in Figure 7. This is based on the same data as presented in Figure 6, but shows the percentages as a result of dividing the number of households removed for a specific reason by the total number of households in the analysis (including households retained and households removed) for the analysis time window. This presentation emphasizes the very small number of households removed from PCAP as a percentage of all Pennsylvania Electric PCAP customers.

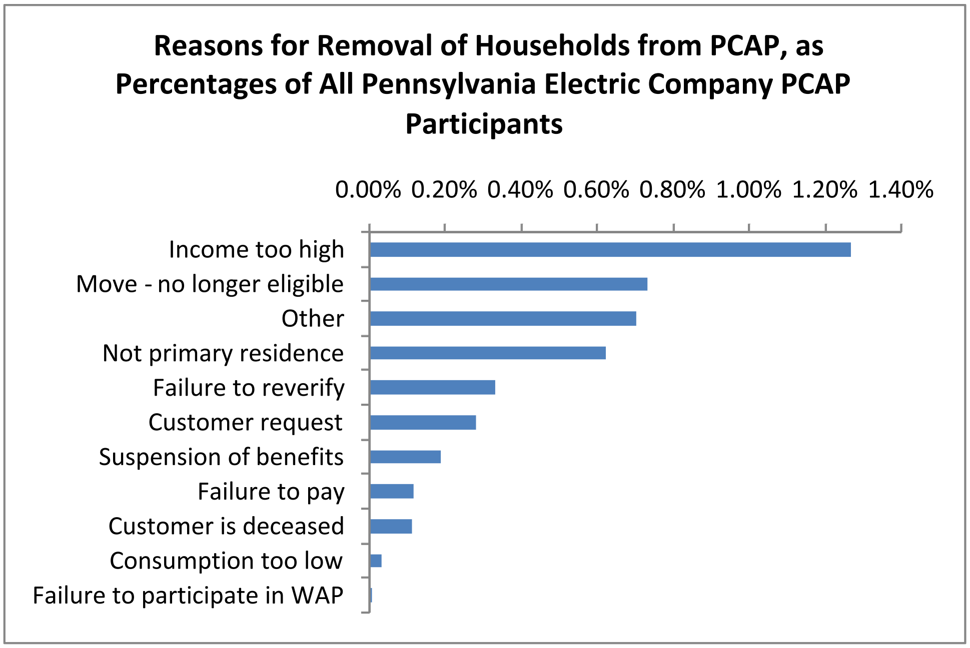

Figure 7: Removals as a Percentage of PCAP Customers – Penelec.

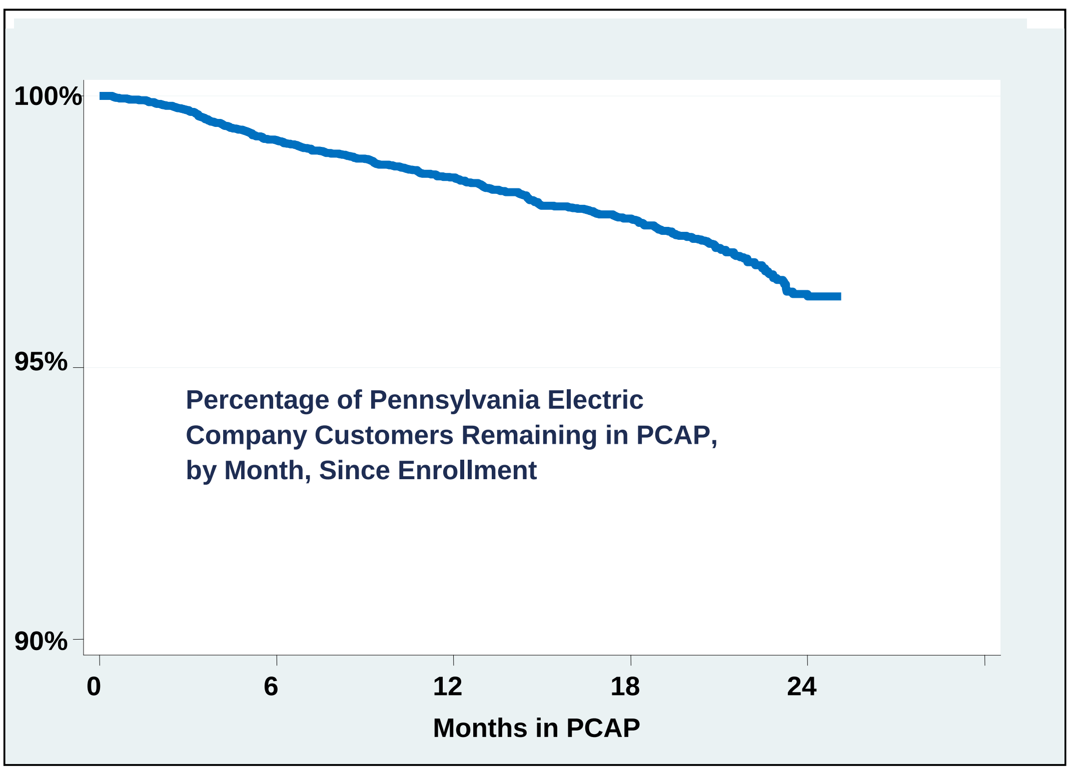

Figure 8: Retention in PCAP for Pennsylvania Electric.

The pattern of overall PCAP program retention for Pennsylvania Electric is shown in Figure 8. This graph is based on analysis of 19,744 enrollments of unique Business Partners (multiple enrollments were excluded). There were 394 program removals in this sample (about 2%). The graph shows how removals occurred over time during a twenty-four month time window. The scale on the Y-axis is percentage of participants retained. The scale on the X-axis is months since enrollment. This graph illustrates very good program retention.

Figure 9 shows how the graph from Figure 8 breaks down for retention by source of income. As might be expected, those on retirement income (senior citizens) show the most stable retention pattern, follow by households with current employment. The least stable group for retention is composed of households experiencing unemployment.

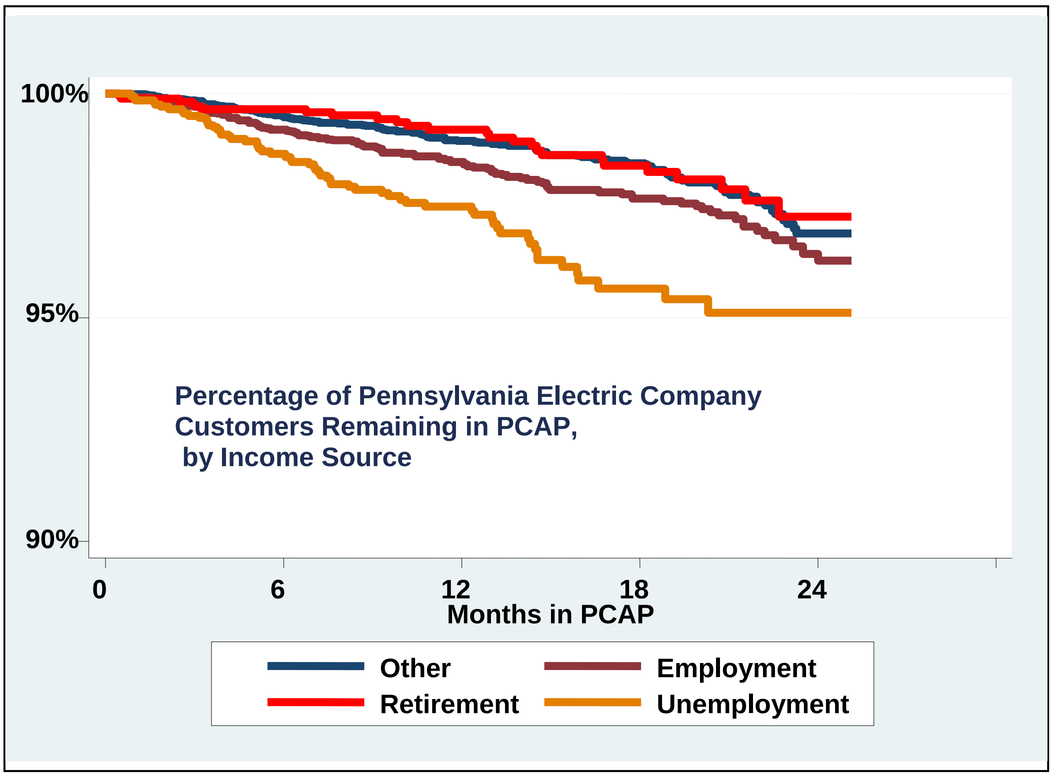

Figure 9: Program Retention by Source of Income -- Pennsylvania Electric.

Penn Power

For Penn Power, of all the reasons for removal from the program, failure to reverify is the primary reason. Almost twenty-nine percent (29%) of households removed from PCAP were removed for failure to reverify. The second most frequent reason is "income too high, which accounts for about twenty-four percent (24%)." Next comes "other" at about fifteen percent (15%). This is followed by "not primary residence" and a household move, each at about ten percent (10%). The remaining reasons account for smaller percentages of removals (Figure 10). In this figure, the percentages shown are calculated by dividing the number of Pennsylvania Electric customers removed for a specific reason by the total number of Penn Power customers removed during the twenty-four month time window for the analysis.

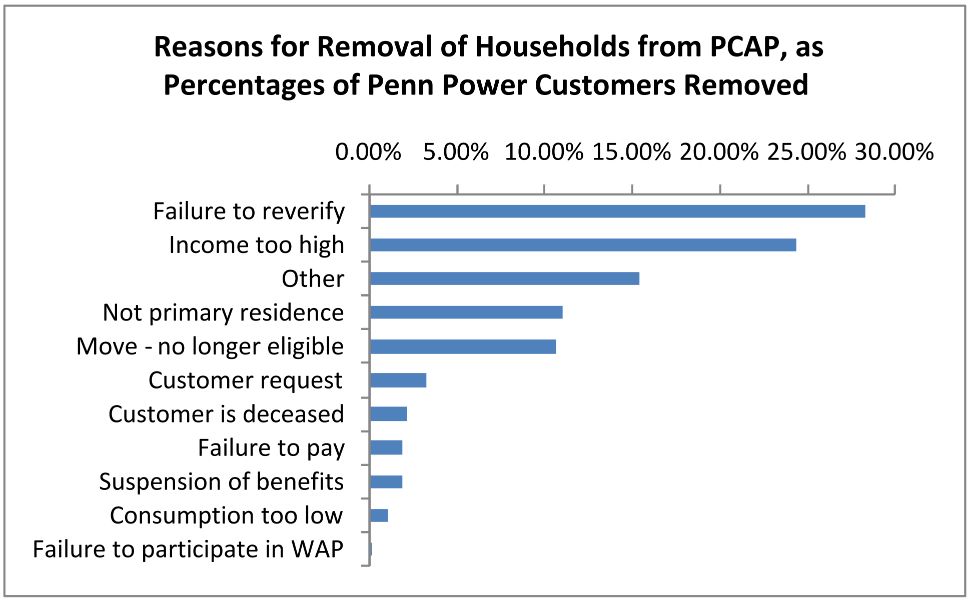

Figure 10: Removals as a Percentage of Customers Removed – Penn Power.

Another way to look at removals from the Penn Power PCAP program is shown in Figure 11. This graph is based on the same data as presented in Figure 9, but shows the percentages as a result of dividing the number of households removed for a specific reason by the total number of households in the analysis (including households retained and households removed) for the analysis time window. This presentation emphasizes the very small number of households removed from PCAP as a percentage of all Penn Power PCAP customers.

The pattern of overall PCAP program retention for Penn Power is shown in Figure 12. This graph is based on analysis of on 6,448 enrollments of unique Business Partners (multiple enrollments were excluded). There were 248 program removals in this sample (nearly 4%). The graph shows how removals occurred over time during a twenty-four month time window. The scale on the Y-axis is percentage of participants retained. The scale on the X-axis is months since enrollment. This graph illustrates very good program retention.

Figure 13 shows how the graph from Figure 12 breaks down by source of income. As might be expected, those on retirement income (senior citizens) show the most stable retention pattern, follow by households with current employment. The least stable group for retention is composed of households with experiencing unemployment.

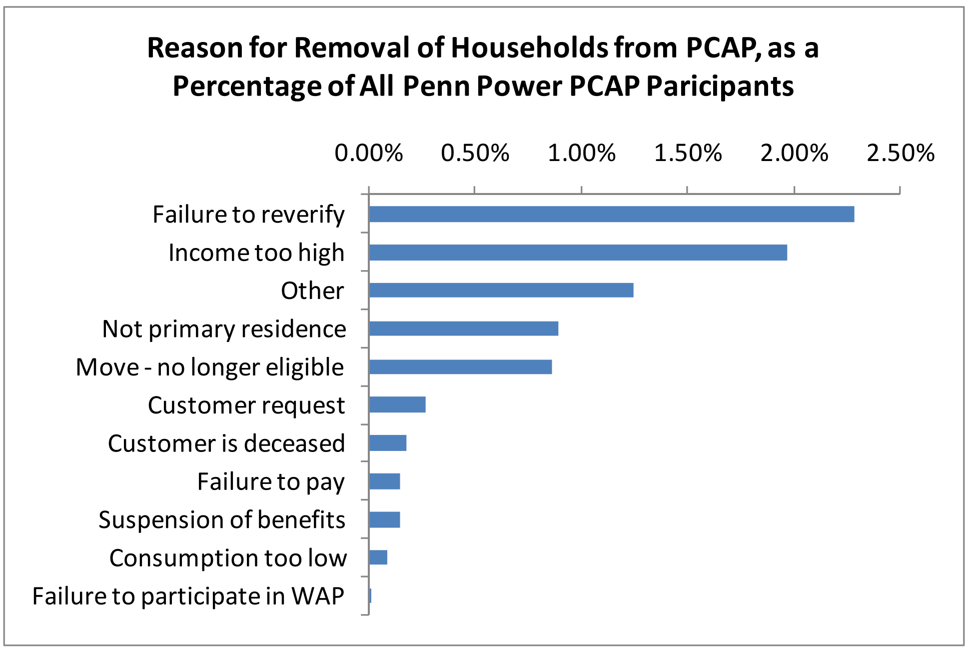

Figure 11: Removals as a Percentage of all PCAP Customers – Penn Power.

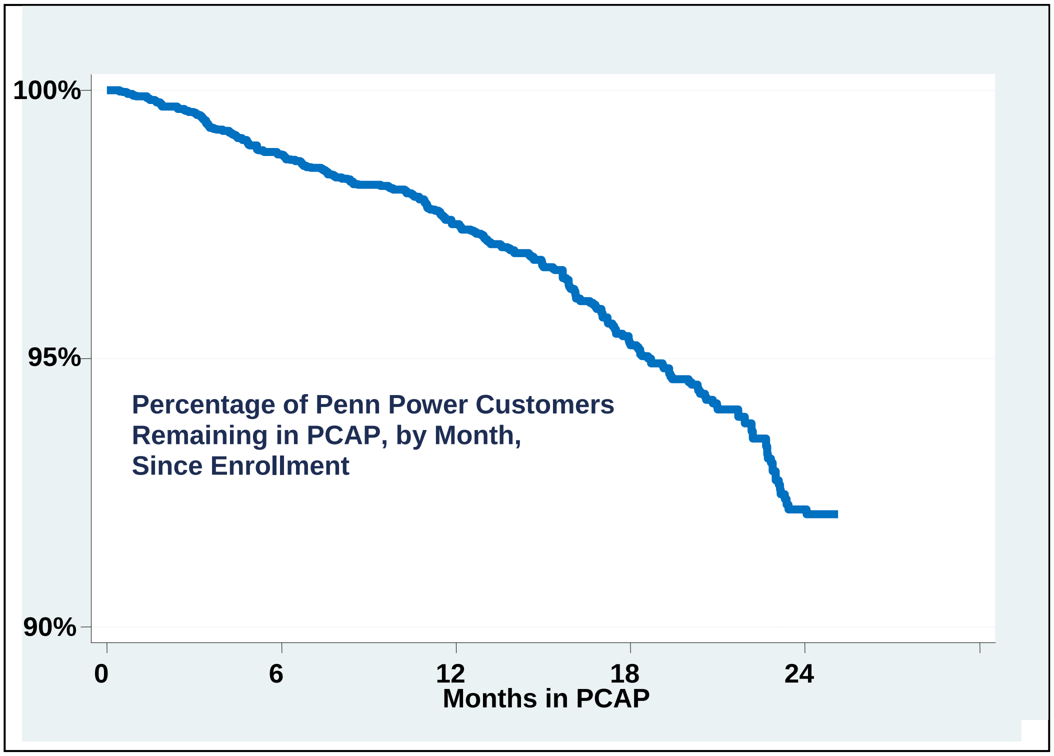

Figure 12: Retention in PCAP for Penn Power.

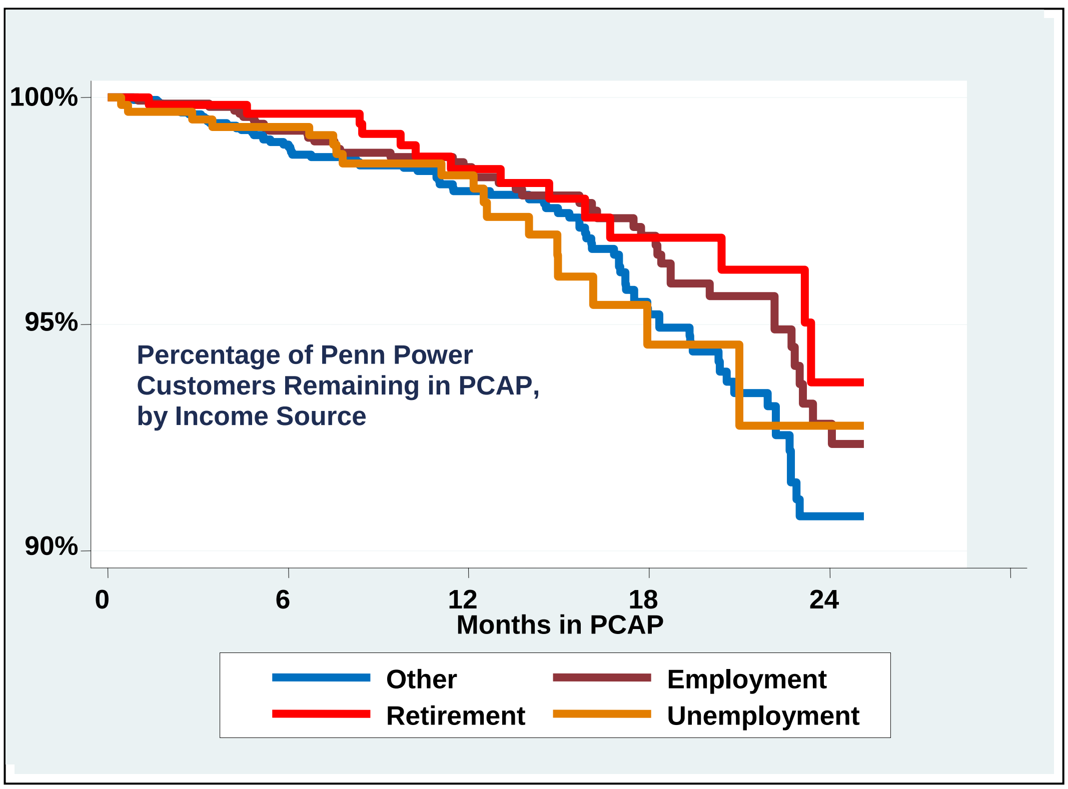

Figure 13: Program Retention by Source of Income -- Penn Power.

Section 4: Effectiveness of the PCAP link with Other Assistance

For each company there are effective links between PCAP and LIHEAP and with Dollar Energy hardship fund grants.

Met Edison

For Met Edison, about 82% of PCAP participants are in PCAP only, while about 16% of 13,721 PCAP participants also receive LIHEAP. About 2% of Met Edision PCAP participants receive fuel fund assistance but not LIHEAP, and another 1% of PCAP participants receive both LIHEAP and fuel fund assistance (Table 22).   Viewed from a fuel fund perspective, about 38% of the 1,376 fuel fund recipients receive only fuel fund assistance. From a LIHEAP perspective, about 53% of 11,605 LIHEAP recipients receive only LIHEAP.

Program participation in multiple programs does not differ across the four poverty levels (Table 23 & Figure 14). However, it does vary by heat type with total electric homes and homes with electric heat having much higher overlap than homes with electric hot water (only) and homes with no electric heat (Table 24 & Figure 15).

Table 22: Met Edison PCAP -- LIHEAP & Fuel Fund Links.

Met Edison		
PCAP Links with Other Programs		
Program	Frequency	Percent
PCAP only	27,392	82%
PCAP & Fuel Fund	562	2%
PCAP & LIHEAP	5,130	15%
PCAP, Fuel Fund, & LIHEAP	288	1%
Total	33,372	100.0

Table 23: Met Edison PCAP – Program Links by Poverty Level.

Met Edison						
Poverty Group		Program Overlaps				Total
		PCAP only	PCAP & LIHEAP	PCAP & Fuel Fund	PCAP, Fuel Fund, & LIHEAP	
<50% FPL	Count	6266	1226	155	74	7721
	%	.81	.16	.02	.01	1.0
<100% FPL	Count	9875	2051	233	111	12270
	%	.80	.17	.02	.01	1.0
<110% FPL	Count	1461	273	36	33	1803
	%	.81	.15	.02	.02	1.0
<150% FPL	Count	4376	793	119	59	5347
	%	.82	.15	.02	.01	1.0
Total	Count	21978	4343	543	277	27141
	%	.81	.16	.02	.01	1.0

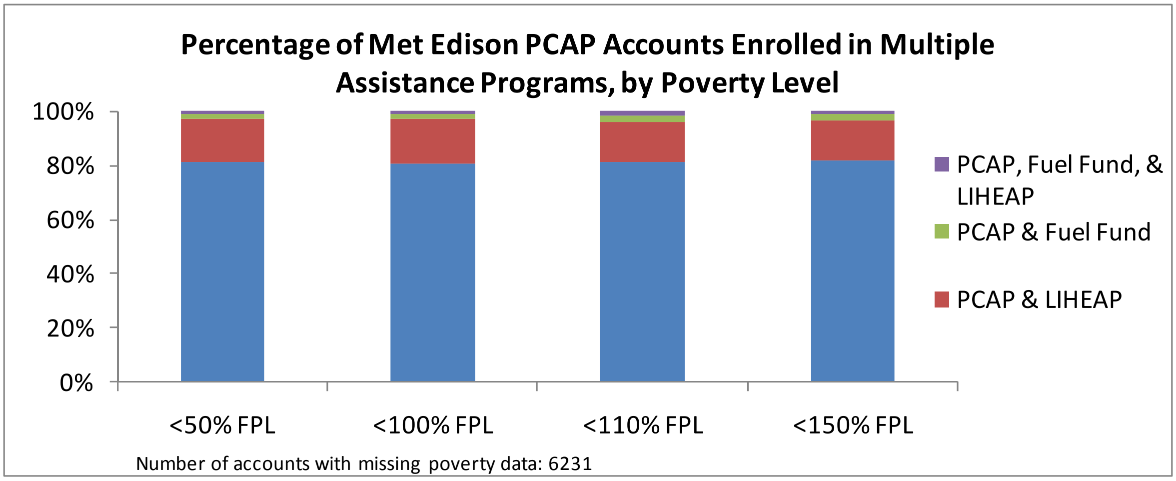

Figure 14: Met Edison PCAP – Program Links by Poverty Level.

Table 24: Met Edison PCAP – Program Links by Heat Type.

Met Edison						
Heating Type		**Program Overlaps**				**Total**
		PCAP only	**PCAP & LIHEAP**	**PCAP & Fuel Fund**	**PCAP, Fuel Fund, & LIHEAP**	
Electric heat	**Count**	1293	884	35	55	2267
	%	.6	.4	.0	.0	1.0
Total electric	**Count**	1771	1530	30	80	3411
	%	.5	.4	.0	.0	1.0
No electric heat	**Count**	15122	1467	358	99	17046
	%	.9	.1	.0	.0	1.0
Electric hot water (only)	**Count**	3724	435	116	39	4314
	%	.9	.1	.0	.0	1.0
Total	**Count**	21910	4316	539	273	27038
	%	.8	.2	.0	.0	1.0

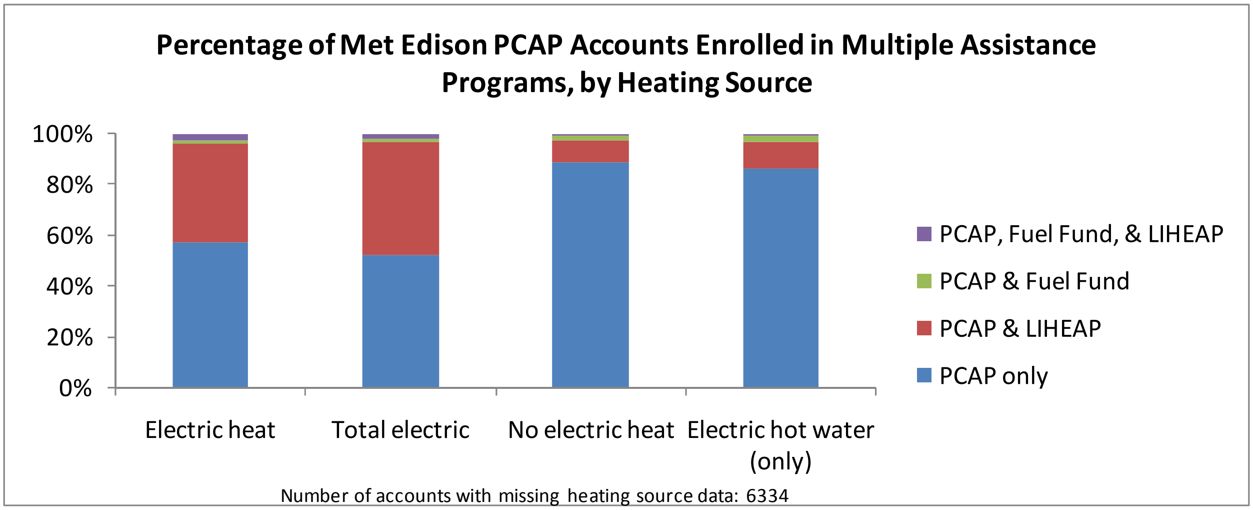

Figure 15: Met Edison PCAP - Program Links by Heat Type.

Pennsylvania Electric Company

For the Pennsylvania Electric Company, about 86% of PCAP participants are in PCAP only, while about 12.5% of PCAP participants also receive LIHEAP. About 1.1% of Pennsylvania Electric PCAP participants receive fuel fund assistance but not LIHEAP, and another 0.5% of PCAP participants receive both LIHEAP and fuel fund assistance (Table 25). Viewed from a fuel fund perspective, about 37% of the 1,141 fuel fund recipients receive only fuel fund assistance. From a LIHEAP perspective, about 58.1% of 14,517 LIHEAP recipients receive only LIHEAP.

Program participation in multiple programs does not differ across the four poverty levels (Table 26 & Figure 16). However, it does vary by heat type with total electric homes and homes with electric heat having much higher overlap than homes with electric hot water (only) and homes with no electric heat (Table 27 & Figure 17).

Table 25: Pennsylvania Electric Company PCAP – LIHEAP & Fuel Fund Links.

Pennsylvania Electric Company		
PCAP Links with Other Programs		
Program	Frequency	Percent
PCAP only	40,288	86.0%
PCAP & Fuel Fund	496	1.1%
PCAP & LIHEAP	5,861	12.5%
PCAP, Fuel Fund, & LIHEAP	223	0.5%
Total	46,868	100.0%

Table 26: Pennsylvania Electric Company PCAP – Program Links by Poverty Group.

Pennsylvania Electric Company						
Poverty Group		Program Overlaps				Total
		PCAP only	PCAP & LIHEAP	PCAP & Fuel Fund	PCAP, Fuel Fund, & LIHEAP	
<50% FPL	Count	8538	1287	145	61	10031
	%	85%	13%	1%	1%	1.0
<100% FPL	Count	13658	2502	212	107	16479
	%	83%	15%	1%	1%	1.0
<110% FPL	Count	1849	300	25	13	2187
	%	85%	14%	1%	1%	1.0
<150% FPL	Count	5347	682	75	26	6130
	%	87%	11%	1%	0%	1.0
Total	Count	29392	4771	457	207	34827
	%	84%	14%	1%	1%	1.0

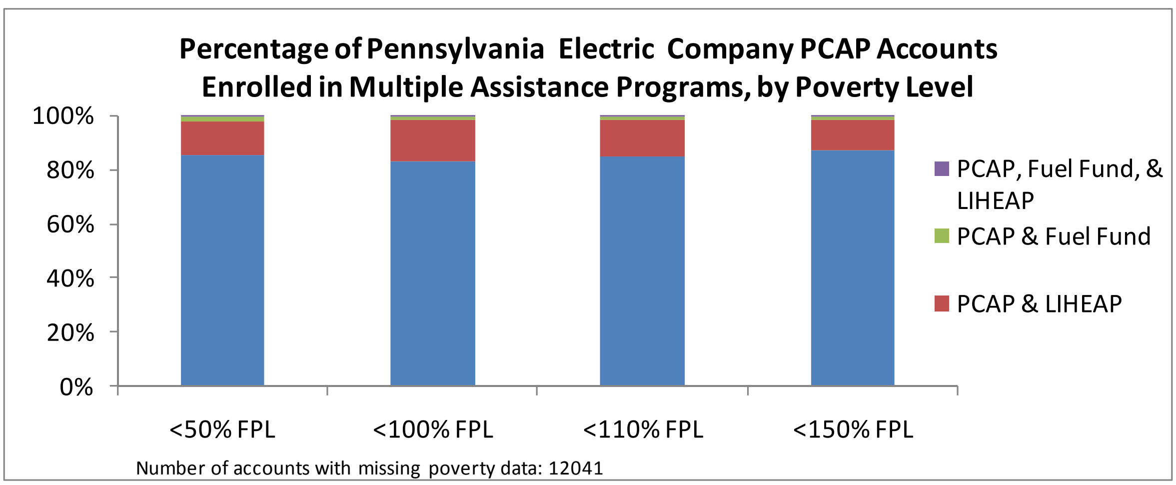

Figure 16: Pennsylvania Electric Company PCAP - Program Links by Poverty Group.

Table 27: Pennsylvania Electric Company PCAP - Program Links by Heat Type.

Pennsylvania Electric Company						
Heating Type		Program Overlaps				Total
		PCAP only	PCAP & LIHEAP	PCAP & Fuel Fund	PCAP, Fuel Fund, & LIHEAP	
Electric heat	Count	847	793	18	35	1693
	%	50%	47%	1%	2%	1.0
Total electric	Count	1044	1782	21	57	2904
	%	36%	61%	1%	2%	1.0
No electric heat	Count	19529	1502	270	72	21373
	%	91%	7%	1%	0%	1.0
Electric hot water (only)	Count	7894	677	144	40	8755
	%	90%	8%	2%	0%	1.0
Total	Count	29314	4754	453	204	34725
	%	84%	14%	1%	1%	1.0

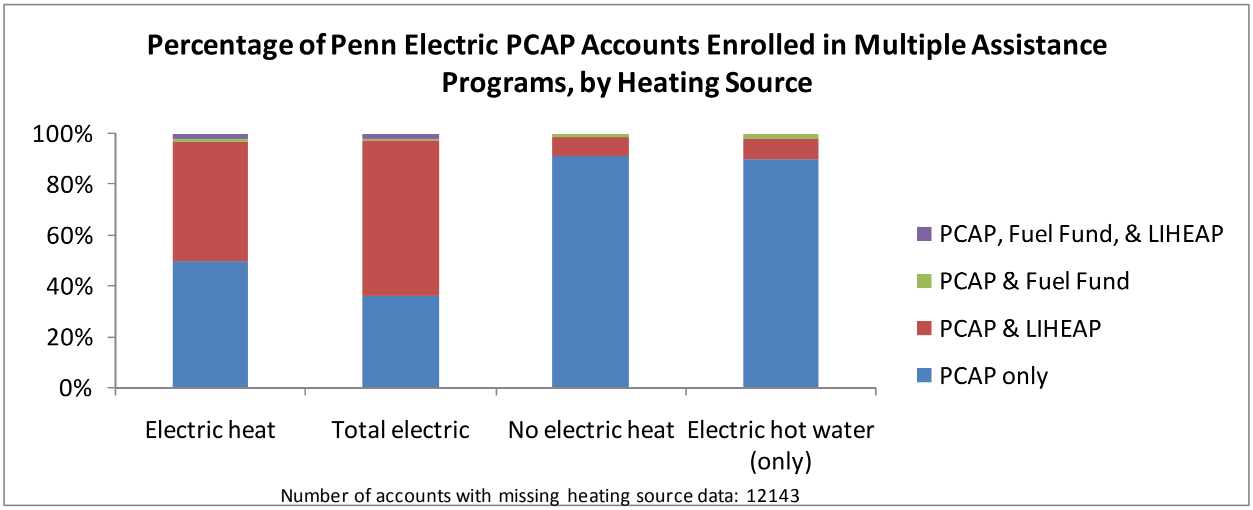

Figure 17: Pennsylvania Electric Company PCAP – Program Links by Heat Type.

Penn Power

For Penn Power, about 79% of PCAP participants are in PCAP only, while about 20% of 13,721 PCAP participants also receive LIHEAP. About 1% of Penn Power PCAP participants receive fuel fund assistance but not LIHEAP, and another 1% of PCAP participants receive both LIHEAP and fuel fund assistance (Table 28). Viewed from a fuel fund perspective, about 37% of the 573 fuel fund recipients receive only fuel fund assistance. From a LIHEAP perspective, about 44% of 4,895 LIHEAP recipients receive only LIHEAP. Program participation in multiple programs does not differ across the four poverty levels (Table 29 & Figure 18). However, it does vary by heat type with total electric homes and homes with electric heat having much higher overlap than homes with electric hot water (only) and homes with no electric heat (Table 30 & Figure 19).

Table 28: Penn Power PCAP – LIHEAP and Fuel Fund Links.

Penn Power		
PCAP Links with Other Programs		
Program	Number	Percentage
PCAP only	10,793	79%
PCAP & Fuel Fund	184	1%
PCAP & LIHEAP	2,566	19%
PCAP, Fuel Fund, & LIHEAP	178	1%
Total	13,721	100.0

Table 29: Penn Power PCAP – Program Links by Poverty Group.

Penn Power						
Poverty Group		Program Overlaps				Total
		PCAP only	PCAP & LIHEAP	PCAP & Fuel Fund	PCAP, Fuel Fund, & LIHEAP	
<50% FPL	Count	2158	613	41	43	2855
	%	.76	.21	.01	.02	1.0
<100% FPL	Count	4426	1213	76	80	5795
	%	.76	.21	.01	.01	1.0
<110% FPL	Count	816	177	8	12	1013
	%	.81	.17	.01	.01	1.0
<150% FPL	Count	2751	509	51	43	3354
	%	.82	.15	.02	.01	1.0
Total	Count	10151	2512	176	178	13017
	%	.78	.19	.01	.01	1.0

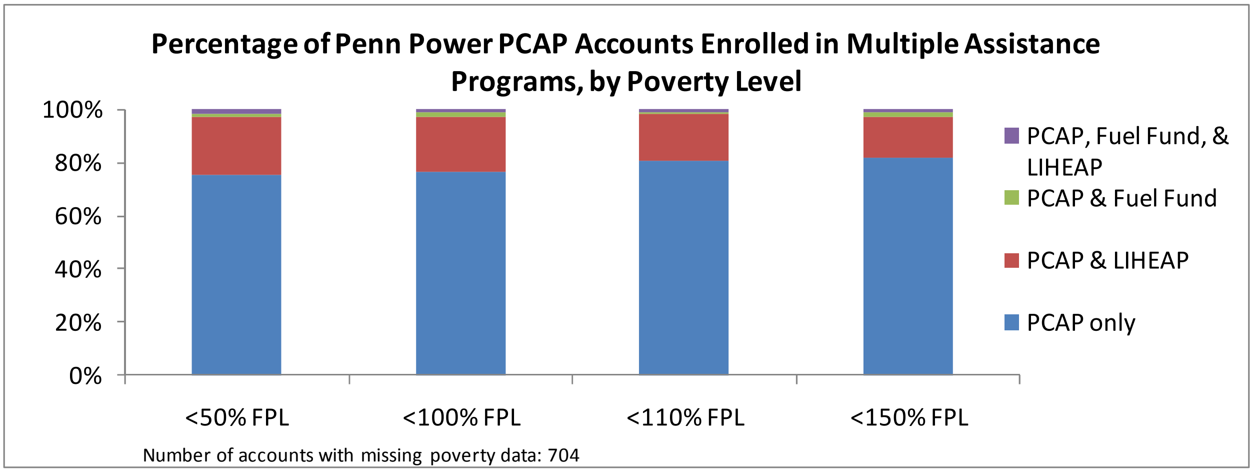

Figure 18: Penn Power PCAP – Program Links by Poverty Groups.

Table 30: Penn Power PCAP – Program Links by Heat Type.

Penn Power						
Heating Type		Program Overlaps				Total
		PCAP only	PCAP & LIHEAP	PCAP & Fuel Fund	PCAP, Fuel Fund, & LIHEAP	
Total electric	Count	454	657	8	46	1165
	%	39%	56%	1%	4%	100%
Electric heat	Count	354	346	5	12	717
	%	49%	48%	1%	2%	100%
Electric hot water (only)	Count	1910	288	60	31	2289
	%	83%	13%	3%	1%	100%
No electric heat	Count	7432	1221	103	89	8845
	%	84%	14%	1%	1%	100%
Total	Count	10150	2512	176	178	13016
	%	78%	19%	1%	1%	100%

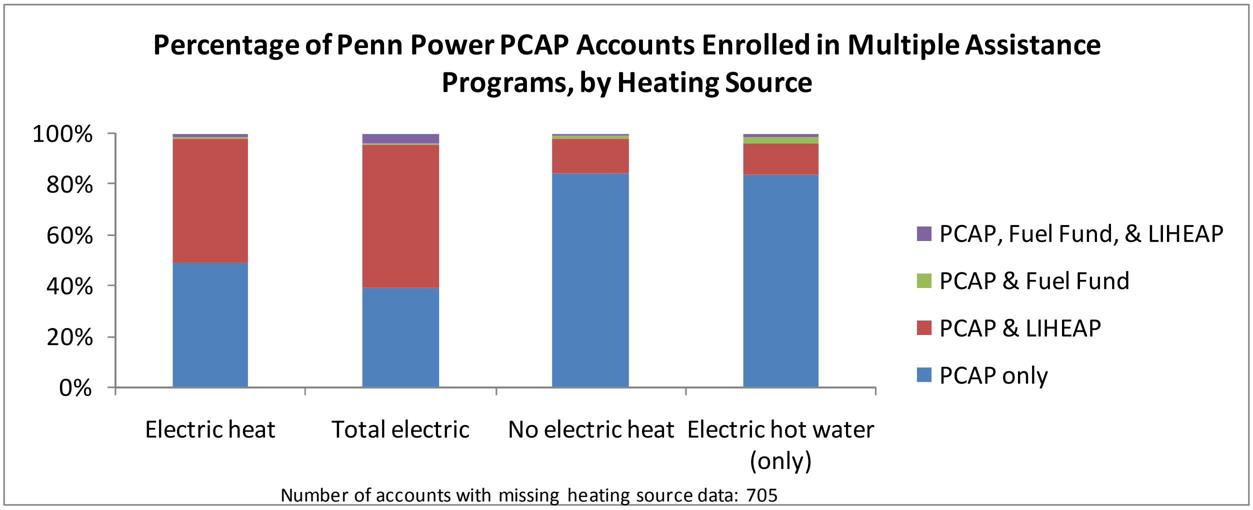

Figure 19: Penn Power PCAP – Program Links by Heat Type.

Section 5: CAP Control Features

How effective are the CAP control features as defined in section 79.265(3) of the CAP Policy Statement at limiting program costs? There are six PCAP control features:[19]

(1) Minimum payment terms. Each of the companies employs a minimum payment control tool. Met-Ed and Penelec require a payment of at least $12 per month for a non-heating customer and $30 per month for a heating customer. This means that all FirstEnergy Pennsylvania companies are in conformance with the minimum payment terms for non-heating accounts and for electric heat accounts.

(2) Non-basic services. A PCAP participant may not subscribe to non-basic services that would cause an increase in monthly billing and would not contribute to bill reduction. (Non-basic services that help to reduce bills may be allowable.) PCAP credits should not be used to pay for non-basic services. Each of the companies strictly follows this provision [§ 69.265(3) (ii)]. The computer has automated features to block entry to non-basic services for PCAP customers, and there are also manual reviews to, for example, catch customers who may have been enrolled in non-basic services prior to enrolling in PCAP.

(3) Consumption limits. The companies do not use the consumption limits control tool. However in the PCAP program design, the customer is made responsible for usage above previous average usage for the dwelling.

(4) High usage treatment. Utilities should target for special treatment those participants who historically use high amounts of energy. Each of the companies provides targeted Low Income Usage Reduction Program (LIURP) service to high users. This is discussed separately in the LIURP-WARM section of this report. Because there additional priorities for assigning a home to weatherization services, the targeting is not completely on high usage.

(5) Maximum PCAP credits. For 2010, the maximum PCAP credit is $200/month for electric heating accounts and $80/month for non-heating accounts. This control tool is strictly enforced.

(6) Business Partner tracking. The FirstEnergy companies have an additional control tool, business partner tracking. This is based on a control field in the customer accounting system beyond the traditional "premise/physical location/meter" fields and the account field. The field identifies the customer as a "business partner." This

[19] PCAP control features are defined at § 69.265(3) of the PCAP Policy Statement.

provides an additional dimension in tracking customers who may leave the system and come back on at another address.

As to effectiveness, the minimum payment terms and non-basic services prohibition simply set the terms for PCAP participation in a way that guarantees a minimum payment and prevents diversion of funds from Universal Service objectives. As with other Pennsylvania utilities, the consumption limits tool is not employed (some utilities tried this tool in the early 1990's but found it generally cumbersome and not very relevant to actual home situations). High usage treatment, the linking of the Customer Assistance Program (PCAP) with the Low Income Usage Reduction Program (LIURP-WARM) is recognized as the effective strategy to reduce energy use in high-use homes. This strategy changes the physical characteristics of the home so it requires less energy.

Since the maximum PCAP credit (subsidy) is programmed into the computer billing system, it operates automatically and should provide an effective tool for stretching PCAP dollars to cover more homes by providing a limit to each home.

Business partner tracking is a unique control tool that can be effective in enforcing program requirements by providing an additional way to track customers over time and insure that records are linked.[20] This is not 100% effective, but it is very effective with single person households and effective over time with two-adult households.[21]

[20] It would still be possible, for example, to leave service with a substantial arrearage and then register for new service under a spous's name at a new address (which is legal). However, the "business partner" field will be a help in increasing record linking.

[21] The companies also request a social security number from the ratepayer and check it (if provided) to insure that service is not being requested in the name of a child.

Section 6: The CAP-LIURP/WARM Link & High Usage

In this section, we review the CAP-LIURP/WARM link for Met Edison, Pennsylvania Electric Company, and Penn Power in turn, beginning with a look at program size, participation over selected vulnerable groups and poverty levels, and degree of reliance on electricity in the home.

Met Edison

For Met Edison, Table 31 and Figure 20 show the size of LIURP/WARM overlap with PCAP in relation to PCAP only. The overlap is approximately 8%.

Table 31: Met Edison PCAP and LIURP/WARM.

Program Participation	Number	Percentage
PCAP only	30,730	92%
PCAP & LIURP	2,642	8%
Total	33,372	100.0

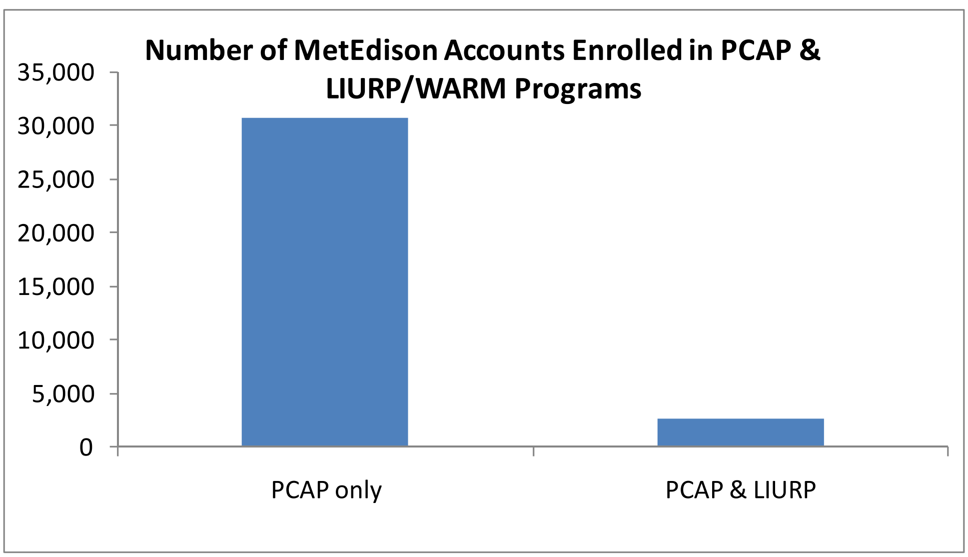

Figure 20: Met Edison PCAP and LIURP/WARM.

When considered in relationship to vulnerable household categories, households with a disabled person are at 7.4%, households with a child under eighteen years of age are at nearly 8%, and for households with people over age 62 the percentage of overlap is almost 11% (Table 32). The distribution across poverty groups is shown in Table 33. In this table, there is a tendency for percentage overlap to increase from the lowest (5.5%) to the highest poverty group (9.1%). This may reflect physical barriers to weatherization in the housing stock afforded by different poverty groups. Table 34 shows the increasing level of percentage overlap from homes with no electric heat (5%) to total electric homes (15%).

Table 32: Met Edison Distribution of Overlap across Vulnerable Groups.

Household Classification	PCAP Only	PCAP & LIURP/WARM	Percentage
Disabled	3,198	257	7.4%
Adult>62	1,312	160	10.9%
Children<18	11,959	1,006	7.8%
Other Households	16,524	1,436	8.0%

Table 33: Met Edison Distribution of Overlap across Poverty Groups.

PCAP and LIURP/WARM by Level of Poverty				
Poverty Group		**PCAP Only**	**PCAP & LIURP/WARM**	**Total**
<50% FPL	Count	7,294	427	7,721
	%	94.5%	5.5%	100.0%
<100% FPL	Count	11,387	883	12,270
	%	92.8%	7.2%	100.0%
<110% FPL	Count	1,634	169	1,803
	%	90.6%	9.4%	100.0%
<150% FPL	Count	4,862	485	5,347
	%	90.9%	9.1%	100.0%
Total	Count	25,177	1,964	27,141
	%	92.8%	7.2%	100.0%

Table 34: Met Edison Distribution of Overlap by Uses of Electricity.

PCAP and LIURP/WARM by Uses of Electric Service				
Heat Source		**PCAP Only**	**PCAP & LIURP/WARM**	**Total**
Total electric	Count	2,916	495	3,411
	%	85%	15%	100.0%
Heats residence with electricity	Count	2,052	215	2,267
	%	91%	9%	100.0%
Water supply heated with electricity, but not residence	Count	3,933	381	4,314
	%	91%	9%	100.0%
No heating with electricity	Count	16182	864	17046
	%	95%	5%	100.0%
Total	Count	25,083	1,955	27,038
	%	93%	7%	100.0%

Pennsylvania Electric

For Pennsylvania Electric, Table 35 and Figure 21 show the size of LIURP/WARM overlap with PCAP in relation to PCAP only. The overlap is approximately 8%.

Table 35: Pennsylvania Electric PCAP and LIURP/WARM.

Program Participation	Number	Percentage
PCAP only	43,153	92.1%
PCAP & LIURP	3,715	7.9%
Total	46,868	100.0

When considered in relationship to vulnerable household categories, the overlap percentage is 7.4% for household with a disabled person, 8.4% for households with children under eighteen, and for households with people over age 62 the percentage of overlap is almost 11% (Table 36). The distribution across poverty groups is shown in Table 37. In this table, there is a tendency for percentage overlap to increase from the lowest (a little over 5%) to the highest poverty group (almost 10%). This may reflect physical barriers to weatherization in the housing stock afforded by different poverty groups. Table 38 shows the increasing level of percentage overlap from homes with no electric heat (a little over 5%) to total electric homes (a little over 12%).

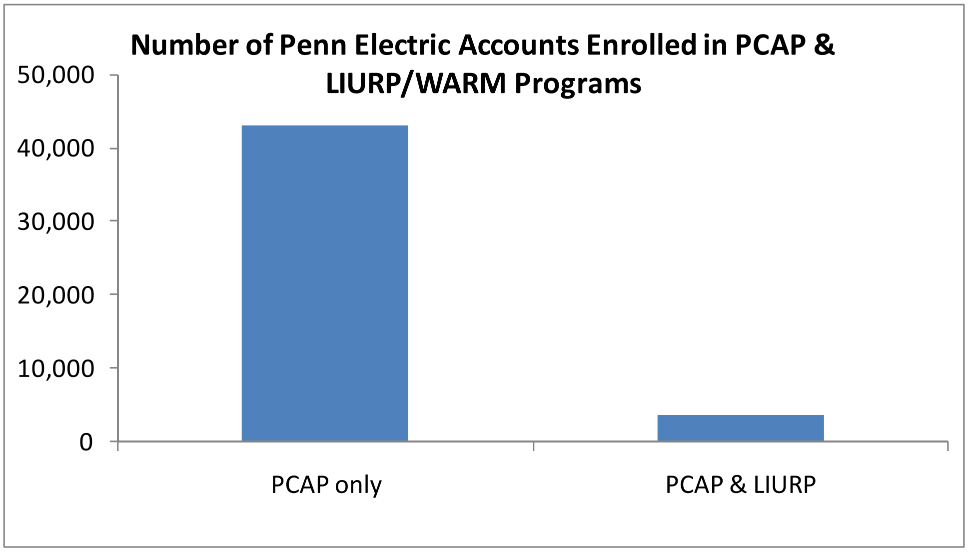

Figure 21: Pennsylvania Electric PCAP and LIURP/WARM.

Table 36: Pennsylvania Electric -- LIURP/WARM and Vulnerable Groups.

Household Classification	PCAP Only	PCAP & LIURP/WARM	Percentage
Disabled	5,535	442	7.4%
Adult>62	2,133	257	10.8%
Children<18	12,700	1,164	8.4%
No vulnerable members	25,939	2,187	7.8%

Table 37: Pennsylvania Electric -- LIURP/WARM and Poverty Groups.

PCAP and LIURP/WARM by Level of Poverty				
Poverty Group		PCAP Only	PCAP & LIURP/WARM	Total
<50% FPL	Count	9,497	534	10,031
	%	94.7%	5.3%	100.0%
<100% FPL	Count	15,274	1,205	16,479
	%	92.7%	7.3%	100.0%
<110% FPL	Count	1,972	215	2,187
	%	90.2%	9.8%	100.0%
<150% FPL	Count	5,526	604	6,130
	%	90.1%	9.9%	100.0%
Total	Count	32,269	2,558	34,827
	%	92.7%	7.3%	100.0%

Table 38: Pennsylvania Electric Distribution of Overlap by Uses of Electricity.

PCAP and LIURP/WARM by Uses of Electric Service				
Heat Source		**PCAP Only**	**PCAP & LIURP/WARM**	**Total**
Total electric	**Count**	2,548	356	2,904
	%	87.7%	12.3%	100.0%
Heats residence with electricity	**Count**	1,553	140	1,693
	%	91.7%	8.3%	100.0%
Water supply heated with electricity, but not residence	**Count**	7,828	927	8,755
	%	89.4%	10.6%	100.0%
No heating with electricity	**Count**	20,252	1,121	21,373
	%	94.8%	5.2%	100.0%
Total	**Count**	32,181	2,544	34,725
	%	92.7%	7.3%	100.0%

Penn Power

For Penn Power, Table 39 and Figure 22 show the size of LIURP/WARM overlap with PCAP in relation to PCAP only. The overlap is 7%.

Table 39: Penn Power PCAP and LIURP/WARM.

Program Participation	Number	Percentage
PCAP only	12,761	93.0%
PCAP & LIURP	960	7.0%
Total	13,721	100.0%

When considered in relationship to vulnerable household categories, the overlap percentage is 7.5% for household with a disabled person, 9.5% for households with children under eighteen, and for households with people over age 62 the percentage of overlap is almost 8.8% (Table 40). The distribution across poverty groups is shown in Table 41. In this table, there is a tendency for percentage overlap to increase from the lowest (a little over 6%) to the highest poverty group (9.6%). This may reflect physical barriers to weatherization in the housing stock afforded by different poverty groups. Table 42 shows the increasing level of percentage overlap from homes with no electric heat (a little over 6%) to total electric homes (11.3%).

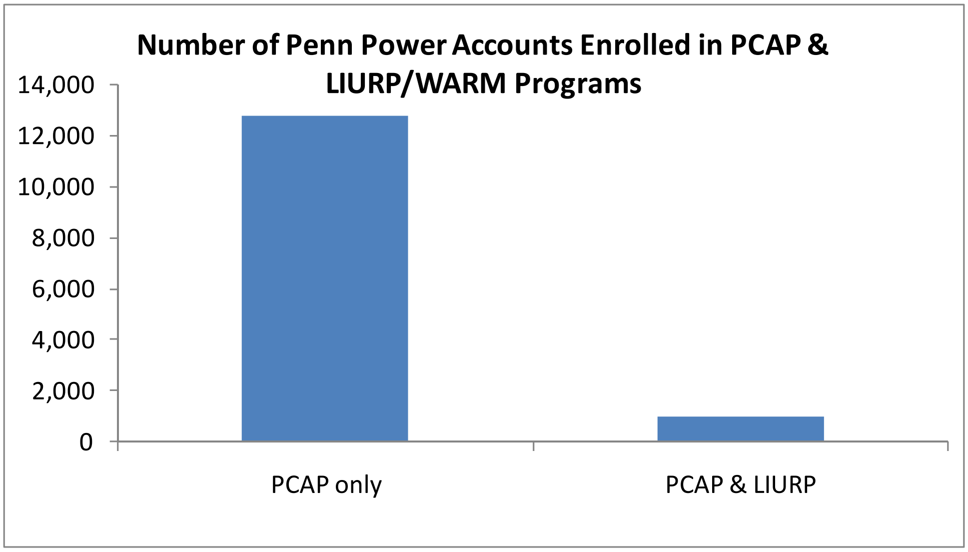

Figure 22: Penn Power Electric PCAP and LIURP/WARM.

Table 40: Penn Power -- LIURP/WARM Overlap and Vulnerable Groups.

Household Classification	PCAP Only	PCAP & LIURP/WARM	Percentage
Disabled	1,212	98	7.5%
Adult>62	831	80	8.8%
Children<18	3,950	413	9.5%
No vulnerable members	7,543	438	5.5%

Table 41: Penn Power -- LIURP/WARM and Poverty Groups.

PCAP and LIURP/WARM by Level of Poverty				
Poverty Group		**PCAP Only**	**PCAP & LIURP/WARM**	**Total**
<50% FPL	**Count**	2,681	174	2,855
	%	93.9%	6.1%	100.0%
<100% FPL	**Count**	5,416	379	5,795
	%	93.5%	6.5%	100.0%
<110% FPL	**Count**	931	82	1,013
	%	91.9%	8.1%	100.0%
<150% FPL	**Count**	3,031	323	3,354
	%	90.4%	9.6%	100.0%
Total	**Count**	12,059	958	13,017
	%	92.6%	7.4%	100.0%

Table 42: Penn Power Distribution of Overlap by Uses of Electricity.

PCAP and LIURP/WARM by Uses of Electric Service				
Heat Source		**PCAP Only**	**PCAP & LIURP/WARM**	**Total**
Total electric	**Count**	1,033	132	1,165
	%	88.7%	11.3%	100.0%
Heats residence with electricity	**Count**	644	73	717
	%	89.8%	10.2%	100.0%
Water supply heated with electricity, but not residence	**Count**	2,075	214	2,289
	%	90.7%	9.3%	100.0%
No heating with electricity	**Count**	8,306	539	8,845
	%	93.9%	6.1%	100.0%
Total	**Count**	12,058	958	13,016
	%	92.6%	7.4%	100.0%

In General: The PCAP-LIURP/WARM Link

For each company the pattern is approximately the same in relation to income group and degree of electricity use in the household. The lower the income, the less the overlap of PCAP with LIURP/WARM; and with increased reliance on electricity in the household, the overlap of PCAP with LIURP/WARM increases. The major constraint can be seen in the graphs (Figures 20, 21 & 22) in that the capacity of LIURP/WARM is limited each year in comparison with the numbers of customers participating in PCAP.

Given the relative size of LIURP/WARM and since "high use" is one priority for assigning a PCAP customer to LIURP/WARM, but not the only priority, not all high customers can gain assignment. On enrollment, the Chronicles system can indicate priority for assignment of a household to LIURP/WARM. Also, periodically FirstEnergy provides listings of high use customers along with their energy use to the LIURP/WARM contract agencies. The agencies can then approach these households in approximate order according to their degree of high energy use. High energy use is defined as use that exceeds the pattern of electric energy use in the twelve-month baseline period for each home (the pattern for which the combination of household income percentage plus the PCAP subsidy would provide full yearly payment). This combination provides for effective assignments to LIURP/WARM. The evaluation team recommends continuing this system.

Section 7: Collections

Has the Company followed its own Default Procedures in its Commission approved Universal Service Plan for CAP Customers? The company is following its default procedures as approved in its Universal Service plans for CAP customers. The procedure is included in each of the three Universal Service plans and is diagrammed in Figure 23, below. The goal of the procedure is to facilitate on-time full payment or, if necessary, late payment of the PCAP bill amount due. If full payment is not received, the account is treated the same as any other residential customer account and moves to termination of service. Prior to termination, termination may be avoided by payment of the PCAP bill. Once an account is terminated, but prior to issuance of the final bill (10 days following the termination) electric service may be restored by paying the PCAP bill plus a reconnection fee. Restoration of service and PCAP may be re-established later by paying the larger of PCAP balance or 1/24 of total outstanding balance plus the reconnection fee, plus completing PCAP recertification.

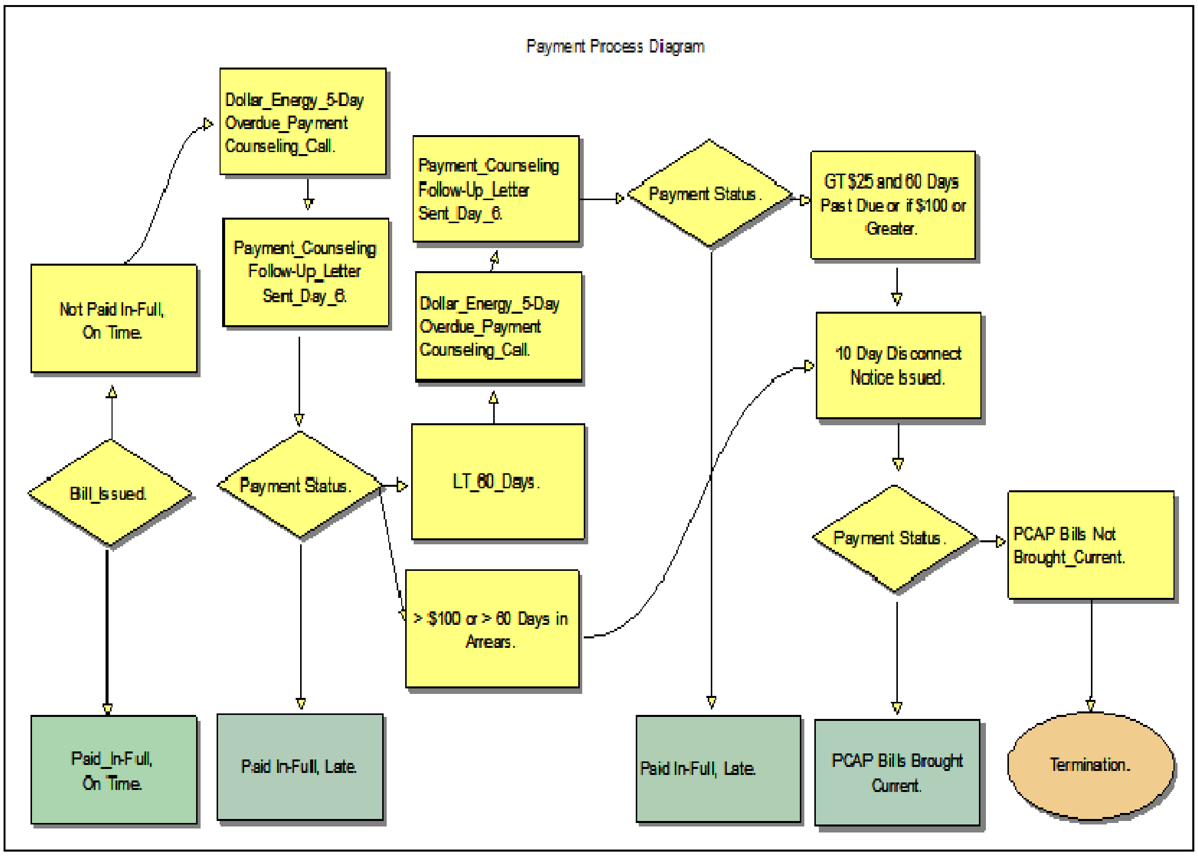

Figure 23: Payment Process Diagram.

Accounts are written off ninety days after the final billing and obligations may be sold to non-utility collections agencies. Under statute, the obligation to pay disappears four years following write off. After that, the utility may request payment but not make payment a condition for new service.

Has collection on missed CAP payments been timely? Collection on missed PCAP payments is generally timely as shown in the downward pattern of the percentage of clients with late payments for each of the three FirstEnergy utilities and the relatively low termination rates (indicating payment – see Section 8 for termination rates).

Met Edison

The downward pattern in the numbers of late payments is shown in Figure 24. About twenty-three percent 23% of Met Edison PCAP customers have *no* late payments over a twelve-month period. Thirty-five percent (35%) experience one to three late payments, 21% have four to six late payments, 20% have seven to eleven late payments and 1% have twelve or more late payments. As shown in Figure 25, the elderly have the best payment pattern. As might be expected, households on retirement income show the most consistent payment (Figure 26).

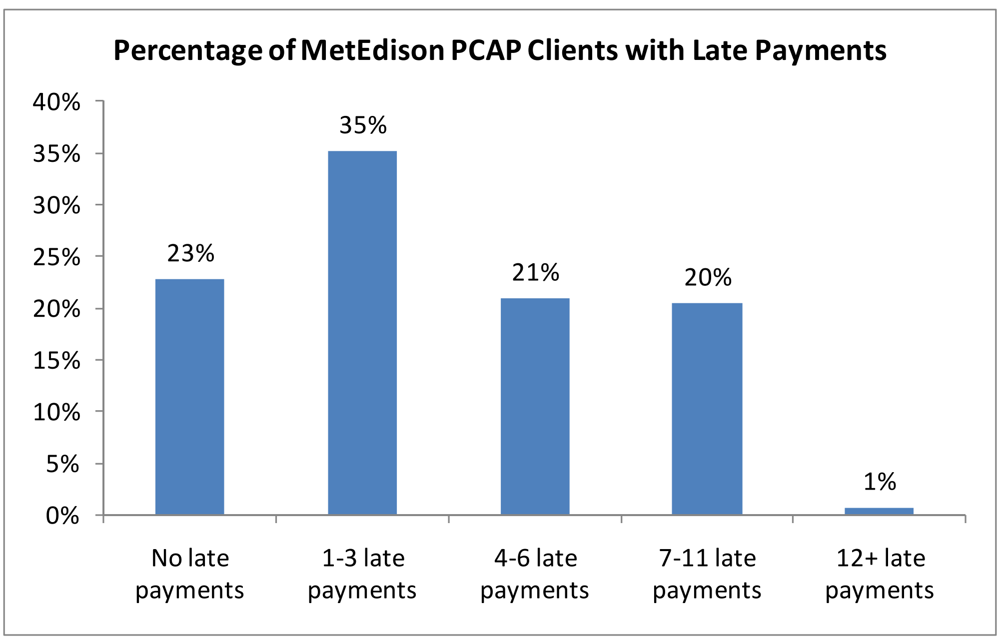

Figure 24: Met Edison -- Downward Pattern of Late Payments.

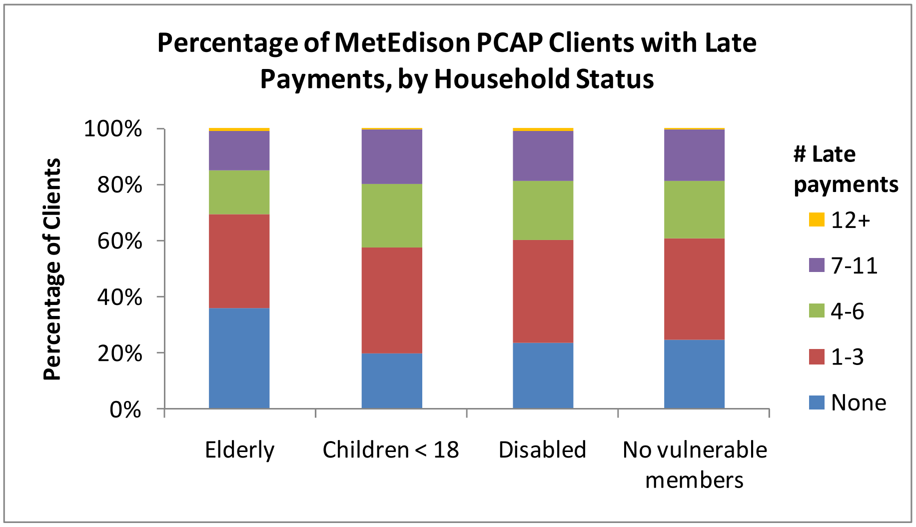

Figure 25: Met Edison -- Late Payment by Household Status.

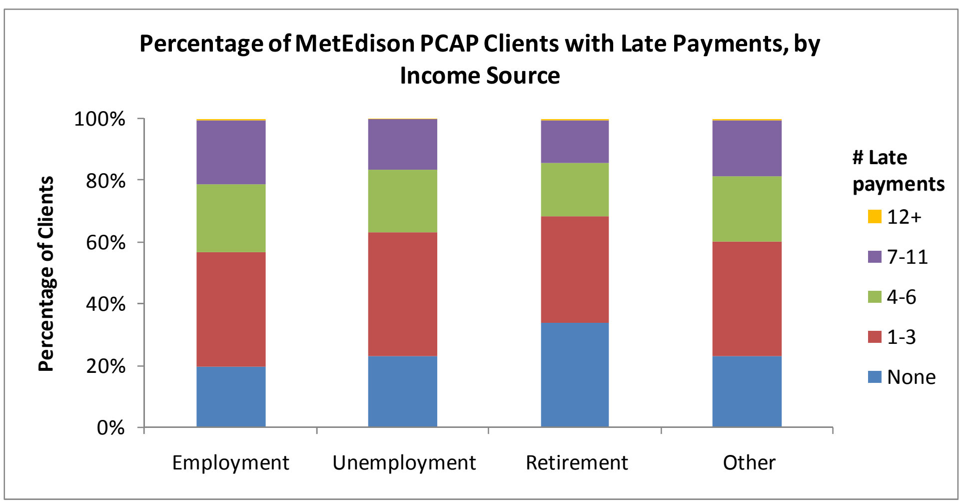

Figure 26: Met Edison - Late Payment by Income Source.

Approximately 8.2% of Met Edison PCAP customers are terminated in a twelve month period, indicating a generally successful collections process.

Pennsylvania Electric Company

The pattern for Pennsylvania Electric Company PCAP customers is the same as for Met Edison PCAP customers (Figure 27). About twenty-six percent 26% of Penelec PCAP customers have no late payments over a twelve-month period. Thirty-three percent (33%) show one to three late payments, twenty percent (20%) show four to six late payments, twenty percent (20%) show 7-11 late payments and one percent have twelve or more late payments.

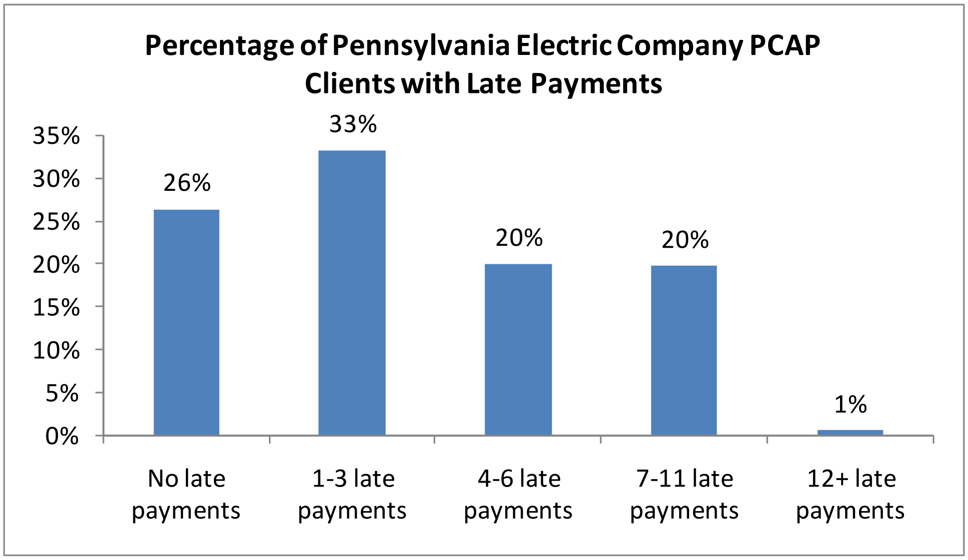

Figure 27: Penelec – Downward Pattern of Late Payments.

As was the case for Met Edison, the Penelec elderly (Figure 28) have the best payment pattern. And, as might be expected, households on retirement income show the most consistent payment (Figure 29).

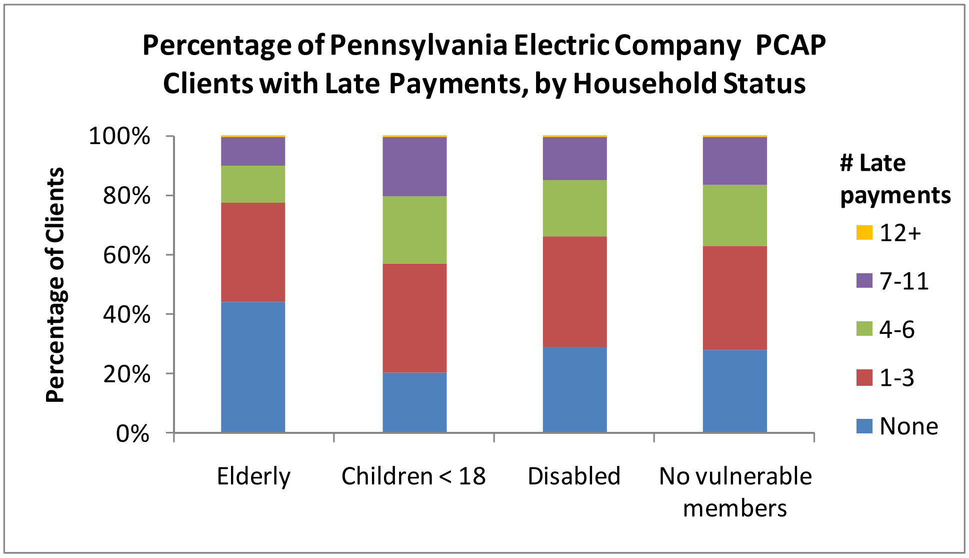

Figure 28: Late Payment by Household Status

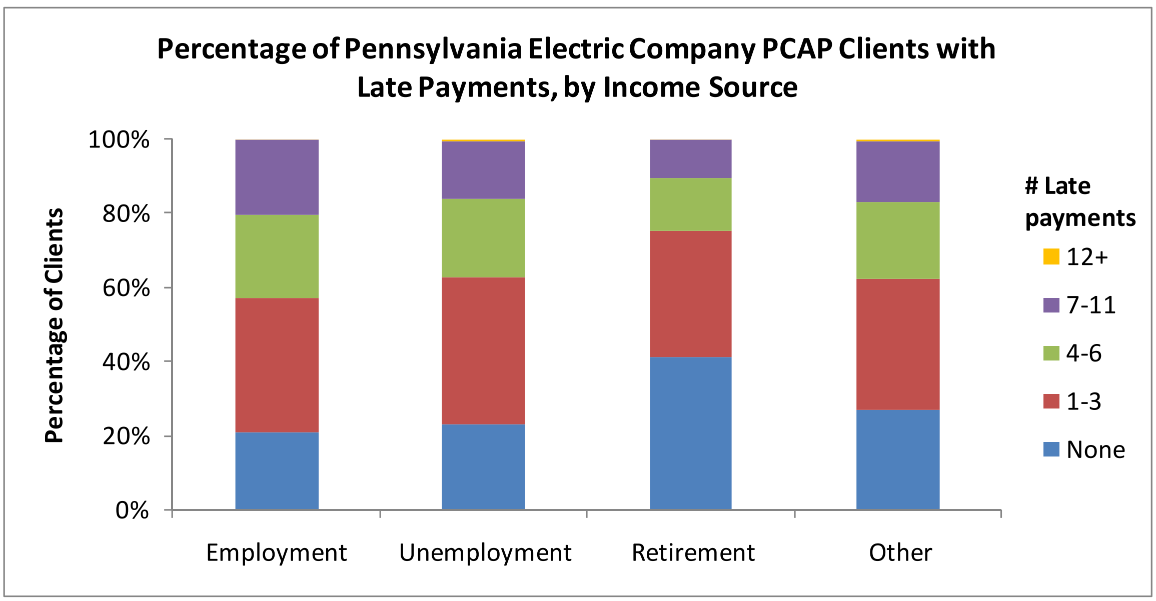

Figure 29: Late Payment by Income Source.

Only about 5.1% of Penelec PCAP customers are terminated in a twelve month period, indicating a generally successful collections process.

Penn Power

The pattern for Penn Power is almost the same as for Met Edison and for Penelec PCAP customers. The downward pattern in the numbers of late payments is shown in Figure 30. About twenty-six percent 26% of Penn Power PCAP customers have no late payments over a twelve-month period. Thirty-one percent (31%) of Penn Power PCAP customers have one to three late payments, twenty percent have four to six, twenty-two percent have seven to eleven and one percent have twelve or more late payments

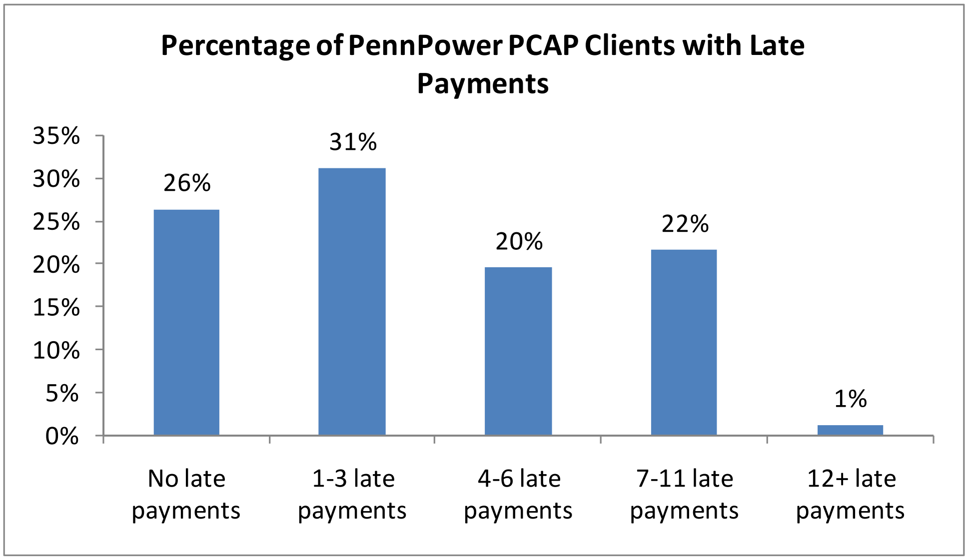

Figure 30: Penn Power -- Declining Pattern of Late Payments.

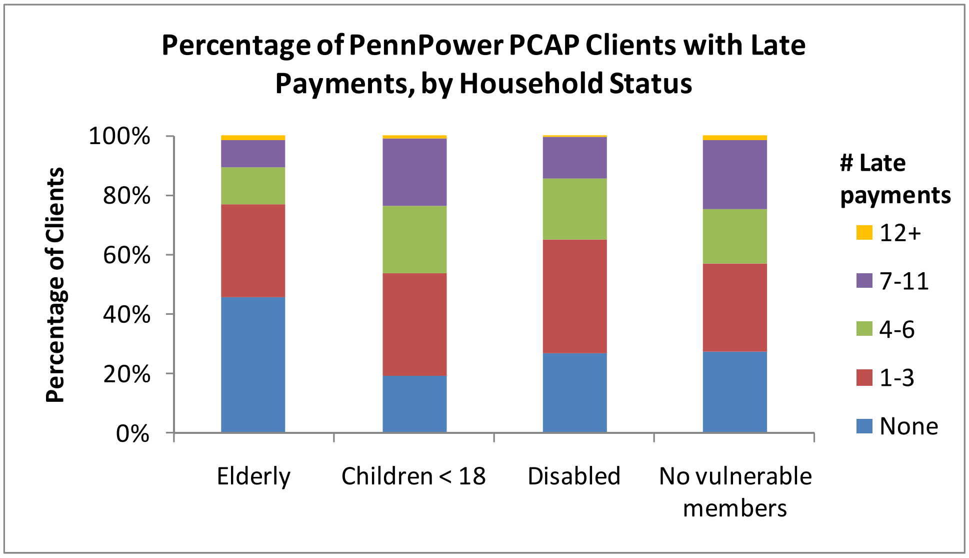

Figure 31: Penn Power – Late Payment by Household Status.

As was the case for Met Edison and Penelec, the Penn Power elderly have the best payment pattern (Figure 31). As might be expected, households on retirement income show the most consistent payment (Figure 32).

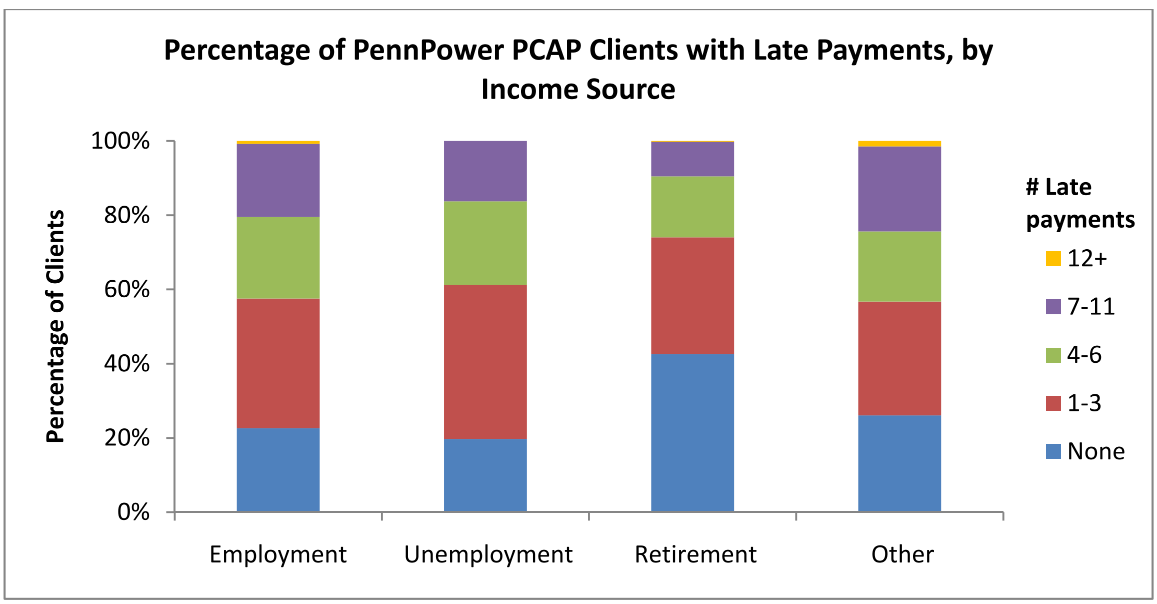

Figure 32: Penn Power – Late Payment by Income Source.

About 5.3% of Penn Power PCAP customers are terminated over a twelve month period, indicating a good collections performance.

Section 8: Participation & Service Terminations

Participation in PCAP decreases service terminations. This is evident, in the first place, from the logic of the program. An average Pennsylvania household paid about five percent of their income for home energy needs in about 2008.[22] However, households at or below 150% of the US federal poverty level are generally asked to pay a much higher percent of their income for home energy needs. According to Roger Colton's Home Energy Affordability Gap Analysis,[23] for 2009 Pennsylvania households with incomes of below 50% of the federal poverty level were asked to pay 75.4% of their annual income for home energy bills; households between 75% and 99% of the federal poverty level were asked to pay 21.7%, and households from 125-149% of the federal poverty level were asked to pay 13.9%. Participants in the FirstEnergy of Pennsylvania PCAP are asked to pay 6% of household income if they use electric heat and 3% if home heating is derived from another fuel type. This makes a major difference in affordability. At the same time, participation in LIURP/WARM has the effect of lowering the amount of electricity required by a home, and the other universal service programs (CARES and fuel fund assistance) can provide a bridge of temporary assistance to payment troubled customers.

Met Edison

For Calendar 2009, the numbers of PCAP customers terminated are relatively small (Figure 33). The pattern is for the highest numbers of terminations to occur soon after a household is placed in PCAP; then there is a rapid decline in terminations. There are almost no terminations after one year of being stabilized on PCAP (Figure 34). Terminations represent 11.8% of confirmed low-income customers, 8.2% of PCAP participants, and 2.7% of all residential customers, demonstrating the decrease associated with PCAP participation (Table 43). The difference in pattern of PCAP and non-PCAP low-income terminations by month is shown in Figure 35 (December is also 0, although not shown on the graph).

---

[22] Pennsylvania Public Utility Commission, Bureau of Consumer Services, Report on 2008 Universal Service Program & Collections Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies. Harrisburg, Pennsylvania: Pennsylvania Public Utility Commission, P. 30.

[23] Roger Colton, "On the Brink: 2009, The Home Energy Affordability Gap, Pennsylvania Factsheet. Belmont, Massachusetts: Fisher, Sheehan & Colton, Public Finance and General Economics, April 2010.

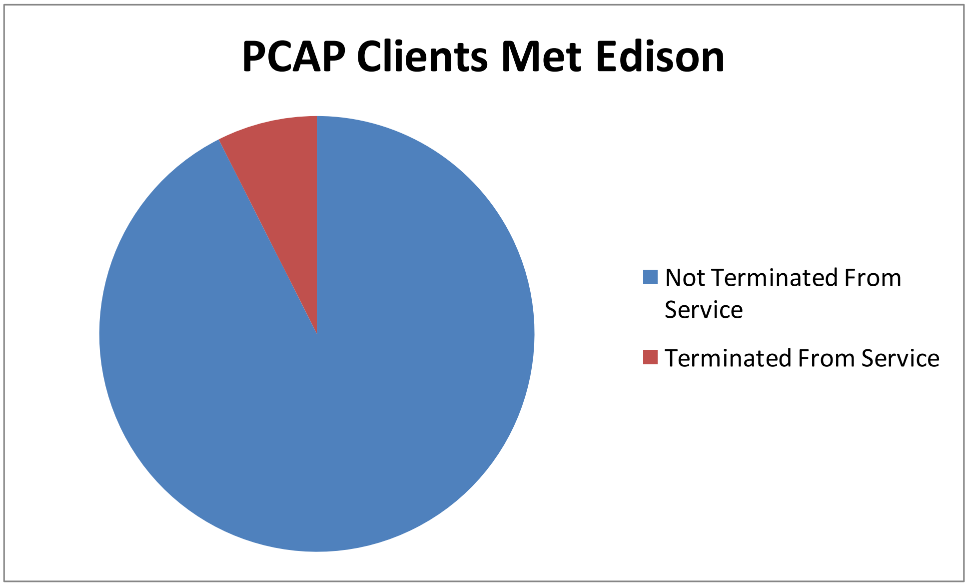

Figure 33: Met Edison Picture of PCAP Terminations.

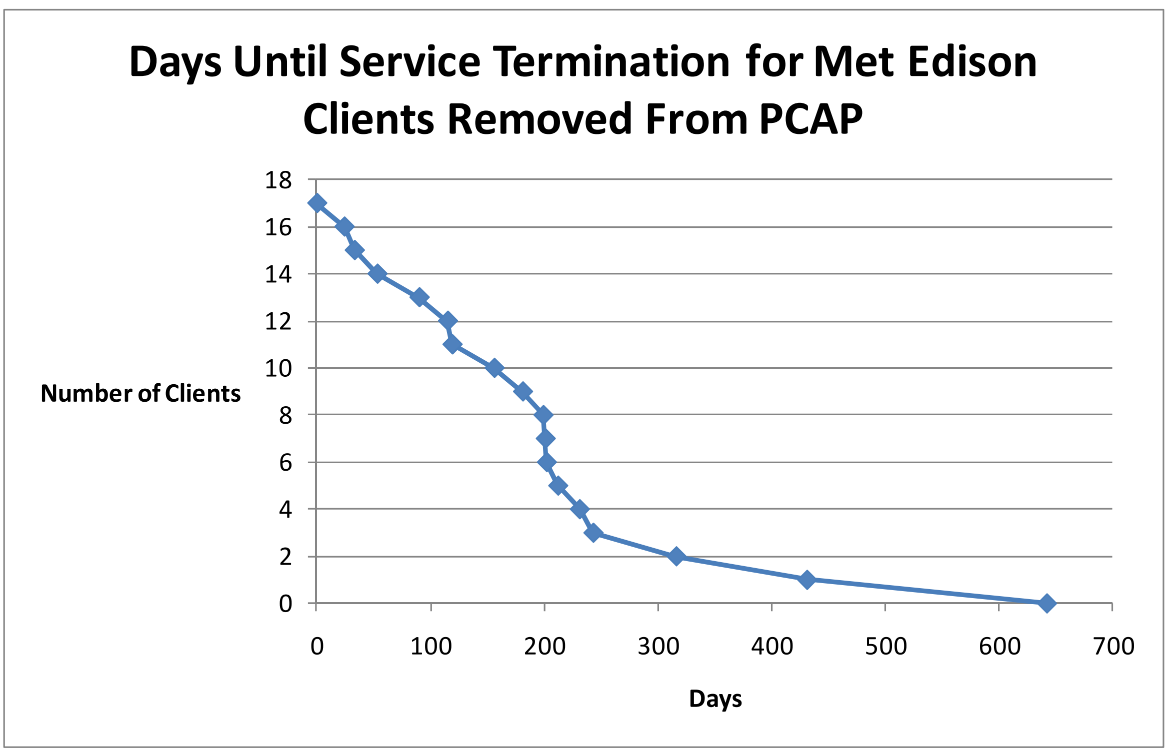

Figure 34: Met Edison – Termination of PCAP Participants.

Table 43: Pattern of Termination at Met Edison.

Met Edison Terminations			
Status	All Residential Customers	Confirmed Low-Income Customers	PCAP Participants
Number	484,382	48,006	11,425
No. Terminated	12,915	5,671	934
% Terminated	2.7%	11.8%	8.2%
Note: Calendar 2009.			

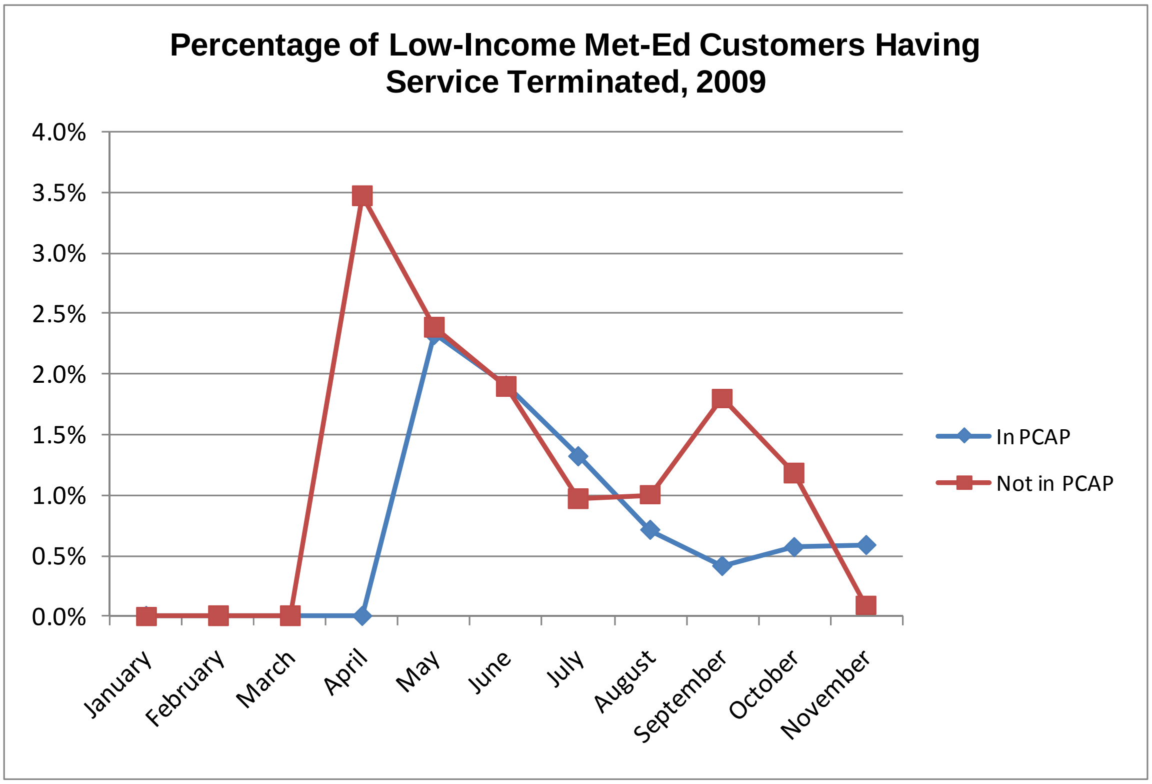

Figure 35: Met Edison Terminations by Month (Note: Dec = 0.0).

Pennsylvania Electric Company

For Calendar 2009, the numbers of PCAP customers terminated are relatively small (Figure 36). The pattern is for the highest numbers of terminations to occur soon after a household is placed in PCAP; then there is a rapid decline in terminations. There are almost no terminations after one year of being stabilized on PCAP (Figure 37). Terminations represent 7.7% of confirmed low-income customers, 5.1% of PCAP participants, and 2.0% of all residential customers, demonstrating the decrease associated with PCAP participation (Table 44). The difference in pattern of PCAP and non-PCAP low-income terminations by month is shown in Figure 38 (December is also 0, although not shown on the graph).

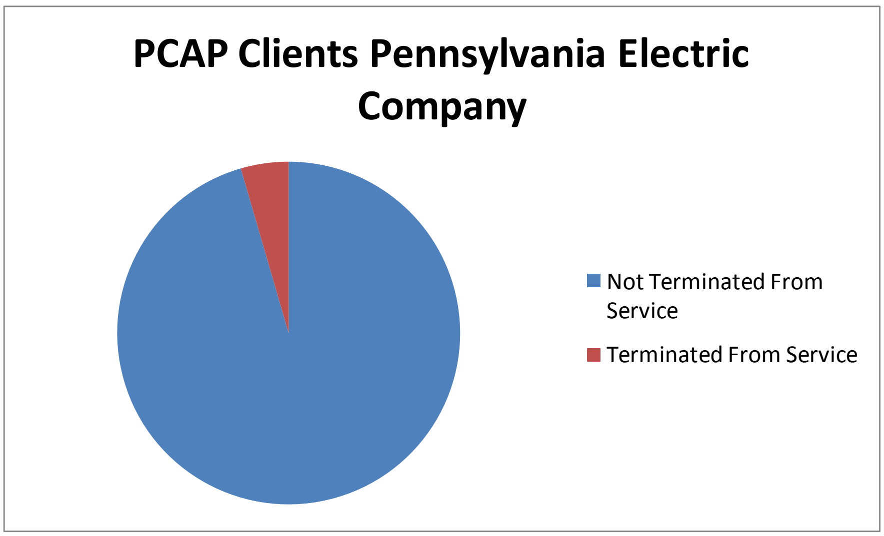

Figure 36: Picture of Pennsylvania Electric Company Terminations.

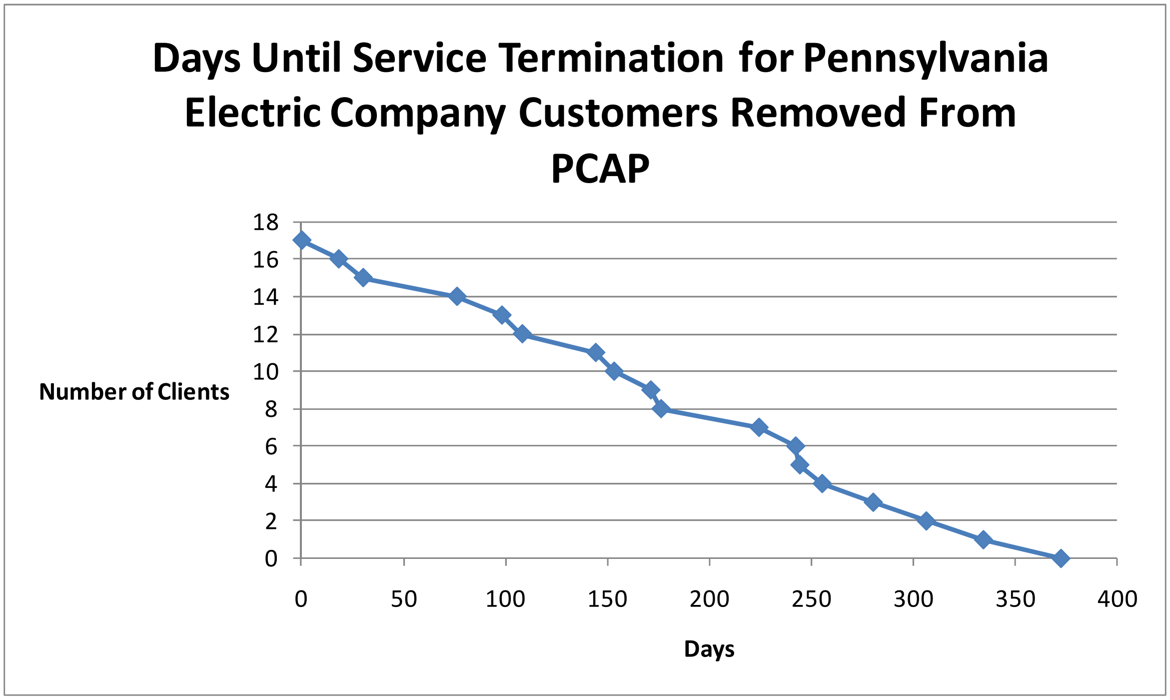

Figure 37: Pennsylvania Electric Company – Termination of PCAP Participants.

Table 44: Penelec – Pattern of Terminations.

Pennsylvania Electric Terminations			
Status	**All Residential Customers**	**Confirmed Low-Income Customers**	**PCAP Participants**
Number	504,915	66,771	13,877
No. Terminated	9,878	5,108	713
% Terminated	2.0%	7.7%	5.1%
Note: Calendar 2009.			

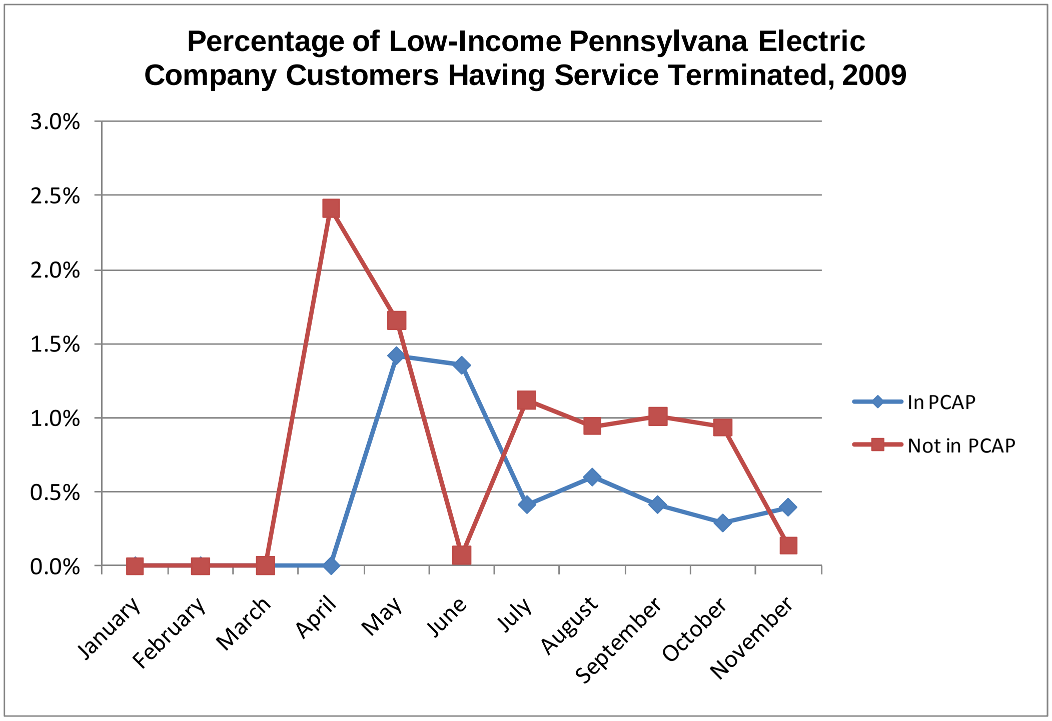

Figure 38: Penelec Pattern of Termination by Month (Note: Dec = 0.0).

Penn Power

For Calendar 2009, the numbers of PCAP customers terminated are relatively small (Figure 39). The pattern is for the highest numbers of terminations to occur soon after a household is placed in PCAP; then there is a rapid decline in terminations. There are almost no terminations after one year of being stabilized on PCAP (Figure 40). Terminations represent 10% of confirmed low-income customers, 5.3% of PCAP participants, and 2.3% of all residential customers, demonstrating the decrease associated with PCAP participation (Table 44). The difference in pattern of PCAP and non-PCAP low-income terminations by month is shown in Figure 41 (December is also 0, although not shown on the graph).

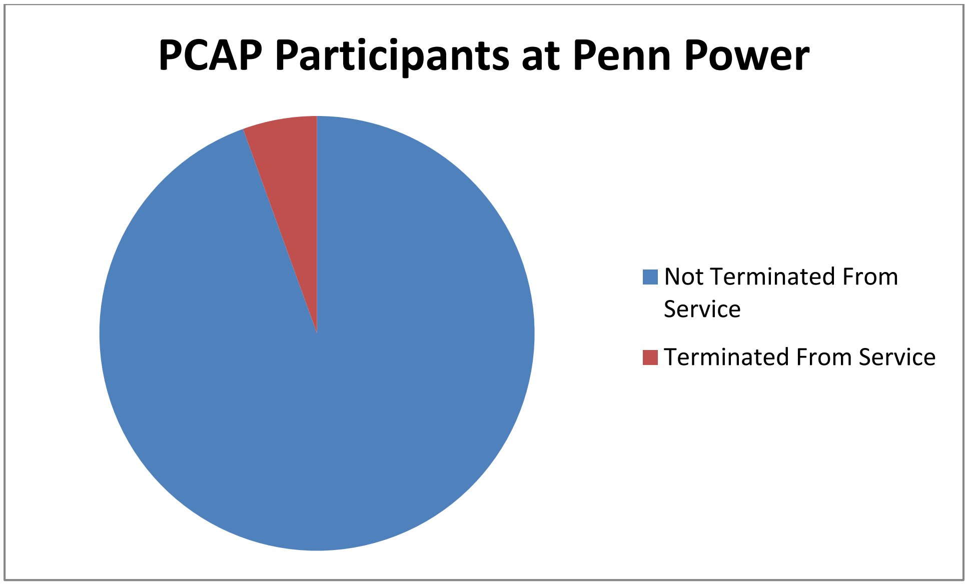

Figure 39: Picture of Penn Power Terminations.

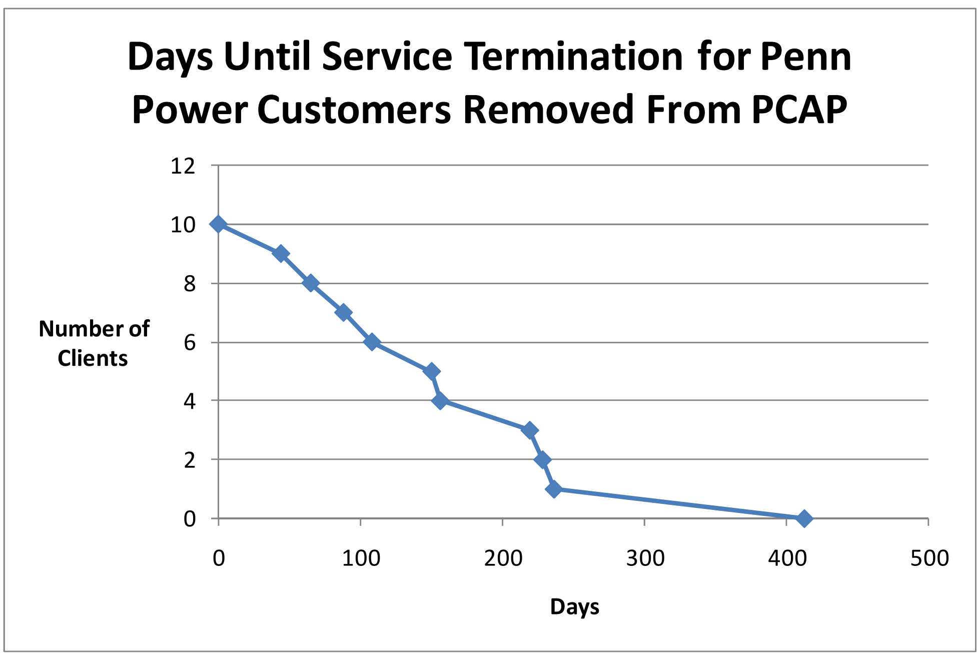

Figure 40: Penn Power – Termination of PCAP Participants.

Table 45: Penn Power Pattern of Terminations.

Penn Power Terminations			
Status	**All Residential Customers**	**Confirmed Low-Income Customers**	**PCAP Participants**
Number	139,848	16,859	9,044
No. Terminated	3,196	1,682	477
% Terminated	2.3%	10.0%	5.3%

Note: Calendar 2009.

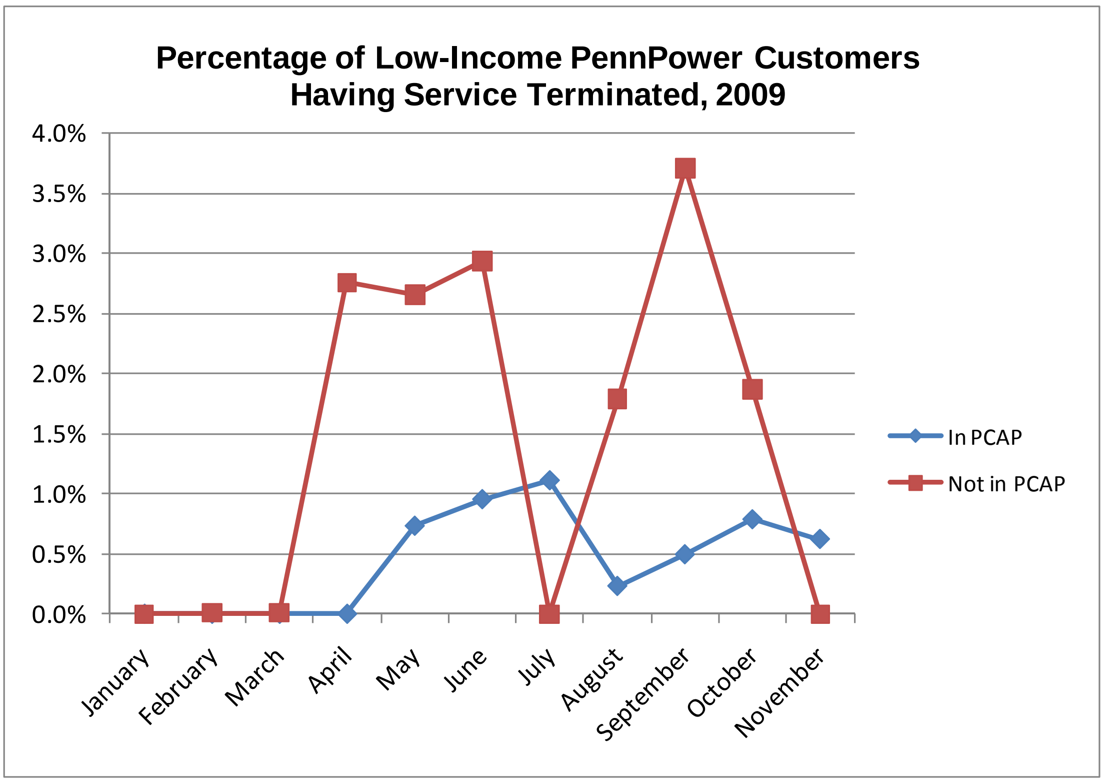

Figure 41: Penn Power Pattern of Termination by Month (Note: Dec = 0.0).

Section 9: Participation & Collection Costs

Does participation in universal service programs decrease collection costs? According to the theory of universal service programs, an affordable bill is preferable from a collections perspective to an unaffordable bill. An affordable (lower) bill, which customers become accustomed to paying on a regular basis, on time and in full can result in a positive difference in collections.

In the case of the FirstEnergy companies in Pennsylvania, the direct program operations offsets are small.[24] They exist but should not be considered a sizable factor. And, at the same time, savings in collections is balanced by the development of a more focused set of procedures for working with customers when they have payment problems, including responsive payment counseling using Dollar Energy.

The Collection Process

For the FirstEnergy companies, if a PCAP customer does not pay a bill within twenty days of the bill date, the account is flagged to go to Dollar Energy for outbound collection counseling within five days. If there is no payment, the account is flagged for follow-up if the amount due is over one-hundred dollars.[25] A notice of discontinuance of service is mailed and set for a "block date" (disconnect) ten days out.[26] Three days prior to disconnect there is an attempt to contact the customer, either by telephone or in person. In this way, FirstEnergy is complaint with provisions of the Pennsylvania Code, as modified by the legislature in 2004.

Beyond this point, there are several steps in pursing active arrearage and "finaled" arrearage. About five to eight percent of aggregate final billed account amounts are eventually recovered after they are final billed. At times, finaled arrearage that is

[24] Also, it should be noted that the trend is for costs of collection and termination to continue decline due to technology changes. While FirstEnergy has not yet gone to smart grid controls, electric utilities that have installed smart grid pilots are able to turn electricity service on and off remotely at essentially no incremental cost. This has proved very cost–effective in areas with transient populations, such as university student neighborhoods, and it eliminates the staffing cost of field service to turn power on and off.

[25] The notice is also sent if the account is more than sixty days in arrears.

[26] Although the tenth day is the first day on which termination may occur, the ten day notices have an effective duration of up to sixty days. This provides flexibility, should it be needed. Also, terminations occur only from April 1st through November 30th of each year. A winter moratorium begins each December 1st and ends the following March 31st. No termination notices are sent out by the company from December 1st through the following January 31st. Terminations may be sent out beginning February 1st but their earliest effective date will be April 1st.

several years old can be sold off at a very low rate per dollar. This leaves about ninety percent or more of finaled arrearage in a cost bin that has to be recovered through future rate cases.

The Arrearage Factor

The treatment of arrearage under Universal Service is the major factor in reducing collection costs. That is, it is the streamlining of workable collections from payment troubled low-income customers coupled with the regular retirement of arrearage that is the special advantage of PCAP. From a utility perspective a PCAP is a standard collection approach for low-income customers that provides a way for the customer and the utility to work together to manage an orderly payment.

- Each dollar of arrearage forgiven by the companies is a dollar that does not go into the collection process. Arrearage forgiveness provides a planned and regular mechanism for substantial revenue recovery. PCAP is a sound financial mechanism that builds a planned amount of arrearage forgiveness into rates. This provides a company with a form of pre-payment of amounts that would otherwise be in the collection process. So long as the PCAP program is properly run and fully expended in service to the customers, the company receives regular revenue recovery.

- If the CAP customers did not have the opportunity to participate in a Universal Service program, the arrearage forgiven would have to be pursued through the normal collection process. As noted above, about ninety cents on each finaled arrearage dollar is left (not recovered). Generally, the aggregate of these amounts will be analyzed in a future cost of service study and recovered in the next rate case. However, there has always been a problem in recovering fully.

Operational Cost Offsets

In the FirstEnergy companies in Pennsylvania, the operations cost offsets of PCAP exist but they are small. The internal company credit and collections function would be the same size with or without PCAP. This means that the incremental cost offsets provided to collections operations by Universal Service are in the areas of outsourced calling, outsourced collection and additional field visits of different kinds including visits for blocking of meters. To ballpark the size of the offset, it is likely under one percent and about four percent of the cost of operating the collections functions. In this perspective, the “credit & collections” function is best understood as an essential business component, that is, for practical purposes a fixed cost. Due to the size of Universal Service relative to the size of overall arrearage and of overall collections, *incremental* costs or cost offsets in operations are not a significant factor.

Summary: Participation & Collection

The FirstEnergy companies do not treat the uncollectible amount as working capital, so there will be a cost of carrying arrears which will depend on a blend of short and long term interest rates, and they will accrue until the next rate case. This means it is of strategic interest to consider adjusting bills for payment troubled customers to make them affordable Further, it is in the interest of both customers and utility to process the CAP credit amounts and the arrearage amounts on a planned and regular basis to the extent this is possible.[27]

In addition, we can note that PCAP is a component that supports a Revenue Operations strategy that has been successful in fulfilling the commission, company, and customer goal of lowering service disconnect. This is one of the soundest indicators of success.

Table 46 shows significant progress in lowering terminations.

Company	Change in Terminations (2008-2009)	Change in Terminations (2009-June 2010)
Met-Edison	-21%	-46%
Pennsylvania Electric	-27%	-46%
Penn Power	-21%	-55%
Source: As reported by FirstEnergy to PA PUC as per 52 PA Code 56.231.		

Table 46: Change in Terminations.

[27] In PCAP, monthly subsidy credits are applied with or without the receipt of customer payments.

Section 10: Is the CAP program Cost Effective?

This was an important question for the initial Customer Assistance Programs when first introduced as pilots. For the past ten years, the question has lost relevance as the pilots have been replaced by mature programs. In essence, the cost effectiveness of the Pennsylvania Customer Assistance Programs is no longer questioned. These programs have become essential payment modalities, especially as job structures[28] of counties, cities, and of the state have deteriorated due to globalization. As such, maintaining their ongoing operations is as essential as any other part of utility operations.

During the pilot period for Customer Assistance Programs in the middle 1990's, it was established through several Pennsylvania evaluations and evaluations of programs in other states, that Customer Assistance Programs substantially offset collection cost and provide other regulatory benefits including speed and certainty in recovery of arrearage. During the middle 1990's when these studies were carried out, utilities were typically using Activity Based Costing (ABC) and the old line item budgets so that during that period nearly every item and activity had a best estimate allocated cost. Using Roger Colton's methodology and these kinds of utility data it was demonstrated many times that Customer Assistance Programs actually improve revenue, even though they lower low-income customer bills to levels that can be supported by low-income customer incomes.

Today's utilities do not typically employ ABC costing, which turned out to be a passing management trend.[29] This means that the cost allocation data required for such an analysis is no longer collected and reported. In part, this is to be expected, given progressive improvements in the design of Customer Assistance Programs. At the FirstEnergy Pennsylvania utilities, this is particularly the case with the adoption of the current Pennsylvania Customer Assistance Programs (PCAP) following the New Jersey model. One of the major improvements in Pennsylvania was to make the customers in Customer Assistance Programs subject to the same collections (and termination) procedures as any other customer. The newer business model is Revenue Operations,

[28] According to economist James K. Galbraith, "labor markets" are "…not markets at all but a deeply structural set of social relations." Galbraith, James K., "Unemployment, Inflation and the Job Structure," Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, January 1996, P. 2.

[29] There is no current internal cost study, no ABC budgeting, and cost element detail is not tracked as in the old systems. Instead overall operations costs are assessed against performance indicators.

which operates essential functions on a business basis subject to certain performance indicators.[30]

There is, however, a considerable advantage to the companies in the planned and orderly recovery of arrearage provided for by Universal Service. As arrearage forgiveness amortizations are extended further and further out into the future, recovery and cash flow lags. This represents a cost to the company. We are not able to quantify this cost in this evaluation. However, it is substantially offset by the design of PCAP. PCAP offers a clear advantage in regulatory certainty of quick and reliable recovery.

Example of High Bill, Low Net Revenue (Prior to PCAP)

Billed revenue	$300
Percent collected	50%
Amount collected	$150
Credit and collection costs	$ 20
Net revenue	$130
Deferred to uncollectible	$170

Example of Low Bill, Higher Net Revenue (with PCAP)

Billed revenue	$160
Percent collected	100%
Amount collected	$160
PCAP administration	$ 4
Revenue from credit	$140
Net revenue	$296

[30] Since the performance indicators for the collections area are good (see Section 9), management is assured that overall, PCAP as a component supporting current collections and recovery of arrearage is working well and is cost effective.

Summary: Cost Effectiveness

We conclude that on the basis of its general design, PCAP matches the standard "please pay" amount on the bill, taking normal customer consumption records into account along with the percentage of household income that the customer can actually pay. This program design offers substantial revenue enhancement in the collection of current payments through a combination of regular full payments by the customer combined with the cap credit amount. The program design also provides for the orderly recovery of arrearage that would become problematic and in the main uncollectible in the absence of the program. We note also that PCAP is progressive in that it retains full customer responsibility for payments for unexplained energy use above targets, and thus retains a proper and strong economic price signal to conserve energy.

Section 11: Cost Effectiveness and Efficiency

This section considers the question, “How can Universal Service Programs be more cost effective and efficient? The PCAP program is currently, in the most fundamental respects, optimally designed.

- The FirstEnergy PCAP program for each utility (Metropolitan Edison, Pennsylvania Electric Company and Penn Power) follows the New Jersey model and so already follows the most efficient program design for Customer Assistance Programs. It is also, by means of this design, automatically always in compliance with BCS Policy Guidelines for affordability (52 PA Code, Chapter 69, §69.265 Cap Design Elements).

- This model implements a percentage of income payment approach. Percentage of income plans are mathematically the most cost efficient Customer Assistance Program designs because unlike programs with fixed bins for which payment amount is set by income ranges, there are no customers who receive assistance that is not required and none who receive less assistance than they need (assuming the percentage of income payment levels have been correctly set).[31]

- Another very efficient feature of the PCAP design at FirstEnergy is that when a customer is processed for entry to PCAP, the application also automatically generates applications for other universal service programs for which the customer is eligible (LIHEAP and LIURP-WARM). Similarly, a customer who approaches Dollar Energy for assistance will be automatically considered for PCAP, LIHEAP, and LIURP-WARM).

- In addition, by means of the statewide cap, a proper economic signal is provided to all households that use additional energy, since they must pay this extra cost (in full).

However, there are some changes that could improve the program:

[31] Starting from an older program with income bins (for example 0-50% of poverty, 51-100% of poverty, and 101-150% of poverty), within each bin there are some customers near the top of the income range who receive more subsidy than they actually need and some near the bottom of the income range for the bin who receive less than they actually need. This problem can be mitigated progressively by increasing the number of income bins (making the number of cases within each bin smaller and smaller). In the limit this becomes a percentage of income plan like PCAP with one customer in each bin and no overpayment and no underpayment.

- **Automatic proactive program enrollment** – Initial enrollment in PCAP should be partially driven by application and qualification to Pennsylvania State Welfare Department programs. All this would require is a data link from Welfare to the utilities so that income screening for initial enrollment need not be repeated by the utilities for households for which initial enrollment is driven by the electronic data link.

- **Automatic recertification** – More generally, the re-certification data link previously connecting the Pennsylvania State Welfare Department and the utilities should be re-established in order to automate the preponderance of re-certifications.

- **More general data linking** – The utilities, along with BCS and the Pennsylvania State Welfare Department, should study general data linking among state, federal and utility program to generate cross enrollment in PCAP from state and federal programs (as well as other utility programs such as natural gas utility CAP programs) with the same income qualifications.

- **Move to five-year recertification** – Given the state of the US economy and its current outlook for a "jobless recovery," and with the current situation of five to six people for every job opening, recertification should be moved from a one-year certification to a longer period. There must be some form of recertification. However, the current economic situation suggests that five-year recertification is more reasonable than one-year recertification. This would require a request to BCS.

- **Move to quarterly recalculation of benefits** – This final recommendation is one which could be implemented internally at the companies. This is to re-align program befits every quarter to keep the relation of benefits to the actual situation of each household tighter. Currently, the goal is to review energy usage to true-up program benefits once a year, though there is currently a drift more towards two years. This will help insure that expenditure is more tightly controlled.

Section 12: Funding

Is the program sufficiently funded? Yes, FirstEnergy's PCAP programs are inherently sufficiently funded because they are not based on the old line item budgeting system. Instead they are funded through a rate recovery rider (Universal Service Cost – Rider C.).

This is a very progressive change from the days of the early CAP pilots and initial CAP programs. When a rate recovery rider is used, the funding automatically adjusts to current PCAP enrollments.

At the same time, there are two limiting conditions. First, funding is sufficient to cover enrollments, but not every eligible customer is enrolled. Second, funding is sufficient within current BCS policy guidelines which specify enrollment eligibility for households up to and including 150% of the federal poverty level. However, according to the *Overlooked and Undercounted* study[32] and the companion *Self-Sufficiency Standard for Pennsylvania 2008-2009*[33] study developed for the Pennsylvania Department of Labor & Industry, income insufficiency for different Pennsylvania households runs much higher than 150% of poverty, depending on family structure and size and depending on county. Results by county are shown in Table A of the *Self-Sufficiency* study. For example, for a family with one adult, one pre-schooler, and one school-age child, the self-sufficiency standard as a percentage of the federal poverty level is 320% in Montgomery County and 177% in Somerset County.[34]

In the recommendation of the evaluator, fully sufficient funding will occur when the state shifts eligibility from the old 1960s poverty standard which nearly no one believes is adequate to the newer self-sufficiency standard. The commission has taken a serious step in this direction by moving eligibility to 150% of poverty in 1992. It is time to move beyond that now outdated and insufficient level.

However, in any case this study is chartered under the terms and conditions of the current program, for which FirstEnergy's Rider C provides full funding automatically.

[32] Pierce, Diana M., PhD, *Overlooked and Undercounted*: Struggling to Make Ends Meet in Pennsylvania. School of Social Work, University of Washington, 2009. Prepared by PathWays PA and the Center for Women's Welfare. Funded by the Pennsylvania Department of Labor & Industry.

[33] Pierce, Diana M., PhD, *The Self-Sufficiency Standard for Pennsylvania 2008-2009*. School of Social Work, University of Washington, 2009. Prepared for PathWays PA. Funded by the Pennsylvania Department of Labor & Industry.

[34] See the complete county data tables beginning on Page 8.

Section 13: Annual CAP Re-certification Requirements, Methods and Challenges; The Need for information Sharing among Utilities, State Agencies, etc.; PA PUC Universal Service Coordination Working Group Recommendation.

Currently, there is a backlog of approximately 50,000 customers across the FirstEnergy companies waiting processing for recertification. These cases are being held by the companies, pending resolution with the Pennsylvania Department of Welfare for access to income and demographic data. For several years, FirstEnergy used an electronic exchange of information from the Department of Welfare. This arrangement for Welfare Department electronic data exchange was suspended on a temporary basis for several months while improved data exchange arrangements were being negotiated and developed. Negotiations began in late 2008.

Negotiations were suspended due to a temporary refocusing of priorities at the Pennsylvania Department of Public Welfare in order to deal with pressing issues. So currently, there is no data exchange. To process these (50,000 and increasing) cases manually would require each customer to furnish required documentation (in person or in the mail). The information required is demographic data and income data for household members to prove on-going eligibility.

The costs of non-automated recertification are high:

- In a non-automated re-certification, typically many customers are dropped from a Customer Assistance Program due to failure to provide timely income and demographic documents. Many of those customers dropped in a manual re-certification are those who, in fact, are eligible but time and chance intervene so that many households fail to respond.

- In addition, the cost in time to customers can be high to locate, copy, and provide documents. For example, a senior or handicapped individual may simply not be able to retrieve a document or even reach a fax machine.

- Going to a Community Based Organization will cost the customer time and money (gas or carfare, and possibly time away from work). It will also have a processing cost for the agency, especially in light of the number of customers in need of recertification.

- For the companies, there is a substantial additional cost in both in-person and mail re-certification.

Thus the cost of non-electronic recertification is high in terms of goals of the Commission, the company, and the customers to insure the proper qualifying customers are enrolled, and in the most cost-efficient manner. For all these reasons, it is essential that the Pennsylvania Department of Welfare resume electronic communication for recertification.

The evaluator concurs with the recommendation of the Universal Service Coordination Working Group:

Connect Customer Assistance Program (CAP) Eligibility with Low Income Home Energy Assistance Program (LIHEAP) Eligibility – Utility companies indicated that they could benefit from getting specific customer information from DPW that would facilitate customer enrollment in CAP or recertification of CAP eligibility. Initially, the utilities have agreed to submit a list of specific data elements needed from DPW to BCS who, in turn, will coordinate the transmission of the requested data to DPW. Other DPW programs such as Food Stamps, Medicaid, and TANF can also be cross-referenced as long as income eligibility matches. PECO and FirstEnergy reported that some degree of coordination has taken place with DPW. The Group recommends that the PUC support this initiative on both a short-term and long-term basis and reach out to DPW for assistance, if needed.

Section 14: Gross vs. Net Energy Burden – The DPW Vendor Requirement

What is the Impact for Program Cost and for Limiting Monthly Subsidies for Electric Heat Accounts of using Gross Energy Burden rather than Net Energy Burden during the CAP Benefit Calculations, so as to conform to the new DPW vendor requirement? In late 2009 to early 2010, the Pennsylvania Department of Public Welfare announced a requirement for LIHEAP payments to be applied directly to individual customer accounts, but not to use any LIHEAP grants in the calculation of CAP benefits. Prior to this, FirstEnergy, like other Pennsylvania utilities has emphasized customer LIHEAP application but payments were received by the utility and credited to the customer inclusive with the amount to be subsidized under PCAP. With the change, LIHEAP amounts credited must appear outside the functioning of PCAP.

In FirstEnergy's PCAP program, originally LIHEAP grants were credited to the account of the individual customer receiving the payment, but were taken into account when calculating a fair PCAP subsidy. At the FirstEnergy companies, LIHEAP payments were always applied to current bills and not to pre-program arrearage.

The Pennsylvania Public Utility Commission accepted the Pennsylvania Department of Welfare policy in the spring of 2010, updating 52 PA Code, Chapter 69.[35]

With the change, the PCAP subsidy will not take LIHEAP grants into account. In the current program and after the change, PCAP provides a "please pay" amount to the customer which reflects the customer requirement to pay, annually, the first six percent of household income for service.[36] PCAP then pays the difference up to program caps, and the customer pays the amount beyond the program caps. The major difference with the change is that customers receiving LIHEAP grants will pay less than the six percent of annual household income.

The examples below are for a customer with:

- electric heat;
- annual household income family of four = $16,500;
- annual electric bill = $2,200;
- LIHEAP benefit = $800

[35] See http://www.pabulletin.com/secure/data/vol40/40-19/830.html

[36] This discussion refers only to electric heat customers. Customers without electric heat would not be in receipt of LIHEAP grants directed to their electric company.

Old Method (from Universal Service Program Plans)

Step #1: Determine what the household should be paying for electric service under PCAP

Annual household income		$16,500
CAP Electric Bill Burden		x 6% of income
	=	$ 990

Step #2: Determine the household's current electric bill burden

Annual Electric Bill		$ 2,200
Minus LIHEAP Benefit		$ 800
Actual Electric Bill Burden	=	$ 1,400 (more than 6% of income)

Step #3: PCAP will pay the difference

Annual Electric Bill		$ 2,200
Minus CAP Electric Bill Burden		$ 990
Annual CAP Benefit	=	$ 410

New Method (in conformance with new DPW policy)

Step #1: Determine what the household should be paying for electric service under PCAP

Annual household income		$16,500
CAP Electric Bill Burden		x 6% of income
	=	$ 990

Step #2: Determine the household's current electric bill burden

Annual Electric Bill		$ 2,200
Electric Bill Burden	=	$ 2,200 (more than 6% of income)

Step #3: PCAP will pay the difference

Annual Electric Bill		$ 2,200
Minus CAP Electric Bill Burden		$ 990
Annual CAP Benefit	=	$ 1,210

As shown in the examples above, the customer now receives an additional subsidy from PCAP of $800, thereby increasing the cost of PCAP to residential ratepayers. This decreases the effective CAP Electric Bill Burden from 6% to a lower amount and will also cause more households to qualify for PCAP.

However, the new calculation method introduces uncertainty in determination of the fairness of individual customer bills. Under the old method, bills were fair in the sense that they were universally set at six percent of household income plus the amount (at the regular residential cost of service rate) for any additional usage above the cap. Under the new method, this basic structure will continue but customers who apply for LIHEAP will receive an additional subsidy that will unbalance the fairness of the billing amounts across households.

Section 15: Survey of Customers Removed from PCAP

Forty-five customers who were removed from PCAP were surveyed by telephone for each of the three FirstEnergy Pennsylvania utilities. This section presents the results of those surveys.

Met Edison

Of the forty-five Met Edison customers removed from PCAP, about 27% said the originally started participation in PCAP because their income was too low. About 31% said they entered PCAP because their electric bills were unaffordable. Only about 4.5% had received a shut-off notice. However, 60% said there was a job loss in the household and 20% said that hours at work had been cut. About 7% were undergoing a separation or divorce, causing a loss of income. About 58% had experienced illness, disability, or a death in the family. Individual reasons for coming into PCAP are as follows:

- On disability
- Commission sales at work went way down; daughter died, unexpected funeral expense
- Senior on Social Security; son died, took in grandson
- High out-of-pocket prescription costs each month
- No income while waiting for disability
- On eighteen meds with a prescription cost of $800/month
- Husband has cancer
- My partner left me so lost his income too
- Prescription costs for my daughter are $500/month
- Single mom
- Senior on Social Security

Sixty-seven percent (67%) of the Met Edison customers removed from PCAP had PCAP through face-to-face processing at an agency; thirty-three percent (33%) by telephone to a call center. All persons reported that program benefits were explained when they entered the program. These customers saw the benefits of PCAP as: lower bills (94%), gradual pay-down of pre-program balance (27%), becoming more aware of how to save energy (26%), being able to pay each month (65%), participation in LIURP/WARM (31%), and being able to pay other bills (2%). Only 4% said they did not see a benefit from the program. Fifty-one percent (51%) said they were provided a written program agreement when they entered PCAP, twenty-two percent (22%) said they were not provided a copy of the program agreement, and the remainder (27%) said they don't remember. Seventy-six percent remember being given an Energy Tips handout, eleven percent (11%) said they were not given the handout, and thirteen percent (13%) say that they don't remember. All persons said they understand their energy bill and also understand the PCAP credit.

While on PCAP, many of these households made changes to save energy. Most were associated with LIURP/WARM participation, but some also involved energy saving behaviors such as using cold water wash, keeping appliances off, putting the AC on a timer and turning off lights.

Reasons for removal of Met Edison customers from PCAP were as follows: payment not affordable (2%); fell behind on payments and was removed (22%), income increased so no longer qualify (51%). The other twenty-five percent (25%) either gave no reason or provided an individual reason. Examples of individual reasons follow:

- Moved out (16%)
- No idea (6%)
- Was in hospital and forgot to pay (2%)
- Went over annual PCAP credit amount (2%)
- Usage not high enough (2%)
- My bill suddenly went really high and I could not pay it (2%)

The reasons total to over one-hundred percent but there may be multiple reasons for removal of a household from PCAP.

Before leaving PCAP, twenty-four percent (24%) of Met Edison customers being removed from PCAP received a phone call or letter from Met Edison or Dollar Energy. Also, fifty-one percent (51%) placed a call to the local agency or to Met Edison while forty-nine percent (49%) did not. Nearly all of the customer comments in this part of the survey refer to calling in to say voluntarily that their situation had improved and they are now over income and no longer need help. A few suggest communication breakdowns; in one case the customer was told they had to wait a year to reapply. *In general, customers seeking help were unable to change their removal from the program*, mainly due to the program rules, though a few cases are unclear.

Pennsylvania Electric Company

Of the forty-four Pennsylvania Electric Company customers removed from PCAP who responded to the questions, about 64% said the originally started participation in PCAP because their income was too low. About 43% said they entered PCAP because their electric bills were unaffordable. Only about 2.3% had received a shut-off notice. A little over 27% said there was a job loss in the household and about 16% said that hours at work had been cut. About 7% were undergoing a separation or divorce, causing a loss of income. About 60% had experienced illness, disability, or a death in the family. Individual reasons for coming into PCAP are as follows:

- Had an accident, surgery; out of work for six months
- Daughter became very ill; had to quit work to provide care
- Injured on the job
- I was laid off, then my husband was injured on the job; waiting for disability to come through
- Took in two grandsons
- Iraq war solider with PTSD
- Both mom and daughter very ill; had to raise money to send daughter to Mayo clinic
- Husband in an accident; medical bills outrageous
- Out on labor strike
- Recent widow
- Seasonal work, no work in summer
- Senior on Social Security
- Single mom, two kids; husband left
- Waiting for SSI to be approved
- Widow, husband died, lost his income and his pension
- Child has diabetes, have to keep medication cold; shut-off notice, medical certificate not current, called PUC

Sixty-seven percent (67%) of the Pennsylvania Electric Company customers removed from PCAP had entered PCAP through face-to-face processing at an agency; thirty-three percent (31%) by telephone to a call center and two percent (2%) don't remember. Ninety-two percent (92%) reported that program benefits were explained when they entered the program, two percent (2%) said program benefits were not explained, and six percent (6%) say they don't remember. These customers saw the benefits of PCAP as: lower bills (89%), gradual pay-down of pre-program balance (29%), becoming more aware of how to save energy (56%), being able to pay each month (84%), participation in LIURP/WARM (18%), and being able to pay other bills (2%). Only 9% said they did not see a benefit from the program. Fifty-one percent (51%) said they were provided a written program agreement when they entered PCAP, twenty-two percent (22%) said they were not provided a copy of the program agreement, and the remainder (27%) said they don't remember. Sixty-two (62%) percent remember being given an Energy Tips handout, twenty-two percent (22%) said they were not given the handout, and thirteen percent (16%) say that they don't remember. Ninety-six percent (96%) said they understand their energy bill and also understand the PCAP credit. Four percent (4%) said they did not.

While on PCAP, many of these households made changes to save energy. Most were associated with physical improvements due to LIURP/WARM participation, but some also involved energy saving behaviors such as keeping appliances off, using the AC less or switching to fans, and turning off lights.

Reasons for removal of Pennsylvania Electric Company customers from PCAP were as follows: payment not affordable (0%); fell behind on payments and was removed (4%), changed mind and opted out (2%), PCAP bill higher than regular bill, opted out (2%), temporary problem and no longer need help (4%), income increased so no longer qualify (62%), and did not recertify (4%). The other twelve percent (12%) either gave no reason or provided an individual reason. Examples of individual reasons follow:

- Moved out (8%)
- No idea (6%)
- Was in hospital in Minneapolis with daughter and got out of contact (2%)
- Usage not high enough (2%)
- Said cannot get both LIHEAP and PCAP (2%)

The reasons total to over one-hundred percent but there may be multiple reasons for removal of a household from PCAP.

Before leaving PCAP, twenty-seven percent (27%) of Pennsylvania Electric Company customers being removed from PCAP received a phone call or letter from Pennsylvania Electric or Dollar Energy. Also, fifty-seven percent (57%) placed a call to the local agency or to Pennsylvania Electric while forty-nine percent (43%) did not. Nearly all of the customer comments in this part of the survey refer to calling in to say voluntarily that their situation had improved and they are now over income and no longer need help. A few suggest communication breakdowns*. In general, customers seeking help were unable to change their removal from the program*, mainly due to the program rules, though a few cases are unclear.

Penn Power

Of the forty-five Penn Power customers removed from PCAP, about 78% said they originally started participation in PCAP because their income was too low. About 60% said they entered PCAP because their electric bills were unaffordable. Only about 4.5% had received a shut-off notice. However, 38% said there was a job loss in the household and about 4.5% said that hours at work had been cut. About 18% were undergoing a separation or divorce, causing a loss of income. About 53% had experienced illness, disability, or a death in the family. Individual reasons for coming into PCAP are as follows:

- Funeral expenses for my wife's death—eventually could not afford the home
- I was off work for surgery; just as I was coming back, I was laid off
- I was waiting for Social Security Disability to be approved and had almost no income
- I was injured and am a paraplegic
- We lost our home in foreclosure, a lot of emotional problems
- When I married they reduced the Social Security disability
- Had an organ transplant; overwhelming medical bills
- Senior citizen and recent widow; husband's medical bills were so high could not pay the other bills
- Senior citizen, widow, in hospital for extended period; no one to open the mail for weeks
- Single mom with kids, mom returning to college
- Getting only unemployment compensation
- Huge water leak, damage to house plus high water bill; no money to pay the other utilities

Sixty-two percent (62%) of the Penn Power customers removed from PCAP had entered PCAP through face-to-face processing at an agency, thirty-six percent (36%) by telephone to a call center, and two percent (2%) by home visit. Ninety-eight percent reported that program benefits were explained when they entered the program; two percent (2%) did not remember. These customers saw the benefits of PCAP as: lower bills (98%), gradual pay-down of pre-program balance (9%), becoming more aware of how to save energy (30%), being able to pay each month (78%), and participation in LIURP/WARM (44%). Only 2% said they did not see a benefit from the program. Fifty-eight percent (58%) said they were provided a written program agreement when they entered PCAP, eleven percent (11%) said they were not provided a copy of the program agreement, and the remainder (31%) said they don't remember. Seventy-three percent (73%) remember being given an Energy Tips handout, eleven percent (11%) said they were not given the handout, and thirteen percent (16%) say that they don't remember.

Eighty-nine percent (89%) said they understand their energy bill and also understand the PCAP credit. Nine percent (9%) said they did not.[37]

While on PCAP, many of these households made changes to save energy. Most were associated with LIURP/WARM participation or with a County weatherization program, but some also involved energy saving behaviors such as using an outside clothes line, keeping drapes closed to the sun in summer, raising the thermostat in summer and turning it down in winter, cold water washing , unplugging appliances and turning off lights. One household was able to find a pellet stove to keep one room warm since they could not afford to have their gas heat restored.

Reasons for removal of Penn Power customers from PCAP were as follows: payment not affordable (0%); fell behind on payments and was removed (16%), changed mind and opted out (2%), temporary problem and no longer need help (4%), income increased so no longer qualify (53%), and did not recertify (4%). The other twelve percent (12%) either gave no reason or provided an individual reason. Examples of individual reasons follow:

- Moved out (12%)
- No idea (4%)
- Extended time in hospital, mail piled up (2%)
- Usage not high enough (6%)
- Blind, cannot read mail, so unable to make timely payments (2%)
- Problems with mail service, did not receive paperwork (2%)
- Recertification materials improperly copied without showing names (2%)

The reasons total to over one-hundred percent but there may be multiple reasons for removal of a household from PCAP.

Before leaving PCAP, fifty-six percent (56%) of Penn Power customers being removed from PCAP received a phone call or letter from Penn Power. Also, thirty-one percent (31%) placed a call to the local agency or to Penn Power while sixty-nine percent (69%) did not. Nearly all of the customer comments in this part of the survey refer to calling in to say voluntarily that their situation had improved and they are now over income and no longer need help. A few suggest communication breakdowns. *In general, customers seeking help were unable to change their removal from the program*, mainly due to the program rules, though a few cases are unclear. One customer, an exception, was immediately restored to PCAP as a result of their call to Penn Power.

[37] One person is blind and cannot read the bills.

Sample Design

A random sample of n=45 per utility provides results with 90% confidence and 12.2% absolute precision at the individual utility level for a proportion of 50% (and better precision for proportions other than 50%). At the FirstEnergy level a random sample of n=135 provides 90% confidence and +/-7% precision for a proportion of 50% (and better precision for other proportions).[38] However, 583 additional calls were required to complete the n=135 (answering machine 276, WN & D/C 134, call back incomplete 32, no answer busy 38, refusals 17, automatic call blocker 33, language barrier 8). The completed sample, though designed as a random sample, is the responsive subset households from the randomized list.

Survey Form: Former PCAP Participants

FirstEnergy Impact Evaluation
Met-Ed/Penelec/Penn Power
2010 Customer Phone Survey
Sample 2: Barriers to PCAP Retention

Survey respondents will be drawn from customers who were on PCAP at one time and are not now. This is a different pool from those who did not recertify at the proper time.

Company______________________

Hello, my name is Marcia Lehman and I'm an independent contractor hired by your local electric company − Met-Ed/Penelec/Penn Power − to gather some information about the Pennsylvania Customer Assistance Program or PCAP. I'm calling today to ask you to tell me about your experience with PCAP. Met-Ed/Penelec/Penn Power feels your input is valuable and would like use your input to find ways to improve the PCAP program. I have some questions to ask you that will take only a few minutes. Your answers will help us better understand the needs of customers and find ways to improve PCAP in the future.

Please ask me any questions you would like if you need help to understand the question.

[38] Sample size characteristics were calculated using NQuery Advisor 7.0.

A1. Do you remember being on the Pennsylvania Customer Assistance Program or PCAP?

1. Yes *(Continue)* ___*On PCAP now* ___*Not on PCAP but remember CAP*

Interviewer: If on PCAP now, use the <u>PCAP Participation</u> Survey

2. No / don't remember *(Probe if necessary. If still NO, stop survey, log on separate form by name and ID. Offer PCAP 800# and log if offered number)*

A2. *What problems were you having at the time when you first found out about PCAP and wanted a lower electric payment? (Why were you referred to PCAP? (Probe if necessary. Build the list from customer responses—do not read list. Mark all that apply)*

1. My income was/is too low
2. I couldn't afford the electric bills ─they are/were too high
3. I had a shut-off notice at the time and called *[Met-Ed, Penelec, Penn Power]*
4. Loss of job
5. Hours cut at work
6. Separation/divorce
7. Illness/disability/death in household
8. Other (specify) ____
9. Don't know/don't remember
10. Refuse to answer

A3. When you first had contact with a PCAP Representative, (*face-to-face in agency office, face-to-face in home visit, by phone or written information in the mail)* were the benefits of PCAP explained to you? *(Do not read answer options)*

1. Yes, the benefits of PCAP were explained by________________ *(Agency rep./utility rep./call center rep. etc.*)

   A3-1a. What are the benefits of PCAP to you? *(build list)*
   - 1aa. Lower monthly payment, more affordable
   - 1bb. Old balance (pre-program) gradually comes down
   - 1cc. I'm more aware about saving energy
   - 1dd. I'm able to pay every month now
   - 1ee. I got a free energy checkup of home/appliances [WARM}
   - 1ff. Other:

2. Yes, it was explained but I haven't seen the benefit.
   A3-2a. What would have been a benefit to you? (*Build list)*

3. Yes, but I didn't understand what the PCAP representative was saying.
   A3-3a. What was the rep. saying that you didn't understand? (*Build list)*

4. Yes, it was explained but I didn't pay attention to the details

5. No, it was not explained to me.

6. Don't remember.

A4. Were you given a paper (a contract ─ "As a participant in PCAP I agree to…") that lists the program benefits and what you need to do to stay in the program?

1. Yes
2. No

3. Don't remember

A5. Did you receive a handout with tips on how to save energy in your home?

1. Yes
2. No
3. Don't remember

A6. Can you tell me about any changes you've made to save energy in your home?
(Open ended)

A7. When you were getting a PCAP credit on your electric bill, did you understand the bill? *(Did you know what your bill was and what the PCAP CREDIT was? Note any discussion about the bill.)*

1. Yes
2. No

A8. Could you tell me why you aren't in PCAP now? *(What happened that caused you to leave/drop out/be removed from PCAP? Build list of reasons, do not read the list)*

1. I did not make the payments on time, fell behind, and was removed from PCAP
2. The PCAP payment was not affordable – I couldn't pay it
3. I forgot to get E/A, my PCAP payment was increased and I could no longer pay
4. I stopped making the payments because ______________________*build list*
5. I didn't understand how PCAP could help me and changed my mind
6. My financial problem was only temporary and I didn't need the help after all
7. I had an increase in my total household income and no longer qualified
8. I did not recertify/reverify/reapply
9. I moved and/or had a change of income and *did not/forgot* to report it
10. I didn't want to commit to a PCAP payment every month, esp. in the summer
11. I did not want to receive the WARM weatherization program
12. The utility was unable to read my meter for four months in a row
13. Other: *specify* ____

A9. Did you get a phone call or letter offering help before you left PCAP? (*Capture payment-counseling assistance from Dollar Energy when delinquent notices are sent)*

1. Yes (*Build list)*
   a. I got a call offering payment counseling (short-term payment arrangement)
   b. I got a letter offering payment counseling
   c. I was given an energy assistance grant to go toward my PCAP arrearage
   d. Other ____

   A9-1e. If yes, did it help?
   1. Yes—put back in PCAP (ask: wait time?_______________)
   2. No
2. No

A10. Did you call your local agency representative or your *(Met-Ed, Penelec or Penn Power)* PCAP representative to get help before you left PCAP? *(build list)*

1. Yes (*Build list)*
   a. I called but no one could help me
   b. I called and got some help (specify)______________________________
   c. Other ____
      A10-1d. If yes, did it help?
      1. Yes—put back in PCAP (ask: wait time?_______________)
      2. No
2. No

A11. When you were in PCAP, did the PCAP agency/utility representative tell you about the LIHEAP energy assistance program and how to apply for the grant every year?

1. Yes Ask if electric heat: Yes No (circle one)
   a. Did you receive a LIHEAP grant this past winter? YES NO
2. No
3. Don't remember
4. What's LIHEAP? Never heard of it

A12. Is there anything else you'd like us to know about your experience with PCAP?

A13 Please tell me how you heat your home. *(Prompt if needed, ask about space heaters and disconnected furnace. Mark all that apply)*

1. _____ Gas furnace
2. _____ Oil furnace
3. _____ Electric furnace
4. _____ Electric baseboard or wall heaters (*resistance heat, not furnace*)
5. _____ Electric space heaters
6. _____ Propane space heaters
7. _____ Kerosene space heaters
8. _____ Other, please specify ______________________________________

A14 If you had a chance to apply for PCAP again, would you be interested?

1. Yes *If yes give phone #*:

   Met-Ed and Penelec – 1-800-545-7741
   Penn Power – 1-800-720-3600

   If given, check here ______

2. No Why not? *(Build list)* _____________________________________

3. Other:

*Thank you for your time on the phone today. Log time*__________ *Gender* ___________

Section 16: Survey of Active PCAP Customers

Forty-five customers currently active in PCAP were surveyed by telephone for each of the three FirstEnergy Pennsylvania utilities. This section presents the results of those surveys.

Met Edison

Of the forty-five Met Edison customers in the participation survey, almost fifty percent (50%) first heard about PCAP from a contact from the utility that was about something other than PCAP. Another eighteen percent (18%) learned about PCAP when they called the utility with a payment problem. Fifteen percent (15%) learned about PCAP from a friend, neighbor or relative. The remaining seventeen percent (17%) split among several different sources such a religious organization, a bill insert, the Internet, and LIURP/WARM, radio/TV/newspapers. Each of these residual sources represents a very small percentage.

Reasons for PCAP participation include income too low (64%), bills not affordable (82%), loss of job (49%), cutback in work hours (11%), separation or divorce (9%), illness or disability in the household (29%). Small percentages provided one or more additional reasons (a new baby, loss of SSI, domestic violence, senior on social security, disabled).

Twenty percent (20%) signed-up for PCAP by telephone, about seventy-eight percent (78%) at an agency and two percent (2%) in a home visit. Only four percent (4%) encountered some trouble at first in signing-up. The problems were a one month wait to schedule the intake meeting at an agency and getting the Met Edison bill in the correct name prior to applying. Other problems noted include an agency that was not handicap-accessible (they directed the client to another agency) and being put on hold for over an hour at a PCAP call center (due to high volume that day). About nine percent (9%) of customers encountered a wait period. It took one customer two weeks to get an appointment with an agency and then the agency took one month until approval. Another customer said it took three weeks to get an appointment with the agency, and another said it took thirty days. One client was told by an agency that they did not qualify but then was called back sometime later and told a mistake had been caught and they did qualify for PCAP.

About sixty-seven percent (67%) said PCAP began immediately with the next bill, for approximately twenty-nine percent (29%) the wait was one to two months, which we interpret as being the second bill since sign-up. Four percent (4%) say they do not recall. Ninety-six percent (96%) of the PCAP participants say they received an explanation of PCAP benefits, though one customer said they did not understand the explanation and one said that the benefits did not materialize. Four percent (4%) said they did not remember if benefits were explained.

Sixty-seven percent (67%) said they received a PCAP agreement. Sixteen percent (16%) said they did not receive an agreement, and seventeen percent (17%) said they did not remember.

Ninety-three percent (93%) say the PCAP bill is easy to read and understand. Seven percent (7%) say it is not. Two of these reported not being able to see the PCAP credit on the bill. One complained that the amount owed keeps changing from bill to bill while on the old CAP program it stayed the same.

Everyone could see the part of the bill that says they are a PCAP participant. Ninety-three percent (93%) remember being told about LIHEAP and seventy-three percent (73%) remember receiving a handout on tips for savings energy in the home. Each Met Edison participant reported some energy savings improvements or changes in behavior to save energy.

Pennsylvania Electric Company

Of the forty-five Penelec Edison customers in the participation survey, twenty-nine percent (29%) first heard about PCAP from a contact from the utility about something other than PCAP. Another twenty-nine percent (29%) learned about PCAP when they called the utility with a payment problem. A further twenty-nine percent (29%) learned about PCAP from a friend, neighbor or relative. The remaining thirteen percent (13%) split among several different sources such a bill insert, hospital social services, and radio/TV/newspapers. Each of the residual sources represents a very small percentage.

Reasons for PCAP participation include income too low (69%), bills not affordable (76%), loss of job (33%), cutback in work hours (11%), separation or divorce (7%), and illness or disability in the household (38%). Small percentages provided one or more additional reasons (college student, waiting for social security disability, joining of two families resulting in more people in the home, prescription drug costs, paying for a funeral, unemployment cut off, and senior on social security).

Two percent (2%) signed-up for PCAP by mail, thirty-one percent (31%) by telephone, about sixty-four percent (64%) at an agency and two percent (2.2%) in a home visit. Only four percent (4%) encountered some trouble at first in signing-up. One customer contacted the call center five times and each time was told that they did not quality. The customer then went to the Department of Public Assistance and was put on PCAP right away. Three problems encountered by customers are described as follows:

(1) My husband works construction and before he was actually laid off his hours were drastically cut at work. I went into the agency to apply for PCAP as his hours were being cut, but they insisted on using his gasoline expense that he gets reimbursed for from the employer. I told them it was not income, just a reimbursed expense because he has to use his own truck on the work sites, but they insisted it was income---so it put us over the income limit and we could not get into the program. After he was officially laid off it still took a month for his UC to start, and they would not put us on PCAP until we had some sort of income, so we got behind on everything.

(2) Penelec changed the billing cycle when I receive my electric bill and now my payment due date does not work well with when I get my Social Security check. Now, so that I can pay the Penelec bill I have to wait till the bill comes before I can buy my groceries. If I buy groceries first I may not be able to pay the electric bill.

(3) They would not put us on PCAP because we had zero income, so we had to wait one month before unemployment compensation started, so we got behind on everything.

About eleven percent (11%) of customers encountered a wait period. Most of these took the form of being put on hold by the call center for forty-five minutes to an hour. In one case there was a one month wait to schedule an agency appointment.

About seventy-one percent (71%) said PCAP began immediately with the next bill, for approximately twenty-seven percent (27%) the wait was one to two months, which we interpret as being the second bill since sign-up. Two percent (2%) say they do not recall.

Ninety-eight percent (98%) of Penelec PCAP participants say they received an explanation of PCAP benefits. However seven percent (7%) say the benefits did not materialize:

> (1) A real benefit would be a lower bill and I have not seen that. My PCAP credit amounts to about $3 a month.
>
> (2) My electric payments seemed to stay the same--I never saw the credit. In fact I'm not sure I was even on PCAP, couldn't really tell. Community Action said it also looked like I was paying too much, but never got me a credit or a lower bill amount.
>
> (3) The monthly payment is not that much lower. At the agency first they told us we were to get a $200 PCAP credit each month for a total electric home; then they said it was calculated wrong and we would only get a PCAP credit of $80.

Also, four percent (4%) said they did understand the explanation. One of these customers is in a wheelchair and requires oxygen and was not feeling well that day.

Sixty-seven percent (67%) said they received a PCAP agreement. Nine percent (9%) said they did not receive an agreement, and twenty-four percent (24%) said they did not remember.

Ninety-eight percent (98%) say the PCAP bill is easy to read and understand. Two percent (2%) say it is not, thinking there should be two numbers on the bill (the regular bill and the discount).

All but two percent (2%) could see the part of the bill that says they are a PCAP participant. Seventy-eight percent (78%) remember being told about LIHEAP and seventy-three percent (73%) remember receiving a handout on tips for savings energy in the home. Each Penelec participant reported some energy savings improvements or changes in behavior to save energy.

Penn Power

Of the forty-five Penn Power customers in the participation survey, twenty-nine percent (29%) first heard about PCAP from a general contact from the utility about something other than PCAP. Another thirty-three percent (33%) learned about PCAP when they called the utility with a payment problem. Twenty-nine percent (29%) learned about PCAP from a friend, neighbor or relative. Seven percent (7%) split among bill insert, a direct letter on PCAP from the utility or a direct call on PCAP from the utility. Two percent did not remember.

Reasons for PCAP participation include income too low (62%), bills not affordable (69%), loss of job (29%), cutback in work hours (16%), separation or divorce (4%), and illness or disability in the household (42%). Two percent (2%) mentioned a shut off notice. Small percentages provided one or more additional reasons (waiting for social security disability, senior on social security, took in two step children with no child support, heat pump malfunctioned and went into resistance mode resulting in an extremely high bill we could not pay).

Two percent (2%) signed-up for PCAP by mail, twenty-nine percent (29%) by telephone, about fifty-eight percent 58% at an agency and eleven percent (11%) in a home visit. Only four percent (4%) encountered some trouble at first in signing-up. One household had a delay because there was trouble proving the address:

> I had trouble with proving my address: I had just moved to PA from Ohio and was able to show them my lease agreement for my apartment from the landlord, clearly showed my name and new address but the agency would not accept that. They wanted a PA driver's license only and I did not have the money to get my driver's license yet, plus, it takes a long time to do all that.

Another just had a stroke and has trouble with comprehension which made it difficult to get documents together for the application process.

About nine percent (9%) of customers encountered a wait period. One of these kept calling their community agency and got no response; then they found out they could go to the Salvation Army and were signed up right away. Others said it took weeks to get an appointment at their agency. Another was the household mentioned above which had a delay due to the problem of proving address.

About seventy-six percent (76%) said PCAP began immediately with the next bill, for twenty percent (20%) the wait was one to two months, which we interpret as being the second bill since sign-up. For two percent (2%) it took longer and two percent (2%) say they do not recall.

Eighty-four percent (84%) of Penn Power PCAP participants say they received an explanation of PCAP benefits. Seven percent (7%) say they did not. Two percent (2%)

said benefits were explained but not understood (the person with the stroke was having trouble processing things), and another two percent (2%) said the benefits were explained but they have not seen a benefit while on PCAP. Four percent (4%) don't remember.

Sixty-seven percent (67%) said they received a PCAP agreement. Eleven percent (11%) said they did not receive an agreement, and twenty-two percent (22%) said they did not remember.

A few customers reported having some problems with ongoing PCAP participation:

(1) I applied and filled out the paperwork for WARM 3 times but am still waiting.

(2) I could no longer drive so transportation and mobility were difficult---but they said I had to come into the agency anyway.

(3) Penn Power changed the billing cycle when my bills are due and now they are due before I get my SSD check, so my bill is usually late each month.

(4) When the program went from CAP to PCAP--Penn Power pays less now but our bills have gone up because of my medical condition and continuous oxygen concentrator.

Ninety-three percent (93%) say the PCAP bill is easy to read and understand. Seven percent (7%) say it is not. Ninety-eight percent (98%) could see the part of the bill that says they are a PCAP participant. Two percent (2%) did not.

Ninety-eight percent (98%) remember being told about LIHEAP and sixty-seven percent (67%) remember receiving a handout on tips for savings energy in the home. Each Penn Power participant reported some energy savings improvements or changes in behavior to save energy.

Sample Design

A random sample of n=45 per utility provides results with 90% confidence and 12.2% absolute precision at the individual utility level for a proportion of 50% (and better precision for proportions other than 50%). At the FirstEnergy level a random sample of n=135 provides 90% confidence and +/-7% precision for a proportion of 50% (and better precision for other proportions).[39] However, 485 additional calls were required to complete the n=135 (answering machine 201, WN & D/C 102, not available 25, call back incomplete 25, no answer busy 44, refusals 6, automatic call blocker 41, language barrier 11). The completed sample, though designed as a random sample, is the responsive subset households from the randomized list.

Survey Form: Current Participant Survey

FirstEnergy Impact Evaluation
Met-Ed/Penelec/Penn Power
2010 Customer Phone Survey
Sample 1: Barriers to PCAP Participation

Survey respondents will be drawn from customers who are current PCAP participants and those who dropped out immediately after enrollment.

Company______________________

Hello, my name is Marcia Lehman and I'm an independent contractor hired by your electric utility company − Met-Ed/Penelec/Penn Power − to gather some information about the Pennsylvania Customer Assistance Program or PCAP. I'm calling today to ask you to tell me about your experience with PCAP. Met-Ed/Penelec/Penn Power feels your input is valuable and would like to use your input to find ways to improve the program. I have some questions to ask you that will take only a few minutes. Your answers will help us better understand the needs of customers and find ways to improve PCAP in the future.

Please ask me any questions you would like if you need help to understand the question.

A1. First, can you tell me how you heard about PCAP? *(Do not read answer options)*

1. Letter from agency/utility
2. Phone call from agency/utility
3. Visit/phone call to the agency for another reason, enrolled me in PCAP at that time.
4. The utility company told me about it when I called with payment problems.
5. Newspaper/TV/radio
6. Friend/neighbor/relative

[39] Sample size characteristics were calculated using NQuery Advisor 7.0.

7. Don't know/don't remember.
8. Other:____
9. I've never heard of PCAP and don't know what it is ***(Probe if necessary, if still <u>never heard of it</u>, stop survey****, log on separate form by name & ID. Offer CAP 800# and log if offered number)*

Interviewer: If customer indicates in A1 they were on PCAP, but not on PCAP now, use the <u>PCAP Retention</u> survey.

A2. What problems were you having at the time when you first found out about PCAP and wanted a lower electric payment? *(Why were you referred to* P*CAP? Probe if necessary. Build the list from customer responses —- do not read list. Mark all that apply.)*

11. My income was/is too low
12. I couldn't afford the electric bills ─ they are/were too high
13. I had a shut-off notice at the time and called *[Met-Ed, Penelec, Penn Power]*
14. Loss of job
5. Hours cut at work
6. Separation/divorce
7. Illness/disability/death in household
8. Other (specify) ___________________________________
9. Don't know/don't remember
10. Refuse to answer

A3. What did you have to do to apply for PCAP? *(Build list from responses)*
1. Apply through the mail
2. Apply by phone
3. Face-to-face in office with agency rep
4. Face-to-face home visit with agency rep
5. Face-to-face home visit with utility rep
6. Other

A4. Did you have any trouble qualifying for PCAP? (*providing income documentation, etc.)*

1. Yes What was the difficulty? ___________________________
2. No

A5. Did you have any difficulty with your application or participation in PCAP? *(For example, enrollment waiting list, restrictive eligibility criteria, difficult enrollment, toll call, transportation problems, etc. Do not read.)*

1. Yes What was the difficulty? ___________________________
2. No

A6. Was there any kind of a waiting period to apply for PCAP?

1. Yes What was it? ___________________________________
2. No

A7. Once you applied for PCAP, how long did it take for you to be placed on PCAP and start paying a <u>*lower bill*</u>*? (Do not read answer options)*

1. It happened immediately ─ the new amount was on next bill.

2. One month
3. Two months
4. Three months
5. More than three months
6. Don't know when the PCAP took effect
7. They said I didn't qualify, so I'm not on PCAP
8. I had difficulty applying, so I dropped the application
9. Other ____

When you first had contact with a PCAP Representative, *(face-to-face, by phone or written information in the mail)* were the benefits of CAP explained to you?

2. Yes, the benefits of PCAP were explained by __________________________
   (Agency rep./utility rep., call center rep. etc. by phone, mail, face-to-face?)
   1a. What are the benefits of PCAP? (*Build list)*

      1aa. Lower monthly payment, more affordable
      1bb. Old balance (pre-program) gradually comes down
      1cc. I'm more aware about saving energy
      1dd. I'm able to pay every month now
      1ee. I got a free energy checkup of home/appliances [WARM}
      1ff. Other:

3. Yes, it was explained but I haven't seen the benefit.
   2a. What would have been a benefit to you? (*Build list)*

4. Yes, but I didn't understand what the PCAP representative was saying.
   3a. What was the rep saying that you didn't understand? (*Build list*)

4. Yes, it was explained but I didn't pay attention to the details

5. No, it was not explained to me.

6. I don't remember.

A9. Were you given a paper (a contract—"As a participant in PCAP I agree to…") that lists the program benefits and what you needed to do to stay in the program?

4. Yes
5. No
6. Don't know/don't remember

A10. Did the PCAP Representative tell you that you needed to sign up for PCAP every year, or tell you that you needed to reapply/recertify or reverify for PCAP every year?

1. Yes
2. No
3. Don't know/don't remember

A11. Is the PCAP bill easy to read and understand?

1. Yes

2. No What is hard about understanding the bill?

3. Can you see where it says you are a PCAP participant? Yes_____ No______

A12. When you first applied for PCAP, did the PCAP agency/utility representative tell you about the LIHEAP energy assistance program and how to apply for the grant?

1. Yes Ask if electric heat: Yes No (circle one)
   a. Did you receive a LIHEAP grant this past winter? YES NO
2. No
3. Don't remember
4. What's LIHEAP? Never heard of it (check if 1-866-857-7095 given ______)

A13. Did you receive a handout with tips on how to save energy in your home?

1. Yes
2. No
3. Don't remember

A14. Can you tell me about any changes you've made to save energy in your home?

(Open ended)

A15. Do you have any suggestions on how PCAP could be improved? (*What would make it easier to get into/stay in PCAP?)*

A16. Please tell me how you heat your home. *(Probe and prompt if needed. Mark all that apply)*

1. _____ Gas furnace
2. _____ Oil furnace
3. _____ Electric furnace
4. _____ Electric baseboard or wall heaters (*resistance heat, not furnace*)
5. _____ Electric space heaters
6. _____ Propane space heaters
7. _____ Kerosene space heaters
8. _____ Other, please specify ______________________________________

FOR THOSE WHO INDICATED A2 OR LATER—'NO LONGER IN PCAP, ASK THE FOLLOWING:

A17. If you had a chance to apply for PCAP again, would you be interested?

1. Yes *If yes give phone #*:

   Met-Ed and Penelec – 1-800-545-7741
   Penn Power – 1-800-720-3600
   If given, check here ______
2. No Why not? *(Build list)* ____________________________________

4. Other:

Thank you for your time on the phone today. Log time_________ Gender _________

Section 17: The Pennsylvania Customer Assistance Program

Between the last evaluation in 2004 and the current evaluation, the Pennsylvania Customer Assistance Program (PCAP) programs administered by Met Edison, Penelec, and Penn Power have been optimized and moved from the old Customer Assistance program designs to a new program design. It can be shown mathematically that the percentage of income payment design is the best design for targeting the individual needs of households without the slight overpayment and underpayment which occurs when payments are set for large groups of household. The three PCAP programs are all percentage of income payment designs.

Further, in this evaluation we find proper implementation for each of the three utilities of a Pennsylvania program model first developed in New Jersey some year ago following recommendations by Roger Colton. This is a percentage of income model in which the household is required to pay three percent (3%) of income for general electric service or and six percent (6%) of income if service also includes electric heat. Each of the three PCAP programs (for Met Edison, Penelec, and Penn Power) follows this model and is well within and in conformance with the policy guidance of the Bureau of Consumer Services and the relevant sections of the Pennsylvania Code.

The baseline electricity use required by each household is estimated from an actual twelve months of usage information specific to the home. The PCAP subsidy amount is calculated specifically for each household such that the combination of the required (3% or 6% of household income) customer payment plus the total PCAP amount for the year is sufficient to cover the normal energy usage of the household. The PCAP amount is applied equally over twelve months. Any usage for the twelve month period that is above the estimated baseline electricity use is automatically billed at the regular cost of service rate and is the responsibility of the household. This arrangement is designed to encourage careful use of electricity by providing the normal price signal to the household for increased energy use.

While the structure of the equal application of PCAP is positive from a conservation perspective and fair when viewed over the year, there is a potential downside. Since the percent of household income customer payment and the PCAP subsidy are paid on an equal monthly basis, it can happen that a customer will experience a large “please pay” amount in a winter month (for electric heat) or a summer month (if they have air conditioning and there is a hot spell). The expected customer payment plus the PCAP payment are sufficient to pay the full yearly bill based on a twelve-month baseline for the household, but there can be variations from month to month based on actual electricity used.

Section 18: Customer Assistance, Referral & Evaluation Services

CARES has evolved considerably since the late 1980's. Originally CARES had a social work intent and a case-management approach with home visits and a considerable case-load. Today, the program retains some of the social work perspective but has gradually moved away from the pattern of home visits and case management. CARES Representatives are now Customer Outreach Specialists and do almost all of their customer contact by phone. They also now have varied customer service job responsibilities in addition to the traditional CARES. As a Customer Outreach Specialist said during a phone conference call, "Our definition of CARES is one of 'caring advocates supporting customer needs."[40]

Besides traditional CARES social service outreach and referral, Customer Outreach Specialists' other responsibilities can include interfacing with other department managers within the FirstEnergy utilities, working closely with Compliance, and being the first customer contact during a PUC complaint. The Specialists also conduct training in the Pennsylvania Customer Assistance Program (PCAP) as well as Chronicles training for the eighty-six contracted Community Based Organizations (CBO's) throughout the service territories of Met Edison, Pennsylvania Electric Company, and Penn Power. CBO's are the front-line for a broad spectrum of local social service delivery, including the Universal Service programs so using CBOs is an excellent way to leverage wider social services supports. CBO Universal Services activities include the PCAP customer's initial face-to-face enrollments, recertification, and responding to general customer walk-in's for inquiries into the availability of Universal Service programs.

Outreach Services to Vulnerable Customers

The Customer Outreach Specialists fulfill traditional social service rolls by providing individual attention to customers with special needs. This 'hand-holding' communication and caring approach is beneficial, especially for vulnerable senior, customers with mental health challenges and customers with disabilities. This caring approach enhances the help they receive in understanding their bills and due dates, offers payment counseling and explains the Universal Service programs.

[40] FE Phone Conference Call, CARES/PCAP with Customer Outreach Specialists, Administrators, and the Evaluation Team, May 12, 2010.

"After my sister died (she lived with me) I was having payment problems due to funeral expenses and the CARES representative at Penelec really helped me. The CARES department is wonderful, very compassionate!"

Referrals to CARES

The Customer Outreach Specialists receive most of their referrals from the FirstEnergy Call Centers and from Credit and Collections. They also get referrals from the Community-Based Organizations that do PCAP, from social workers in other agencies, from community workshops, Senior Fairs, and Health Fairs and from Federal and State Legislators' offices. Several referrals also come in from the FirstEnergy website and from the FirstEnergy Human Services 800 telephone number.

Referrals from CARES to Helping Agencies

The Outreach Specialists also make community-based referrals such as to Gatekeeper, the Area Agency on Aging and Adult Protective Services. They provide individual counseling and referrals to all customers for immediate crisis situations and remediation. *The CARES program serves all customers in FE territory, regardless of income levels*.

Once a social service referral is made by the Customer Outreach Specialists to an agency, "the burden lies with the agency to get back to us about the outcome and they usually do", said one Specialist, "but the Area Agency on Aging usually gets back to us 50% of the time. When they don't, we assume it is a confidentiality issue and we trust they have taken care of it."

Moving Away from Home Visits

Although there may be an occasional home visit to some vulnerable customers, the Outreach Specialists no longer conduct home visits as regular part of their CARES job description. This is due mainly to concern for employee safety. Nearly all contact is over the phone or face-to-face at a public community event.

Also, the CBO's are not conducting home visits with the same volume as was the case even six years ago.[41] The CBO's are also concerned with the safety factor and feel they must now take two people if going into the field whereas in the early CARES program this was rarely a concern for either CARES workers or the CBOs. Safety issues, coupled with insufficient resources to take two staff members out of a busy office, and the cost for transportation were cited as reasons for the decreasing number of home visits by CBO agency staff.

CARES is an integral part of PCAP reporting for the annual Universal Services report to BCS. PCAP and CARES are now so intertwined that the company has been given permission by BCS to combine the CARES/PCAP reporting requirements into one report.

"PCAP-Vulnerable" Customers

Utility Customer Assistance Programs in Pennsylvania have decreased the extent of need for a traditional CARES program by significantly improving the Customer Assistance Programs. Each of the three utilities in this evaluation has adopted the New Jersey model with its three percent (3%) and six percent (6%) of household income customer payments; a form of customer assistance that is far in advance of the earlier Customer Assistance Program pilots and the early Customer Assistance Programs. Yet, certain hard-to-reach PCAP customers will continue to benefit from the unique services CARES offers, even while enrolled in PCAP. This bridge and customer assistance opportunity between PCAP and CARES is important, especially now during the Great Recession when people's normal problems are often greatly increased by moderate to severe economic stress on both households and the resources of helping agencies. Also, this bridge can be easily be missed if certain tracking functions are not emphasized.

Vulnerable" means: "open to harm", "easily hurt" and "prone to neglect". Yet, vulnerability is highly subjective. A typical customer profiled with "special needs" may still be mentally alert, able to access the mail, read their bills, have regular family/friend/neighbor assistance, be able to make a phone calls, fill out an application, etc., and not fall in the category of "vulnerable". For example, a person of sound mind, but wheel-chair bound can perform the above functions. A single mother with a disabled child still knows how to access help and carry out the steps necessary to get that assistance. These situations do not necessarily define the customer as "PCAP vulnerable", nor does it mean they are excluded from such a description. Maybe there

---

[41] See the section on CARES in Peach, H. Gil, Anne West, Howard Reichmuth, Ryan Miller Ayala Cnaan and Marcia Lehman, *2004 Impact Assessment of the FirstEnergy Pennsylvania Universal Service Programs*. Beaverton, Oregon: H. Gil Peach & Associates LLC, 2004, Monograph 102004-1

is something in a customer's voice, tone, a cadence of words over the phone that could send up a red flag.[42]

Gradual Deterioration of Helping Services

With the general trend of less direct contact by social service agencies and community institutions, those with special needs, those with early-stage dementia, those with health issues, those with problems of isolation, and those who move into patterns of withdrawal and reclusiveness can fall into a confusing quandary concerning quality of life and basic essentials. Official Area Agency on Aging programs at one time could do regular case-management and get out to the home within a week of referral. Now, it can be many months until a senior is seen.[43] With delayed services and home visits, it is imperative that these special needs customers enrolled in PCAP, sometimes termed "PCAP-vulnerable", be given extra assistance. These customers may need reminders and appropriate referrals to stay within compliance of PCAP rules so as to be able to receive the benefits of PCAP.[44]

Gradual Weakening of Social Relations

Now we see quick hospital discharge. More and more isolated seniors are lacking basic support for activities of daily living. As workers' real wages have substantially decreased since 1970, busy family members have limited time to check in. Some seniors are completely alone or do not have the advantage of extended family involvement because the adult children are either located some distance away or are estranged from family members.

If a problem occurs from a utility standpoint, (such as omitting basic details when writing a check for payment, non-payment, etc.), an agency may have to be called out to check the welfare of the person involved, including checking with neighbors and landlord when needed. In some cases the Aging Protective Services needs to be called in, sometimes resulting in a "police welfare check", knocking on the door to see if there is a response and acting accordingly.

---

[42] This insight on sending up a "red flag" is from Elizabeth Focer's Columbia Gas pamphlet on "CAP-Vulnerable Customers," and is slightly rephrased from the original.

[43] The exception is Senior Protective Services, which has to visit within 24 hours – the senior has to be in an extreme health and safety, personal endangerment situation.

[44] The problems can be a simple as an aging blind person who is becoming isolated and is unable to read their utility bills. Yet this can be a major barrier to compliance for a person in this situation. One person with this problem was encountered in our survey work. She has a daughter who only sometimes comes by and helps read the bills, but not regularly.

Gradual Increase in Predatory Relationships

In other dramatic cases, many seniors are still being dragged through the fiasco of predatory lending in existing mortgages. We are seeing seniors with Adjustable Rate Mortgages (ARM's) who have had their mortgage interest suddenly reset, resulting in ten to forty percent higher mortgage payments with each reset, which can happen many times over the life of the contract. This can cause forty-five to seventy percent of gross monthly income being required for the housing expense, with little money left to provide for basic necessities, including utilities. Mortgages are complicated and very confusing anyway for most people. Generally, people below the upper middle class are not highly financially literate. It used to be that banks could be relied upon to help people of any economic level protect their investment in a home. However, one of the reasons for the Great Recession was rampant predation by the formerly trusted and conservative banks, leading people into unwise mortgages. In this situation, seniors were especially vulnerable because since the end of the Great Depression they have grown up with the realistic expectation that they could rely on bank loan officers in determining the financial soundness of prospective mortgage obligations.

We also see in seniors who are trying to stay and maintain their homes, the continued use of credit debt to offset the severity of insufficient income just to meet household expenses. These expenses also include necessities like prescription drug costs, property taxes and home maintenance, resulting in high monthly payments, ruthless collection agency calls and uncollectible debt burdens resulting in extreme stress for many older Americans.

Recommendation: Small modification to Chronicles. It is highly recommended that the Chronicles software enrollment application have a designated section where a code can be entered by the person doing the PCAP enrollment, indicating "PCAP Vulnerable". This should also be noted on CASE NOTES with a description of the problem and a 'heads up' if payment problems occur that could result in issuance of a termination notice. All parties who have access to Chronicles, the FE Customer Outreach Specialists, the FE Call Centers, Human Services Departments, the CBO agencies, and the Dollar Energy Call Center, should have the ability to view and add to CASE NOTES when appropriate. This "PCAP Vulnerable" description should also be given a code on the FE CIS screen, alerting FE internal customer service representatives to a potentially dangerous situation if the customer's service is terminated.

When a PCAP account is coded "PCAP vulnerable" it sets the customer up to receive special attention. If termination of service is threatened, the customer's name could be generated to appear on a FE report that is identified as a PCAP vulnerable account with a termination notice. At that time an all 'heads up' would occur on the part of FE's Customer Outreach Specialist in the designated service territory. This should put a delay on the service termination, depending on the type of vulnerability. A call to a case-management agency should immediately commence, with good follow-up and a 'report-back' mechanism as to why the payment behavior while on PCAP has been interrupted.

When Dollar Energy discovers a "hardship case" during the dunning process and outbound calls for payment counseling, these customers are currently referred to the Customer Outreach Specialists. And it appears that CASE NOTES on Chronicles is also used by the agencies to designate hardship cases. The recommendation above, *for specific PCAP Vulnerable coding on Chronicles and FE CIS, with the generation of a report to the Specialists*, would further safeguard life-threatening terminations and decrease the "misery index" for this population.

Adequate training for the CBO's and Call Centers would have to occur in order to correctly identify the vulnerable customer. Sometimes it is hard to draw the line between truly "helping" or only "enabling" for continued poor behavior. Obviously an inappropriately coded account only perpetrates poor payment habits by providing an unwarranted safety net. As the Outreach Specialists are aware, it takes some experience and people-skills to understand those truly identified as "open to harm, easily hurt and prone to neglect".

Recommendation: Add staff. Add two additional CARES persons per company who would solely do casework and follow-up with seniors, including more home visits. Since 1970, as the US has lost economic vitality nearly every organization both private and public has emphasized efficiency over other values. In stores, it is often necessary to find a clerk; in service agencies where there was comparatively high employment of service staff now there are often only coordinators without staff. For utilities, of course, the major change has been from a system of local offices in almost every middle-sized town and in every county to an end of the local office form as a basic form of organization. Probably one of the reasons why home visits were much more frequent in the past is that utilities had strong community presence. Electric utilities still have a stronger community presence than most business organizations. The addition of two lower level CARES persons per company under the current Outreach Specialists would not restore the level of home visits of the past but it would strengthen the ability to do home visits when they are indicated.

Recommendation: Track Referrals. Develop and implement a CARES standard and system for tracking of referrals to service agencies and for short term PCAP participation assistance for CARES customers who lack physical or mental capacity to fully comply with CAP provisions without assistance. Currently, one of the functions of the Outreach Specialists is to make appropriate referrals. Adding a standard and a system would insure that referrals are completed and do not fall through.

Section 19: Hardship Funds

The Dollar Energy Call Center in Pittsburgh administers the Hardship Funds for the FirstEnergy companies:

- Dollar Energy also conducts initial PCAP enrollments by phone. During Dollar Energy's phone enrollment for the FE PCAP, they can also automatically transfer the customer call to their internal call representatives for the gas CAP enrollments and to the Pennsylvania-American Water Company discount program, if a FirstEnergy PCAP customers is also a customer of a regulated gas utility and/or Pennsylvania-American Water company.

- Dollar Energy provides "payment counseling" to delinquent PCAP customers during the dunning process. They can give time extensions on PCAP payments and can lower a payment for a limited time period.

- When a PCAP customer experiences payment problems while on PCAP and finds they cannot pay their electric bill, they may call Dollar Energy. In any case, Dollar Energy will call them if they are approaching termination of service. There is a note on every PCAP bill that details for the customer the amount of deferred debt (or pre-program arrears) that remains. This debt is a customer responsibility and if the customer is terminated from PCAP for being over income (for example, an unemployed customer regains employment so no longer qualifies for PCAP) becomes due and payable. However, the customer at that point would be eligible for a regular installment plan to pay down the outstanding debt on a regular basis over time.

- When a customer is outside PCAP and debt accrues, then the customer returns to PCAP, only the original PCAP pre-program arrearage is returned to the deferred debt arrangement. Additional debt, such as program arrearage that was unpaid while In PCAP and any debt which occurs outside the program must be paid before the customer is permitted to rejoin PCAP.

- Dollar Energy Fund grants and LIHEAP, if available, can be paid to help meet the current amount due, but may not be applied to reduce deferred arrears.

- Customers with PCAP-arrears cannot get a Dollar Energy grant unless they have an active termination notice and the program is open (usually from late December to early to mid-summer or when the funding runs out). So if they are just a payment behind, get a call from Dollar Energy and do not have a termination notice yet, they cannot get a hardship fund grant at that time. If LIHEAP funds are available, they would be eligible for a LIHEAP grant towards PCAP arrears. However, many customers are ineligible because they are in the range above 135% of the federal poverty level though 150% of the federal poverty level, since Pennsylvania LIHEAP does not serve in that income range at the present time.

- The maximum Dollar Energy grant is $500.

- An applicant may receive only one grant per utility per program year (the current program year runs from 10/01/2009 through 9/30/2010). So a FirstEnergy customer could receive one grant to be applied to FirstEnergy.

- Eligibility for a Dollar Energy grant is limited to customers with an outstanding balance on their utility bill of $100, except senior citizens 62 and over who may have a zero balance as long as there is no existing credit on the account.

- Applicants must show sincere effort of payment, demonstrated by paying at least $150 on their gas and electric accounts within the past ninety days.

- The Hardship Program is open to all eligible applicants regardless of service status.

- Total gross household income must be at or below 200% of the federal poverty income guidelines.

- Verification of income or proof of LIHEAP or CRISIS application (when those programs are open) must be attached to applications.

- A copy of the most recent utility bill with proof of minimum payment must be attached to all applications.

- The name on the electricity account must be that of an adult who is currently living in the home.

- The account must be residential, single home or apartment.

- From October 1, 2009 through November 30, 2009 the Hardship Grant program was open only to customers terminated from service (service is off) or in threat of termination from service.

- From December 1, 2009 through January 31, 2010, the Hardship Grant program was open only to customers terminated from service (service is off).

- From February 1, 2010 through February 28, 2010, the program is open only to customers terminated from service (service is off) or in threat of termination from service.

- Dollar Energy will also make referrals to other helping agencies, when possible.

For Met Edison, total funds available for this program for a recent twelve month period were approximately $295,000. For Pennsylvania Electric Company, funds available were just over $267,000. For Penn Power, funds were approximately $123,000.

Based on program information and interviews, the Hardship Program is running properly. It is not always able to help customers in need but that is because it is following the program rules and also because there are times of year in which funding is not available.

REFERENCES

Bernstein, Jared, Elizabeth McNichol, and Andrew Nicholas, *Pulling apart: a state-by-state analysis of income trends (2008)*. See the Pennsylvania factsheet. Download from: http://www.epi.org/studies/pulling08/08state-datatables.xls.

Bureau of Labor Statistics, Unemployment Rates by County in Pennsylvania, May 2010. See: http://www.bls.gov/ro3/palaus.htm.

Rampell, Catherine, "Once a Dynamo, the High Tech Sector is Slow to Hire. *New York Times*, September 6, 2010

FirstEnergy Human Services, FirstEnergy Universal Service Programs, Amended Plan Filing for January through December 2008 and Updated Plan Filing for Program Years 2009, 2010, and 2011, Metropolitan Edison Company, February 22, 2008,

FirstEnergy Human Services, FirstEnergy Universal Service Programs, Amended Plan Filing for January through December 2008 and Updated Plan Filing for Program Years 2009, 2010, and 2011, Pennsylvania Electric Company, February 22, 2008.

FirstEnergy Human Services, FirstEnergy Universal Service Programs, Amended Plan Filing for January through December 2008 and Updated Plan Filing for Program Years 2009, 2010, and 2011, Pennsylvania Power Company, February 8, 2008.

FirstEnergy of Pennsylvania, WARM Program Annual Report for 2008, June 2010.

Fisher, Sheehan & Colton, Pennsylvania: On the Brink, 2010: Fisher, Sheehan & Colton; Belmont, MA, April 2010 (http://www.fsconline.com/work/heag/heag.htm). See for 2009 data.

Fisher, Sheehan & Colton, "Pennsylvania On the Brink, 2005." Fisher, Sheehan & Colton: Belmont MA, April 2005 (http://www.fsconline.com/work/heag/heag.htm). See for 2004 data.

Galbraith, James K., "Unemployment, Inflation and the Job Structure," Lyndon B. Johnson School of Public Affairs, The University of Texas at Austin, January 1996

Greenlees, John S. & Robert B. McClelland, "Addressing Misconceptions about the Consumer Price Index," Pp. 3-19, *Monthly Labor Review*, August 2008.

Peach, H. Gil, Anne West, Howard Reichmuth, Ryan Miller Ayala Cnaan and Marcia Lehman, *2004 Impact Assessment of the FirstEnergy Pennsylvania Universal Service Programs*. Beaverton, Oregon: H. Gil Peach & Associates LLC, 2004, Monograph 102004-1.

Pennsylvania Public Utility Commission, Bureau of Consumer Services, Report on 2008 Universal Service Program & Collections Performance of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies. Harrisburg, Pennsylvania: Pennsylvania Public Utility Commission.

Pierce, Diana M., *The Self-Sufficiency Standard for Pennsylvania 2008* (Sixth Edition). University of Washington School of Social Work, Prepared for PathWays PA, PA Department of Labor and Industries, and United Way of Southeastern PA. See, in particular, Table A, Pp. 4-5.

Pierce, Diana*, Overlooked and Undercounted: Struggling to Make Ends Meet in Pennsylvania*. University of Washington School of Social Work, Prepared for PathWays PA, and the Pennsylvania Department of Labor and Industry.

Union of Concerned Scientists, "Climate Change Impacts and Solutions for Pennsylvania," Cambridge, MA 2008.

Williams, John, Shadowstats (website). See Williams' discussion of federal unemployment statistics and other federal statistical series at http://www.shadowstats.com/.

INDEX