

**PECO ENERGY COMPANY  
STATEMENT NO. 6**

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PECO ENERGY COMPANY – ELECTRIC DIVISION

DOCKET NO. R-2010-2161575

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DIRECT TESTIMONY

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WITNESS: LAUREN B. FELDHAKE

SUBJECT: PECO'S LOW-INCOME AND UNIVERSAL  
SERVICE PROGRAMS

DATED: MARCH 31, 2010

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1 as well as the marketing-research function. Prior to that, I was the Manager,  
2 Corporate Services in Exelon Business Services Company's Supply Department.

3 **5. Q. What is your educational background?**

4 A. I have a Bachelor of Arts in economics and psychology from Bucknell University and  
5 an MBA from Temple University.

6 **6. Q. What is the purpose of your testimony?**

7 A. The purpose of my testimony is to describe PECO's current Universal Service/Low-  
8 Income Programs for electric customers, including changes to its Customer  
9 Assistance Program ("CAP") that were approved by the Pennsylvania Public Utility  
10 Commission (the "Commission") in PECO's default service proceeding for  
11 implementation in 2011. *See Petition of PECO Energy Company for Approval Of Its*  
12 *Default Service Program And Rate Mitigation Plan*, Docket No. P-2008-2062739  
13 (Order entered June 2, 2009) ("Default Service Settlement"). I also will quantify the  
14 costs that PECO has experienced or anticipates to incur for each program.

15 The five programs that are addressed in my testimony are:

- 16 • CAP Program;
- 17 • LIURP, or Low Income Usage Reduction Program, and related low-income  
18 conservation services;
- 19 • LIHEAP, or Low Income Home Energy Assistance Program;
- 20 • MEAF, or Matching Energy Assistance Fund; and
- 21 • CARES, or Customer Assistance and Referral Evaluation Services.

1 **II. CAP PROGRAM**

2 **7. Q. Please describe PECO’s current CAP program for electric customers.**

3 A. PECO’s CAP program seeks to identify PECO’s low-income, payment-troubled  
4 customers and provide them with assistance in paying their energy bills. PECO uses  
5 a rate-discount approach, meaning CAP program customers pay for the utility service  
6 they receive at a rate lower than is charged to higher-income residential customers.  
7 PECO’s CAP program is a special rate rider for customers with income levels at or  
8 below 150% of the Federal poverty level. In PECO’s current program, customers are  
9 designated as being in one of five CAP levels – A, B, C, D, or E – depending  
10 primarily upon their income level. Greater benefits are offered to customers with  
11 lower income levels. As I describe in more detail later in my testimony, one of the  
12 primary changes that was approved by the Commission in PECO’s Default Service  
13 Settlement is an increase to seven CAP tiers, based on six levels of poverty, to  
14 provide additional stratification of benefits based upon income levels.

15 **8. Q. Approximately how many of PECO’s electric customers are enrolled in the CAP**  
16 **program?**

17 A. As of December 31, 2009, there were 130,960 customers enrolled in PECO’s CAP  
18 program. Of those, 341 receive gas service only and 21,854 receive both gas and  
19 electric service from PECO.

1 9. Q. What changes is PECO implementing to its CAP program pursuant to the  
2 Default Service Settlement?

3 A. The Default Service Settlement contains a number of changes to the CAP program  
4 that both enhance the benefits to CAP program customers and control the costs that  
5 will be passed on to non-CAP program customers. For purposes of this testimony,  
6 the key enhancements and cost-containment features from the Default Service  
7 Settlement include:

8 a. Beginning with bills for the January 2011 billing period, PECO  
9 will adopt a seven-tier CAP rate design for its electric utility  
10 service.

11 b. Beginning with bills for the January 2011 billing period, PECO  
12 will increase the discount levels that it offers to CAP program  
13 customers so that approximately ninety percent (90%) of each tier  
14 of CAP program customers will meet the affordability targets set  
15 forth in the Commission's CAP Policy Statement, 52 Pa. Code  
16 § 69.265(2)(i), subject to certain provisos. The discounts will be  
17 calculated against the entire bill, including the generation  
18 component.

19 c. The rate discounts to be offered, beginning January 1, 2011, for  
20 each tier will be determined based on an updated analysis to be  
21 prepared by the Applied Public Policy Research Institute for Study  
22 and Evaluation ("APPRISE") and the income levels and projected  
23 rates at that time.

24 d. In determining the discounts to be applied to customer bills, PECO  
25 will implement the maximum CAP benefit cost control proposed  
26 by the Commission in Docket No. M-00072036/57-259

1 (nominally, the \$700 maximum benefit, subject to adjustment) on a  
2 system-wide basis rather than on an individual basis, *i.e.*, the  
3 maximum benefit will be an average across all CAP program  
4 customers and not a \$700 limit on an individual-customer basis.  
5 The discount levels will be adjusted annually as the commodity  
6 price for electric generation service changes. Additionally, the 650  
7 kWh per month individual customer maximum usage to which  
8 discounts will be applied will remain in place with the exception  
9 that in the months of July through September the discount shall  
10 apply to the first 750 kWhs for CAP Rates B and C.

11 e. CAP program customers will be required to remain on default  
12 service in order to continue to receive rate discounts.

13 **10. Q. How is PECO implementing the seven-tier enhancement from the Default**  
14 **Service Settlement?**

15 A. PECO's pre-2011 CAP program has five tiers corresponding to various income  
16 levels; the lower a customer's income, the greater the discount provided. The pre-  
17 2011 tier structure is:

Federal Poverty Level	Tier
0-25% with special circumstances	A
0-25%	B
26-50%	C
51-100%	D
101-150%	E

1 The revised program adds two tiers by stratifying the D and E tiers:

Federal Poverty Level	Tier
0-25% with special circumstances	A
0-25%	B
26-50%	C
51-75%	D
76-100%	D1
101-125%	E
126-150%	E1

2 **11. Q. How is PECO implementing the new discount levels from the Default Service**  
3 **Settlement?**

4 A. PECO commissioned a study by APPRISE to determine the discount levels that will  
5 be needed, in each of the tiers, so that approximately ninety percent (90%) of each  
6 tier of CAP program customers will meet the affordability target based on current  
7 rates. A copy of that study is attached as Exhibit LBF-1. Based on that study, PECO  
8 proposes to provide the following discounts for service to enrollees in each tier (the  
9 discounts will be applied to the total bill, including the generation component;  
10 payment minimums as set forth in PECO's electric service tariff may apply):

Tier	Discount Rate R	Discount Rate RH
A	92%	87%
B	92%	87%
C	86%	73%
D	72%	47%
D1	69%	26%
E	41%	0%
E1	29%	0%

1 The cost of providing service at these discount levels is incorporated into PECO's  
2 rate request in this proceeding. When an effective date is known for the new rates  
3 proposed in this filing, just prior to the implementation of the new rates (sometime in  
4 late 2010), PECO will ask APPRISE to refresh the discount-level analysis and re-  
5 calculate new discount levels, given its knowledge at that time of the approved rates  
6 from this case and costs of acquired default generation service.

7 **12. Q. How is PECO implementing the cost-containment elements of the Default**  
8 **Service Settlement?**

9 A. First, each of the rate discounts will be applied only to specified usage levels,  
10 primarily the first 650 kWh of usage in any given month.

11 Second, PECO has analyzed the total costs of its discounts to determine the average  
12 customer benefit on a system-wide basis. The total cost of the discounts being  
13 offered under this new program is \$84,672,000. This equates to an average benefit of  
14 \$636 per CAP program customer for Rate R CAP program customers and \$359 per

1 CAP program customer for Rate RH CAP program customers. (The combined  
2 weighted average is \$618 per CAP program customer.)

3 13. Q. **Did PECO make any adjustments to the proposed discounts to lower the**  
4 **maximum customer benefit?**

5 A. No. In the Default Service Settlement, PECO and the other parties agreed that PECO  
6 would implement the maximum CAP program benefit cost control (nominally, the  
7 \$700 maximum benefit for Rate R, subject to adjustment) on a system-wide basis  
8 rather than on an individual basis, *i.e.*, the maximum benefit will be an average across  
9 all CAP program customers and not a \$700 limit on an individual-customer basis. In  
10 paragraph 73 of the Default Service Settlement, the parties agreed that:

11 73. If, subsequent to approval of this Settlement,  
12 the Commission issues guidance increasing the  
13 nominal \$700 maximum CAP program benefit,  
14 PECO will adjust the nominal \$700 maximum  
15 benefit and will utilize the new maximum benefit in  
16 its design parameters, subject to full and current  
17 cost recovery.

18 (The Commission, in its ongoing evaluation of its CAP Policy Statement in Docket  
19 No. M-00072036, has generally proposed that the \$700 limit should be regularly  
20 increased to reflect inflation.) In making the calculation that I described in my last  
21 answer, PECO used the \$700 limit on system-average basis.

22 As noted previously, the proposed new discounts will result in a \$636 per customer  
23 maximum benefit for Rate R on a system-wide basis, which is below the \$700 cost-  
24 containment feature agreed to in the Default Service Settlement. Thus, no adjustment  
25 is needed. (The parallel cost-containment feature for Rate RH is \$1400 per customer.

1 PECO's cost of \$359 per Rate RH CAP program customer also falls well under that  
2 limit.)

3 **14. Q. Are you recommending any future adjustments to the \$700 cost-containment**  
4 **mechanism?**

5 A. Yes. I believe a future adjustment may become important in late 2010 when PECO  
6 "refreshes" its proposed discount levels.

7 As noted above, the Commission, in its ongoing evaluation of its CAP Policy  
8 Statement in Docket No. M-00072036, has generally proposed that the \$700 limit be  
9 regularly increased to reflect inflation. At the time that the parties entered into the  
10 Default Service Settlement, PECO anticipated that, by the time it filed its base rate  
11 case, the Commission would have issued a final order in its CAP Policy Statement  
12 docket, thus resolving the question of whether to limit the maximum benefit to \$700  
13 per non-heating residential customer or to increase that number for inflation.

14 However, as of the time of filing this testimony, the Commission has not issued a  
15 final order in the CAP Policy Statement proceeding. I am nonetheless  
16 recommending that, for the late 2010 "refresh" of PECO's discount rates, when  
17 PECO applies the nominal \$700 cost-containment feature (and for future refresh  
18 calculations), it should escalate that number for inflation unless the Commission has  
19 issued guidance that such escalation should not be done. In other words, the prior  
20 plan of action was to keep this cost-containment mechanism at \$700 until such time  
21 as the Commission issued its guidance; I am now recommending that PECO should  
22 escalate the \$700 figure for inflation unless the Commission tells it not to.

1 Escalating the \$700 cost-containment figure from the time of the Commission's  
2 Order in the CAP Policy Statement docket (mid-2007) until now, using Philadelphia  
3 Area Consumer Price Index as the escalator, results in a cost-containment figure of  
4 approximately \$744. Thus, using this figure will allow an additional degree of  
5 flexibility to flow more benefits to low-income customers if such benefits are needed  
6 to hit the Commission's affordability targets. Given a CAP program population of  
7 130,960 customers, escalating this cost control feature for inflation from \$700 to \$744  
8 will allow PECO to provide approximately an additional \$5 million in CAP program  
9 discounts to its low-income customers, as compared to keeping the cost-containment  
10 feature at \$700. (The \$5 million estimate will vary somewhat depending upon the  
11 actual CAP program population at that time, how many of those customers are on  
12 Rate RH, rather than Rate R, and actual inflation between now and the end of the  
13 year.) While PECO's program may or may not hit this cost-containment feature at  
14 the end of 2010, I recommend that the cost containment feature should nonetheless be  
15 escalated so that, if default service generation prices rise significantly at any time in  
16 the future, the program will continue to have flexibility to provide affordable rates to  
17 PECO's CAP Program Rate customers.

18 **15. Q. Why is PECO requiring that CAP program customers remain on default**  
19 **service?**

20 A. The Default Service Settlement states (§ 70) that:

21 70. CAP program customers will be required to  
22 remain on default service.

1 PECO has therefore required, as a tariff term and condition of each of its CAP tier  
2 levels, that CAP program customers remain on default service.

3 **16. Q. Has PECO estimated the costs of its CAP program?**

4 A. Yes. As noted previously in my testimony, PECO has calculated that it will cost  
5 \$84,672,000 to provide the discounts set forth in my testimony to the budgeted 2010  
6 CAP program population. This amount is reflected in PECO's claim in this  
7 proceeding.

8 **17. Q. Will PECO have any offsetting expense savings associated with the**  
9 **implementation of the Default Service Settlement revisions?**

10 A. Yes. PECO expects to have two offsetting expense savings. First, it expects that  
11 reducing the bills to its low-income customers will reduce its uncollectible expense.  
12 In PECO's Default Service Settlement, the parties agreed that PECO would reflect  
13 this offset by a reduction in its uncollectible expense claim equal to 22% of the  
14 marginal amount that will not be billed to low-income customers. This offset applies  
15 to incremental amounts of CAP program enhancements that are not otherwise built  
16 into the Company's current uncollectible accounts expense provision. PECO's claim  
17 in this proceeding reflects that 22% offset. Second, PECO expects to see a reduction  
18 in its working-capital requirement from having a portion of its revenue stream billed  
19 to better and quicker paying customers. In the Default Service Settlement, the parties  
20 agreed that PECO would reflect this offset by a reduction in its working capital claim  
21 equal to 5% of the marginal amount that will not be billed to low-income customers.  
22 This offset applies to incremental amounts of CAP program enhancements that are

1 not otherwise built into the Company's working capital provision. PECO's claim in  
2 this proceeding also reflects that 5% offset. See PECO Exhibit RLO-1, Section D,  
3 Schedule 5C.

4 **18. Q. How much will PECO's CAP program add to the bills of non-participating**  
5 **residential customers?**

6 A. The net cost of the CAP program rate claim in this proceeding, including the  
7 combined 27% offset discussed above, is \$80,946,000. See PECO Exhibit RLO-1,  
8 Section D, Schedule 5C (Line 1, Column 2 added to Line 17, Column 4). PECO has  
9 approximately 1.4 million residential customers, of which 131,000 are participating in  
10 CAP program, and 1,270,000 are not participating in CAP program. The CAP  
11 program discounts proposed in this proceeding will thus cost an average of \$63.74 per  
12 year, or \$5.31 per month, for each of the non-participating residential customers.

13 Of course, the actual impact on any given non-CAP program customer will depend  
14 upon that customer's usage. The full CAP program cost claimed in this proceeding  
15 translates to an additional cost of \$0.0073 per kWh for Rate R. (See Exhibit SRX-3).  
16 With the 27% offset, the actual per kWh increase is \$0.0074 per kWh. Thus, a non-  
17 CAP Program Rate R customer who uses 650 kWh per month will see their monthly  
18 bill increase by \$4.55 as compared to having no electric CAP program at all.

19 **19. Q. How will PECO recover the costs of its CAP program?**

20 A. As discussed previously in my testimony, PECO has included a claim in this  
21 proceeding for the projected \$84,672,000 cost of providing these discounted rates,

1 reduced by the combined 27% offset for uncollectible expense savings and working  
2 capital savings on marginal changes in revenue, for a total claim of \$80,946,000.  
3 These costs will be recovered through PECO's base rate charges for residential  
4 service. In late 2010, PECO will refresh its discount analysis and file new discount  
5 rates with the Commission. The Company is requesting that the new discount rates  
6 become effective on ten-days' notice. The filing will contain any necessary scale-  
7 back to satisfy the "per CAP program customer" limitation discussed earlier in my  
8 testimony. The revenue impacts of the discounts will be matched with rate recovery  
9 and be subject to audit under the Section 1307(f) rules applicable to the Universal  
10 Service Fund Charge ("USFC") mechanism. The results of the new discount rates  
11 will also impact the future USFC annual reconciliation, which is discussed by Mr.  
12 Xander.

13 **III. LIURP AND RELATED LOW-INCOME CONSERVATION PROGRAMS**

14 **20. Q. Please describe PECO's current LIURP for electric customers.**

15 A. PECO's LIURP assists low-income customers with conserving energy to reduce their  
16 residential energy usage and bills. The Company undertakes two primary activities to  
17 implement the program. First, PECO performs extensive educational activities to  
18 promote LIURP conservation. Second, PECO visits the homes of low-income  
19 customers and performs energy audits of the households to develop recommendations  
20 for possible methods of energy conservation. During these audits, PECO implements  
21 certain conservation measures that meet prescribed guidelines, such as wrapping a  
22 water heater with insulation.

1 PECO regularly has its LIURP evaluated by an external entity. The most recent  
2 LIURP evaluation is for the 2007 program year. For that period, the annual electric  
3 LIURP budget was \$5.6 million and PECO provided LIURP services to  
4 approximately 9,000 electric service customers. The average usage reduction for  
5 baseload (*i.e.*, non-heating load) jobs was approximately 887 kWh, or 8.1 percent of  
6 pre-treatment usage. For electric heating jobs, the average reduction was  
7 approximately 1,129 kWh, or 5.4 percent of pre-treatment usage.

8 **21. Q. What funding level is PECO proposing for its electric LIURP Program?**

9 A. PECO proposes to continue to spend \$5.6 million annually for its electric LIURP. I  
10 note, however, that PECO is also proposing to significantly increase its spending on  
11 low-income weatherization and conservation programs other than LIURP. I describe  
12 some of these additional programs later in this testimony; other weatherization and  
13 conservation programs that may be available to low-income customers are identified  
14 in the testimony of Frank J. Jiruska (PECO Statement No. 7).

15 **22. Q. Are there any offsetting revenue effects or expense savings associated with**  
16 **LIURP?**

17 A. Yes. When customers reduce their usage of utility services, it causes a dollar-for-  
18 dollar reduction in billed revenue. Using the third-party evaluator (APPRISE) data  
19 mentioned previously, this averages to about 8.0% lower usage per customer per year  
20 for heating jobs and about 5.0% lower usage per customer for base load jobs.  
21 Because PECO proposes to keep its LIURP spend at historic levels, this revenue

1 effect is already incorporated into test year data, and no additional adjustment has  
2 been made.

3 **23. Q. How will PECO recover its LIURP costs?**

4 A. PECO proposes to continue to recover its LIURP costs through base rates, and has  
5 included its proposed LIURP costs in its claim in this proceeding.

6 **24. Q. Does PECO offer any additional conservation services for low-income  
7 customers?**

8 A. Yes. Pursuant to the Default Service Settlement, PECO is increasing its annual  
9 spend on electric low-income weatherization and conservation programs, beyond the  
10 current expenditure of \$5.6 million on its LIURP program, as follows:

- 11 a. 2010 – \$1.0 million additional spend
- 12 b. 2011 – \$1.5 million additional spend
- 13 c. 2012 – \$2.0 million additional spend
- 14 d. 2013 – \$2.5 million additional spend

15 Pursuant to paragraph 75 of the Default Service Settlement, PECO is recovering the  
16 2010 expenditure through its Universal Service Fund Charge. Building on that  
17 approach, for the 2011-2013 expenditures, marginal adjustments to the USFC will be  
18 made to reflect the new marginal spend each year. Thus, none of these program cost  
19 increases will be recovered through base rates, and these costs have not been included  
20 in PECO's claim in this proceeding.

1 In addition, as part of PECO's Act 129 Energy Efficiency and Conservation Plan  
2 ("EE&C Plan"), PECO has proposed a Low-Income Energy Efficiency Program.<sup>1</sup>

3 The program is modeled after PECO's LIURP, but is separate from and in addition to  
4 LIURP expenditures. The program will provide home energy audits and the direct  
5 installation of needed energy-efficiency measures, at no charge to the participants.

6 The budget for the four-year program is approximately \$27.5 million. As described  
7 by Mr. Jiruska, EE&C Plan costs will be recovered through an Energy Efficiency &  
8 Conservation Program Charge under Section 1307 of the Public Utility Code.

#### 9 IV. LIHEAP

10 25. Q. Please describe PECO's current LIHEAP.

11 A. PECO's LIHEAP provides financial assistance to low-income customers to assist  
12 them in paying their utility bills. LIHEAP is a federally created program, 42  
13 U.S.C.A. § 8621 *et seq.*, and is largely funded by the federal government. PECO's  
14 primary activities with respect to LIHEAP are to make sure that its customers are  
15 aware of the availability of LIHEAP funds and can easily access those funds and  
16 apply them to their utility bills. Program activities are thus focused on customer  
17 outreach, interaction with the Pennsylvania Department of Public Welfare, and  
18 application of LIHEAP funds to customer bills.

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<sup>1</sup> The Commission approved PECO's EE&C Plan subject to certain revisions and the filing of a revised Plan by PECO. See *Petition of PECO Energy Company For Approval Of Its Act 129 Energy Efficiency And Conservation Plan And Expedited Approval Of Its Compact Fluorescent Lamp Program*, Docket No. M-2009-2093215 (Order entered October 28, 2009). PECO filed a revised EE&C Plan pursuant to the EE&C Order on December 23, 2009 and the Commission approved the revised EE&C Plan in an Order entered February 17, 2010.

1 26. Q. **Has PECO been successful in its LIHEAP activities?**

2 A. Yes. PECO measures success in LIHEAP by determining how much of the available  
3 LIHEAP funds its customers were able to obtain and apply to PECO bills. LIHEAP  
4 in Pennsylvania is made available on a “seasonal” basis from November through  
5 March. For Fiscal Year 2009, PECO customers benefited from an unprecedented  
6 amount of LIHEAP assistance – almost \$28 million – (the 5-year average 2004 to  
7 2008 was \$10.75 million). This growth represents some unique changes which  
8 included higher funding from the federal government of \$5.1 billion and \$308 million  
9 for the Pennsylvania share. PECO did extensive outreach and advertising to our low-  
10 income population which included: billboards, posters with tear-offs, door hangers,  
11 targeted mailings and radio campaigns.

12 PECO applies LIHEAP grants directly to the customer’s account, reducing the  
13 outstanding balance of that account. This results in a minimum 60-day termination  
14 hold on most accounts, even if the LIHEAP grant does not fully resolve the  
15 customer’s outstanding balance. In addition, PECO automatically enrolls LIHEAP  
16 recipients in its CAP program – and was the first utility in the Commonwealth to do  
17 so.

18 27. Q. **What costs does PECO incur for its LIHEAP program?**

19 A. LIHEAP grants themselves are funded by the federal and state governments. PECO’s  
20 LIHEAP costs are therefore limited to the costs associated with public outreach,  
21 agency coordination, billing issues, and similar administrative functions. PECO  
22 administers the electric LIHEAP program in coordination with, and using the same

1 personnel as, its gas LIHEAP program. Its electric program costs consist of the  
2 electric-allocated portion of its LIHEAP personnel/administrative costs. These costs  
3 are captured generally in PECO's expense claim for wages and salaries.

4 **28. Q. Does PECO have any offsetting revenue effects or expense savings associated**  
5 **with LIHEAP?**

6 A. Typically, customers who use LIHEAP funds to pay their bills are in financial distress  
7 and, absent the LIHEAP funds, probably would pay less than 100% of the bill in  
8 question. Use of LIHEAP funding to pay PECO bills therefore has a positive effect  
9 on PECO's uncollectible expense. The amount of billed revenue remains the same,  
10 and the program is not designed or intended to reduce usage; therefore, there is no  
11 offsetting revenue effect. Because PECO is not seeking to increase the size of its  
12 LIHEAP program, the offsetting reduction to expense is fully reflected in the  
13 budgeted uncollectible expense included in the test year, and no further adjustment is  
14 needed.

15 **29. Q. How will PECO recover its LIHEAP costs?**

16 A. The limited costs associated with this program have not been separately identified  
17 but, instead, are subsumed in PECO's overall operating expenses and are included in  
18 the test year data for PECO's normal operational, personnel, and other expenses. The  
19 costs will be recovered through base rates.

V. MEAF

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**30. Q. Please describe PECO’s current MEAF program for electric customers.**

A. Pursuant to its MEAF, PECO solicits contributions to assist low-income customers in paying their bills. These solicitations include multiple bill inserts seeking contributions each year, and a “checkoff box” on PECO’s monthly bills allowing single or ongoing contributions. PECO has also worked with local media outlets to advertise the need to make contributions to the MEAF program.

PECO forwards the contributions that it receives to local community-based organizations (“CBOs”). The CBOs also obtain funds from other sources for these purposes. The CBOs meet with low-income customers in the normal course of the CBOs’ business. If a CBO determines that MEAF funds are available and that the low-income customer meets certain eligibility requirements for a MEAF grant, it then provides the customer with a grant to assist it in paying its utility bills. The MEAF grant can be used to pay a PECO bill or some other utility bill. When PECO receives the MEAF grant on behalf of the customer, PECO “matches” the MEAF grant dollar-for-dollar using shareholder funds. For the last five years (2004 to 2008), PECO received customer contributions on average of \$274,000 per year. However, due to economic challenges in 2009, customer contributions fell to \$231,500.

To address this decrease in customer contributions, PECO agreed to a temporary measure, known as the Governmental Grant Assistance Program or “GGAP,” in which it matched funds received from governmental agencies on the same basis as if

1 those contributions had been received by customers. In 2009, PECO matched an  
2 additional \$330,000 through the GGAP initiative.

3 **31. Q. What funding level is PECO proposing for its electric MEAF program?**

4 A. As noted previously in my testimony, PECO uses shareholder funds to match  
5 contributions made by its customers. The size of the program is therefore driven by  
6 customer contributions.

7 **32. Q. Does PECO have any offsetting revenue effects or expense savings associated**  
8 **with the MEAF program?**

9 A. Yes. The effects are similar to the LIHEAP cost savings discussed previously in my  
10 testimony. That is, customers who are applying MEAF dollars to their accounts  
11 probably would pay less than 100% of the bill in question absent such assistance.  
12 Use of MEAF funding to pay PECO bills therefore reduces PECO's uncollectible  
13 expense. However, because PECO is not seeking to increase the size of its MEAF  
14 program, the effect of historic MEAF funding on uncollectible expense is expected to  
15 be the same as the effect of future MEAF funding on uncollectible expense. Thus,  
16 the offsetting reduction to expense is fully reflected in the budgeted uncollectible  
17 expense included in the test year, so no further adjustment is needed. The amount of  
18 billed revenue remains the same, and the program is not designed or intended to  
19 reduce usage; thus there is no offsetting revenue effect.

1 33. Q. How will PECO recover its MEAF costs?

2 A. Because PECO funds the MEAF matches with shareholder funds, PECO is not  
3 seeking to recover any of its MEAF matching fund budget. The administrative costs  
4 of the MEAF program have not been separately identified but instead, are subsumed  
5 in PECO's overall operating expenses and are included in the test-year data.

6 VI. CARES

7 34. Q. Please describe PECO's current CARES program for electric customers.

8 A. The goal of CARES is to educate and inform our special-needs, low-income  
9 customers of available resources, such as energy and non-energy assistance, budget  
10 counseling and housing assistance. There are two components to the program. The  
11 first is an in-house assistance program that includes several CARES representatives.  
12 CARES representatives assist customers on a personal basis with the identification of  
13 grant assistance and direct referrals. CARES representatives work with individual  
14 customers to ensure that customers receive the assistance they are eligible for based  
15 upon their income and circumstances and will provide direct follow-up to the  
16 customers as appropriate (including home visits on occasion). PECO also maintains  
17 an extensive network of community organizations, government agencies, and social-  
18 service agencies that assists low-income customers. Our CARES representatives  
19 connect eligible customers to available programs. CARES directly supports  
20 thousands of customers each year and indirectly supports thousands more through  
21 communications and outreach.

1 35. Q. **Has PECO been successful in its CARES program?**

2 A. Yes. The CARES program has been an integral part of the success of PECO's other  
3 low-income programs. In addition, the employees who work directly with the most  
4 challenged customers have successfully worked with thousands of those customers to  
5 provide access to available assistance.

6 36. Q. **What funding level is PECO proposing for its electric CARES program?**

7 A. CARES-type outreach is most effective if all available programs operate in a  
8 coordinated fashion. PECO's CARES program uses this integrated approach. The  
9 cost of running the program is therefore partially incurred as part of the Company's  
10 electric service, and part is incurred as part of its gas service. PECO is, therefore,  
11 seeking in this proceeding to recover the electric-allocated portion of the CARES  
12 program. For both the communications outreach and the CARES workers, these costs  
13 are included in PECO's general cost of service.

14 37. Q. **Does PECO have any offsetting revenue effects or expense savings associated  
15 with the CARES program?**

16 A. Customers who use the CARES program will typically enroll in one or more of the  
17 other low-income programs described previously. To the extent that there are  
18 offsetting revenue effects or expense savings those savings will be captured in the  
19 accounting for those programs, as described above.

1 38. Q. How will PECO recover its CARE costs?

2 A. PECO will recover its costs through base rates. The costs of the CARES program  
3 have not been separately identified but, instead, are subsumed in PECO's overall  
4 operating expenses and are reflected in the test-year data.

5 **VII. CONCLUSION**

6 39. Q. Does this conclude your direct testimony?

7 A. Yes.