

**PECO ENERGY COMPANY
STATEMENT NO. 6-R**

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PECO ENERGY COMPANY – ELECTRIC DIVISION

DOCKET NO. R-2010-2161575

REBUTTAL TESTIMONY

WITNESS: LAUREN B. FELDHAKE

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

DATED: AUGUST 3, 2010

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1 5. Q. How is your testimony organized?

2 A. I first reply to the testimony of Mr. Colton, addressing three issues from his
3 testimony:

- 4 1. Reporting CAP Administrative Expenses to the Commission
- 5 2. Use of a Six-Tier CAP Program
- 6 3. 80% vs. 90% Target

7 In general, Mr. Colton and I are in agreement with respect to the proper method to
8 report CAP administrative expenses and the use of a six-tier CAP program.

9 However, for reasons that I discuss below, I am not in agreement with Mr. Colton's
10 recommendation to lower PECO's CAP discounts to a target of 80% affordability in
11 each tier.

12 I then reply to the testimony of Mr. Geller, addressing three issues from his
13 testimony:

- 14 4. Terminations
- 15 5. Energy Efficiency and Conservation
- 16 6. Medically Related Issues

17 In general, I do not agree with Mr. Geller's conclusions or recommendations. Mr.
18 Geller believes that PECO has an inordinately high number of terminations; I review
19 the data and conclude that PECO has a reasonable number of terminations and that it
20 has, since passage of Chapter 14 in 2004, reduced the number of customers who enter
21 the winter without central heating due to termination.

1 With respect to energy efficiency and conservation, Mr. Geller generally recommends
2 expansion and coordination of PECO's low-income energy efficiency and
3 conservation programs. While I agree with Mr. Geller that these programs must be
4 well-coordinated with other available programs, I do not believe that Mr. Geller has
5 demonstrated a need to expand those programs beyond the levels recommended by
6 PECO.

7 With respect to medically related issues, Mr. Geller argues that PECO should expand
8 its medically related programs so that customers who have high usage due to medical
9 issues would receive additional discounts, and so that customers with chronic medical
10 conditions could not be terminated regardless of whether they have a high balance
11 caused by their medical condition. I recommend that PECO should continue to
12 address these issues primarily by using its CAP Rate to flow benefits to low-income
13 customers and by honoring medical certificates, and use the programs discussed by
14 Mr. Geller to address customers who are not helped by this primary approach.

15 I then reply to Ms. Gordon's testimony with respect to use of the \$700 cost
16 containment factor on a system-wide design basis, rather than on an individual basis.
17 Ms. Gordon's testimony primarily provides an estimate of CAP costs incurred due to
18 the use of the \$700 cost containment factor on a system-wide basis, with Ms. Gordon
19 concluding that the cost is approximately \$8 million per year. I correct two errors in
20 her calculation and conclude that the actual cost is approximately \$2.5 million per
21 year.

1 Finally, I review the testimony of all three witnesses on periodic escalation of the
2 \$700 cost containment factor, and propose an approach to escalation that incorporates
3 ideas from each of the witnesses' proposals.

4 II. REPLY TO TESTIMONY OF ROGER COLTON

5 A. Reporting CAP Administrative Expenses To The 6 Commission

7 6. Q. At the end of his direct testimony (p. 21, line 4 through page 22, line 13), Mr.
8 Colton discusses the manner in which PECO reports its CAP administrative
9 expenses to the Commission. Please comment.

10 A. Mr. Colton notes that, when a customer enters PECO's CAP program and a "pre-
11 program arrearage" amount is established, but not yet forgiven, for the customer,
12 PECO includes that amount as part of its CAP administrative expense for purposes of
13 reporting those costs to the Commission. Mr. Colton generally recommends that
14 PECO should change this reporting practice and not report these amounts as part of
15 its administrative expense, both because PECO's current practice makes it appear as
16 though PECO's administrative expenses are 50% of the cost of running its CAP
17 program and because adopting this change would make PECO's reporting practice
18 consistent with other utilities.

19 I agree with Mr. Colton's recommendation. In fact, PECO already made this change
20 in March, 2010 when it reported its 2009 CAP data to the Commission. PECO
21 reported a 2009 CAP administrative expense for its electric CAP program of \$2.3
22 million. If PECO had included pre-program arrearages in the administrative cost, the
23 reported number would have been \$18.7 million.

1 This new approach to data reporting is reflected in the Commission’s 2009 Report on
2 Universal Service Programs & Collections Performance (p. 67), which was published
3 by the Commission on July 30, 2010.

4 **B. Use Of A Seven-Tier CAP Program**

5 **7. Q. In your direct testimony (PECO Statement No. 6, pp. 4-5), you describe the**
6 **seven-tier approach that PECO utilizes for its electric CAP program. What**
7 **comments did Mr. Colton make with respect to PECO’s seven-tier program?**

8 A. Mr. Colton was a supporter of PECO’s seven-tier program in previous regulatory
9 proceedings, such as PECO’s DSP proceeding at Docket No. P-2008-2062739, and
10 his support continued in this proceeding (OCA Statement No. 4, p. 1, line 16 to page
11 6, line 16). He notes that he has had extensive experience with such programs at
12 other utilities, and concludes that “the tiered discount structure that PECO-Electric
13 proposes to use for its CAP Rate program is conceptually reasonable from a program
14 planning and implementation perspective; is empirically supported through the
15 Apprise, Inc., analysis; and is based on operational precedent (in New Hampshire and
16 Indiana).” He concludes that: “I would recommend that this structure for CAP Rate
17 and the costs associated therewith be approved.”

18 I am pleased to see Mr. Colton’s strong support for the seven-tier structure. PECO
19 has worked hard over recent years, in coordination with many low-income
20 stakeholders, including the OCA, to structure its CAP programs in a manner that
21 balances the needs and concerns of all stakeholders. Mr. Colton’s support is a
22 validation not only of the substantive outcome of those discussions – the seven-tiered

1 discount structure – but also the process PECO uses for regular open discussions with
2 low-income stakeholders.

3 **C. 80% vs. 90% Target**

4 **8. Q. Please discuss Mr. Colton’s recommendation for use of an 80%, rather than a**
5 **90%, target in setting PECO’s CAP discount levels.**

6 A. The issue is this: PECO has recommended setting its CAP discounts at levels that
7 will attain “affordability” – as defined by the Commission’s guidelines – for 90% of
8 the customers in each of its seven CAP tiers. Under PECO’s approach to determining
9 affordability, it does not impute any income for the possibility that a customer will
10 receive a Low Income Home Energy Assistance Program (“LIHEAP”) Cash Grant.
11 Thus, affordability for 90% of each tier is attained using the CAP discounts alone,
12 even if no one in that tier receives a LIHEAP Cash Grant. Conversely, the remaining
13 10% of the customers in each tier will need some additional form of assistance to
14 obtain affordability. Under PECO’s approach, that remaining 10% of the population
15 in each tier is assumed to use a combination of a LIHEAP Cash Grant and non-utility
16 resources to attain affordability. In addition, these customers will often be the
17 highest users and therefore targeted for Low Income Usage Reduction Program
18 (“LIURP”) measures, which can bring usage down to affordable levels.

19 **9. Q. Why did PECO use 90% targets?**

20 A. Those levels were developed over the last several years for both PECO’s gas CAP
21 Rate and its electric CAP Rate. (PECO has proposed use of a 90% affordability
22 target for both the gas and electric CAP Rate programs.) For its gas CAP Rate,

1 PECO utilized 90% targets in its last gas base rate proceeding at Docket No. R-2008-
2 2028394 and used that same target as the baseline in its 2010 gas base rate filing. For
3 its electric CAP Rate, PECO used the target levels specified in its March 2009 DSP
4 Settlement in Docket No. P-2008-2062739. In that settlement (§ 67), PECO and
5 other parties agreed that:

6 Beginning with bills for the January 2011 billing period, PECO
7 will increase the discount levels that it offers to CAP customers so
8 that approximately ninety percent (90%) of each tier of CAP
9 customers will meet the Commission's affordability targets set
10 forth in the Commission's CAP Policy Statement, 52 Pa. Code §
11 69.265(2)(i), provided, however: (i) for Tiers D, D-1, E, and E-1,
12 PECO will be permitted to offer lower discounts, such that not less
13 than 88% of the customers in such tiers will meet the
14 aforementioned affordability targets; and (ii) for Tiers A and B,
15 PECO will be permitted to offer higher discounts, such that up to
16 100% of the customers in such tiers will meet the aforementioned
17 affordability targets.

18 **10. Q. What is Mr. Colton's recommendation?**

19 A. Mr. Colton recommends that PECO lower its discounts so that affordability is
20 attained for 80% of each tier using the CAP discounts alone.

21 Because the discounts would be lower under Mr. Colton's approach, the overall cost
22 of the CAP discounts (which are paid by other residential customers) would be
23 somewhat lower. This lowered cost to overall customers would be accomplished by
24 reducing CAP benefits to an additional 10% of the low-income customers in each tier,
25 who would then bear the burden of attaining affordability.

1 11. Q. Do you agree with Mr. Colton's recommendation?

2 A. No. As Mr. Colton notes, the issue here is balancing the needs of low-income
3 customers to obtain affordable service against the burden on PECO's other residential
4 customers of paying for that low-income program. However, I believe that PECO's
5 initial recommendation of targeting affordability for 90% of each tier provides the
6 proper balancing of these two important considerations. I view PECO's low-income
7 programs as a multi-pronged portfolio to address the affordability of utility service.
8 The primary reason that I do not support Mr. Colton's recommendation is that, using
9 a 90% target, the portfolio of PECO programs is, in my view, sufficient to obtain
10 affordability for the population of low-income customers but, using an 80% target,
11 the portfolio would not be sufficient for that purpose.

12 12. Q. Why do you believe that the use of an 80% target would be insufficient?

13 A. At the outset, I think it is important to understand how many customers are affected
14 by changing the affordability target from 90% to 80%. Mr. Colton has made this
15 same proposal in both PECO's gas base rate case at Docket No. R-2010-2161592 and
16 this proceeding. The total CAP population for electric, gas, and combined customers
17 is approximately 130,000 customers. However, for the combined customers, they
18 must attain affordability for two separate utility payments – both gas and electric.
19 Since there are about 30,000 CAP customers in the combined status, this means that
20 there about 160,000 total accounts that receive CAP assistance from PECO. With the
21 target of attaining affordability set at 90% of customers in each tier, both gas and
22 electric, 90% of the population reaches affordability from CAP discounts alone, and

1 10% of that population – or about 16,000 customers – must be brought to
2 affordability using a “combination of ratepayer and non-ratepayer dollars.” Changing
3 the affordability to 80% of each tier would mean that 20% of that population – or
4 about 32,000 customers system-wide – would need to be brought to affordability
5 using a “combination of ratepayer and non-ratepayer dollars.” Mr. Colton’s proposal
6 would thus double the number of low-income customers – from 16,000 to 32,000 –
7 whose affordability must be managed through a “combination of ratepayer and non-
8 ratepayer dollars.”

9 **13. Q. What challenges, if any, are presented by this doubling of the number of**
10 **customers for who affordability must be reached by a combination of CAP**
11 **discounts and other efforts?**

12 A. Historically, approximately one-third of PECO’s CAP customers in any given year
13 receive a LIHEAP Cash Grant. This means that, under PECO’s proposed 90% target,
14 with 16,000 customers needing to obtain affordability through a combination of
15 ratepayer and non-ratepayer dollars, approximately 5,300 of those customers will
16 receive a LIHEAP Cash Grant and obtain affordability through the combination of
17 CAP discounts and LIHEAP Cash Grants. This leaves a population of 10,700
18 customers whose affordability must be managed using LIURP and non-ratepayer
19 dollars (such as LIHEAP Crisis Grants, non-LIHEAP government grants, and other
20 grants from community-based organizations). Under Mr. Colton’s recommendation,
21 with approximately 32,000 customers needing to obtain affordability through a
22 combination of ratepayer and non-ratepayer dollars, approximately one-third (10,600)
23 will receive a LIHEAP Cash Grant and obtain affordability through the combination

1 of CAP discounts and LIHEAP Cash Grants. Under Mr. Colton's proposal, that
2 would leave a population of 21,400 customers whose affordability must be managed
3 using LIURP and non-ratepayer dollars (such as LIHEAP Crisis Grants, non-LIHEAP
4 government grants, and other grants from community-based organizations).

5 System-wide, PECO treats approximately 9,000 homes annually with its LIURP
6 funds. (PECO expects to expand its low-income weatherization programs, outside of
7 LIURP, so that it will be able to give weatherization assistance to a total of
8 approximately 14,000 low-income customers per year beginning in 2010.) In other
9 words, with a 90% affordability target for CAP discounts, it is possible for the
10 combination of LIHEAP Cash Grants and LIURP and other weatherization treatments
11 to address all of the customers who fall in the remaining 10%. With an 80%
12 affordability target for CAP discounts, it is not possible for the combination of
13 LIHEAP Cash Grants and LIURP and other weatherization treatments to address all
14 of the customers who fall in the remaining 20%.

15 **14. Q. Does the relative availability of LIHEAP funding affect your view of Mr.**
16 **Colton's recommendation?**

17 A. Yes. LIHEAP grants are federally funded, and the amount of LIHEAP funds is
18 variable year-to-year. Consequently, the size and availability of individual LIHEAP
19 Grants varies year-to-year. Under Mr. Colton's proposal, affordability under the
20 Commission's regulations would thus be obtained, or not obtained, each year
21 depending upon the outcome of the federal LIHEAP funding decisions and the state
22 LIHEAP programmatic decisions. Those events are outside of the control of the

1 Commission, PECO, and its low-income customers. If LIHEAP is unavailable or
2 differently available, at a 90% target the remaining portfolio of PECO programs will
3 allow resources to flow to the remaining 10% of the low-income population that does
4 not attain affordability through CAP discounts alone. If the target is changed to 80%
5 and LIHEAP becomes unavailable or differently available, the portfolio of remaining
6 programs is not sufficient to address the larger population of customers thrown into
7 “unaffordability.” Therefore, I do not recommend making affordability for an
8 additional 10% of PECO’s low-income customers dependent on LIHEAP events.

9 **15. Q. Does PECO’s unique position as a dual-fuel utility affect your view of Mr.**
10 **Colton’s proposal?**

11 A. Yes. I do not believe that Mr. Colton’s proposal fully takes into consideration the
12 dual utility/duel fuel nature of many of PECO’s low-income customers. Put most
13 simply, most of PECO’s CAP customers utilize both electric utility service and gas
14 utility service. However, customers receive only one LIHEAP Cash Grant per year.
15 Under Mr. Colton’s proposal, a customer must be able to use their LIHEAP Cash
16 Grant to attain affordability for any given utility account, gas or electric. If the
17 affordability targets are changed as recommended by Mr. Colton, dual fuel customers
18 will not be able to use the LIHEAP Cash Grant to attain affordability on both their
19 electric bill and their gas bill. My view is that Mr. Colton’s approach thus essentially
20 double-counts the contribution toward affordability that is made by each customers’
21 LIHEAP Cash Grant – which means that, under Mr. Colton’s proposal, those
22 customers would not reach affordability.

1 16. Q. How many of PECO's CAP Rate customers are affected by this double-counting
2 issue?

3 A. Essentially all of them, except for those customers with all-electric homes. Any CAP
4 customer who takes both electric and gas service will be affected by the double-
5 counting issue. In the suburban counties, where PECO provides gas utility service,
6 the result would be that the overall customer bill for PECO service would be
7 unaffordable, even if the customer were to apply their full LIHEAP Cash Grant to the
8 PECO bill. In the city of Philadelphia, where gas service is provided by PGW, the
9 mechanism is somewhat different, but the outcome is the same. In Philadelphia,
10 many, if not most, of PECO's low-income customers choose to apply their LIHEAP
11 Cash Grant to their PGW bill. Under Mr. Colton's proposal, the customers who
12 apply their LIHEAP Cash Grant to PGW bills would be presumed to apply that same
13 LIHEAP Cash Grant to their PECO bill – something that obviously cannot be done.
14 Of PECO's approximately 130,000 CAP customers, approximately 10% are electric
15 heating customers. The rest use natural gas (or, presumably, some other LIHEAP-
16 eligible heating source) for their heating. Thus, the double-counting issue in Mr.
17 Colton's proposal would exist for approximately 90% of the system-wide CAP
18 population. I consider that to be a significant flaw in his proposal.

1 17. Q. Under Mr. Colton's proposal, on a system-wide basis how much would the
2 benefits to low-income customers decrease under, and how much would the non-
3 CAP customers save?

4 A. Mr. Colton estimated that decreasing the affordability targets to 80% would mean that
5 approximately \$10.9 million less in CAP discount benefits would flow to PECO's
6 electric customers, and approximately \$3 million less in CAP discount benefits would
7 flow to PECO's gas customers. Given the 27% offsets for working capital and
8 uncollectible expense, non-low income residential customers would see a reduction in
9 CAP program costs of \$8 million for the electric CAP program and \$2.2 million for
10 the gas CAP program.

11 18. Q. What would be the consequences of reducing the benefits to PECO's low-income
12 customers by this amount?

13 A. For the reasons that I've discussed, reducing these benefits would move a group of
14 customers from affordability to non-affordability. That has two primary
15 consequences. First, since these customers will now have additional difficulty paying
16 their bills, I would expect to see additional requests for payment arrangement,
17 customer complaints and, ultimately, service terminations. Second, the low-income
18 customers who are subjected to unaffordable service will likely not be able to pay
19 their full utility bill. This will cause an increase in PECO's uncollectible expense,
20 which will ultimately be passed on to PECO's other residential customers.

1 19. Q. How much would the typical residential customer save on his/her monthly bill if
2 Mr. Colton's change is adopted?

3 A. In my direct testimony (p. 12), I calculated that PECO's electric CAP program as
4 proposed, including the combined 27% offset, would cost \$80,946,000. I further
5 estimated that a non-CAP program Rate R customer who uses 650 kWh per month
6 will see their monthly bill increase by \$4.55 as compared to having no gas CAP
7 program at all. From that amount, Mr. Colton's proposal would save \$0.46 per month
8 for each such non-CAP customer. (Calculated as a system-wide savings of
9 \$8,000,000, divided by 11,634,173,000 kWh expected load = \$0.0007/kWh savings.
10 A 650 kWh per month customer would thus save \$0.46 per month.)

11 This saving would be decreased, at some point in the future, when the additional
12 uncollectible expense and other costs discussed in my last answer are reflected in a
13 future PECO cost of service.

14 On balance, I do not believe that this projected saving warrants decreasing the CAP
15 benefits to PECO's low-income customers – and, in the case of the electric CAP Rate
16 program, altering the terms of the DSP Settlement before it has even been
17 implemented and tested -- given that the decrease recommended by Mr. Colton would
18 make the overall portfolio of low-income programs insufficient to obtain affordability
19 for the population.

1 **III. REPLY TO TESTIMONY OF HARRY GELLER**

2 **A. Terminations**

3 **20. Q. Mr. Geller has an extensive discussion (pp. 6-14) of PECO’s termination**
4 **practices. Do you have an overview response to these comments?**

5 A. I disagree with Mr. Geller. PECO does not have an unusually high level of
6 terminations. Moreover, since passage of Chapter 14 in 2004, PECO has managed its
7 portfolio of Universal Service programs and termination processes such that the
8 number of customers entering the winter season without central heating due to
9 termination is now consistently lower than it was when Chapter 14 was passed. This
10 demonstrates a multi-year commitment by PECO to simultaneously attend to the
11 needs of its low-income customers while at the same time pursuing unpaid account
12 balances.

13 **21. Q. Mr. Geller claims (p. 6) that in 2009 PECO had an “unusually high” level of**
14 **involuntary service terminations. Please comment.**

15 A. Mr. Geller correctly states that PECO had 76,862 terminations in 2009. He then
16 states that this level of terminations is high compared to other utilities. While it is
17 true that, as the state’s largest combination utility with the state’s largest population
18 of low-income customers, PECO has a higher number of terminations and higher
19 termination rates than some other Pennsylvania utilities, I do not find the number to
20 be “unusually high.” Terminations result when customers do not pay their bills.
21 Low-income customers tend to pay their bills less frequently than higher-income
22 customers, and are therefore more often subject to termination. PECO has the largest

1 population of low-income customers in the state, and therefore it should be expected
2 to have the highest termination rate.

3 As noted, Mr. Geller reports that in 2009 PECO had 76,862 terminations. The same
4 report from which he draws this statistic notes that, in total, Pennsylvania gas and
5 electric utilities had 280,825 terminations in 2009. This means that PECO had 27.4%
6 of the state's terminations. The Commission's Universal Service Report for 2008
7 (the last year published thus far) states (p. 8) that, for all utilities in the
8 Commonwealth of Pennsylvania, the estimated low-income population is 1,416,156
9 (882,801 electric and 533,355 gas), of which 351,905 -- or 24.9% -- are estimated to
10 be PECO customers. As a different comparison point, I reviewed the United States
11 Census data for low-income residents in Pennsylvania. According to those data, 30%
12 of the low-income population of Pennsylvania lives in PECO's primary five-county
13 service territory. Given that low-income customers are concentrated in PECO's
14 service territory in higher numbers than elsewhere in the state, it does not surprise me
15 that PECO has had to use termination procedures in higher numbers, or at a higher
16 percentage rate, than other utilities. PECO is simply managing a collections issue
17 that is of a different magnitude than other utilities are managing.

18 I would like to note, however, that PECO's method of managing the fact of a large
19 low-income population is by no means limited to use of terminations. To the
20 contrary, PECO's universal services programs are the most extensive in the state, as
21 well -- and PECO is, in its ongoing base rate cases, proposing to increase the amount
22 of benefits flowing to its low income gas and electric customers through greater
23 discounts. Once those greater discounts are put in place and a greater level of

1 affordability is achieved, PECO expects that its lower-income customers will be able
2 to more easily pay their utility bills. If that occurs, then termination activity will
3 show a commensurate decrease. PECO's proposals to increase its CAP Rate
4 discounts should thus be understood as a direct attempt to decrease the number of
5 terminations that it may need to pursue in future years.

6 **22. Q. Mr. Geller also discusses the results of the Cold Weather Survey. Please**
7 **comment.**

8 A. Mr. Geller notes that, as of December 15, 2009, PECO reported 1,903 households
9 without a central heating source as a result of involuntary terminations and states that:
10 "This number represented more than 50 percent of the number of households without
11 heat of all regulated electric distribution companies throughout Pennsylvania." My
12 primary problem with this conclusion is that PECO's number of "winter off"
13 households involves all of its customers – gas and electric – and Mr. Geller is
14 comparing these data only to the "winter off" data from the state's other electric
15 companies. When one includes the gas companies, the total number of statewide
16 households without a central heating source as a result of involuntary termination is
17 much higher – a total of 3,749 statewide electric, and 17,280 statewide for gas, for a
18 total of 21,029 statewide. PECO's number – 1,903 – comprises approximately 9% of
19 that statewide number, not 50%.

20 Mr. Geller also discusses the February 1, 2010 resurvey, in which PECO reported
21 1,047 residences without central heating due to termination. PECO has a very
22 aggressive program for revisiting residences identified in the Winter Survey as being

1 without central heating. If someone is living at the home, PECO attempts to get them
2 LIHEAP or other assistance so the heat can be turned back on; if no one is living at
3 the home then they are removed from this category in the data. This aggressive
4 program allowed PECO to remove over 850 homes from the “winter off” category
5 between December and February, which I believe shows an important commitment
6 by PECO to continue to work with its customers even after their service has been
7 terminated for non-payment. Mr. Geller, however, concludes that the remaining
8 1,047 is more than 50% of the statewide households without heat. Again, if gas
9 terminations are included, that is not the case. With gas utilities are included the
10 statewide total of residences without central heating is 14,283. PECO’s number –
11 1,047 – comprises approximately 7% of that total, not 50%. Not only is Mr. Geller’s
12 conclusion incorrect, these data demonstrate that as the winter progressed, PECO’s
13 “share” of customers without central heating decreased as a percentage of the total –
14 meaning that compared to its peers PECO was better, during the winter, at continuing
15 to resolve these “winter off” situations.

16 **23. Q. Mr. Geller claims (pp. 9-14), that these statistics “point to a serious deficiency in**
17 **the quality of PECO’s service,” and that these statistics demonstrate that PECO**
18 **has abused “the discretion entrusted to it by the Legislature” with the enactment**
19 **of Chapter 14. Do you agree?**

20 A. No. First, as noted previously in my testimony, the data relied upon by Mr. Geller,
21 when reviewed more closely, does not support his conclusions regarding an
22 “unusually high” number of terminations.

1 In addition, I do not agree that PECO has abused any discretion granted to it by the
2 legislature. One stated purpose of passing Chapter 14 was to “provide utilities with
3 an equitable means to reduce their uncollectible accounts by modifying the
4 procedures for delinquent account collections and increasing timely collections.” 66
5 Pa. C.S. §1403(3). The new tools that were given to utilities included the potential
6 for increased terminations. Using those tools is not an abuse of discretion. To the
7 contrary, use of those tools is exactly what the legislature intended.

8 Moreover, PECO significantly increased its CAP Rate funding while it used the
9 Chapter 14 tools. According to the Commission’s 2004 Universal Services Report –
10 the year in which Chapter 14 was passed -- at year end 2004 PECO had 99,187
11 electric CAP customers who received an average annual CAP benefit of \$328 each
12 (that is, PECO provided approximately \$32.5 million in electric CAP benefits) and
13 14,484 gas CAP customers who received an average annual CAP benefit of \$194
14 each (the last data point is from the Commission’s 2005 Universal Services Report)
15 (that is, PECO provided approximately \$2.8 million of gas CAP benefits). The 2004
16 program thus reached approximately 114,000 customers with combined rate discount
17 benefits of approximately \$35.3 million. PECO currently has over 130,000 low-
18 income customers on its CAP Rates and is proposing to provide CAP rate discounts
19 totaling approximately \$85 million in electric service discounts and over \$10 million
20 in gas service discounts, or combined discounts of approximately \$95 million. In
21 other words, system-wide the CAP benefits to low-income customers have increased
22 nearly 270% since 2004.

1 In my opinion, this demonstrates that PECO used the Chapter 14 tools consistent with
 2 statutory objectives – it increased funding to its lower-income customers so that they
 3 would be more likely to obtain affordable service, and simultaneously increased the
 4 number of terminations to ensure timely collection. The Cold Weather Survey Data
 5 from 2004 to present demonstrate that this overall strategy has been successful. Mr.
 6 Geller testified that, for 2009, PECO’s Cold Weather Survey data showed 1,903
 7 residences without central heating as a result of involuntary terminations. For 2004 –
 8 the year in which Chapter 14 was enacted – the Commission’s Cold Weather Survey
 9 reports that PECO had 3,053 households that were without central heating as a result
 10 of involuntary terminations – much higher than the 2009 level. Moreover, *in every*
 11 *Cold Weather Survey since 2004*, PECO has shown better results than it did in 2004.
 12 (For ease of comparison the following data are taken from each year’s Cold Weather
 13 Survey, available on the Commission’s website):

14 Table 1: Cold Weather Survey – Annual for Line Item

15 “Total Households Without Service After Completion of the Survey”

Year	PECO “Winter Offs”
2004	3,053
2005	1,917
2006	1,514
2007	1,491
2008	2,506
2009	1,903

16 Data from these same reports show that, for the five-year period prior to passage of
 17 Chapter 14 (2000-2004), the Commission reported that PECO had a cumulative Cold

1 Weather Survey “off” number of 9,692 for the five years (an average of 1,938 per
2 year); in the five-year period after passage of Chapter 14 (2005-2009) PECO had a
3 cumulative Cold Weather Survey “off” number of 9,331 (an average of 1,866 per
4 year). It is clear that, on balance, PECO’s increased combined program, involving
5 both increased funding to its Universal Services programs and increased use of
6 Chapter 14 tools, has resulted in fewer customers being without heating at the end of
7 each termination season. This is not a deficiency in PECO’s service, nor is it an
8 abuse of any Chapter 14 discretion. To the contrary, it shows that PECO has had an
9 important focus on improving its service in this difficult area – reducing uncollectible
10 expense while keeping service available to its low-income customers.

11 **24. Q. Mr. Geller closes his testimony on termination issues by describing certain**
12 **PECO policy decisions from 2005-2008 relating to termination. Please comment**
13 **on that testimony.**

14 A. Through its Universal Services Advisory Committee, PECO often briefs a broad array
15 of low-income stakeholders on changes in its approach to low-income issues,
16 including changes to its Universal Services programs (including increases to its CAP
17 Rate program) and to its credit and collection policies (including its terminations
18 policies). Mr. Geller appears to be discussing a few of the many changes that PECO
19 has implemented over the years.

20 Mr. Geller is correct that, sometime after the passage of Chapter 14, PECO initially
21 limited low-income termination activities while it aggressively grew its CAP
22 program. This was not a successful approach. PECO found that, when it decreased

1 its low-income customer termination activity, a substantial number of low-income
2 customers decreased or stop payments on their utility bills, notwithstanding the
3 greater CAP Rate outreach and benefits that were put into place at about the same
4 time. Consequently, the customers quickly developed unmanageable arrearages and
5 had their service terminated for significant periods of time while until they could
6 bring their accounts up to due. In addition to the low-income customer effects just
7 noted, PECO's uncollectible expense increased during this period.

8 Ultimately, PECO decided that it should no longer pursue this approach. Instead, it
9 decided to pursue low-income terminations. This decision was later modified to
10 focus on pursuing such terminations at low balances, usually in the spring of each
11 year, so that the termination notice would be based on a manageable balance. PECO
12 generally found that customers are more able to address the balances associated with
13 these early, more frequent termination notices, and that they are often able to access
14 additional resources – government grants or funds, LIHEAP, family resources, etc –
15 to pay off their lower balance and avoid termination altogether. Alternatively, if
16 termination occurred, the customer was more likely to be able to pay the balance and
17 reconnect. This entire policy initiative was accompanied by continued efforts to grow
18 the CAP Rate program, both through outreach and by increasing the discounts
19 available within the CAP Rate.

20 To date, this combined approach – pursuing early, low-balance, terminations and
21 simultaneously increasing CAP benefits -- has been successful in keeping customer
22 balances at a manageable level and avoiding an excessive number of service
23 terminations and “winter offs.” Although the number of terminations has fluctuated

1 each year since the passage of Chapter 14, the number of customers without service
2 entering the winter season has been more stable:

3 Table 2: Comparison of Annual Terminations With Cold Weather Survey – “Total
4 Households Without Service After Completion of the Survey”

Year	Terminations (per the PUC’s annual Universal Services Report)	“Winter Offs”
2004	54,285	3,053
2005	60,596	1,917
2006	41,940	1,514
2007	53,536	1,491
2008	83,559	2,506
2009	76,123	1,903

5
6 For 2010, PECO projects that terminations will be below the 2009 totals.

7 **B. Energy Efficiency and Conservation**

8 **25. Q. Mr. Geller recommends (pp. 18-23) five changes to PECO’s LIURP Program**
9 **and its Energy Efficiency and Conservation (“EE&C”) program. His first**
10 **recommended change (pp. 18-19) is that PECO should “increase resources and**
11 **methods to assist customers with high bills and terminated service or who are at**
12 **risk of termination service.” Please comment.**

13 A. PECO already devotes resources to assist customers with high bills and terminated
14 service or who are at risk of termination. The higher a customer’s usage, the more
15 likely that customer is to be targeted for LIURP treatment. Mr. Geller states (p. 19)
16 that: “To make a real impact on the affordability of bills, usage reductions measures
17 for high users must go beyond the distribution of free CFL light bulbs.” I agree with

1 that statement – although the potential for CFLs to lower usage should not be under-
2 estimated -- and PECO has no such limitation on its low-income usage reduction
3 measures. To the contrary, its LIURP program incorporates a variety of income
4 reduction measures that even Mr. Geller notes (p. 18) have “been effective in creating
5 energy savings which have reduced energy bills for participating low income
6 households.” And while Mr. Geller is correct that PECO’s primary low-income Act
7 129 EE&C program, known as the Low Income Energy Efficiency Program, or
8 “LEEP,” is still in its early stages with effectiveness yet to be established, I note that
9 LEEP is largely patterned after LIURP in that it incorporates a variety of measures,
10 and not just CFL light bulbs. Finally, it should be noted that, in the 2008-2010
11 LIURP seasons, PECO expects to weatherize over 30,000 low-income homes, and for
12 the three years thereafter PECO expects to weatherize approximately 40,000 more
13 homes through its LIURP and LEEP programs.

14 **26. Q. Mr. Geller’s second recommendation (pp. 19-20) is that PECO should**
15 **coordinate its LIURP program with other programs. Please comment.**

16 A. PECO does coordinate its LIURP program with other available programs. Moreover,
17 as its various Act 129 EE&C programs and other non-LIURP weatherization
18 programs mature, such opportunities for coordination will be identified, assessed, and
19 utilized. Mr. Geller requests that PECO provide “an explicit plan” for how this
20 integration will occur.

21 PECO meets with Mr. Geller and other low-income stakeholders four times a year at
22 its Universal Services Advisory Committee meetings, and if those stakeholders have

1 ideas on how to better integrate these programs, PECO will accept input from those
2 stakeholders in that or other forums.

3 **27. Q. Mr. Geller's third recommendation (pp. 19-20) is that PECO's LIURP program**
4 **and CAP program should be integrated to a greater extent. Please comment.**

5 A. PECO already does much of the integration that Mr. Geller recommends. For
6 example, Mr. Geller recommends that PECO should require LIURP treatment for any
7 CAP household that is nearing the CAP maximum credit allotment. PECO already
8 targets all CAP customers with average monthly use above 500 kWh for LIURP
9 treatment; this means that all of the customers for whom Mr. Geller seeks LIURP
10 treatment are already on the treatment list. Mr. Geller recommends that such
11 treatment should be "required," but does not explain how such a requirement would
12 be implemented. In my experience, some customers (and some landlords) resist
13 LIURP treatment for their residences or buildings. The only method of "requiring"
14 them to submit to LIURP treatment is remove the customer in question from PECO's
15 CAP Rate if they do not do so. PECO has chosen not to follow this path and, frankly,
16 based on my understanding of Mr. Geller's positions on low-income issues, I do not
17 believe he is advocating that approach. Therefore, I propose to continue PECO's
18 current approach of targeting these residences for LIURP treatment and making the
19 funds available for that treatment.

20 Mr. Geller also recommends (p. 21) that PECO should provide LIURP treatment:

21 "Before removing any household from CAP, and prior to any termination of service."

22 I need to clarify one aspect of this issue. PECO does not remove customers from its

1 CAP Rate for failure to participate in LIURP. Indeed, customers remain on PECO's
2 CAP Rate as long as they are income eligible for that rate. I cannot, however, accept
3 the proposition that CAP customers should be immune to termination until such time
4 as they have received LIURP treatment. Such a rule could be intensively "gamed" by
5 customers who wished to avoid termination because termination could be avoided by
6 the simple expedient of refusing LIURP treatment. That potential gaming could
7 undermine both PECO's attempts to control uncollectible expenses and the LIURP
8 program itself. Again, I recommend remaining with PECO's current policy of
9 making LIURP, and CAP discounts sufficient to meet the Commission's definition of
10 affordability, available to a broad array of low-income customers -- but then
11 subjecting the customers to termination if their bills are not paid.

12 **28. Q. Mr. Geller's fourth recommendation (p. 21) is that PECO should "incorporate**
13 **energy savings opportunities for PECO's low and lower income customers into**
14 **its major energy efficiency and conservation marketing endeavors." Please**
15 **comment.**

16 A. PECO has chosen to market its Act 129 EE&C programs largely on a programmatic,
17 rather than on an income, basis. Mr. Geller recommends that there should be a
18 "specific incorporation" of PECO's Low-Income Energy Efficiency Program
19 ("LEEP") within that marketing. I note initially that PECO's LEEP offers low-
20 income energy efficiency and conservation measures that are very similar to those
21 offered in PECO's LIURP program. Indeed, it may not be possible to determine, for
22 a specific low-income customer, whether LIURP or LEEP is better for that customer
23 without additional interactions with that customer. The Smart Ideas website has a

1 link, on its home page that is entitled: “PECO Low-Income Energy Efficiency.”
2 Clicking on that link takes a customer to the webpage on PECO’s LIURP program,
3 which the customer can then contact for additional information. Mr. Geller provides
4 no data or studies to suggest that PECO’s marketing would be more effective if done
5 in the manner he suggests.

6 PECO’s current plans are to provide that information primarily through the well-
7 established communication channels, including face-to-face outreach, that PECO
8 already uses to provide the low-income community with information about its other
9 low-income programs. However, as with all marketing programs, this program will
10 develop over time. As it does with other low-income programs such as CAP, LIURP,
11 and LIHEAP, PECO will periodically assess whether it is achieving appropriate
12 market penetration and results and make adjustments to its marketing as necessary.
13 In making those assessments, it will keep in mind Mr. Geller’s comments on this
14 issue.

15 **29. Q. Mr. Geller’s fifth recommendation (p. 22) is that PECO should “ensure that**
16 **PECO’s Act 129 EE&C Plan achieves low income energy savings that are**
17 **proportional to the low income level of energy usage within its service territory.”**
18 **Please comment.**

19 A. Put most broadly, this recommendation involves the question of how to determine
20 whether a utility is in compliance with the Act 129 requirement (66 Pa. Code §
21 2806.1(b)(1)(1)(G)) that requires that:

1 The [EE&C] plan shall include specific energy efficiency measures
2 for households at or below 150% of the Federal poverty income
3 guidelines. The number of measures shall be proportionate to
4 those households' share of the total energy usage in the service
5 territory

6 In its Act 129 EE&C Plan proposal, which was presented to the Commission in
7 Docket No. M-2009-2093215, PECO proposed to implement this requirement
8 through a combination of a defined set of programs targeted to low-income customers
9 and broad programs that are available to both low- and high-income customers. The
10 Commission accepted PECO's proposal but, by order issued October 28, 2009 (p.
11 39), deferred resolution of the statutory interpretation issue, convening "a working
12 group that will be charged with developing implementation standards for deploying
13 proportional energy efficiency and conservation measures to low-income customers."
14 PECO and the low-income advocates – including Mr. Geller – participate in that
15 working group. The working group issued a report on March 19, 2010, in which it
16 stated (p.7), among other things, that: "At this time, all the EDCs have sufficient
17 specific measures for low-income households to satisfy the 'proportionate number'
18 criteria in the statute. This is the sole methodology for determining compliance with
19 Act 129 through 2013."

20 In his testimony, Mr. Geller recognizes the existence of this ongoing working group
21 (see his footnote 23), but nonetheless argues (p. 23) that: "If PECO truly wants to
22 help low income customers reduce electric usage in a meaningful way, then PECO
23 will do what the clear words of the statute say and help low income households
24 achieve energy savings in proportion to their energy usage in the service territory." I
25 have two comments. First, if the statutory words were as clear as Mr. Geller claims,

1 then the Commission would not have needed to convene a working group “charged
2 with developing implementation standards” for this statutory provision – and the
3 working group would not have reached the just-quoted conclusion. Second, in
4 PECO’s ongoing electric and gas base rate cases, PECO is proposing to spend well in
5 excess of \$100 million per year on its low-income programs, collectively proposing
6 to provide over \$95 million of annual rate discounts and over \$10 million year of
7 low-income weatherization, energy efficiency, and conservation programs. In my
8 opinion, there should be no real question over whether PECO has worked to help its
9 low income customers to reduce their bills and their usage “in a meaningful way.” It
10 does, and its proposals make that clear. PECO will continue to work with Mr. Geller
11 and other representatives of the low-income advocacy groups toward those goals.

12 C. Medically Related Issues

13 **30. Q. Mr. Geller also discusses (pp. 23-27) certain “medically related issues.” Please**
14 **comment.**

15 A. Mr. Geller argues that PECO should expand its medically related programs so that
16 customers who have high usage due to medical issues would receive additional
17 discounts, and so that customers with chronic medical conditions could not be
18 terminated regardless of whether they have a high balance caused by their medical
19 condition. I recommend that PECO continue to address these issues primarily by
20 using its CAP Rate to flow benefits to low-income customers and by honoring
21 medical certificates pursuant to Commission regulations, and use the programs
22 discussed by Mr. Geller to address customers who are not helped by this primary
23 approach.

1 I also note that Mr. Geller’s recommendations on medical issues would impose
2 significant additional costs on PECO and its non-CAP customers. For example, Mr.
3 Geller proposes that PECO significantly expand use of six-month medical
4 certificates. Increased use of those certificates would mean that customers could
5 cease paying their bills for many months on end without being subject to termination.
6 PECO issued 39,000 medical certificates in 2009. Converting any substantial number
7 of those medical certificates to a six-month status would move large groups of
8 customers into non-termination status – and therefore allow them to continue to
9 receive service without paying their bills, with a corresponding adverse effect on
10 PECO’s uncollectible account expense.

11 **31. Q. Mr. Geller recommends (p. 24) that PECO should “streamline” its process for**
12 **the acceptance of medical certificates. Please comment.**

13 A. In 2009, PECO issued over 39,000 medical certificates. PECO successfully
14 processed each of those medical certificates within 24 hours – meaning that within
15 those 24 hours or receipt of the medical certificate, PECO processed, logged,
16 approved or disapproved the certificate, and stayed termination or restored service to
17 the account. No additional streamlining of that process is needed.

18 Mr. Geller gives two examples of processes that he believes need to be “streamlined”
19 – he states that “consumers are often advised by PECO representatives that medical
20 certificates submitted to PECO must be on particular forms or contain language
21 indicating severity of illness.” Mr. Geller then claims that: “[N]either of these . . .
22 are required by either statute or regulation.”

1 Mr. Geller may be correct that the regulations do not require PECO to use a specific
2 form of medical certification, but the regulations, at 52 Pa. §56.113, do set forth five
3 specific enumerated pieces of information and states that: “Certifications . . . shall
4 include all of the following.” PECO’s form, labeled “Request for Medical
5 Certification,” seeks those five pieces of information in a systematic way. Moreover,
6 given the sheer volume of medical certificates that PECO processes, I cannot imagine
7 that it would streamline the process to allow that information to come on a variety of
8 forms. From the perspective of managing this flow of information, the use of a
9 standardized form to collect the information is absolutely imperative to the smooth
10 administration of the program.

11 As to whether the medical certification must contain “language indicating severity of
12 illness,” I note that 52 Pa. Code §56.113(a)(3) and (4) require that every medical
13 certificate must include information regarding: “The nature and anticipated length of
14 the affliction,” and “The specific reason for which the service is required.” PECO’s
15 medical certification form – which must be completed by a doctor or nurse
16 practitioner -- implements these regulatory requirements by requesting the following
17 information: “Nature of illness;” “How long do you expect the illness to last?;” and
18 “Specific reason utility service is required to prevent aggravation of the illness.”
19 Consequently, PECO’s form tracks the regulatory requirements.

20 Finally, I would like to note that it is important to keep structure, such as the use of
21 standardized forms, in the medical certificate process. Per the Commission’s
22 regulations, customers are allowed to verbally claim a medical condition and, based
23 on that verbal claim, obtain a suspension of termination, pending the receipt of a

1 written medical certificate signed by a doctor or nurse practitioner. In 2009, PECO
2 granted 53,000 suspensions of termination (or restorations) based on claims of
3 medical condition – but only 39,000 of those customers were able to obtain written
4 certification of that medical condition from a doctor. This means that 14,000 – over
5 25% of the initial claimants – did not obtain a written certification. It is clear to me
6 that many of these customers may have claimed a medical condition to avoid
7 termination, even though they had no medical condition that a doctor would certify.
8 Use of a standardized form that gathers information from the health provider helps
9 avoid such issues.

10 **32. Q. Mr. Geller then recommends (pp. 24-25) that PECO expand its program for**
11 **issuing six-month medical certificates in cases of chronic or terminal illness.**

12 **Please comment.**

13 A. PECO originally agreed to implement a six-month medical certificate program in the
14 Consensus Modifications Settlement in October 2002 in Docket No. M-00001418.
15 The six-month medical certificate program is in place and is, by design, used as a
16 final tool for a limited number of customers.

17 PECO's primary tools for addressing the utility bills of low-income customers is its
18 CAP Rate discounts – which it has increased very significantly over the past decade,
19 both in number of customers covered by the CAP Rate discounts and in the level of
20 discounts. According to the Commission's 2002 Universal Services Report, at year
21 end 2002 PECO had 86,535 electric CAP customers who received an average annual
22 CAP benefit of \$285 each (that is, PECO provided approximately \$24.7 million in

1 electric CAP benefits) and 12,624 gas CAP customers who received an average
2 annual CAP benefit of \$192 each (that is, PECO provided approximately \$2.4 million
3 of gas CAP benefits). The 2002 program thus reached approximately 99,000
4 customers with combined rate discount benefits of approximately \$27.1 million.
5 PECO currently has over 130,000 low-income customers and is proposing to provide
6 CAP rate discounts totaling approximately \$85 million in electric service discounts
7 and over \$10 million in gas service discounts, or combined discounts of
8 approximately \$95 million. In other words, system-wide the CAP benefits to low-
9 income customers have increased approximately 350% since 2002.

10 For those low-income customers who suffer a medical emergency, and therefore have
11 trouble paying these discounted bills, PECO offers its normal medical certificate
12 program – up to three medical certificates of 30 days each, to allow the customer to
13 continue to receive service during their medical situation. As noted previously in my
14 testimony, in 2009 PECO issued over 39,000 medical certificates under this program.
15 Even after the customer has obtained three medical certificates, once the customer
16 brings their account current (during or after the medical emergency), additional
17 medical certificates will be made available in the event of a future medical
18 emergency.

19 The six-month medical certificate is for use in the limited circumstances when these
20 broader programs are not sufficient to create affordability for a customer dealing with
21 a chronic medical condition. I therefore disagree with Mr. Geller's that these
22 programs need broader outreach. To the contrary, it is my goal that customers will
23 access the CAP Rate discounts and medical certificate program – both of which are

1 extremely well-known – and that use of those programs will solve any medically
2 related payment issues. I recommend that the six-month program be reserved for the
3 cases in which customer’s affordability is not obtained through the general programs,
4 and that it therefore not be the subject of significant outreach.

5 Finally, I note that the purpose of any medical certificate is to remove the customer
6 from the termination process for the length of the medical certificate. In fact, 52 Pa.
7 Code §56.111 states: “utility may not terminate, or refuse to restore, service to a
8 premise when an occupant therein is [medically] certified by a physician” This
9 means that granting a six-month medical certificate will allow a customer to avoid
10 paying utility bills for up to six months at a time. In PECO’s experience, allowing
11 bills to accumulate for such long periods is not in the interests its low-income
12 customers, who eventually exit the longer-term termination “stayout” period with an
13 unmanageable utility bill, and is also not in the interests of PECO or other residential
14 customers, who ultimately must pay for those additional uncollectible expenses. I am
15 aware that Mr. Geller states (p. 25) that: “This need not be the case. PECO clearly
16 can articulate and enact an administrative process which establishes a 6 month
17 medical certificate duration, while at the same time moving ahead with its collection
18 and termination process in case of non-payment.” However, that testimony is directly
19 contrary to the purpose of a medical certificate. If PECO retains the right to terminate
20 service for non-payment notwithstanding the existence of the six-month medical
21 certificate, then the customer has gained nothing by having the six-month medical
22 certificate in place. Mr. Geller’s testimony does not appear to provide any realistic
23 method of implementing a large-scale six month medical certificate program without

1 creating significant risk that low-income customers will develop significant
2 arrearages while on those certificates.

3 **33. Q. Mr. Geller recommends (pp. 25-26) that PECO establish a CAP Rate for all**
4 **medically necessary usage. Please comment.**

5 A. As with the six-month medical certificate, PECO first agreed to a health usage
6 discount in the 2002 Consensus Modifications. As with the six-month medical
7 certificate, this program is designed to provide affordability to the limited number of
8 customers who cannot obtain affordability through PECO's CAP Rate discounts. As
9 stated earlier in my testimony, PECO has significantly expanded those discounts –
10 and has requested an even further expansion in this proceeding. I believe we should,
11 at a minimum, allow the new CAP Rates to be put in place before we take steps to
12 expand them. In the interim, PECO has in place a health usage discount for extreme
13 cases in which medical equipment is driving use to such a level that a low-income
14 customer cannot afford utility service.

15 **34. Q. Mr. Geller recommends (pp. 26-27), that PECO should accept medical**
16 **certificates for the establishment and restoration of service. Please comment.**

17 A. PECO does accept medical certificates for the restoration of service at one's
18 residence. For example, if PECO terminates service for non-payment, and the next
19 day receives a medical certificate from that customer, PECO restores the service
20 within 24 hours of receipt of the medical certificate.

1 Customers also may move from one address to another, and if a medical certificate is
2 in place at the first address, it will continue to apply. That is, the customer will be
3 allowed to establish service at a new address, even with an outstanding balance, if the
4 customer's valid medical certificate still is active (if it is within the 30-day period for
5 that medical certificate).

6 However, Mr. Geller is correct that a customer may not come to PECO and establish
7 service using a medical certificate. The only person who might want to use such a
8 procedure is a person who previously had service with PECO at some time in the
9 past, and ended that service with an accrued account balance. (A person who had
10 never had service with PECO, or one who previously had service but did not have an
11 accrued balance, would obtain service from PECO without any need for a medical
12 certificate.) What Mr. Geller is suggesting is that this person should be allowed to
13 move from their current housing, whatever it may be, without clearing their prior
14 debt. I see nothing in the Commission's medical certification regulations that suggest
15 it should be applied in such a situation.

16 **35. Q. Mr. Geller recommends (p.27) that PECO should conduct an “aggressive**
17 **information campaign” about its medically related policies. Please comment.**

18 A. I do not agree with this recommendation. PECO already has an aggressive outreach
19 program for its low-income programs in general, with special emphasis on its CAP
20 Rate discounts, LIHEAP, LIURP, and CARES. All of these programs focus, as they
21 should, on obtaining affordable utility service. Medically related policies are a subset
22 of that same larger issue – how to obtain affordable utility service. I recommend

1 PECO should continue that focus, which has allowed it to successfully build its low-
2 income programs to an unprecedented level. Moreover, the primary medically related
3 policy – the medical certification program – is already well known by PECO’s
4 customers – as noted previously in my testimony, in 2009 there were 53,000
5 occasions on which PECO’s customers avoided termination by raising medical issues;
6 on 39,000 of those occasions, the customers later obtained a medical certification
7 from their health professional, and therefore avoided termination for 30 days.
8 Moreover, every termination notice sent by PECO prominently notifies the customer
9 that, if the customer or any member of the household faces a medical issue, they
10 should contact PECO regarding obtaining a medical certificate.

11 **IV. REPLY TO TESTIMONY OF AMANDA GORDON**

12 **36. Q. In your direct testimony (pp. 7-10), you discuss PECO’s use of the \$700 cost**
13 **containment feature as a system-wide average design feature, rather than on an**
14 **individual customer basis. Ms. Gordon discusses (OTS Statement No. 1, pp. 4-**
15 **9), the financial impact of PECO applying this cost-containment feature on an**
16 **individual customer basis. Please comment.**

17 A. First, I note that Ms. Gordon specifically states in her testimony (p. 6) that she agrees
18 with the way in which PECO addresses this issue. Indeed, PECO’s approach is based
19 upon its DSP Settlement, which states (§ 69) that:

20 In determining the discounts to be applied to customer bills, PECO
21 will implement the maximum CAP benefit cost control (nominally,
22 the \$700 maximum benefit, subject to adjustment as provided in
23 paragraph 73) on a system-wide basis rather than on an individual
24 basis, i.e., the maximum benefit will be an average across all CAP
25 customers and not a \$700 limit on an individual customer basis.

1 There is no need to review the entire DSP discussion that led the parties to make this
2 settlement, but I do note that there was general agreement that applying the \$700
3 cost containment mechanism on an individual basis would result in numerous
4 customers losing CAP discounts in the latter part of the year – just as the winter
5 heating season begins. There was general agreement that this outcome should be
6 avoided, and that applying the \$700 cost containment mechanism on an average basis,
7 as a system-wide design constraint, would accomplish that. In short, applying the
8 cost containment mechanism on a system-wide basis, rather than on an individual
9 basis, is intended to be a program enhancement that flows additional benefits to the
10 neediest customers.

11 Moreover, another general purpose of the system-wide approach is to allow PECO to
12 have a larger CAP program than it would have if the cost containment mechanism
13 was applied on an individual basis. As I understand Ms. Gordon's testimony, she is
14 attempting to quantify how much larger PECO's CAP program is due to the manner
15 in which it applies the \$700 cost containment factor.

16 I agree that system-wide application of the \$700 cost containment factor does
17 purposefully increase the size of the CAP program, but I do not agree with Ms.
18 Gordon's estimate that PECO's program is \$7,995,366 larger because of the system-
19 wide application of the \$700 cost containment mechanism. I've reviewed Ms.
20 Gordon's calculation, which she supplied in OTS Exhibit No. 1, Schedule 2, and I
21 believe she made two conceptual errors in her calculation. When I correct the two
22 errors and recalculate her Schedule 2, the actual cost of applying the cost containment

1 mechanism on a system wide basis is approximately \$2.5 million, not the nearly \$8
2 million calculated by Ms. Gordon.

3 The first conceptual error applies only to CAP Rates D and E. When Ms. Gordon
4 was calculating the average annual shortfall for CAP Rate D and CAP Rate E, she
5 reviewed PECO's answer to OCA III-19, which provided the projected budget
6 shortfall, going forward, for CAP Rates D and D1 and for CAP Rates E and E1.
7 PECO's data, as set forth in OCA III-19, show that the average projected shortfall for
8 CAP Rate D customers is \$718.02 and that the average projected shortfall for CAP
9 Rate D1 customers is \$628.52. Ms. Gordon appears to have added these two
10 projected shortfalls together to get her average annual shortfall for CAP Rate D of
11 \$1346.54. The problem with this approach is that no single customer will be both
12 CAP Rate D and CAP Rate D1, and therefore no single customer will receive both of
13 these benefits in a year. Ms. Gordon made the same error for CAP Rate E and CAP
14 Rate E1. Ms. Gordon's calculation thus significantly overstates the cost of this
15 programmatic decision.

16 I believe that to fit within the construct of Ms. Gordon's OTS Exhibit No. 1, Schedule
17 2, one would have to calculate the weighted average of the projected annual shortfalls
18 for CAP Rates D and D1 and for CAP Rates E and E1, respectively. It is possible to
19 do that calculation using the data from PECO's answer to OCA – II-19:

1

Weighted Average Calculation

	(1) Projected participants	(2) Projected shortfall per customer	(3) Total Projected Shortfall	(4) Weighted Average (3) / (1)
CAP Rate D	27,113	\$718.02	\$19,467,676	
CAP Rate D1	30,099	\$628.52	\$18,917,823	
Combined CAP Rate D	57212		\$38,385,499	\$671
CAP Rate E	20,850	\$338.39	\$7,055,432	
CAP Rate E1	17,660	\$281.89	\$4,978,177	
Combined CAP Rate E	38,510		\$12,033,609	\$312

2

Ms. Gordon's second error is that she used a \$700 maximum CAP discount to

3

calculate the amount by which each customer exceeds the maximum CAP discount.

4

Even under Ms. Gordon's testimony (p. 3), the \$700 cost containment figure should

5

be escalated to \$736 at this time.

6

When I adjust Ms. Gordon's OTS Exhibit 1, Schedule 2 to correct for these two

7

errors, the total cost of using the cost containment feature is approximately \$2.5

8

million:

1 **Revision to Ms. Gordon’s Calculation of CAP Shortfall Attributable to System-Wide**
 2 **Application of \$700 Maximum (OTS Exhibit No. 1, Schedule 2)**

CAP Rate Class	Average Annual Shortfall	Customers Exceeding Maximum CAP	Cost of Serving (3) = (1) * (2)	Maximum CAP Credit (4) = (2) * 736	Amount Over \$736 Cap (5) = (3) – (4) (Report only if (3) > (4))
CAP A Rate R	\$1527.97	51	\$77,926.47	\$37,536	\$40,390.47
CAP B	\$1017.50	4786	\$4,869,755.00	\$3,522,496	\$1,347,259
CAP C	\$900.73	6877	\$6,194,320.21	\$5,061,072	\$1,133,248.21
CAP D	\$671.00	7856	\$5,271,376	\$5,782,016	N/A
CAP E	\$312.00	326	\$101.712	\$239,936	N/A
					\$2,520,897.68

3 **37. Q. Using these corrected figures, how much does PECO’s system-wide application**
 4 **of the \$700 cost containment figure cost an average non-CAP customer using 650**
 5 **kWh per month?**

6 A. Using my figure of a system-wide cost of just over \$2.5 million, the cost of using the
 7 system-wide approach is \$0.13 per month for each such non-CAP customer.
 8 (Calculated as a system-wide cost of \$2,500,000 x .73 offset factor = \$1,825,000,
 9 divided by 11,634,173,000 kWh expected load = \$0.0002/kWh savings. A 650 kWh
 10 per month customer would thus save \$0.13 per month.)

11 **38. Q. Do you have any other comments to make on this portion of Ms. Gordon’s**
 12 **testimony?**

13 A. Yes. At page 6 of her testimony, Ms. Gordon discusses the importance of having a
 14 program that emphasizes energy conservation and personal responsibility, stating that
 15 if the Company were not to impose the \$700 cost containment factor, “the Company
 16 would erase the basic tenets of energy conservation and personal responsibility
 17 involved in all Universal Service and Energy Conservation programs. A CAP

1 customer must be held responsible for its energy usage that exceeds an acceptable
2 limit.” I agree that these are important factors that are supported by the \$700 cost
3 containment factor. In addition, PECO’s program has a completely separate
4 provision that limits its CAP discounts to the first 650 kWh per month usage (750
5 kWh in summer for some customers) in almost all circumstances. This provision
6 provides clear price signals and incentives to conserve energy, and requires the
7 customer to take personal responsibility if usage exceeds that amount, because usage
8 above that level is charged at full Rate R. By combining a 650 kWh limit on
9 discounts with its system-wide application of the nominal \$700 cost containment
10 mechanism, PECO is able to provide conservation signals and require personal
11 responsibility for the full population of CAP customers, while simultaneously
12 providing additional discounts to the small portion of the customer base that needs it
13 most – the poorest of the poor (CAP Rates A, B, and C) who have the highest usage.

14 **39. Q. On page 6 of her testimony, Ms. Gordon states that one reason that she agrees**
15 **with the Company’s method of implementing the \$700 cost containment**
16 **mechanism is that doing so implements the Commission’s guidance on this issue,**
17 **and that: “If the Company chose to ignore the Commission’s guidelines**
18 **regarding maximum CAP credits,” then certain consequences would entail.**
19 **Please comment.**

20 A. I agree with Ms. Gordon that there would be negative consequences if PECO were to
21 ignore the Commission’s guidance in this area, which is why PECO has implemented
22 its program with the cost control measure in place. I do note that the guidelines that
23 Ms. Gordon is discussing were proposed, but not yet adopted, by the Commission in

1 Docket No. M-00072036. However, PECO's specific use of a system-wide design
2 basis was presented to and approved by the Commission in PECO's DSP proceeding
3 by Order entered on June 2, 2009. Thus, I conclude that PECO's proposal has
4 previously been approved by the Commission, is consistent with Commission
5 guidance on this issue, and thus avoids the potential negative consequences discussed
6 by Ms. Gordon.

7 **V. REPLY TO TESTIMONY ON COST CONTAINMENT ESCALATOR**

8 **40. Q. Please summarize the testimony regarding escalation of the nominal \$700 CAP**
9 **credit ceiling.**

10 A. In my direct testimony, I proposed to escalate the \$700 cost containment mechanism,
11 using the Philadelphia-Wilmington Consumer Price Index ("CPI"), to reflect inflation
12 since the Commission's proposed order in Docket No. M-00072036. Mr. Geller, Ms.
13 Gordon, and Mr. Colton all support use of an inflator, but each witness supports use
14 of a different inflator. Mr. Geller states (pp. 14-16) that he supports the proposal
15 made by PECO in its initial testimony as "a compromise proposal in order to ensure
16 that at least 90% of PECO's low income customers enrolled in its CAP will have bills
17 that fall within the Commission's targeted energy burdens as a percentage of
18 income." Ms. Gordon (pp. 1-4) supports use of an inflator that could also be applied
19 to other Pennsylvania utilities, and recommends the general CPI. Mr. Colton notes
20 (pp. 6-9) that electricity tends to escalate at a different rate than broader inflation
21 indices (which may include items such as food and clothing). He therefore
22 recommends (p. 8) that PECO should not use the CPI, but should instead use an

1 inflator that is tied to the PECO default service prices, which would track electricity
2 prices more closely.

3 **41. Q. Please comment on this testimony.**

4 A. I think all three witnesses make good points: The purpose of inflating the nominal
5 \$700 cost containment measure is to assist in providing affordable service (Mr.
6 Geller); for administrative convenience this should be done using indices that are
7 transferable to other Pennsylvania utilities (Ms. Gordon); electricity costs can be
8 more volatile than the general inflation and the index chosen should reflect that (Mr.
9 Colton).

10 I believe that all of these good points can be attained by the following proposal. For
11 the period through December 31, 2010, PECO will accept the proposal made by Ms.
12 Gordon to escalate the nominal \$700 figure using the general CPI, so that a common
13 number can be used for all Pennsylvania utilities. From that point forward, I
14 recommend that we adopt Mr. Colton's approach of indexing against PECO's
15 residential default service prices. (This same approach could be used by each
16 Pennsylvania utility, thus keeping consistency of approach across the state, per Ms.
17 Gordon's recommendation.) In order to implement this, when PECO's residential
18 Generation Service Price is available for January 1, 2011 service, PECO will
19 calculate new discount levels in the fall of 2010 using those Generation Service
20 Prices. It will then assign the default service prices used in that calculation as an
21 index level of "100." Whenever PECO develops a new residential Generation
22 Service Price, the new default service prices realized through that process will be

1 used to create a new index that reflects inflation or deflation from the original
2 Generation Service Price, and a new index level will be established to reflect that
3 change. The new index level will then be used to inflate or deflate the nominal \$700
4 cost containment feature.

5 **42. Q. Does this conclude your rebuttal testimony?**

6 A. Yes.