

Action Alliance, et al.  
Statement No. 1

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BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Joint Application of PECO Energy :  
Company and Public Service Electric and :  
Gas Company for Approval of the Merger : Docket No. A-110550F0160  
of Public Service Enterprise Group :  
Incorporated with and into Exelon :  
Corporation :

TESTIMONY OF HARRY S. GELLER

DOCUMENT  
FOLDER

ON BEHALF OF  
ACTION ALLIANCE et al.

ACTION ALLIANCE OF SENIOR CITIZENS OF GREATER PHILADELPHIA,  
ASSOCIATION OF COMMUNITY ORGANIZATIONS FOR REFORM NOW (ACORN) AND  
TENANTS' ACTION GROUP (TAG)

June 28, 2005

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1 Programs, CARES, Hardship Funds, and LIURP), and the affordability of the  
2 payment terms, including down payment, security deposit and monthly payment  
3 going forward.  
4

5 I presently serve on the following Pennsylvania state-wide advisory boards, work  
6 groups and/or task forces. Almost all address issues of access to and affordability  
7 of utility service:

- 8 • Chairman, Low-Income Home Energy Assistance Program (LIHEAP)
- 9 • Advisory Committee to the Secretary, Pennsylvania Department of Public  
10 Welfare;
- 11 • Chairman, Pennsylvania Public Utility Commission, Consumer Advisory  
12 Council;
- 13 • President, Pennsylvania Energy and Weatherization Consortium;
- 14 • Coordinator, Pennsylvania Legal Services Utility/Energy Work Group;
- 15 • Member, Weatherization Advisory Committee to the Department of  
16 Community and Economic Development;
- 17 • Member, Board of Directors, Council for Utility Choice;
- 18 • Member, PECO Universal Service Advisory Committee and LIURP  
19 subcommittee;
- 20 • Member and past consumer chairman of the Natural Gas Universal  
21 Services Task Force.

22  
23 I have previously been certified to testify as an expert on low-income consumer  
24 utility payment concerns in the United States District Court for the Eastern  
25 District of Pennsylvania (Maldonado v. Houstoun, 177 F.R.D. 311 (E.D. Pa.  
26 1997), aff'd, 157 F.3d 179 (3<sup>rd</sup> Cir: 1998)) and before the Pennsylvania Public  
27 Utility Commission (Investigation into Financial and Collection Issues Regarding  
28 the Philadelphia Gas Works, Docket Nos.P-000042090, R-0049157, M-  
29 00021612, P-00032061, Order entered October 27, 2004).  
30

1 I am a member of the Pennsylvania and Dauphin County Bar Associations and of  
2 the Pennsylvania Bar Association Utility Law Section.

3  
4 **I. INTRODUCTION AND SUMMARY**

5  
6 **Q. What is the purpose of your testimony?**

7  
8 **A.** The purpose of my testimony is to provide the Pennsylvania Public Utility  
9 Commission (“PUC” or “Commission”), based upon my long experience with  
10 low-income consumer utility programs, with an assessment of how this proposed  
11 merger will negatively impact PECO’s low-income customers. I will suggest the  
12 steps which PECO should take to assure that, should the merger be approved,  
13 low-income customers are not negatively impacted in their ability to obtain and  
14 maintain utility service, and gain restoration of utility service on reasonable and  
15 affordable terms so that the merger does in fact provide a “benefit” to a public  
16 that includes approximately 260,000 low-income households in PECO’s service  
17 territory.<sup>1</sup> Without full compliance with past and current obligations, and the  
18 adoption of prospective safeguards, the proposed merger should be denied.

19  
20 **Q. Please summarize the major conclusions contained in your testimony.**

21  
22 **A.** In my testimony I reach the following conclusions:

23  
24 1. The proposed merger, if approved, will be a detriment to low-income  
25 customers in PECO’s service territory, as customer services will become more  
26 centralized and more distant from the low-income community and the specific,  
27 unique needs of low-income customers.

28  

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<sup>1</sup> See Commission Order, Docket No. M-00041788, entered April 21, 2004, at 9 (“About 260,000 households in PECO’s service territory have annual incomes at or below 150% of the poverty level”) (attached as Exhibit “A”). For 2005, a family of two at 150% of the poverty has annual income of \$19,245, a family of four has \$29,025.

1 2. PECO has not fully honored Commission Orders and Settlement  
2 commitments associated with and resulting from the 1997 Electric Restructuring  
3 Case and the 2000 PECO/Unicom Merger, where PECO promised and the PUC  
4 agreed that “public benefit” would result from PECO’s agreements to improve  
5 affordability in its Universal Services Programs and to better assist its low-income  
6 households.

7  
8 3. PECO’s Universal Service Programs which consist of Special Needs, CAP  
9 Rate, MEAF, LIURP, and CARES, have not achieved their expected and intended  
10 outcomes and that unless these past and any future commitments by PECO are  
11 subject to detailed and measurable enforcement mechanisms intended to achieve  
12 specific results, approval of the present merger application will likely result in a  
13 continued failure to achieve commitments and a further deterioration of the  
14 quality of the services and programs required by low-income customers to obtain  
15 and maintain affordable utility service.

16  
17 4. Significant numbers of low-income households will suffer irreparable  
18 hardship and loss of service, unless PECO, prior to approval of the merger,  
19 includes specific prophylactic measures in its implementation plans for Act 201 of  
20 2004 (Chapter 14), which are intended to identify and screen-out low-income  
21 households from credit and collection measures, as well as from sanctions  
22 directed to households with the ability to pay.

23  
24 **II. PROPOSED MERGER’S PURPORTED BENEFITS AND ITS EFFECT ON**  
25 **LOW-INCOME CUSTOMERS**

26  
27 **Q. What relevance do low-income issues have in this proposed merger?**

28  
29 **A.** The Joint Applicants in this case must demonstrate that the proposed merger will  
30 affirmatively benefit the public in some substantial way.<sup>2</sup> The public in this case

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<sup>2</sup> 66 Pa.C.S.A. § 1103, York v. Pa. Pub. Util. Comm’n, 449 Pa. 136, 141 (1972).

1 includes approximately 260,000 low-income households<sup>3</sup> in PECO's service  
2 territory and at least 30% of PECO's customers.<sup>4</sup>

3  
4 **Q. What, if anything, does PECO state regarding the benefits of the proposed  
5 merger with regard to the low-income population PECO serves?**

6  
7 **A.** Denis P. O'Brien, President of PECO, and William D. Arndt, Senior Vice  
8 President for Exelon Corporation, testify that the proposed merger will produce  
9 substantial benefits and that the low-income population PECO serves will benefit  
10 in at least three different ways:

- 11
- 12 1. The Joint Applicants claim improved customer service will result from the  
13 integration of their call centers;<sup>5</sup>
- 14
- 15 2. PECO asserts all settlement commitments associated with the  
16 PECO/Unicom Merger and 1997 Electric Restructuring Case will  
17 "continue" to be honored;<sup>6</sup> and
- 18
- 19 3. PECO asserts it will "continue" its "strong" support of its Universal  
20 Service Programs including CAP, LIHEAP, LIURP, and Cares.<sup>7</sup>
- 21

22 **Q. Do Mr. O'Brien's and Mr. Arndt's statements hold true for low-income  
23 customers served by PECO?**

24  
25 **A.** No. Since the effect of the merger on the vulnerable low-income population in  
26 PECO's service territory would be a significant factor in determining whether or

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<sup>3</sup> See note 1 above.

<sup>4</sup> Peach, H. Gil, Anne West, Howard Reichmuth, Marcia Lehman, Ryan Miller, and Ayala Cnaan, *Evaluation of the PECO Energy Delivery Company Universal Service Program*. Beaverton, Oregon: H. Gil peach & Associates, Monograph 0301-1, January 2003, at v (hereinafter "Peach 2003 Report") (Cover through page I-11 attached as Exhibit "B").

<sup>5</sup> Direct Testimony of William D. Arndt, at 28.

<sup>6</sup> Direct Testimony of Denis P. O'Brien, at 14.

<sup>7</sup> Id.

1 not the merger will promote the public welfare and create substantial benefits,  
2 PECO was correct to attempt to address this issue. However, the statements  
3 PECO makes to support its conclusion are not supported by its past actions nor  
4 the present merger application.  
5

6 **Q. Please address the statements by Mr. O'Brien and Mr. Arndt.**  
7

8 **A.** 1. Further centralization of customer service call centers will further remove  
9 low-income customers from those PECO Universal Services staff who  
10 should be supporting them in their quest for affordable service.  
11

12 2. PECO has not fulfilled in either substance or spirit a number of  
13 restructuring and merger obligations, Commission Orders and Guidelines,  
14 and subsequent commitments regarding low-income Universal Service  
15 and Energy Conservation Programs.  
16

17 3. The Low Income Universal Service and Energy Conservation Programs  
18 which PECO administers have failed to grow in accord with company  
19 projections, or with the appropriate size or need of its low-income  
20 population; nor have they been structured to achieve conformity with the  
21 goals of the restructuring statute and Commission Guidelines; and  
22

23 4. There has been a significant decline in participation in the CAP program  
24 for those at 50% or below FPIG under PECO's implementation of the  
25 Special Needs Program. In PECO's 2004 Universal Service Report to the  
26 Commission the enrollment for December 2004 (the highest levels of the  
27 year) indicated 373 gas customers and 11,002 electric customers, a total  
28 of 11,375 participants. In April, 2003 when the Commission approved the  
29 change into a Special Needs Program, it indicated that in 2002 and 2001,  
30 PECO had reported an average of 32,543 CAP customers whose income  
31 was below 50% FPIG.

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**Q. Please briefly describe the “Universal Service and Energy Conservation Programs”?**

**A.** Universal Service and Energy Conservation Programs, are policies, protections, and services intended to assist low-income residential electric and gas customers to maintain, as well as to reduce and manage energy consumption in a cost effective manner. Specific definitions are included in the The Electric Generation Customer Choice and Competition Act, 66 Pa. C.S. §§ 2803 and the Natural Gas Choice and Competition Act, 66 Pa. C. S. §§ 2203. The term includes low-income customer assistance programs, termination of service protections and consumer protection policies. In addition to policies and protections directed to low-income customers, there are four program components to be included in each company’s portfolio of Universal Services. They are Customer Assistance Programs (CAPs), Hardship Funds, Customer Assistance Referral and Evaluation Services (CARES), and the Low-Income Usage Reduction Program (LIURP). PECO also has a “Special Needs Program” which has been created to address a number of concerns regarding the affordable nature of its CAP Rate.

**Q. What is a Customer Assistance Program (CAP) ?**

**A.** Customer Assistance Programs (CAPs) are payment plans designed for low-income customers which are intended to serve as an affordable alternative to the traditional customer billing and collection process. The goal is to encourage regular payment practices by customers by billing a monthly amount that is less than the standard tariff. In Pennsylvania, the Commission has set Guidelines for the operation of CAPs and the payment structure to be imposed. In addition, CAPs contain an arrearage forgiveness component, in which obligations that occurred prior to the date the customer entered the program and began to receive an affordable monthly bills, are forgiven over time as the customer demonstrates good payment behavior by making full, timely payments in accord with the CAP

1 Guidelines. This component may be a significant benefit of the program and acts  
2 as an incentive for the development of good payment practices. PECO's  
3 essentially has 2 types of CAPs: its CAP Rate Program (Tariff Rates C and D)  
4 and a newer program known as the Special Needs Program (Tariff Rates A, B,  
5 and C).

6  
7 **Q. What are Hardship Funds?**

8  
9 **A.** Hardship Funds, often referred to as "fuel funds", are programs designed to assist  
10 customers who may be receiving other assistance, such as LIHEAP grants, but  
11 continue to have difficulty paying their bills and are either without or about to  
12 lose service. Hardship Funds are generally obtained through a combination of  
13 customer and business charitable contributions obtained through solicitation, then  
14 matched by utility company shareholders and donated to a non-profit organization  
15 designated to administer and distribute the funds to the payment troubled  
16 applicants. PECO's program is known as the Matching Energy Assistance Fund  
17 (MEAF) and is administered by different non-profit agencies within the counties  
18 it serves.

19  
20 **Q. What is CARES?**

21  
22 **A.** CARES is a program designed to provide a casework approach to selected  
23 customers who are experiencing difficulty in paying their bills. It is intended to  
24 assist specific customers through direct customer interaction in a supportive  
25 manner. The essential element of CARES is case management and referral after  
26 an evaluation of the conditions which are causing the household payment  
27 difficulty.

28  
29 **Q. What is the Low-Income Usage Reduction Program (LIURP)?**

1 A. LIURP provides direct weatherization services to low-income households eligible  
2 for universal services. The program usually targets LIURP services to customers  
3 participating in CAP who are high energy users. The program design generally  
4 includes an energy usage audit designed to determine the most effective  
5 procedures to undertake, conservation education services and a cost-efficient  
6 approach of providing conservation measures which will result in a payback in  
7 usage reduction. Combined with CAP, an effective LIURP program benefits the  
8 customer by reducing monthly bills and benefits the company by reducing the  
9 amount of energy provided to CAP customers and thus the general cost of the  
10 program.

11  
12 A) Call Centers and Low-Income Customers.

13  
14 Q. **How will the further centralization of customer service call centers be a  
15 detriment to PECO's low-income customers?**

16  
17 A. Low-income customers already receive little or no information about PECO's  
18 Universal Service programs, as discussed more fully below. With centralization  
19 of customer service call centers and the directing of overflow calls to PSE&G,  
20 payment troubled customers will be even further removed from the PECO  
21 Universal Services staff who may be able to enroll these customers into low-  
22 income programs. The Peach 2003 Report concluded that PECO's general  
23 customer service call center had serious deficiencies in its staff knowledge and  
24 dealings with low-income customers. Problems arose when payment troubled  
25 customers raised "special needs" or low-income indicators but the call center  
26 representative does not make referrals to Universal Services. Peach 2003 Report  
27 at XIII-7 (Chapter XIII. The Call Centers, attached as Exhibit "C"). PECO  
28 representatives put CAP Rate eligible customers on regular (unaffordable)  
29 payment arrangements and did not tell them about CAP Rate. *Id.* at XIII-7, XIII-  
30 10. Sometimes an account is shut-off in error (and utility service is terminated)  
31 when handled by the back-up call center in Michigan, when back-up call center

1 representatives did not enter information in the proper computer fields. Id. XIII-  
2 16. It is not unexpected that the farther removed a call center is from the  
3 customer, the more likely the customer will receive wrong information or even  
4 face “shut-off error.”

5  
6 The Joint Applicant’s claim of greater efficiencies and better customer service  
7 from this proposed merger overlooks the need to provide good customer service  
8 beyond an ability to answer telephone calls in a timely manner.

9  
10 **B) Previous Unfulfilled Public Benefit Commitments.**

11  
12 **Q. What do you use as the relevant framework for judging PECO’s success or**  
13 **failure in meeting its previous public benefit commitments and**  
14 **demonstrating its commitment to the low-income within its service territory?**

15  
16 **A.** PECO’s success or failure in meeting its obligations and responsibilities, as well  
17 as demonstrating a commitment to assist the low-income community afford and  
18 maintain service, should be determined by comparing its actions and results with  
19 the full panoply of obligations imposed by statute, regulatory requirements;  
20 negotiated public benefit commitments; Commission Orders and by the stated  
21 intention’s of PECO’s own management.

22  
23 **Q. What are the relevant statutory and regulatory requirements?**

24  
25 **A.** The Electric Generation Customer Choice and Competition Act, 66 Pa. C.S. §§  
26 2801-2812 and the Natural Gas Choice and Competition Act, 66 Pa. C. S. §§  
27 2201-2212 set forth the obligation to “continue the protections, policies and  
28 services that now assist customers who are low-income to *afford* electric service;”  
29 the requirements to establish meaningful Low-Income Universal Service  
30 Programs through policies, programs, protections, and services that help low-

1 income *maintain* their electric service; and the requirement that such Universal  
2 Service programs be *appropriately funded and available* in each service territory.

3  
4 The CAP Policy Guidelines, 52 Pa. Code §§ 69.261-69.266, set forth the required  
5 elements of a Customer Assistance Program, including guidelines for determining  
6 an *affordable payment structure and usage* controls for CAP participants.

7  
8 **Q. What are the relevant negotiated public benefit commitments?**

9  
10 **A.** The Petition for Expedited Approval of Consensus Modifications to PECO  
11 Energy Company's Universal Service Program and Associated Tariff Changes  
12 filed on October 1, 2002 ("Petition") and the Commission Order entered on April  
13 28, 2003 (approving Tentative Order dated April 8, 2003) to Docket Nos.R-  
14 00027870 and M-00001418 approving *the development of a new Special Needs*  
15 *Program with target enrollment levels and which required additional program*  
16 *enhancements to CARES, LIURP, and MEAF* (attached as Exhibits "D" and "E",  
17 respectively). *The Order also approved 4 medically related modifications:*

- 18 • Individuals in CAP Rate and the Special Needs Program will be  
19 charged Special Needs and CAP Rate for all medically required  
20 usage;
- 21 • Medical certificates submitted by customers who were  
22 chronically or terminally ill would be extended to 6 months (from  
23 1 month) before a new re-certification;
- 24 • Special Needs CAP Rate A customers would be considered  
25 eligible based upon one of several "extenuating circumstances,"  
26 including medical and non-medical circumstances; and
- 27 • PECO would create a detailed and aggressive outreach program to  
28 inform the potential eligible population as well as health care  
29 providers of the existence of these program parameters;

30  
31 **Q. What Commission Orders are involved in this case?**

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A. The Commission Order at Docket M-00041788 entered April 21, 2004 (attached as Exhibit "A"), and the Commission Order at Docket M-0001418 entered September 29, 2000, both of which reviewed PECO's submission of its Universal Service and Energy Conservation Plan submitted in compliance with 52 Pa. Code § 54.74, and both of which found that *PECO's universal service plan does not comply with the affordability requirements of 66 Pa. C.S. § 2802 (10) nor with the CAP Policy Statement at 52. Pa Code §69.265 (2)*. In 2000, the Commission ordered PECO to submit an analysis concerning extending the CAP Rate discount to the entire bill of CAP Rate R customers whose incomes were below 50%. In 2004, the Commission ordered PECO to submit a compliance plan addressing the still unresolved problem of unaffordable CAP budgets caused by high usage.

**Q. Are PECO's low-income rates affordable?**

A. No. The Commission's April 21, 2004 Order stated that the Commission's Bureau of Consumer Services (BCS) reviewed informal payment arrangements (PARs) by PECO customers and found almost 84% of the PARs involved unaffordable CAP budgets that were inconsistent with the Commission's CAP Policy Statement. This finding is supported by the Peach 2003 Report that found under current rate design, only 48% of CAP participants have CAP budgets that are affordable or consistent with the CAP Policy Statement.

**Q. Please summarize the CAP Policy Statement.**

A. The primary goal of a Customer Assistance Program (CAP) is to enact programs, policies and services which allow a low-income customer to connect to and maintain utility service through affordable rates. Under the guidelines promulgated by the Commission, rates must be affordable for all Customer Assistance Program ("CAP") Rate and Special Needs Program participants. See 52 Pa. Code § 69.265 (2005). The PUC CAP design elements establish maximum

1 CAP payment guidelines. For electric non-heating households they are as  
2 follows:

- 3 (i) 2-5% of income for households at 0-50% of the Federal Poverty Income  
4 Guidelines ("FPIG");  
5 (ii) 4-6% of income for households at 51-100% FPIG; and  
6 (iii) 6-7% of income for households at 101-150% FPIG.  
7

8 For combined electric heating and non-heating households the maximum CAP  
9 payment guidelines are as follows:

- 10 (i) 7-13% for households at 0-50% FPIG;  
11 (ii) 11-16% of income for households at 51-100% FPIG; and  
12 (iii) 15-17% of income for households at 101-150% FPIG.  
13

14 **Q. Why is the CAP Policy Statement significant?**  
15

16 **A.** If a CAP program does not achieve at least this level of affordability for its low-  
17 income customers, it is deficient in achieving the primary goal articulated in the  
18 Electric and Gas Choice Acts, and in the Commission CAP payment guidelines.  
19 Dr. Peach found that "Affordability is the single most important key to program  
20 effectiveness." The Peach 2003 Report, at I-1 (Exhibit "B").  
21

22 **Q. How are PECO's CAP Rate and Special Needs Programs designed?**  
23

24 **A.** The Special Needs Program consists of new CAP Rates A, B and C. CAP Rates  
25 A and B are for customers at or below 25% of the poverty level.<sup>8</sup> CAP Rate A  
26 customers must have "extenuating circumstances," and pay a monthly bill as low  
27 as \$12. CAP Rate B customers, without extenuating circumstances, receive an  
28 85% discount off the first 500kWh. CAP Rate C is for customers between 26%  
29 and 50% of the poverty level, and provides a 75% discount off the first 500 kWh.

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<sup>8</sup> A household of two at 25% of the poverty level has annual income of \$3208, a household of four has \$4838.

1 Attached as Exhibit "F" is a document showing the details of the CAP Rate  
2 design.

3  
4 CAP Rates D and C are PECO's old CAP Rates I and II, and are not included in  
5 the Special Needs Program. CAP Rate D is for customers between 51% and  
6 100% of poverty, and provided a 50% discount off the first 500kWh. CAP Rate E  
7 is for customers between 101% and 150% of poverty, and provides a 25%  
8 discount off the first 500 kWh. In addition to Exhibit "F", please see Exhibit "G"  
9 PECO's CAP Rate brochure which includes a chart of household income  
10 according to poverty level and household size.

11  
12 **Q. How long has PECO's CAP Rate and Special Needs Programs been designed**  
13 **this way?**

14  
15 **A.** Since 1984, PECO's CAP Program has gone through a number of modifications.  
16 Until 1988, PECO's program was a Percentage of Income structure. The CAP  
17 Rate design has been in place since 1988. Since January 2004, PECO has also  
18 operated a Special Needs Program for customers at or below 50% of poverty,  
19 which is intended to operate somewhat differently from its CAP Rate and which  
20 will warrant a separate discussion. PECO's CAP Rate design is unique. Every  
21 other CAP in the Commonwealth operates either as a Percentage of Income  
22 Payment plan or, if they use a discount method similar to PECO's, as a discount  
23 to the *entire* bill. PECO applies its low-income discount to just a portion of the  
24 entire bill. This structure acts as a significant impediment to achieving a  
25 consistent affordable monthly bill. For customers between 51% and 150% of  
26 poverty, a discount is provided to only the first 500 kwh of usage with remaining  
27 usage being billed at the full rate. An average nonheating household using an  
28 average monthly level of 938 kWh<sup>9</sup> usage would be charged at the full rate for  
29 almost half of its usage. The result is required monthly payments which are in  
30 excess of the CAP Payment Guidelines.

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<sup>9</sup> Commission Order, Docket No. M-00041788, entered April 21, 2004, at 6 (attached as Exhibit "A").

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**Q. How long has PECO been non-compliant with the Commission’s CAP Policy Statement?**

**A.** CAP Rate was instituted in 1988. The Commission, just shortly after the Unicom Merger, in September 2000 pointed out, in reviewing PECO’s Universal Services Plan, that neither of 2 separate independent evaluators employed by PECO recommended that the CAP discount be applied to only part of the bill. [cite] In addition, the Commission found that PECO’s Plan may not comply with affordability guidelines for approximately 20% of the customers who had low incomes and high usage. The Commission directed that PECO complete the evaluation required by the Merger Settlement, regarding the affordability of its CAP Rate Program. Dr. Peach, the independent evaluator, reported that the results were dramatically worse than the Commission estimate. Dr Peach reported that 52% of all CAP rate customers had rates which were unaffordable. See Exhibit “B”, Peach 2003 Report.

PECO, since its Unicom merger and after, repeatedly being made aware of the defects of its CAP Program structure has failed to take appropriate action for the substantial body of its CAP Rate customers- those with incomes above 50% of FPIG and below 150%. By failing to take such action, it has demonstrated a lack of corporate commitment to the goals of universal service and to affordability, “the single most important key to program effectiveness.” Id.

**Q. What do you suggest be done to make CAP comply with Commission Guidelines and prior PECO public benefit commitments?**

**A.** First and foremost, the CAP Rate should be affordable. To achieve that goal I recommend that PECO return to a Percentage of Income Payment Plan (PIPP) levels as recommended by H. Gil Peach, the independent CAP evaluator. The PIPP should be implemented to comply with the maximum CAP Payment

1 guidelines<sup>10</sup>. However, since PECO has strongly opposed and resisted Dr. Peach's  
2 recommendation for a PIPP, the alternative would be to eliminate the maximum  
3 CAP usage levels other than those reflected in the Commission's CAP guidelines  
4 and to increase rate discounts.

5  
6 Secondly, the CAP Rate Program should be available in sufficient numbers to  
7 serve the appropriate population base. PECO shall recruit and enroll additional  
8 eligible customers in the CAP Rate Programs to approach the current target of  
9 125,000. To that end, sufficient outreach would be required. PECO should utilize  
10 the current community based resources which exist within its service territory. I  
11 recommend that PECO contract with the Neighborhood Energy Centers  
12 ("NECs") which presently assist with LIHEAP applications and other suburban  
13 community based organizations such as the MEAF agencies to provide outreach  
14 and intake services. PECO should set target amounts each year to enable it to  
15 reach the 125,000 enrollment figure. I recommend that PECO increase its CAP  
16 Rate and Special Needs programs enrollment by at least 10% a year.

17  
18 To ensure that PECO has an incentive to achieve these target enrolment figures, I  
19 recommend **an enforcement mechanism** be established so for every 500  
20 customers below these goals which PECO has failed to enroll by October 1, an  
21 additional \$500,000 contribution is to be made to MEAF.

22  
23 **Q. Hasn't the Special Needs Program addition resolved the issue of**  
24 **affordability? If not, why not?**

25  
26 **A.** No. The Special Needs Program has not resolved the issue of an affordable  
27 Customer Assistance Program. It is directed only to those whose household  
28 incomes are at or below 50% FPIG and is targeted to 40,000 customers. At best,  
29 in the event that the Special Needs and CAP Rate Programs achieved their full

---

<sup>10</sup> The Gil Peach study undertaken by PECO as part of the 2000 settlement, recommended the re-establishment of a PIP in line with Commission Guidelines. Again, in 2003, Dr Peach recommended re-establishment of a PIP plan. See attached Exhibit "H" Chapter XI. Affordability, of Peach 2003 Report.

1 presently targeted enrollment levels (125,000 CAP total enrollment, including  
2 40,000 Special Needs enrollment), the Special Needs Program would serve less  
3 than 1/3 of all CAP participants. The remaining 2/3 would continue to be subject  
4 to the unaffordable CAP Rate structure. However, the Special Needs Program's  
5 significant failure to achieve its anticipated goals - of the total targeted number of  
6 40,000 participants, the enrollment level of only approximately 11,000 customers  
7 (as of 1/1/05)<sup>11</sup> indicates that it is reaching fewer than 10% of that number. To  
8 exacerbate this situation, there are specific areas in which the Special Needs  
9 program is not functioning as intended.

10  
11 **Q. How many PECO customers are benefiting from the new Rate A?**

12  
13 The lowest rate -Rate A -targeted to the most vulnerable and needy population  
14 whose income is below 25% FPIG and who have extenuating circumstances- is  
15 essentially non-existent. As of December 2004, the program had enrolled only 9  
16 individuals, even though a target enrollment of 7,500 had been set.

17  
18 **Q. What is the rate for Rate A customers?**

19  
20 **A.** CAP Rate A customers that take service under Rate R (nonheating) are required  
21 to pay a monthly bill of \$12 for all usage up to 1000 kilowatt-hours (kWh).  
22 Those customers who take service under Rate RH (heating) are required to pay  
23 \$30 for usage of 2000 kWh from October to May and 1000kWh from July to  
24 September. Although recognizing the financial constraints of these ratepayers,  
25 PECO nevertheless continues to demand additional arrearage payments on  
26 balances accrued prior to entering the Special Needs Program. At the same time,  
27 for some of these customers, the kilowatt-hour limitation continues to be  
28 exceeded; therefore, requiring even larger payments.<sup>12</sup>

29  

---

<sup>11</sup> See PECO's Responses to Interrogatories AA-I-15, 18, and 21 (attached as Exhibit "I").

<sup>12</sup> See PECO's Responses to Interrogatories AA-I-12, 16, and 22 (attached as Exhibit "J").

1 **Q. What are “extenuating circumstances”?**

2  
3 **A.** “Extenuating circumstances” are set out in the Petition for Consensus  
4 Modifications. They include:

5  
6 “Injury, illness, disability, high medical bills, medically related electric  
7 usage, death in the family, sudden loss of employment, the presence of  
8 high risk household members (children below 8 years of age, disabled  
9 individuals, or infirm elderly), an inability to comply with at least 2 non  
10 CAP A payment arrangements, or high non-discretionary electric usage  
11 related to shelter conditions not susceptible to mitigation through LIURP  
12 measures.”

13  
14 **Q. How are “extenuating circumstances” detected by PECO?**

15  
16 PECO does not appear to publicize the criteria for determining extenuating  
17 circumstances and draft training manuals show that customer service  
18 representatives are instructed not to ask about extenuating circumstances, but to  
19 passively listen for mention of one of the categories. Also, PECO does not  
20 include all of the extenuating circumstances in its computer for reference by its  
21 customer service representatives. Therefore, in this context, the enrollment of  
22 only 9 customers in rate A is not surprising.

23  
24 **Q. How affordable are monthly payments for customers in the new Special  
25 Needs Program?**

26  
27 **A.** PECO in implementing the Special Needs Program has burdened it with program  
28 aspects which were neither agreed to in the Consensus Modifications creating the  
29 Special Needs Program nor within the spirit or intent of the Consensus agreement.

30 These onerous aspects are:

31 1. refusal to grant pre-program arrearage forgiveness to those transferring

1 from CAP Rate into the Special Needs Program, and

2 2. requiring additional payments to satisfy the arrearages which accrued prior  
3 to entering Special Needs.

4 These two PECO imposed modifications significantly reduce the benefit of the  
5 program. Let us recall, the Special Needs Program was created as a result of the  
6 Merger Settlement indicating that an evaluation of CAP Rate should take place to  
7 see if CAP Rate was affordable, after the Commission found that CAP Rate may  
8 be in violation of CAP affordability guidelines, and after an independent evaluator  
9 concluded that the rate was unaffordable for 52% of the CAP rate population and  
10 85% of those subsisting at 50% FPIG or below. The Special Needs Program was  
11 to be a new Program –see Commission Order of April 21, 2004- created with the  
12 goal to remedy the failure of CAP Rate to comply with PUC Guidelines of  
13 affordability. Within the prevailing PECO Customer Assistance Program structure  
14 a person newly entering CAP would have pre-program arrearage frozen and, if  
15 successful in making 6 timely payments, have that arrearage forgiven. However,  
16 in this new Special Needs Program which was created to serve the lowest income  
17 population and those with extenuating circumstances and designed to remedy the  
18 prior failure of CAP Rate to comport with Commission CAP Payment Guidelines,  
19 PECO has unilaterally determined that arrearage forgiveness (of the unaffordable  
20 CAP amount) should not be available and that payment agreements are required  
21 to cover the arrearage(accumulated while the customer was required to pay that  
22 unaffordable amount) . The Special Needs Program has therefore not been  
23 implemented as intended by the Consensus Modifications.

24  
25 The Special Needs program was established for individuals with income of 50%  
26 FPIG or below to provide more substantial discounts to eligible persons who  
27 could not afford the old rates. The PUC Order relating to the Petition refers to the  
28 special needs component as a new program; however, PECO has adopted a  
29 different interpretation and still requires eligible persons entering the new Special  
30 Needs programs to pay back arrearages accrued under the older programs. PECO  
31 is aware that the purpose of the new programs is to provide more affordable

1 payments for low income consumers but its arrearage repayment requirement  
2 defeats this purpose by making monthly payments unaffordable. Therefore, any  
3 arrearage existing as of the date of enrollment in the new program should to be  
4 treated as being pre-program arrearage eligible for forgiveness.

5  
6 Also, PECO's Special Needs program places an affirmative duty on PECO to  
7 ensure its low income customers are in the optimal CAP Rate program as it relates  
8 to their financial position. There is no evidence that PECO has made any efforts  
9 to ensure that its low income customers are in the optimal CAP Rate program.  
10 Finally there have been a series of commitments embodied in the Petition and  
11 Order which have not been met. These required PECO to:

- 12 1. Use its best efforts to "maximize the amount of government and private  
13 financial assistance available" to CAP A customers;
- 14 2. Provide assistance to CAP A customers subject to Rate R in order to  
15 restore service by other vendors of heating energy so as to reduce usage of  
16 electric space heating;
- 17 3. Accept as adequate proof of income a customer's receipt of a Low Income  
18 Home Energy Assistance Program ("LIHEAP") grant.

19  
20 **Q. What is needed to make the Special Needs program a vital component of**  
21 **Universal Services and to have it comply with PECO Commitments and**  
22 **Commission Requirements?**

23  
24 **A.** To fulfill its commitment to creating a vital Special Needs Program, I recommend  
25 that PECO affirmatively recruit and enroll individuals who are eligible for  
26 PECO's Special Needs (CAP Rate A) Program. PECO has acknowledged that, as  
27 of January 1, 2005, there were only 9 customers enrolled in CAP Rate A. The  
28 Commission Order of 2003 regarding Special Needs anticipated an "extenuating  
29 circumstances" enrollment of 7,500 low income consumers. PECO has failed to  
30 meet the self-imposed obligations it set for itself in the Petition. In the Petition,  
31 PECO characterized the 40,000 customer enrollment for CAPs A, B and C as a

1 “target” which “may be increased after consultation with the Low Income Usage  
2 Reduction Program (“LIURP”) Advisory Committee when that level is reached.”  
3 Petition p.10. Of the 40,000 customer target, PECO stated CAP A enrollment  
4 numbers would be limited to 7,500 customers. In the petition, PECO also pledged  
5 to work with CAP A customers to secure any available financial and energy  
6 assistance. Petition, p. 11.

7  
8 The target placed an affirmative duty on PECO to recruit and enroll eligible  
9 customers into the CAP A. Thus, PECO, in the next 12 months or as soon as  
10 practicable thereafter, should:

- 11 1. Use its best efforts to recruit and enroll 7,500 customers into the Special  
12 Needs Program and maximize the enrollment in the CAP A, B and C groups to  
13 reach the 40,000 target. As an enforcement mechanism to ensure compliance  
14 with these goals, annually, on November 1, for every 500 customers below 7,500  
15 customers with “extenuating circumstances”, and for every 500 customers below  
16 the targeted maximum of 40,000 which PECO has failed to enroll by October 1,  
17 an additional \$500,000 contribution is to be made to PECO’s Matching Energy  
18 Assistance Fund (“MEAF”);
- 19 2. Use its best efforts to “maximize the amount of government and private  
20 financial assistance available” to CAP A customers;
- 21 3. Provide assistance to CAP A customers subject to Rate R in order to  
22 restore service by other vendors of heating energy so as to reduce usage of electric  
23 space heating; and
- 24 4. Accept as adequate proof of income a customer’s receipt of a Low Income  
25 Home Energy Assistance Program (“LIHEAP”) grant.

26  
27 In order to assure that these commitments become reality, I suggest that PECO  
28 prepare and submit a detailed plan, within 3 months of the Commission Order  
29 concerning the application for Merger as to how PECO intends to achieve the  
30 desired results, including the following:

- 31 1. PECO shall forgive all balances of low income customers that were

1 outstanding prior to the creation of the Special Needs program.

2 2. Special Needs payment agreements through which eligible customers pay  
3 set amounts no greater than the appropriate Special Needs Rate plus \$5.00 toward  
4 arrearage which accumulated while in the Special Needs Program. Furthermore,  
5 during the first five months that each eligible customer is in Special Needs  
6 Program, each time the customer makes a current CAP rate payment, 15%  
7 arrearage forgiveness is to take place. The remaining 25% is to be forgiven at the  
8 6th payment;

9 3. A written and detailed communication, education and outreach program  
10 for the low income population particularly in light of the Gil Peach Study that  
11 showed most CAP rate participant do not understand or are not aware of the CAP  
12 Rate arrearage forgiveness component. The program should have the following  
13 materials explaining:

- 14 a. how to read and understand bills and written notices;
- 15 b. budget billing;
- 16 c. energy conservation;
- 17 d. CAP Rate program eligibility, terms and conditions *including the*  
18 *arrearage forgiveness component*;
- 19 e. PECO's Universal Services program with information on how to  
20 contact and work with PECO's Universal Services staff; and
- 21 f. PECO's CARES Program.

22  
23 See Petition, p.11. As set forth in the Petition and specifically requested here, PECO must  
24 actively involve the LIURP Advisory sub-committee in the development these materials.  
25 The materials shall be completed and ready for distribution by **November 1, 2005**. Once  
26 completed, PECO shall use its best efforts to:

- 27  
28 g. Distribute the materials to each CAP rate and Special Needs  
29 customer by April 1, 2006; and
- 30 h. Deliver the materials to each CAP rate participant at enrollment

1 and recertification;<sup>13</sup>

2  
3 4. In addition to the payment arrangements requested in number 3 above,  
4 PECO should remove kilowatt hour restrictions, other than those found in PUC  
5 CAP guidelines,<sup>14</sup> for CAP Rate and Special Needs customers that take service  
6 under Rates R and RH. Accordingly, PECO should implement this request by  
7 November 1, 2005; and

8  
9 5. A plan to ensure that each eligible CAP Rate customer is placed in the  
10 optimal CAP program in light of their financial position. PECO should prepare  
11 and submit to the Commission a detailed plan on how PECO intends to achieve  
12 this request by November 1, 2005, with actual implementation to be targeted by  
13 January 1, 2006.

14  
15 **Q. What is your assessment of MEAF, the PECO Hardship Fund and PECO's**  
16 **maintaining of its commitments?**

17  
18 **A.** Unfortunately, Mr. O'Brien failed to even refer to PECO's MEAF program by  
19 name or by the generic terms, Hardship Fund or Fuel Fund, in his testimony when  
20 discussing Low-Income programs or when discussing charitable contributions. It  
21 is unfortunate since Hardship funds (Contributions by the public, matched by the  
22 company and administered by a non-profit agency) play a direct role in avoiding  
23 terminations while creating good will for the company. In the end, the money  
24 donated to MEAF returns to the company through customer payments. PECO has  
25 dramatically neglected this responsibility. The Hardship Funds are a source of  
26 critical assistance for a low-income household that has or will have service  
27 terminated. There has been a marked diminution of funding and all aspects of  
28 corporate commitment to this crucial area of support for low income customers.  
29 In the Consensus modifications, PECO pledged to remedy this, but has failed to

---

<sup>13</sup> PECO shall ensure that all materials distributed pursuant to this Section 3 are consistent with the regulations of the PUC.

<sup>14</sup> PUC CAP guidelines, 52 Pa.Code 69.265, CAP Design Elements, (3)(iii) Consumption limits.

1 take action and Mr. O'Brien's failure to identify MEAF in any manner as a  
2 program meriting continued support indicates that the Merger will negatively  
3 affect low-income customers.

4  
5 Since Hardship Funds are an obvious and simple method to show support for  
6 Universal Services, PECO's failure to allow its MEAF Hardship fund to thrive is  
7 another indication of its lack of commitment to assisting the low-income. The  
8 merger sought by the companies bodes ill for these hardship funds unless specific  
9 financial commitments or policy and/or practice changes are made in regard to  
10 these Funds. PECO has seen and allowed an extraordinary diminution of  
11 contributions collected for these Funds. The \$660,000 collected in 1995 has  
12 dramatically fallen to but \$261,000 in 2004, over a 60% drop. Where the UESF  
13 portion in 1995 was \$440,000 it became \$88,000 in 2004; where UESF had a 67%  
14 portion of the total, this became 34% in 2004. See attached Appendix A.  
15 MEAF/UESF 10 Year Statistics.

16  
17 **Q. What is your recommendation in regard to MEAF?**

18  
19 **A.** Utility Emergency Services Fund (UESF), suburban, and other MEAF Hardship  
20 Funds should be returned to their natural growth amounts. If PECO had been  
21 diligent in its responsibilities to the Funds and are to receive appropriate increase  
22 of grant and operating expense contributions as follows:

23 1. Remedy past shortfalls: All over the nation such Funds increased in  
24 contributions with an annual growth rate of 7% for these funds, and did not fall as  
25 PECO has allowed it to in this region. If the Fund had grown 7% annually,  
26 according to the national average growth of other Funds, an additional \$5.02  
27 million would have been collected, with \$3.36 million given to the UESF. Thus  
28 the sum of \$ 5.02 million should be contributed to make up for past shortfalls due  
29 to the past neglect of PECO.

1           2.       Future direct corporate contributions should be made to the MEAF Funds:  
2       Because there are no assurances of what effort a merged company will make in  
3       the future in soliciting customer contributions, PECO should donate \$2 million  
4       annually to its six fuel funds for every year into the future that it generates a  
5       profit.

6  
7           3.       Steps to revitalize customer contributions should be initiated. PECO once  
8       had a viable customer contributions program which was promoted and steadily  
9       growing until computer problems lost thousands of long-time MEAF contributors.  
10       Since then PECO has done nothing to contact past contributors and no marketing  
11       promotion, including to its own employees. PECO should restore the  
12       contributions check-off on each PECO bill for customers to sign up for the PECO  
13       Matching Energy Assistance Fund (MEAF) on all its bills. In addition, a system  
14       needs to be in place for direct-payment customers to be able to have notice and  
15       access to the check-off.

16  
17           4.       Adjusting matching grants and maximum grants: Given the changing and  
18       growing needs of PECO low income customers, grants must be higher than \$500  
19       and the agreed PECO credit match must also be above \$500. Grants need to be  
20       readjusted to a maximum of \$1,000, which requires a PECO credit match of up to  
21       \$500 to match the up to \$500 grant.

22  
23           5.       UESF Operating Budget: PECO needs to assure that it will, in a merged  
24       company, continue its commitments to the UESF Operating Expense Budget.  
25       PECO should specify that it will continue to pay one-third of the UESF Board  
26       approved operating budget.

27  
28       In addition PECO should make a commitment to the operating budgets of the  
29       other five fuel funds, which are so under funded that they do no fund-raising to  
30       help their clients, and shut down entirely until they get another PECO MEAF  
31       payout. It is in the joint interest of PECO and its suburban county low- income

1 customers to make these operating expense contributions.

2,  
3 **Q. How well has PECO satisfied its commitment to institute a CARES**  
4 **Program?**

5  
6 A. PECO's CARES Program is inadequate and does not provide the necessary  
7 support to low income consumers. Under the regulations of the PUC, the agency  
8 instructs utilities, including PECO, that "[o]utreach ... should be targeted to low  
9 income payment troubled customers." 52 Pa. Code 69.265(6). Despite that  
10 specific mandate, PECO has not achieved this goal. The CARES program  
11 component is intended to serve those CAP Rate customers who require additional  
12 assistance to maintain their utility service and to help address health and safety  
13 concerns related to utility service. This assistance may be in the form of case  
14 evaluation and management, social service referral, community agency  
15 networking and training, or other services specifically designed to achieve the  
16 customer's goal of affordably maintaining utility service. Presently, PECO has  
17 three (3) CARES workers that are supposed to provide the assistance described  
18 above; however, considering the appalling lack of enrollment in the CAP Rate A  
19 program, the fact that PECO CARES staff apparently view their function as  
20 "gatekeepers" rather than case managers, the exceedingly uneven variation in  
21 numbers of customers theoretically assisted by CARES staff from month to  
22 month ( see 2004 Universal Services Report), and the questions raised about the  
23 actual number of dedicated full-time CARES staff PECO employs, it is evident  
24 PECO's CARES programs is failing to function optimally, as intended by  
25 Commission Secretarial Directives, or in compliance with the spirit of the  
26 Consensus modifications.

27  
28 **Q. What would you recommend to make CARES a viable program and to**  
29 **ensure that PECO's commitments are fulfilled?**

30  
31 A. I recommend that PECO:

1  
2 1. Increase the number of CARES representatives to 10 by January 1, 2006.  
3 Three CARES staff is inadequate. The Gil Peach evaluation recommended that a  
4 program the size of PECO's have at least 10 CARES staff consisting of no less  
5 than 10 licensed skilled and practiced social workers.

6  
7 2. Modify, job descriptions, program philosophy and hiring qualifications to  
8 insure that supervision and staff have a social services, helping orientation. A  
9 change from the Credit and Collection mentality is required for this component.  
10 Therefore, the unit supervisor should have a social service degree or experience.

11  
12 3. Since the PUC provides that "the utility should include nonprofit  
13 community based organizations in the operation of the CAP [customer assistance  
14 program]." 52 Pa. Code 69.265(6), 66 Pa.C.S. 2804(9), community based  
15 organizations, which already provide services compatible with the CARES  
16 outreach, such as Neighborhood Energy Centers should be contracted with to  
17 provide CARES support and case management.

18  
19 **Q. In which other aspects of current intended policies does the merger present**  
20 **a concern to low-income customers in which present protections and policies,**  
21 **may be reduced?**

22  
23 **A.** There are a number of credit and collection protections and policies specifically  
24 intended to assist low-income consumers maintain utility service which have  
25 been developed and have been in place which are appear to be at risk, unless  
26 PECO specifically commits to their continuation. These fall under the general  
27 heading of security deposit procedures and requirements, payment arrangement  
28 availability and terms, reconnection procedures and elimination of late fees.

29  
30 The cause of concern is generated by the failure of the Merger Application to  
31 specifically address these issues as well as the failure of PECO's almost

1 contemporaneous filing of its Act 201 Implementation Plan to likewise address  
2 them. In fact the language found in Mr. O'Brien's testimony (p.14), "PECO will  
3 continue its strong support for its numerous Universal Service Programs...", falls  
4 significantly short of a commitment to continue the terms and conditions of those  
5 programs as well as the **policies and protections** which assist low-income  
6 customers maintain their gas and electric service.

7  
8 For a brief background of this discussion, it should be recalled that there are  
9 several governing authorities the maintenance of policies and protections to  
10 enable low-income customers to maintain and afford service. Among them are  
11 the Natural Gas and Electric Choice Acts, Chapter 56, Chapter 56 payment  
12 guidelines, PECO CAP Practices, and Act 201 (Chapter 14).

13  
14 First, in addition to the Universal Service definitions discussed above, infra at p.  
15 7, section 2203 (7) found in the Natural Gas Choice and Competition Act, states  
16 that:

17  
18 "The Commission shall, at a minimum, continue the level and nature of  
19 the consumers protections, policies and services within its jurisdiction,  
20 that are in existence as of the effective date of this chapter to assist low  
21 income retail gas customers to afford natural gas services."

22  
23 Second, The Declaration of Policy of Act 201 states that the General Assembly:

24  
25 "seeks to achieve greater equity by eliminating opportunities for  
26 customers capable of paying to avoid timely payment of public utility  
27 bills."

28  
29 66 Pa.C.S. 1402(2). The General Assembly further:

30  
31 "seeks to ensure that service remains available to all customers on  
32 reasonable terms and conditions." Id. at 1402(3).

33  
34 The conclusion should follow that the Gas Act positively stated its intent to  
35 safeguard low-income consumer policies and protections and that the changes  
36 mandated under Chapter 14 were not intended to negatively affect low-income

1 consumers lacking ability to pay. (See Declaration of Policy as well as history of  
2 the passage of Act 201. Therefore, a company implementing Act 201 should not  
3 impose onerous requirements on customers without “ability to pay” PECO’s full  
4 rates. PECO’s implementation of Act 201 must ensure that lower income  
5 customers do not face undue hurdles to obtaining or maintaining service.  
6 However, neither the PECO Chapter 14 Implementation Plan, nor the Application  
7 for Merger assure that PECO will keep in place it’s low-income protections.

8  
9 PECO’s implementation plan projected an initial 10% increase in termination  
10 figures, and potentially greater termination numbers in the future. In fact in the  
11 first four months following the effective date of Act 201, PECO’s shut-off  
12 numbers increased 24.4%,<sup>15</sup> a substantial increase even beyond its  
13 Implementation Plan projections! This increase is totally unacceptable for its  
14 vulnerable, low-income, without ability to pay customers at 250% FPIG and  
15 below. The new law also continued the duties owed to customers of fairness and  
16 good faith. Fairness and good faith are found to be woefully short when customers  
17 with inability to pay are subject to increased numbers of shut-offs. There must be  
18 adequate protection to ensure that the combination of the applied for merger and  
19 Act 201 does not result in an escalation of arbitrary and unfair utility practices and  
20 decisions and an increase of shut-offs for these customers.

21  
22 **III. CONCLUSION**

23  
24 **Q. Summarizing, what are the implications of your testimony concerning the**  
25 **proposed merger?**

26  
27 **A.** Unless PECO modifies the structure and support of each of its low-income  
28 programs (Special Needs, CAP Rate, MEAF, LIURP, and CARES ) to remedy  
29 their present inadequacies, ensure that each of its Universal Service components

---

<sup>15</sup> Statistics provided by the Pennsylvania Public Utility Commission to its Consumer Advisory Council (attached as Exhibit “K”).

1 and programs serve appropriate numbers, comply with Commission Guidelines,  
2 and are affordable, the proposed Merger would provide no benefit to the low-  
3 income community within PECO's service territory and would not be in the  
4 public interest:

5 Approving a second merger, prior to the successful completion of each of the  
6 prior public benefit commitments associated with the Unicom Merger would  
7 have negative consequences in that it would continue to deprive low-income  
8 consumers of the benefits to which they are entitled;

9 The consolidation of customer call centers and customer contact points for low-  
10 income customers and the further removal of these services from PECO's  
11 Philadelphia based Universal Services staff will have a negative effect on low-  
12 income consumers;

13 Low-income households in PECO service territory are put at risk and may suffer  
14 irreparable harm by the absence of any indication in PECO's Merger Application  
15 and testimony as to how the company will assure that low-income customers will  
16 be adequately protected from and screened so that they will not be negatively  
17 impacted by implementation policies of Act 201 which are intended for those  
18 with ability to pay; and

19 Judging by the failure of PECO to have achieved the results intended by its  
20 merger with Unicom, remedial actions undertaken by Order or voluntary  
21 commitment should be accompanied by measurable enforcement mechanisms;

22  
23 **Q. Does this conclude your testimony?**

24  
25 **A. Yes.**  
26  
27

PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA 17105-3265

Public Meeting held April 15, 2004

Commissioners Present:

Terrance J. Fitzpatrick, Chairman  
Robert K. Bloom, Vice-Chairman  
Glen R. Thomas  
Kim Pizzingrilli  
Wendell F. Holland

Docket No. M-00041788

PECO's Universal Service and Energy  
Conservation Plan Submission in  
Compliance with 52 Pa. Code § 54.74

**ORDER**

BY THE COMMISSION

On January 29, 2004, PECO, an Exelon Company, (PECO) filed its final version of the above-captioned filing at Docket No. M-00041788 pursuant to the Commission's regulations at 52 Pa. Code § 54.71, et seq.

**I. Introduction and Background**

On December 3, 1996, the Electricity Generation Customer Choice and Competition Act (Act), 66 Pa. C.S. §§ 2801-2812, was enacted. In opening up the electric generation market to competition, however, the General Assembly was also

Exhibit "A" P. 1

concerned about ensuring that electric service remained universally available to all customers in the Commonwealth. The Act, therefore, includes several provisions relating to electric universal service.

The Act defines “universal service” as the policies, protections and services that help low-income customers maintain their electric service. 66 Pa. C.S. § 2803. The term includes customer assistance programs and usage reduction programs. Section 2802(10) requires that “the Commonwealth must, at a minimum, continue the protections, policies and services that now assist customers who are low-income to afford electric service.” 66 Pa. C.S. § 2802(10). The Act also requires the Commission to ensure that universal service programs assist low-income customers to afford electric service, and that these programs are appropriately funded and available in each electric distribution territory. 66 Pa. C.S. § 2804(9).

To help meet its obligations under the Act, the Commission established standard *Universal Service and Energy Conservation Reporting Requirements*. 52 Pa. Code §§ 54.71-54.78. Section 54.74 of these regulations requires an Electric Distribution Company (EDC) to submit to the Commission for approval an updated universal service and energy conservation plan every three years. These regulations also require an EDC to have an independent third-party conduct an impact evaluation of its universal service and energy conservation programs and to provide a report of findings and recommendations to the Commission and the EDC. 52 Pa. Code § 54.76.

Pursuant to the *Universal Service and Energy Conservation Reporting Requirements* at 52 Pa. Code § 54.74(a)(1), PECO submitted a universal service and energy conservation plan on October 10, 2003 to the Commission’s Bureau of Consumer Services (BCS). The BCS requested several clarifications. PECO provided all but one of the clarifications; namely, a list of low-income usage reduction program (LIURP) measures, in its official submission to the Commission’s Secretary on January 29, 2004.

In January 2003, PECO submitted to BCS the *Evaluation of PECO Energy Universal Service Program* (Evaluation) completed by H. Gil Peach & Associates, an independent program evaluator, pursuant to the Commission's regulations at 52 Pa. Code § 54.76. PECO's universal service and energy conservation plan is available for review on the Commission's website at <http://puc.paonline.com>, and the Evaluation is available for review in the Commission's file at this docket number.

## **II. Discussion**

We find that PECO's universal service plan is consistent with the universal service definition at 66 Pa. C.S. § 2803; the reporting requirements at 52 Pa. Code § 54.74; and the Low Income Usage Reduction Program (LIURP) regulations at 52 Pa. Code §§ 58.1- 58.18. For reasons detailed below, however, PECO's universal service plan does not ensure consistent conformance with the above-noted requirement at 66 Pa. C.S. § 2802(10) and § 2804(9) that universal service programs assist low-income customers to afford electric service, or with the Customer Assistance Program (CAP) Policy Statement at 52 Pa. Code §§ 69.265(2)(i)(A-C).

### **Compliance with the Act**

*Section 2803.* As noted previously, Section 2803 defines "universal service" as policies, protections and services that help low-income customers maintain electric service. 66 Pa. C.S. § 2803. The term includes customer assistance programs and usage reduction programs. PECO's universal service program to help low-income customers maintain electric service consists of four components: CAP Rate (a payment assistance program), LIURP (a usage reduction program), CARES (a case management and referral program), and MEAF (a hardship fund program). The PECO universal service program includes a customer assistance program and usage reduction program and is, therefore, consistent with Section 2803.

*Sections 2802(10) and 2804(9).* The Act also recognizes the relationship between the affordability of electric service and a customer's ability to maintain utility service. Section 2802(10) requires that "the Commonwealth must, at a minimum, continue the protections, policies and services that now assist customers who are low income to afford electric service." 66 Pa. C.S. § 2802(10). Section 2804(9) indicates that the intent of universal service programs is to "reduce energy consumption or otherwise assist low-income customers to afford electric service." 66 Pa. C.S. § 2804(9). In other terms, a customer assistance program must work toward the goal of providing an affordable CAP budget to help a customer maintain his or her electric service. Although the Act does not define affordability, the Commission's CAP Policy Statement provides guidance on setting affordable payments. The Commission will continue to balance this goal with funding level constraints and program cost considerations.

Multiple sources of data indicate that PECO's CAP Rate does not fully conform to the requirement at 66 Pa. C.S. § 2802(10), § 2804(9), or 52 Pa. Code § 69.265(2)(i). Specifically, the following analysis is based on the Commission's informal complaint data and data from the independent third-party Evaluation findings.

From January 1, 2002 through October 10, 2003, the Commission's BCS reports that 3,467 Level 1 and Level 2 PECO customers filed informal payment arrangement requests (PARs) with the Commission. Of those PARs, 1,163 customers are enrolled in CAP. Of the total number of CAP-related PARs, almost 84% of these PARs involved CAP budgets that are inconsistent with the Commission's CAP Policy Statement. The Commission's findings are supported by the Evaluation findings that under the current CAP rate design only 48% of CAP participants have CAP budgets that are consistent with the CAP Policy Statement.<sup>1</sup> The Evaluation also confirms previous findings that the CAP Rate is unaffordable for

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<sup>1</sup> H. Gil Peach & Associates, *Evaluation of the PECO Energy Delivery Company Universal Service Program (Evaluation)*, Monograph 0301-1, I-1 (Jan. 2003).

customers whose incomes are below 50% of the federal poverty guidelines and for the 20% of CAP participants with the highest usage. The Evaluation concludes that the consensus modifications approved by the Commission at Docket No. R-00027870 are equivalent to an affordable CAP rate for households whose incomes are below 50% of the poverty guidelines. However, the Evaluation recommends that the only way to ensure that CAP budgets are consistent with the CAP Policy Statement payment guidelines, as well as ensure that CAP budgets meet affordability guidelines without excessively increasing CAP costs, is to adopt a percentage of income payment design.<sup>2</sup>

To address the problems of unaffordable CAP Rate budgets, PECO submitted a petition in 2002 for Commission approval of consensus modifications to PECO's universal service program and associated tariff changes (consensus modifications).<sup>3</sup> The Commission approved the consensus modifications by Order entered April 8, 2003 at Docket No. R-00027870. The consensus modifications provide for the following major changes: new lower CAP budgets for households whose incomes are below 50% of the federal poverty guidelines; establishment of an in-house CARES program that includes three staff positions dedicated to the CARES program; enhancements to the IT system; and a new evaluation to be completed no later than May 1, 2006. To date, PECO has implemented the new lower CAP budgets and made enhancements to its IT system. PECO has verbally informed the Commission that the Company has hired three staff dedicated to the CARES program. The new evaluation will analyze the effects of the consensus modifications and determine whether energy

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<sup>2</sup> *Id.* at p. XI-17.

<sup>3</sup> As a result of numerous meetings and consideration of the H. Gil Peach & Associates Evaluation, PECO and the LIURP Advisory Committee developed a mutually satisfactory consensus agreement (consensus modifications) concerning the necessary modifications to be made to PECO's Universal Services Program. The LIURP Advisory Committee members included the Pennsylvania Office of Consumer Advocate (OCA), the Consumer Education and Protective Association (CEPA), the Association of Community Organizations and Reform Now (ACORN), the Tenants Action Group (TAG), the Action Alliance of Senior Citizens (Action Alliance), the Pennsylvania Utility Law Project (PULP), the Utility Emergency Service Fund (UESF), and the Pennsylvania Department of Public Welfare (DPW).

burdens for individual customers provide an affordable payment that is consistent with the CAP Policy Statement at 52 Pa. Code § 69.265(2)(i).

The Commission expects that changes made to the CAP Rate because of the consensus modifications will provide consistent CAP budgets for most households whose incomes are below 50% of the poverty level guidelines. PECO's average monthly residential nonheating usage is 938 kWh – yet PECO only provides a CAP Rate discount on the first 500 kWh of usage for households whose incomes are above 50% of the poverty level guidelines.

The Commission has directed PECO to continue to work toward resolving the problem of unaffordable CAP budgets caused by high usage. However, the solution to the problem is only in the beginning stages. At Docket No. R-00027870, the Commission directed PECO to determine the reasons for high usage (generally accounts that use more than 1000 kWh monthly) and to meet with the Commission's BCS to determine how to resolve these issues. Resolution should include consideration of a maximum bill for defacto heating customers, validation of correct service classification (heating, nonheating, residential) and accompanying rates, and consumer education and usage reduction services when appropriate. The PECO report intended to identify these high usage accounts was due to the Commission by October 8, 2003 (six months from the 4/8/03 Commission Order). To date, PECO has not fulfilled this Commission directive from the April 8, 2003 Order.

Therefore, within 30 days of the date of this Order; PECO is directed to submit a compliance plan to BCS addressing the unresolved problem of unaffordable CAP budgets caused by high usage. The compliance plan must include a determination of the reasons for high usage. The plan should take into consideration a maximum bill for defacto heating customers; validation of correct service classification and

accompanying rates; and consumer education and usage reduction services where appropriate.

Finally, as part of the consensus modifications approved at Docket No. R-00027870, PECO is required to submit an evaluation of its universal service programs to the Commission no later than May 1, 2006. As part of that evaluation, an independent evaluator will determine if PECO's program payments comply with the CAP Policy Statement. *The findings from this independent evaluation, combined with consideration of both historical universal service program data and the results of the Commission's review of relevant informal complaints, will enable the Commission to determine if PECO's revised CAP payment plan complies with the intent of 66 Pa. C.S. § 2802(10) and § 2804(9).*

By approving PECO's universal service plan, the Commission expects that prior to the next evaluation in 2006, PECO will have implemented a solution to address problems of CAP Rate customers whose usage is high. The evaluation, as well as informal complaint data and data required at 52 Pa. C.S. §§ 54.71-76, will be the foundation for determining if PECO's CAP payment plan complies with the intent of 66 Pa. C.S. § 2802(10), § 2804(9), and the CAP Policy Statement. Finally, Commission approval of this plan does not limit the Commission's ability to consider future changes to the payment plan design based on evaluation findings, universal service data, and informal complaint data.

**Section 54.74(b) – Plan Contents**

This provision requires that EDCs include the following information in their plans: program description; eligibility criteria; projected needs assessment; projected enrollment levels; program budget; plans to use community-based organizations; organizational structures; and an explanation of any differences between

the EDC's approved plan and the implementation of that plan. Following is a detailed description of the plan components.

**Section 54.74(b)(1) - Program Description**

PECO's universal service plan includes a description for each program component. However, the program description for LIURP does not include a list of program measures. A list of program measures indicates the types of treatments, such as attic insulation or refrigerator replacement, that are part of LIURP usage reduction efforts. Therefore, within 30 days of the date of this Order, the Commission directs PECO to file a list of its LIURP program measures with the Commission.

PECO proposes several design changes to reduce program costs and to improve availability of program services. These proposals are discussed below.

*Proposed Design Changes for CAP.* PECO proposes to revise CAP recertification procedures, arrearage forgiveness requirements, and the name of CAP.

*Recertification.* PECO plans to automatically recertify customers who receive energy assistance such as LIHEAP or hardship fund grants. PECO also plans to recertify customers every two years instead of the current one year schedule.

*Arrearage forgiveness.* PECO will forgive all arrearages rather than holding \$500 on the account.

The Commission approves these design changes.

**Section 54.74(b)(2) Eligibility**

PECO's four program components have slightly different eligibility criteria. Table 1 below shows the eligibility criteria for each universal service component.

**Table 1  
Eligibility Criteria**

<b>Program</b>	<b>Income</b>	<b>Other</b>
<b>CAP</b>	Verified income $\leq$ 150% of poverty	Ratepayer or new applicant status. Payment troubled
<b>LIURP</b>	Verified gross income $\leq$ 200% of poverty	Electric nonheating -- minimum usage at least 600 kWh per month Electric heat - minimum usage at least 1400 kWh per month
<b>CARES</b>	Not applicable	Special needs.*
<b>MEAF</b>	Verified income $\leq$ 150% of poverty (175% of poverty for UESF grants)	MEAF grant (\$500) must eliminate the total outstanding arrearage.

\* Special needs include medical problems, personal crisis, loss of income, and low income elderly.

**Section 54.74(b)(3) - Projected Needs Assessments**

PECO submitted a needs assessment that complies with section 54.74(b)(3). A summary of the needs assessment is provided below:

For each of the universal service program components, PECO bases its needs assessments on the 2000 U.S. Census data. About 260,000 households in PECO's service territory have annual incomes at or below 150% of the federal poverty guidelines.

Pursuant to 52 Pa. Code § 54.75(1)(iv), PECO reports that the company has identified 188,852 low income households in its service territory.

**Section 54.74(b)(4) - Projected Enrollment Levels**

PECO's plan contains projected enrollment levels. Table 2 below shows PECO's projected enrollment levels for the universal service components.

**Table 2  
Projected Enrollment Levels**

Universal Service Component	2004	2005	2006
CAP Rate	118,000	128,000	138,000
LIURP	8,000	8,000	8,000
CARES*	200,000	200,000	200,000
MEAF	2,000	2,000	2,000

\*PECO projects they will make 200,000 referrals (not enrollments) to services for low income customers.

**Section 54.74(b)(5) - Program Budgets**

Table 3 shows PECO's program budget levels for the universal service components.

**Table 3  
Proposed Universal Service Programs Budgets**

Program Component	2004	2005	2006
CAP Rate	\$61,429,177	\$61,429,177	\$61,429,177
LIURP	\$6,475,000	\$6,475,000	\$6,475,000
CARES + LIHEAP Outreach	\$560,000	\$560,000	\$560,000
MEAF*	\$900,000	\$900,000	\$900,000
<b>Total</b>	<b>\$69,364,177</b>	<b>\$69,364,177</b>	<b>\$69,364,177</b>

\*MEAF's budget is based on charitable donations from PECO's customers, shareholders, and employees. No ratepayer monies are used for MEAF.

**Section 54.74(b)(6) - Use of Community-Based Organizations (CBOs)**

Section 2804(9) of the Act directs the Commission to encourage the use of community-based organizations that have the necessary technical and administrative experience to be the direct providers of services or programs to reduce energy consumption or otherwise assist low income customers to afford electric service. Table 4 shows that PECO's use of CBOs complies with the intent of the Act. PECO has contractual arrangements with six primary CBOs to help administer its universal service programs. The Commission finds that PECO has also developed a network of contacts for universal service programs in compliance with 66 Pa. C.S. § 2804(9).

**Table 4  
Use of CBOs**

<b>Universal Service Component</b>	<b># of CBOs</b>
CAP	6
LIURP	1
CARES	6
MEAF	6

**Section 54.74(b)(7) - Organizational Structure**

The organizational structure for PECO's universal service programs is shown in Table 5. The Evaluation makes several recommendations relating to staffing. Specifically, the Evaluation recommends that PECO add five positions over the next two years – two community liaisons and three analysts.<sup>4</sup> The Consensus Modifications, approved by Commission Order entered April 8, 2003 at Docket No. R-00027870, provided that PECO would develop a detailed work plan for the in-house CARES program by May 30, 2003. As part of the Consensus Modifications, PECO would hire three CARES staff. The Commission expects that the addition of three CARES representatives will act as community liaisons, as well as performing other CARES

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<sup>4</sup> Evaluation at pp. XXII-1-3.

responsibilities. Within 30 days of the date of this Order, PECO must provide written verification to BCS that the three CARES staff have been hired and have start dates. If PECO fails to provide the names of three CARES staff to BCS, this matter will be referred to Prosecutory Staff.

Although PECO has the largest CAP program in the Commonwealth, the company has one of the smallest staff to administer and monitor the program. The Commission recommends that PECO continue to evaluate its universal service staffing needs on a regular yearly basis.

**Table 5  
Organizational Structure**

<b>Company Staff</b>
Director – Revenue Management
Manager – Universal Services
Program Analyst – (3)
General Office Administrative Support – (2)
CARES Representatives (3)
<b>Contract Staff</b>
Universal Service Call Center (1)
LIURP Vendor- (1)

**Conclusion**

In light of the analysis above, we find that PECO’s universal service plan meets the requirements of the universal service definition at 66 Pa. C.S. § 2803; the reporting requirements at 52 Pa. Code § 54.74; and the Low Income Usage Reduction Program (LIURP) regulations at 52 Pa. Code §§ 58.1- 58.18. At this time, PECO’s universal service plan is not fully consistent with the requirement at 66 Pa. C.S. § 2802(10), § 2804(9), or with the Customer Assistance Program (CAP) Policy Statement at 52 Pa. Code §§ 69.265(2)(i)(A-C). However, the universal service plan submitted by PECO continues to move toward a CAP payment design that is consistent with the intent of the above noted statutory provisions and policy guidelines. Moreover, the work that

PECO must complete regarding high usage accounts will continue movement toward a more consistent payment design; **THEREFORE,**

**IT IS ORDERED:**

1. That PECO's Universal Service and Energy Conservation Plan is approved, with the condition that PECO submit a list of LIURP program measures to the Commission within 30 days of the date of this Order.

2. That PECO is directed to submit a compliance plan to BCS addressing the unresolved problem of unaffordable CAP budgets caused by high usage and provide written verification that PECO has hired three CARES staff within 30 days of the date of this Order.

3. That a copy of this order and any accompanying statements of the Commissioners be served upon PECO and the Office of Consumer Advocate and be posted on the Commission's website at <http://www.puc.paonline.com>.

**BY THE COMMISSION,**

James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: April 15, 2004  
ORDER ENTERED: April 21, 2004

-PECO-AA-#6(c)

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# EVALUATION of the PECO Energy Delivery Company

## UNIVERSAL SERVICE PROGRAM

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*An Independent Analysis of a Universal Service Program*

Prepared for:  
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January 6, 2003

Exhibit "B"  
P. 14

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**EVALUATION OF THE  
PECo ENERGY DELIVERY COMPANY  
UNIVERSAL SERVICE PROGRAM**



## FOREWORD

The focus of this report is on the Universal Service Program, designed to provide service to low-income customers – at least 30% of PECO Energy Delivery's residential electricity and natural gas customers. The structure of the report follows general guidelines and directions provided by the Pennsylvania Public Utility Commission, including the relevant provisions of the Pennsylvania Code. The sections of the study present the specific features of the Program in context, including concerns relevant to policy, effectiveness, and cost-efficiency.

For this evaluation, many individuals at PECO helped locate data, and in particular we would like to thank Margaret Wampole of IT for extensive data from the customer information system, and Val Bullock, the Manager of Universal Services and her staff who provided access to much of the basic information used in the development of the study.

PECO, an Exelon Company is facing new challenges and opportunities in providing service to low-income Pennsylvanians in the Philadelphia region. In a time of severe and continuing economic decline for lower-income Pennsylvanians in the region, the key to service effectiveness is *affordability*, and the concept that service interruption or termination due to inability to pay is at least as serious as service interruption or loss of service due to other performance factors. At the same time, the general economy is not doing as well as in the recent past. This makes a concern for balance and efficiency increasingly important. Hopefully, this report will be a help in providing effective and efficient service to the people in changing times.

H. Gil Peach, Ph.D.  
January 6, 2003

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Section

**1**

# FINDINGS & RECOMMENDATIONS

## I. EXECUTIVE SUMMARY

This Executive Summary provides the principal findings and recommendations which have been developed from the study. The details are provided in the appropriate sections of the study.

### A. Findings

- 1) PECO's Universal Services programs work towards the goals of Universal Service health & safety through provision of affordable service, affordability through payment assistance, energy conservation to reduce residential utility bills, and cost-effective and efficient operation of Universal Services.<sup>1</sup>
- 2) Affordability is the single most important key to program effectiveness. Of PECO's Universal Service customers who are receiving the CAP Rate, forty-eight percent (48%) are receiving affordable bills when assessed by the Percentage of Income Payment guidelines in the Pennsylvania Code.<sup>2</sup>
- 3) The current CAP Rate (discount) approach is a cost-inefficient design in comparison with the Percentage of Income Payment Plan (PIPP) alternative. A Percentage of Income Payment Plan (PIPP) design produces the best fit to the Pennsylvania Code § 69.265(2) affordability guidelines. It would bring 100% of customers from 0 – 150% of the Federal Poverty Level into conformance with the affordability guidelines at an additional cost of \$10,847,000. By comparison, the additional cost of bringing 98% of customers from 0-150% of the Federal Poverty Level into conformance with the affordability guidelines would be \$27,009,000, the least cost in comparison with a

<sup>1</sup> For the four goals of Universal Service, see Page II-1.

<sup>2</sup> Pennsylvania Code §265(2). These guidelines provide a standard for limiting the energy burden of low-income (0-150% of Federal Poverty Level) customers. See Figure XI-4, Affordability Guidelines, Page XI-7.

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CAP-Rate design. Compared to a CAP Rate program design that would approximate the same affordability results, the PIPP approach is the best fit to the Pennsylvania Code percentage of income guidelines and it costs less to produce a given level of affordability conformance.<sup>3</sup>

- 4) For natural gas customers replacement of the current CAP-Rate design by a PIPP would result in a net cost-savings to PECO of approximately \$1,374,000 per year. This is a modified PIPP design for which customers would pay the PIPP amount, except that for customers for whom the PIPP would result in a price above the current tariff, bills would be capped at the bill under the current tariff. This savings illustrates the problem of a rate design with a large CAP-Rate block: those at the lowest income levels inherently pay too much; those at the higher poverty income levels inherently pay too little. The savings from moving to a PIPP approach for natural gas Universal Service could be applied to other program needs or retained by the company as an efficiency improvement.
- 5) The current accounting for Universal Services CAP costs is internally inconsistent for the year 2000, but it is internally consistent for the year 2001.<sup>4</sup>
- 6) Approximately \$1,200,000 per year is applied by PECO inconsistently with guidelines for the application of LIHEAP as specified by the Public Utility Commission in the Pennsylvania Code. However, the application of funds to current account follows Department of Public Welfare (DPW) guidelines, which appear to be equitable from a customer perspective. (See Pennsylvania Department of Public Welfare, *Low-Income Home Energy Assistance Program, Fiscal Year 2000 Final State Plan*, Appendix B, §601.45, "The vendor shall retain unused LIHEAP funds as a credit balance in the customer's account. ..."). When PECO applies LIHEAP funds to current account (for example, in a single month or as a reserve fund to be applied over a period of months) LIHEAP funds substitute for a portion of current and ongoing customer payment and

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<sup>3</sup> See Section XI on Affordable Service; in particular, Figure XI-8, Alternative Paths to Electric Affordability, Page XI-12 and accompanying discussion.

<sup>4</sup> The Reporting Requirements filing for 2000 is inconsistent with data from the evaluation database, and so cannot be reconciled without considerable further effort. On balance, it is likely that some of the numbers prepared outside the Universal Services staff and provided to Universal Services staff for the 2000 filing were not correctly constructed. The evaluation team did not trace down these problems with numbers in the 2000 filing, but opted instead to proceed with the 2001 filing which was consistent with the evaluation database. The rationale for this choice was that tracing down the 2000 problems would have taken considerable effort and would have required a series of seemingly repetitive information requests to PECO Energy. From an evaluation perspective, going forward with 2001 data (since data from all sources for 2001 is internally consistent) should give a fair and relevant picture of the Universal Services programs.

thus do not offset the CAP credit on a dollar-for-dollar basis. [See Table XVII-17, LIHEAP (2001), Page XVII-12.] The problem here comes to attention because the dollar amount is large. However, the apparent contradiction in instructions for application of LIHEAP funds is a generic problem encountered by all Pennsylvania Energy Distribution Companies, and is not a specific PECO problem.

- 7) Company solicited customer contributions to the fuel fund (MEAF) have declined dramatically. The Fuel Fund (MEAF) program is clearly in a state of transition. Customer donations have been in decline for many years. This is counter to the national trend for similar programs.<sup>5</sup>
- 8) Some of PECO's suburban fuel funds are being used to alleviate some very significant burdens within the target sector, at times in innovative ways that do not correspond to traditional fuel fund guidelines.
- 9) The CARES program needs staff to become operationally manifest.
- 10) The NCO call center shows several problems in failure to follow the Universal Service program. For example, of 58 calls monitored by the evaluation team at NCO, 18 customers expressed difficulty paying, were threatened with termination, and were not always asked for "financials." These customers were given a Utility Report, a payment arrangement or an extension, but the call reps did not mention the CAP Rate.
- 11) The OSI call center is working appropriately in following the Universal Service program design.
- 12) Entry into the Universal Services CAP Rate and exit from the CAP Rate are not carried out according the program design. Qualified customers are held out from the program and customers who are failing in terms of program control requirements are kept in the program. Recertification is not functioning properly as a program control tool. The recertification part of the Universal Services CAP is not being operated consistently or in accordance with the formal program design. The number in the program in a given month is being managed by a process of stop and go holds on both entry of qualified customers and removal of customers who fail to meet program requirements.

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<sup>5</sup> However, it is consistent with experience in Pennsylvania, according to Cindy Datig, Director of Dollar Energy in Pittsburg who operates fuel funds. It is likely that in Pennsylvania all of the attention and organizational focus on "choice" may have monopolized utility communication resources and public perception, so that the traditional message of fuel poverty and requests for charitable donations to fuel funds in Pennsylvania were crowded out in the noise of the market place. Also, as poverty has greatly intensified many other charitable causes have increased their communications in requesting funds, so may have crowded out the fuel fund message.

- 13) The Universal Services group is inadequately staffed to maintain the necessary degree of control over the programs. While management and staff are both competent and dedicated, Universal Services is a sizable part of the residential market (about 1/3 of families according to current guidelines). Operation of Universal Services for a major distribution company in a major city is a complex undertaking that requires additional staff and additional skill sets.
- 14) There are significant problems in the area of communications and customer education regarding Universal Services. In other words, more communication tools are required, and PECO needs to promote Universal Services programs.<sup>6</sup>
- 15) Less than one-half of CAP participants are receiving arrearage forgiveness, a sign of affordability problems in the basic design of the program.
- 16) Poverty is intensifying in the Philadelphia Region. Universal Services programs are important and are becoming increasingly important in Exelon Energy Delivery/PECO Energy Delivery service territory. Problems in current operations do not necessarily reflect unfavorably on PECO, management, staff, or vendors because the problems of poverty (as reflected in non-payment, late payment, partial payment, terminations) are intensifying – essentially, implementing Universal Services is like swimming against the tide.

## **B. Recommendations**

- 1) **Affordability.** PECO should commit to employing the sector map approach as the analytic tool for assessment of degree of success in providing affordable bills to low-income customers. PECO should formally commit to attempt to move towards meeting the affordability goals, expressed in terms of energy burden, of the Percentage of Income Payment (PIPP) approach of the Pennsylvania Code:
- 2) **Electric CAP Program.** PECO should move from a CAP Rate (discount) approach to a Percentage of Income Payment Plan (PIPP) approach to improve cost-efficiency and effectiveness of service to low-income electric customers.
- 3) **Gas Program.** PECO should move the CAP Rate for Natural Gas to a Percentage of Income Payment Plan (PIPP) format. This will generate a cost savings of approximately \$1,374,000 per year over the current plan.

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<sup>6</sup> PECO Energy does not have an advertising or promotional plan for Universal Services. A marketing plan and a promotional plan are needed. There is a need to provide more data about Universal Services (communication materials), and to actively promote the programs. See Section XVIII in which these areas are covered in detail.

- 4) **Conform LIHEAP.** PECO should call the attention of the Pennsylvania Public Utility Commission to the specific provision of the Pennsylvania Code that is inconsistent with the instructions for application of LIHEAP funds required in the contract between the Energy Distribution Companies and the Pennsylvania Department of Welfare. Whichever alternative is selected, the Energy Distribution Companies need a unified instruction in this area.
- 5) **Program Size.** PECO Energy Delivery should implement steps to increase participation to the level of 125,000 customers, including 17,500 natural gas customers, in an open enrollment context with further expansion expected.
- 6) **Conformance of Electric and Gas CAPs.** With direction from Universal Services, PECO Energy Delivery IT should screen accounts to be sure that all dual service customers on either CAP are immediately placed on both.
- 7) **Consultation with LIURP Advisory Group.** PECO should begin a process of discussion and analysis with the LIURP Advisory Group to develop plans for moving to and beyond the range above 125,000 customers in an open enrollment context. The poverty trends discussed in this report make the need for such a planning effort evident.
- 8) **Staffing.** Universal Services cover a major residential customer market. This market could be better served with increased attention to market needs. An optimized CAP Rate program, integrated with other Universal Services component can improve revenue. However, with all of the downsizing in the general economy as well as in utilities and at PECO there are factors of loss of institutional knowledge and increase in work intensity that make it difficult, if not impossible to be proactive in serving the low-income customer market. Both from the perspective of improving service and the perspective of developing value in the low-income customer market, PECO should look again at the staffing levels in Universal Services. Specifically, outside of the CARES area, five positions reporting to the Manager of Universal Services should be added over the next two years. Two of these positions should be dedicated to a combination of energy education and community liaison, to help leverage City and County resources in support of Universal Services goals. Skills and experience should be selected to support higher level work with City, County, and State agency counterparts, as well as community energy education and motivation. The other three should be Sr. Analyst level positions, with a high level of quantitative and qualitative analysis experience and training.
- 9) **Grade Differential.** An upper grade pay differential should be established to pay differential to Universal Services staff at any job classification level active in community affairs or have a community participation background and skills. This pay differential is modeled on the pay in grade or super-grade differential utilities generally offer to engineers in analyst positions or to financial analysts above regular grade analyst levels. Community skills and experience is the background relevant to

adding superior value to Universal Services, as financial analysis is to the credit and collection functions.

- 10) **Upgrade Function.** Universal Services should be upgraded to a strategic level within the company, as its residential market share is now (conservatively) 30% and could easily be 55%. Universal Services should report to a VP or SVP, either solely or as a dual report.
- 11) **Fuel Fund.** PECO should design and implement necessary steps to increase MEAF collections. One necessary course to alleviate some of the existing discrepancies would be a large-reaching promotion/awareness campaign. This will lead to a MEAF program where available funds will match client demand. This awareness campaign should incorporate holiday television promotion and regular, individual flyer, bill inserts when possible. Other innovative ways to promote the MEAF program may be implemented in other areas of Customer/Business interaction, for example, including a voluntary one-time donation check box on each monthly bill. PECO should continue its community event, the PECO Best Ball Golf Tournament only for Philadelphia as in past years. Along with the obvious advantage of having raised \$200,000 over the past five years through the annual golf tournament, it serves as a reminder of the existence and needed support for MEAF and similar programs. PECO should implement a similar event for suburban fuel funds. An effective campaign that utilizes these tools should restore the customer donation levels to the national trend, which has shown regular charitable donations increases during the same period of PECO MEAF declines.
- 12) **Develop a Strategic Plan.** Develop a strategic assessment and business plan for serving the low-income customer market. The Company should develop a *strategic* market analysis. Such an analysis would result in set of strategic service and revenue objectives for and identification of the key market segments of the low-income market. Thus, for example, if low-income payment troubled customers are a potential source of revenue shortfall; the Company should support collaborations to increase the incomes and the income security of the lower-income customers. Or, for example, other low-income market sectors may be a better source of offsetting revenue if services, costing, and approaches area carefully targeted and developed.
- 13) **Customer Demographics.** Currently, the demographics items are not systematically incorporated into PECO's data system. This part of the data system should be repaired and then maintained.
- 14) **Arrearage Forgiveness.** PECO should take definite and specific steps to end the confusion regarding the \$500 amount originally left in the customer preprogram arrearage but doing the computer programming and providing clear written instruction to remove this residual arrearage amount from customer records.

- 15) **Placement.** Universal Services are related to Credit and Collection functions, but they are more closely related to Customer Service. Also, the Universal Service functions have a strategic importance to how PECO is perceived in the communities, and also to PECO's ability to make manifest its community concerns. PECO needs to look at placing Universal Services within a Community Service environment. If Universal Services is retained within a Credit and Collections function, there should be a parallel reporting structure to Credit and Collections and to a Vice President for the Customer Service area. The Universal Services function is different enough that it requires some regularized reporting relationship to a Vice-President or Senior Vice-President. It is important that an officer take a direct and proactive interest in Universal Services.
- 16) **Education.** Universal Services, with participation by the LIURP Advisory Group, should undertake a review of standard letters and marketing arrangements to better insure that low-income customers are aware of all of the Universal Services programs and of requirements. This review should result in a written communications plan to be implemented by the Company.
- 17) **Outreach Materials.** The current materials do not communicate the features of arrearage forgiveness, the freezing of pre-program arrearage when enrolling in CAP Rate. Although they mention recertification, they do not fully explain it. Universal Services and the CAP are not adequately explained. All of these are areas to fix.<sup>7</sup>
- 18) **Bill.** The PECO bill should have an entry on the first page that reads: "Universal Services CAP Rate number, 1-800-774-7040". This should be listed in a prominent location on the bill, under the main PECO Customer Service number and should appear as standard on the regular bill and the CAP Rate bill.
- 19) **Life-Line.** As long as NCO is doing Universal Service functions and enrolling CAP Rate customers, the Life-line Certified phone number should be used at NCO in the manner it is used at OSI. It should be utilized to expedite ALL verifiable forms of income including DPW assistance, regular Social Security, SSI, SSD, and pensions.
- 20) **Telephones.** PECO should connect all phone lines for automatic transfer to OSI from NCO and should consistently educate NCO staff to transfer all low-income customers to OSI for information and initial enrollment in Universal Service programs, not just for recertification.
- 21) **Move all Call Center Service to OSI.** Since OSI is set up currently as the call center for Universal Services and the link for low-income customers who need assistance, the decision to have NCO continue the enrollment process for initial CAP Rate enrollments should be changed. The evaluation team feels the low-income customer would better be served at OSI, because NCO is not following correct procedures for handling CAP-Rate calls. This means that qualified customers who call NCO are not

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<sup>7</sup> See details in Section XVIII.

being informed of CAP-Rate, the arrearage forgiveness provisions, or other Universal Services. This shift to OSI should be made with all deliberate speed in order to correct this serious breach of the program design.

- 22) **Quota at OSI.** Inbound call quota times should be increased beyond the current 5 1/2 min. OSI should be instructed to remove the quota time or alternatively to increase the quota to 8 minutes, due to the special type of call, including the need to engage the customer, and develop a full understanding of the customer's needs for Universal Service programs. OSI has considerable experience at this, for example for the Columbia Gas US call center (operated by OSI in a room adjacent to the regular in-house call center) there is no quota time for US service calls due to the social service nature of the CAP calls.
- 23) **Use of Transfer.** The direct transfer phone number from NCO to OSI is still giving a lot of confusion as to whether this transfer mechanism is functional. In monitoring phone calls at NCO, a few call representatives seemed to be able to use the transfer and put customers briefly on hold and then transfer directly to OSI. Other call representatives and even supervisors did not seem to be aware of this capability. PECO should immediately provide technical assistance to insure this line is functional and that it is utilized consistently.
- 24) **Update Vendor Training Materials.** Trainers at NCO should have quality educational material for training purposes and the training resources, material and training modules/scripts should be brought up to date.
- 25) **Recertification.** PECO should make a concrete decision regarding recertification. Either the program should drop recertification or go to a random check procedure using a statistical sample of cases, or the recertification procedure should be consistently implemented. A statistical check (for example, every tenth account) could provide adequate program control.
- 26) **Does your money run out... before the month does?** This is a valuable networking booklet that introduces readers to many helpful community resources. It needs to be modified as outlined in the Section on Outreach (Section XVIII).
- 27) **Program Description.** Develop an implement a publication (booklet) for Universal Services and CAP Rate information that is both clear and complete. This is a second publication, similar to *Does your money run out...*, but with full detail on programs and program requirements. Both booklets should be supplied to all Universal Service customers on a periodic basis.
- 28) **Update and Reinforce Communications.** An informational mailing should go to every new CAP Rate customer. *Does your money run out...* should be mailed to every CAP Rate customer when they recertify. Since a year or more will have elapsed

since they enrolled, an updated booklet with current phone numbers and addresses would be useful.

- 29) **Winter Survey.** *Does your money run out...* and other Universal Services publication should be included in the Winter Survey packet.
- 30) **Universal Services Website.** At one time, PECO provided information for low-income customers on its website. Currently, the evaluation team notes that the information for low-income customers has been removed. The information needs of low-income customers should be given priority over other preferences for what should be presented in an easily available fashion on the web (this is one-third of the PECO residential market).
- 31) **Conform Program.** PECO's CAP Rate as filed has a tier that ends at 100% of poverty and a tier that begins at just over 100% of poverty. Due to inability to program its computer, PECO implemented CAP Rate with the actual split of these tiers at 110% of poverty. However, it is important for PECO to either operate CAP Rate as filed or to conform the filing to what actually happens in the processing of low-income customer accounts in the computer system. The evaluation team cannot recommend one solution over the other, but notes that a fundamental principle of evaluation is that formal programs need to be operated in strict accordance with their designs, or the designs need to be modified base on current realities. In the long run, this helps to insure the integrity of programs and general understanding and support for programs.<sup>8</sup>
- 32) **Budget Billing.** Offer budget billing to *any* CAP customer, whether current customer or new enrollee, when they call PECO.
- 33) **Budget Bill Deduction.** The \$25 deduction on the first CAP Rate budget bill should be an automated process rather than a manual one. This would solve the problem observed of call reps inconsistently applying the deduction.
- 34) **Maintain Budget Bill Deduction.** If the \$25 is indeed the compensation for budget bills computed with a Standard Rate for all customers, then the \$25 reduction should not be removed with quarterly review of the account.
- 35) **Skip first Review on Budget Bill.** Change Budget Billing to uniformly skip the *first* review of the Budget Bill for CAP customers with a new Budget Bill. Skipping the first quarterly review would give the CAP customers more time to get finances under

<sup>8</sup> Note that the first three recommendations of the evaluation are to move to a Percentage of Income Payment Plan (PIPP) rather than a CAP Rate approach. A PIPP provides a minimum cost program (to the company) at any specified level of percentage of low-income customers to be provided with affordable rates. However, if the first three recommendations are not accepted by PECO and the CAP Rate approach is continued, recommendation 29 should be implemented to conform program actuality and the CAP Rate as filed.

control. (Currently it is a manual process to check a box on the computer screen to skip the first review. Skipping the first review could be automated.

- 36) **Retrain on Budget Bill.** Retrain both NCO and OSI Call reps about how the CAP Rate Budget Bill works and what it entails. Retrain staff to discuss all details about the plan with customers. Retrain staff to properly implement the CAP Rate Budget Billing. Monitor the implementation with visual checks of the computer screen to be sure the \$25 is manually deducted (if this method of manual deduction continues).
- 37) **Clarify Computation on Budget Bill.** PECO needs to confirm that the budget bills for CAP customers are computed using the CAP Rate and not the Standard Rate. If the Standard Rate is used for CAP customers, the computation should be changed. If the \$25 discount is applied in lieu of using the CAP Rate, the equity of the CAP Rate and discount should be studied. The average billing should be based on the average bills for the prior 12 months (and therefore the rate used to compute those bills). The check for changes in usage by at least a 10% increase since the prior review or decrease by more than 25% can continue to be used as a trigger to change the budget bill amount.
- 38) **Late Charges.** The evaluation found that late charges are assessed CAP and other low-income customers on budget bills. PECO reported that customers who call in and ask that the late charges be removed would get the late charges removed. However, the customer first must be told (and usually are not) that they should not be assessed late charges while on the budget bill. The late charges should be removed from all accounts on budget bills. The computer programming needs to be corrected so that customers who should not be assessed late charges cannot be assessed late charges.
- 39) **Repeat Bills.** PECO should examine the range of monthly-billed amounts sent to customers. Clearly, low-income customers should not be receiving monthly bills for thousands of dollars. If the bulk of the amount due is an arrearage that continues to be rebilled, special payment arrangements should be made.
- 40) **Coding for Returned Checks.** PECO should correctly code Returned Checks using the proper Offset code. Coding returned checks as payments is unnecessarily careless work. Customers with a more than one returned check or large dollars in returned checks should be referred to CARES for assistance.
- 41) **Shield Low-Income Customers from Alternative Supplier Bill Problem.** PECO should explore the late billing problem with alternate suppliers and adopt a system that shelters low-income customers from receiving monthly bills that include usage for more than one month. PECO could explore the correlation between alternative suppliers and high bills.

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42) **Remarks Coding.** We recommend that PECO review the process for entering Remarks. A code specifically for actual terminations that is different from the code used when termination is discussed is essential.

43) **Letter Series for Terminations.** The letter series codes appear to be lacking. PECO should explore why customers who are terminated either (1) don't receive contact or (2) don't have the contact recorded.



Section

**13**

## **NCO & OSI**

### **XIII. THE CALL CENTERS**

#### **A. The NCO and OSI Call Centers**

PECo uses two outsourced call centers: NCO in Upper Darby, Pennsylvania and OSI in Pittsburgh. The evaluation team visited both to observe Call representatives ("reps") interacting with PECO customers. Our mission was to try to assess the degree to which the Universal Service services were being provided in order to assist low-income customers.

Our first goal was to determine how well the out-sourced call center employees understood CAP Rate and Universal Services. Secondly, we wanted to observe whether the employees gave CAP Rate information to potential and existing CAP Rate customers in an accurate, concise, consistent and easily understood way. Thirdly, we wanted to understand the functions of the call centers, experience the call center work environment, and speak to managers, supervisors and staff. Finally, we wanted to determine if the CAP Rate customer and the low-income persons and families could be better served within the existing call center structure.

#### **B. The Function of the Call Centers**

The Call Centers, NCO and OSI, are the first and main communication nodes and systems for CAP Rate intake and enrollment of PECO's low-income customers. In many cases, this is the customers' first and only source for information on energy, conservation and weatherization assistance, fuel funds, and community-based programs. The call centers receive telephone calls for intake and enrollment of CAP Rate customers and for the delivery of Universal Services. Both centers ask for financial information ("financials"), followed by "proof of income" verifications that are sent to OSI with the initial application. Customers whose income can be verified by phone through the Department of Welfare do not need to send paper documentation.

Exhibit "C"

NCO has the "harder-core," more traditional inbound collections functions and philosophy on credit and collections and outbound collections functions. NCO is responsible for handling calls from all customers facing termination and payment problems. OSI is the "softer side", being more Universal Services oriented and sensitive to the issues and struggles of low-income customers. OSI does not handle calls from the general PECO customer base. As a supervisor at OSI stated, "Here at OSI, the PECO Universal Services is a unique place to work because it represents a 'softer side approach' and this is taught during orientation for new employees."<sup>80</sup>

Most of the Call reps and supervisors at both centers refer to CAP Rate as a "program" even though it is a tariffed rate.

NCO's main function is to serve as the call center for credit and collections for all PECO customers. The customer service number on all customer bills (CAP Rate and non-CAP), 1-800-494-4000, dials directly into NCO.

### C. PECO's Management of the Call Centers

A coordinator in the PECO Revenue Recovery Department manages the daily operations of all inbound calls to both call centers. These contract management activities include providing communication updates, performance evaluation and performance measures. The coordinator does not work directly in the Universal Services Department but instead reports to Accounts Receivable at PECO.

Revenue Recovery deals with issues, problems and solutions that impact the call centers. Trends are forecasted and "heads-up" are given when there are scheduling and staffing problems at the centers. The coordinator also provides communication updates and directives regarding activities, IVR message changes, procedural changes and technical issues.

Revenue Recovery gathers call center statistics for all the call centers, including PECO main Customer Service, NCO and OSI. That data is inserted in the annual report to the Commission.

Presently, there is no instruction from PECO to place or remove caps on enrollment, as in the past. A cap on enrollments occurred in 1998 when Rates & Regulatory had a massive conversion of customers from the CAP Pilot to the CAP Rate from August to October of that year. About 20,000 conversions occurred in August 1998, another 26,000 identified as low-income were placed on CAP Rate in October, another 3,000 with Special Agreements longer than 48 months were rolled into CAP in October, and others with one successful payment agreement and success in the Pilot were also

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<sup>80</sup> OSI staff member, August 15, 2001.

moved into CAP Rate in October. Thousands of Cap Rate customer recertifications came due at about the same time. It was physically impossible for OSI to manually re-certify that number of customers and there were new enrollment caps placed on CAR Rate.

In April 1999 about 20,000 were dismissed who were near termination. This resulted in calls crushing the center and the people were re-enrolled. In July 1999 OSI began recertifications in batches of 6000-7000, creating a large backlog of customers needing recertification. In August 1999 PECO instructed OSI to cap enrollment at 500 per month resulting in a backlog of 3000 qualified customers waiting to get on CAP.

In August 2000 PECO capped removal from CAP Rate at 80 per day for failure to recertify. However, Figure XIII-2 shows removals took a jump in October 2000 and peaked in June 2001 before dropping steadily. In September 2001 customers with no income were not removed from CAP as long as they sent in a letter that stated they were receiving financial help from someone.

A variety of other problems have plagued PECO and the call centers. These included problems resulting from programming changes for CHOICE. For example, changes caused 20,000 recertification letters to be sent out at one time. It also caused about the same number of accounts to be dismissed as enrolled, within about a day of enrollment. These problems have been resolved but not before considerable impact on the call centers and CAP customers.

Figure XIII-1 graphs the new CAP enrollment applications taken by OSI. The graph shows steady climb in new enrollment applications peaking in July 1999 and falling off. Since then, applications with income provided have fluctuated between 2500 and 4000 per month. The gap in the graph is months that PECO provided no data, that is, for Dec 2000. Evaluators requested PECO provide similar to that provided for OSI for the NCO call center. However, no statistics were provided for NCO activity.

Figure XIII-2 graphs the CAP enrollments, recertifications, and removals completed by OSI from January 2000 through June 2002. The graph shows a drop in the number of dismissals and removals beginning June 2001. At the same time, new enrollments also dropped. Recertifications peaked in April 2002. The gap in the graph (September through December 2001) is months for which PECO provided no monthly data. Again, PECO was asked but did not provide the requested statistics for NCO, so no comparison can be made.

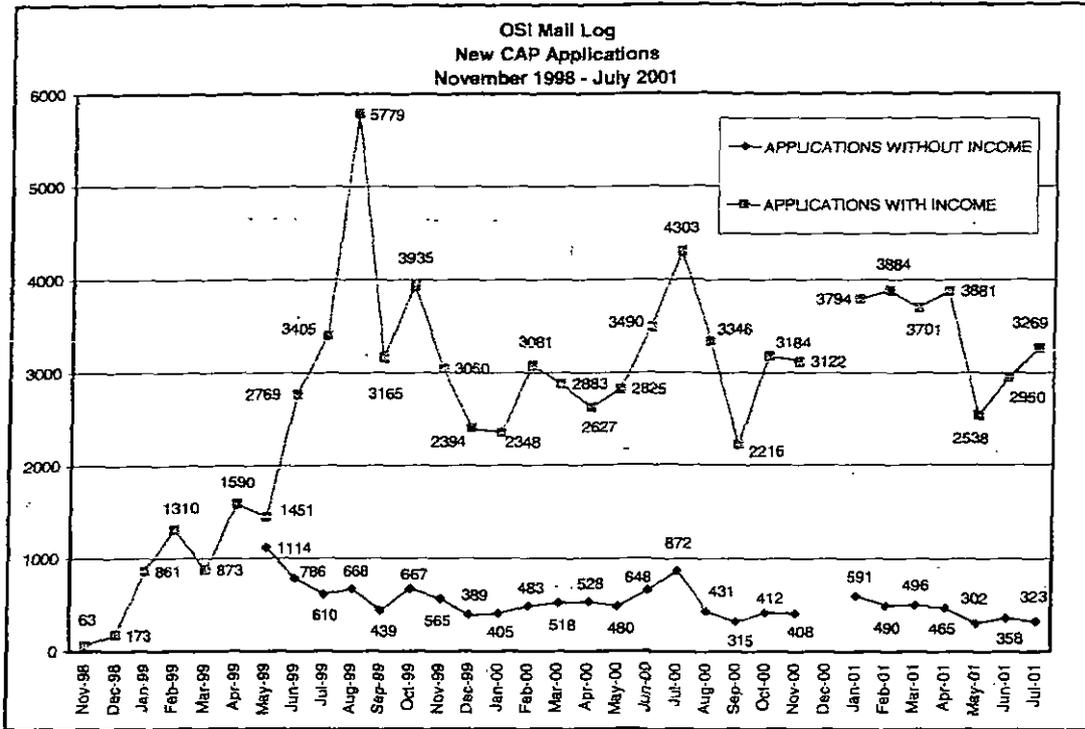


Figure XIII-1: OSI Enrollment, Recertification, and Removal Activity

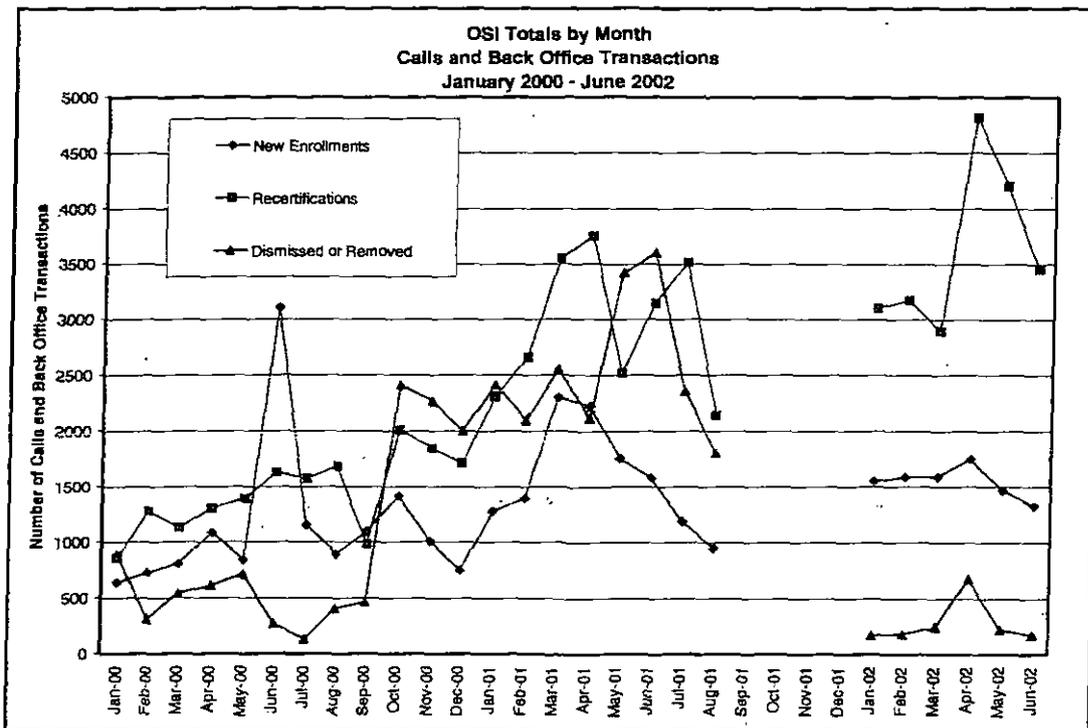


Figure XIII-2: OSI New CAP Applications

In May 2000, OSI was working on a list of about 40,000 customers who needed reevaluation. In October 2000, accounts on the "Form to Customer List" (FTC list) were already 5 months old; about 20,000 accounts needing contact were sitting on the list for five months. Currently PECO is not enforcing the rules for reverification because there has been such a poor response from people. CAP Rate customers are not being removed from the CAP Rate and reassigned to the standard residential rate for failure to re-certify. PECO recognizes that in the long run this will cause a negative impact for themselves and cause more problems at OSI with the "wait date" on the FTC list, which now includes a backlog of 56,000 customers.

There is no information at this time that would indicate how long PECO plans not to enforce the recertification requirements. This is, of course, the only control feature of a rate block approach. A modification currently being considered (and supported as a reasonable approach by the evaluators) is to go to a recertification requirement of every two years instead of annually for those who can verify income through the "Life-Line Certified" phone number. The recertification part of the Universal Services CAP is not being operated consistently or in accordance with the formal program design. The numbers in the program in a given month is being managed by a process of stop and go holds on both entry of qualified customers and removal of customers who fail to meet program requirements.

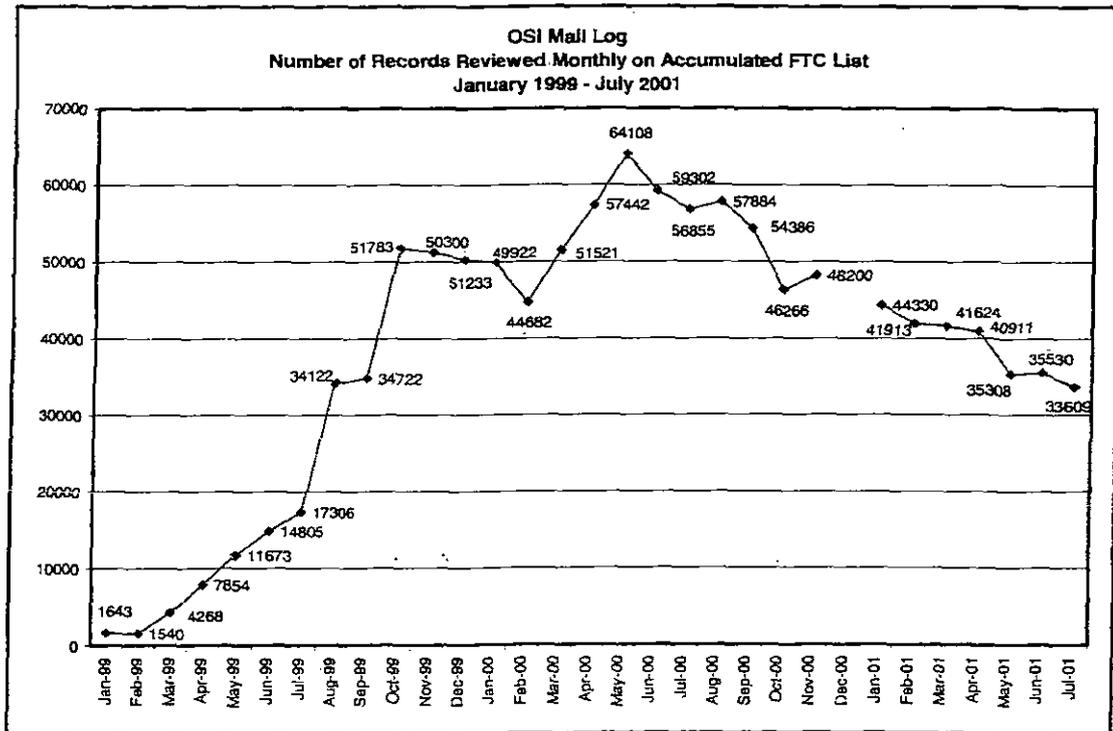


Figure XIII-3: OSI Number of FTC Accounts Reviewed by Month

Figure XIII-3 graphs the number of accounts reviewed by OSI on the FTC List between January 1999 and July 2001. OSI confirmed data was available to bring statistics forward from July 2001 to June 2002 but when requested from PECO, PECO did not provide this data to the evaluation team. Figure XIII-3 shows the number of reviewed accounts climbing to a peak in May 2000 and steadily dropping to about half the peak amount by July 2001.

#### D. The Function of the NCO Call Representatives

The calls that come into NCO include 'past-due' calls, customer requests for budget payment plans, and payment agreements and extensions. Call reps take "financials" on each payment-troubled customer. They ask the source and total household income before putting customers on payment arrangements, payment extensions or CAP Rate. NCO Call representatives also issue Utility Reports<sup>81</sup>. NCO deals with customer questions for simple bill explanations and for the balance or past-due balance on regular accounts and CAP Rate. NCO also enrolls low-income customers in CAP Rate and sends initial applications.

NCO has a "Back Office" with duties separate from the main call-in work. Back office staff initiate, issue, and process medical certificates, terminations, and restoration of service for those currently shut-off. They also research and document PUC Complaints.

NCO receives back-up assistance from a call center in Jackson, Michigan, known as NCO Michigan. This center has about 31 employees. If the NCO Upper Darby location gets backed up with calls on queue, the overflow inbound calls go to NCO Michigan where about 10 to 12 employees handle the overflow. Michigan's primary goal is handling the outbound calls; they make PECO's 72-hour termination notice outbound calls. Michigan Call reps make payment arrangements, put customers on budget payment plans, issue Utility Reports, and put customers on CAP.

In discussions about the NCO Michigan Call Center with a PECO coordinator managing outbound calls, the coordinator emphasized that there is "no bounce" between intended calls to OSI and NCO Michigan. NCO Michigan does not get calls intended for OSI and NCO Michigan no longer makes outbound collection calls to CAP Rate customers. This change became effective in July 2001. However, Michigan can still get overflow from NCO Philadelphia from low-income payment troubled customers who are and are not on CAP.

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<sup>81</sup> A Utility Report is a letter sent to the customer that states PECO's position when a customer is issued a conditional agreement or has been refused an agreement, such as when the customer has exhausted eligibility for further payment arrangements. There are twenty-three types of Utility Reports.

Both NCO and OSI verify certain income sources through a 717 area code phone number called 'Life-Line Certified'. When the customer states that their income source is from the Department of Public Welfare's (DPW) Temporary Assistance to Needy Families (TANF), General Assistance (GA), Supplemental Security Income (SSI), Social Security Disability (SSD) and/or regular Social Security Retirement, the rep calls the 'Life-Line Certified' 717 number and receives a verbal "yes or no" verification. This verification means that the customer is at or below the 150% of the Federal Poverty Level and they are receiving the source of income they reported to the Call rep.

At NCO, the use of the "Life-Line Certified" number was not well understood. Call reps and supervisors used the number for DPW- TANF and General Assistance recipients only. They were not aware that it could be used to check other sources of entitlement program income such as SSI, SSD and regular Social Security. The Call reps and Back Office staff at OSI use this "Life-Line Certified" phone number for all the entitlements listed, not just DPW assistance.

When it is time for a customer to be recertified, the main phone contact and link to OSI is through NCO. When a CAP Rate customer calls the PECO customer service line (NCO) for annual recertification or to discuss a payment problem, the call is either "transferred" directly to OSI or the customer is given OSI's 800 number to call.

During the NCO visit in October 2001, one of the managers said that the direct transfer line from NCO to OSI was being used and that customers were placed on hold and transferred into OSI directly. However, the PECO manager interviewed in September 2002 felt this was not yet happening and the transfer capability was not yet set up.

During the interviews conducted with NCO Call reps, most didn't know they could switch new or existing CAP Rate customers to the OSI line. One representative interviewed said he didn't transfer calls to OSI, as he could do everything for low-income customers at NCO. An NCO manager said they'd rather not bump customers around from call center to call center. Other reps said they'd never heard of a way to transfer calls. One manager said the transfer buttons were not set up yet.

The PECO Universal Services Program Manager wants OSI emphasized as the main intake call center for new CAP Rate enrollees and also for recertifications. The hope was that OSI would gradually take over all the Universal Service Program activities, including those activities currently performed at NCO. NCO was expected to refer potential and existing CAP Rate customers to OSI, but there has been concern that this has not been happening. There was concern that NCO was putting CAP Rate eligible customers on regular payment arrangements and not telling them about CAP Rate. Further, there has been concern that NCO was doing a lot of the initial CAP Rate calls,

including responding to inquiries and initial enrollment intake rather than transferring the call to OSI for CAP Rate.

Originally, low-income customers did not have a designated Universal Services CAP Rate 800 number to get 'one-stop-shopping' help. NCO handled energy assistance, LIURP weatherization referrals, and CAP Rate enrollments. As of June 2001, OSI has a toll-free number and the incoming voice response (IVR) message announces "Universal Service—CAP Rate" when customers call.

NCO's new IVR message tells the caller to "hang up and call 1-800-774-7040 if you are a current CAP Rate customer." The caller then hears this number introducing the Universal Service number, and is asked to press an extension if CAP Rate help is wanted. Referrals made in this way, from NCO to OSI, capture customers who are already on the discount rate and may be due for annual recertification, and existing CAP Rate customers with questions, but not potential new CAP Rate enrollees.

As of October 2, 2001, NCO reported that they mail about 200 CAP enrollment applications each day. NCO said they refuse enrollment to about 50 per day and enroll about 50 new CAP Rate customers per day. Evaluators asked for NCO's CAP related activity statistics from PECO, but PECO did not provide this data.

**Recommendations:**

- (1) The PECO bill should have an entry on the first page that reads: "Universal Services CAP Rate number, 1-800-774-7040". This should be listed in a prominent location on the bill, under the main PECO Customer Service number and should appear as standard on the regular bill and the CAP Rate bill.
- (2) As long as NCO is doing Universal Service functions and enrolling CAP Rate customers, the "Life-line Certified" phone number should be used at NCO in the manner it is used at OSI. It should be utilized to expedite ALL verifiable forms of income including DPW assistance, regular Social Security, SSI and SSD.
- (3) PECO should connect all phone lines for automatic transfer to OSI from NCO and should consistently educate NCO staff to transfer all low-income customers to OSI for information and initial enrollment on CAP Rate, not just for recertification.

**E. NCO Call Center**

The evaluation team visited NCO, Upper Darby, on October 2<sup>nd</sup> and 3<sup>rd</sup>, 2001. PECO Universal Services and Rates & Recovery staff accompanied the evaluators. At that time, NCO had 45 Call representatives with another 25 Call representatives in training, and 25 Back Office employees with 10 in training. One manager said there were almost 100 employees, including managers and supervisors.

Hours of operation at NCO extend after regular business hours to provide assistance to working people. A manager reported 10-11 hours shifts per day, Monday through Friday, 7:00 am to 8:00 pm, and 8:00 am to 2:00 pm Saturdays. Employees work a 40-45 hour workweek, depending on the season, and overtime starts after 40 hours a week. Employees have one-half hour for lunch and two 10-minute breaks. Assigned lunch and break times are strictly enforced. On Saturdays one person works in the Back Office to catch up on paperwork. The employee annual turnover at NCO is about 30% or about 8 people per month. There are about 12 new people on the floor every month.

We conducted interviews with four Call representatives, three Back Office representatives, one supervisor/trainer and two managers. We observed Call reps on the phone with customer calls (mostly non-CAP rate calls) and Back Office personnel doing restoration-of-service calls and observed medical certificates processing.

Knowing that NCO uses the more "hard-core" credit and collections methods, we were especially interested in the quality of the working environment and how the Call representatives communicated with low-income, payment-troubled customers. We were told there were 7-minute time limits for each incoming call. If the call requires the aid of an outside language interpreter, the time limit rises to 12 minutes. The social atmosphere of NCO is that of a 'boiler room'. There is loud verbal directive and 'body language gesturing' by supervisors that strongly influence the Call rep to cut short a call if they are going over the 7-minute limit.

The call center is housed in a very large room, like a warehouse with bad acoustics, where many different companies occupy floor space with their own Call representatives and call center procedures. All compete for vocal "space." The various companies' call centers are not partitioned with physical walls but with aisle space and 5 foot high room dividers. There was a great amount of background noise in the call center "room", mostly due to the number of and the nature of supervisors' verbal commands (such as "Pick it up PECO! Pick it up!"). NCO supervisors and managers drive staff to meet PECO's requirement that 65% of all calls be answered within 30 seconds. NCO is paid by completed calls; each staff person must complete 10 calls per hour (PECO wanted 12/hour). Each phone line is monitored and pickup and on-line time is electronically documented. The warehouse and production nature of the call center does not make it a very friendly or relaxed environment to work in.

Each new Call rep starts out with a \$300 bonus amount that is 'added to' or 'subtracted from'. A Call rep gains or loses bonus points depending on punctuality, the quality of performance during monitoring and over-all performance. There are five performance observations of each Call rep per week. An observation means that the supervisor listens in on the call and determines whether the call 'passes' or 'fails' all the call guidelines. Failed observations result in points subtracted from the bonus. The manager said that NCO is dedicated to quality control.

## F. Training, Education and Monitoring of NCO Call Representatives

New NCO employees hired as Call reps receive four weeks of training and orientation. NCO uses an outside trainer to do the "soft, people skills". Management at NCO started the "soft-skills" training in 2001, feeling that it adds customer value. Most of the newer Call representatives hired said they got "soft skills" training within 3 months of starting and had already started working the phones before receiving the training. The older representatives at NCO haven't received this type of training, but management felt those who've had it are more positive with customers. Supervisors and managers felt this training was working, as evidenced by fewer customer requests to speak to supervisors. The Call reps felt the "soft skills" training was valuable. One mentioned that she had worked there a full year before receiving the training. Another Call rep, at NCO for 2 ½ years' stated he had not received the "soft skills" training and he had learned it on his own.

All Call reps have "lead" reps nearby and a supervisor confers with them if questions come up and immediate advice is needed for action.

NCO is using some out-dated new employee training material. The sample CAP Rate bill given to the Evaluation Team and apparently still being used for training was dated 1998. The CAP-2 script used by Call reps for customer solicitation was dated 3/10/98. The trainer said this is the current script used to train new Call representatives. Apparently there is another script dated March 2002.

Of 58 calls monitored by the evaluation team at NCO, 18 customers expressed difficulty paying, were threatened with termination, and were not always asked for "financials." These customers were given a Utility Report, a payment arrangement or an extension, but the Call reps did not mention the CAP Rate.

### Recommendations:

- (1) Since OSI is currently set up as the call center for Universal Services and the link for low-income customers who need assistance, the decision to have NCO continue the enrollment process for initial CAP Rate enrollments should be changed. The low-income customer would be better served at OSI, because NCO is not following correct procedures for handling CAP Rate calls. This means that qualified customers who call NCO are not being informed of CAP Rate, the arrearage forgiveness provisions, or other Universal Services. This shift to OSI should be made with all deliberate speed in order to correct this serious breach of the program design.

- (2) The direct transfer phone number from NCO to OSI is still causing confusion about whether this transfer mechanism is functional. In monitoring phone calls at NCO, a few Call representatives seemed to be able to put customers on hold briefly and then transfer directly to OSI. Other Call representatives and even supervisors did not seem to be aware of this capability. PECO should immediately provide technical assistance to insure this line is functional and that it is utilized consistently.
- (3) Trainers at NCO should have quality educational material for training purposes and the training resources, material and training modules/scripts should be brought up to date.

### G. NCO Call Representative Duties

Call reps can **enroll customers on CAP Rate**. Call reps read from a CAP-2 script (dated 1998). Call reps can put customers on CAP Rate immediately if they verify income with the Life-Line Certified phone number. NCO Call reps mail customers an application they hand-address.

The CAP Rate script (dated 1998) used by Call representatives at NCO is not current. It still calls CAP Rate a "pilot". It also repeatedly calls the CAP Rate a "program". It says the customer will receive literature on conservation and information on ways to lower electric use if the customer's usage is between 501- 800 kWh. This is not routinely done, as NCO no longer mails the booklet, "Does Your Money Run Out..." This booklet contains no conservation information. The script also says that usage of 800 kWh or more will be referred to LIURP, which is also not routinely done. It says income will be verified by the Department of Revenue, but PECO hasn't verified income this way since April 1999.

NCO Call reps can **negotiate payment arrangements** with CAP Rate (and non-CAP) customers who say they are having trouble making their payments. Eligible CAP Rate customers may have only one delinquent arrangement. In the work jargon of the call centers, Non-CAP customers can have two "unkept" agreements. Financial information is taken to place the customer on the correct payment arrangement: current bill + \$15 for Level 1 income or current bill + \$40 for Level 2 income.<sup>82</sup> Income Levels 1 and 2 should not be assessed a finance charge on the amount included in the payment arrangement.

NCO Call reps can put customers on the **CAP Rate budget**. Call reps explain the CAP Rate budget from a script. Customers cannot be past due to qualify for the Budget Billing. The CAP Rate budget offers \$25 off the regular budget with adjustments depending on usage every 4 months with settlement or 'true-up' in the

<sup>82</sup> Payment arrangement amounts were set by the PUC in 1999.

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12<sup>th</sup> month. Late fees are waived and customers are not subject to termination if on Budget Billing. (See Section 19 on Budget Billing in this report.)

NCO Call reps can **offer payment extensions** to customers. The customer who "needs more time to pay" can get a standard 30-day extension if not already on a current payment arrangement and if not more than one month past due. A fuel grant extension is given when there is a pending payment from energy assistance or a community source. This extension stays the account from termination for 90 days, although several Call representatives and Back Office staff said it could take 3-5 months before the grant actually appears on the account. Back Office can process a special extension, such as for a bankruptcy. A medical certificate that provides a 30-day payment extension can be given. A callback extension "pulls back" the PECO vendor who is about to disconnect service (cancels the 24-48 hr termination directive) and gives a new CAP Rate enrollee time to send in the paperwork to qualify for CAP Rate.

NCO Call reps can **issue Utility Reports** to customers who are not eligible for payment arrangements. Utility Reports inform the customer of their right to call the PUC. There are 23 types of Utility Reports. They can give, for example, 15 days to pay a past due balance but termination can still occur if the balance is not paid. A new CAP Rate enrollment can stop action directed by the Utility Report.

NCO Call reps can **issue medical certificates**. For customers who have a termination pending, this gives a 30-day payment extension and stay on the termination. Customers with an existing medical condition that would be further impaired by having their electric and/or gas service stopped can qualify for the medical certificate with the signature of their doctor who verifies the condition. A medical certificate can be renewed every 30 days for three consecutive months, but only if the customer is making monthly payments. Those not making monthly payments can not have their medical certificate renewed and are sent a non-renewable waiver, (from Back Office) which makes them ineligible to receive another medical certificate for one year. If a doctor verifies the customer is on life-support equipment, a notation is recorded on a "priority sheet" (completed by Back Office) and the account will not be shut-off without being reviewed again by a doctor. NCO staff interviewed gave differing opinions about how many medical certificates could be offered one customer.

NCO Call reps can transfer calls regarding meter readings, issues for CHOICE supplier, high bill complaints, and discontinuation of service to PECO Customer Service.

**Recommendations:**

- (1) As long as NCO is providing CAP Rate information and enrolling customers, the CAP Rate script should be updated for training and current use to reflect current procedures.
- (2) All CAP Rate customers should be sent information on conservation and a clear explanation of CAP Rate. Those customers with the highest usage should be prioritized and referred to LIURP.

**H. NCO Monitored Calls**

Fifty-eight (58) inbound calls were monitored at NCO by a member of the evaluation team on 10/5/02 and 12/13/02 from the PECO office in Philadelphia. This call monitoring did not allow us to see the Call reps or the actual computer screens. Because we could not see the screen, the Call rep might have had more information to make their decisions than we could interpret just from listening to the call.

The following issues emerged during the 58 NCO monitored calls.

<b>Missed opportunities for possible CAP Rate enrollment</b>	<b>Number of Occurrences</b>
Took financials and was low income, did not refer to CAP Rate; gave extension, payment arrangement, regular budget or Utility Report instead.	7
Low income-customer mentioned he's eligible for fuel assistance through agency, rep did not take financials or mention CAP-rate	3
"I'm on Social Security only—I can't pay that much". Representative did not take financials, did not mention CAP Rate	1
Customer asked for medical certificate and extension but rep did not take financials to determine income eligibility for CAP Rate	4
Customers sent agency list of referrals with no mention of Universal Services or CAP Rate by the call representative.	3
<b>Total Cap Rate Missed Opportunities</b>	<b>18</b>

Authorized vs. Unauthorized Payment Centers	Number of Occurrences
Confused about "authorized" vs. "unauthorized" payment centers. Call rep said customer took payment to wrong place, "not authorized"	4
Authorized payment center not a convenient site for customer	2
Total calls about Payment Centers	6

Missed opportunity for potential CARES Referral	Number of Occurrences
Due to 9/11, delays in getting paycheck; call rep would not give customer a payment arrangement; given Utility Report instead.	1
Senior hard of hearing with past due balance issued Utility Report; was very confused, did not know what to pay, very difficult conversation.	1
Total calls about missed opportunities for CARES	2

Miscellaneous Situations	Number of Occurrences
Bill Format: Problem with small print on bill—couldn't see how much due.	1
Call representative added "past due" and "current amount owed" on account in error. Customer challenged amount, customer was right	1
"I was put on hold and we were cut off, now I'm calling back."	3
"We were turned off without any notice."	1
CAP Rate and CHOICE: CAP Rate customer with supplier delinquency. Very confused about CHOICE and alternate supplier	1

Threatened Terminations	Number of Occurrences
Call rep threatening shut-off even though moratorium in effect.	5
Customer asked, "Will I get a shut-off notice?" Rep said, "sometimes they send you one, sometimes not".	1
Total calls about Threatened Terminations	6

There were threatened shut-offs, "if you don't pay by the 18<sup>th</sup>, your service will be shut-off", during the moratorium (i.e., the Chapter 56 regulations stipulate no shut-offs between December 1 and March 31<sup>st</sup>).

Referrals from NCO to OSI	Number of Occurrences
Customers transferred to OSI thru direct transfer from NCO.	2
Customers referred to OSI thru customer-initiated 800 # call.	1
Current CAP Rate customers call about CAP Rate and billing questions; not transferred to OSI.	3

In many of the calls that were monitored, the Call representative made no mention of the "CAP Rate" or there was no reference to CAP even when speaking to customers who obviously were payment-troubled. Some representatives mentioned, "I see you're on the payment plan". It isn't clear whether this was the budget payment plan or payment arrangement or whether they were referring to CAP Rate. This may have been a missed opportunity to enroll the customer into CAP Rate.

#### Recommendation:

- (1) The evaluation team believes customer's participation in CAP Rate should be *reinforced* with *each* phone contact. When the Call representative observes the status on the CAP-2 screen they should say, "I see you are on a special discounted rate called CAP Rate". This may increase customer awareness and success. It helps them to remember that they are on a discount rate, "a special lower rate". It helps to set the tone that they are on a rate that is benefiting them and that they are getting a break from the regular bill. With an enthusiastic tone of voice, the Call representative can actually reinforce and pass on the enthusiasm for a successful outcome for CAP Rate customers.

### **I. NCO Back Office Functions**

The Back Office staff mainly do 'off-line' work but take customer calls to help out, especially on Monday, the busiest day of the week. The following are Back Office functions.

Back Office faxes or mails **medical certificates** directly to doctor's office. If rejected, a letter goes out to the customer. The medical certificate faxed back to PECo must include Doctor's name, address and license number as well as the Doctor's verification of the customer's medical condition. Medical certificate criteria are explained above in the Call rep functions. Service reconnect fees are waived for customers with medical certificates.

Back Office staff flag accounts waiting for **fuel grant extensions** after the fuel grantor calls and says the customer's grant is pending. The "fuel extension" is entered so the system will see the 90-day payment extension date. Fuel grant extensions include LIHEAP, UESF, and any other fuel grant or money from a social service agency, church, etc. NCO may wait 90 days (sometimes longer) for the grant.

Back Office also works with customers to **restore service**. Staff stated that sometimes an account is shut-off in error. For example, if a customer calls to prevent a shutoff and the Call representative recorded the call in the Remarks screen, but didn't record any action being taken, such as a Utility Report, medical certificate, etc. then the call is considered a 'documentation call' only. The account proceeds to termination and the customer is shut off too soon. Back Office said this scenario happens frequently at NCO Michigan – the Call representatives often quote the wrong amount to pay to prevent shutoff – they can be off by \$200 to \$300. When this happens and the customer has been shut-off, it's called a "shut-off error."

### **J. NCO referrals to Community- Based Organizations and Services**

Call reps mail energy assistance and agency referral lists when the customer expresses a need for such assistance. These referral lists are kept at the Call rep's desk and are mailed with the initial CAP Rate application in the same envelope, which is hand-addressed by the representative.

The agency referral forms list assistance organizations by county within PECo's service territory. Each county listing includes the LIHEAP phone number, the local community action agency and at least one other service-outreach agency, such as The Salvation Army. Philadelphia County has the largest list with 14 references for potential assistance, including for example, United Way, Helpline, Housing Assistance, Consumer Credit Counseling and services for seniors. The remaining counties have an average of 4 listings where people can go for help.

There is no mention of a referral phone number to PECO's LIURP Weatherization on the agency referral lists. With the exception of Delaware County, there is no listing for the PA DCED County WAP weatherization programs.

Some Call reps interviewed did understand the importance of sending out the county agency lists. Some said they are sent with each CAP application and others said they are sent only when customers report they have no income, when a Utility Report is issued and when a customer requests more help. They did not understand that sending out the lists to all low-income callers was a Universal Service goal. They were not aware that such social and energy service agency referrals were part of the overall Universal Services implementation procedures.

During interviews and in informal conversation with NCO Call reps, none recognized the term, "CARES", or the social service component and referral mechanism of Universal Services. When the supervisor/trainer was asked about CARES and whether there was any involvement, there was no recognition.

#### **K. Interviews at NCO**

Interviews were conducted on October 2<sup>nd</sup> and 3<sup>rd</sup>, 2001, to learn how each department functions related to Universal Services generally and to CAP Rate specifically. Interviewees included two managers, supervisors, a trainer, four Call reps and three Back Office staff.

Summarized NCO Manager and Supervisor/Trainer interviews

Q. What activities and services does NCO conduct under Universal Services that can be invoiced to Universal Services?

A. Neither the manager nor the supervisor could answer. The manager said there is monthly PECO billing but there is no separate line item for Universal Services. Call center billing was based on the call volume and the hourly billing rate of staffing for Back Office functions as well as call center dedicated staffing, Back Office, PUC and bankruptcies.

Q. Which functions have you or has NCO been involved in? When was NCO involved in these functions?

A. The supervisor/trainer is involved with CAP Rate training of new Call representatives, and helps out by taking in-bound phone calls at least one hour each day, especially on busy Mondays. She does not deal with outreach, CRISIS

applications, consumer education and referral, CARES, account monitoring, and coordination of energy assistance benefits.

Q. What management reports do you use?

A. The Call reps track all customers placed on CAP, all customers sent an application, and all customers who've been refused CAP. The reps have a CAP tracking sheet that is turned in daily. One person from the Back Office emails the information to PECO at the end of the daily shift. A formulated service letter and predicted service letter are generated. Management is in contact with PECO three times each day by phone. Daily stats go out by 10am. Statistics are kept on daily, weekly, and monthly activities.

The manager added that a form tracking daily activities includes the call volume and service level. He said there might be 20 forms on his desk that report how operations are going. *These reports are faxed and emailed to PECO daily and weekly.*

Q. What kinds of problems has NCO experienced with Universal Service and CAP Rate operation?

A. There are no written instructions for removing a customer from CAP Rate, such as for failure to keep payment agreements. The supervisor/trainer and manager said they've been using their own judgment and looking at the customer's payment history to determine whether a customer will be placed in CAP Rate after they have been taken off an active agreement. Another manager said he is not involved with daily operations and nothing has been brought to his attention.

#### *Summarized NCO Back Office and Call rep interviews*

The following were questions and responses during individual interviews with one trainer, four Call reps and three from Back Office. One of the Call reps shares work with Back Office and moves easily from one job to another, as needed. The trainer is the same one who staffs the phones at least one hour per day, especially busy Mondays.

Q. How many calls do you handle in one day?

A. Call reps said the calls ranged from 90-150 calls per day with a higher call volume on Mondays, when a rep handles around 200 calls. Calls must be completed and fully documented within the 7-minute time requirement. Some take 40-50 fuel grant calls in one day and spends about 5 hours per day flagging accounts for fuel grant extensions.

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Q. What are the different categories of calls that this office (NCO) receives?

A. Most customers who call are past due and about to be shut off. That is when the Call rep takes financials, determines by their income if they're eligible for CAP Rate and sends an application. Many customers need payment arrangements. If a customer tries to get a new agreement and hasn't kept the previous one, a Utility Report is issued. Some with high bill complaints want their meter read or checked, and such meter calls are forwarded to PECO customer service. Fuel grant calls are received from agencies and customers.

Q. With which Universal Service components are you involved? (For example, enroll CAP Rate, LIHEAP, LIURP, and social agency referrals.)

A. Call reps stated they work on all of these including CAP Rate enrollment, updating information on the UPCP screen, LIHEAP, LIURP, and social agency referrals. Call reps mail lists of agencies for each county out to customers. It lists LIHEAP phone numbers, the Community Action numbers, programs for seniors, United Way, etc. One of the interviewees did not know that the agency referrals were considered part of Universal Services. NCO used to mail out a booklet to all new CAP enrollees, "Does Your Money Run Out Before the Month Does?" but said they stopped mailing it to CAP customers months ago. One Call representative could not remember what LIURP was.

Q. Can you tell me what CAP Rate is?

A. Not all interviewed were able to describe CAP. One who had been at NCO 3 1/2 years said she really didn't understand what it was or how medical certificates worked for CAP customers. She didn't know if there was a CAP Rate script and did not think calls were supposed to be transferred to OSI. However, all others interviewed identified CAP as a program in which the customer's level of income determines eligibility as well as the level of rate discount. "They get 25-50% off the first 500 kWh of usage, depending on their income level. The balance they came into the program with is put on the side and they apply for grants to get that amount down. Also, if they pay on time the balance comes down to \$500." Only one described the program completely and accurately regarding the discount by income level and pre-program arrearage set-aside and forgiveness terms.

Q. What is the main goal or purpose of the Universal Services program?

A. Most respondents said it is a program to help customers with limited income by giving them a break that prevents them from being shut-off. One said it gives customers better control over their electric bills.

Q. What if a customer says they have no income?

A. All respondents said if a customer says they have no income, CAP Rate couldn't be offered. If they are already on CAP and then report no income, they will be taken off CAP Rate. Call reps can offer the lowest payment arrangement, offer to send out a list of county agencies that may be able to help, or a Utility Report can be issued (leading to shut-off), but CAP cannot be offered.

Q. What happens if the customer says they can't make the payments offered in the agreement at the time offered?

A. All said if a customer can't pay the arrangement and they are past due, then a Utility Report is generally given. If the customer is a new CAP enrollee, this gives them 15 days to complete the CAP Rate application forms and mail or fax them to OSI.

Q. What does NCO do if someone calls and says they are having trouble paying the bill, and during the financials, NCO determines the person is low-income? (150% of poverty)

A. Those interviewed consistently replied that if the customer is eligible for an agreement they give them one, whether they are low income or not. For Level 1 income it is the current bill + \$15 and for Level 2 income it is the current bill + \$40. If they are not eligible for a payment arrangement then a Utility Report is sent.

Few said they'd refer the customer to CAP. They said a CAP Rate application could be sent if the customer is within the income guidelines. If the customer receives an entitlement program (DPW, SSI or SSD) or Social Security Retirement, the Life-line Certified phone line can be checked to verify income and the customer can be enrolled immediately in CAP Rate.

One representative said they also refer customers to agencies or energy assistance depending on the time of year. They also ask if anyone in the household has a medical condition and follow-up with a medical certificate if they do

Another representative said that low-income customers have actually been terminated in the waiting process. That is, from the time a Utility Report is issued and the CAP application is sent out from NCO to the customer, received and processed at OSI, the

customer can be shut off. She added that many times the customers say they never got the initial CAP Rate application from NCO.

Q. Review the termination process. What happens to the arrearage in CAP Rate? What about the \$500 for a CAP customer?

A. Only two people said anything about the pre-program arrearage. One interviewee said a \$500 arrearage would remain on the account unless they apply for grants to help take care of that \$500. Another said the customer would be removed from CAP Rate if they don't keep their agreements. If a "PE refused" Utility Report is issued, it means the customer can't keep their payment agreement. Call reps offer a Utility Report that gives customers another 2 weeks to pay. Then if they haven't paid, they get a 10-day shut-off notice, then a 72-hour, then a 48-hour shut-off notice. If their service is terminated they have to pay the past-due amount on the CAP Rate account and any deposits. The \$500 pre-program arrearage does not come due; it stays isolated.

Reps stated customers always get 3 termination notices: a 10 day mail notice that is automatically computer-generated, a 72-hour notice via a phone call from the Michigan out-bound call center, and finally, a 48-hour notice personally delivered to the house by a field representative.

Q. How does a customer use a medical certificate? How and when do customers tell you they need one? How many times can customers use the medical certificate to stop a termination?

A. There was consistent response to these questions that indicated every customer threatened with termination is asked if there is a medical condition present in the household. Reps said the question is supposed to be asked every time financials are taken, with each CAP Rate inquiry and when making a payment arrangement.

There were different responses about how often a medical certificate could be issued. One respondent said it could be issued as long as there is a medical condition. Another said they have to pay something on the bill, even if it's \$5 or \$10; they should be asked what they could pay and the payment has to be made every month. If the customer is not paying anything, the Call rep can petition for a "med-cert non-renewal waiver" which means the medical certificate will no longer be honored and they can't have another issued for 1 year. A Back Office interviewee said, "a customer can use a medical certificate as often as needed to stop a service termination as long as they are making some kind of payment each month, even as little as \$5 or \$10. If a customer hasn't paid on the bill after a 30-day medical certificate is issued, they can get only one more extension for another 30 days, then a "non-renewal waiver" is issued.

Q. If the customer is terminated, do they call NCO to restore service?

A. All interviewees agreed, "Yes, the customer calls here at NCO."

Q. Service restoration: What does NCO tell customers they need to do to restore service? What type of payments are needed, for example, deposit, arrearage, current bill? Can you tell if a person was on CAP Rate when they were terminated?

A. Call reps said the full past-due balance is required, as well as a deposit which is 2 times the average bill, and a reconnect fee. They can tell if a customer was on CAP Rate by looking at the CAP-2 screen. Back office added that a medical cert could restore service without a deposit. As soon as the medical certificate is received from the doctor, a restoration form is given to the restoration department in the Back Office and the customer's service is restored.

Q. Do you waive the deposit if it's a low-income or CAP customer?

A. All interviewed agreed, "No, but the customer may call the PUC to have the deposit waived." Or, added one interviewee, a medical certificate will stop a deposit from having to be paid or if they get fuel assistance and the agency pays everything to have their service restored.

Q. Under what circumstances is a deposit required?

A. The general opinion was that all customers who are shut off and who were at least two months past due before shut-off are sent a letter requiring a deposit.

Q. Do you have to equalize the number of people enrolling in CAP Rate with the number of people leaving? Do some people have to wait to enroll until others leave?

A. Each person answered emphatically, "No", including the Back Office staff.

Q. Do you have any suggestions to enhance customer understanding of CAP Rate, especially during the initial enrollment?

A. All Call reps interviewed thought they did a pretty good job explaining CAP Rate verbally to new enrollees and during recertifications. However, they all expressed the need to have something in writing to send out explaining the CAP Rate and its benefits, especially to new enrollees. One thought that the pre-program arrearage, which is all due when a customer leaves CAP, should be placed into a special payment arrangement.

One Call representative said, "Customers often ask me, 'Is there anything you can give me in writing about this program?' and I can only send out the application." The same Call representative recalled that they used to send out the blue booklet, "Does Your Money Run Out Before the Month Does?" but he said they stopped sending those out "a long time ago."

Another representative stated firmly that PECO should develop an eye-catching piece about CAP Rate and all its positive points. "People need to see something in writing", she added, "PECO needs to do more outreach."

Q. Does NCO handle calls about CHOICE? Are these calls transferred? What does NCO tell people? Do you use a Script?

A. The Call reps interviewed concurred that there is no script. The calls are generally transferred to the PECO main customer service line. However, one representative said he could answer 75% of the questions and didn't need to transfer calls to PECO Customer Service. For regular customers and CAP Rate customers, PECO Customer Service can make the arrangements for a customer to return to PECO if they no longer want to purchase service from another supplier.

Q. What changes would you make to your organization's role or responsibility to increase CAP Rate participants' success?

A. Call reps reported customers say they never received the initial application and recertification letters. These letters need to be sent out by the computer system and should not depend on the Call reps hand-addressing and stuffing envelopes. Currently, Call reps must hand-address envelopes and fill out forms within the time limit of the same call. They are often doing this paperwork while picking up a new inbound call. One interviewee computer prepared mailings would reduce distraction during the new call and make their jobs much easier.

One interviewee expressed frustration in trying to help customers who are sincerely trying to make payments and said there really aren't a lot of choices for someone who can't pay. He also felt CAP Rate customers should be offered more than one payment arrangement.

#### L. OSI Call Center

Out-Sourced, Inc. (OSI), Pittsburgh, PA, has a history of providing credit and collection services for several utilities and other institutions. OSI serves as the Universal Services call center for CAP Rate, getting inbound calls from existing and potential CAP Rate customers, as well as referral and transfer calls from PECO's main

customer service line and NCO. OSI's hours are 7 am to 8 pm Monday through Friday and 9 am to 1 pm on Saturdays.

OSI's functions are evolving and they are becoming the main call center for Universal Services and Cap Rate. The evaluation team made four visits to OSI over two years, in October 2000, August 2001, August 2002 and September 2002. OSI's primary job is to process the enrollment applications, verify income for all new enrollees and do annual recertifications of existing CAP Rate customers.

OSI also has an outbound call collection function that began July 2001. These are calls made to delinquent pre-termination CAP Rate accounts. OSI uses "soft" collections tactics. A Call representative said they are not aggressive and try to keep things friendly. She added that the outbound Call representatives get a very good response from customers on the outbound calls and customers actually sound grateful for the call.

"Here at OSI it's like doing social work...I like that aspect."<sup>83</sup>

The OSI call center was observed to be intentionally more people-oriented and sensitive to the needs of low-income, payment-troubled customers than NCO. The physical space is smaller, quieter, with good acoustics in the main call center and with noise levels considerably lower than at NCO. Other agencies using OSI for collection activities are physically separated from the PECo call area.

The call volume at OSI is considerably less than NCO and the number of Call representative and Back Office staff totals 36 (13 in Back Office and 23 Call reps) compared to about 100 total staff at NCO. NCO, however, handles calls from all PECo customers, not just CAP Rate customers.

OSI's quota time for each inbound call is 5 ½ minutes. Calls requiring language translation are extended to a maximum of 10 minutes. OSI is required to complete and document 6 calls per hour. This is less time per call than NCO offers (5.5 vs. 7 minutes) but fewer completed and documented calls (6 vs. 10 "completes").

Staff receives a half hour lunch break and two 15-minute breaks during the day. Supervisors reported staff offers to skip lunch and help handle heavy call volumes. Staff benefits include an employer paid membership at a nearby gym.

An OSI Call rep said work gets done well at OSI because there is such great teamwork. She added that co-workers are always willing to help in other areas as

<sup>83</sup> Interview with OSI Call representative, 8/17/02

needed. Reported employee turnover for the 3<sup>rd</sup> quarter of 2002 was 3 %. The supervisor said this rate is generally stable throughout the year.

### M. Training and Monitoring at OSI

Training and orientation of new employees for PECO's Universal Services takes 3-5 weeks. An outside consultant is brought in for one day of "soft skills" training. Most Call reps said they had the "soft skills" training before they actually started taking calls. One Call representative interviewed said she did not have the training because she'd started at OSI before it was given. All reps agreed that "soft skills" training was valuable and taught them new ways of looking at human interaction, how to diffuse anger, etc.

The supervisor monitors calls each representative handles. A monitoring form is completed after each session. It is used to provide feedback to the Call rep and records whether the rep "passed" or "failed" the call. The form includes observations and details of the call, such as whether "financials" were taken, if customers were asked about medical conditions that would warrant a medical certificate, referrals were made to energy assistance and/or community based services, and the content of the contact. At the bottom of the monitoring form are notations for "Rep's Demeanor". This includes a Yes/No rating for: courteous/pleasant, clear voice, impolite/argumentative, SCON ("Satisfied with the conversation?") and AYSY ("Are you satisfied?—YES"). In observing the supervisor monitor twenty-four calls over two occasions, two calls failed because the Call rep did not offer the CAP Rate budget payment plan, and another failed because the rep did not gather enough information when it sounded like the customer did not really qualify for CAP.

Each Call rep had, for reference, taped to their computer monitor a neatly cut out the portion of the monitoring form that lists out all the potential fail reasons.

### N. OSI Call Representative Functions

OSI Call Representatives taking inbound calls have the following jobs.

- 1) Call reps **enroll and recertify CAP Rate** customers. Call reps read from a CAP-2 script. Customers are enrolled in CAP Rate immediately if income is verified with the Life-Line Certified phone number. OSI Call reps create the initial application via a dropdown letter menu on the system software, and the letter is mailed out automatically through the system. The customer sends the initial application back to OSI with income verification enclosed then OSI verifies the income and places the qualified customer on CAP Rate.

- 2) OSI **recertifies CAP Rate customers** annually. A recertification letter generated by the system instructs the customer to call OSI to be recertified or to mail back to OSI the recertification application with proof of income attached.
- 3) **Call reps negotiate payment arrangements** with CAP Rate customers who call and say they are having trouble making their payments. Eligible CAP Rate customers may have only one "unkept" (failed) arrangement. OSI takes 'financials' and places the customer on the payment arrangement—current bill + \$15 for Level 1 (0-50% FPL) income and + \$40 for Level 2 income (51-150% FPL). Income Levels 1 and 2 have no finance charge.
- 4) Call reps can place customers on the **CAP Rate budget plan**. During the enrollment phone call, OSI suggests budget billing by explaining the CAP Rate budget from a script. Customers cannot be past due. The CAP Rate budget plan offers \$25 off the regular budget-billing plan. Budget bills are reviewed every 4 months and settlement or 'true-up' occurs in the 12<sup>th</sup> month. Adjustments depend on changes in usage.
- 5) OSI Call reps **offer various payment extensions** in the same way that NCO can. These include the standard 30-day extension, fuel grant extension, medical certificates, and callback extension.
- 6) OSI Call reps **issue Utility Reports** to customers who are no longer eligible for payment arrangements. This job is completed the same way as NCO.
- 7) OSI Call reps **issue medical certificate** extensions. The process to offer the certificate is the same as that used by NCO. NCO processes all medical certificates, so the medical certificate letter and return address goes to NCO, including all faxes from the Doctor's office.

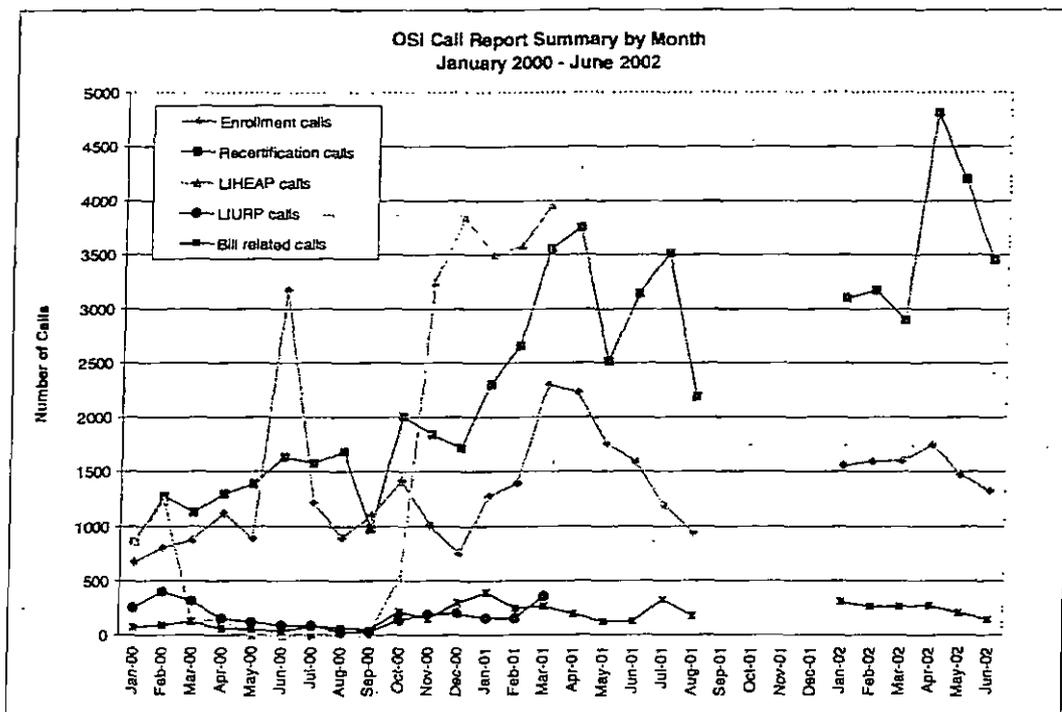


Figure XIII-4: OSI Calls Handled Jan 2000 - June 2002

Figure XIII-4 graphs the number CAP enrollment calls, recertifications, bill related calls, and referrals to LIHEAP and LIURP from January 2000 through June 2002. The increase in LIHEAP calls in the winter months is clearly seen. In March 2001 PECO instructed OSI to stop collecting statistics on LIHEAP and LIURP calls. The gap in the months of data in the graph is data for September to December 2001 that was requested from PECO but not provided.

Recertification calls clearly outnumber the enrollment calls. Bill related calls make up a small portion of calls taken. No statistics were provided by PECO for the numbers of Utility Reports issued, medical certificate information mailed, budget bill plans offered, payment arrangements made or extension calls taken.

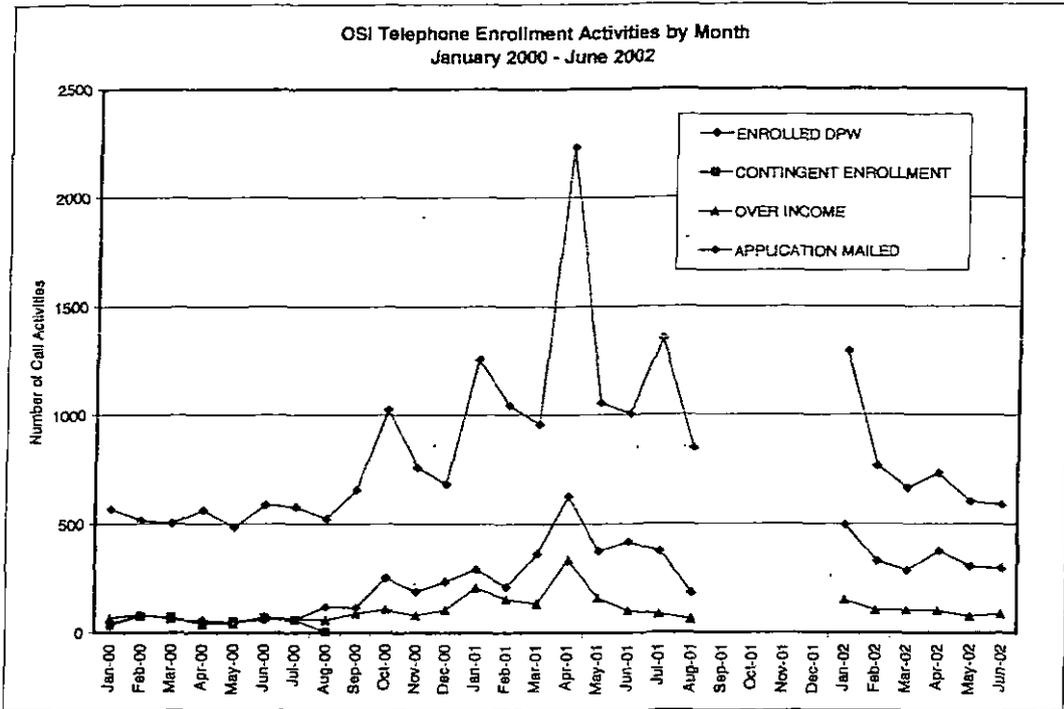


Figure XIII-5: OSI Telephone Enrollment by Month

Figure XIII-5 shows the number of enrollments completed by Call reps on the telephone. It shows *many more applications are mailed* than have income verified through DPW. Applications are sent when the customer's income cannot be DPW verified and it must be documented on paper.

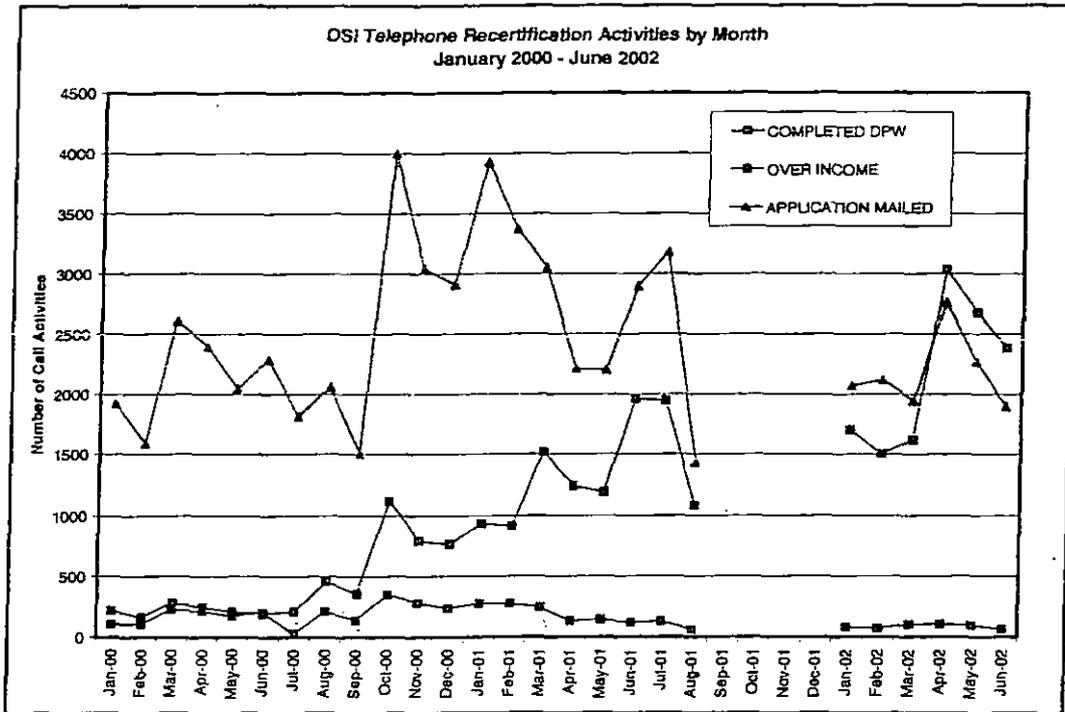


Figure XIII-6: OSI Telephone Recertifications by Month

Figure XIII-6 shows recertifications completed by Call reps on the telephone. The number recertified by DPW is very similar to the number enrolled via DPW. The number of recertification letters sent after phone conversations is much higher than new enrollment letters.

**OSI transfers calls** to PECO Customer Service for meter readings, issues about a CHOICE supplier, high bill complaints, and discontinuation of service.

OSI conducts Outbound Dialer Calls, a new collection strategy for CAP Rate customers, started in July 2001. OSI gets 300-400 delinquent CAP accounts daily from PECO. A script is used by all OSI Call reps. There is no “telemarketer pause” so customers are more likely to stay on the phone for the Call rep. The outbound calls are a positive, personal contact, “soft-skill” approach when the CAP Rate customer falls delinquent. The call is meant to pre-empt further delinquencies and possible CAP Rate default. Considered an “extra step” in customer service, energy assistance and agency referrals are also given.

OSI Call Reps write all daily events on their **Daily Transfer Sheets**, including the following:

- Customers requesting information about CAP Rate
- New enrollments for CAP Rate
- Income verifications through Life-line
- Applicants ineligible because they are over-income
- Those requesting information on the status of their application
- CAP Rate recertifications
- CAP Rate bill "past due" inquiries
- Payment arrangements
- Requests to be put on the CAP rate budget payment plan
- Issuing Utility Reports
- Issuing medical certificates

All calls transferred to another location are included on the transfer sheet. All incoming calls to OSI are manually tallied at the end of the day by each supervisor who collects the transfer sheets from the Call representatives. Calls include transfers to NCO to check on the status of a medical certificate, and calls to PECO for information on supplier CHOICE, meter readings, high bill complaints and requests for discontinuation of service.

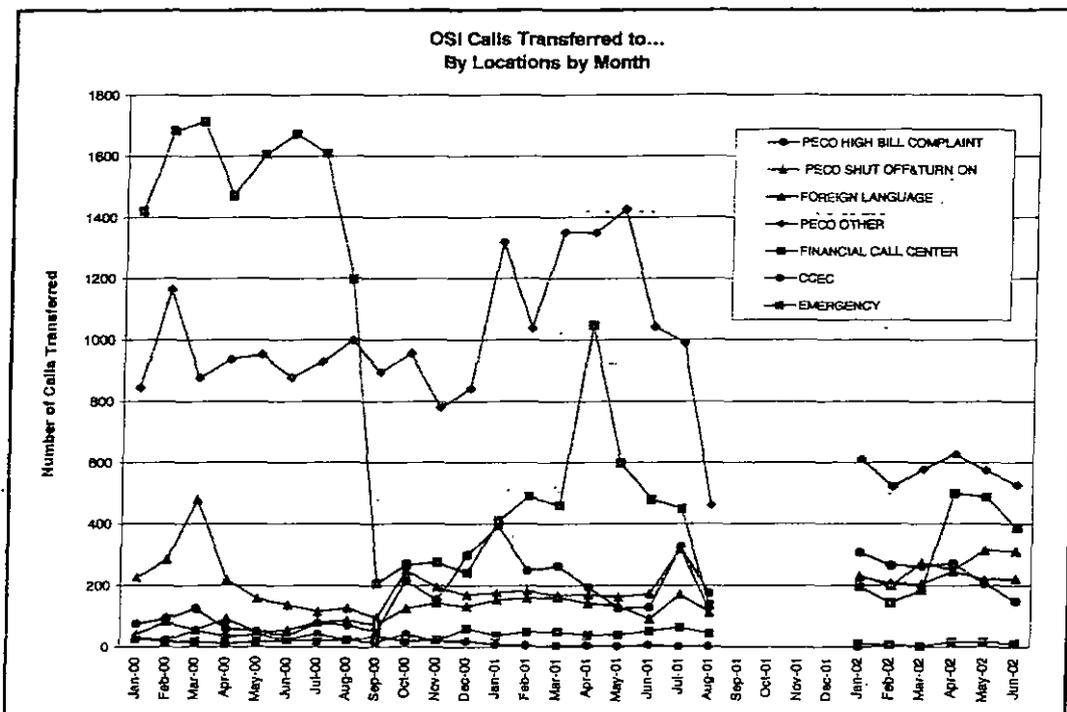


Figure XIII-7: OSI Calls Transferred

Figure XIII-7 is a graph generated from OSI call transfer statistics. The volume of calls transferred has dropped over time. The largest number is classified as "PECo other."

OSI generates letters from a drop-down menu on the system. The menu includes:

- The initial CAP application and accompanying letter introducing CAP Rate
- The application for recertifications and the accompanying "Z-1" "Congratulations it's time to renew" letter
- Letter Z-2, "Haven't heard from you...time to review your gross income".
- Letter Z-3, "We need more information to complete the recertification process..."
- Recertification complete letter, "Congratulations...you'll remain in CAP Rate..."
- Recertification letter, "You must provide proof of income..."
- Utility Report
- Medical Certificate

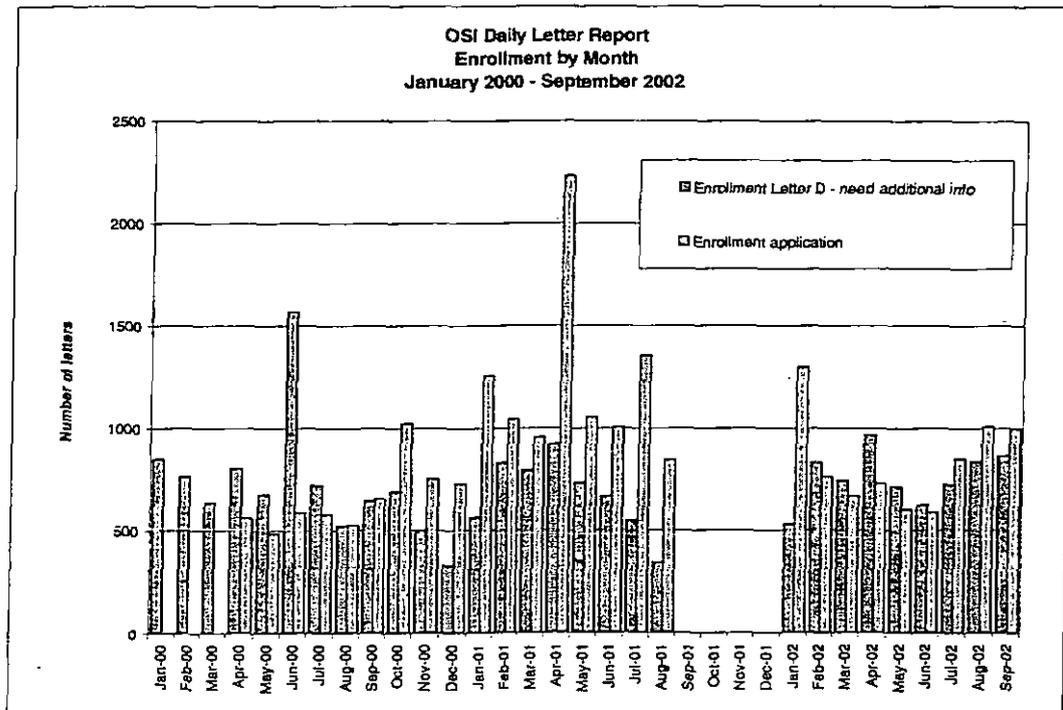


Figure XIII-8: OSI Enrollment Letters Sent

Figure XIII-8 graphs the number of enrollment applications mailed and second enrollment letter (Letter D) asking the customer for more information. More enrollment applications than second letters are mailed from October 2000 through January 2002. The numbers appear to even out during 2002 with 600-1000 letters of each kind sent. Again, gaps indicate no available data.

Figure XIII-9 graphs the various recertification letters sent. It is clear that much more activity surrounds recertification than enrollment. Much effort is needed to recertify the customer. Improving the letters (discussed in Section XVIII of this report) could improve customer response. The heavy red line shows the completed recertifications.

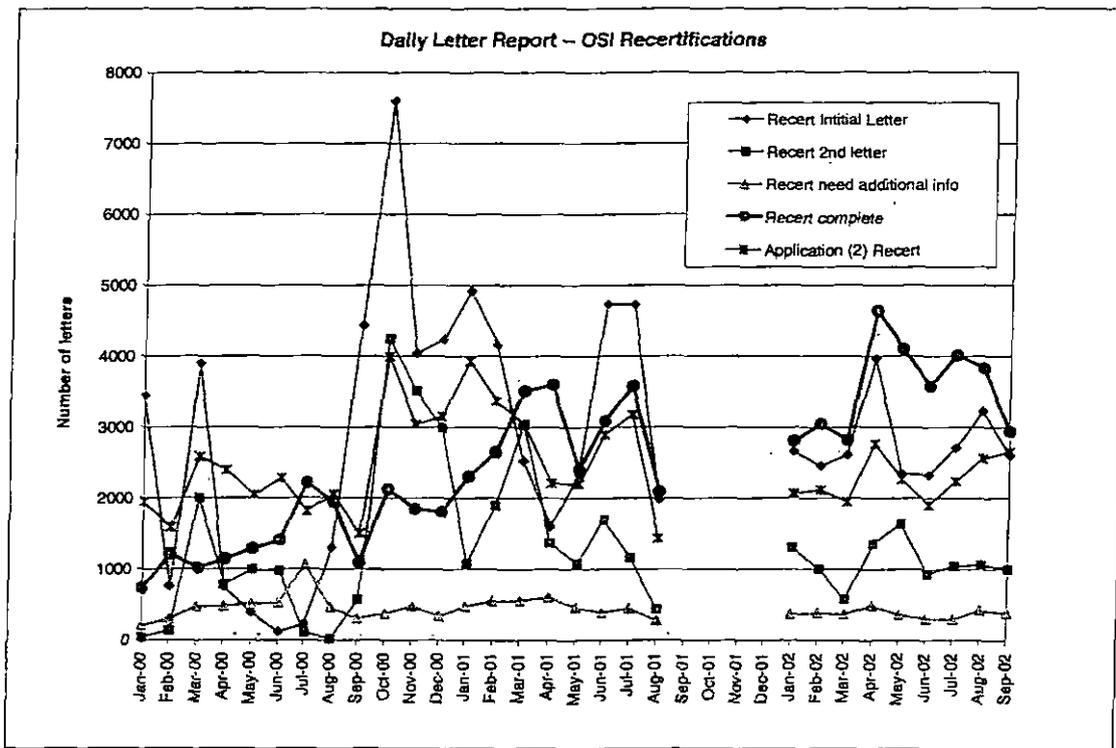


Figure XIII-9: OSI Recertification Letters

Upon request, OSI mails customers the booklet "Does Your Money Run Out Before The Month Does?" This booklet and the graphs showing numbers mailed can be found in Section XVIII of this report.

## O. OSI Back Office Functions

OSI's "Back Office" staff of 19 work separately from the main Call reps. They all are cross-trained and do different jobs as needed. Five of the 19 work only on PUC complaints, PARS and Complex PUC reports.

Each Back Office staff person manually completes a "**Daily Work Completed**" sheet which tracks the number of new enrollments, the number of refusals (enrollment rejections), recertifications, the FTC list entries, the Open Final (OPFL) list entries and letters sent.

Back Office staff process **PUC CAP Rate Complaints**. There are dedicated staff who process complaints (80% dedicated time). OSI now processes all CAP Rate PUC PARS (Payment Arrangement Request) cases. Since March 2002, processed PARS cases have increased to 200 per month. The new "Citrix" computer system is a shared drive between OSI, PECO and PECO regulatory that enables one-day turn-a-round in information exchange. PUC Complex cases include complaints about something other than payment arrangements. These often require much research before writing and turn-a-round averages three days.

Back Office staff process the **OPFL (Open Final List)**. There are 9 dedicated staff, who work on this 10 to 15% of their time. The list includes CAP Rate customers whose accounts have closed. Accounts need to be checked to see if they are "finaled" with no future service, or whether customers have moved to another address. If the CAP Rate customer has moved to another address the account balance and CAP pre-program arrearage has to be transferred to the new address.

Back Office staff process the **FTC list (Form to Customer List)**. This is a weekly function, 15 % of dedicated staff time is allotted. There are about 56,000 names on this list, and staff work from the bottom of list with most recent entries. This list includes new enrollments, recertifications, 1<sup>st</sup> and 2<sup>nd</sup> letters that result from failure to reverify, and removals. These letters are generated from the "wait date" on the CAP-2 screen.

Back Office staff process **income verifications** from daily mail. This is a priority, utilizing about 60% of dedicated staff time. 2200 letters are received each week. The applications and income verification that come into OSI every day have to be entered manually on each CAP Rate customer's account. These include:

- New CAP Rate applications and proof of income verifications
- Recertification applications and proof of income verifications
- Proof of income verifications from the Back Office fax

OSI generates and mails 5000 letters each week. If the income verification form is incomplete, a follow-up letter is mailed with a handwritten explanation about what's missing. Accounts receiving these letters are included in a "Follow-up File." Accounts are checked two weeks after mailing to determine if responses have been received.

Back Office staff process the **CBNX List (Current Bill Next)**. On this list, only the entries that say "CBNX credit" are worked. The list includes CAP Rate customers who have a credit at "current CAP amount due" entry. Money needs to be moved to show the credit on the "pre-program arrears" and not the "amount due". This credit can occur because a row of estimated bills may have been estimated too high, the current LIHEAP grant may have been applied to "current due" instead of "pre-program arrears" (i.e., CAP arrears), or because the customer paid extra on the bill. This has to be moved manually by Back Office. Sometimes the customer calls to remind PECO where they want the money credited.

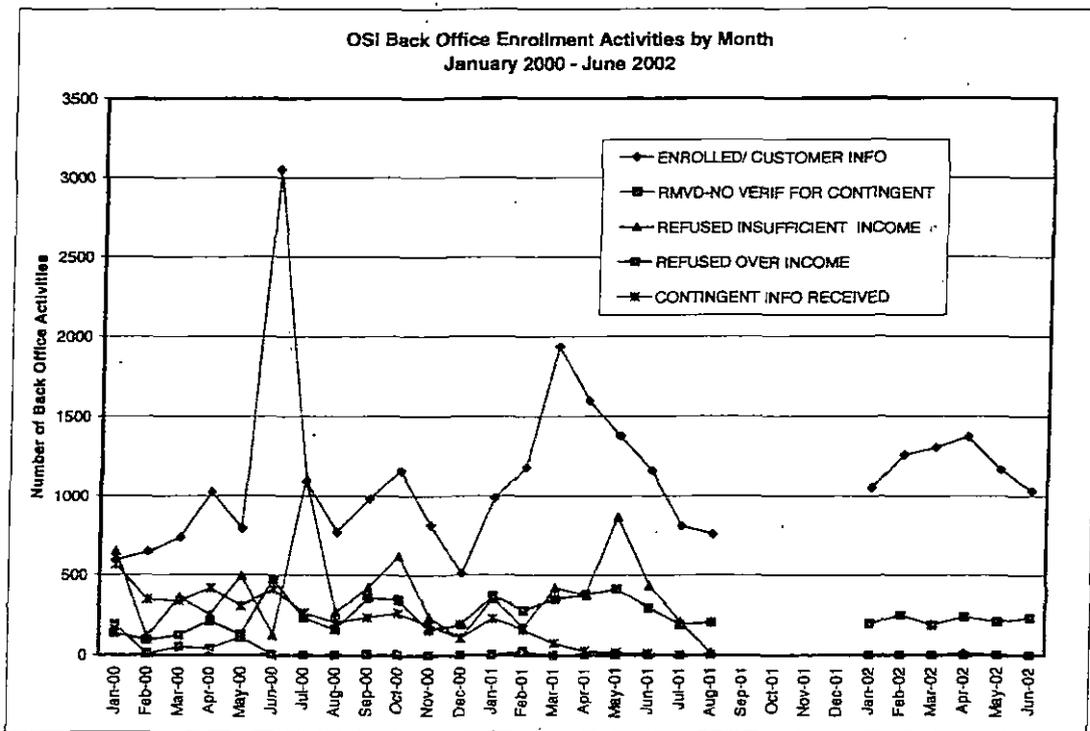


Figure XIII-10: OSI Back Office Enrollments

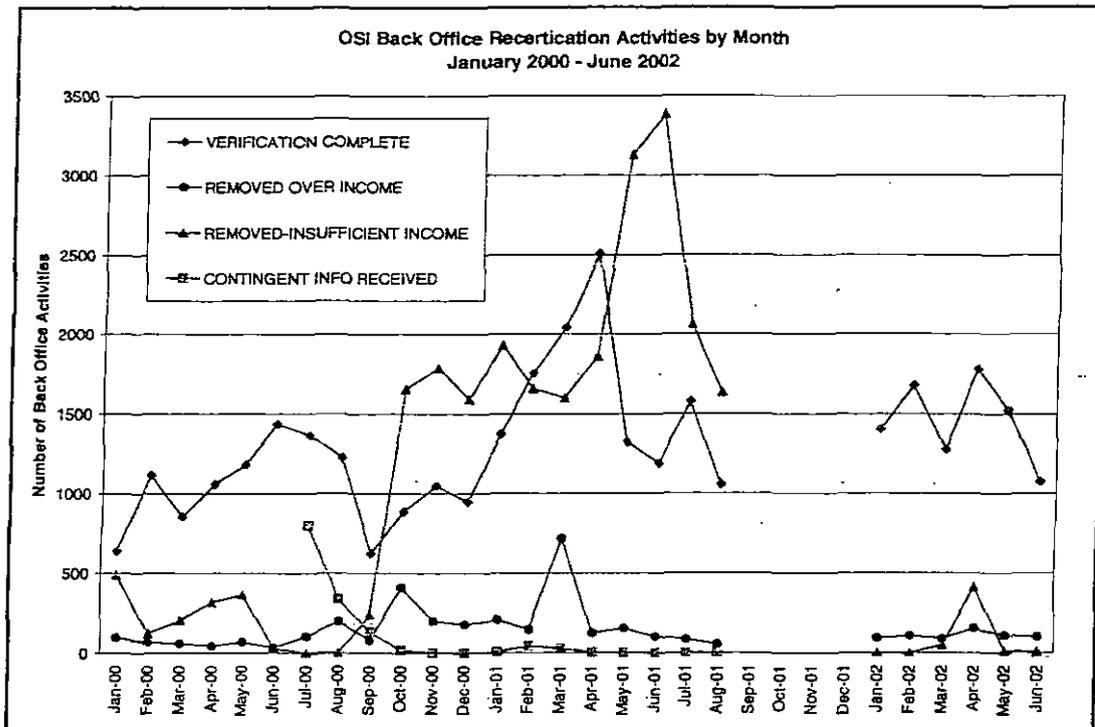


Figure XIII-11: OSI Back Office Recertifications

Figure XIII-10 shows the number of Back Office enrollments from January 2000 to June 2002. Figure XIII-11 show the number of Back Office recertifications for the same time period. The number refused enrollment or recertification for insufficient income information dropped significantly in 2002. The number refused because they are over-income has remained about the same over time.

**P. The Back Office Boxes**

Because of the large volume of mail and lists coming into OSI Back Office daily, the filing and storage system consists of rows of cardboard "banker" boxes. The Back Office staff enters data into the system software and the hard copies from the mail are filed in the boxes by the date the data was entered. Box contents include the FTC lists, the letter report list, and the applications and recertifications received from all CAP Rate customers, except those whose income has already been verified on the "Life-Line Certified" phone line.

After the incoming mail sort each morning, everyone in Back Office processes twenty letters, verifying income and accuracy of the applications and then enters the data on the CAP-2 screen. They are never more than three days behind in the Back Office mail process.

### **Q. Back Office Follow-Up Phone Calls**

After the initial CAP Rate application is received and the income is verified, the customer is placed on CAP Rate. Then Back Office staff makes one call to each new enrollee residence. This telephone call informs the customer what their discount will be, when the first payment is due on the new CAP Rate, and how much the current CAP arrears is and how it will be "set-aside." The staff person also explains arrearage forgiveness, LIHEAP and the CAP Rate budget payment plan. The annual recertification requirement was not mentioned in the interviews, but may have occurred, however the evaluation team was not able to monitor these calls.

The phone call is the only way a customer knows they are on CAP Rate. *The written letter informing the customer that they are now on the discount rate has been discontinued.* The Back Office staff leaves messages on answering machines, but if the first call is unanswered, *there is no second contact attempt.*

Successful calls and messages left on answering machines are logged on the Back Office "Daily Work Completed" form and entered under "Remarks" on-screen. The supervisor did not have numbers tracking how many successful phone contacts were completed versus unsuccessful attempts. *The evaluators believe this is CAP Rate implementation data that is vitally important.* Since no letters or 'welcome' packages are sent to customers, the phone call is very important. *Stopping after one unsuccessful attempt is short-changing the customer.*

### **R. OSI Monitored Calls**

There were 17 OSI inbound calls monitored by an evaluation team member on 11/1/00 and 37 OSI inbound calls monitored on 8/15, 8/16, and 8/29/02. These calls were observed while sitting with the Call representative where we could see the computer monitor, or from outside the call room listening on a 2-way headset without a computer monitor view. There were 8 outbound dialer collection calls monitored while sitting with the Call rep using a 2-way headset with the monitor in view. On 12/13/01 there were 14 OSI inbound calls monitored from the PECO office in Philadelphia.

The following issues emerged during 75 OSI monitoring calls.

Issue	Number of occurrences:
New CAP Rate enrollee, Call representative gave little or no explanation about CAP Rate	6
Existing CAP Rate customer called in for apparent recertification; did not know they were on CAP Rate, "I got a letter saying I was to call this number."	6
Customer called in for apparent recertification but Call representative did not explain or refer to it as such during the conversation	1
Customer called to say she hadn't received the CAP application yet; had requested it a month ago.	1
New CAP Rate customer asked if there was "an information packet that could be sent out that explains the program?"	2
New CAP Rate customer was offered the CAP Rate budget payment plan but the representative did not subtract \$25 off the regular budget payment plan; budget payment plan stayed the same even though on CAP Rate	2
Call representatives gave Energy Assistance referrals, MEAF and/or UESF	12
New CAP enrollment, representative did <u>not</u> explain or refer to LIHEAP	4
New CAP enrollment, representative told about LIURP Weatherization	1
CAP Rate customer called concerned about high kWh usage; representative did not refer to LIURP	1
CAP Rate didn't transfer when customer moved	1
Call rep gave misleading information: "If you drop off this program you can't get back on it again." "Do you want to go on the Cap Rate budget? You can still get the 50% off."	3
Missed opportunities for possible CARES referrals: Serious illness; hours cut at work; job lay-offs; all had 10 day shut-off notices. Confused, frail-sounding senior on CAP Rate was issued a Utility Report. In termination and no income. Exhausted pay arrangements and community help and in termination.	6

During the initial enrollment calls, only one of the Call reps mentioned that arrearage forgiveness reduces the pre-program arrearage to \$500 with 6 consecutive on-time payments. However, the evaluation team did not always have access to the computer screen and pre-program arrearages information, and it was possible that these customers did not have arrearages greater than \$500 at the time they enrolled in CAP Rate.

### **Recommendations:**

CARES referral needs to expand beyond seniors with high out-of-pocket medical expenses. Customers who are experiencing serious medical conditions, job lay-offs and cutback in work hours are also "special needs" inability-to-pay customers at any age.

Consistent language should be used during all contacts. PECO should decide how to term certain functions and then instruct the call centers to use the same terminology. For example, customers called OSI apparently to re-certify for CAP Rate. The customer said, "I got a letter from CAP saying I'm going to lose this program if I don't respond". The Call rep took financials, instructed the customer what to do, but never mentioned required annual recertification, or use alternate words such as renewal, reverification, review or re-evaluation.

PECO needs to decide what to call the various functions and then use those same words or phrases on a consistent basis in all customer phone and letter contacts. The recertification applications say "Application for Recertification", but in the Z-1 letter, the process is called "time to review your income". The Z-2 letter calls the process, "review" and "re-certify". This is easier to understand. Using one or several synonyms, or even an entire sentence, with the intended term provides more clarity. For example, the remaining letters having to do with "re-certification" should communicate exactly that, "Congratulations, you have successfully completed your annual CAP Rate re-certification process".

The letter that accompanies the initial CAP Rate enrollment application form never mentions the annual re-certification requirement. This should be added to the letter using consistent language PECO.

### **S. OSI Referrals to Community Services**

Call representatives mail the booklet "Does Your Money Run Out Before the Month Does?" listing energy assistance and agency referrals. These booklets are mailed when the customer requests more information or expresses the need for assistance from a community-based organization. The representatives also give the numbers of LIHEAP, CRISIS, and fuel grants to customers while on the phone, as needed.

Call reps didn't mention CARES when they were asked how customers were referred to social service agencies or energy assistance. The call supervisor said there was a CARES file kept for customers who are over the Federal Poverty Income Guidelines by \$5 or \$10 and may protest the guidelines. This file is given to PECO and they make the final decision regarding CAP enrollment. However, the Call representatives did

not know about this file, did not know "CARES" by name, and were not making any exceptions to the Federal Poverty Income Guidelines. One Call representative said the rules had to be followed and said if a customer is \$1 over they can't be placed in CAP Rate, no matter what their situation was.

**Recommendation:**

CARES should immediately be integrated into guidelines for referrals. CARES should be clearly explained to all personnel at the call centers. This directive should come from PECO and adequate follow-on training and outreach should be conducted regarding CARES.

**T. OSI Interviews with Call Representatives and Back Office Employees**

Interviews were conducted at OSI on 10/31/00 and 11/1/00 with 3 Call reps, two supervisors, and the Operations Manager. On 8/17/01 interviews were conducted with 8 Call representatives. On September 18<sup>th</sup> and 19<sup>th</sup>, 2002, we interviewed 5 Back Office employees, two supervisors, and the Assistant Operations Manager.

The following summarizes key questions and answers during these visits.

Q. How would you characterize the implementation of Universal Services so far?

A. All Call reps had many positive things to say about the way they handled CAP Rate. They felt they were running the program very well and that it was going smoothly. Customers can speak to a supervisor if they think there's "a problem." Several Call reps and Back Office staff mentioned how helpful and affirming the OSI supervisors were. Both groups described how helpful everyone is, how willing their co-workers are to help out when things get extremely busy and that the Call reps helped the Back Office when needed. Staff said they all got along as far as inter-office relationships are concerned.

Q. Have there been any problems or glitches that you know of?

A. One person mentioned some glitches with the CAP Rate budget billing accounts. Customers on the CAP Rate budget were mistakenly taken off and then were put back on for the next billing cycle. She also mentioned that sometimes the LIHEAP grant is applied to the current amount due, rather than the CAP pre-program arrears. This results in a credit appearing erroneously on the current amount due when a pre-CAP arrearage still exists. Transferring balances in OPFL accounts was named as a problem by another OSI staff member.

Back Office staff agreed in the interviews conducted in September 2002 that a system glitch existed. They noted the CAP Rate UPCP screen doesn't update when a new enrollment or recertification is entered. They discovered this when going back to the account later and discovering that the updates they entered did not appear on the screen. This seemed to happen only when there are two actions going on in the system at one time, that is, when the bill is generated by the system and when a UPCP entry is being made. The Call reps and Back Office staff found this happens only during a 6-day window. It occurred 3 days before the bill is generated and 3 days after the bill goes out. PECO Universal Services is aware of the problem and trying to resolve it.

The Call representatives mentioned that human errors can occur and frequently the errors are caught at OSI. They said they have seen this mostly from NCO when a CAP Rate customer has service restored after termination. Often the customer is placed on a regular payment arrangement rather than being reinstated to Cap Rate. OSI usually catches this and places them back on CAP in the active CAP-2 screen.

Several interviewees also said it can sometimes take 3-5 months before the energy assistance grants appear on an account. This requires a lot of follow-up that is prone to human error both by the call centers and by the customer. The customer is to call in when they know they have received a grant and report how much it is going to be. But often customers have trouble getting through on the LIHEAP number and do not call OSI back to say how much they've received. Sometimes there are discrepancies between what the customers say they are going to receive and what they actually get several months later. Fuel grant extensions can only put a 'hold' on termination for 90 days.

Q. Which Universal Service components are you involved with?

A. All interviewees said they are involved with CAP Rate taking phone calls, processing CAP Rate enrollments, recertifications, payment arrangements, and general CAP processes. Three representatives recognized that energy assistance referrals and general agency referrals were part of the Universal Service process.

Q. What if the customer says they have no income?

A. If the customer reports no income, OSI cannot offer CAP Rate at that time. They can give them the agency referrals list only. Supervisors and reps also said they ask customers to send a letter that states where they are receiving financial assistance. For example, someone can have no income but a relative pays the bills. These people could qualify for CAP Rate. (During the October 2000 visit OSI requested PECO provide directive on retaining customers with no income in CAP.)

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Q. What happens if the customer says they can't make the payments offered in the agreement at the time offered?

A. A Utility Report is issued and energy assistance or agency referrals are made. A medical certificate is also issued if needed.

Q. What management reports do you use?

A. Each rep tracks all incoming calls on a desktop "Transfer Sheet" form. These include customer calls requesting CAP Rate information, new enrollments for CAP Rate, recertifications, past due inquiries, payment arrangements, Utility Reports and those requesting medical certificates. It also includes those who are over-income for CAP Rate and whose income was verified by the Life-line Certified phone number.

All calls transferred to another location, such as PECO's customer service, are also tracked. These calls include supplier CHOICE calls, meter readings and high bill complaints. Outbound bill collection calls are also recorded on this Transfer Sheet.

At close of business daily, each representative gives his or her Transfer Sheet to the Supervisor. The calls are manually summarized into a single tally for that day.

When the computer system fails, they use a 'call back' sheet so customers can be called back after the system is on-line again.

Q. Review of the termination process. What happens to the arrearage in CAP Rate? What about the \$500 for a CAP customer?

A. OSI supervisors said a "callback extension" stops a collection action. OSI, NCO and PECO Customer Service can all initiate a callback extension if a just enrolled CAP Rate customer has a shut-off notice pending within the next 24-48 hours. Collection activity can be brought to a halt by notifying the vendor who was scheduled to disconnect the service. A "Pull-off Process" given to the vendor means the directive to shut off the customer's service is literally "pulled off the street" and service will not be terminated. This "CAP-eligible callback extension" lasts 15 days so the system will show the customer is successfully enrolled in CAP Rate and the pre-program arrearage is set-aside. The first CAP Rate bill will be received in the next regular billing cycle.

In August 2001, Back Office representative said non-CAP customers about to be shut-off could call in at the last minute to ask about CAP Rate. If the customer had received a 48-hour shut-off notice, they could be shut off in two days, and if there is no "hold" placed on the account or they do not pay, they will be shut-off. However, if the customer calls to inquire about CAP Rate and fax enrollment applications to OSI,

they can keep from being shut-off. A "hold" can be placed on the UPCP screen after the income verification is faxed to OSI.

Another Back Office representative said if a low-income customer has a Utility Report but enrolls in CAP Rate, the Utility Report is canceled.

No one discussed the status of pre-program arrearage when service is terminated and restored.

Q. Walk through the procedures used to place someone on CAP Rate. (This can be from the perspective of the Call representative or the Back Office.)

A. The Call reps take the financials at the time of the call and it's entered on the UPCP screen. Income verifications are processed in the Back Office unless they are DPW, SS, SSI or SSD and income is verified through Life-line. Then the system software automatically determines if the customer is Level 1 (0-50% FPL & 50% discount) or Level 2 income (51-150% FPL & 25% discount). Based on the level of income, the representative manually puts an 'X' on the UPCP screen marking the correct discount, 50% or 25%.

If the account is already in collection action, and the customer is CAP eligible, a "callback extension" is issued to stop that action. A "callback extension" prevents a termination scheduled to occur within the next 24-48 hours. If termination is more than 48 hours away, the system will stop other collection actions.

Q. Service restoration: What does OSI tell customers they need to do to restore service? What types of payments are needed, e.g., deposit, arrearage, current bill. Can you tell if a person was on CAP Rate?

A. An OSI supervisor answered this saying "A customer who's had service restored who was previously a CAP Rate customer should be put back on CAP Rate as soon as the account is pulled up." It shows on the CAP-2 screen that they are still on CAP Rate. However, she said that OSI catches mistakes by NCO representatives who make a regular budget payment plan or payment arrangement and fail to put customers back on the CAP discount.

Q. Do you equalize the number of people enrolling in CAP with the number of people leaving? Do some people have to wait to enroll until others leave?

A. All Call representatives interviewed said "No", they had never heard of this happening, and they are constantly enrolling customers.

Back office workers all said "No", during the more recent interviews conducted on 9/18/02. However, during the interviews one year previous with Back Office staff, three persons interviewed did understand that this had happened in the past; they did put some applications on hold until others were removed. They said it happened February and June of 2001. They were told to look through the screens to see who could be terminated. Then they added, "Yes, we do have to equalize the number of customers enrolling with the number of customers leaving, especially if the maximum numbers are approaching". Other Back Office staff said there are sometimes caps on enrollment or removals, but not an equalization process.

Q. Do you have any suggestions to enhance customer understanding of CAP Rate, especially during the initial enrollment?

A. Six of eight Call representatives interviewed felt there should be an enrollment package sent out to new CAP Rate customers. They added that even though they feel they explain things well on the phone, most people remember better by reading something. They stressed that the package should include details about CAP Rate and how it works, the benefits, reminders to recertify every year, information about energy assistance grants and other agency referrals. Another representative added that ALL new CAP Rate customers should get the booklet, "Does Your Money Run Out Before the Month Does?"

All the Back Office staff interviewed felt that the PECO CAP Rate bill is hard for customers to read and that customers can't tell if they are on CAP Rate because it's not stated prominently on the bill. Customers also have a hard time seeing how much is due. The Back Office staff said OSI gets many calls simply because customers are confused by the bill and can't tell how much to pay each month.

Q. Is there anything you would suggest to make Universal Services better?

A. Back Office staff would like to be able to pull up accounts on the OPFL list by social security number as well as by name, address or phone number. Some are highly transient customers who have moved and also sometimes changed their name and phone number. It is very difficult to track these customers.

Q. Do you think there are barriers in CAP Rate that might keep someone out who should be enrolled?

A. Almost all interviewees felt that the rigidity and inflexibility of the income guidelines were unfortunate. They said many times the customer was \$1 or \$2 over the guidelines but that 'rules were rules' and could not be bent. Some added that when customers report income by phone they may appear slightly over-income, but most

Call representatives send an application anyway. They said sometimes the customer actually qualifies. Others said they tell the customer to call back if their income changes. All felt sorry for seniors who were slightly over-income and couldn't be enrolled.

In a later September visit, we found exceptions were being made for seniors slightly over-income, or with high out-of-pocket medical expenses. These cases are approved on a case-by-case basis by the Call representative supervisor and were being enrolled in CAP Rate. These cases are kept in a CARES file and recorded as CARES. PECO Universal Services is also alerted to these special CARES cases. There have been 8 such cases since December 2001.<sup>84</sup>

Q. Why do you think people do not recertify for CAP Rate?

A. Eight of the interviewees said that customers repeatedly say there are problems with the mail and they don't receive the letters. However, reps found it hard to believe that letters weren't received since customers were mailed 2 and 3 reminder letters. The Call representatives added that they think people get too pre-occupied and set the mail aside, not opening it and forgetting about it. Others said they think customers don't want the hassle of sending in income documentation

#### **Recommendations:**

- 1) Consider allowing customers with zero income to be enrolled in CAP Rate for a period of three months. After that three-month period, if the customer still reports zero income, he/she would no longer be eligible for CAP Rate and would be removed.
- 2) Allow CAP Rate customers to have two "unkept" payment arrangements like other PECO customers. Extenuating circumstances are sometimes unavoidable and call for the more flexibility in payment arrangements than allowed in present bill collection strategies, procedures and computer system software.

#### **U. Recertification and the "Revolving Door"**

In September 2001, PECO stopped removing customers from CAP Rate who failed to recertify annually and now removes only those customers whose incomes are too high. PECO found that after customers were being removed for failure to re-certify, the customer saw the higher rate on the next bill and called asking, "Why was I taken off CAP Rate?" When the financials were taken, in most cases the income was the same. PECO saw added administrative costs when "failure to re-certify" customers went off and on CAP Rate, calling it a "revolving door" issue.

<sup>84</sup> Based on interview with OSI staff September 19, 2002.

PECo ran a pilot for a few months to learn why customers had not responded to the letters. All "failure to re-certify" customers were called by phone and asked why they had not recertified for CAP Rate. PECO reported the results were inconclusive. A "FINAL NOTICE" heading was added at the top of the recertification letters, but this did not change customers' responses. The recertification letters are still being sent by OSI. The recertification letters are reviewed in Section XVIII of this evaluation report. The letters are unclear and do not discuss the specifics of CAP Rate. Improvements in the letters could bring improvements in response.

**Recommendations:**

- 1) In reviewing the initial cover letter that accompanies the CAP Rate Application, an explanation of some basic CAP Rate benefits and components are given. This letter includes the 150% income threshold and the CAP Rate discount on the first 500 kWh's. However, neither the annual recertification requirement nor arrearage forgiveness is mentioned. Both should be communicated clearly.
- 2) Customers who have their income verified by the "Life-Line Certified" number do not receive the above-mentioned letter. Hence, they have neither a written overview of the CAP Rate, nor details of its discount or benefits. This is contrary to the theory of Customer Assistance Programs: customers need to know the features of the program, what is expected on their part, and what the program rules are.
- 3) As previously recommended, it is essential to develop a new Customer CAP Rate Orientation Packet that clearly explains the Rate and its benefits. This packet should be mailed out to all CAP Rate customers.

**V. The CAP Rate Budget Payment Plan**

Supervisors and Call Reps at both call centers said the CAP Rate budget payment plan is pushed and encouraged.

Customers (CAP Rate and non-CAP Rate) who have a past due balance do not qualify for the budget payment plan. On the face of it, a more reasonable policy would be to make the budget plan available for all customers because customers with a past due balance may need a budget plan. However, it should be noted that PECO's policy in this respect is consistent with policy of other utilities. The computer generated budget payment amount is shown on-screen when viewing a CAP Rate customer's account. The regular budget payment plan is calculated by taking the prior 12 months of usage and dividing by 11 months. The 12<sup>th</sup> month is the settlement or 'true-up' month. For CAP Rate customers who opt for the CAP Rate budget, \$25 is subtracted (manually,

by hand calculator) from the regular budget payment plan shown on-screen. For example, if the calculated budget payment plan is \$100, the Call rep lowers it by \$25 for a CAP Rate budget payment of \$75. Level 1 and Level 2 income both get \$25 off the regular budget payment plan.

If the customer doesn't opt for the CAP Rate budget payment plan, CAP Rate customers are offered the CAP Rate discount.

Much conflicting information was given to customers about the CAP Rate budget plan. Call reps at both OSI and NCO explained the CAP Rate budget payment plan as taking \$25 off the regular budget payment plan for Level 1 customers and \$15 off the regular budget plan for Level 2 income customers. At both OSI and NCO, Call reps offered the CAP Rate budget payment plan but didn't manually deduct \$25 on the computer. One NCO Call rep interviewed was very confused about the CAP Rate budget payment plan and admitted not really knowing what it was.

The script for the CAP Rate budget payment plan used by the Call reps is concise and clear. It asks whether the CAP Rate customer is interested in the CAP Rate budget. It explains that if the customer accepts the CAP-2 budget payment plan, \$25 will be subtracted from their regular budget plan due to the discount.

The CAP Rate Budget billing is discussed in more detail in Section XIX of this report.

**RECEIVED**

OCT 04 2002

OFFICE OF  
CONSUMER ADVOCATE

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PECO Energy Company's Submission of :  
Universal Service and Energy Conservation : DOCKET NO. M-00001418  
Plan in Compliance with Section 54.74 : R-\_\_\_\_\_

**PETITION FOR EXPEDITED APPROVAL OF  
CONSENSUS MODIFICATIONS  
TO PECO ENERGY COMPANY'S  
UNIVERSAL SERVICE PROGRAM  
AND ASSOCIATED TARIFF CHANGES**

October 1, 2002

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Exhibit "D" '90

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APPENDIX A Information submitted in compliance with 52 Pa. Code § 53.51 et seq. and proposed tariff pages.  
APPENDIX B Universal Services Flow Chart

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PECO Energy Company's Submission of :  
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Plan in Compliance with Section 54.74 :  
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**PETITION FOR EXPEDITED APPROVAL OF  
CONSENSUS MODIFICATIONS  
TO PECO ENERGY COMPANY'S  
UNIVERSAL SERVICE PROGRAM  
AND ASSOCIATED TARIFF CHANGES**

In accordance with the Commission's September 29, 2000 Order in this proceeding and paragraphs 30-33 of the "Joint Petition for Settlement" in Docket No. A-110550F0147, PECO Energy Company ("PECO" or "the Company") hereby submits this Petition for Expedited Approval of Consensus Modifications to PECO Energy Company's Universal Service Program and Associated Tariff Changes ("PECO Universal Services Petition"). See, PECO's Submission of Universal Service and Energy Conservation Plan in Compliance with Section 54.74, Docket No. M-00001418 (Order entered September 29, 2002)("September 29 Order"); PECO Energy Company, Docket No. A-110550F0147, "Joint Petition For Settlement," dated March 24, 2000 ("Merger Settlement"). This petition addresses and resolves all issues identified by the Commission in the September 29 Order, fulfills certain of PECO's obligations from the Merger Settlement pertaining to a "special needs" plan, and resolves other specified issues identified

with respect to the Company's Universal Services program.

The terms and conditions of the PECO Universal Services Petition represent a consensus proposal resulting from the collaborative efforts of PECO Energy and the PECO LIURP Advisory Committee to resolve issues involving the welfare of the low-income "special needs" residential population served under PECO's Electric Service Tariff. The LIURP Advisory Committee members that participated in developing this consensus proposal and support these modifications include the Pennsylvania Office of Consumer Advocate ("OCA"), the Consumer Education and Protective Association ("CEPA"), the Association of Community Organizations and Reform Now ("ACORN"), the Tenants Action Group ("TAG"), the Action Alliance of Senior Citizens ("Action Alliance"), the Pennsylvania Utility Law Project ("PULP"), the Utility Emergency Service Fund ("UESF"), and the Pennsylvania Department of Public Welfare ("PaDPW"). The Philadelphia Area Industrial Energy Users Group participated in the collaborative effort and does not oppose the modifications.

PECO avers that the provisions set forth in this petition are in the public interest and that the rates, terms and conditions of service for the proposed CAP Rate "Special Needs" program applicable to PECO's "special needs" low-income customers are just and reasonable, and otherwise in the public interest. Therefore, PECO requests that the Commission: (1) approve without modification the proposed PECO Universal Services Petition as set forth herein; and (2) approve the proposed tariff changes, appended hereto, that are necessary to implement the new CAP "Special Needs" program, rules and regulations. See Appendix A. Due to the substantial economic and service-related benefits that will be provided PECO's low-income community, PECO requests that the Commission approve the petition and accompanying tariff supplement on

an expedited basis, by no later than December 1, 2002.

In support of its request, PECO states as follows:

### I. SUMMARY OF PETITION

The consensus terms and conditions set forth in this document constitute a means to resolve, fairly and equitably, the universal services issues arising from PECO's Universal Service and Consensus Plan, submitted April 14, 2000 and the Merger Settlement as well as some additional issues addressed herein. Approval of this Petition and implementation of the program modifications and associated tariff changes will create significant benefits for PECO's low-income customer population and avoid protracted litigation. These benefits come in the form of enhanced universal services resources being made available to special needs customers, identified as those customers at the lowest level of poverty with incomes between 0-50% of federal poverty level, through substantial rate discounts under the modified CAP program. The modified CAP program also includes a component to provide additional affordability assistance to those customers whose income is between 0-25% of the federal poverty level and have experienced an extenuating circumstance that affects their continued ability to pay. As such, each of the proposed modifications achieves the goals of the Commission's regulations and policies concerning universal service programs.

Specifically, in response to the September 29 Order, the consensus modifications provide substantial CAP Rate discounts that will benefit "special needs" customers with household incomes of less than 50 percent of federal government poverty level guidelines ("FPL"). As described in detail below at Section III.A, these tariff changes provide three additional tiered rate discounts under the Company's CAP schedule ("CAP Rider A, B, and C") that will now

supplement the two existing CAP Rate tiers I and II (“to be renamed as Cap D and Cap E, respectively”). Eligibility for each tiered rate discount will depend on the relative level of the customer’s household income, whether the customer takes service under Rate R or Rate RH, and whether the customer has “extenuating circumstances” that render it eligible for the steepest discounts. These tariff discounts, for specified usage, range as high as 85% below the otherwise applicable non-CAP Rate for customers with incomes between 0-25% of FPL and, for those customers with incomes between 0-25% of FPL and an identified extenuating circumstance, provide a total bundled fixed monthly charge that lies at the low end of the range identified in the Commission’s CAP Policy Statement, 69 Pa. Code § 69.265(3)

In addition to these rate discounts, the benefits to be provided pursuant to this Petition include:

- (1) Additional staffing resources to be devoted to PECO’s in-house CARES program,
- (2) Enhanced, targeted LIURP measures for customers that fall in the 0-50% of FPL income group;
- (3) Assurances concerning PECO’s Information Technology commitment to its Universal Service Program data warehouse;
- (4) The development of a written and detailed communication, education and outreach program plan that will be developed in cooperation with the PECO LIURP Advisory Board;
- (5) Continued support of local MEAF agencies efforts to obtain hardship contributions from ratepayers;
- (6) New rules concerning eligibility verification for PECO’s CAP program;

- (7) Changes to the medical certification procedures to address medically necessary electric usage and to reduce the burden of certification for those who are chronically or terminally ill; and
- (8) A commitment by PECO to hire an independent evaluator to measure and report on the impact that the program modifications set forth above have on the three groups for which CAP A, B, and C will be created.

Each of these program enhancements respond directly to concerns expressed by the Commission in the September 29 order, the Merger Settlement, or those expressed by members of the LIURP Advisory Committee.

In turn, PECO requests that the Commission find that PECO Energy has complied with the requirements of the September 29, 2000 order in all respects and mark this proceeding closed.

## II. BACKGROUND

This matter has its genesis in PECO's April 14, 2000 filing in compliance with the Commission's *Reporting Requirements for Universal Service and Energy Conservation Programs* at 52 Pa. Code S 54.4 and the Merger Settlement. After several exchanges of information requests from the Commission's Bureau of Consumer Services ("BCS") and PECO, the Commission issued the September 29 Order. That order found the Company's Universal Service and Energy Conservation Programs, in large part, to be in compliance with pertinent provisions of the Electricity Generation Customer Choice and Competition Act ("Electric Restructuring Act"), 66 Pa.C.S. SS 2801-2812. See, PECO's Submission of Universal Service

and Energy Conservation Plan in compliance with Section 54.74, Docket No. M-00001418

(Order entered September 29, 2002)(“September 29 Order”).

Specifically, in the September 29 Order, the Commission made the following findings relative to PECO’s universal service and conservation plans:

The Commission finds that PECO’s universal service plan complies with sections 2803 and 2804(9) of the Act, the reporting requirements at 52 Pa. Code S 54.74, and the Commission’s Final Order approving PECO’s restructuring settlement agreement at Docket No. R-00973953. We also find that PECO’s plan may not adequately comply with Section 2802(10) of the Act and the CAP Policy Statement at 52 Pa.Code § 69.265(2);

September 29 Order at 28.

The Commission ordered PECO to undertake specific steps towards analyzing and possibly enhancing the CAP Rate discounts for certain “special needs” or “safety net” customers:

1. PECO is directed to analyze the cost of extending the CAP rate discount to the entire bill of CAP Rate R base load customers served from January 1, 1998 to December 31, 1998 whose incomes are below 50% of the poverty guidelines and whose usage exceeds 500 kWh per month. This analysis should compare the costs of expanding the discount to the costs of pursuing current collection efforts for this group of customers. This analysis is to be submitted to the Commission’s BCS by November 30, 2000 to ascertain whether a discount applied to the entire bill for this group of customers may significantly decrease the number of customers who might need a “safety net” or “special needs” component to the CAP Rate.

Id.

In addition, in the September 29 Order, the Commission directed PECO to 1) schedule a meeting within 90 days of the date of this order to discuss the status of the CAP Rate R analysis with the Bureau of Consumer Services; 2) to explain the benefits of and to offer budget billing to

its CAP Customers and 3) to provide BCS with a copy of the text to be used regarding their explanation of these offerings and budget billing. Finally, the Commission encouraged the Company to make the determination regarding a "safety net" or "special needs" component to the CAP Rate, if possible, prior to the June 30, 2002 deadline outlined in the Merger Settlement. Merger Settlement, para. 31.

The Merger Settlement also launched a cooperative analysis by the Company and the LIURP Advisory Subcommittee into other aspects of the Company's Universal Service Program.

These terms and conditions include the following:

- **Data Warehouse.** PECO agreed to institute and maintain a customer data warehouse that will include appropriate Universal Service data. Merger Settlement, para. 29.
- **Special Needs CAP Program Evaluation.** The Company agreed to determine the need for a "special needs" program and components of such a program after sufficient Universal Service data was compiled and that, after such information is compiled, evaluate, with the LIURP Advisory Committee, whether a "special needs" component should be added to the Company's CAP Rate programs. Such a "special needs" program should include, but was not limited to, program changes that address the special needs of customers with incomes at or below 50 percent of the federal poverty guidelines. June 30, 2002 was identified as the target date for determining the necessity for and formulation for such a program: If the parties were unable to achieve a consensus on a program by that date, PECO was obligated, within 60 days thereafter, to make a recommendation to the Commission concerning a "special needs" component. Merger Settlement, para. 31.

- **Independent Evaluation.** The Company agreed to permit *H. Gil Peach, PhD* to perform an independent evaluation of whether a special needs component of the Company CAP Rate would be necessary. Such independent evaluation was scheduled for completion by January 31, 2002. Merger Settlement, para. 32. PECO also agreed to provide Dr. Peach access to information stored in the data warehouse. Merger Settlement, para. 30.
- **CAP Participation Levels.** The initial maximum participation level of 100,000 customers in the Electric CAP program specified in Paragraph 34 of the 1998 Electric Restructuring Settlement was increased to a provisional maximum participation level of 125,000 customers subject to revision and adjustment in consultation with the LIURP Advisory Committee when that level is reached. Merger Settlement, para. 34.
- **Universal Service Fund Cost Recovery.** In the event that Electric CAP Rate enrollment reached 90,000 customers, the cost credit recoverable in the Universal Service Fund Cost ("USFC") Section 1307 recovery mechanisms for each CAP Rate customer in excess of 90,000 customers will be \$383 per year in order to recover revenue shortfalls from the CAP Rate discounts. Merger Settlement, para. 35.

In compliance with the September 29 Order and the Merger Settlement, PECO and the PECO LIURP Advisory convened a number of meetings to discuss the various low-income issues set forth for discussion in the Merger Settlement and the September 29 Order. At these meetings, the status of the analysis and recommendations of *H. Gil Peach & Associates* were discussed along with analysis developed by the Company. On June 10, 2002, Dr. Peach submitted his analysis and recommendations for the Company and LIURP Advisory Committee

to consider. As a result of these meetings and thoughtful consideration of the evaluation by Dr. Peach, the various participants in the collaborative process reached a consensus agreement concerning the modifications needed to be made to PECO's Universal Services Program. This petition documents the terms and conditions of that consensus.

### III. TERMS AND CONDITIONS

The terms and conditions of the PECO Universal Services Petition are as follows:

#### A. CAP Rate Modifications

PECO Energy's existing CAP Rate Program is comprised of CAP Rate I and CAP Rate II. CAP Rate I eligibility is open to customers with annual household gross income at or below 100 percent of the Federal poverty income guidelines and provides a nominal 51.9 percent discount on the pricing of the first 500 kWh of usage. CAP Rate II eligibility is open to customers with annual household gross income from 101 percent up to and including 150 percent of the Federal poverty income guidelines and provides a nominal 26 percent discount on the pricing of the first 500 kWh of usage. Among other criteria, CAP Rate I and II customers also must comply with other terms and conditions applicable to energy assistance grants and energy education and conservation programs facilitated by PECO Energy.

The Consensus modifications proposed herein expand the breadth of PECO's CAP Rate services to customers with incomes between 0-50% of FPL with three additional CAP Rate offerings. See Appendix A, pro forma tariff pages. These offerings shall be identified in the PECO Electric Service Tariff as CAP A, B, and C, with the two existing CAP Rate programs, CAP Rate I and II, being renamed as CAP D and E, respectively. CAP A, B and C shall be an

open enrollment program for all eligible customers with a provisional maximum participation level of 40,000 customers. That 40,000-customer enrollment target may be increased by PECO after consultation with the LIURP Advisory Committee when that level is reached.<sup>1</sup> Renamed CAP D and E shall be subject to the same terms and conditions that apply to the existing CAP Rates I and II, respectively.

1) **CAP A.** CAP A will be established for customers with annual household gross income that is equal to or less than 25 percent of FPL and have an identified extenuating circumstance. CAP Rate A is structured as follows:

- CAP A customers that take service under Rate R will be required to pay a total monthly bill of \$12 for all usage up to 1000 kWh. Usage in excess of 1000 kWh per month would be billed the CAP D rate (now CAP Rate I) rate.
- CAP A customers that take service under Rate RH will be required to pay a total monthly bill of \$30 for all usage up to 2000 kWh billed in the winter months of October through May in addition to the month of June and 1000 kWh in the summer months of July, August and September. Usage in excess of those usage thresholds kWh per month will be billed at the CAP D rate.
- “Extenuating Circumstances” customers shall be limited to CAP Rate customers who otherwise demonstrate an inability to pay their bills as a result of unique circumstances such as those related to health (injury, illness, disability, high medical bills, medically related electric usage, death in the family), sudden loss of employment, the presence of high risk household members (children below 8 years of age, disabled individuals, or infirm elderly), an inability to comply with at least 2 non CAP A payment arrangements, or high non-discretionary electric usage related to shelter conditions not susceptible to mitigation through LIURP measures.
- CAP A enrollment will be limited to no more than 7,500 “extenuating

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<sup>1</sup> For clarity purposes, the Company notes that the total number of customers enrolled in CAP Rates A, B, C, D and E. will count towards the 90,000 CAP Rate customer threshold identified in Paragraph 35 to the Merger Settlement, for the purpose of the Company’s recovery of the per customer CAP Rate discount revenue shortfall of \$383. Moreover, while the per customer revenue shortfall may increase as a result of the steeper discounts provided for CAP Rates A, B and C, the Company has agreed not to seek recovery of the incremental rate through the Paragraph 35 USFC rate mechanism.

circumstances” customers.

- Additionally, CAP A customers and PECO CARES representatives shall work in a cooperative effort to maximize the amount of government or private financial assistance available to the customer.
- CAP A customers subject to Rate R will also receive assistance from PECO Energy to restore service by other vendors of heating energy so as to reduce usage of electric space heating.
- CAP A customers will not be eligible to shop for generation service provided by a competitive electric generation supplier.
- Finally, CAP A customers will be required to re-certify their eligibility for service under CAP Rate A on an annual basis. In this respect, PECO Energy will evaluate whether a customer’s receipt of a LIHEAP grant would constitute adequate proof of income.

2) **CAP B.** CAP B will be established for customers with annual household gross income that is equal to or less than 25 percent of Federal poverty income guidelines. For service billed in the summer months of July, August and September, eligible customers will be provided a nominal 85 percent rate discount on the first 500 kWh, and a nominal 30 percent discount on the next 100 kWh, of their Rate R or Rate RH service; during the months of October through June, the same customers will receive a nominal 85 percent discount on the first 500 kWh of their bill. All other usage will be assessed the otherwise applicable tariff rate R and RH charges. CAP B customers will not be eligible to shop for generation service provided by a competitive electric generation supplier.

3) **CAP C.** CAP C will be established for customers with annual household gross income that is greater than 25 percent up to and including 50 percent of Federal poverty income guidelines. For service billed in the summer months of July, August and September, eligible customers will be provided a nominal 75 percent rate discount on the first 500 kWh, and a

nominal 30 percent discount on the next 100 kWh, of their Rate R or Rate RH service; for the months of October through June, the same customers will receive a nominal 75 percent discount on the first 500 kWh of their bill. All other usage will be assessed the otherwise applicable tariff rate R and RH charges. CAP C customers will not be eligible to shop for generation service provided by a competitive electric generation supplier.

4) **Miscellaneous CAP Program Changes.** In addition to the three additional CAP Rate tiers, PECO has agreed to make other changes to the CAP Rate program rules regarding medical certification and income verification. As noted above, CAP A customers will be required to re-verify their eligibility for that rate annually. If the customer's circumstances have changed so that they are able to move off of the CAP A program, PECO will place the customer in the most advantageous CAP Rate tier or on the appropriate rate. As for the other CAP Rates (B, C, D, and E), PECO will develop procedures designed to require all CAP customers to re-verify their eligibility every two years. Again, at re-verification, PECO will insure that the customer is in the most advantageous CAP Rate tier or on the most appropriate rate.

As far as the medical certification requirement for CAP Rate customers is concerned, PECO will replace the monthly medical certification requirement for the chronic or terminally ill with a requirement that the customers re-certify every six months; and will enact a health usage and medical certification policy that a) requires that all medically necessary usage will be charged the individual's discounted CAP Rate even where such usage may exceed the kWh discount threshold otherwise stated in the rate and b) provides information, education, and outreach resources which explain the medical certification and CAP rate medical usage policies and procedures to health care providers such as home health care aides, visiting nurses,

physicians, clinics, hospitals, hospital social workers and respite care centers.

The Company's arrearage forgiveness component to the CAP Rate will continue. Customers who qualify and are placed on the CAP Rider will have their pre-program arrearage forgiven if they remain current on their CAP bill for six consecutive months. The development of any new arrearage during this period will delay forgiveness. Customers that develop any new arrearage will be offered a payment agreement.

#### **B. Targeted LIURP Measures**

PECO has agreed to place customers with annual household gross income that is less than or equal to 50 percent of Federal poverty income guidelines and whose average monthly electric usage exceeds 1,000 kWh per month in the highest priority population eligible for LIURP measures. LIURP treatments, including air conditioner and refrigerator replacements, where within LIURP economic guidelines, will be utilized for this population, along with other LIURP treatments as a means to reduce electric usage of this customer population. Such expenditures will be treated as expenditures from the Company's annual LIURP budget.

#### **C. PECO CARES**

PECO has agreed to commit additional resources to the CARES component of its Universal Services program. Specifically, PECO has agreed to 1) establish an in-house CARES program of at least 3 CARES case managers; and 2) develop and implement a detailed work plan stating the goals, activities, minimum qualifications and responsibilities of its CARES staff. Such detailed work plan shall be finalized no later than May 30, 2003.

**D. Low-income Customer Outreach**

PECO has agreed to develop a written and detailed communication, education, and outreach program for its low-income customer population. This program will address, at a minimum, the following factors: 1) how to read and understand bills and written notices; 2) an explanation of budget billing; 3) education materials and other information concerning energy conservation; 4) materials explaining CAP Rate program eligibility, terms and conditions, including the arrearage forgiveness component; 5) materials explaining the Company's Universal Services program and how to contact and work with PECO's Universal Services staff; 6) materials explaining the Company's CARES program. Development of program plan and materials will be performed in cooperation with the PECO LIURP Advisory Board.

**E. Commitment to MEAF Agencies.**

As part of the consensus modifications to its Universal Services program, PECO has agreed to specific measures designed to support local MEAF agencies that are designed to improve hardship contributions by ratepayers. These measures shall include the following: 1) PECO will include in its Energy News bill insert four times per year the opportunity for a customer to sign and return a pledge form to make a MEAF contribution; and 2) Donor Lists – PECO will collect and maintain donor list information. PECO also agrees to meet with the MEAF agencies to develop measures to improve contributions to the hardship funds, which may include a Public Service Announcement.

In accordance with Paragraph 29 of the Merger Settlement, since the "special needs" CAP

Rate program provided in III.A above will not be in place by January 1, 2003, PECO Energy will make a \$400,000 contribution to the county fuel fund agencies on or before January 15, 2003.

This payment will be allocated in accordance with PECO's existing allocation formula for PECO's MEAF funds to each county.

**F. IT Resources**

To address concerns expressed concerning the quality and accessibility of customer data relevant to PECO's low-income customers, PECO has agreed to certain measures designed to enhance the information technology (IT) resources available to the Universal Service program. These enhancements include: 1) assurances that IT staff will be available to fulfill the priority information requirements of the Universal Service program; 2) completion of a data warehouse that is capable of providing customer information needed by PECO's Universal Service staff to manage and monitor the program, including materials needed to comply with Commission filing requirements; and 3) status reports on the functionality of the data warehouse to the PECO LIURP Advisory Committee that provides updated information on the type of information that will be incorporated into the data warehouse, the staff members that have access to the information in the data warehouse, and a history of how requests for IT assistance are processed and satisfied.

**G. Program Evaluation**

PECO has agreed that an independent evaluator will measure and report on the Universal Service Program modifications provided under sub-paragraphs III.A through III.F. This independent evaluation shall be performed in conjunction with the program evaluation required

under the Commission's Universal Service Regulations. For the purpose of PECO's program, the first such evaluation shall begin no later than October 31, 2005 and be completed no later than May 1, 2006.

**H. Universal Services Flow Chart.**

Attached hereto as Appendix B is a flow chart showing the various components of its Universal Service Program, functional responsibilities of key PECO personnel responsible for components of the PECO Universal Service program, and the corporate officers who are responsible for implementation and oversight of the Company's Universal Services programs.

**I. LIURP Advisory Committee Updates**

PECO Energy has also agreed that it will provide written monthly progress reports to the PECO LIURP Advisory Committee during the implementation of the consensus modifications as well as convene quarterly status meeting with the LIURP Advisory Committee. The purpose of these reports and meetings will be to provide the LIURP Advisory Committee a status update on the implementation of the Universal Service program modifications, to develop and review educational and outreach materials, and to discuss other issues that may arise from time to time relative to the Universal Service program of the Company.

**J. Implementation Deadline**

As an integral part of its agreement with the LIURP Advisory Committee membership, PECO Energy has agreed to take all reasonable steps necessary to ensure that its Universal

Service program modifications, as described above, fully function no later than the end of the 9<sup>th</sup> calendar month following a final Commission order approving the Petition.

**K. Waiver of 52 Pa. Code § 54.74 Filing Requirement.**

52 Pa. Code § 54.74 requires the Company to make a filing every three years in which it describes its universal services and energy conservation plan. Under these regulations, PECO's next plan submission in compliance with Section 54.74 of the Commission's regulations is due no later than February 28, 2003. Such update is required to provide the Commission with the status of the Company's Universal Service Plan including but not limited to program changes that have been implemented. However, other than the program changes proposed in this Petition, PECO's Universal Services and Energy Conservation program remains unchanged from that approved by the Commission in the September 29 Order. Accordingly, PECO requests waiver of 52 Pa. Code S 54.74 filing requirement to the extent that such regulation would require PECO to make a Universal Service Plan filing in compliance that includes the modifications in this Petition prior to February 28, 2006. Waiver of such requirement would allow PECO to focus its energy on implementing the program changes called for in this Petition so that affected customers can derive the benefits of the program changes as soon as possible.

#### IV. THE PROPOSED CONSENSUS MODIFICATIONS SHOULD BE APPROVED.

##### A. Introduction

The consensus Universal Services program modifications proposed herein should be approved. The proposed CAP Rate program tariff changes are just and reasonable, and consistent with applicable universal service policies, in that the three additional tiered rate discounts provide additional assistance for a substantial number of PECO's "special needs" low-income customers with annual household incomes that are less than 50 percent of federal poverty income guidelines to enable them to better afford service. This expansion of PECO's program to address these special needs will be subject to the existing rate and other parameters established under the PECO Electric Restructuring and Merger Settlements.

Additionally, the tariff changes and the other Universal program changes to which the Company has agreed, such as the targeted LIURP measures, will assist these special needs customers in addressing the energy efficiency of their homes so that these customers can better manage their energy usage. Other changes will further outreach to customers and better educate customers as to all aspects of the program. The changes to the medical certification procedures will also ensure that medically necessary energy usage is billed at a discounted rate, and it will relieve certification burdens for those who are chronically or terminally ill. Finally, the improvements and commitments to information technology, as well as the schedule for further evaluations should allow the Company and other interested parties such as the LIURP Advisory Committee to evaluate the Company's Universal Service program on an ongoing basis.

When reviewed as a comprehensive plan, these modifications significantly advance

PECO's programs designed to meet the Commission's universal service and energy conservation plan requirements. This significant advancement shall be subject to the rate parameters of the PECO Electric Restructuring and Merger Settlement. Finally, as with consensus agreements generally, acceptance of the proposed changes without modification would be consistent with the Commission's policy favoring consensus solutions. While not technically a settlement, the results of the collaborative effort reflect an end result that is reasonable and are the product of parties with specialized expertise in resolving low-income "special needs" customer issues in the PECO Energy electric service territory.

For these reasons, and the reasons set forth in more detail below, approval of these program modifications would be just and reasonable and otherwise in the public interest.

B. The Consensus Modifications Comport With the Commission's CAP Rate Policies and Applicable Regulations and Are Otherwise Just and Reasonable.

In the September 29 Order, the Commission expressed concern that the Company's CAP Rate program "may not may not adequately comply with Section 2802(10) of the Act for a (sic) approximately twenty percent of CAP Rate Customers who have low-incomes and high usage." September 29 Order at 14-15. The proposed CAP A, B, and C tiers address these concerns expressed in the September 29 Order with respect to Section 2802(10) and the Commission's CAP regulations. CAP B, and C provide discounts of 75% and 85% rather than the existing discount of 51.9%. Thus, as the customer's income declines, the customer is eligible for additional rate discounts on the first 500 kWh of usage. Additionally, to address usage over 500 kWh during the summer months, a 30% discount is provided on an additional 100 KWh of usage. For customers at the very lowest level of poverty (incomes between 0-25% of FPL) who

have an "extenuating circumstance" a fixed payment is set at the minimum end of the range established in the CAP Policy statement, \$12 per month for non-heating electric customers and \$30 per month for an electric heating customers. See 52 Pa.Code § 69.265(B) and (C).

The proposed plan will also seek to address customers with high usage through targeted LIURP measures. When effective, these measures will include air conditioner and refrigerator replacement, two appliances that are known to be a significant source of energy usage. Through other LIURP measures targeted to these customers, the customers should be able to gain some control over their electric usage and improve their living condition.

Other universal service program changes that are presented should provide PECO low-income customer population with a balanced universal service program. The addition of three PECO's CARES case managers should enhance the ability of payment-troubled customers to obtain timely assistance in resolving their utility related issues as well as their financial and social circumstances. See I.C., supra. The additional CARES case managers should assist the Company in dealing with its low-income customers in a proactive manner. Modifications to the medical certification procedures should ensure that chronically or terminally ill customers are not unduly burdened, and will ensure that medically necessary electric usage is billed at a discounted rate.

The benefits of the enhanced low-income customer outreach and commitment to MEAF agencies should improve communication with the low-income customer population and should improve the customer's understanding of the program, its terms and conditions. The commitment to work further with the MEAF agencies could potentially increase energy hardship contributions from customers, thus making even more assistance available to low-income

customers. See, *ILD and I.E.*, supra. The consensus modifications also provide for timely program evaluation, and other reporting requirements that should allow the Commission and the LIURP Advisory Committee to evaluate and monitor PECO's universal service program.

PECO submits, for additional reasons, that the Commission should deem the CAP Rates proposed herein, along with the other universal service modification, to be just and reasonable and in the public interest. The discounted rate aspect of the program should allow the Company to more effectively manage the overall cost of its universal service programs, in part due to the fact that the resources currently put into negotiating and administering payment arrangements with payment troubled customers or dealing with complaints before the Commission should now be focused, as provided by other features of the consensus modifications, on other, more productive efforts through the CARES and other Universal Services programs such as assisting customers to obtain energy assistance payments under LIHEAP and MEAF, and gaining control over their electric usage with LIURP measures. These attributes could potentially mitigate the ratemaking burden of uncollectible accounts expense and the cost of dealing with payment-troubled customers that are borne by PECO's customers.

Finally, PECO has committed to improve the quality of its universal service data warehouse. Placing a higher priority on the IT resources dedicated to this project should improve the features of the existing data warehouse and allow the universal services staff to evaluate performance of their program on a better informed basis. This enhancement will also improve the reliability of information provided to the Commission, independent evaluators and LIURP Advisory members with an interest in the performance of PECO's universal service program

Accordingly, along with the other modifications proposed for the CAP Rate program concerning income verification and medical certification policy, the Company's CAP Rate program is consistent with the Commission's regulations and should address the concerns expressed by the Commission with respect to the affordability of the CAP Rate program for all CAP eligible customers, including those with the lowest incomes.

C. The Consensus Modifications are Consistent With Commission Policies Promoting Negotiated Solutions.

PECO and the LIURP Advisory Committee arrived at the consensus modifications after conducting extensive analysis, through the efforts of Dr. Peach, the Company and other Committee members, and after engaging in in-depth technical discussions over many months. As a result, the consensus terms and conditions that developed through those efforts constitute a carefully crafted package representing reasonable negotiated compromises on the issues addressed herein. Thus, the PECO Universal Service Petition is consistent with the Commission's rules and practices encouraging negotiated settlements (see 52 Pa. Code §§ 5.231, 69.391, 69.401). While not the result of settlement discussions in a litigated proceeding, advocates from each of the interested parties cooperated to produce these consensus modifications.

D. Expedited Approval is Needed So That the Benefits of The Consensus Modification May Be Provided As Soon As Possible.

PECO Energy requests that the Commission expedite its approval of the consensus modifications so that the Company may implement the necessary changes as soon as possible. In this respect, all of the tariff changes will be implemented no later than the end of the ninth month

after the Commission enters an order approving the modifications. This lag is necessary to ensure that the necessary information system changes, education literature and other program changes needed to support the CAP Rates A, B and C are developed and implemented.

## V. CONCLUSION

WHEREFORE, the PECO Energy Company respectfully requests that the Commission: (1) approve this Petition, including all terms and conditions contained herein, without modification; and (2) approve the Tariff Supplements attached as Appendix A to become effective pursuant to terms set forth therein; and (3) determine that the Company's Universal Service Program, as modified by the terms and conditions of this Petition and accompanying tariff supplement comply with all legal requirements, including the requirement that PECO's tariff rates, terms and conditions must be just and reasonable.

Respectfully submitted,



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Counsel for: PECO Energy Company

DATED: October 1, 2002

**PENNSYLVANIA  
PUBLIC UTILITY COMMISSION  
Harrisburg, PA. 17105-3265**

Public Meeting held March 6, 2003

Commissioners Present:

Glen R. Thomas, Chairman  
Robert K. Bloom, Vice Chairman  
Aaron Wilson, Jr.  
Terrance J. Fitzpatrick  
Kim Pizzingrilli

PECO Energy Company's Petition for Expedited  
Approval of Consensus Modifications  
to PECO Energy Company's  
Universal Service Program  
and Associated Tariff Changes

Docket Nos:  
R-00027870  
M-00001418

**TENTATIVE ORDER**

**BY THE COMMISSION:**

On October 1, 2002, PECO Energy Company (PECO or the Company) filed the above-captioned petition with the Commission. In its petition, PECO is requesting approval of consensus modifications to PECO's Universal Service Program to establish a "Special Needs" program applicable to PECO's "special needs" low-income customers. Additionally, the petition seeks approval of proposed tariff changes to implement this new program. By means of the instant petition, PECO addresses issues identified by the Commission in its Order at Docket No. M-00001418, entered September 29, 2000, ("September 29 Order") relating to whether PECO's CAP Rate is affordable for some participants of PECO's CAP program. PECO's petition also fulfills several PECO obligations from Docket No. A-110550F0147, "Joint Petition for Settlement," dated

*Exhibit 11E*

March 24, 2000 (Merger Settlement) pertaining to a “special needs” plan, and other specified issues identified with respect to the Company’s Universal Services program.

## **I. Background**

The Electricity Generation Customer Choice and Competition Act (Act), 66 Pa. C.S. §§ 2801-2812, includes several provisions to ensure that electric service remains universally available to all customers in the state. The universal service provisions of the Act, among other things, requires at 66 Pa. C.S. § 2804(9) that the Commission ensure that universal service programs are appropriately funded and available in each EDC territory. In addition, the Act provides that full recovery of universal service costs be permitted through a nonbypassable rate mechanism. 66 Pa. C.S. § 2802(7). Finally, 66 Pa. C.S. § 2804(9) requires the Commission to provide administrative oversight of these programs to ensure that the programs operate in a cost-effective manner.

On May 14, 1998, the Commission approved and entered the Final Order approving the Joint Petition for Full Settlement of PECO’s Restructuring Plan at Docket No. R-00973953. The PECO restructuring settlement agreement delegated the issue of whether the CAP Rate is appropriate for all low-income customers to the Joint Petitioners to the settlement agreement.

Pursuant to the Commission’s Final Restructuring Order, PECO established a LIURP (Low-Income Usage Reduction Program) Advisory Committee and a subcommittee to deal with the requirement that the Joint Petitioners review and consider any recommendations from the CAP Rate evaluation conducted by an independent evaluator.

Moreover, PECO’s Merger Settlement at Docket No. A-110550F0147 includes provisions dealing with PECO’s CAP Rate. The Merger Settlement includes a

provision at Paragraph No. 31 for PECO and the LIURP Advisory Committee to determine whether PECO should add a “special needs” component to the CAP Rate. In particular, the Merger Settlement at Docket No. A-110550F0147 provides for PECO to contract with H. Gil Peach & Associates (Peach), an independent program evaluator, to determine if the CAP Rate is affordable for households whose incomes are below 50% of the federal poverty guidelines and whether PECO should add a “special needs” component to its CAP Rate program. The Commission’s Order at Docket M-00001418 reinforced and raised additional issues relating to “special needs”.

## **II. Peach Evaluation Findings and Recommendations**

Under the provisions of the Merger Settlement at Docket No. A-110550F0147, PECO contracted with H. Gil Peach & Associates (Peach) to conduct an analysis of PECO’s CAP Rate to determine if the CAP Rate is affordable for households whose incomes are below 50% of the federal poverty guidelines. The Peach analysis was also to address whether PECO should add a “special needs” component to its CAP Rate program. On June 10, 2002, Peach submitted its analysis and recommendations for consideration by PECO and the LIURP Advisory Committee. The Peach evaluation is limited to PECO’s customers whose incomes are below 50% of the federal poverty guidelines.

Following is a brief summary of the findings and recommendations of the Peach evaluation:

### *Peach Findings*

- CAP Rate is not affordable for about 85% of households whose incomes are below 50% of poverty.

- PECO's Customer Assistance Referral Evaluation Service (CARES) program is a "virtual" program.
- Customers do not understand the CAP Rate program. For example, they do not know they are enrolled in CAP Rate, do not understand the discount, and do not understand arrearage forgiveness.
- Essential demographic and poverty data are often not entered into the computer system or not retained once entered.

### *Peach Recommendations*

- Replace the CAP Rate with a percentage of income payment plan for those households whose incomes are below 50% of the poverty guidelines. Increasing the discount to affordable levels will result in under billing customers whose incomes are near 50% of the poverty guidelines.
- Establish a "tangible" CARES program that includes referrals, case management services, community networking, and training. CARES staff should consist of no less than 10 licensed skilled and practiced social workers.
- Continue to develop effective communications that encourage participation in CAP Rate and involve community agencies.
- Dedicate IT staff to maintain and improve the Data Warehouse to meet the needs of universal service management.
- Insure demographic and poverty data are entered and retained.
- For evaluation and auditing purposes, program CIS to store the final computed amount the customer is asked to pay each month, current due, past due, preprogram arrearage. Store a monthly CAP indicator for the rate rider code and participation status.

### III. Consensus Modifications

As a result of numerous meetings and consideration of the evaluation findings of Peach, PECO and the LIURP Advisory Committee developed a mutually satisfactory consensus agreement (Consensus Modifications) concerning the modifications needed to be made to PECO's Universal Services Program. The LIURP Advisory Committee members that participated in developing the consensus proposal and support these modifications include the Pennsylvania Office of Consumer Advocate (OCA), the Consumer Education and Protective Association (CEPA), the Association of Community Organizations and Reform Now (ACORN), the Tenants Action Group (TAG), the Action Alliance of Senior Citizens (Action Alliance), the Pennsylvania Utility Law Project (PULP), the Utility Emergency Service Fund (UESF), and the Pennsylvania Department of Public Welfare (DPW). The Philadelphia Area Industrial Energy Users Group participated in the collaborative effort and does not oppose the modifications. Eric Joseph Epstein filed comments supporting approval of the modifications predicated on two caveats. Mr. Epstein requests placement of a community representative from south central Pennsylvania on the LIURP Advisory Committee and inclusion in the monitoring and implementation process of the instant petition. The consensus modifications are found in PECO's filing to the Commission at Docket Nos. M-00001418 and R-00027870. PECO proposes to implement three new CAP rates: CAP A, B, and C.

#### A. The New CAP Levels

**CAP A.** CAP A provides minimum payments to customers whose household incomes are below 25% of the federal poverty guidelines and who have extenuating circumstances. PECO's CAP A proposal contains the following requirements:

- CAP A customers that take service under Rate R will be required to pay a total monthly bill of \$12 for all usage up to 1000 kWh. Usage in excess of 1000 kWh per month would be billed the CAP D rate.
- CAP A customers that take service under Rate RH will be required to pay a total monthly bill of \$30 for all usage up to 2000 kWh billed in the winter months of October through May in addition to the month of June and 1000 kWh in the summer months of July, August and September. Usage in excess of those kWh usage thresholds per month will be billed at the CAP D rate.
- “Extenuating Circumstances” customers shall be limited to CAP Rate customers who otherwise demonstrate an inability to pay their bills as a result of unique circumstances such as those related to health (injury, illness, disability, high medical bills, medically related electric usage, death in the family), sudden loss of employment, the presence of high risk household members (children below 8 years of age, disabled individuals, or infirm elderly), an inability to comply with at least 2 non CAP A payment arrangements, or high non-discretionary electric usage related to shelter conditions not susceptible to mitigation through LIURP measures.
- CAP A enrollment will be limited to no more than 7,500 “extenuating circumstances” customers.
- Additionally, CAP A customers and PECO CARES representatives shall work in a cooperative effort to maximize the amount of government or private financial assistance available to the customer.
- CAP A customers subject to Rate R will also receive assistance from PECO Energy to restore service by other vendors of heating energy so as to reduce usage of electric space heating.
- CAP A customers will not be eligible to shop for generation service provided by a competitive electric generation supplier.

- Finally, CAP A customers will be required to re-certify their eligibility for service under CAP Rate A on an annual basis. In this respect, PECO Energy will evaluate whether a customer's receipt of a LIHEAP grant would constitute adequate proof of income.

**CAP B.** For customers whose incomes are below 25% of the poverty guidelines who do not have extenuating circumstances, CAP B provides an 85% discount on the first 500 kWh of usage per month throughout the year. CAP B provides an additional 30% discount on the 500-600 kWh block of usage during the months of July, August and September. PECO's CAP B proposal may be accurately summarized as follows:

- CAP B will be established for customers with annual household gross income that is equal to or less than 25 percent of Federal poverty income guidelines. For service billed in the summer months of July, August and September, eligible customers will be provided a nominal 85 percent rate discount on the first 500 kWh, and a nominal 30 percent discount on the next 100 kWh, of their Rate R or Rate RH service; during the months of October through June, the same customers will receive a nominal 85 percent discount on the first 500 kWh of their bill. All other usage will be assessed the otherwise applicable tariff rate R and RH charges. CAP B customers will not be eligible to shop for generation service provided by a competitive electric generation supplier.

**CAP C.** For households whose incomes are between 26%-50% of the poverty guidelines, CAP C provides a 75% discount on the first 500 kWh of usage per month throughout the year. CAP C provides an additional 30% discount on the next 100 kWh during the months of July, August, and September. PECO's CAP C proposal may be accurately summarized as follows:

- CAP C will be established for customers with annual household gross income incomes are between 26%-50% of the poverty guidelines. For service billed in the summer months of July, August and September, eligible customers will be provided a nominal 75 percent rate discount on the first 500 kWh, and a nominal 30 percent discount on the next 100 kWh of their Rate R or Rate RH service; for the months of October through June, the same customers will receive a nominal 75 percent discount on the first 500 kWh of their bill. All other usage will be assessed the otherwise applicable tariff rate R and RH charges. CAP C customers will not be eligible to shop for generation service provided by a competitive electric generation supplier.

#### B. Enrollment Limits

PECO has approximately 90,458 households whose incomes are below 50% of poverty. (Peach evaluation p.x.7). The consensus modifications propose to provide for maximum total participation of 40,000 for CAP A, B and C groups. CAP A will be limited to 7,500 customers with extenuating circumstances.

#### C. Miscellaneous

PECO also proposes to implement the following miscellaneous CAP program changes:

- Income and Medical Certificate Verification - PECO will place a customer in the most advantageous CAP rate if a customer becomes ineligible for CAP A. PECO will replace the monthly medical certificate verification with a 6-month requirement.

- LIURP – PECO will prioritize for LIURP treatment those accounts whose usage is over 1000 kWh.
- CARES – PECO will establish an in-house CARES program that includes at least three CARES representatives and will finalize a detailed work plan for CARES staff by May 30, 2003.
- Low Income Outreach – PECO will develop, in cooperation with the LIURP Advisory Committee, a written and detailed consumer education and outreach strategy for its low income customers.
- Commitment to MEAF – PECO agrees to implement specific measures to support local MEAF agencies to improve ratepayer contributions to PECO's MEAF hardship funds.

#### **IV. Disposition**

The Commission commends PECO and the LIURP Advisory Committee for their diligence and good-faith efforts to develop consensus modifications that are consistent with the CAP Policy Statement at 52 Pa. Code § 69.265(2)(i)(B) and 66 Pa. C.S. § 2802(10).

In 2000 and 2001, PECO reported an average of 32,543 CAP customers whose incomes are below 50% of the poverty guidelines. Based on the enrollment levels for the last two years, it appears that the proposed maximum enrollment levels of 40,000 customers are consistent with the requirement at 66 Pa. C.S. § 2804(9) that the Commission ensure that universal service is appropriately funded and available in each electric distribution territory.

Therefore, we will approve the proposed enrollment levels since they are consistent with 66 Pa. C.S. § 2804(9). This approval, however, does not limit the

Commission's ability to determine future enrollment levels based on evaluation findings, universal service plan submissions, and universal service data. (52 Pa. Code § 54.76, 52 Pa. Code § 54.74-75.)

As part of the consensus modifications, PECO will complete an evaluation to measure and report on the impact that the Universal Service program modifications provided under sub-paragraphs III.A through III.F achieve.

PECO requests a waiver of 52 Pa. Code § 54.74 filing requirement so that it may "focus its energy on implementing the program changes" in its Petition. PECO submits that other than the program changes proposed in the instant Petition, PECO's universal service programs are unchanged from the 2000 plan submission. The pertinent regulation at 52 Pa. Code § 54(a)(1) required PECO to submit a three-year universal service plan for Commission approval on February 28, 2003. Because PECO is proposing program design changes to its CAP, LIURP, and CARES programs, PECO will need to reflect those changes in a revised universal service plan. The regulations at 52 Pa. Code § 54.74 also require PECO to submit a projected needs assessment, projected enrollment levels, and a program budget for each universal service program component. On February, 21, 2003, the Commission issued a Secretarial Letter granting an extension of time for the submission of the universal service plan to no later than October 1, 2003.

## **V. Conclusion**

The Commission approves PECO's CAP Universal Service program modifications provided under sub-paragraphs III.A through III.F of PECO's petition.

We believe that the consensus modifications are a dramatic step toward making CAP payments consistent with 66 Pa. C.S. § 2802(10) and 52 Pa. Code

§ 69.265(2)(i). **THEREFORE,**

**IT IS ORDERED:**

1. That PECO Energy's Petition for Expedited Approval of Consensus Modifications to PECO Energy Company's Universal Service Program and Associated Tariff Changes is tentatively approved as modified by this Tentative Order.
2. That copies of this Order be provided to all parties to the PECO Settlement at Docket No. A-110550F0147.
3. That comments on the modifications recommended by this Tentative Order shall be filed within twenty (20) days of the entered date of this Tentative Order.
4. That, if no comments are filed by the end of the twenty (20) day period, this Tentative Order shall become a Final Order.

BY THE COMMISSION,

James J. McNulty  
Secretary

(SEAL)

ORDER ADOPTED: March 6, 2003

ORDER ENTERED: April 8, 2003

New CAP Rates

CAP Rate	Income Requirements	PECO Rate	Months	KWh Level	Charge	Budget	Supplier
<b>A</b>	Annual Income: <b>0-25% of the FPL</b> <b>With</b> Extenuating Circumstances* present  Income verification is required <u>yearly</u>	R	All	0 to 1000	\$12 per month total	A <b>budget is mandatory</b> for this rate (with the exception of customers with delinquent supplier dollars)	The customer <b>cannot</b> have an alternate supplier
				1001 to 1500	50% discount		
				Over 1500	At Rate R		
		RH	Oct - Jun	0 to 2000	\$30 per month total		
				Over 2000	50% discount		
			Jul - Sep	0 to 1000	\$30 per month total		
				Over 1000	50% discount		

Exhibit "F"

CAP Rate	Income Requirements	PECO Rate	Months	KWh Level	Charge	Budget	Supplier
<b>B</b>	Annual Income: <b>0-25% of the FPL without Extenuating Circumstances*</b> present  Income verification is required <b>every two years</b>	R	Oct - June	0 to 500 Next 100	85% discount 30% discount	A budget is <b>mandatory</b> for this rate (With the exception of a customer with delinquent supplier dollars)	The customer <b>cannot</b> have an alternate supplier
				Over 600	Rate R		
			Jul - Sep	0 to 500	85% discount		
				Over 500	Rate R		
		RH	Oct - June	0 to 500 Next 100	85% discount 30% discount		
				Over 600	Rate RH		
			Jul - Sep	0 to 500	85% discount		
				Over 500	Rate RH		

CAP Rate	Income Requirements	PECO Rate	Months	KWh Level	Charge	Budget	Supplier
C	Annual Income: <b>26%-50% of the FPL</b>  Income verification is required <u>every two years</u>	R	Oct - June	0 to 500 Next 100	75% discount 30% discount	A <b>budget is mandatory</b> for this rate. (With the exception Of customers with delinquent supplier dollars)	The customer <b>cannot</b> have an alternate supplier
				Over 600	Rate R		
			Jul - Sep	0 to 500	75% discount		
				Over 500	Rate R		
		RH	Oct - Jun	0 to 500 Next 100	75% discount 30% discount		
				Over 600	Rate RH		
			Jul - Sep	0 to 500	75% discount		
				Over 500	Rate RH		

CAP Rate	Income Requirements	PECO Rate	Months	KWh Level	Charge	Budget	Supplier
D Old CAP Rate I	Annual Income: <b>51%-100% of the FPL</b>  Income verification is required <u>every</u> <u>two years</u>	R Old RJ	All	0 to 500	50% discount	A <b>budget is not required</b> for this rate	The customer <b>can have</b> an alternate supplier
				Over 500	Rate R		
		RH Old RHJ	Oct = June	0 to 500	50% discount		
				Over 500	50% discount		
			Jul = Sep	0 to 500	50% discount		
				Over 500	Rate RH		

CAP Rate	Income Requirements	PECO Rate	Months	KWh Level	Charge	Budget	Supplier
E Old CAP Rate II	Annual Income: <b>101%-150% of the FPL</b>  Income verification is required <u>every two years</u>	R Old RK	All	0 to 500	25% discount	A budget is not required for this rate	The customer can have an alternate supplier
				Over 500	Rate R		
		R Old RHK	Oct = Jun	0 to 500	25% discount		
				Over 500	Rate RH		
			Jul = Sep	0 to 500	25% discount		
				Over 500	Rate RH		

Note: Customers who currently receive a discount under CAP Rate for gas will continue to receive the rate under the same guidelines, which are used today.

Solutions for  
PECO Customers



An Exelon Company

# Universal Services Programs CAP RATE

Answers for Staying Connected

## CAP Rate Household and Income Guidelines

Household Size	A and B CAP Rate Maximum Gross Household Income at 25% of FPIG		C CAP Rate Maximum Gross Household Income at 50% of FPIG		D CAP Rate Maximum Gross Household Income at 100% of FPIG		E CAP Rate Maximum Gross Household Income at 150% of FPIG	
	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly	Monthly	Yearly
1	\$193.95	\$2,327.50	\$387.91	\$4,655.00	\$775.83	\$9,310.00	\$1,163.74	\$13,965.00
2	\$260.20	\$3,122.50	\$520.41	\$6,245.00	\$1,040.83	\$12,490.00	\$1,561.24	\$18,735.00
3	\$326.45	\$3,917.50	\$652.91	\$7,835.00	\$1,305.83	\$15,670.00	\$1,958.74	\$23,505.00
4	\$392.70	\$4,712.50	\$785.41	\$9,425.00	\$1,570.83	\$18,850.00	\$2,356.24	\$28,275.00
5	\$458.95	\$5,507.50	\$917.91	\$11,015.00	\$1,835.83	\$22,030.00	\$2,753.74	\$33,045.00
6	\$525.20	\$6,302.50	\$1,050.41	\$12,605.00	\$2,100.83	\$25,210.00	\$3,151.24	\$37,815.00
7	\$591.45	\$7,097.50	\$1,182.41	\$14,195.00	\$2,365.83	\$28,390.00	\$3,548.74	\$42,585.00
8	\$657.70	\$7,892.50	\$1,315.41	\$15,785.00	\$2,630.83	\$31,570.00	\$3,946.24	\$47,355.00

Exhibit "G"

PHILA, PA 'A'  
75761 X0B O P

## "Solutions for PECO Customers"

### What is CAP Rate?

CAP Rate is a residential discounted rate for low income customers who are finding it difficult to pay their monthly energy bill in full and on time. PECO offers five residential discounted rates.

### Can I Receive the CAP Rate for My Monthly Energy Bill?

If your total household gross income is at or below 150% of the Federal Poverty Income Guideline, you may be able to receive the CAP Rate. See the chart for income guidelines.

### What Information Do I Need to Apply?

For every member of your household, you will need:

- Proof of gross income for each member of your household. You may provide as proof your most recent pay stubs, an award letter - (social security, unemployment compensation, retirement, disability, unemployment compensation and SSI), proof of pension, child support court order, or proof of DPW income. Your application for CAP Rate will not be completed without proof of total household gross income.
- Social security numbers for each member of the household including children.

### How Do I Apply for the CAP Rate?

Call 1-800-774-7040 to speak with a PECO representative.

### What Must I Do As A CAP Rate Customer?

- Complete your application.
- Provide proof of income with your application.
- You must pay your bill on time and in full every month.
- Participate in usage reduction programs offered by PECO.
- You must apply and assign at least one LIHEAP grant to PECO.

### Available CAP Rates Starting in January 2004

#### CAP Rate A

CAP Rate A is for households whose gross income is at or below 25% of the Federal Poverty Income Guidelines and the household is dealing with a special need or unusual situation. Each special need issue will be reviewed on a case by case basis.

#### CAP Rate B

CAP Rate B is for households with gross income at or below 25% of the Federal Poverty Income Guidelines and whose household has not been found eligible for a special need or situation.

#### CAP Rate C

CAP Rate C is for households whose gross income is between 26% to 50% of the Federal Poverty Income Guideline.

#### Existing CAP Rates

#### CAP Rate D

CAP Rate D is for households with gross income up to 100% of the Federal Poverty Income Guideline.

#### CAP Rate E

CAP Rate E is for households whose gross income is between 101% to 150% of the Federal Poverty Income Guideline.

#### Arrearage Forgiveness

If you pay your bill in full and on time each month, you may qualify for forgiveness of your pre-program arrearages.

See the following income guidelines to determine if you are eligible for a CAP Rate discount. Income is based on the Federal Poverty Income Guidelines (FPIG). The following chart reflects approximate yearly income based on the current FPIG, as of January 2004.

#### How Do I Get Started?

Call 1-800-774-7040 to speak to a PECO representative.

See income guidelines chart on back panel.



An Exelon Company

Section

**11**

## Affordability

### XI. AFFORDABILITY

#### AFFORDABILITY GOALS FOR UNIVERSAL SERVICES

- (1) To protect consumers' health and safety by helping low-income customers maintain affordable utility service.
- (2) To provide for affordable utility service by making available payment assistance to low-income customers.

Figure XI-1: Affordability Goals.

This section of the study is focused on affordability of PECO Energy Delivery's Customer Assistance Program to each customer. Universal Services has four goals.<sup>62</sup> The first two of the four goals are directly concerned with affordability (Figure XI-1). This key concern with affordability is also evident throughout the relevant Commission orders, relevant sections of the Pennsylvania Code<sup>63</sup> and in policy guidance developed in compliance with Commission orders.<sup>64</sup>

<sup>62</sup> See Page III-1.

<sup>63</sup> In particular, Pennsylvania Code § 69.265 (2).

<sup>64</sup> See letter (with four attachments) of Janice Hummel to Dave Epple, Vice President Regulatory Affairs, May 24, 2001 (hereinafter "Evaluation Guidelines letter of May 24, 2001." This letter summarizes results of collaborative meetings in compliance with Commission orders of the Bureau of Consumer Services (BCS) with Electric Distribution Companies and Natural Gas Distribution Companies to develop guidelines for evaluations.

Exhibit "H"

The goals in Figure XII-1 indicate direction. Materially, of course, there would be no point to CAPs unless the indicated direction were actualized to a meaningful extent. As an operational directive, "A customer assistance program must be affordable to help a customer maintain electric service."<sup>65</sup>

To evaluate compliance with the Commission's intent that affordable CAP programs are provided by the Electric Distribution Companies and the Natural Gas Distribution Companies, a standard evaluation question is: "Generally, do participant's energy burdens comply with the CAP Policy Statement at § 69.265(2)(i)(A)-(B)?"<sup>66</sup> This section of the study provides the answer to question of affordability.

### K. Methodology: Sector Maps

Low income households in the range from 1-150% of the Federal Poverty Level, FPL, exist not in only one economic circumstance but in several. The energy cost impact on these households depends on a wide range of incomes as well as a wide range of energy usage. Typically, energy cost impacts are characterized by a measure referred to as the energy burden, the annual cost of energy as a fraction of the annual income of the household. Clearly, the energy burden varies from household to household depending on the specifics of the income, the energy usage, and the energy rates.

The Reichmuth Sector Map is an orderly way to examine the participants' energy burdens over the whole range of population variation, and for a variety of program designs. In comparison with previous analytic methods, this approach permits a much more exact accounting of affordability and a flexible review of alternative program designs.

Prior to the use of Sector Maps, the primary tools for understanding the effects of program designs were considerably weaker. These older tools consist of the calculation of averages (means, medians, or modes).<sup>67</sup> Using the prior tools, a program approach could be demonstrated to work on average. But Universal Service law, orders, and guidelines are by definition intended to apply equally, not simply to work for the average customer. Particularly today, when we acknowledge and understand the value and reality of diversity, working "on average" or for a "typical

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<sup>65</sup> Pennsylvania Public Utility Commission order of September 28, 2000, in reference to PECO's Submission of Universal Service and Energy Conservation Plan in Compliance with Section 54.74, Docket No. M-00001418, Page 2, Lines 5-7.

<sup>66</sup> See Evaluation Guidelines letter of May 24, 2001.

<sup>67</sup> Distributional effects were typically shown by 'stem and leaf' plots, and the like.

customer" is simply not the relevant criterion. An affordability criterion requires equality of application.

The Reichmuth Sector Map<sup>©</sup> program as tailored for this study produces a set of conformance maps and associated summary maps. Each map distributes the Customer Assistance Program population uniformly into a graphical format or grid. For this study, each square of the grid in the electric part of the analysis represents approximately 73 households. One axis of each map (the horizontal or "x-axis") represents income level; the vertical (or "y-axis") of each map represents energy usage.<sup>68</sup> When the program population is organized in this manner, patterns in program indicators, such as energy burden (expressed as energy bill as percent of income) become quite evident. The sector maps shown in Figures XI-2 and XI-3 illustrate the use of the Reichmuth Sector Map applied to the current CAP program population.

Figure XI-2 shows the energy burden as percent of income for the current CAP population at 50% FPL and below. Most of the participants with incomes above 25% FPL, the right hand portion of the graph, have energy burdens in the range of 0-10% of income shown as a green area. The participants with the highest usage in this right hand portion are shown in the upper right with monthly bills in the range of 10% - 30% of income.

In Figures XI-2 and XI-3 each square represents 73 participant households. Counting the violet squares in Figure XI-3 in the upper left (that show energy burdens of 30-40%), 21 squares indicate that about 1533 current CAP participants in the range of 1-50% of Poverty have energy burdens of 30-40% of income.

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<sup>68</sup> The horizontal axis shows customer income expressed as a percentage of the Federal Poverty Level. The vertical axis shows relative energy use (actual usage divided by the population mean usage).

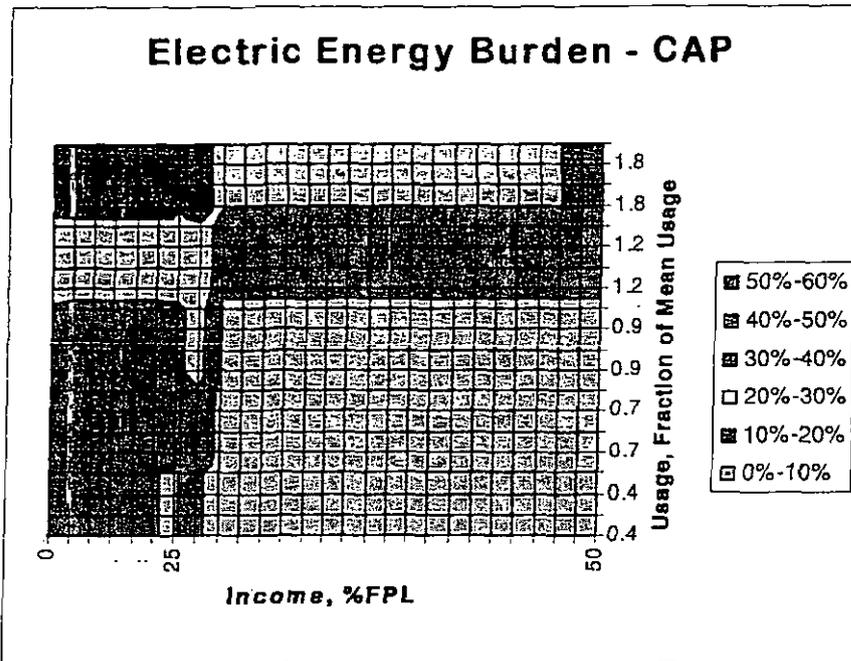


Figure XI-2: Energy Burden in Current CAP Rate 1-50% of Poverty.

Figure XI-3 is used to show conformance with affordability as defined by the Pennsylvania Code § 265(2). In this figure, the colored area in the lower right shows the portion of the 1-50% of Poverty CAP participants in conformance with the CAP design elements. The un-shaded area shows that most households face electric bills not in conformance. In fact, that only 15% of the current 1-50% CAP program participants are within conformance. The participants within conformance are shown to be those with usage well below the average and incomes higher than 25% FPL.

## Electric Affordability Conformance Map - CAP

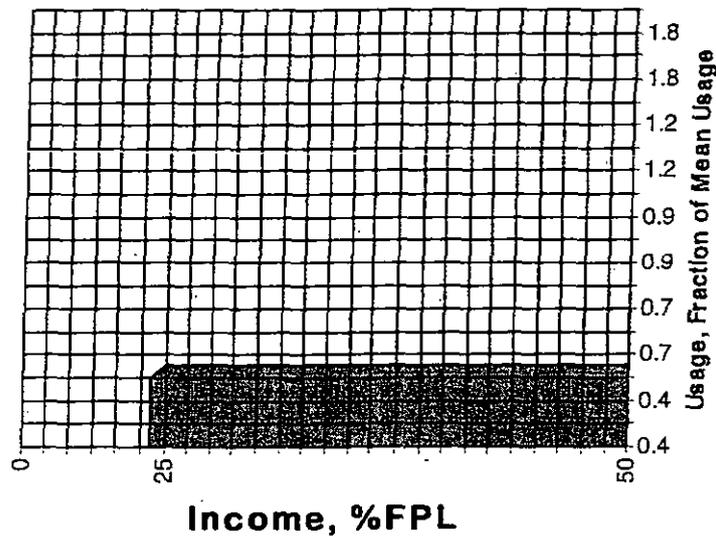


Figure XI-3: Conformance of Current CAP Rate for 1-50%.

### L. The Study Set: A Model Built on Actual PECO Data

Essentially the Sector Map is a simple model of the program population. Underlying the tailored application of the model is a set of detailed statistics describing the characteristics of the CAP-Rate program population in terms of distributions of income, poverty level classification and energy usage. These characteristic distributions are derived from a study set consisting of 52,039 participants identified as current CAP participants in the Evaluation Database<sup>69</sup>. This study set contains all CAP participants with all the usage and income information required for developing the income and usage distributions used to characterize the population.

The characteristic distributions thus derived from the study set are general, and apply to the full current CAP population and to variations of this population associated with different program growth rates. The characteristic distributions are also detailed enough to support billing estimates of alternative program designs applied to the

<sup>69</sup> The distributions represent 61% of the 84,000 CAP participants (averaged over 12 months) reported by PECO in the 2000 Reporting Requirements.

population. In this analysis the Sector Map is used first to document the detailed affordability situation facing current CAP participants. Then it is used to explore the affordability associated with alternative program designs.

To contrast alternative program designs, both a graphical form (a conformance map) and two numerical indicators are used. The numerical indicator for the dollar impact is the *difference* of the aggregate CAP Discount amounts of two contrasted program designs (the "ΔCAP discount") *with the Residential Rate held constant*.<sup>70</sup> In this analysis the CAP Discount is defined as the Residential revenue that would have been due minus the CAP revenue actually billed (Figure XII-4).<sup>71</sup> The important point to note is that the *change* in CAP discount is used to contrast and optimize designs. Note also in this definition of the Discount that no LIHEAP payments are included. This exclusion is for convenience. It allows a focus on the basic components of the program billing design with the LIHEAP collection effort considered equal between the reference case and the alternatives.<sup>72</sup>

Specifically, the ΔCAP Discount expressed in dollars is the difference in the aggregate CAP Discount between the two cases. The ΔCAP Discount percent is the ΔCAP

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<sup>70</sup> A number of different metrics could be used with equivalence. The metric "ΔCAP discount *with constant Residential Rate*" is simple and straightforward and the "delta" values tend to exhibit high stability across different estimates of program costs.

<sup>71</sup> The design metric used in this study follows from definitions included in the document, *Universal Service Reporting Requirements, Data Dictionary and Clarifications Offered by BCS*. The CAP Discount, as calculated here, is *modeled on but not identical to* the (Total) CAP Credit. The total CAP Credit is, in the first instance, the sum of the CAP credits for all customers who received CAP credits. As a first approximation, it is the difference between the standard billed amount and the CAP billed amount. For example, if the billed amount under the residential rate were \$100 and the CAP billed amount were \$30, the CAP credit equals \$70. Preprogram arrearage forgiveness is not considered in this total. However, the calculation of the CAP Credit would include third party payments in the calculation, such as LIHEAP grants and hardship fund grants. The CAP Discount used in this report is a simplified CAP Credit. It excludes consideration of third party payments. It also excludes current CAP arrearage (payment rates of less than 100% of bill). Other metrics could be used equally well. However, the essential point regarding the CAP Discount and ΔCAP Discount as developed for this study is that they are based on billing and do not include either CAP program arrearages (that is, payment rates of less than 100%) or LIHEAP and similar payments. These factors do not affect the development of program design. Use of simplified CAP Discount and ΔCAP Discount versions of the CAP Credit facilitate the analysis and presentation.

<sup>72</sup> Conformance with the Pennsylvania Code CAP design elements is, in any case, separate from the objective of maximizing LIHEAP grant assignments.

Discount for the alternative design divided by the CAP discount for the original design. For the purposes of this analysis the definition of affordability is aligned with the formal definition of an affordable utility bill as given in Pa Code, Title 52 section 69.265. [This is the definition given under the Section of PIPP programs.] These formal criteria of affordability as applied to the 0-50% FPL are summarized in Figure 29. (J is the rate rider denoting CAP 1 for 0-100% poverty.)

<b>AFFORDABILITY GUIDELINES</b>				
CAP Rate	Minimum Payment	Max % Income		
		1-50% FPL	51-100% FPL	101-150% FPL
Electric baseload (RJ, RK)	\$12-\$15	2%-5%	4%-6%	6%-7%
Electric Heat (REJ, RHK)	\$30-\$40	7%-13%	14%-16%	15%-17%
Gas Heat (GJ, GK, HJ, HK)	\$18-\$25	5%-8%	7%-10%	9%-10%
Source: Pennsylvania Code § 265(2). The affordability guidelines stated in Pennsylvania Code § 265(2) are equivalent to "energy burden"				

Figure XI-4: Affordability Guidelines.

**CALCULATION OF "BOTTOM-UP" ΔCAP DISCOUNT  
(BILLING BASIS)**

$$\text{CAP Discount}_1 = \text{GS Revenue Billed}_1 - \text{CAP Revenue Billed}_1$$

$$\text{CAP Discount}_2 = \text{GS Revenue Billed}_2 - \text{CAP Revenue Billed}_2$$

$$\Delta\text{CAP Discount} = (\text{CAP Discount}_1 - \text{CAP Discount}_2)$$

**Figure XI-5: "ΔCAP Discount" as used in Comparisons**

For the purposes of evaluation, the top of the ranges will be used. For example, referring to Figure XI-6, a rate RJ utility bill is defined as affordable if it is less than 5% of the participant's income and at least \$15. This is a conservative assumption.

Although this definition of affordability is a formal one that also approximately expresses the practical reality facing low-income customers. Therefore, this definition has been used for the affordability compliance criteria in the Affordability Conformance Sector Maps. Again, affordability has been set at the high end of the ranges.

### **M. Electric Affordability**

**Current Affordability** - In the absence of a CAP program, PECO electric customers on rate R pay average monthly electric bills ranging from \$35/month for the lowest 20% by usage to about \$135/month for the highest 20% by usage. Customers on rate RH pay average monthly electric bills ranging from \$75/month for the lowest 20% by usage to \$250/month for the highest 20% by usage. Without the CAP rate only about 30% of the customers with incomes between 0-150% FPL would fall within the affordability guidelines.

The current CAP rate reduces these average rate RJ electric bills to a range of about \$20/month for the lowest 20% and \$100/month for the highest 20%. The current CAP rate also reduces the average rate RH electric bills to a range of \$40/month for the lowest 20% to \$150/month for the highest 20%. With the current CAP rate, the electric energy burden (electric energy cost as a fraction of income) ranges from less than 5% to almost 40% for the lowest income electric customers with the highest usage. The electric energy burden for customers on the current CAP rate is illustrated in Figure XI-6 for customers with incomes in the range of 1 to 150% FPL.

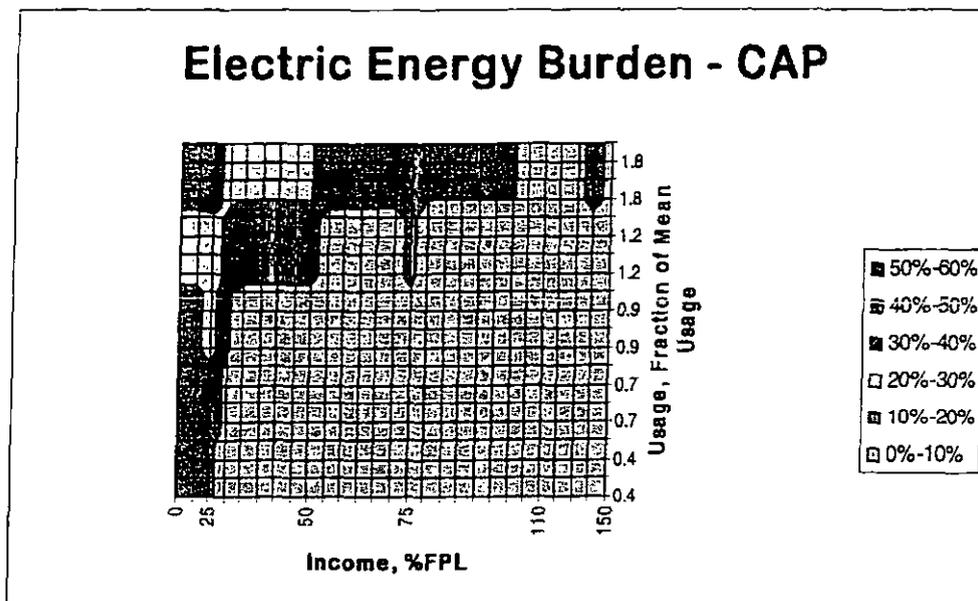


Figure XI-6: Picture of Electric Energy Burden.

Figure XI-6 shows that that the electric customers with incomes above 50% FPL have energy burdens of 10% or less, generally within the affordability guidelines. But for customers with incomes below 50% FPL, more than one half will experience an energy burden exceeding 10% and a significant number will see an energy burden in the range of 20%-40%.

These electric energy burdens are compared to the formal affordability criteria in Figure VII-7, the Electric Affordability Conformance Map. This map shows that the PECO electric CAP rate is affordable to approximately 54% of the customers in the 1 to 150% FPL income range. Customers with incomes less than 50% FPL will not see an affordable rate.

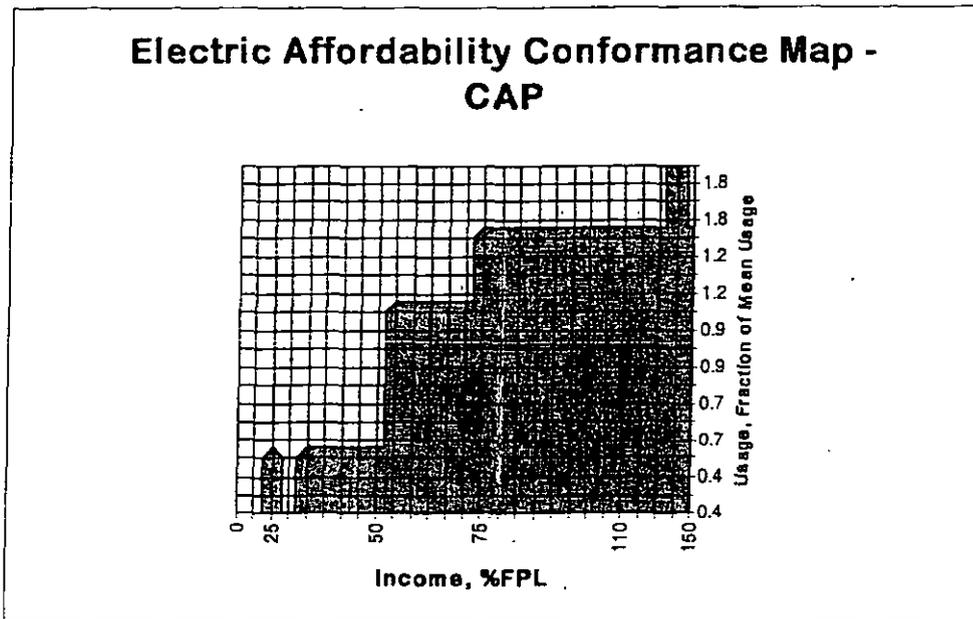


Figure XI-7: Electric Affordability Conformance Map.

The affordability situation facing customers with incomes of 50% FPL or less has been examined in detail in an associated stand alone evaluation: "Customers with Incomes to 50% of the Federal Poverty Level in PECO's Customer Assistance Program" of June 10 2002.

It should be noted that electric customers with incomes that exceed 75% FPL will see electric bills but not gas bills generally lower than required in the affordability guidelines. The electric bills for the lowest income customers are generally not affordable and the electric bills for the higher income customers are well within the affordability guidelines

Steps Toward Electric Bill Affordability – The next step in the analysis of electric bill affordability is to explore and test modified CAP rate designs and other program alternatives against the affordability criteria.

Generally, electric bills can be made affordable by lowering electric rates to customers with incomes below 75% FPL; customers with higher incomes already have nearly affordable rates. But there is a significant diminishing returns effect to lowering the CAP rate. As the CAP rate is lowered, the lower income customers will see more affordable rates, but an increasing number of other customers will see rates well below the affordability guidelines. The net effect of lowering a CAP rate is twofold: there is an increase the affordability, but with a corresponding increase in the CAP discount or shortfall. This diminishing returns situation proceeds from the fact that the

affordability guidelines are expressed as a percentage of income, while the CAP rate is based on usage.

Setting a common discount for a large block of customer (as in the current two-tier structure of CAP Rate) poses a contradictory situation. If the CAP Rate is set low enough to bring households in the lower regions of the block into conformance with affordability of bills as defined by the Pennsylvania Code, then the rate will be too low for the middle to upper part of the block. Households in those ranges will enjoy a free ride on rates that are set well below where they would be placed according to the affordability criteria. There are two ways to control this problem: add several tiers, or go to a Percentage of Income Payment Plan (PIPP) design.

The PIPP reference case (Figure XI-8, bottom row) produces 100% conformance with the affordability of bill definitions of the Pennsylvania Code. The Conformance Map for the PIPP would be entirely blue. From a billing perspective, it substantially reduces under billing of customers compared to a CAP Rate design with large rate blocks. The PIPP reference program illustrated here is exactly aligned with the affordability criteria and represents the maximum billings that can be collected consistent with the affordability criteria.<sup>73</sup>

Full affordability can only be achieved by extreme reductions in the CAP rates with corresponding large increases in the CAP discount.

Alternate approaches to affordability have been analyzed with respect to the affordability conformance factor and the corresponding impact on the CAP shortfall and program cost. These alternate approaches are presented in Figure VI-8, Steps Toward Electric Bill Affordability. The analysis underlying Figure VI-8 is based on an assumed electric CAP rate population of 80,000. While the assumed electric CAP population may be slightly larger than the current electric CAP population, it is set at the limit of 80,000 indicated in the electric restructuring agreement. This assumed electric CAP population is intended to lead to reasonable if slightly conservative estimates of the cost impacts of alternative rate designs.

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<sup>73</sup> *Mathematical Proof:* A mathematical proof that the PIPP rate design yields the maximum aggregate billing consistent with an affordable rate is, briefly, as follows: the billings for any rate design will include a portion comprised of over billings and a portion comprised of under billings relative to the affordability criteria. For rate designs that fully comply with the affordability criteria, the over billed portion is zero and the billing difference between rates rests in the under billed portion. For the case of a rate exactly congruent with the affordability criteria the under billed portion is also equal to zero. This congruent rate therefore represents the highest aggregate billing that can be associated with a fully affordable rate. This is the rate tailored to each household, the PIPP.

AFFORDABLE ELECTRIC SERVICE: ALTERNATE PATHS				
STEP	DESIGN	DELTA CAP DISCOUNT	FRACTION IN COMPLIANCE	AVERAGE DISCOUNT FROM STANDARD RATE
<b>CAP-RATE PATH</b>				
0	Current Electric CAP-Rate	\$0	48%	34%
1	Proposed CAP	\$5,966,000	60%	41%
2	Aggressive discount applied to 500 kWh/mo	\$14,964,000	72%	53%
3	Aggressive discount applied to 1000kWh/mo	\$27,009,000	98%	69%
<b>PERCENTAGE OF INCOME PAYMENT PLAN PATH</b>				
Reference	PIPP	\$10,847,000	100%	48%

Figure XI-8: Alternative Paths to Electric Affordability.

In Figure XI-8, Step 0 represents PECO's current electric CAP-Rate. Step 1 is the proposal for lower tiered CAP rate for customers with incomes below 50% of the Federal Poverty Level, the proposal put forth jointly by PECO and the LIURP Advisory Group. This proposal includes an 85% discount on the first 500 kWh/mo for customers with incomes lower than 25% FPL and 75% discount for customers in the 25-50% FPL range. This lower CAP rate increases the fraction of the electric CAP population in conformance with the affordability guidelines from 48% to 60%. But this increased affordability has a cost impact by increasing the CAP discount (revenue shortfall) by \$5,966,000.

Step 2 shows a very aggressive tiered discount on the first 500 kWh/month as a means of further increasing the affordability conformance. Affordability conformance is increased from 60% to 72%, but the revenue shortfall relative to the current CAP rate increases by \$14,964,000, a huge increase in program cost for a small increase in affordability. The increase in affordability through the most aggressive discounts is

limited to about 75% conformance because these strong discounts do not affect the higher usage customers with monthly usage well in excess of 500 kWh/month.

*In step 3 the same aggressive discounts are now applied to the first 1000 kWh/month. This increases the affordability conformance from 72% to 98%. But the affordability increase is accompanied by a very large increase in the shortfall of \$27,009,000. Step 3 illustrates an approach to affordability well beyond the point of diminishing returns.*

As a benchmark reference, a Percentage of Income Payment Plan alternative program approach (PIPP) has been analyzed. The PIPP program is exactly congruent with the affordability guidelines with respect to rate type and Federal Poverty Level. However, for households with very low usage and relatively high income, a PIPP rate based on income alone will easily charge more than the full undiscounted rate. For this reason, the undiscounted standard rate has been set as the upper limit for the PIPP for each customer in the PIPP alternative design. The results show that the PIPP will provide 100% affordability conformance with an increase in the shortfall of \$10,847,000.

#### **N. Gas Affordability**

**Current Affordability** - In the absence of a CAP program, PECO gas customers pay average monthly gas bills ranging from \$25/month for the lowest 20% by usage to about \$135/month for the highest 20% by usage. Without the CAP rate only about 70% of the customers with incomes between 0-150% FPL would fall within the affordability guidelines.

The current CAP rate reduces these average gas bills to a range of about \$20/month for the lowest 20% and \$100/month for the highest 20%. With the current CAP rate, the gas energy burden (gas energy cost as a fraction of income) ranges from less than 5% to almost 20% for the lowest income gas customers with the highest usage. The gas energy burden for customers on the current CAP rate is illustrated in Figure XI-9 for customers with incomes in the range of 1 to 150% FPL.

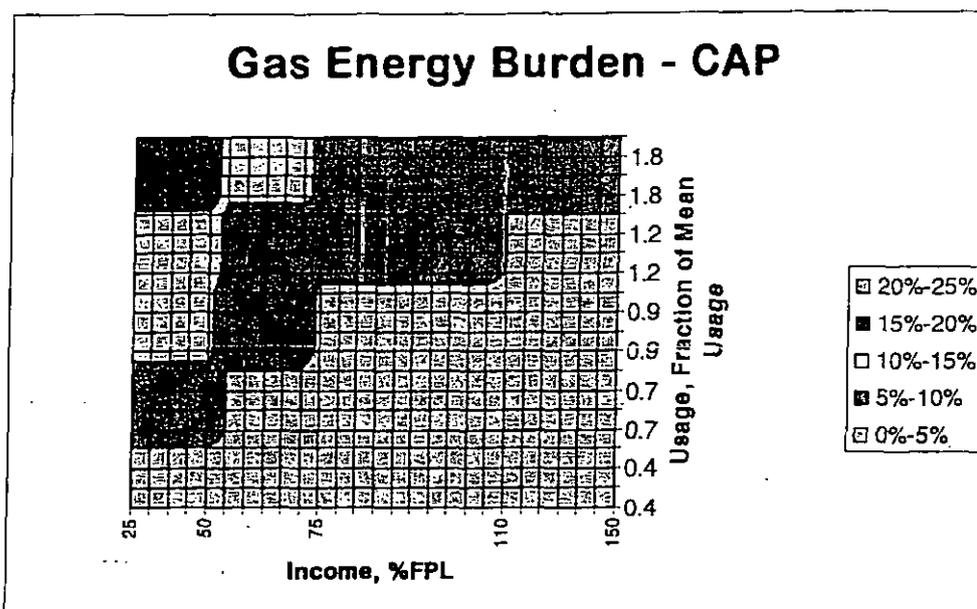


Figure XI-9: Gas Energy Burden.

Figure XI-9 shows that gas customers with incomes above 50% FPL have energy burdens of 10% or less, generally within the affordability guidelines. But for customers with incomes below 50% FPL, more than one half will experience an energy burden exceeding 10% and a significant number will see an energy burden of up to 20%.

These gas energy burdens are compared to the formal affordability criteria in Figure VII-10, the Gas Affordability Conformance Map. This map shows that the PECO gas CAP rate is affordable to approximately 82% of the customers in the 1 to 150% FPL income range. Customers with incomes less than 50% FPL and usage more than the mean will not see an affordable rate. Figure 2 also shows that customers in the 50-75% FPL range and with the highest usage will also not see an affordable rate.

It should be noted that gas customers with incomes that exceed 75% FPL will see gas bills generally lower than required in the affordability guidelines. As with the electric CAP rate, the gas bills for the lowest income customers are generally not affordable and gas bills for the higher income customers are well within the affordability guidelines.

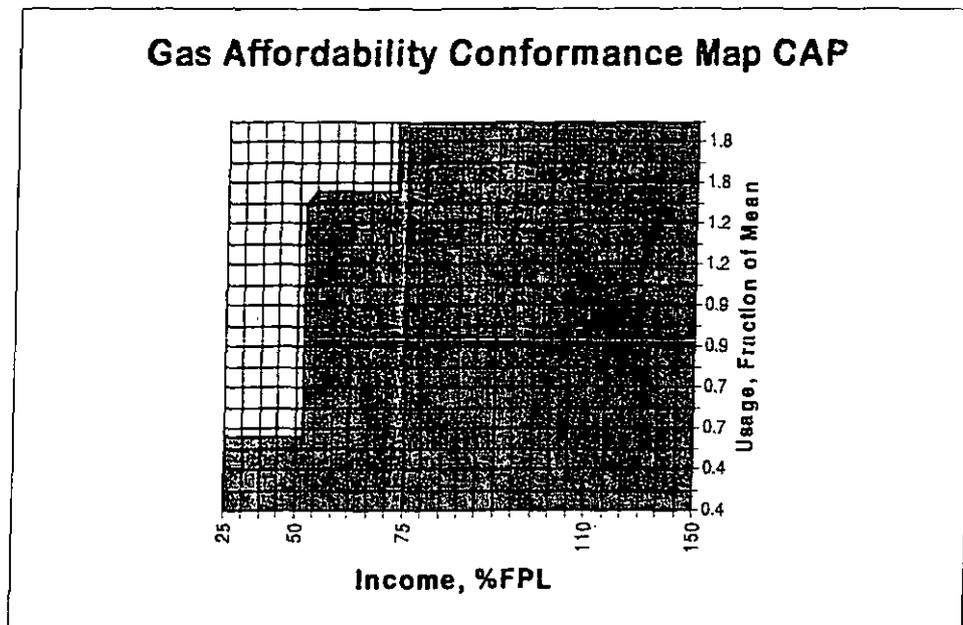


Figure XI-10: Gas Affordability Conformance MAP.

Steps Toward Gas Bill Affordability - Generally, gas bills can be made affordable by lowering gas rates to customers with incomes below 50% FPL; customers with higher incomes already have affordable rates. But there is a significant diminishing returns effect to lowering the CAP rate. As the CAP rate is lowered, the lower income customers will see affordable rates, but an increasing number of other customers will see rates well below the affordability guidelines. The net effect of lowering a CAP rate is twofold: there is an increase the affordability, but with a corresponding increase in the CAP discount or shortfall. As discussed in the context of the electric CAP rates, full affordability can only be achieved by extreme reductions in the CAP rates with corresponding large increases in the CAP discount.

Alternate approaches to affordability have been analyzed with respect to the affordability conformance factor and the corresponding impact on the CAP discount. These alternate approaches are presented in Figure XI-11, Steps Toward Gas Bill Affordability. The analysis underlying this figure is based on an assumed gas CAP rate population of 15,000. While the assumed gas CAP population may be slightly larger than the current gas CAP population, it is well below the 17,500 indicated in the gas restructuring agreement. This assumed gas CAP population is intended to lead to reasonable if slightly conservative estimates of the cost impacts of alternative rate designs.

AFFORDABLE NATURAL GAS: ALTERNATIVE PATHS				
STEP	DESIGN	DELTA CAP DISCOUNT	FRACTION IN CONFORMANCE	AVERAGE DISCOUNT FROM STANDARD RATE
CAP-RATE PATH				
0	Current CAP Rate	\$0	81%	25.9%
1	0 to 50% FPL, 55% discount, 51 to 100% FPL 45% discount	\$1,351,000	93%	39.2%
2	Step 1 and remove discount for 101 to 150% FPL	\$793,000	93%	36%
PERCENTAGE OF INCOME PAYMENT PLAN PATH				
Reference	PIPP	-\$1,374,000	100%	15.7%

Figure XI-11: Alternative Gas Rate Designs.

Figure XI-11 shows in Step 1 a tiered alternative lower CAP rate for customers with incomes below 100% FPL. This lower CAP rate increases the fraction of the gas CAP population in conformance with the affordability guidelines from 81% to 93%. The cost of providing this increased affordability in Step 1 is \$1,351,000.

Step 2 shows a means of offsetting some of this cost impact by removing the existing CAP discount for customers in the 101-150% FPL range. This can be done within the guidelines of the Pennsylvania Code – for natural gas, the customers in the 101-150% range would receive bills below the affordability guidelines, even after removing the existing CAP discount. Removing these customers from the discount would reduce the cost impact to \$793,000, while the conformance rate would remain at 93% as in Step 1.

As a benchmark reference, a PIPP program has been analyzed. The PIPP program charges 8% of income for customers below 50% FPL and 10% of income for customers above 50% FPL. The undiscounted rate is the upper limit for the PIPP charges. The results here are striking. The PIPP rate will have a significantly lower cost than the existing CAP rate as indicated by the minus \$1,374,000 delta CAP

discount. This result proceeds from the fact that the PIPP rate will actually increase rates for those with higher incomes and for those with low usage.<sup>74</sup>

Affordability in gas CAP rates is not just a question of lowering rates it is more a question of matching the rates to the income of the customer. Affordable gas CAP rates can be devised with minimal cost impact relative to the current rates.

### O. Summary

Both the electric and gas CAP rates are not affordable for customers with incomes at 50% FPL and below.

The current gas CAP rate customers with incomes above 50% FPL are paying less than the affordability limits. The gas CAP rate could be redesigned to lower rates for customers with incomes below 50% FPL and to limit the discounts to those with incomes above 50% FPL. The rate would then be affordable for 93% of the gas CAP participants and the cost impact would be less than 1 million/year.

The electric CAP rate is unaffordable for customers with incomes at 50% FPL and below and for the 20% of customers with the highest usage. There are no CAP rate designs that would provide affordable rates over the full range of the program population income and usage without an excessive increase in program cost.

The consensus rate proposal by PECO and the LIURP Advisory Group is "as good as it gets" for a CAP rate (discount) design without incurring excessive program costs. This proposed rate coupled with a strong CARES effort for the lowest income or needy customers and with an effective LIURP program for the high usage customers is essentially equivalent to an affordable CAP rate.

There is a structural dissonance between the income-based affordability guidelines [Pennsylvania Code § 69.265(2)] and the CAP rate. This dissonance makes it virtually impossible to fully meet the affordability guidelines without excessively increasing the program shortfall. In terms of program shortfall (hence program cost) the most economic way to fully meet the affordability criteria is with an energy charge structured as a Percentage of Income Payment Plan (PIPP).

From a classical market perspective, it can be argued that a PIPP charge that is independent of usage is a poor market signal for efficiency. Also a PIPP will increase rates to the lowest use customers with the highest incomes while reducing rates for the lowest income customers and for the highest use customers. But a CAP rate (discount)

---

<sup>74</sup> As in the electric rate design, the current standard tariff has been implemented as a limit on the percentage of income amounts. Under this modified PIPP design, no customer pays more than the standard tariff.

that has been set low enough to meet the affordability guidelines is a poor market signal for efficiency. In fact, for low-income customers, a significant portion of the energy expenditures are non-discretionary. These customers are not acting according to classical market dynamics. As discussed in this section, the Percentage of Income Payment Plan (PIPP) approach offers the lowest cost option for meeting actual energy affordability.

PECO Energy Company and Public Service Electric and Gas Company  
Docket No. A-110550F0160

AA -SET I - QUESTION #8:

Please provide the number of individuals enrolled, on July 1, 2004 and on January 1, 2005 in CAP Rate A.

AA.-SET I -RESPONSE #8:

- On July 2, 1004 there were 6 customers were enrolled on CAP Rate A.
- On January 1, 2005, there were 9 customers were enrolled on CAP Rate A.

Responsible Witness: Denis P. O'Brien

Exhibit "I"

PÉCO Energy Company and Public Service Electric and Gas Company  
Docket No. A-110550F0160

AA-SET I-QUESTION #15:

Please provide the number of individuals enrolled, on July 1, 2004 and on January 1, 2005 in CAP Rate B.

AA-SET I-RESPONSE #15:

- On July 1, 2004 there were 1,485 customers enrolled on CAP Rate B.
- On January 1, 2005 there were 2,832 customers enrolled on CAP Rate B.

Responsible Witness: Denis P. O'Brien

PECO Energy Company and Public Service Electric and Gas Company  
Docket No. A-110550F0160

AA -SET I- QUESTION #21:

Please provide the number of individuals enrolled, on July 1, 2004 and on January 1, 2005 in CAP Rate C.

AA-SET I-RESPONSE #21:

- On July 1, 2004, 4,009 customers were enrolled on CAP Rate C.
- On January 1, 2005, 8,165 customers were enrolled on CAP Rate C.

Responsible Witness: Denis P. O'Brien

PECO Energy Company and Public Service Electric and Gas Company  
Docket No. A-110550F0160

AA -SET I - QUESTION #12:

How many of the individuals enrolled in CAP Rate A as of July 1, 2004 and January 1, 2005 were also billed at the CAP D rate?

AA-SET I-RESPONSE #12:

- As of July 1, 2004, 4 of the 6 CAP Rate A customers had usage billed strictly on CAP Rate A. Two CAP Rate A customers were billed at CAP Rate D for their usage above 1000 kWh.
- As of January 1, 2005, 7 of the 9 CAP Rate A customers had usage billed strictly on CAP Rate A. Two CAP Rate A customers were billed at CAP Rate D for their usage above 1000 kWh.

Responsible Witness: Denis P. O'Brien

Exhibit "J"

PECO Energy Company and Public Service Electric and Gas Company  
Docket No. A-110550F0160

AA-SET I - QUESTION #16:

How many of the individuals enrolled in CAP Rate B as of July 1, 2004 and January 1, 2005 were also billed at the full tariff rate R and RH?

AA-SET I-RESPONSE #16:

- On July 1, 2004, 934 CAP Rate B customers were billed at Rate R and/RH for their usage above the CAP Rate B discounted block. The remaining 551 CAP Rate B customers did not have usage above the CAP Rate B discounted block
- On January 1, 2005, 1,657 CAP Rate B customers were billed at Rate R and/RH for their usage above the CAP Rate B discounted block. The remaining 1,175 CAP Rate B customers did not have usage above the CAP Rate B discounted block.

Responsible Witness: Denis P. O'Brien

PECO Energy Company and Public Service Electric and Gas Company  
Docket No. A-110550F0160

AA -I - QUESTION #22:

How many of the individuals enrolled in CAP Rate C as of July 1, 2004 and January 1, 2005 were also billed at the full tariff rate R and RH?

AA-SET I-RESPONSE #22:

- On July 1, 2004, 2,508 CAP Rate C customers were billed at Rate R and/RH for their usage above the CAP Rate C discounted block. The remaining 1,501 CAP Rate C customers did not have usage above the CAP Rate C discounted block.
- On January 1, 2005, 4,725 CAP Rate C customers were billed at Rate R and/RH for their usage above the CAP Rate C discounted block. The remaining 3,400 CAP Rate C customers did not have usage above the CAP Rate C discounted block.

Responsible Witness: Denis P. O'Brien

Year-to-Date (January - April) 2004 and 2005 Terminations and Reconnections  
Major Electric and Gas Companies and Combined PECO

Company	Terminations	Terminations	Percent Change	Reconnections	Reconnections	Percent Change
	2004	2005		2004	2005	
Duquesne Light	2,670	4,411	65.2%	1,312	2,368	80.5%
Met-ed	355	1,511	325.6%	106	860	711.3%
Penelec	801	2,115	164.0%	256	1,252	389.1%
Penn Power	226	516	128.3%	69	316	358.0%
PPL	1,066	3,847	260.9%	342	1,985	480.4%
PECO-Electric Only	5,316	5,821	9.5%	3,164	3,217	1.7%
PECO-Electric and Gas	1,322	2,414	82.6%	755	1,555	106.0%
UGI Electric	135	176	30.4%	59	95	61.0%
Allegheny Power	1,765	4,395	149.0%	772	2,373	207.4%
Columbia Gas	1,195	3,966	231.9%	350	1,554	344.0%
Equitable	2	3,287	164250.0%	0	1,535	
National Fuel	1,582	3,983	151.8%	362	1,493	312.4%
PG Energy	861	1,500	74.2%	320	588	83.8%
Dominion Peoples	823	1,626	97.6%	244	442	81.1%
PECO-Gas Only	21	46	119.0%	8	15	87.5%
UGI Gas	1,938	2,600	34.2%	526	909	72.8%
Philadelphia Gas Works	1,761	4,409	150.4%	3,235	4,721	45.9%
Combined PECO	6,659	8,281	24.4%	3,927	4,787	21.9%
Total	21,839	46,623	113.5%	11,880	25,278	112.8%

Exhibit "K"

Action Alliance, et al.  
Statement No. 1-SR

*Philo DX  
9/23/05  
+  
Exs 1-SR-10-SR*

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Re: Joint Application of PECO Energy :  
Company and Public Service Electric and :  
Gas Company for Approval of the Merger :  
of Public Service Enterprise Group :  
Incorporated with and into Exelon :  
Corporation :

Docket No. A-110550F0160

DOCUMENT  
FOLDER

SURREBUTTAL TESTIMONY OF HARRY S. GELLER  
Low-Income Customer Issues

ON BEHALF OF  
ACTION ALLIANCE et al.

ACTION ALLIANCE OF SENIOR CITIZENS OF GREATER PHILADELPHIA,  
ASSOCIATION OF COMMUNITY ORGANIZATIONS FOR REFORM NOW (ACORN) AND  
TENANTS' ACTION GROUP (TAG)

August 26, 2005

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PA PUBLIC UTILITY COMMISSION  
SECRETARY'S BUREAU

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### Exhibits

1-SR.	Peach, H. Gil, Anne West, Howard Reichmuth, and Marcia Lehman, <i>Customers with Incomes to 50% of the Federal Poverty Level in PECO Energy's Customer Assistance Program</i> . Beaverton, Oregon: H. Gil Peach & Associates/Scan America, June 10, 2002, Figure X-3	P. 1
2-SR.	Peach June 10, 2002 Report, Figure X-4	P. 2
3-SR.	PA Department of Welfare Cash Assistance Statistics, June 2005	P. 3
4-SR.	E-mail Correspondence from LIURP Advisory Committee to PECO	P. 4
5-SR.	PECO pamphlet, "Does your money run out before the month does?" Cover, table of contents, and pages 10 and 11	P.19
6-SR.	July 14, 2003 Letter to PECO from the Commissions's Bureau of Consumer Services	P. 22
7-SR.	PECO Response to Interrogatory AA-I-7a, selected pages	P. 34
8-SR.	February 14, 2002 Letter to PECO from the Commission's Bureau of Consumer Services	P. 37
9-SR.	PECO's Response to Interrogatory AA-I-27	P. 39
10-SR.	PECO - LIURP Advisory Committee Meeting, selected handouts, August 16, 2005	P. 40

1 Surrebuttal Testimony of Harry S. Geller

2  
3 **I. Introduction and Summary**

4  
5 **Q. Please state your name and business address.**

6  
7 **A.** Harry S. Geller, 118 Locust Street, Harrisburg, PA 17101

8  
9 **Q. Have you previously participated in this proceeding?**

10  
11 **A.** Yes. I submitted direct Testimony (AA Statement No. 1) on June 28,2005. A  
12 statement of my qualifications is contained in my direct Testimony.

13  
14 **Q. What is the purpose of your Surrebuttal Testimony?**

15  
16 **A.** I respond directly to the Rebuttal Testimony of the Joint Applicant's witness Lisa  
17 Crutchfield and indirectly to Denis O'Brien whose testimony references Ms.  
18 Crutchfield, to the extent their testimony addresses the low-income programs which  
19 PECO administers.

20  
21 **Q. What are the primary points you are making?**

22  
23 **A.** The primary points I am making are that, contrary to the Rebuttal Testimony  
24 submitted by PECO:

25 A) Target enrollment levels of CAP Rate and Special Needs programs do exist and  
26 were developed as a result of rational expectations shared and understood by PECO.  
27 PECO's role in achieving these targeted figures is intended to be more than simply  
28 verification of income and reporting of the headcount but to be an active participant  
29 in achieving an appropriate enrollment level for all income groups below 150% of  
30 poverty. The significant failure to achieve these targeted figures by PECO does not

1 reflect well on the company's commitment to ensure that the needs of its low-income  
2 customers are adequately met;

3 B) CAP payment levels are subject to affordability guidelines which set maximum  
4 CAP payment levels and the affordability of PECO's CAP payment structure  
5 continues to be an issue of concern for Commission action. The Consensus  
6 Modifications did not resolve this issue;

7 C) In conjunction with CAP, the other PECO Universal Service Program components  
8 of MEAF, CARES, and LIURP are intended to function as part of an integrated and  
9 coordinated service delivery system. These other components need to receive  
10 increased levels of support; and

11 D) Responses by PECO which contain indefinite statements to "reevaluate"  
12 weaknesses within the Universal Service Programs are inadequate. They provide no  
13 assurance of action. The Commission should require specific and concrete  
14 commitments such as the use of LIHEAP to facilitate enrollment and recertification,  
15 the elimination of the requirement of two missed CAP payments prior to enrollment  
16 in Special Needs Program Rate A, the use of Community Based Organizations in a  
17 more organized and structured manner, and an increase in the number of CARES  
18 workers.

19  
20 **II. CAP Enrollment Levels**

21  
22 **Q. In her Rebuttal Testimony, Lisa Crutchfield (PECO Statement No. 4-R, p. 9,**  
23 **lines 10-11) asserts that achieving a level of CAP enrollment of 125,000**  
24 **customers was neither a goal nor a commitment, but that it was a "provisional**  
25 **maximum enrollment limit". Do you agree?**

26  
27 **A.** No. Ms. Crutchfield appears to be presenting CAP enrollment as having a ceiling  
28 level for the number of participants. In contrast, it is my contention that CAP is  
29 intended to have an open enrollment process with anticipated growth in accord with  
30 demographic expectations. Eligibility should be available to all CAP eligible  
31 customers. Enrollment ceilings and maximum levels of participation do not exist.

1 Paragraph 34 of the 1998 Restructuring Settlement which established the term  
2 “provisional maximum enrollment levels” to which Ms. Crutchfield refers, specifies  
3 a “dual intent” of maintaining the level of CAP program costs and “ensuring that  
4 *all eligible customers are able to participate in the program*” (PECO St. No. 4-R,  
5 Exhibit LC-2, *emphasis added*). Paragraph 34 of the Restructuring Settlement was  
6 referenced into the PECO/ UNICOM merger and reiterates that enrollment in CAP is  
7 to be on an “open enrollment basis”. The intent that all eligible customers are able to  
8 participate in CAP and that enrollment levels are to be targeted to the level of need set  
9 in accord with existing demographics is consistent with and reemphasized in the  
10 Electric and Natural Gas Choice Acts which require the Commission to ensure that  
11 universal service is appropriately funded and available in each service distribution  
12 territory. (66 Pa.C.S. § 2203(8) as to gas, 66 Pa. C.S. §2804 (9) as to electric).

13  
14 CAP programs are not theoretical or charitable concepts. They are statutorily  
15 mandated programs intended to meet the needs of the low-income eligible population  
16 within a distribution company’s service territory. PECO acknowledges that the  
17 demographic numbers within its service territory would project an enrollment growth  
18 in excess of 125,000. In its Universal Service and Energy Conservation Plan  
19 Submission, in Compliance with 52 Pa Code §54.74, Docket No.M-00041788, the  
20 Company indicated that it projected CAP enrollment levels of 118,000 in 2004,  
21 128,000 in 2005 and 138,000 in 2006. The Commission’s Order, entered April 21,  
22 2004 includes these projections. A projection is a reasonable expectation at the very  
23 least.

24  
25 **Q. Ms. Crutchfield contends that PECO is neither required to enroll 125,000**  
26 **customers into CAP nor to have a Special Needs participation rate of 40,000. Is**  
27 **that the issue?**

28  
29 **A.** No Expectations for enrollment levels exist that are presently based upon the  
30 specified numbers of 125,000 total CAP participants with 40,000 of those being  
31 Special Needs Program participants. These levels have not been reached. In the

1 context of applying for approval of another merger, PECO should, at a minimum,  
2 commit to achieving past expectations. Since the UNICOM merger, low-income  
3 consumers within PECO's service territory have, as a result of the passage of Act  
4 201, become more vulnerable. Assuring that CAP Program enrollment meets  
5 expected levels of growth now is an issue of increased importance to the low-  
6 income community and would be seen as a substantial public benefit. Without the  
7 assurance that expectations of CAP growth will be achieved, the present merger  
8 provides no additional benefit to the low-income.

9  
10 The prior merger with UNICOM and the Consensus Modifications, generated by that  
11 merger, created reasonable expectations of CAP and Special Needs Program  
12 enrollment based upon the existing and anticipated demographic needs within  
13 PECO's service territory. PECO has failed to achieve demographically appropriate  
14 and reasonably expected target levels and thus achieve the appropriate public benefit  
15 to its low-income customers. I therefore concluded that in light of this failure to  
16 achieve past stated expectations, another merger should not be approved until PECO  
17 either achieved the expected results or committed to tangible assurances to reach  
18 those program enrollment levels.

19  
20 **Q. Ms. Crutchfield indicates that a customer may be on a Special Needs Program**  
21 **component only if the customer's income is verified and "It is these income**  
22 **eligibility conditions, not a target enrollment level, that drive the amount of**  
23 **enrollment in a program." (PECO St. No. 4-R, p. 11, lines 4-7). What is the**  
24 **significance of this statement?**

25  
26 **A.** I agree that "the income eligibility conditions" may drive the enrollment. However, a  
27 target enrollment level may not be achieved if the income verification **process** that is  
28 put in place or other eligibility conditions that are set are cumbersome, inefficient, or  
29 inappropriate.. These procedures and conditions may then operate as barriers to entry  
30 or recertification. For example, the PECO CAP recertification process was identified  
31 by Dr. Peach, in his evaluation, as inconsistent and that PECO should drop

1 recertification or go to a random check procedure. (Peach 2003 Report, p. I-8,  
2 attached to AA St. No. 1 as Exhibit "B"). PECO's low and disappointing Special  
3 Needs enrollment is affected by such barriers. Let us be clear, an income verification  
4 requirement is a component of every CAP at every Pennsylvania utility. It has always  
5 been a component of PECO's CAP. The fact that such a process exists simply does  
6 not explain the disappointingly low enrollment levels. On the other hand, an  
7 uncomplicated customer-friendly process would act to enhance the enrollment levels.  
8 The Consensus Modifications specifically addressed this issue by identifying ways  
9 and, in some instances, dictating ways in which enrollment into the Special Needs  
10 Program could be facilitated. For example, PECO was to evaluate the use of  
11 LIHEAP to expedite eligibility verification. By using the LIHEAP grant amount  
12 information which PECO already possesses for thousands of its customers, PECO  
13 could determine eligibility based upon income information which DPW has already  
14 verified. PECO should be required to use the LIHEAP grant to determine eligibility  
15 for the Special Needs Program.

16  
17 **Q. Ms. Crutchfield asserts that the demographic data expectations for the number**  
18 **of 50% of poverty or below who would participate in Special Needs were "soft"**  
19 **(PECO St. No. 4-R, p. 10, line 5)? Wouldn't this justify such a low enrollment in**  
20 **the Special Needs Program?**

21  
22 **A.** No. First, I disagree with the assertion that the 40,000 figure was based upon an  
23 imprecise estimate of the number of customers in its service territory. The 40,000  
24 number was derived from PECO's own report to the Commission of the monthly  
25 number of PECO CAP participants and individuals *whose income PECO had*  
26 *confirmed were below 50% of poverty.* It was based on the average monthly number  
27 for the year 2000. As Dr. Peach pointed out in his June 2002 evaluation, (Figure X-3)  
28 the year 2000 monthly numbers reported by PECO ranged from a low of 32,770 to a  
29 high of 43,130. (Figure X-3 attached as Exhibit "1-SR"). The yearly average was 39,  
30 469. Dr. Peach, estimated (Figure X-4) that the range of potential PECO CAP  
31 population at or below 50% of poverty ranged from a lower bound number of 39,500

1 to a higher bound number of 90,000.(Figure X-4 attached as Exhibit "2-SR"). The  
2 40,000 number was thus derived from PECO's own figures of individuals whom the  
3 company had verified as eligible and Dr. Peach's lower bound estimate of the  
4 potential population. The Department of Public Welfare figure of 81,463 Cash  
5 Assistance recipient households, whose incomes are below 50% of poverty in the  
6 PECO service area, would tend to corroborate the actual existence of a higher  
7 population base. (See Attached Exhibit "3-SR" - PA DPW Cash Assistance  
8 Statistics). The fact that PECO has acknowledged that it has identified only 14,000  
9 households as eligible for Special Needs in 2004, when it had confirmed an average  
10 of 39, 469 customers in 2000 is especially troubling and reinforces the concern  
11 regarding PECO's commitment to the Special Needs Program. The question must be  
12 asked 'What happened to those households?' Ms. Crutchfield asserts that it is  
13 "income-eligibility conditions" which has caused the drop. I agree. It appears that  
14 they have been omitted from the Special Needs program as a direct result of the gate-  
15 keeping and cumbersome application and verification process requirements which  
16 PECO has put into place.

17  
18 **Q. What do you have to state about the level of enrollment in CAP Rate A?**

19  
20 **A.** As Ms. Crutchfield has testified: 'the numbers speak for themselves'. The enrollment  
21 level is an embarrassment. This group was specifically identified as PECO's most  
22 vulnerable customer population (under 25% of poverty with extenuating  
23 circumstances). It was specifically designated to receive the highest level of discount  
24 and the highest level of support. PECO's unilateral imposition of an additional  
25 arbitrary and clearly unjustified requirement that, before entry into Rate A, a  
26 customer must demonstrate an inability to maintain at least two CAP Rate B payment  
27 agreements is evidence of its failure to honor the purpose and intent of the Consensus  
28 Modifications. I am gratified that PECO now sees the need to take a new approach.  
29 However, its response, especially in the face of such dramatically failed enrollment  
30 numbers and Barbara Alexander's Direct Testimony (OCA Statement No. 1, p. 6) is  
31 inadequate. The policy is in error and needs to be abandoned rather than simply

1 reevaluated. The Commission should require the elimination of the 2 missed payment  
2 policy.

3  
4 **III. Outreach and Education**

5  
6 **Q. On page 12 of her Rebuttal Testimony, Ms. Crutchfield has offered additional**  
7 **outreach and training regarding PECO's Universal Service Programs. Do you**  
8 **wish to comment on this?**

9  
10 **A.** Yes. I am gratified that PECO will be undertaking additional outreach and training.  
11 However, this falls far short of expectations surrounding the Consensus  
12 Modifications. Dr. Peach, in his 2003 Report, noted and recommended as follows:

13  
14 PECO Energy does not have an advertising or promotional plan for  
15 Universal Services. A marketing plan and promotional plan are  
16 needed. There is a need to provide more data about Universal Services  
17 (communication materials), and to actively promote the programs.

18  
19 See Peach 2003 Report, AA St. No. 1, Exhibit B, p. I-4.

20  
21 A specific requirement which was contained in the Consensus Modifications was  
22 "that there be the development of a written and detailed communication, education  
23 and outreach program plan that will be developed in cooperation with the PECO  
24 LIURP Advisory Board." PECO has failed to develop such a program in conjunction  
25 with the group and has failed to develop a communication process which details all  
26 the specific eligibility criteria, components, or benefits of the Special Needs  
27 Program. The program has achieved little or no identity. This may be traced not only  
28 to the inadequate specificity of information and methods of communication, but also  
29 to the fact that the company, internally and externally refers to the program by  
30 different names. There has been no apparent consistency. It has been referred to as  
31 "CAP Rate Plus", simply by the different Rate levels: A, B, and C and occasionally  
32 as "Special Needs. Even within the company, PECO's training materials and  
33 customer service computer screens do not list all of the specific eligibility criteria

1 which would qualify a customer for the Special Needs Program Rate A.

2  
3 **Q. How are PECO's outreach and educational materials inadequate?**

4  
5 **A.** PECO has failed to incorporate the suggestions of the LIURP Advisory Committee in  
6 the revision and updating of its customer materials. Compare Exhibit "4-SR" (e-mail  
7 correspondence from LIURP Advisory Committee to PECO) with Exhibit G  
8 (brochure, "PECO Universal Service Program CAP Rate," previously submitted with  
9 AA St. No. 1). PECO does not readily disclose the details of the CAP Rate Program  
10 to its customers. Both the pamphlet and booklet which PECO uses to educate  
11 customers as to the substance of CAP Rate only mention what will qualify a customer  
12 for each CAP Rate tier. The discount amounts in each tier are not listed.

13  
14 The information explaining the CAP program which PECO provides its customers  
15 mentions but does not explain the arrearage forgiveness component. In both the  
16 PECO brochure "PECO Universal Service Program CAP Rate" (previously submitted  
17 at AA St. No. 1, Exhibit G) and the booklet "Does your money run out before the  
18 month does?" (cover, table of contents, and pages 10 and 11 are attached as Exhibit  
19 "5-SR") PECO only states that those who pay their monthly bill "in full and on time  
20 each month" may receive "pre-program arrearage" forgiveness. (AA-I-25). PECO  
21 presents the arrearage forgiveness component only as a possibility for CAP customers  
22 who pay their bills on time and in full for some unspecified amount of time. PECO  
23 does not inform its customers that their total arrearage will be forgiven after just six  
24 consecutive months of full and timely CAP Rate bill payment. The Peach 2003  
25 Report of the PECO CAP Program found that only 26% of CAP customers knew that  
26 arrearage could be forgiven. Citing the Report, the Commission's BCS was  
27 concerned that many customers do not receive the benefit of arrearage forgiveness  
28 because they do not know that making six consecutive payments will eliminate their  
29 arrearage. BCS strongly endorsed Dr. Peach's recommendation that PECO develop a  
30 publication that describes the benefits and customer responsibilities for continued

1 enrollment in the CAP program. (7/14/2003 BCS Letter, pp. 6-7 of attached  
2 Comments, Exhibit "6-SR").

3  
4 In response to discovery requests, PECO provided a packet of customer education  
5 materials. (PECO Response to AA-I-25, includes Exhibit G and Exhibit 5-SR,  
6 among other items). The CARES program is not mentioned in any of the educational  
7 materials distributed directly to customers as provided by PECO.

8  
9 **Q. Please explain how PECO's training materials and customer service fail to**  
10 **recognize all eligibility criteria for Special Needs Program Rate A.**

11  
12 **A.** As the numbers show, PECO is doing a very poor job of doing outreach about CAP  
13 Rate A. As was outlined in the Consensus Modifications, in order to qualify for CAP  
14 Rate A, a customer must have a household income of no more than 25% FPL and  
15 have extenuating circumstances. PECO agreed that the following list of household  
16 situations would qualify as extenuating circumstances: injury, illness, disability, high  
17 medical bills, medically related electric usage, death in the family, sudden loss of  
18 employment, an inability to comply with at least 2 non CAP A payment  
19 arrangements, high non-discretionary electric usage related to shelter conditions not  
20 susceptible to mitigation through LIURP measures, children below 8 years of age in  
21 the household, disabled individuals in the household, or infirm elderly in the  
22 household. This list is repeated in PECO's 2003 Universal Services three year plan  
23 which it submitted to the Commission.

24  
25 PECO does not educate its customer service representatives or CARES staff as to the  
26 full range of extenuating circumstances that qualify a customer for CAP Rate A. The  
27 computer programs used by PECO customer service representatives list only three  
28 possible extenuating circumstances for the representative to choose from: 1) Injury or  
29 Illness 2) High Medical Bills 3) Medically Related Usage. The training manual  
30 provided to PECO customer service representatives limit PECO's educational  
31 materials provided to its CARES consultants list seven examples of extenuating

1 circumstances: health related usage, illness, injury, disability, infirmed elderly,  
2 sudden loss of employment, and inability to comply with 2 or more payment  
3 arrangements. In none of these places does PECO reveal the complete list of possible  
4 extenuating circumstances that could qualify a customer for CAP Rate A.

5  
6 PECO does not disclose the full range of extenuating circumstance to its customers.  
7 The brochure titled “Universal Services Programs CAP Rate” describes the CAP A  
8 qualified household as one, “whose gross income is at or below 25% of the Federal  
9 Poverty Income Guidelines and the household is dealing with a special need or  
10 unusual situation. Each special need issue will be reviewed on a case by case basis.”  
11 (AA St. No. 1, Exhibit G). The extenuating circumstances verification letter sent by  
12 PECO to customers who have reported an extenuating circumstance in their home  
13 lists four examples of extenuating circumstances: “Injury or illness that results in a 30  
14 day absence from work. Disability—a physical or mental injury that largely limits  
15 one or more major life activities. Death in the family—immediate family member in  
16 the household that provides for the family. Sudden loss of employment—by the  
17 immediate family member that provides for the family.” (PECO Response to AA-I-  
18 7a, p. 10, attached as Exhibit “7-SR”). This list is not only much shorter than the one  
19 which PECO agreed to in the Consensus Modifications, but there are restrictions  
20 placed on the extenuating circumstances that are listed, creating an inaccurate  
21 representation of the CAP Rate A qualifications.

22  
23 PECO’s booklet titled “Does your money run out before the month does?” describes  
24 the CAP Rate tiers on page 11. (Exhibit 5-SR). CAP Rate A extenuating  
25 circumstances are called “special needs or financial hardships,” which, “can include  
26 serious illness in the household, recent unemployment, domestic crisis, and other  
27 emergency situations.” (Exhibit 5-SR). This description of emergency situations  
28 excludes such CAP A-qualifying circumstances as having a child under the age of  
29 eight in the household, an inability to comply with at least 2 non CAP A payment  
30 arrangements, and high non-discretionary use. Here, PECO again fails to fully  
31 inform its customers as to the ways that they can receive CAP Rate A discounts.

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**Q. On page 17, lines 7 and 8, Ms. Crutchfield takes issue with your suggestion that PECO make payments to MEAF for failing to achieve targets for enrollment. She specifically states the targets do not exist and that such payments do not address the enrollment issue. Please respond.**

**A.** I have addressed, in my initial direct Testimony and this Surrebuttal Testimony, my view that there are enrollment targets and that PECO has fallen short of those targets. I have addressed specific failures of PECO to develop meaningful information and communication tools and conduct sufficient outreach. I have also indicated that a number of PECO's enrollment and recertification practices act as gate-blocking impediments to achieving a higher CAP enrollment level. I believe that if PECO takes actions to implement those practices the enrollment levels would increase, the targets would be achieved, and the additional payments to MEAF would not be needed. As Ms. Crutchfield's figures acknowledge, on page 5, line 2 of her Rebuttal testimony, if PECO achieves the targets there would be no additional cost. Enrollment target numbers were determined with PECO's concurrence and as a result of PECO's projections. They are achievable and within reach. PECO has the means and the ability to achieve them, but the company has not demonstrated, since the Consensus Modifications, the corporate commitment to reach those goals. I believe, that requiring a payment to MEAF in the amounts I propose, for failing to reach targeted levels would be a most effective way to address enrollment levels.

**Q. Ms. Crutchfield states that PECO is willing to hire some additional CARES workers and to pursue discussions with the Neighborhood Energy Centers (NECs) about outreach and enrollment (PECO St. No. 4-R, at 37). Do you have a response?**

**A.** I am glad to see that PECO is willing to take such steps, but as prior experience shows, PECO needs concrete, enforceable terms before it will take action. The Commission should order, as a condition to any merger approval, that PECO contract

1 with community based organization (CBOs), like the NECs, to conduct outreach and  
2 enrollment for its CAP. The Commission already strongly encourages, in its code  
3 and regulations, the involvement of CBOs in the outreach for CAP programs. 66  
4 Pa.C.S. 2804(9), 52 Pa. Code 69.265(6). Also, Section 2203(8) of the Gas Choice  
5 Act directs the Commission to encourage the use of CBOs that have the necessary  
6 technical and administrative experience to be the direct providers of services or  
7 programs to assist low- income customers to afford natural gas service.

8  
9  
10 **Q. Despite enrollment shortcomings, PECO's CAP Program the largest Universal**  
11 **Services Program in Pennsylvania (Crutchfield, p. 7). Isn't that an indication of**  
12 **successful outreach?**

13  
14 **A.** Being the utility with the largest customer base, PECO should obviously have the  
15 largest CAP program in the state. A large CAP program does not necessarily  
16 translate into a program that has covered enough low-income customers or that  
17 provides affordable bills to its low income customers. PECO attempts to paint a  
18 picture of its Universal Services Program as one that is generous and robust.  
19 However, the Commission has repeatedly advised PECO of the shortcomings of its  
20 programs and the need to evaluate and make improvements.<sup>1</sup>

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<sup>1</sup> For example: (1) April 21, 2004 Commission Order (PECO's Universal Service and Energy Conservation Plan Submission), Docket No. M-00041788 ("4/21/2004 PUC Order"), attached to AA St. No. 1 as Exhibit A; (2) July 14, 2003 Letter to PECO from the Commission's Bureau of Consumer Services ("7/14/2003 BCS Letter"), attached as Exhibit "6-SR"; and (3) February 14, 2002 Letter to PECO from the Commission's Bureau of Consumer Services ("2/4/2002 BCS Letter"), attached as Exhibit "8-SR".

In the 7/14/2003 BCS Letter to PECO, BCS stated:

BCS finds a consistent them throughout the evaluation [Peach 2003 Report]. PECO has processes in place that are sound but PECO has not ensured that staff follow the details of procedures and processes. Because there are so many small problems, PECO's CAP is far less efficient and effective than it should be. The Evaluation [Peach 2003 Report] suggests various reasons why this may be happening: not enough universal service staff and programs, upper management's indirect link to the universal service staff and programs, and the use of two call centers. BCS is unclear why so many small problems detract from PECO's universal service programs. We recommend that PECO examine why these problems occur and make an effort to correct them.

1 **IV. Affordability Issues**

2  
3 **Q. Ms. Crutchfield indicates that the issue regarding the affordability of PECO's**  
4 **CAP rate is a subject of the evaluation of the Special Needs Programs created by**  
5 **the Consensus Modifications and is therefore inappropriate at this time. Do you**  
6 **agree?**

7  
8 **A.** No. First, the Rate levels which were developed as a result of the Consensus  
9 Modifications were designed to address those CAP eligible customers with *incomes*  
10 *below 50% of poverty*. Only that income group is eligible for the Special Needs  
11 Program. In contrast, the CAP Rate Program relates to those whose income is *50-*  
12 *150% of poverty*. This group of CAP Rate participants (50-150% FPIG) is not eligible  
13 for Special Needs. No modification to their rate levels (other than the renaming them  
14 as rate levels D and E) occurred as a result of the Consensus Modifications. Secondly,  
15 the CAP Rate D and E group (50-150% FPIG) contains the significant core- **85%-** of  
16 PECO CAP customers. Using PECO's current enrollment estimates of approximately  
17 99,000 CAP participants, there are only about 14,000 households which are enrolled  
18 in Special Needs. Thus 85% of current CAP customers have not been affected as a  
19 result of the Consensus Modifications creating the Special Needs Program. The issue  
20 of affordable rates for those 85,000 CAP households is an appropriate issue of this  
21 merger.

22  
23 **Q. Do you agree with Ms. Crutchfield's assertion on page 20, lines 22-23, that by**  
24 **bringing up the issue of affordability at this time the "interveners are asking to**  
25 **short circuit that process, renege on the Consensus Modifications, and implement**  
26 **a substitute program"?**

27  
28 **A.** No. As pointed out above, the Consensus Modifications cover only those households  
29 with income below 50% of poverty and therefore affect only a small percentage of  
30 CAP participants- presently about 15%. The modifications do not affect the  
31 remaining 85% of CAP participants. Even if the targeted enrollments were achieved-

1 a total of 125,000 total CAP customers with 40,000 of those being enrolled into  
2 Special Needs, fewer than 1/3 of the CAP customers would be affected by the  
3 Consensus Modifications. The Commission's Order of April 21, 2004 which  
4 reviews PECO's Universal Service Program submission makes clear that the  
5 Consensus Modifications cover only the below 50% of poverty group and that there  
6 continues to be a need to achieve affordability for the remaining CAP participants.  
7 (AA St. No. 1, Exhibit "A").  
8

9 All parties acknowledge that the issue of pre- Special Needs Program arrearage  
10 forgiveness was not addressed in the discussions leading up to the modifications nor  
11 included within the modifications. Preprogram arrearage is a preexisting concept  
12 within CAP structure for all CAP participants and the intent of raising this issue is to  
13 ensure that that concept of pre-program arrearage forgiveness applies equally to  
14 those entering the Special Needs Program.  
15

16 The Commission retains continuing review and oversight of CAP Programs. This  
17 oversight is a matter of public policy and compliance with statute. If a program  
18 component such as CAP continues not to be in compliance with CAP Policy  
19 Guidelines, it is an appropriate issue for Commission review. The Commission has, in  
20 fact, since the Consensus Modifications expressed its concern regarding affordable  
21 PECO CAP payments as a result of high usage levels.  
22

23 In this proceeding, PECO has indicated that the establishment of "Best Practices" is  
24 intended to be a benefit of the merger and as such one of the benefits to the public.  
25 To the extent that PECO's CAP program enrollment levels and levels of affordability  
26 are deficient in meeting best practices, then it is a timely and appropriate subject for  
27 the merger.  
28

29 **Q. Is it correct, as Ms. Crutchfield's testimony implies, that Commission statements**  
30 **of concern, to which your testimony referred, regarding the affordability of**  
31 **PECO's CAP Rate design have been made only *prior to* the Consensus**

1           **Modifications and that the Consensus Modifications therefore address those**  
2           **concerns?**

3

4    **A.**    No. As recently as April, 2004, the Commission stated that “Multiple sources of data  
5           indicate that PECO CAP Rate does not conform to the requirement at 66 Pa. C. S.  
6           §2802 (10), §2804 (9), or 52 Pa Code §69.265(2) (i). (Order entered 4/21/04, p. 3,  
7           attached to AA St. No. 1 as Exhibit A). The Commission specifically pointed out that  
8           the Consensus Modifications will affect only those households whose incomes are  
9           below 50% of the poverty level guidelines, and stated that PECO had failed to fulfill  
10          a Commission directive which had been issued one year earlier to the company to  
11          identify high usage accounts of over 1000kWh monthly. The Commission further  
12          stated “PECO is directed to submit a compliance plan to BCS addressing the  
13          **unresolved problem of unaffordable CAP budgets** caused by high usage.” (Exhibit  
14          A, p. 4 emphasis added).

15

16   **Q.**    **At page 23, Line 4, Ms. Crutchfield rejects your “characterization” that PECO’s**  
17           **CAP Rate design is subject to guidelines contained in the Policy Statement**  
18           **addressing maximum CAP rates. How do you respond?**

19

20   **A.**    Considering the number of Commission Orders during the last half decade expressing  
21           the Commission’s concern about PECO CAP program compliance with the CAP  
22           Policy Statement affordable payment guidelines, I would be surprised if Ms.  
23           Crutchfield would deny that PECO CAP Rate discount plan was not subject to the  
24           Guidelines.

25

26           Her objection of my “characterization” of the issue appears to be based upon the  
27           distinction between a rate discount plan as opposed to a percentage of income plan  
28           and whether there are ‘maximum’ CAP Program payment guidelines applicable to  
29           PECO’s CAP. As to the first issue, a discount plan is equally subject to the design  
30           elements set forth in the CAP Policy Statement. Pointing out that PECO’s discount  
31           plan is not a Percentage of Income Program is a distinction which is without

1 substance. The issue is whether or not the PECO CAP Rate design is unaffordable for  
2 a significant number of participants. The April 21, 2004 Commission Order, cited  
3 above, reviewing PECO's most recent submission of its Universal Service Plan,  
4 directly referred to Pa Code §69.265(2) (i)) (CAP Design Elements) in discussing  
5 PECO's CAP affordability problem.

6  
7 Secondly, if Ms. Crutchfield takes issue with my use of the word "maximum," that is  
8 also a distinction without significance. The CAP Policy Statement addresses the  
9 matter of program design to ensure that CAP Payments conform to maximum and  
10 minimum payment ranges.

11  
12 *Payment plan proposal.* Generally, CAP payments for total electric  
13 and natural gas home energy should not exceed 17% of the CAP participant's  
14 annual income. The minimum payment should not  
15 be less than the guidelines in paragraph (3) (v) (A) and (B).

16  
17 52 PA Code § 265 (2).

18  
19 When a program design, such as the PECO CAP Rate, requires a significant  
20 percentage of its participants to make payments in excess of 17% of the annual  
21 income, the program design is flawed.

22  
23 As recently as August 16, 2005, in addressing the affordability of NFG's CAP design,  
24 the Commission reemphasized:

25 Over the past several years, the Commission has directed  
26 changes to utilities' universal service plans so that CAP  
27 programs are more consistent with the Commission's  
28 1999 CAP Policy Statement at §§ 69.261 – 69.267.  
29 The Commission intends to continue to work towards  
30 ensuring that CAP designs are more consistent with  
31 the CAP Policy Statement.  
32

33 Docket No. M-00041843, National Fuel Gas Distribution Corporation's Universal  
34 Service and Energy Conservation Plan Submission Pursuant to 52 Pa. Code § 62.4(  
35 pp. 7-8).

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The Commission tentatively approved the NFG plan only after the company had provided adequate written assurances that:

- a) NFG will address its program design deficiencies if more than 5% of CAP budgets deviate from the Commission’s CAP Policy Statement; and
- b) NFG committed to adjusting an individual CAP budget to be consistent with the Commission’s CAP Policy Statement, when appropriate.

In the case of PECO’s CAP Rate, there are no program structural protections in place to correct the high level of CAP customers whose CAP rate payments are unaffordable. To address this program deficiency, the issue of raising usage CAPs was addressed in my and Ms. Alexander’s Direct Testimonies.

**Q. In response to your suggestion to remove the kWh limits which apply to discounted CAP rates, Ms. Crutchfield on page 23 , line 18, indicated that PECO has made significant exceptions to the 500 kWh rule. Do these exceptions resolve the concern that the required CAP payments are not affordable?**

**A.** No. Ms. Crutchfield cites the Consensus Modifications in her testimony. As stated previously, these changes apply only to those CAP customers whose income is below 50% of poverty. This group comprises only 15% of the present CAP enrollment. She also points to the fact that PECO has also implemented the medically-necessary usage discount. Unfortunately, PECO appears to have applied this discount to a very small number of customers. See PECO’s Response to Interrogatory AA-I-27, attached as Exhibit “9-SR.”

In regard to the usage figure of the average residential customer, PECO questions the figure the Commission used in its Order of April 21, 2004 which I used for my estimate. Even accepting, for the sake of argument, PECO’s assertion that average usage within its service area is 650 kWh per month the conclusion remains, as the Commission noted, that PECO has not resolved the issue of affordability within its CAP Program. Figures which PECO has provided, regarding the usage levels of CAP

1 participants, indicate that an extraordinarily high number of CAP Rate D and E,  
2 customers(not covered by the modifications) have usage above the 500 kWh not  
3 subject to the CAP discount. Using just the 650 kWh figure as an example, in July  
4 2005, 57% of CAP Rate D and E customers had usage levels above 650 kWh. In  
5 regard to the very high users, 19,150 or 23% of CAP Rate D and E customers had  
6 usage over 1000 kWh in July, 2005. This is the group which, in April of 2004, the  
7 Commission specifically identified and ordered PECO to develop a plan to address.  
8

9 **Q. Ms. Crutchfield states that “it is important to have limits on the discount in  
10 order to encourage customers to find ways to save. If the discount were  
11 available without limit there would be no incentive to save.” (Crutchfield, p. 26,  
12 lines 4-7) Is this response relevant to PECO’s discount program?**

13  
14 **A.** No. I agree with Ms. Alexander’s testimony that CAP enrollment does not result in  
15 more energy use by low-income customers. Even if this were not the case, in  
16 Pennsylvania, the CAP Design Guidelines provide for consumption controls:

17 *Consumption limits.* Limits on consumption should be set at a  
18 percentage of a participant’s historical average usage. A level of 110%  
19 is recommended. Adjustments in consumption should be made for  
20 extreme weather conditions through the use of weather normalization  
21 techniques.  
22

23 52 Pa. Code § 69.265 (2)(iii) .  
24

25 While I support the concept that it is important to encourage customers to find ways  
26 to save, I strongly disagree that placing limits on the discount is an appropriate or  
27 effective method of achieving that goal. Most CAP eligible customers are vulnerable  
28 consumers who live in the worst and least efficient housing stock within PECO’s  
29 service territory and do not have the technical or financial ability to modify their  
30 housing unit to significantly reduce usage. Simply put, most CAP customers do not,  
31 left to their own resources, have the ability to bring their usage down to PECO’s CAP  
32 Rate limitations. The purpose of LIURP is to assist them in that goal. Without  
33 providing LIURP treatment to more CAP households, a high proportion of the low-

1 income customer base will be unable to achieve that goal. However, LIURP treatment  
2 is not provided to all customers who have usage above 500 kWh and are required to  
3 pay a higher rate or the full rate for that usage. According to figures provided by  
4 PECO to the LIURP Advisory Committee, in 2004 there were only 4,402 CAP Rate  
5 Customers who received LIURP treatment. (Exhibit "10-SR"). PECO's CAP design,  
6 which assumes that the higher rates for usage above 500 kWh will result in self-  
7 imposed, usage reductions by CAP customers to the point of achieving affordable  
8 utility bills does not reflect reality. In July 2005, the most recent month of usage,  
9 42,097 CAP Rate D and E customers were unable, even considering the extremely  
10 strong incentive provided by PECO's CAP Rate structure to conserve (full bill  
11 payment above 500 kWh), to reduce usage to 500 kWh; 46,984 customers paid the  
12 full rate for usage above 650 kWh; and most strikingly, 19,150 customers in Rates D  
13 and E, in the face of significantly unaffordable utility bills, have been unable to  
14 reduce their usage below 1000 kWh.

15  
16 Secondly, the primary goal of a CAP program is affordability. If consumption usage  
17 limits, which result in unaffordable CAP payments, are imposed in a manner, and to a  
18 degree, which exceed the CAP design guidelines, then that part of the program design  
19 is flawed and must be changed.

20  
21 **V. Pre-Special Needs Program Arrearage Forgiveness**

22  
23 **Q. On pages 26-28 of her Rebuttal Testimony, Ms. Crutchfield addresses the policy**  
24 **of pre-program arrearage forgiveness, do you wish to respond?**

25  
26 **A.** Yes. Neither Ms. Alexander's testimony, as I read it, nor my testimony advocated  
27 pre-program arrearage forgiveness when moving from any CAP Rate to another, as  
28 Ms. Crutchfield appears to assert. Both of our Direct Testimonies focused on only  
29 one set of circumstances, i.e., when customers who had been on CAP Rate move to  
30 the new Special Needs Program. In her Rebuttal Testimony, Ms. Crutchfield indicates  
31 the approach which PECO uses to forgive pre-program arrearage. I take no exception

1 to her statement of the general policy, but do fault the failure to apply that policy to  
2 customers who enter the new Special Needs Program from CAP Rate with a CAP  
3 arrearage. Since the Special Needs Program did not previously exist, as to those  
4 customers who enter it, all pre-Special Needs Program arrearage should be considered  
5 pre-program arrearage eligible for forgiveness. In addition, the goal of the program  
6 was to permit those most vulnerable customers to start anew by creating a new range  
7 of affordable Special Needs Payments. It is counter to the very purpose for the  
8 formation of Special Needs (that existing CAP rates were not affordable for a high  
9 percentage of this 50% and below population) to saddle those customers who failed to  
10 pay in full the prior CAP rate with an additional arrearage payment and, unlike others  
11 entering CAP, the inability to have their arrearage forgiven.

12  
13 Since the Special Needs Program did not previously exist, as to those customers who  
14 enter it, all pre-Special Needs Program arrearage should be considered pre-program  
15 arrearage eligible for forgiveness. This policy should remain in effect until such time  
16 as the Commission, determines that the PECO CAP Rates D and E conform to the  
17 CAP guidelines regarding affordable payment levels.

18  
19 Again, it is important not to lose focus on the fact that the purpose of CAP is to  
20 develop a program which is affordable to its participants. Logic and fairness dictate  
21 that arrearage accumulated while in a CAP program which was shown to have a  
22 flawed design should be subject to forgiveness in the same manner as any other  
23 customer who enters CAP. The number of customers affected by this change is  
24 limited. PECO's figures demonstrate that even after what it determines to be  
25 "aggressive outreach" and the reviewing of about 100,000 income certifications, the  
26 level of migration within CAP from CAP Rate to Special Needs is low. In the first 6  
27 months of 2005 (the period of time for which data was provided to the LIURP  
28 Advisory Committee) 2,615 customers migrated from CAP Rate into the Special  
29 Needs Program (CAP A, B and C). See attached Exhibit "10-SR". Although a policy  
30 change will affect only a small percentage of the total CAP population, for each

1 individual customer the ability to achieve pre-program arrearage forgiveness is an  
2 important program benefit and incentive to pay bills timely.

3  
4 **VI. MEAF**

5  
6 **Q. Ms. Crutchfield asserts on page 33 Line 17- page 34 line 10 that PECO has met**  
7 **its commitments to the MEAF Program as a result of the Merger Settlement. Is**  
8 **that the case?**

9  
10 **A.** No. PECO's commitment to MEAF has faltered. PECO committed to take specific  
11 steps to increase ratepayer contributions to MEAF. However, as Barbara Alexander  
12 notes in her testimony, PECO's contributions to MEAF decreased by \$100,000 from  
13 2003 to 2004. Lisa Crutchfield stated in her rebuttal testimony that Ms. Alexander is  
14 "technically correct" about PECO's most recent contribution to MEAF. ((PECO St.  
15 No. 4-R, p. 33, line 1). This reduction of support by PECO has had a negative effect.  
16 Low-income customers are not receiving the same level of UESF assistance. Mr.  
17 Lynch states: "UESF has been forced to close early in our fiscal year in 2004-2005."  
18 (Public Input Tr. 230). UESF closed its doors for four weeks in 2004 and at least four  
19 weeks this year. In each of those four weeks UESF would have helped, "easily 200  
20 people." (Public Input Tr. 235).

21  
22 The PECO commitments to the MEAF Program made as a result of the merger  
23 engendered consensus modifications are easily determined. There were 3  
24 commitments. Each one of those commitments was intended to provide significant  
25 support to the MEAF component and its administering agencies. PECO's  
26 performance does not demonstrate either a commitment to MEAF, or meaningful  
27 compliance with these merger generated obligations. Of those 3 commitments:

- 28 • PECO admits that it has not fulfilled one of the requirements - : "PECO will  
29 include in its Energy News bill insert four times per year the opportunity for a  
30 customer to sign and return an pledge form to make a MEAF contribution . . .  
31 . ." (AA St. No. 1, Exhibit D, Petition, p. 14). Yet, as Lisa Crutchfield admits in

1 her testimony, "PECO recently fell short of the specified number of bill  
2 inserts. . ." (PECO St. No. 4-R, p. 34). In fact, in 2004, PECO provided just  
3 half the number of bill inserts it promised. "For calendar year 2004, PECO  
4 provided bill inserts in the second and fourth quarters." (AA-I-34).

- 5 • Ms. Crutchfield's testifies that a second requirement of MEAF meetings was  
6 fulfilled by the holding of the LIURP Advisory Committee meetings. (PECO  
7 St. No. 4-R, p. 32). This appears to be a tenuous effort to demonstrate  
8 compliance. The Consensus Modification committed PECO to meet with  
9 MEAF agencies to develop measures to improve contributions to the hardship  
10 funds which may include a Public Service Announcement. It is an inadequate  
11 fulfillment of that obligation to state that the required meeting "occurred as  
12 part of the LIURP Advisory Committee meetings" (PECO St. No. 4-R, p.  
13 34, line 6). *The LIURP meetings were conducted for a separate purpose, did*  
14 *not consist of a MEAF administrating agency agenda to improve contributions*  
15 *or develop a public service announcement, and were attended by a number of*  
16 *MEAF and non-MEAF agencies. The commitment to hold MEAF meetings*  
17 *was not fulfilled simply by the fact that some MEAF agencies were also*  
18 *members of the LIURP Advisory Committee.*
- 19 • Ms. Crutchfield did not specifically address how PECO complied with  
20 commitment 3, the maintenance of donor list information. However, Mr.  
21 Edward F. Lynch, Jr., Executive Director of the Utility Emergency Services  
22 Fund -the MEAF agency serving Philadelphia- indicated, at the Public-Input  
23 Hearing held on June 30, 2005, ( Public Input Tr. 231, lines 17-22), that  
24 since the loss of thousands of long time MEAF contributors, as result of "a  
25 computer foul-up", PECO's activities to contact past contributors has been  
26 non-existent.

27  
28 **VII. CARES**

29  
30 **Q. Ms. Crutchfield In her testimony on Page 37 concerning CARES, indicates that**  
31 **PECO is willing to increase the number of workers and is willing to pursue**

1 further discussions with the NECS about outreach and enrollment. How do you  
2 respond?

3  
4 A. I believe that the hiring of additional CARES workers and the use of NECs for  
5 outreach and enrollment would be a positive step. I am concerned that those  
6 statements are couched in very general tentative terms and are not yet specific  
7 commitments. The goal of my recommendation was for PECO to have a minimum of  
8 10 CARES workers specifically and exclusively dedicated to low-income case  
9 management, to CAP Rate and to Special Needs enrollment, and to outreach. Ms.  
10 Crutchfield neither committed to those numbers or those goals. The Commission  
11 should ensure that level of specificity. In addition, the Commission should ensure that  
12 Community Based Organizations, such as NECs, receive specific contracts to provide  
13 information and outreach regarding CAP Rate and the Special Needs Programs.  
14 Section 2203(8) of The Natural Gas Choice and Competition Act (Act), 66 Pa.C.S. §§  
15 2201-2212, encourages the use of CBOs that have the necessary technical and  
16 administrative experience to be the direct providers of services or programs to assist  
17 low- income customers to afford natural gas service.

18  
19 As prior experience shows, PECO needs concrete, enforceable terms before it will  
20 take action. The Commission should order, as a condition to any merger approval,  
21 that PECO contract with community based organization (CBOs), like the NECs, to  
22 conduct outreach and enrollment for its CAP.

23  
24 Q. **Ms. Crutchfield states that Act 201 implementation issues are the subject of**  
25 **other Commission proceedings and should be allowed to develop in the context**  
26 **of those proceedings (PECO St. No. 4-R, p. 38). Do you have any comment on**  
27 **this statement?**

28  
29 A. Yes. The inadequacies of PECO's Universal Service Programs intensifies the  
30 problems of low-income customers in the post-Act 201 era. PECO's Act 201  
31 Implementation Plan projected a 10% increase in terminations for 2005. The first

1 four months of 2005 already resulted in a 24.4% increase in shut-offs by PECO. See  
2 AA St. No. 1, Exhibit K. Therefore, the need to protect low-income customers from  
3 additional harm in a post-merger context has even greater urgency. PECO retains the  
4 ability within the provisions of Act 201 to specifically expand the protections it  
5 provides to low-income consumers who are within CAP and those who are outside of  
6 CAP. The merger provides an opportunity for PECO to ameliorate the conditions  
7 which would increase levels of low-income hardship and loss of service.

8  
9 **VIII. Conclusion**

10  
11 **Q. Does this conclude your Surrebuttal Testimony?**

12  
13 **A. Yes.**  
14  
15  
16  
17  
18

PECO CAP & Confirmed Low-Income Households, 2000					
Col. 1	Col. 2	Col. 3	Col. 4	Col. 5	Col. 6
	Income Block			Total CAP	Confirmed Low-Income
	0-50%	51-100%	101-150%		
January	43,130	26,068	12,752	81,950	190,471
February	43,035	26,385	12,965	82,385	190,441
March	42,738	27,077	13,224	83,039	190,657
April	42,287	27,700	13,525	83,512	193,412
May	41,591	27,978	13,626	83,195	193,781
June	40,915	29,805	14,558	85,278	193,570
July	40,531	30,287	14,777	85,595	192,721
August	39,791	31,186	15,205	86,182	193,708
September	39,108	31,943	15,562	86,613	193,052
October	34,250	34,273	16,364	84,887	193,730
November	33,487	33,667	16,016	83,170	190,995
December	32,770	33,524	15,911	82,205	193,664
Average	39,469	29,991	14,540	84,001	192,517

Source: PECO Universal Services Reporting Requirements, Input Document, December 13, 2001.

Figure X-3: Summary of 0-50% FPL customers - PECO Filing.

This estimate is used to establish an upper bound limit of approximately 90,000 CAP program participants in the range of 0-50% FPL. The lower bound estimate of CAP program participants will be taken as 39,500, a number roughly representative of the current CAP population in this range.<sup>55</sup>

Figure X-5 gives the upper and lower bounds for the CAP population at or below 50% FPL to be used in subsequent portions of this analysis. In this figure the upper bound has been prorated into RJ and RHJ using the proportions for these rates in the current CAP program.

<sup>55</sup> Both estimates are rounded to the nearest one hundred households. The estimates for participation within each Rate were computed using a multiplier based on usage data and rate code records derived from the Evaluation Database. This multiplier was determined by a subset of 18,853 CAP participants and 37,436 LITS accounts with complete data in the Evaluation Database.

Potential CAP Population at or Below 50% of Poverty		
Rate	Lower Bound	Upper Bound
RJ	32,391	73,803
RJ with PECO gas	4,134	9,419
RHJ	1,370	3,122
Total	39,500	90,000

Figure X-4: Upper and Lower Estimates.

The wide gap between CAP households and the population of 0-50% FPL customers is indicative; it suggests that this portion of the CAP program could be increased significantly.

This estimate should be refined later in 2002 in the context of a formal needs assessment when the county level 2000 census data becomes available. But even this interim estimate suggests that prudent program planning should anticipate and develop through comments and proposals, a plan for a significant recruitment in this portion of the CAP programs. As discussed earlier and as indicated below, the current economic context in which the calculation is carried out is bleak.

### J. Economic Realities

The following three pictures summarize realities of the current economic context. These are problems that we cannot address; we can only address technical issues. However, the best technical innovations in program design need to be related to the real social and economic context, rather than the hype and spin of media promotion, if only from a Darwinian perspective. We need to maintain the best of current systems, and to innovate better systems for making each service dollar go as far as it can to meet energy needs of families. At the same time, a Customer Assistance Program must be operated according to its design and with tight control and open accountability. We need to work for "highly accountable" and "best" service under the economic constraints we are given.

The first reality is a picture of household economic inequality in the American business system. It is often asked, "Why is it that people do not pay bills?" A good part of the answer lies in the extreme economic inequality structured into the economic system. As shown in Figure X-5, the top 5% of households receives over 20% of income while the bottom 20% of households receives under 4% of income. If the economy took the same form, but with moderate inequality, it is likely that utility payment problems would disappear as an issue.

**PA DPW CASH ASSISTANCE:  
NUMBER OF TANF AND GA BUDGETS  
IN COUNTIES SERVED BY PECO  
JUNE 2005**

COUNTY SERVED BY PECO	NUMBER OF TANF BUDGETS	NUMBER OF GENERAL ASSISTANCE BUDGETS	TOTAL TANF + GA
Bucks	1,356	1,066	2,422
Chester	868	543	1,411
Delaware	3,099	1,905	5,004
Montgomery	1,685	1,177	2,862
Philadelphia	43,023	24,240	67,263
York	1,850	651	2,501
Total PECO Service Area	51,881	29,582	<b>81,463</b>

Source: <http://listserv.dpw.state.pa.us/Scripts/wa.exe?A2=ind05&L=ma-food-stamps-and-cash-stats&D=1&T=0&H=1&O=D&F=&S=&P=931>

**PA DPW CASH ASSISTANCE:  
POVERTY LEVELS OF MAXIMUM GRANT RECIPIENTS**

HOUSEHOLD SIZE	MAXIMUM MONTHLY CASH ASSISTANCE GRANT */**	% of FEDERAL POVERTY LEVEL */**
1 PERSON	\$205 / \$215	25.7% / 26.9%
2 PEOPLE	\$316 / \$330	29.6% / 30.8%
3 PEOPLE	\$403 / \$421	30.1% / 31.3%
4 PEOPLE	\$497 / \$514	30.8% / 31.9%
5 PEOPLE	\$589 / \$607	31.3% / 32.2%
6 PEOPLE	\$670 / \$687	31.1% / 31.9%
7 PEOPLE	\$753 / \$770	31.0% / 31.7%
8 PEOPLE	\$836 / \$853	31.0% / 31.6%
EACH ADDITIONAL	\$83.00	

\* Figures for Delaware and Philadelphia Counties

\*\* Figures for Bucks, Chester, and Montgomery Counties

Source: <http://www.dpa.state.pa.us/LowInc/Cash/003670285.htm>

Laura Moskowitz

---

From: Maureen Mulligan [maureenm@pa.net]  
Sent: Tuesday, January 20, 2004 10:07 AM  
To: 'Harry Geller'; CMKTGCINC@aol.com; dmiller@caadc.org; dboykin@caadc.org;  
dpalazzo@bcoc.org; cappleby@paoca.org; cmincavage@mwn.com; edlynch@uesfacts.org;  
tmccloskey@paoca.org; lmoskowitz@clsphila.org  
Cc: valeriac.bullock@exeioncorp.com  
Subject: RE: Corrected Brochures

I know I'm getting back to this at the end of the process but it looks like there is a need to make additional changes particularly those suggested by Harry and Tanya. Particularly important is the issue of income categories clearly stated on the brochure. Even those working in social service agencies have trouble remembering the exact income guidelines in each category. It is insufficient in my view to simply state what percent of the federal poverty level the program falls under. Having the actual income limits stated with help all involved. In addition, it may be worth further emphasizing the last bullet under the eligibility section which states: "paying the bill on time and in full each month". I would add a phrase like or you will be taken off the program. It is important people clearly understand the terms of the program and don't lose their benefits, assuming this is still the case. If others think this is no longer a problem then maybe it's not needed. In earlier CAP program's we spent a lot of effort making sure what message was clear. We didn't want needy customers losing their opportunity to stay in the program and not be able to get back in.

-----Original Message-----

From: Harry Geller [mailto:HGellerPULP@PALEGALSERVICES.ORG]  
Sent: Friday, January 16, 2004 5:29 PM  
To: CMKTGCINC@aol.com; maureenm@pa.net; dmiller@caadc.org; dboykin@caadc.org;  
dpalazzo@bcoc.org; cappleby@paoca.org; cmincavage@mwn.com; edlynch@uesfacts.org;  
tmccloskey@paoca.org; lmoskowitz@clsphila.org  
Cc: valeriac.bullock@exeloncorp.com  
Subject: RE: Corrected Brochures

\* I appreciate the quick turn around time in which corrections were made to the brochures. Unfortunately, many of the suggestions which I, Tanya, and Laura forwarded yesterday were not incorporated into the brochures. As the brochures stand now, I would be unable to endorse them as satisfying the settlement agreement requirement of developing meaningful educational and outreach materials.

-----Original Message-----

From: CMKTGCINC@aol.com [mailto:CMKTGCINC@aol.com]  
Sent: Friday, January 16, 2004 10:54 AM  
To: maureenm@pa.net; dmiller@caadc.org; dboykin@caadc.org; dpalazzo@bcoc.org;  
cappleby@paoca.org; cmincavage@mwn.com; edlynch@uesfacts.org; tmccloskey@paoca.org;  
lmoskowitz@clsphila.org; Harry Geller  
Cc: valeriac.bullock@exeloncorp.com  
Subject: Corrected Brochures

Hello Everyone,

Attached to this e-mail are the brochures that should have gone out to you. You will need Adobe Acrobat Reader to open these files. If you don't have the program you may download it for free at [www.adobe.com](http://www.adobe.com).

Thanks  
Tonya  
(215) 871-0900

Laura Moskowitz

---

From: Harry Geller [HGellerPULP@PALEGALSERVICES.ORG]  
Sent: Thursday, January 15, 2004 12:05 PM  
To: CMKTGCINC@aol.com; dmiller@caadc.org; dboykin@caadc.org; edlynch@uesfacts.org; lmoskowitz@clsphila.org; tmcloskey@paoca.org; cappleby@paoca.org; cmincavage@mwn.com; maureenm@pa.net; maryjamill@pa.state.org; dpalazzo@bcoc.org; valeriac.bullock@exeloncorp.co  
Subject: RE: CAP Rate Plus Brochures



Form for PECC

Changes1.doc (31... My comments are enclosed

-----Original Message-----

From: CMKTGCINC@aol.com [mailto:CMKTGCINC@aol.com]  
Sent: Monday, January 12, 2004 2:11 PM  
To: dmiller@caadc.org; dboykin@caadc.org; edlynch@uesfacts.org; Harry Geller; lmoskowitz@clsphila.org; tmcloskey@paoca.org; cappleby@paoca.org; cmincavage@mwn.com; maureenm@pa.net; maryjamill@pa.state.org; dpalazzo@bcoc.org; valeriac.bullock@exeloncorp.co  
Subject: CAP Rate Plus Brochures

I hope every receives the drafts of both brochures for Consumers and Social Service Agencies..

If you have any changes, please use the form attached to this e-mail to submit them. You can type directly into the form, save it as a document and e-mail it back by Thursday, January 15, 2004 at noon.

Thanks

(If you have a problem accessing this file please call Tonya at (215) 871-0900.

General Comments:

1. I continue to strongly believe that social service agencies and individual customers need to be told what the program provides. The new flat rates and rate discounts should be expressly included and stated in these public education brochures.
2. I believe these brochures should include specific information about the arrearage forgiveness elements of the program.
3. These 2 brochures should not be considered as fulfilling all the community education and information requirements of the settlement.
4. I agree with the comments Tanya has submitted.

Format for Changes

**Agency Brochure**

Front Cover:

Inside Panel #1:

In the second paragraph I would insert the words: "is an attempt to" into this paragraph so that it reads: 'CAP Rate Plus is an attempt to offer affordable monthly payments based on a customer's ability to pay.' There is disagreement as to whether these rates have achieved affordability.

I concur with the language additions suggested by Tanya.

Inside Panel #2

First paragraph- At our last meeting, we had some detailed discussion about the fact that the new poverty levels will be set in mid-February of each year. I suggest that we insert in the second sentence between 'change' and 'each' the words "in February of " and add to the last sentence "through mid-February 2004". The charts will of course need to be up-dated each year.

Third bullet: Some individuals may be eligible for alternate year re-verification. The language should be: Agree to have income re-verified periodically.

Inside Panel #3

Back Outside Panel #4

**Consumer Brochure-**

Front Cover:

Inside Panel #1:

Inside Panel #2 : Third bullet Insert -You must pay your CAP bill on time...  
and in full each month.  
Fifth bullet -You must apply for and assign one of your LIHEAP grants to PECO.  
CAP Rate B- change language to "...household has not been found eligible for ...

Inside Panel #3

Back Outside Panel #4  
Charts should include the term Federal Poverty Income Level

## Laura Moskowitz

---

From: Laura Moskowitz [LMoskowitz@clsphila.org]  
Sent: Thursday, January 15, 2004 11:36 AM  
To: 'CMKTGCINC@aol.com'; 'dmiller@caadc.org'; 'dboykin@caadc.org'; 'edlynch@uesfacts.org';  
'hgellerpulp@palegalservices.org'; 'tmccloskey@paoca.org'; 'cappleby@paoca.org';  
'cmincavage@mwn.com'; 'maureenm@pa.net'; 'maryjamill@pa.state.org';  
'dpalazzo@bcoc.org'; 'valeriac.bullock@exeloncorp.co'  
Subject: RE: CAP Rate Plus Brochures



Form for Changes.doc  
(33 KB)

Attached please find the form with suggested changes from Community Legal Services. Please call me at 215-981-3777 with any questions.

Thanks,  
Laura Moskowitz

-----Original Message-----

From: CMKTGCINC@aol.com [mailto:CMKTGCINC@aol.com]  
Sent: Monday, January 12, 2004 2:11 PM  
To: dmiller@caadc.org; dboykin@caadc.org; edlynch@uesfacts.org;  
hgellerpulp@palegalservices.org; lmoskowitz@clsphila.org; tmccloskey@paoca.org;  
cappleby@paoca.org; cmincavage@mwn.com; maureenm@pa.net; maryjamill@pa.state.org;  
dpalazzo@bcoc.org; valeriac.bullock@exeloncorp.co  
Subject: CAP Rate Plus Brochures

I hope every receives the drafts of both brochures for Consumers and Social Service Agencies.

If you have any changes, please use the form attached to this e-mail to submit them. You can type directly into the form, save it as a document and e-mail it back by Thursday, January 15, 2004 at noon.

Thanks

(If you have a problem accessing this file please call Tonya at (215) 871-0900.

## Format for Changes

### Agency Brochure

Front Cover:

Suggestion for title: *PECO Energy's CAP Rate Plus May Be the Answer for Low Income Customers*

Inside Panel #1:

First paragraph: Suggestion: "... PECO Energy will offer **incremental** electric discounted residential rates to households whose **gross** income is ..."

Second paragraph: It is questionable whether the rates are "affordable" for all households, and it may be more accurate to state that the monthly payments are based on a household's size and gross income under the FPIG, not necessarily their "ability to pay."

Third paragraph: Shouldn't it state "... remains the same for households who are between **51%** to 150% of the FPIG" or "up to 150% of the FPIG" instead of 0% to 150% FPIG? Why would CAP Rates D and E apply to customers who are 0%-50% FPIG?

Fifth paragraph: It would be useful to list other types of special needs situations, such as medically necessary electric usage, children under age 8, disabled, infirm or elderly household members, and high usage due to shelter conditions.

Sixth paragraph: Suggestion: "**at or below** 25% of the FPIG"

Last paragraph (CAP Rate Plus C): Why describe the discount only for CAP Rate C, and not the other CAP Plus rates? If it is going to be described, shouldn't the description include that for July, August and September, there is an additional 30% discount on the next 100 kWh after the first 500 kWh?

Inside Panel #2

Suggestion relating to first paragraph: Since the new FPIG comes out in early 2004, it would seem to make more sense to reprint the brochure using the new figures at that time, rather than using the 2003 figures and including this explanation that the dollar amounts change each year. That way, customers who are eligible because the FPIG has changed will not inaccurately believe that they are ineligible for CAP Rates.

General comment: This brochure does not explicitly state how a customer may enroll in CAP Rate. It would seem appropriate, given the content of this

panel, to include somewhere that a customer can enroll by calling 1-800-774-7040.

#### Inside Panel #3 (Chart)

The columns are titled inconsistently. CAP Rates A, B, and C are not called "CAP Rate Plus," but for some reason, CAP Rate E is labeled "CAP Rate Plus E" even though CAP Rate E is not part of CAP Rate Plus.

The column heading for CAP Rate D also lists "A and B" – "A and B" should be removed.

Wouldn't it be less confusing to describe the income levels in each column heading as "up to 25%," etc., instead of "at 25%"? In any event, the column for CAP Rate A and B is missing an "at."

The chart lists CAP Rate D as applying to household incomes at 110%. This is inconsistent with the consumer brochure, which describes CAP Rate D as applying to household incomes up to 100%.

#### Back Outside Panel #4

If this panel is intended to describe only the CARES program, the first paragraph should be removed and the second paragraph should state "The CARES program provides . . ."

#### Consumer Brochure

Front Cover: Same suggestion as above – use "Low Income Customers" in title.

Inside Panel #1:

Question mark after "What is CAP Rate"

First paragraph: ". . . low income customers **who** are finding it difficult. . ."

Second paragraph: Remove "total" so sentence states "gross household income" instead of "gross total household income."

Last paragraph: "for" is italicized – why is every word capitalized?

#### Inside Panel #2

Remove the words "An Exelon Company" after "PECO."

in the paragraph under "What Are the CAP Rates?" possibly add the word "discounted" so that sentence would state "five **discounted** rates."

### Inside Panel #3

Second paragraph: Why is CAP Rate D for customers between 0% and 100% FPIG, instead of 51% to 100% FPIG? Also, 100% is inconsistent with the chart, which states that CAP Rate D is for incomes at 110% FPIG.

Third paragraph: The income range of 101% to 150% is inconsistent with the chart, which seems to indicate that CAP Rate E is for incomes of 111% to 150% FPIG.

Fourth paragraph: Same suggestion as above about reprinting the brochure when the new FPIG comes out.

### Back Outside Panel

Same comments as those listed above regarding the chart for the Consumer Brochure, plus there is an extra "Household" in the CAP Rate C column that should be deleted.

**Additional general comments:** These brochures do not address arrearage forgiveness, even though it is one of the primary components of CAP Rate, nor do the brochures explain what the actual discounts are for each CAP Rate. We suggest that this basic and important information be included in the brochures.

Laura Moskowitz

---

From: McCloskey, Tanya [TMcCloskey@paoca.org]  
Sent: Wednesday, January 14, 2004 4:48 PM  
To: CMKTGCINC@aol.com; dmiller@caadc.org; dboykin@caadc.org; edlynch@uesfacts.org; Geller, Harry; lmoskowitz@cisphila.org; Appleby, Christy; Mincavage, Charis; maureenm@pa.net; maryjamill@pa.state.org; dpalazzo@bcoc.org; valeriac.bullock@exeloncorp.co  
Subject: RE: CAP Rate Plus Brochures



PECO Univ. Svc.

brochure comme... Attached is the form of the OCA with a few additional comments. I did receive the e-mail with corrections of some of the typographical errors, so I did not repeat those. I will be out of the office most of the day on Thursday and part of the day on Friday due to other business commitments. Feel free to give me a call if you need anything else.

Tanya McCloskey  
Office of Consumer Advocate  
5th Floor, Forum Place  
555 Walnut Street  
Harrisburg, PA 17101-1923  
Phone: 717-783-5048  
Fax: 717-783-7152

-----Original Message-----

From: CMKTGCINC@aol.com [mailto:CMKTGCINC@aol.com]  
Sent: Monday, January 12, 2004 2:11 PM  
To: dmiller@caadc.org; dboykin@caadc.org; edlynch@uesfacts.org; Geller, Harry; lmoskowitz@cisphila.org; McCloskey, Tanya; Appleby, Christy; Mincavage, Charis; maureenm@pa.net; maryjamill@pa.state.org; dpalazzo@bcoc.org; valeriac.bullock@exeloncorp.co  
Subject: CAP Rate Plus Brochures

I hope every receives the drafts of both brochures for Consumers and Social Service Agencies.

If you have any changes, please use the form attached to this e-mail to submit them. You can type directly into the form, save it as a document and e-mail it back by Thursday, January 15, 2004 at noon.

Thanks

(If you have a problem accessing this file please call Tonya at (215) 871-0900.

## Format for Changes

### Agency Brochure

Front Cover:

Inside Panel #1: Under the description of special needs add to the description: "elderly, infirm or disabled household member, children under age 8, medically related electric use, high electric usage due to poor shelter conditions"

Inside Panel #2

Inside Panel #3

Back Outside Panel #4

### Consumer Brochure

Front Cover:

Inside Panel #1:

Inside Panel #2: Delete "*An Exelon Company*" throughout. This is too confusing—all references to PECO or PECO Energy.

In description of CAP Rate B—add "unusual" before situation to parallel the description of CAP Rate A.

Inside Panel #3

Back Outside Panel #4

## Thu Tran

---

**From:** Harry Geller [HGellerPULP@PALEGALSERVICES.ORG]  
**Sent:** Thursday, August 25, 2005 4:15 PM  
**To:** Thu Tran  
**Subject:** FW: Peco brochure

This was forwarded in December with a copy to Val

-----Original Message-----

**From:** Harry Geller  
**Sent:** Tuesday, December 02, 2003 6:05 PM  
**To:** CMKTGCINC@aol.com  
**Cc:** McCloskey, Tanya; valeriac.bullock@exeloncorp.com  
**Subject:** RE:Peco brochure

Linda,

Thank you for forwarding the draft brochure for social service agencies before I left. My quick response is as follows:

First Column:

In the second paragraph which starts "The new rate is CAP Rate *Plus*..." – For accuracy, I believe we should state something like: 'The new rates are intended to provide greater discounts based on a customer's gross household income. We call this new effort CAP Rate Plus.'

I would not categorize this as a single rate and I would eliminate the term 'affordable' from the description since we continue to have a disagreement as to affordability of the rates for some households.

Under the bulleted listing of situations, I would change the next- to- last bullet to:

- '2 broken CAP agreements' (I don't think 'understandably' is an agreed upon modification under the settlement, nor do I believe it conveys any usable information)

In the paragraph after bullets: I suggest: "Each 'special needs' situation will be individually evaluated."

**I continue to strongly believe that the new flat rates and rate discounts should be expressly included and stated in these public education brochures.**

Middle Column:

After the *income* chart: Existing (check typo) CAP Rate: I believe it is confusing' to say that the 'existing CAP rate will remain. I believe we really mean: "CAP Rates *in effect* before January 2004 will continue for those who do not receive the additional benefits of CAP Rate Plus."

Third Column:

I would change the heading from *CAP Rate Plus Eligibility* to *Applicant Requirements*. I believe this column addresses what is required of a customer.

Second bullet- check typo "proof"

Sixth bullet- change to: "Pay CAP rate or CAP Rate Plus bills on-time..."

The second sentence about late charges should be checked before being included. Does PECO charge CAP RATE customers a late charge in disregard of BCS guidelines and LIHEAP requirements?

Rear tri-fold: The distinction or tie-in intended to be made between CARES and CAP Rate Plus is unclear to me. Isn't CAP Rate Plus a separate component from CARES? The language of the first paragraph makes it seem that CAP Rate Plus is a service of CARES. I think that is incorrect and that the first sentence should be omitted.

The second paragraph should be expanded to read: "CARES provides assistance to customers who have special circumstances or who are experiencing a temporary hardship that prevents them from paying their monthly bill in full."

I would also add an additional box relating to CARES benefits and place it in the second position:

- Temporary modification of bill paying responsibilities.

Thanks for the brochure and providing me with an opportunity to comment.  
Harry

-----Original Message-----

**From:** CMKTGCINC@aol.com [mailto:CMKTGCINC@aol.com]

**Sent:** Monday, November 24, 2003 3:26 PM

**To:** Harry Geller

**Subject:** Correct E-mail Test

Hi Harry.

Just wanted to make sure I have your correct e-mail. HAVE A WONDERFUL HOLIDAY.

Linda

**Thu Tran**

---

**From:** Harry Geller [HGellerPULP@PALEGALSERVICES.ORG]  
**Sent:** Thursday, August 25, 2005 4:19 PM  
**To:** Thu Tran  
**Subject:** FW: PECO Brochure

More correspondence

-----Original Message-----

**From:** Harry Geller  
**Sent:** Monday, December 01, 2003 9:23 AM  
**To:** cmktgcinc@aol.com  
**Cc:** McCloskey, Tanya  
**Subject:** PECO Brochure

Linda,  
 Tanya and I have exchanged e-mails and a draft suggestion prepared by OCA is placed below. It would be helpful to have a copy of the sample brochures when they are available so that they may be reviewed in draft form prior to finalizing. Thanks. As you are aware, I will be out of the office from the afternoon of December 3 though the 19<sup>th</sup>.

Customer brochure language:

Unable to pay your electric bill? If you have one or more of the following, you may qualify for PECO's CAP Rate Plus Special Needs Program: a health-related injury, illness/medical bills, disability, death in the family, or if you have ill/disabled household members, children 8 years old or under, job loss, 2 broken CAP arrangements, or unusually high electric uncontrolled by conservation measures. If you have one of the above and can show an inability to pay your electric bill, contact PECO at XXX-XXXX to apply for the CAP Rate Plus Special Needs Program."

For agencies brochure:

"PECO now has a CAP Rate Plus Program for customers who are in a difficult situation due to one or more of the non-routine circumstances listed below AND they can show an inability to pay their electric bill.

- a health-related injury
- illness/high medical bills
- disability
- medically necessary electric usage
- death in the family
- ill/disabled household members
- children 8 years old or under
- sudden job loss
- 2 understandably broken CAP arrangements
- unusually high electric usage even after conservation measures

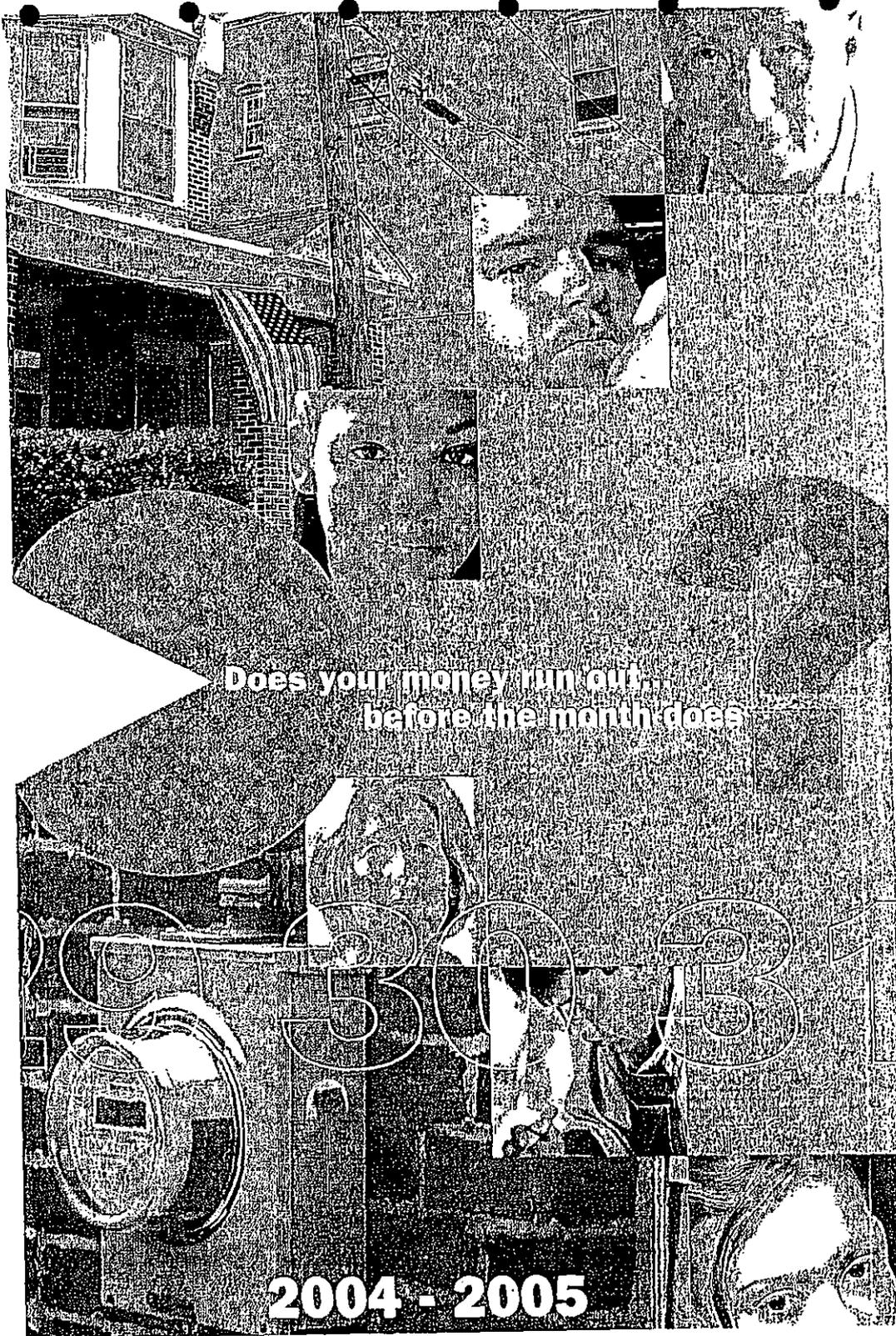
If you think a PECO customer you know may qualify, have them apply for PECO's CAP Rate Plus Special Needs Program by calling PECO at XXX-XXXX."

I don't know if this does it. We are still struggling with a name. The name is what will really make all of this fit.

Harry

Please Note New E-Mail Address: [HGellerPULP@PALEGALSERVICES.org](mailto:HGellerPULP@PALEGALSERVICES.org)

Harry S. Geller  
Pennsylvania Utility Law Project  
118 Locust St.  
Harrisburg, PA 17101-1414  
Phone - (717) 232-2719  
Fax- (717) 233-4088



An Exelon Company

2301 Market Street  
P.O. Box 8699  
Philadelphia, PA 19101-8699

Exhibit "S-SR"

P. 19

The purpose of this booklet is to inform and assist you. It contains information about programs that may be able to help you pay your bills.

This booklet has been prepared as a public service by



An Exelon Company

Copias de este pamfleto estan disponibles en Espanol

**NOTE:**

For more information, contact the programs listed or contact PECO an Exelon Company at 215-841-5055 or [universalservice@exeloncorp.com](mailto:universalservice@exeloncorp.com)

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# PECO Universal Service Programs

PECO's Universal Service programs are designed for low-income residential customers who demonstrate or express difficulty in paying their monthly energy bill.

## CAP RATE:

The CAP Rate is a discounted residential tariff rate. There are seven discounted rates available to electric and gas low-income residential customers. The discounted rates are designed for eligible customers whose annual gross household income is at or below 150% of the Federal Poverty Level Guidelines (FPL). The CAP Rate is applied to the first 500 kilowatts (kWh) of an electric monthly bill and the first 100 cubic feet (ccf), of a gas monthly bill.

### In order to be considered for the CAP Rate, you must follow these rules:

- You must complete an application.
- You must provide PECO permission to verify your income with state agencies.
  - You must take part in energy education and conservation programs that PECO offers.
  - You must agree to be re-evaluated each year.
  - You must sign-up for the Low Income Home Energy Assistance Program (LIHEAP), when money is available.
  - You must apply at least 1 LIHEAP Cash or CRISIS grant to PECO.
- You must pay your bills on time and in full each month, or you will be billed a late charge and your service may be shut off.



10 Don't let money run out.

## There are seven CAP Rates available:

**Electric CAP Rate A:** Household incomes at or below 25% of the FPL, and who have special needs or financial hardships. The special needs or financial hardships can include a serious illness in the household, recent unemployment, domestic crisis and other emergency situations. Each special need issue will be reviewed on a case by case basis.

**CAP Rate B:** Household incomes at or below 25% of the FPL, and are not qualified as having a special need situation.

**CAP Rate C:** Household incomes between 26%-50% of the FPL.

**CAP Rate D:** Household incomes up to 100% of the FPL.

**CAP Rate E:** Household incomes between 101% - 150% of the FPL.

## Gas (does not apply to Philadelphia residents):

**CAP Rate D - Gas Rate:** Household incomes up to 100% of the FPL.

**CAP Rate E - Gas Rate:** Household incomes between 101% - 150% of the FPL.

## Dismissal from CAP Rate:

Universal Services may dismiss you from CAP Rate for the following reason(s).

1. Failure to apply for LIHEAP and designate the Grant to PECO.
2. Failure to accept budget counseling, weatherization / usage reduction or consumer education services.
3. Failure to have your income verified.



## Arrearage Forgiveness:

CAP Rate customers who pay their monthly bills in full and on time each month may receive pre-program arrearage forgiveness.

## Contact Information:

To enroll or for additional information on PECO CAP Rate call 1-800-774-7040 to speak to a representative.

You can also write to PECO, P.O. Box 16468, Pittsburgh, PA 15242-9945.

**For income eligibility, please refer to the chart on page 8.**



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE

July 14, 2003

BRIAN CROWE  
DIRECTOR REGULATORY & GOVT AFFAIRS  
PECO ENERGY  
2301 MARKET STREET, S15-2  
PO BOX 8699  
PHILADELPHIA, PA 19101-8699

Dear Mr. Crowe:

Thank you for your response to Dr. Gil Peach's Universal Service Evaluation. The Bureau of Consumer Services (BCS) has reviewed the Evaluation of PECO Energy Delivery Company Universal Service Program (Evaluation) submitted by PECO to the Commission in accordance with 52 Pa. Code §54.76. After reviewing the 2003 Evaluation and PECO's response to the Evaluation submitted to BCS on June 4, 2003, our comments attached to this letter discuss key findings and recommendations for which BCS requests additional information from PECO, accepts PECO's discussion in the Company's response to the Evaluation, or supports recommendations from the Evaluation.

BCS anticipates that the implementation of the consensus modifications approved by the Commission at Docket No. R-0027827, as well as PECO's enhancements to its information technology systems will address many of the items in Dr. Peach's evaluation.

BCS finds a consistent theme throughout the evaluation. PECO has processes in place that are sound but PECO has not ensured that staff follow the details of procedures and processes. Because there are so many small problems, PECO's CAP is far less efficient and effective than it should be. The Evaluation suggests various reasons why this may be happening: not enough universal service staff, upper management's indirect link to the universal service staff and programs, and the use of two call centers. BCS is unclear why so many small problems detract from PECO's universal service programs. We recommend that PECO examine why these problems occur and make an effort to correct them.

Exhibit "6-SR"

Within 30 days of the date of this letter, please provide a written response and arrange a meeting with my staff to discuss the evaluation and PECO's response. I anticipate that BCS and PECO will resolve any outstanding issues prior to PECO's submission of its universal service plan on October 1. If you have any questions, please call me at (717) 783-1661 or email me at [mitmiller@state.pa.us](mailto:mitmiller@state.pa.us).

Sincerely,

Mitchell Miller, Director  
Bureau of Consumer Services

attachment

**CAP Rate**

*Affordability Recommendations 1-3.* The 2003 *Evaluation of PECO Energy Delivery Company Universal Service Program* (Evaluation) reaffirms the findings from the evaluation titled *PECO Customers with Incomes to 50% of Federal Poverty Level in PECO Energy's Customer Assistance Program Evaluation* (2002 Evaluation) submitted June 10, 2002. The 2002 Evaluation found that payments are not affordable for PECO's CAP Rate customers whose incomes are below 50% of the federal poverty guidelines. The Evaluation finds that the current electric and gas CAP Rate are not affordable for customers with incomes at or below 50% of the poverty guidelines. The electric CAP rate is unaffordable for 20% of the customers with the highest usage. The Evaluation recommends that PECO move from a CAP Rate design to a percentage of income plan (PIPP) design.

PECO believes that the consensus plan for customers whose incomes are at or below 50% of the poverty guidelines approved by the Commission at Docket Nos. R-00027870 and M-00001418 achieves the goals of the Commission's regulations and policies concerning universal service programs. Therefore, PECO does not plan to change its electric or natural gas CAP Rate programs to a PIPP design.

At Commission Docket No. R-00027870, the Commission adopted a BCS recommendation that supports the first part of Recommendation 1 relating to continued analysis of the CAP Rate. The Commission's Order provides that when PECO evaluates the changes made to its CAP as a result of the consensus modifications, that the next evaluation should continue to analyze energy burdens (expressed as a percent of household income) for individual customers, as well as review the effects of the modifications in program design that result from the instant petition and Commission order. The parties to the Commission's Order at R-00027870 agreed that the evaluation shall begin no later than October 31, 2005 and be completed no later than May 1, 2006.

Because the Evaluation finds that the current natural gas CAP Rate is unaffordable for half of its participants, the *BCS recommends* that PECO apply provisions to the gas CAP rate that are similar to the consensus modifications approved in the Commission's Orders at R-00027870 and M-00001418. The BCS expects that the number of customers with special circumstances to be served should be smaller than those served by the electric CAP.

The *BCS supports and recommends* that PECO adopt Recommendation 6 that dual service customers who participate in either the electric or natural gas CAP should be enrolled automatically in both programs.

The BCS reiterates our position conveyed in the Commission's Order at Docket No.R-00027870 that the consensus modifications are an improvement from the current CAP Rate payment design, but, it is clear that using this modified design to determine payments does not always result in payments that are affordable or consistent with 52 Pa. Code § 69.265(2)(i)(C). The steps PECO is taking to identify and determine the reasons for high usage should help to resolve this issue. The evaluation approach agreed to by PECO in the same Commission Order should also determine whether the consensus modifications will result in payments that are consistent with 52 Pa. Code § 69.265(2)(i)(C). However, the BCS recognizes that PECO does not intend to accept the Evaluation recommendation to revise its rate discount to a PIPP design.

***Enrollment Level Recommendations 5 and 7.*** PECO's response to the enrollment level recommendations is acceptable to BCS. This acceptance, however, does not limit the Commission's ability to determine future enrollment levels based on evaluation findings, universal service plan submissions, and universal service data. (52 Pa. Code § 54.76, 52 Pa. Code § 54.74-75.)

***Recertification Recommendation 25.*** The Evaluation finds that the current recertification process is not functioning properly as a control feature nor is PECO administering the process according to the CAP Rate program design.

PECO points out that the Consensus Plan includes revised recertification procedures that provide for CAP Rate A customers to recertify annually and CAP Rates B-E to recertify every two years. BCS strongly endorses PECO's plan to conduct a yearly random statistical check to ensure program control. The Evaluation recommends that every tenth account could provide an adequate control. BCS endorses this interval. We request PECO to provide the details of its random checking procedure to BCS. PECO should also include revised recertification procedures as part of its universal service plan submission pursuant to 52 Pa. Code § 54.74.

The BCS also recommends that PECO review and consider adopting an application similar to the CAP applications used by California utilities at the link below. The four applications are simple to complete - with San Diego Gas and Electric being the simplest. California utilities allow potentially eligible customers to self-certify their incomes through a written application process. The process provides a disclaimer that if a customer knowingly submits false information the utility may require a customer to pay back the discount.

<http://www.cpuc.ca.gov/static/industry/electric/low+income+programs+-+consumer+information.htm>

PECO's revised recertification procedures should resolve recertification issues going forward. However, we do have serious concerns about several findings regarding misclassified CAP Rate accounts that appear to be ineligible for CAP but continue to receive program benefits. The Evaluation finds that PECO does not enforce recertification rules, and customers lack adequate understanding of the recertification requirement. *BCS requests* that PECO address these issues now rather than waiting to cycle these accounts through the new recertification process.

In several sections, the Evaluation discusses CAP annual bills that are not within a reasonable range. For example, Figure XVI-17 shows that 4.4% of the total number of monthly bills (50,000 bills) issued to CAP Rate customers exceed \$1000 per month. Another 10% of the total number of monthly bills (97,000 bills) issued to customers are between \$501-\$1,000.<sup>1</sup> One CAP Rate customer's annual bill was \$53,000. The Evaluation suggests that these accounts may be commercial accounts that PECO is incorrectly billing the CAP Rate.<sup>2</sup>

*BCS recommends* that PECO determine if these accounts are appropriately enrolled in CAP. If these accounts are commercial accounts, PECO needs to remove them from the program immediately. Billing commercial accounts on the CAP rates unfairly increases program costs – particularly if these accounts are receiving arrearage forgiveness. If these accounts are not commercial accounts, PECO should determine the reason for this excessive usage.

The Evaluation also finds that PECO has no income data for 20,000 electric CAP Rate and 3,400 natural gas CAP Rate accounts, that 12,000 electric CAP Rate accounts and 2,300 natural gas CAP Rate accounts are assigned the incorrect rate, and that almost 4,000 electric CAP Rate accounts and 1,000 natural gas accounts have incomes that exceed 150% of the federal poverty guidelines.<sup>3</sup>

*BCS recommends* that PECO assign adequate resources to resolve the problems resulting from non-conformance with its recertification policies. The *BCS recommends* that PECO first recertify the accounts that appear to be income ineligible and then recertify accounts for which they have no income data. Finally, the misclassified accounts should be recertified. Recertification of these accounts should be a high priority. Continuing to provide customers who are not

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<sup>1</sup> Ibid, XVI-17

<sup>2</sup> Ibid, XVI-4.

<sup>3</sup> Peach, H., Anne West, Howard Reichmuth, Marcia Lehahn, Ryan Miller, and Ayala Cnaa, *Evaluation of the PECO Energy Delivery Company Universal Service Program*. Beaverton, Oregon: H. Gil Peach & Associates, 2003, Monograph 0301-1, January 2003, XII-12

income eligible with CAP benefits or billing CAP customers on the incorrect rate increases CAP Rate costs – wasting program dollars.

Specifically, *BCS requests* that PECO first determine that CAP Rate accounts whose monthly bills exceed \$1000 are eligible for CAP Rate. Next, PECO should examine accounts whose monthly bills are between \$500-\$1000 to determine if continued enrollment in CAP is appropriate. PECO should provide a report to BCS that identifies the number of accounts that meet these circumstances. PECO should complete this report within 45-days of the date of this letter. After identifying these accounts, PECO should recertify these accounts within a 90-day period. *BCS also requests* PECO to provide a monthly status report to BCS on these accounts. For accounts who fail to respond to recertification requests, PECO should remove these customers from CAP Rate.

***Efficiencies Regarding Recertification Mailings at Recommendation 23.*** The Evaluation finds that the bulk of calls and letters to and from the call centers involves recertification issues.<sup>4</sup> BCS staff finds that many CAP Rate customers are unaware that they are in a special program. BCS agrees with the apparent assessment from PECO's call center staff that consumer confusion or lack of understanding about the CAP program lends itself to unnecessary calls and letters from consumers. Our recommendations to address this are found with our recommendations regarding CAP rate letters and scripts for consumer education issues. The evaluation also finds that the NCO Call Center (NCO) does not consistently transfer calls relating to recertification to the OSI Call Center (OSI).<sup>5</sup> *BCS requests* PECO to adopt immediately Recommendation 23 that recommends PECO provide technical assistance to insure the direct transfer phone number for NCO to OSI is functioning correctly and that staff understands how to use it consistently.

### **LIHEAP and Fuel Funds.**

***Recommendation 11*** - The Evaluation finds the decline in ratepayer contributions is significant and contrary to the national trend that shows contributions for fuel funds have increased. The BCS is encouraged that PECO accepts the recommendation to design and implement steps to increase MEAF collections.

### **PECO's Universal Services Department.**

***Recommendations 8, 9, 10, 12, and 15.*** The Evaluation finds that PECO has largely ignored components of universal service, such as recertification. One possible cause could be staffing constraints. Therefore, *BCS requests* that PECO evaluate the staffing needs for universal service on a regular yearly basis.

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<sup>4</sup> Ibid, XIII-27, 9.

<sup>5</sup> Ibid, XIII-7.

## IT Issues.

**Customer Demographics Recommendation 13.** PECO's response appears to address this recommendation adequately. The Commission also addressed the need for PECO to correct this problem in its Order at Docket No. R-00027870.

**Arrearage Forgiveness Recommendation 14.** Please clarify that PECO intends to forgive, as appropriate, the entire preprogram arrearage for all CAP Rate customers. In other terms, PECO will no longer hold \$500 on the account.

**CAP Rate Telephone Number on Bill Recommendation 23.** The Evaluation confirms findings from the 2002 Evaluation that a high percentage of CAP Rate customers have little understanding of the CAP Rate program. The OSI staff believes that confusing CAP bills are the cause of many customer calls.<sup>6</sup> The BCS has long advocated that PECO develop a specific CAP Rate bill. As early as 1996, PECO committed to developing such a bill. A review of a PECO bill for a CAP account shows that the CAP number is listed prominently on the bill. However, BCS could find only one small reference to CAP. BCS recommends that PECO implement a specific CAP bill.

**Repeat Bills Recommendation 39.** The Evaluation recommends that PECO examine the range of monthly-billed amounts because the Evaluation found that bills range from zero dollars to over \$10,000 per month. PECO responds that the CAP bills are correct as rendered and if a large bill is due to an arrearage, a customer may negotiate payment arrangements with the Company.

BCS is concerned that accounts with excessively large bills may be commercial accounts, ineligible for the CAP Rate, or low income customers with excessive usage. PECO's plans to identify and determine the reasons for high usage for CAP Rate accounts whose incomes are below 50% of the poverty guidelines will help with this concern of excessively large bills. *BCS recommends* that PECO also implement this procedure for CAP accounts whose incomes are over 50% of the poverty guidelines. In addition, PECO should routinely examine bills over a certain parameter to determine the reasons for apparent irregularities. The *BCS recommends* that PECO adopt the Evaluation recommendation to establish a procedure to examine the range of monthly-billed amounts.

## Consumer Education Issues

**Education, Outreach Materials, and Publications Recommendations 16, 17, 26, & 28.** The Evaluation completed a comprehensive review of publications that PECO provides to its customers and makes recommendations for improvements

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<sup>6</sup>Tbid, XIII-43, XIV-5,

and corrections of inaccurate information in the publications. The Evaluation also recommends that PECO abandon the use of the booklet titled *12 Easy Ways to Save Energy Dollars*. PECO responds that its consumer education consultant and its LIURP Advisory Group will review all communications and consumer education materials.

Because the Evaluation review and recommendations for changes is so complete, the *BCS recommends* that the consultant and the LIURP Advisory Committee begin their review of the universal service publications by using Chapter XVIII of the Evaluation. The evaluator spent a great deal of time and effort to identify inaccuracies and make recommendations for improvements. *BCS supports those findings and recommendations* and sees no reason for the consultant and Advisory committee to reinvent the wheel by starting over the review process.

***CAP Rate Scripts and Letters Recommendation 24.*** PECO and the call centers provided several versions of the CAP Rate scripts – versions from 1997, April 2001, and December 2001. The fact that staff currently use different versions of the same procedure appears to be part of a disturbing pattern. The BCS finds a consistent theme throughout the evaluation: PECO has processes in place that are sound but PECO has not ensured that staff follows the details of procedures and processes. The Evaluation suggests various reasons why this may be happening: not enough universal service staff, upper management's apparent lack of interest in the universal service programs, and the use of two call centers. The *BCS recommends* that PECO make the effort to correct the many small problems that are plaguing the administration of the CAP Rate.

In addition to the versions of scripts, the evaluation finds that the CAP Rate letters and correspondence should be improved and makes recommendations for improvements. PECO has in place two valuable assets to use to revise its correspondence with its CAP customers: the Consumer Education Consultant and the LIURP Advisory Committee. Again, the *BCS strongly recommends* that PECO avail itself of these resources so that can develop more effective customer communications. If PECO has not already done so, PECO should provide a copy of the Evaluation to its LIURP Advisory Committee (Committee) and schedule a meeting with the Committee. The BCS expects that more effective communications will reduce the confusion that customers express about the CAP Rate program, which could lead to fewer customer calls and to better payment behavior.

***Program Description. Recommendation 27 -*** The Evaluation recommends that PECO develop a publication that describes the benefits and customer

responsibilities for continued enrollment in the CAP program. This publication should be mailed to customers upon enrollment and then periodically. The Evaluation finds many examples of problems associated with customer lack of understanding of the program. For example, the Evaluation finds that 66 % of CAP customers have not had their preprogram arrearage forgiven. The survey results find that only 26% of participants knew that the arrearage could be forgiven.<sup>7</sup> The Evaluation suspects that many customers do not receive the benefit because they do not know that making six consecutive payments will eliminate their arrearage. *BCS strongly endorses Recommendation 27* and recommends that PECO develop a publication.

### Call Center Issues

*Call Center Recommendations 19-24.* PECO uses two call centers: NCO – credit and collection call center and OSI – the universal service call center. The Evaluation reports that either PECO does not keep enrollment, recertification, or removal data for NCO or would not provide it to the evaluator<sup>8</sup> BCS finds this disturbing that PECO may not have this universal service data from the NCO call center since PECO reported to BCS that the NCO call center completed about 80% of the enrollment for CAP Rate.

NCO duties relating to CAP Rate include enrollment and payment arrangements on missed CAP payments. The Evaluation found numerous problems with NCO's administration of its duties: staff did not understand the "Life-Line Certified" number; staff did not understand transfer procedures to the OSI call center; some training materials and scripts are not current. Most NCO staff did not refer low income customers to CAP Rate or transfer customers to OSI for enrollment information. NCO staff suggested that new CAP Rate enrollees should receive written confirmation of the CAP Rate and its benefits as well as customer responsibilities.<sup>9</sup>

OSI call center responsibilities are to process enrollment applications, verify income, complete recertifications, negotiate payment arrangements, and contact delinquent CAP Rate customers for payment. OSI staff echoed NCO staff's suggestion that new CAP Rate customers receive an enrollment package. OSI also indicated they receive many calls related to a confusing bill – the CAP Rate bill is not clear.<sup>10</sup>

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<sup>7</sup> Ibid, XII-13.

<sup>8</sup> Ibid, XIII, 3.

<sup>9</sup> Ibid, XIII-17-23.

<sup>10</sup> Ibid, XIII-23-45.

The Evaluation makes several recommendations designed to improve the call center performances – the most notable being that PECO should transfer all universal service functions to the OSI call center. As early as November 2000, BCS has expressed concern about the use of two call centers for universal service functions. In 2000, PECO reported to BCS that the NCO call center completed about 80% of the enrollment for CAP Rate yet only spent 10% of staff time on universal service activities. BCS expressed concern that the NCO call centers other responsibilities could easily overshadow universal service responsibilities that account for 10% of staff time. BCS has also suggested that OSI complete all universal service activities. In PECO's response to the Evaluation, PECO has committed to complete additional training for both call centers. PECO also committed to conducting an audit relating to universal service performance of the NCO call center in the second quarter of 2003.

BCS supports PECO's efforts to improve performance by providing additional training to the call centers and completing an audit of NCO's universal service performance. PECO should provide the results of the audit to BCS with recommendations to correct any deficiencies that the audit finds. *BCS also recommends* that PECO adopt the Evaluation's recommendations. The recommendations, with the exception of No. 21, deal with clarifying and standardizing processes and communications as well as increasing the call quota time from 5 ½ minutes to 8 minutes. Recommendation No 21 provides that OSI handle all universal service functions. BCS is unclear why PECO is reluctant to implement this recommendation and requests an explanation. Finally, *BCS requests* that PECO include the performance issues raised in this evaluation in the next evaluation to be completed by 2005.

### **Budget Billing.**

*Budget Billing Recommendations 32-38.* PECO plans to address the budget billing issues as part of the computer changes necessary to implement the consensus modifications. PECO has agreed to place CAP A, B, and C customers on the budget billing.

*BCS recommends* that PECO require *all* CAP customers to be placed on budget billing as a condition of enrollment into CAP. One basic premise of a cost-effective CAP is that participants will have a *fixed*, affordable, monthly payment. Requiring a fixed bill each month makes it easier for low-income households to budget for utility payments. A budget bill is also easier for customers to understand.

## Miscellaneous Recommendations

*Alternate Supplier Bill Problem Recommendation 41.* BCS finds PECO's response is acceptable

*Coding for Returned Checks Recommendation 40.* PECO's procedure for handling returned checks appears to be adequate. However, the Evaluation finds that PECO does not always code returned checks correctly – that returned checks are often coded as payments. This inaccurate coding leads to an understated amount for returned checks. One returned check was for \$9425.<sup>11</sup> Could this account be a commercial account?

*Remarks Coding Recommendation 42.* Again, PECO appears to have an appropriate coding procedure in place to identify when PECO actually terminates service to an account. However, the Evaluation finds that staff uses the code "SONP" (service off non-pay) many times more than when service is actually terminated. The code appears to be used for any customer contact related to service termination.<sup>12</sup> PECO cannot analyze the performance of its CAP if its data is inaccurate.

*Letter Series for Termination Recommendation 43.* The Evaluation finds that in 2001, 6,614 CAP accounts had service terminated for non-payment and that only 107 customers received terminated related contacts (notices). The Evaluation finds it unlikely that PECO did not issue notices, but that the problem lies with the recording of the contact.<sup>13</sup>

BCS agrees with the Evaluation that too often, a process or procedure is appropriate or adequate but that staff does not complete the steps correctly. PECO should explore the reasons for these mistakes and take corrective action

### Other issues.

*Late payment charges.* The Evaluation finds that PECO uses LIHEAP grants to pay late payment charges<sup>14</sup> DPW has informed BCS that LIHEAP grants should not be used to pay late payment charges.

The Evaluation also finds that PECO assesses late payment charges on budget bills for CAP customers and other low income customers.<sup>15</sup> PECO should provide an explanation of the circumstances in which the Company will apply late payment charges to CAP accounts. As you know, the Commission has

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<sup>11</sup> Ibid, XVI-18.

<sup>12</sup> Ibid, XVI-25-30.

<sup>13</sup> Ibid, XVI 29-30.

<sup>14</sup> Ibid, XV, 6.

<sup>15</sup> Ibid, XIX, 17.

a long-standing policy that companies should waive late payment charges for low income customers.

The *BCS recommends* that PECO revise its late payment procedures to ensure that LIHEAP grants are not used to pay these charges and that PECO's procedures conform to Commission policy.

*Data Warehouse and Universal Service Data Mart – Section 25.* As part of the Consensus Modifications approved by Commission Order at Docket No. R-00027870, PECO agreed to enhancements to its IT resources. Once those enhancements are complete, BCS expects that many of the issues identified in this section of the Evaluation will be corrected.

*BCS recommends* that PECO's IT staff and universal service review section 25 of the Evaluation and make appropriate changes, when applicable, to correct the deficiencies identified in this section.



# Cap Rate Modification

## Training Manual

Training

Exhibit "7-SK"

*Extenuating Circumstance Verification Letter*

Date

Name  
Address  
Address  
Acct #

Dear Customer' name;

You have informed Universal Services that you have an unfortunate situation in your home. We will need verification of the situation. Please provide the necessary information to PECO's Universal Services Department within ten business days.

The information you return will be reviewed and you may receive a discount rate for your energy usage. However, you **must** continue to pay your current bill on time to avoid having your service shut off.

- Injury or illness that results in a 30 day absence from work
- Disability – a physical or mental injury that largely limits one or more major life activities.
- Death in the family – immediate family member in the household that provides for the family.
- Sudden loss of employment – by the immediate family member that provides for the family.

For any of the medical reasons listed please have your doctor return the Medical Form that is enclosed. Your doctor may fax the form to the CARES Worker below

Please provide the information below for the above checked box:

Send a copy of a death certificate.

Return proof of unemployment. You may use an employment award letter.

Send the completed information to:

CARES Worker's name  
PECO Universal Services,  
2301 Market Street, N3-1  
Philadelphia, Pa 19101  
Telephone #

### 2.2.5 CAP Rate Thresholds

Universal Services recognizes that the new and modified CAP Rates will attract and draw many customers to the program. For this reason, CAP Rate Thresholds have been established to assist in controlling how many customers are permitted into the different rates. In addition, an “alarm” mechanism has been built into the system to inform the Universal Services group when the enrollment thresholds are closely approaching.

CAP Rate	CAP Rate Thresholds	Alarm
A	7,500	6,500
B	32,500 total of B+C	31,000
C	40,000 total of A+B+C	
D	125,000 total A-E	118,000
E	125,000 total A-E	118,000

The customer must verify their income within 10 business days. The PECO Representative will encourage the customer to return the requested information ASAP in order to begin receiving the discount.



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE  
REFER TO OUR FILE

February 14, 2002

BILL SULLIVAN  
DIRECTOR ACCOUNTS RECEIVABLE  
PECO ENERGY  
2301 MARKET STREET  
ACCOUNTS RECEIVABLE - N3-1  
PHILADELPHIA, PA 19101-8699

Dear Mr. Sullivan:

I am writing in regard to PECO's February 12, 2002 letter that responds to the BCS' letter of January 17, 2002 regarding PECO's MEAF. In light of PECO's response, I would appreciate additional information regarding the subject matter covered in that letter. Also, I would appreciate information relating to other aspects of PECO's universal service programs.

With respect to the BCS letter dated January 17, 2002, the letter requested PECO to provide BCS with a progress report, including the specific steps PECO is taking to increase ratepayer contributions to its MEAF. In response to this request, PECO states that CMC is providing fundraising support to its MEAF agencies, and that PECO and the agencies are developing a "coordinated effort". While this general information is helpful, I would appreciate a more detailed explanation or description of the kinds of fundraising support that CMC provides and the results of that support.

The BCS letter dated January 17, 2002 also requested that PECO direct their evaluator, as part of the evaluation required at §54.76, to review whether PECO is serving the appropriate population with its hardship fund. PECO's response did not address this request. Please confirm that PECO will include this issue as part of its universal service evaluation.

By means of this letter I also want to advise you that Ed Lynch, the Executive Director of UESF, recently expressed some concerns to BCS regarding PECO's lack of responsiveness to several issues he has raised with PECO regarding the use of USEF funds. These issues include a question regarding CDS customers (12/5/01 letter from UESF to PECO), and a request for PECO's votes on a polling ballot (1/10/02 letter from UESF to PECO). I am bringing this to your attention because 66 Pa. C.S. §§ 2804(9) (relating to standards for restructuring of electric utility industry) provides for Commission administrative oversight of universal service programs. As part of our

oversight, the Commission is to encourage the use of community-based organizations that have the necessary technical and administrative experience to be the direct providers of services or programs that assist low-income customers to afford electric service. The administration of PECO's MEAF falls under this provision.

The BCS' preference is to view the administration of MEAF as a PECO managerial function. To BCS, this means that BCS should not be involved in the day-to-day operations or decision-making. However, the BCS cannot ignore the UESF Director expression of concern that PECO has not been responsive to its requests for information or return of polling ballots. The BCS' understanding is that UESF would like to remove several restrictive eligibility criteria and that UESF is waiting for PECO's response to before making final decisions on this matter. PGW and the Water Department have already provided UESF with their polling ballots.

Finally, by letter dated January 9, 2002, BCS requested PECO to provide BCS with its CAP Rate costs by February 11, 2002. PECO's response is now past due. I am bringing this to your attention so that it will not take PECO as long in 2002 to provide this information as it did in 2001.

In summary, please provide a response to this letter by February 28, 2002. In response, PECO should include the following items:

1. Specific steps PECO is taking to increase ratepayer contributions
2. Confirmation that PECO will include as part of its universal service evaluation a review whether PECO is serving the appropriate population with its hardship fund.
3. Confirmation that PECO has responded to Mr. Lynch's requests
4. A response to our January 9, 2002 request for PECO's CAP Rate costs for 2001.

Thank you for your anticipated response to issues and questions raised in this letter. If you have questions, please contact me at (717) 783-6688 or email me at sauers@puc.state.pa.us.

Sincerely,



Louis Sauers  
Bureau of Consumer Services

Cc: M. Miller  
J. Hummel  
B. Crowe  
V. Bullock  
M. Hopper  
E. Lynch

**PECO Energy Company and Public Service Electric and Gas Company**  
**Docket No. A-110550F0160**

AA-SET I - QUESTION #27

Please provide the number of individuals in each CAP Rate in 2002, 2003, and 2004 who have been approved to receive all health related usage at CAP Rates.

AA -SET I - RESPONSE #27:

2002-0

2003-0

2004-46

Responsible Witness: Denis P. O'Brien

# PECO - LIURP Advisory Committee Meeting

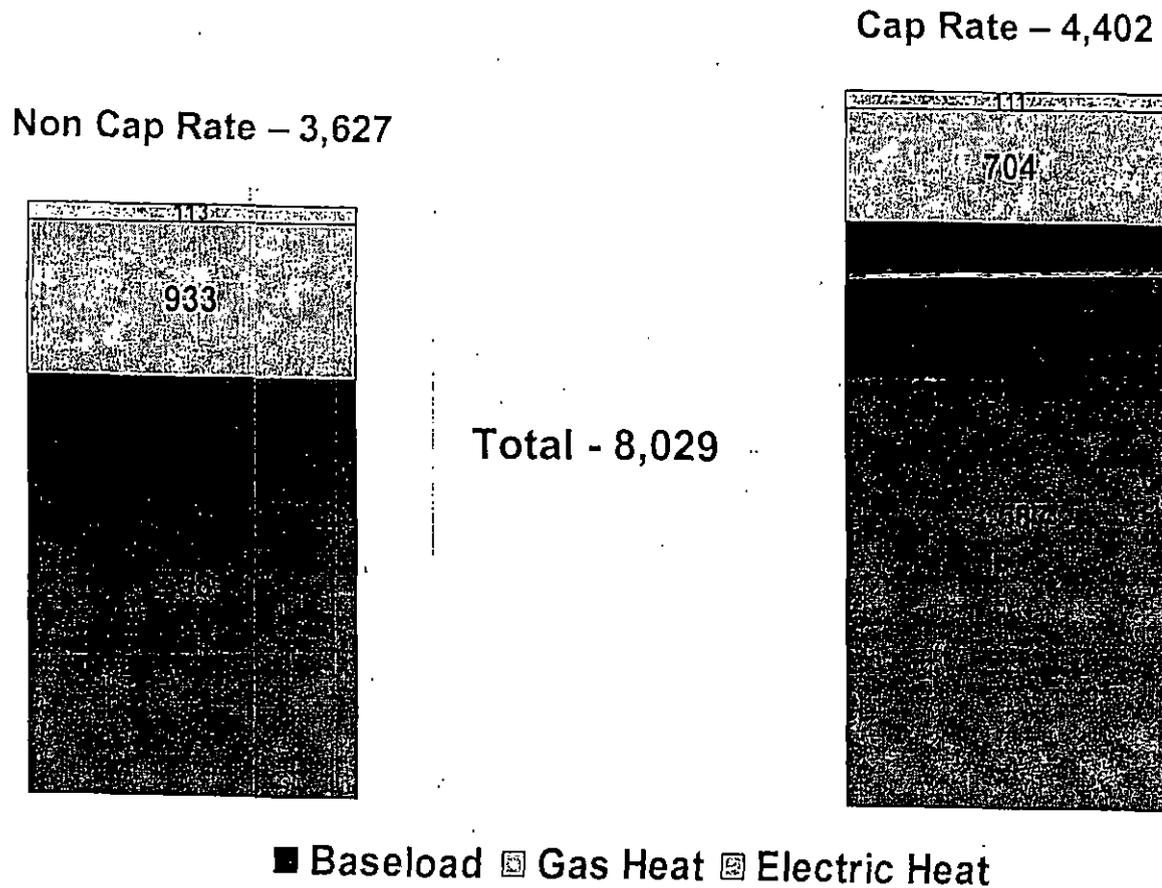
PECO Main Office  
August 16, 2005

EXHIBIT 10-SE

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# Customers Treated

## January – December 2004



# CAP Rate Tier Changes

Month	CAP A	CAP B	CAP C	CAP D	CAP E Total
Jan. 05	0	95	409	113	617
Feb. 05	1	75	328	89	493
Mar. 05	0	88	365	111	564
<b>1st Q</b>	<b>1</b>	<b>258</b>	<b>1,102</b>	<b>313</b>	<b>1,674</b>
Apr. 05	2	137	274	89	502
May 05	0	137	236	108	481
Jun. 05	1	181	286	108	576
<b>2nd Q</b>	<b>3</b>	<b>455</b>	<b>796</b>	<b>305</b>	<b>1,559</b>