

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF CONSUMER ADVOCATE

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October 31, 2013

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

RE: PECO Energy Company Universal Service  
and Energy Conservation Plan for 2013-  
2015 Submitted in Compliance with 52 Pa.  
Code §§ 54.74 and 62.4  
Docket No. M-2012-2290911

Dear Secretary Chiavetta:

Enclosed please find the Office of Consumer Advocate's Reply Comments, in the  
above-referenced proceeding.

Copies have been served upon all parties of record as shown on the attached  
Certificate of Service.

Respectfully Submitted,

A handwritten signature in cursive script that reads "Christy M. Appleby".

Christy M. Appleby  
Assistant Consumer Advocate  
PA Attorney I.D. # 85824

Enclosures

cc: Honorable Cynthia W. Fordham, ALJ  
Grace McGovern, Bureau of Consumer Services  
176096

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

PECO Energy Company Universal Service and :  
Energy Conservation Plan for 2013-2015 : Docket No. M-2012-2290911  
Submitted in Compliance with 52 Pa. Code :  
§§ 54.74 and 62.4 :

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REPLY COMMENTS OF THE  
OFFICE OF CONSUMER ADVOCATE

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DATED: October 31, 2013

## I. INTRODUCTION

On February 28, 2012, PECO Energy Company (PECO or the Company) filed its Universal Service and Energy Conservation Plan (USECP or Plan) in this docket in accordance with the Public Utility Commission's (Commission) regulations at 52 Pa. Code §§ 54.71-54.78, relating to electric universal service and energy conservation requirements and at 52 Pa. Code §§ 62.1-62.8, relating to natural gas universal service and energy conservation requirements. Subsequently, on October 25, 2012, PECO filed an Amended USECP. On October 31, 2012, PECO filed its APPRISE six-year evaluation in compliance with 52 Pa. Code § 54.76.

On April 4, 2013, the Commission issued its Order in this proceeding (April 4 Order) and directed PECO to file a report on a fixed credit Percentage of Income Payment Program (PIP) option on or before September 30, 2013. The Commission provided for Comments on the report within twenty days and Reply Comments ten days thereafter. If the Commission decided to require the implementation of a fixed credit PIP, the Company would be required to submit the new design in its February 2, 2015 triennial Plan for 2016-2018. April 4 Order at 25.

On September 30, 2013, pursuant to the Commission's April 4 Order, PECO filed a report on the proposed fixed credit PIP (Options Report). On October 15, 2013, in response to questions about the report that were raised by the Office of Consumer Advocate, Tenant Union Representation Network (TURN) and the Coalition for Affordable Utility Services and Energy Efficiency in PA (CAUSE-PA), PECO filed its Supplemental Information to PECO Energy's Report on Alternative Models for the Delivery of Customer Assistance Program Benefits.

Pursuant to the April 4 Order, on October 21, 2013, the OCA filed its Comments and Attachment A, "Review of PECO Energy's Report on Alternative Models for the Delivery of

Customer Assistance Benefits” conducted by its expert witness, Mr. Roger Colton (Colton Review). Comments were also filed by TURN and CAUSE-PA.

The OCA files these Reply Comments pursuant to the Commission’s directive in the April 4 Order.

## **II. COMMENTS**

The OCA responds to two issues raised by TURN’s Comments: (1) that under the fixed credit PIP (FCO) model, the customer will return to full residential rates when the CAP credits run out and (2) that the FCO will cost more to implement than a fixed payment PIP model.

### **A. An FCO Model That Uses Budget Billing And Adjusts For Changes In the Utility Price Addresses The Concern With The Level of CAP Credits.**

In its Comments, TURN argues that under the FCO model, the customer will return to full residential rates when the CAP credits “run out.” TURN Comments at 7. This statement does not properly reflect the operation of an FCO. Under the fixed credit PIP option, the credit is fixed for the customer for the twelve month period. The fixed credit option is calculated using the customer’s historic consumption, and under the OCA’s recommendation, reflects PECO’s Price to Compare (PTC) for each upcoming quarter. In every month, a credit is provided that reflects affordability based on these factors and the use of budget billing.

As discussed in more detail in the OCA’s Comments and the attached Colton Review, some of the problems with PECO’s analysis were created because PECO’s FCO model does not adjust with the PTC, does not adjust for seasonality, and does not model budget billing. Mr. Colton’s FCO option, while based on the Colorado model, was modified to address Pennsylvania specific issues such as CAP customer shopping and the quarterly changes in the PTC. The OCA submits that these modifications could have an impact on TURN’s analysis of the program outcomes.

As discussed in the OCA's Comments, the failure to model budget billing, adjust for changes in the PTC and address seasonality, while analyzing affordability on a monthly basis, impacted and compromised the analysis of the breadth and depth of affordability analyses provided by PECO. OCA Comments at 12-13. The OCA submits that modeling seasonality and budget billing as well as incorporating changes in the PTC should result in greater levels of affordability and higher payment coverage ratios for the program. Each of these factors addresses the concern raised by TURN that a CAP customer will "run out" of credits under the FCO option.

B. There Is No Evidence To Support TURN's Claim That The Fixed Payment PIP Will Cost Less To Implement Than The Fixed Credit PIP.

In its Comments, TURN argues that the FCO PIP is significantly more complicated than the fixed payment PIP and would require increased Information Technology (IT) transition costs and change management costs. TURN rests this statement on its assertion that the FCO will require a five step calculation while the fixed payment PIP would involve a three step calculation. TURN Comments at 5. The OCA submits that there is no evidence in the record, PECO's Options Report, or the Supplemental Information filed to support the argument that an FCO PIP would cost more than a fixed payment PIP or that either calculation would be more complicated such that it would result in additional costs.

As described in the PECO Options Report, the PIP and the FCO would cost between \$6.8 and \$11.4 million on a one-time basis for IT changes. PECO Options Report at 19. TURN states that the PECO Report's IT cost estimate of \$6.8 million to \$11.5 million was based on an assessment of the cost to complete work on the FCO PIP. TURN Comments at 5. But this is not correct. PECO stated in its Rebuttal Testimony of Lauren Feldhake in the proceeding below that the IT transition cost estimate was approximately \$7.7-\$12.8 million in order to implement a

PIP. PECO St. No. 1-R at 7-8. These estimates were made prior to PECO modeling the FCO option. Its more recent estimate included in the Options Report is lower than the Company's original estimate range and demonstrates that the FCO option does not increase the range of costs for implementing the program.

PECO also estimates the costs of Change Management to be \$0.8 million for either the PIP or FCO for expenditures related to PECO personnel training, customer outreach and the development of new forms and training materials. PECO Options Report at 15. TURN does not state any reason in its Comments why Change Management costs would be different between a PIP and an FCO, and the OCA submits that no evidence has been placed in the record which indicates that there would be any difference in the costs for Change Management.

The OCA submits that TURN's assertions are not supported by the evidence presented in the proceeding below or the assessments in PECO's Options Report.

### III. CONCLUSION

The Office of Consumer Advocate continues to recommend that the Commission direct the parties to continue discussions and analysis of an FCO that addresses the issues identified in PECO's Options Report and reflects Pennsylvania specific circumstances. As discussed in the OCA's Comments and the Colton Review, PECO's analysis shows that an FCO can provide advantages in improving affordability that are worthy of further discussion and analysis.

Respectfully Submitted,



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CERTIFICATE OF SERVICE

RE: PECO Energy Company's Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4  
Docket No. M-2012-2290911

I hereby certify that I have this day served a true copy of the foregoing, the Office of Consumer Advocate's Reply Comments, upon parties of record in this proceeding in accordance with the requirements of 52 Pa. Code Section 1.54 (relating to service by a participant), in the manner and upon the persons listed below:

Dated this 31st day of October 2013.

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