

Direct Dial: 215.841.6863

March 20, 2015

Rosemary Chiavetta, Secretary  
Pa. Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, Second Floor - West  
Harrisburg, PA 17120

**RE: PECO Energy Company Universal Service and Energy Conservation  
Plan for 2013-2015  
PUC Docket No.: M-2012-2290911**

Dear Ms. Chiavetta:

Enclosed for filing with the Commission is *PECO Energy Company's Joint Petition for Settlement* with regard to the matter referenced above.

I have enclosed a Certificate of Service showing that a copy of the above document was served on the interested parties. Thank you for your time and attention on this matter.

Very truly yours,



Ward L. Smith  
Counsel for PECO Energy Company

cc: Certificate of Service

WS/lo

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

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

**JOINT PETITION FOR SETTLEMENT**

This Joint Petition for Settlement (“Joint Petition”) is submitted by the following parties in the above-captioned proceeding: PECO Energy Company (“PECO”), the Office of Consumer Advocate (the “OCA”), the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (together, “TURN *et al.*”), and the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (“CAUSE-PA”) (collectively, the “Joint Petitioners.”)

The terms and conditions of the proposed settlement in this matter are set forth in the PECO CAP Mediation Settlement Term Sheet (“Term Sheet”), which is attached as Exhibit A. The Term Sheet is a comprehensive settlement among the aforementioned parties that resolves all issues pertaining to the above-captioned docket. The Joint Petitioners aver that this comprehensive settlement is in the public interest and, therefore, request that the Commission approve the settlement in its entirety.

Each of the Joint Petitioners will separately submit a Statement in Support of this Joint Petition.

The Joint Petitioners provide the following background regarding this Joint Petition:

1. The Term Sheet sets forth a comprehensive proposal to revise PECO's Customer Assistance Program ("CAP") and certain other programs that provide assistance to PECO's low-income customers.
2. Pursuant to the Commission's regulations, 52 Pa. Code §54.71 *et seq.*, every three years Pennsylvania electric distribution companies are required to file with the Commission their "universal service and energy conservation plans." This docket initially involved PECO's universal service and energy conservation plan covering the three-year period 2013-15 (the "2013-15 Plan") which PECO filed in this docket on February 28, 2012.
3. On November 8, 2012, the Commission issued a Tentative Order inviting written comments on the 2013-15 Plan. Written comments were filed by the Joint Petitioners and other parties, and the matter was subsequently set for litigation. During that litigation, the litigants discussed, but were not able to reach agreement regarding, a CAP design known as the "Fixed Credit Option," or "FCO."
4. On April 4, 2013, the Commission issued an Order in which it required PECO to make certain changes to its 2013-2015 Plan. The Commission's Order also directed PECO to conduct a study of the FCO, and other possible CAP design alternatives, for potential use by PECO in its three-year plan covering the period 2016-2018.
5. PECO filed the required report on September 20, 2013. In that report, PECO recommended that it stay with its existing CAP design, and not move to the FCO or other alternative design. The Joint Petitioners filed comments and reply comments on that report.
6. On April 25, 2014, the Commission issued a Secretarial Letter in which it directed the parties to this docket to attempt again to reach agreement on a new CAP design that all stakeholders could support. The Secretarial Letter recommended that the parties utilize the

Commission's mediation services, and stated that if negotiated resolution could not be obtained, the matter would be sent again to litigation.

7. The Joint Petitioners engaged the services of the Commission's mediation office, and conducted extensive mediation sessions. At least eight half-or full day sessions over the next several months, with extensive exchange of data and other information between the Joint Petitioners.
8. As a result of that extensive mediation effort and related settlement discussions, the Joint Petitioners reached agreement on a new CAP design and related issues, as set forth in the Term Sheet.
9. As stated previously, each of the Joint Petitioners will file a Statement in Support of this Joint Petition.

**CONCLUSION**

WHEREFORE, the Joint Petitioners, intending to be legally bound, respectfully request that the Commission approve this Joint Petition, including all terms and conditions set forth in the Term Sheet, and then terminate and mark closed the proceedings at Docket No. M-2012-2290911.

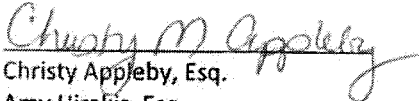
Respectfully submitted on March 20, 2015,



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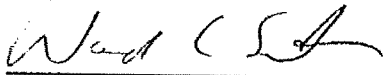
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**Exhibit A**

**PECO CAP Mediation Settlement Term Sheet  
("Term Sheet")**

PECO CAP Design Mediation  
Settlement Term Sheet  
Docket No. M-2012-2290911

A. FCO/CAP Design

1. Determination of Credits:

Beginning with PECO's October 2016 IT push, PECO will implement a new design for its Customer Assistance Program ("CAP"). The new CAP design will be based upon the Fixed Credit Option ("FCO"), with customer benefits calculated as follows:

Step 1: Determine customer's prior year's undiscounted charges:

- For each CAP customer, PECO will review the customer's bills at that residence for the prior 12 months and determine the dollar amount that the customer would have been charged *on an undiscounted basis* in those prior 12 months for their PECO-supplied utility service, including both the regulated and unregulated portions of that service (that is, including generation service, whether obtained from an EGS or PECO, and natural gas commodity service, whether obtained from an NGS or PECO) (the "Base Charge(s)").
- For regulated charges, the undiscounted charge will be calculated using the PECO tariff rates in effect for the time period being examined. For generation charges, the undiscounted charges will be calculated using PECO's generation price-to-compare ("PTC") for the time period being examined. For natural gas commodity charges, the undiscounted charges will be calculated using PECO's natural gas PTC for the time period being examined. (For the effect of base rate cases and quarterly GSA filings on determination of Base Charges, see Step 6 below.)
- Pro forma method of determining prior year's usage: If the customer does not have 12 months of prior service at their current residence at the time the above calculation is conducted, then PECO will create a pro forma profile to calculate that customer's trailing twelve months usage/charges. The pro forma profile will be based on the following, in order of preference if data is available:<sup>1</sup>

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<sup>1</sup> Because of the quarterly recalculations discussed in Step 6 below, these pro forma calculations will start to be replaced by data on the customer's actual usage three months after the pro forma calculation is done.

- Usage at that residence by the customer for the months available and actual usage by prior customers for the months unavailable.
  - Usage at that residence by prior customers;
  - Usage at similar residences or CAP residences in the same area; or
  - System-wide usage or CAP usage averages.
- PECO will prepare a weather normalization table that compares the weather in each of the trailing twelve months to “normal” weather for that calendar month, and which gives an adjustment factor to normalize usage and charges for each month on a weather-adjusted basis. This chart will be updated each month so that, at any time, PECO has available adjustment factors for the trailing 12 months. Once PECO has determined the Base Charges, those charges will be weather-normalized using the weather normalization table to create the “Weather-Normalized Base Charges.”

Step 2: Determine Verified Household Income and Federal Poverty Level:

- PECO’s existing income verification procedures will be used to determine Verified Household Income. PECO will then use that information and the number of people in the household to determine the household’s Federal Poverty Level.<sup>2</sup> Customers determined eligible as a result of receipt of a LIHEAP Cash Grant will, if possible, be placed into the federal poverty level commensurate with the grant amount. If PECO is not able to determine the FPL of a customer from LIHEAP Cash Grant materials, then PECO will utilize the LIHEAP Cash Grant recipient list to perform FCO outreach to the Grant recipients.

Step 3: Determine customer’s allowable Energy Burden:

- Once the household’s Federal Poverty Level has been determined, PECO will determine the household’s allowable Energy Burden, as follows:<sup>3</sup>

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<sup>2</sup> A customer’s Federal Poverty Level percentage will be determined by reference to the then-current version of the Federal Poverty Guidelines published by the Federal Department of Health and Human Services.

<sup>3</sup> The table is based upon the ranges found at 52 Pa. Code §69.265 (2)(i)(A). In each case, the energy burden listed in the table is the maximum allowable energy burden for that poverty level. If the Commission changes the energy burden ranges set forth in its Policy Statement, PECO will utilize the new maximum allowable energy burden for each poverty level.

Table 1: Energy Burdens

FPL	Electric Non-Heating <sup>4</sup>	Electric Heating <sup>5</sup>	Electric with Gas Heating <sup>6</sup>
0-50%	5%	13%	13%
51-100%	6%	16%	16%
101-150%	7%	17%	17%

Step 4: Calculate customer's Annual Credit:

- PECO will determine the customer's Annual Credit by multiplying the Verified Household Income times that household's allowable Energy Burden to determine an Annual CAP Bill amount. The Annual CAP Bill will then be subtracted from the Weather-Normalized Base Charges; the resulting amount is the Annual Credit amount for that household. That is: Weather-Normalized Base Charges – Annual CAP Bill = Annual Credit.
- The maximum Annual Credit for any household will be<sup>7</sup>:

<sup>4</sup> Applies to PECO Rate R customers who use a non-PECO heating fuel source, including PGW, propane, and oil.

<sup>5</sup> Applies to PECO Rate RH customers.

<sup>6</sup> Applies to PECO dual commodity customers.

<sup>7</sup> The maximum Annual Credit was calculated to provide bills within Commission energy burden guidelines to approximately 93% of Rate R customers (including dual fuel customers), and approximately 96% of Rate RH customers. In addition, application of the Commission-required minimum monthly bills (\$12 for Rate R; \$30 for Rate RH) results in bills above Commission energy burden guidelines for approximately 6% of PECO's CAP customers overall. The combination of those two effects will result in 12% of PECO's Rate R, and 10% for PECO's Rate RH, with bills exceeding Commission energy burden guidelines, assuming a normal weather year.

The maximum Annual Credit levels set forth above will remain at these levels for four years after the program is implemented in October 2016. After four years, PECO will confer with the other signatories to determine whether there is a consensus new maximum Annual Credit level. If so, PECO will adopt that new level in its next-filed Three-Year Plan. If no consensus is reached, PECO may propose a new maximum Annual Credit level in its next-filed Three-Year Plan.

The maximum Annual Credits set forth in the table have been determined in an effort to reduce the number of CAP customers whose bills exceed commission energy burden guidelines. The Commission has previously granted PECO permission to apply maximum annual credits on a system-wide average,

Table 2: Maximum Annual Credits

FPL	Electric Non-Heating (Rate R) <sup>8</sup>	Electric Heating (Rate RH) <sup>9</sup>	Electric with Gas Heating (PECO Dual Commodity Customer) <sup>10</sup>
0-50%	\$2,048	\$2,922	Same as Rate R for electric service; no maximum for gas service <sup>11</sup>
51-100%	\$1,389	\$1,881	
101-150%	\$1,241	\$1,661	

(These are the credit limits for any given household. As noted below in the Cost Containment section, PECO will also continue to apply a system-wide cost containment mechanism in which the total cost of its program is limited to the number of participants in the program times the inflation-adjusted Maximum Annual Credit set forth set forth in the Commission’s guidelines at 52 Pa. Code § 69.265(3)(v).)

Step 5: Apply Annual Credit to Bill:

- PECO will apply the total dollar amount of the Annual Credit over the course of the year. The credits will be applied in a manner intended to track the seasonal nature of usage, using the following monthly percentages<sup>12</sup>:

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rather than as an individual customer limit. This settlement continues that practice. See also section A3 (Cost Containment) below.

<sup>8</sup> If PECO is granted an electric base rate increase, the maximum allowable credits will be increased by a percentage equal to the system-wide residential distribution rate increase, applied to the portion of the Maximum Credit that is attributable to distribution rates.

<sup>9</sup> If PECO is granted an electric base rate increase, the maximum allowable credits will be increased by a percentage equal to the system-wide residential heating distribution rate increase, applied to the portion of the Maximum Credit that is attributable to distribution rates.

<sup>10</sup> If PECO is granted a gas base rate increase, the maximum allowable credits will be increased by a percentage equal to the system-wide residential distribution rate increase, applied to the portion of the Maximum Credit that is attributable to distribution rates.

<sup>11</sup> This continues PECO’s current gas CAP program policy.

<sup>12</sup> PECO may adjust these percentages to reflect the most current data available to it at any given time. However, any such adjustments will affect only the distribution of the Annual Credit to bills, not the amount of the Annual Credit.

Table 3: Seasonality Distribution

Month	Rate R	Rate RH	Gas
Jan	9.6%	13.9%	20.6%
Feb	8.9%	14.2%	19.5%
Mar	8.9%	12.2%	14.5%
Apr	7.0%	9.0%	9.6%
May	5.8%	5.3%	4.5%
June	7.7%	5.2%	2.6%
July	11.3%	6.4%	2.0%
Aug	10.6%	5.9%	1.8%
Sept	9.3%	5.4%	2.0%
Oct	6.6%	4.5%	2.6%
Nov	6.6%	6.4%	6.9%
Dec	8.7%	11.7%	13.6%
Total	100.0%	100.0%	100.0%

- Credits will be applied on a “rolling” basis; that is, if the customer’s credit in a month exceeds the outstanding balance, the credit will be “rolled” forward to future months and used to offset future balances.

Step 6: Periodic Recalculation and Adjustment of Annual Credit

- PECO will recalculate Step 2 for each customer during a biennial certification and recalculation. At that time, each customer will be required to re-verify their income level and size of household.
- PECO will recalculate Steps 1,3,4 and 5 annually to determine a new Annual Credit for each customer. PECO currently intends to perform this recalculation on or near the anniversary of a customer’s enrollment in the FCO, but retains the right to spread the recalculation event across the full calendar year for work management purposes.
- Every three months, PECO will recalculate Step 1 using the customer’s most recent three months’ data on usage/charges. PECO will then use the results of the Step 1 recalculation as inputs to complete Steps 2 through 5 to determine a Quarterly Recalculation of the Annual Credit. The adjusted Annual Credit will be applied to bills on a going-forward basis. This quarterly recalculation will be coordinated with the results of PECO’s quarterly Generation Services Adjustment filing and approval

so that, in each such quarterly adjustment, PECO's just-approved PTC will replace the oldest three months of PTC data in the underlying calculation.

- At any time during the year, a customer may verify to PECO that their household income or size of household has changed. Upon completion of that verification, if the changes result in a change in FPL tier, then PECO will recalculate Steps 1 through 5 to determine and apply a new Annual Credit for that household. The new Annual Credit will be applied prospectively beginning with the next monthly bill after the recalculation is completed and processed through PECO's billing system.
- At any time during the year, a customer may verify to PECO that a member of their household has increased usage as a result of medical reasons documented by a medical professional and that such increased, medically-driven usage is expected to be a part of that customer's long-term (more than 12 months) usage pattern. PECO will verify, through field visits or otherwise, that the increased usage is expected to be long-term. Upon such verification, PECO will increase the customer's Annual Credit by an amount equal to the estimated charges for increased usage as a result of medical equipment for the remainder of that quarter, provided however that the Annual Credit cannot exceed the maximum Annual Credit specified above in Step 4.
- Base rate case adjustments:
  - If PECO is granted an electric base rate increase, the portion of each Rate R customer's Annual Credit that is attributable to distribution rates will be increased by a percentage equal to the system-wide residential distribution rate increase .
  - If PECO is granted an electric base rate increase, the portion of each Rate RH customer's Annual Credit that is attributable to distribution rates will be increased by a percentage equal to the system-wide RH distribution rate increase.
  - If PECO is granted a gas base rate increase, the portion of each Rate R customer's Annual Credit that is attributable to distribution rates will be increased by a percentage equal to the system-wide residential gas distribution rate increase.

Step 7: New entrants to CAP program after program begins

- Customers who enter CAP after the FCO program begins will be required to verify income and household size. PECO will then apply Steps 1 through 6 to the new CAP participant.

## 2. Customers Who Do Not Receive An Annual Credit

- In the FCO, it is possible for a customer to be income-eligible for CAP (defined as having income of less than 150% of the Federal Poverty Level), but nonetheless receive a \$0 credit.
- Phase-Out Benefit: PECO estimates that, under the FCO approach, approximately 40,000 households that receive rate discounts under PECO's current program will not receive discounts under the FCO. PECO will identify the individuals in that category as of the October 2016 FCO implementation date and, for that population, will provide a Phase-Out Benefit of \$50 per household. The Phase-Out Benefit will be provided as a monthly bill credit of \$4.17 for each month the household continues to take service, up to a maximum of 12 consecutive months
- Other Benefits: Any customer who is verified to be eligible for CAP, but who does not receive an Annual Credit, will nonetheless be eligible for any other benefits that may be available to CAP customers including, but not limited to, PPA forgiveness, LIURP priority, etc., according to the terms of those program components.

## 3. Cost Containment

- Minimum monthly billing amounts: The Commission's CAP Guidelines, 52 Pa. Code §69.265(3)(i), state that CAP participant payments should be at least:

Rate R: \$12 per month

Rate RH: \$30 per month

Gas Heat: \$25 per month

Each monthly bill rendered under this program will have an asked-to-pay amount equal or greater to these monthly minimums, even if a rolling credit creates an overall credit or owed amount of less than the applicable minimum (\$12, \$25 or \$30).

- Maximum Annual Credits: The maximum Annual Credits set forth in Table 2 of this settlement exceed the maximum annual credits set forth in the Commission's guidelines at 52 Pa. Code § 69.265(3)(v). However, the Commission has previously granted PECO permission to apply those maximum annual credits on a system-wide average, rather than as an individual customer limit. This settlement continues that practice.

As of December 31, 2014, the inflation-adjusted maximum Annual Credit for Rate R is \$686.83 per customer, and the inflation-adjusted maximum credit for Rate RH is \$1,766.13. PECO’s CAP population is approximately 127,000 Rate R customers and approximately 13,000 Rate RH customers. Applied on a system-wide basis, the current limit on electric CAP program costs<sup>13</sup> is:

	Maximum Per Customer	Number of Customers	Systemwide Limit
Rate R	\$686.83	127,000	\$87.2 m
Rate RH	\$1,766.13	14,000	\$23 m
Max Total Program Cost			\$110.2 m

#### 4. Cost Recovery

- “Shortfall” cost recovery: The total amount of credits to customers is known as the “shortfall” amount. The shortfall amount is recovered through PECO’s Universal Services Fund Charge (“USFC”). At present, USFC cost recovery includes a reduction of 22% for presumed reduction in PECO’s uncollectible expense, and 5% for presumed improvement in PECO’s cash working capital. Recovery of shortfall amounts, including the Phase-Out Benefit, shall continue on that same basis; provided, however, that the signatories reserve the right to challenge the appropriateness of the 22% and 5% offsets in any PECO base rate case.
- IT cost recovery: PECO estimates that it will incur \$7-11 million in IT transition costs to implement the FCO system. PECO shall not be required to move forward with the FCO program until it is satisfied that the Commission has approved or will approve recovery of its IT transition costs. The parties agree that PECO, in its discretion, may request that a maximum of \$11 million in IT transition costs be treated as a regulatory asset and deferred for accounting and financial reporting purposes subject to the following conditions:
  - A. That authorization for deferred accounting treatment is not an assurance that there will be future rate recovery;
  - B. That PECO claim the deferred costs at the first available opportunity in a base rate case;

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<sup>13</sup> The maximum total program cost changes with inflation and number of CAP participants.

- C. That PECO be directed to commence amortization on a reasonable schedule beginning with the IT in-service date;
- D. That any authorization for deferred accounting be limited to the IT expense and not extend to capital costs; and
- E. That any order will not limit any party in its ability to contest rate recovery of the deferred costs.

5. External review of FCO program:

Expert external evaluation of the new FCO program will require two full calendar years of operational data, plus a six-month period for data analysis and evaluation. With a nominal start date of October 2016, this timeline will require until December 2018 for operational data collection, and until June 30, 2019 to complete data analysis and evaluation. PECO's periodic six-year evaluation is currently required to be filed with the Commission on October 1, 2018. As part of its filing, PECO will therefore request that its six-year evaluation be rescheduled for filing on June 30, 2019. The evaluator's report will be provided to the Commission and to each member of PECO's USECP Advisory Committee and the signatories to this agreement at that time.

**B. Arrearage Forgiveness**

1. In a separate petition or in its next base rate case, in either case, to be filed on or before the first calendar quarter of 2016 to permit PUC review to occur before FCO program implementation in October 2016, PECO will propose an in-program arrearage forgiveness program with the following core provisions:
  - For each customer who is a CAP participant when PECO transitions to the FCO program in October 2016, PECO will determine the amount, if any, of that customer's IPA balance (the "Initial IPA Balance"). PECO will enter into a 60-month payment arrangement for an amount equal to 1/3rd of that customer's Initial IPA Balance (the "Payment Arrangement Amount").
  - For each dollar of the customer's Initial IPA Balance that the customer pays via its payment arrangement or otherwise, the customer's Initial IPA balance will be reduced by an additional \$2.00.
  - A proposed cost recovery mechanism for the in-program arrearage forgiveness program. If the proposal is made in a base rate proceeding, PECO agrees that it will not seek recovery of more than 2/3 of the projected cumulative Initial IPA balance for the entire CAP population as of October 1, 2016 from CAP customers in arrears or other ratepayers. If the proposal is made in a proceeding other than a base rate proceeding, PECO may propose a cost recovery mechanism that has substantially similar financial effect. All other parties reserve all rights to address PECO's

proposed IPA cost recovery mechanism when PECO makes its IPA arrearage forgiveness filing.

2. PECO will use its best efforts to obtain final PUC approval of the IPA forgiveness program and the core provisions described in paragraph 1.
3. PECO shall serve its petition on the signatories to this settlement and the Commission's Bureau of Investigation and Enforcement.
4. PECO shall not be required to proceed with the arrearage forgiveness program unless the cost recovery mechanism is approved by the Commission in substantially the form proposed by PECO or which PECO agrees to in subsequent settlement discussions with the parties to that proceeding.
5. If the proposed PECO's IPA forgiveness program obtains final Commission approval, including (a) the core arrearage forgiveness provisions described in paragraph 1 (or forgiveness provisions substantially as beneficial to CAP participants as the core provisions described in paragraph 1, as determined by TURN, Action Alliance and CAUSE-PA, in their discretion), and (b) cost recovery that meets the requirements of Paragraph 4 above, and such approval is obtained from the PUC prior to FCO program implementation, PECO will implement the approved arrearage forgiveness program at or before the implementation of the FCO program. If such approval is not obtained, then upon implementation of the FCO program in October 2016, PECO shall provide each CAP participant a 60-month payment agreement on their full Initial IPA Balance. Such 60-month payment agreement shall remain in effect: (a) until such time as final approval of PECO's IPA forgiveness program is obtained, or (b) in the event no such final approval is obtained, then for 60 months.

### **C. Usage reduction**

#### **1. Low-Income Usage Reduction Program ("LIURP"):**

PECO will make the following changes to its LIURP program:

- Beginning October 2017, for a period of three years PECO will commit \$1 million annually in additional funds to LIURP to reduce the energy burden of CAP customers whose bills exceed the Commission's energy burden guidelines. These funds are in addition to the \$700,000 designated in this settlement to address de facto heating, but at PECO's discretion may be used for the de facto heating program if PECO determines that there is demand for additional de facto heating services and that such additional expenditures can be made within de facto heating program requirements.

- Prior to the implementation of the FCO program, PECO will identify CAP customers with extremely high use and benefits for highest priority LIURP treatment<sup>14</sup>, including the de facto heating treatment described below.
- After the FCO program begins, PECO will identify those customers whose calculated Annual Credit exceeds the allowable maximum. Again, that list of customers will be given highest priority for LIURP treatment,<sup>15</sup> including the de facto heating treatment described below.
- Collectively, the groups of high users identified before and after the start of the FCO program are designated as the “De Facto Target Population”.

2. De facto heating:

“De facto” heating refers to Rate R customers, whose residence is nominally heated by a source other than electricity, but where the customer is in-fact heating with electricity (usually space heaters) because the other-fuel heating is not available. This can be due to a broken gas or oil furnace; it can also be due to inability to pay gas or oil bills, resulting in termination of that service. As noted, in such situations the customer often heats their home using inefficient electric space heaters, driving their electric bills.

The stakeholders believe that use of LIURP funds to address certain de facto heating situations is an appropriate use of LIURP funds where: (1) the mitigation measure is repair or replacement of a broken heater or furnace (but not payment of a gas or oil bill to re-establish oil or gas service); and (2) the mitigation measure has a payback period that meets certain criteria set forth below.

- PECO will assess members of the De Facto Target Population for de facto heating mitigation. PECO may offer to implement de facto heating mitigation measures in any De Facto Target Population household in which:
  - The mitigation measure is repair or replacement of a broken gas or oil heater or furnace;
  - The residence does not have other structural issues that would make it inappropriate under LIURP to perform a heater or furnace repair; and

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<sup>14</sup> Many of the noted customers were previously offered LIURP services, and have either received or rejected those services. However, at that time, the de facto heating pilot was not available. LIURP services that include the de facto heating pilot may be more successful in reducing usage at these residences.

<sup>15</sup> See prior footnote.

- The mitigation measure, on average, has a payback period of 15 years or less, or is less than the expected life of the new measure, as determined by data available to PECO at that time.<sup>16</sup>
- Beginning October 2017, for a period of three years PECO will increase its current annual electric LIURP budget by \$700,000 per year for the purpose of implementing measures for the De Facto Target group.
- PECO may spend these de facto heating funds on any de facto heating measure in which the payback period for de facto heating measures up to the expected length of life of the new measure (furnace, etc.).

### 3. Act 129 Advocacy

- PECO will propose a budget addition to its low-income LEEP of \$1 million annually to be used in its Act 129 Phase III program to target programs to address the needs of the portion of the CAP population that has income in the 0-50% FPL range and which has high usage. This proposal will be an addition to the budget designated for PECO's Act 129 LEEP, and the de facto heating mitigation budget, and will not be a reallocation of Act 129 low-income designated resources.

### 4. Overall Advocacy: The signatories agree that they will support PECO's additional low-income LIURP, de facto heating and Act 129 funding levels.

### 5. Collaborative

Within 90 days of final Commission approval of this settlement, PECO will convene a stakeholder collaborative to address the following issues:

- i. Development of a detailed and comprehensive consumer education program regarding the CAP design changes and the effect of the changes on CAP participant benefits and obligations;
- ii. Educational materials regarding the effect on CAP customers of shopping decisions and the interrelationship of price changes to the CAP bill. (This


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<sup>16</sup> The Commission's regulations, 52 Pa. Code §58.11, provide that "space heating system replacement" measures should meet a 12-year payback period. In a 1996 audit of PECO's LIURP program, the auditors noted that: "As of December 4, 1995 the auditors have been instructed to use the 15 year payback criteria for recommending all allowable treatments that fall within this payback period."

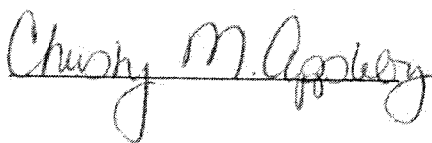
collaborative agenda item will not be addressed until final resolution of the CAP shopping docket);

- iii. Educational materials regarding the importance of LIURP and Act 129 measures.
- iv. The intended audiences of these education programs will be: CAP participants, low-income customers who are not CAP participants, and social service and health agencies;
- v. Determination of alternative languages for the translation of educational materials.
- vi. Suggested measures to be pursued in the de facto heating program.
- vii. For each of the above, cost recovery mechanisms for the program involved.

Agreed:

  
\_\_\_\_\_  
Romulo L. Diaz, Jr. Vice-President and General Counsel  
Ward L. Smith, Assistant General Counsel  
For PECO Energy Company

3/5/15  
Date

  
\_\_\_\_\_  
For The Office of Consumer Advocate

3/12/15  
Date

\_\_\_\_\_  
For TURN et al.

\_\_\_\_\_  
Date

\_\_\_\_\_  
For CAUSE-PA

\_\_\_\_\_  
Date

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Agreed:

\_\_\_\_\_  
Romulo L. Diaz, Jr. Vice-President and General Counsel  
Ward L. Smith, Assistant General Counsel  
For PECO Energy Company

\_\_\_\_\_  
Date

\_\_\_\_\_  
For The Office of Consumer Advocate

  
\_\_\_\_\_  
Thu B. Tran, Supervising Attorney, Energy Unit  
Community Legal Services, Inc.  
For TURN et al.

\_\_\_\_\_  
Date

3/12/15  
Date

\_\_\_\_\_  
For CAUSE-PA

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Agreed:

\_\_\_\_\_  
Romulo L. Diaz, Jr. Vice-President and General Counsel  
Ward L. Smith, Assistant General Counsel  
For PECO Energy Company

\_\_\_\_\_  
Date

\_\_\_\_\_  
For The Office of Consumer Advocate

\_\_\_\_\_  
Date

\_\_\_\_\_  
For TURN et al.

Harry L. Helb

3/12/15  
Date

For CAUSE-PA

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**PECO Energy Company Universal** :  
**Service and Energy Conservation** : **Docket No. M-2012-2290911**  
**Plan for 2013-2015** :  
:

**CERTIFICATE OF SERVICE**

I Ward Smith, hereby certify and affirm that I have this day served a copy of the Joint Petition for Settlement in the above matter, in both PDF and Word-compatible format, to the individuals listed in the attached Service List.

**VIA E-FILING**

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*Representing RESA*

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Date: March 20, 2015



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