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August 14, 2017

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

**RE: PECO Energy Company Universal Service and Energy Conservation Plan
for 2016-2018 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4
Docket No. M-2015-2507139**

Dear Ms. Chiavetta:

Enclosed for filing with the Commission are *PECO Energy Company's Reply Comments with Respect to its Addendum F Compliance Filing Establishing PECO's De Facto Heating Pilot.*

Very truly yours,



Ward L. Smith
Counsel for PECO Energy Company

WS/ab
Enclosure

cc: Certificate of Service
Joseph Magee, BCS
Sarah Dewey, BCS
Louise Frank Smith, Law Bureau

**BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PECO Energy Company Universal :
Service and Energy Conservation Plan : M-2015-2507139
for 2016-2018 Submitted in Compliance :
with 52 Pa. Code §§ 54.74 and 62.4 :

CERTIFICATE OF SERVICE

I, Ward L. Smith, hereby certify that I have this day served a copy of PECO Energy Company's Reply Comments with Respect to its Addendum F Compliance Filing Establishing PECO'S *De Facto* Heating Pilot via e-mail to:

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Dated at Philadelphia, Pennsylvania, August 14, 2017



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**PECO Energy Company’s Reply Comments with Respect to its Addendum F Compliance
Filing Establishing PECO’s *De Facto* Heating Pilot**

I. Introduction

In October 2017, PECO Energy Company (“PECO”) will begin its pilot program to begin to address de facto heating¹ issues in its service territory. For decades, de facto heating has been a nearly intractable problem in the Commonwealth, and it is PECO’s understanding that its pilot is the first pilot program to address de facto heating being offered by any Commission-jurisdictional utility. PECO is proud and excited to begin this pioneering effort.

As described in more detail below, this pilot will spend LIURP funds in new and innovative ways to use LIURP funds to repair and replace broken gas and oil furnaces so that residents may resume using those facilities as their primary heating source. Pennsylvania LIURP funds have never been used for that purpose, and there is much to be learned about the use of LIURP funds for such activities.

¹ In broad terms, “*de facto* heating” refers to situations in which (1) a customer’s designed primary heating source is non-electric (gas, oil, coal, wood, etc.), (2) the designed primary heating source is for some reason not available (broken or defective equipment, gas service shutoff for non-payment, customer unable to afford oil, etc.), and (3) the customer therefore relies upon electric heating sources – typically electric resistance heaters, also known as “space heaters” – to heat the residence.

However, this pilot, like all pilot programs, has limitations in both funding and scope. Specifically, some de facto heaters use electric space heaters as their primary heating source because their gas or oil service has been shut off for non-payment; this pilot will not address that aspect of de facto heating.

On July 31, 2017, two stakeholders – TURN, *et al.* and CAUSE-PA – filed comments in which they strongly disagree with the framework set forth above. Both sets of comments state that PECO’s pilot should – and is required to – include customers whose gas or oil service has been shut off for non-payment.

In these Reply Comments, PECO will review the Joint Settlement and demonstrate that the pilot does not extend and should not extend to customers whose gas or oil service has been shutoff for non-payment. PECO will then briefly address the other issues raised in the comments of TURN and CAUSE-PA.

As an overarching theme for these Reply Comments, PECO refers to its Reply Comments filed in this docket on March 28, 2016. There (p. 4), PECO reviewed the request of CAUSE-PA to be integrally involved in the implementation of PECO’s FCO and explained why that is inappropriate:

[T]he CAUSE-PA request is essentially that it be allowed to act as a co-manager of implementation of the utility program. That is not an appropriate role for an external stakeholder. As PECO understands it, the regulatory approval process for utility programs follows a standard format: the Commission (or legislature) broadly describes minimum standards or goals that a program must meet; the utility company creates a proposed plan to meet those standards and submits that plan to the Commission; after review, litigation and/or settlement the Commission approves a program design; the Company then implements the program as described and approved; a review is then typically done to determine whether implementation was successful. The external stakeholders have numerous roles in that process, but co-managing the implementation is not one of those roles.

PECO respectfully submits that this same concept should be used as a basis for rejecting many of the details that CAUSE-PA and TURN seek to co-manage with respect to the de facto pilot.

II. Background on the Joint Settlement that led to the pilot

The de facto heating pilot has its genesis in the Joint Settlement of PECO's 2013-15 Three-Year Plan at Docket No. M-2012-2290911. The Joint Settlement was filed with the Commission on March 20, 2015. Administrative Law Judge Cynthia Fordham issued a Recommended Decision on June 11, 2015 in which she recommended that the Joint Settlement be approved without modification. On July 8, 2015, the Commission adopted the Recommended Decision.

The Joint Settlement contains the following provisions (pp. 11-12) regarding *de facto* heating (emphasis added):

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 reestablish 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:

- o The mitigation measure is repair or replacement of a broken gas or oil heater or furnace;
 - o The residence does not have other structural issues that would make it inappropriate under LIURP to perform a heater or furnace repair; and
 - o 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.
- 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.).

The term “De Facto Heating Target Population,” which is used in the above-quoted Joint Settlement language regarding de facto heating, was defined elsewhere in the Joint Settlement as follows (footnotes omitted):

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, 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, 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".

The Commission approved this Joint Settlement on August 8, 2015, in Docket No. M-2012-2290911, which dealt with PECO's Three-Year Plan covering the period 2013-2015. Because the de facto heating pilot is not scheduled to begin until October 2017, when PECO filed its 2016-2018 Three-Year Plan in the instant docket, it included a description of the Joint Settlement and stated that the de facto heating pilot would begin on the scheduled date. On August 11, 2016, the Commission issued its Final Order approving PECO's 2016-2018 Three-Year Plan. With respect to the de facto pilot, the Commission (p. 48) ordered PECO to make a subsequent filing "that provides a description of finalized implementation details which includes the estimated number of jobs and yearly budget allocations."

On June 23, 2017, PECO filed an Addendum F to its 2016-18 Three-Year Plan in which it set forth the requested information for its de facto heating pilot. A copy of Addendum F is attached to these Reply Comments. By Secretarial Letter dated July 6, 2017, the Commission provided interested parties with the opportunity to provide comments on Addendum F. On July 31, 2017, two commenters – TURN and CAUSE-PA – provided written comments.

By subsequent email, Commission staff informed PECO that, if it wished to file Reply Comments to the July 31 comments, it should do so by August 14, 2017. PECO therefore provides these Reply Comments.

III. Reply Comments

1. PECO properly limited the pilot by excluding customers whose primary heating service has been shut off for non-payment.

In Addendum F (p. 1), PECO states that “the only exclusion from the De Facto heating program will be customers who have lost their primary heating source due to non-payment of their heating source bill.”

Both TURN (pp. 2-3) and CAUSE-PA (pp. 6-9) take the position that this exclusion is inappropriate. TURN claims (p. 2) that this exclusion should not be allowed because it “was not part of the Commission-approved pilot” and then argues that the Joint Settlement creates an obligation on PECO to contact PGW on behalf of those customers who PGW terminated for non-payment and attempt to find a payment solution for the customer’s PGW bill. CAUSE-PA claims (p. 6) that this exclusion “is in direct conflict with the letter, intent, and purpose of the Settlement” and makes similar arguments that the Joint Settlement requires PECO to seek payment alternatives for customers whose gas or oil service has been terminated for non-payment by an entity other than PECO.

The Joint Settlement language unequivocally demonstrates that PECO is correct to exclude these customers, because the Joint Settlement does not require or even allow PECO to spend any pilot funds on customers whose gas or oil service has been terminated for non-payment. The Joint Settlement states that some use of LIURP funds to address de facto heating is appropriate, “but not payment of a gas or oil bill to reestablish oil or gas service.” The Joint Settlement then specifically describes the mitigation activities on which pilot funds may be spent: the “repair or replacement of a broken heater or furnace.” In Addendum F, PECO also states that, if a customer falls into this category, “an assessment will be conducted to determine

the appropriate remedial action if any.” Thus, even though the customer will not be able to receive de facto pilot relief, they will still be assessed to determine if they are eligible for other LIURP measures, CAP, etc.

But the advocacy role now suggested by TURN and CAUSE-PA – that PECO should assist customers to find funds to pay their PGW or oil bill – would be a new role for PECO, and this proposed new role is mentioned nowhere in the Joint Settlement. One cannot conclude that PECO agreed to take on an entirely new role when that claimed new role is not even mentioned in the source document.

PECO recognizes that TURN and CAUSE-PA might be suggesting that PECO should spend funds to fix the furnaces of customers who have been shut-off for non-payment, in the hopes that such a customer may ultimately have their oil or gas service restored and will then have a functioning furnace that will allow them to avoid de facto heating. If the customer actually gets their gas or oil service restored, they would be eligible to be assessed to receive pilot services. But until such service is restored, if ever, the household would be forced to continue with de facto heating even after pilot dollars were spent on their household. PECO respectfully submits that, in this pilot, it should spend the pilot funds on households where immediate relief from de facto heating can be anticipated, not on households that would continue with de facto heating even if pilot funds were spent on them.

TURN also notes (p. 3), that in July 2017 it entered into a settlement with PGW that may have a positive effect on de facto heating by providing additional flexibility for natural gas service reconnection, that “PGW has also agreed to inform PECO of its new program,” and that PECO’s pilot should include a PECO commitment to work with PGW to coordinate the PECO de facto pilot with the PGW Settlement.

PECO will receive information from PGW regarding its new de facto program with interest. Moreover, if PGW works with such a customer to successfully have the customer's natural gas service restored, that customer will no longer be excluded from the PECO de facto heating pilot and will be eligible to be assessed to determine whether they will receive de facto heating treatment using PECO LIURP funds.

But PECO's Joint Settlement -- which was executed more than two years before the PGW settlement -- perforce contains no commitments regarding the PGW settlement. PECO has not reviewed the PGW Settlement or met with PGW to date and, to PECO's knowledge, the Commission has not yet approved the PGW Settlement. These factors strongly suggest that PECO's Addendum F should not be altered to include a PECO commitment with regard to the PGW settlement.

In sum, PECO correctly excluded from its pilot customers whose gas or oil service has been terminated for non-payment. Pilot funds may not be used to pay the bills of those customers, nor can those funds be use to repair the customers furnace because doing so will not alleviate their use of de facto heating. The Joint Settlement contains no commitment by PECO to take on a new role to assist customers to find resources to pay their non-PECO bills and, while PECO will review the PGW settlement openly and with interest once it is approved by the Commission and PECO is provided with information regarding the PGW settlement, this pilot (and its associated Addendum F) should not include any commitments with respect to the new PGW program.

2. PECO's Description of the Program is Appropriate and the CAUSE-PA alternative should not be adopted

Addendum F begins with the following language:

PECO De-facto heating program description: The PECO De-facto heating program is designed to assist the customer's ability to reduce their dependency and need to utilize electric portable space heating as their primary source of heating."

CAUSE-PA claims (pp. 4-5) that this language "At best . . . lacks clarity, and at worst lends itself to an interpretation that the pilot is intended to modify customer behavior." CAUSE-PA thus recommends that this section of Addendum F be replaced with a slightly modified rewrite of the opening language of the Joint Settlement:

The De facto heating pilot is intended for 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. Mitigation measures may be repair or replacement of a broken heater which has a payback period of 15 years.

PECO sees nothing wrong with the language it crafted. The goal of this program is to reduce dependency on and need to use space heating, and the challenged sentence clearly states that the de facto heating pilot is designed to reduce dependency and need to use space heating. Moreover, CAUSE-PA never explains its claim of lack of clarity – what is it about the challenged sentence that is unclear? Finally, as to CAUSE-PA's claim that this language "lends itself to an interpretation that the pilot is intended to modify customer behavior," it is difficult to understand how CAUSE-PA comes to this interpretation, since the PECO language makes no mention whatsoever of an intent to modify customer behavior and CAUSE-PA does not explain how it reached its conclusion that such an interpretation is possible. Moreover, CAUSE-PA does not explain why it would be a bad thing if the PECO language did lend itself to such an

interpretation – after all, the program is designed to help customers change the behavior of using electric space heaters as their primary heating source. PECO thus does not believe that CAUSE-PA articulated a reason that requires change to PECO’s language. .

As for the language recommended by CAUSE-PA, it incorrectly states that repairs will be limited to repairs or replacements with a payback period of 15 years, when in fact the pilot will allow installation of measures with a payback period that is equal to the expected life of the measure (e.g., a furnace), even if longer than 15 years. It therefore conflicts with the Joint Settlement and should not be included.

3. PECO’s eligibility language is not confusing or ambiguous, but PECO is willing to accept the CAUSE-PA alternative language if the Commission so orders

Addendum F contains the following eligibility language:

Eligibility: The income and usage eligibility is the same as for LIURP, in addition to [having] participated in the LIURP program (electric or gas) as a requirement.

CAUSE-PA states that is language is “unclear, confusing, and requires clarification” because it believes that it excludes customers who agree to LIURP measures as part of the de facto heating pilot. TURN et al (p. 4) reach a similar conclusion. CAUSE-PA thus recommends alternative language:

Eligibility: The income and usage eligibility is the same as LIURP. Household who previously participated, presently participate, or agree to participate in LIURP are eligible.

PECO recognizes that it has a typographical error in this section of Addendum F – the word “having,” as incorporated in brackets above, was inadvertently left out. PECO believes

that, with that addition, its language is clear that agreeing to participate in LIURP will satisfy this leg of pilot eligibility.

With that said, the CAUSE-PA rewrite regarding eligibility is accurate. Thus, while PECO prefers to continue with its own statement, with the typographical error corrected, it is willing to accept the CAUSE-PA alternative language if the Commission directs it to do so. If not, then in its final compliance filing PECO will add the missing word (“having”) to the noted sentence.

4. The Joint Settlement does not contain a “welcome back” feature and one should not be added to the de facto heating pilot

TURN recommends (p. 4) that PECO should expand the pilot to include a “welcome back” feature, which it describes as “allow[ing] former customers to restore PECO service if PECO determines that the customer was shut-off for non-payment and the payment trouble was caused by the customer’s reliance on de facto heating.”

The Joint Settlement does not contain a “welcome back” feature, and TURN is thus essentially asking to re-open the Joint Settlement negotiations and add new terms to the Joint Settlement. The Commission should not allow that to occur. No analysis has been conducted or provided to demonstrate the policy effects of a de facto welcome back provision. Neither PECO nor any of the other stakeholders have done an evaluation of the scope or cost of this proposal. No IT or administrative evaluation of this option has been done. For those and other reasons, it is not good policy to allow new bells and whistles to be added to a settled program after the settlement process has concluded, and the suggestion to have a welcome back program should be rejected.

5. PECO's presented a reasonable estimate of the number of jobs that will be performed under the de facto pilot

In its August 11, 2016 Final Order (p. 48), the Commission ordered PECO to provide “the estimated number of jobs and yearly budget allocations” that will be accomplished in the de facto pilot.

In Addendum F, PECO provided the requested information: the de facto heating jobs, which will be a mix or repair and replacement, are estimated to cost approximately \$3,500 per job. This is based on an assumed, but not yet known, mix of repair vs. replacement jobs and estimates of the cost of repair vs. replacement for furnaces and related equipment. PECO plans to schedule approximately 20 jobs per month, or 240 per year. PECO's de facto heating pilot budget is \$700,000 per year, with the potential to divert some of the additional \$1 million in available LIURP funds to de facto heating. If PECO's estimate of per-job cost reflects actual pilot experience, then accomplishing the planned 240 jobs will require PECO to shift some of the additional LIURP funds to de facto heating. (Any budgeted LIURP funds that are not shifted to de facto heating will be utilized on normal LIURP jobs.)

In addition to providing the above information, PECO also noted in Addendum F that: “The company has estimated approximately four hundred and ten customers who are potentially eligible for the program. The pool of candidates will be drawn from the 2016/17 LIURP program.”

CAUSE-PA takes issue with this information, stating (pp. 10-1) that: “The Eligibility Needs Assessment of those households who are potentially eligible to participate in the Pilot raises a number of questions and provides insufficient data and details to assess its accuracy.”

The fundamental error with CAUSE-PA's argument is that it assumes that PECO was required to, and attempted to, conduct a needs assessment. That's not what these numbers reflect. All stakeholders know and agree that de facto heating has been a persistent problem that, due to LIURP rules and other barriers, PECO could not address in the past. This pilot is to be a limited effort to determine whether there are tools available to the utility that will allow it to cost-effectively address de facto heating. In that situation, there is no reason to go to the expense and time to conduct a needs assessment – also known as a scope of condition report – because the pilot is not going to attempt to solve the entire problem and is not sized to do so.² All that one needs to know, for a pilot, is whether there are enough potential jobs to be done so that the pilot funds can be reasonably and prudently spent on the target population.

And PECO provided those answers: From its work with the 2016/2017 LIURP program, PECO is aware of approximately 410 customers who it believes will be eligible for an assessment of whether to perform de facto heating remediation, and it plans to schedule about 240 of those jobs in the first pilot year. There may be many eligible customers beyond the 410 that were identified in the 2016/2017 LIURP program but, as noted above, a pilot does not call for a full needs assessment – just knowledge that there are enough jobs to meaningfully absorb the pilot funds. Viewed through that correct prism, the information provided by PECO is appropriate to allow proper review of how PECO will spend project funds and whether the pilot funds will be properly expended on the target population.

² Throughout its Comments, CAUSE-PA makes the error of treating the pilot as though it were going to be a fully developed program. For example, at page 4, CAUSE-PA claims that through this pilot PECO “committed to remedy” de facto heating. That is not correct. PECO has committed to implementing a limited pilot to help determine whether a role and tools are available to utilities if the Commission will relax certain LIURP rules, and if so, what the role and tools are. The more limited nature of the pilot means that some features that would be associated with a full program – such as a needs assessment – are not made part of the pilot protocol.

6. PECO's intake process and consumer education are appropriate

CAUSE-PA claims (pp. 11-12) that PECO's "proposed intake process is flawed and inadequate to meet the pilot's objectives." CAUSE-PA states that there are two problems with the intake process: (1) CAUSE-PA sees an apparent conflict regarding communications with pilot participants, and (2) PECO has not submitted a script of the calls that it will make to eligible customers. CAUSE-PA also claims (pp. 12-13) that consumer education "is virtually absent, and requires extensive development."

The conflict that CAUSE-PA perceives does not exist. In the 2016-17 LIURP program, PECO identified 410 customers who may be eligible for the de facto pilot. It plans to assess those customers and treat approximately 240 of them in the first year of the pilot. As CAUSE-PA correctly assumes, those customers have already received general information about LIURP and whatever LIURP treatments they were eligible for will have been completed – although it is possible that they were not eligible for some LIURP measures due to the existence of de facto heating. Those customers will be contacted and will be informed that PECO now has permission to do some repair/replacement work on furnaces; they will be asked if they are interested in having PECO do that work; if they are, PECO will seek an appointment with them to assess their eligibility.

PECO expects that it will identify other candidates for the pilot through future LIURP program years (new residences are treated each year) and through future referrals. When the LIURP team visits those residences, de facto heating measures such as furnace repair or replacement will be included in the discussions with the customer.

In both cases, the core materials that will be used to communicate with the customers are the existing LIURP educational materials; the de facto heating measures will simply be added to

the LIURP visit and analysis. There is no conflict in using that approach for both past and future candidates.

It should be noted that, for broad service programs, one of the primary goals of educational materials is to inform the potential candidates about the program so that one can achieve a high penetration rate in providing the service. Pilot programs, however, are rarely about penetration rates. In the instant pilot, for example, if PECO is going to conduct 240 de facto mitigations in the first year of the pilot and has already identified 410 candidates, then it does not need additional candidates to fulfill the goals of the pilot. Additional outreach materials may therefore not be needed for the purpose of expanding the pilot population. In Addendum F, PECO notes that it is considering creating a separate brochure to address de facto heating, but given the above discussion it is not yet clear that one will be needed as long as the pilot population continues to be met by mining each prior year's LIURP jobs.

CAUSE-PA asserts (p. 12) that "to optimize the success of this pilot, an active and robust education program must be an integral measure or component." As noted above, that may be the case for a full, system-wide program, but CAUSE-PA provides no explanation of why this would be the case for a pilot for which the existing LIURP intake and education process already identifies more than enough candidates for the pilot.

The second intake issue raised by CAUSE-PA is that PECO has not submitted a script of the calls that it will have with potential pilot participants. For customers who were identified as part of the 2016/2017 LIURP process, the call will be as simple as set forth above -- those customers will be contacted and will be informed that PECO now has permission to do some repair/replacement work on furnaces; they will be asked if they are interested in having PECO do that work; if they are, PECO will seek an appointment with them to assess their eligibility. For

participants who are to be identified in the future, the call will be even simpler – they will be asked to schedule a LIURP audit.

At some point, the operational details of utility programs must be left to the utility to implement, without ongoing debate with the stakeholders or specific direction from the Commission. In this instance, we are talking about a phone call whose primary purposes are to inform a customer that PECO may be able to fix their furnace and to schedule an appointment to visit the customer's home to see if that can be done. PECO respectfully submits that the specifics of making such a call are well within the operational threshold that should be left to the discretion of the utility, and should not be the subject of any further proceedings in this docket.

7. PECO's collaborative process is appropriate

In two related sections of its comments, CAUSE-PA claims (p. 13) that PECO's list of measures is "tentative and limited," and should be further developed through a collaborative, and (p. 14) that PECO's pre-implementation review is not sufficiently robust.

There are two aspects of this section of the CAUSE-PA comments to which PECO would like to briefly reply. First, if CAUSE-PA is aware of additional measures that it believes that PECO should add to its "tentative and limited" list of measures, why didn't it state those measures in its comments? PECO understands that it is easier to react to the proposal of another party than it is to come forward with one's own proposal. But PECO respectfully submits that there comes a point where it would be more productive to actually state the substance of one's concerns – what measures do you think we should include? – rather than simply arguing that there hasn't been a meeting to discuss measures. If CAUSE-PA is interested in providing its ideas for other potential de facto measures, PECO will look forward to reviewing them.

PECO's second comment has to do with CAUSE-PA's statement (p. 12) that PECO was required to hold a collaborative within 90 days of the Commission's Final Order and that: "To the best of CAUSE-PA's knowledge, while general information about the Pilot was shared at Universal Service Advisory Committee meetings, no dedicated collaborative has yet taken place regarding the implementation of either LIURP or the Pilot educational materials or Pilot heating program measures." PECO understands that CAUSE-PA is not satisfied with the level and type of collaborative process that has occurred to date. But PECO did hold a collaborative meeting within the 90-day window required by the Commission's order – and CAUSE-PA was invited, and attended. Moreover, CAUSE-PA made this same claim in March 16, 2016 Comments in this docket, pp. 6, 12 – and in its March 28 Reply Comments (pp. 13-15) PECO debunked this claim and attached copies of the emails showing that CAUSE-PA was invited to the collaborative meeting and sign-in sheets showing that it attended it. Again, PECO understands that CAUSE-PA is frustrated and wants greater access to help design and operate PECO's program, but it is becoming problematic to see CAUSE-PA repeat the claim that no 90-day collaborative meeting occurred when PECO has clearly demonstrated that the meeting did take place and that CAUSE-PA attended it.

8. The pilot will be evaluated using LIURP guidelines and evaluation vendors

CAUSE-PA states (p. 15) that PECO's proposed evaluation process is inadequate and suggests that PECO "should be directed to develop a full performance plan in coordination with a collaborative of interested parties and the Bureau of Consumer Services."

The de facto pilot will be a part of PECO's LIURP program. PECO's LIURP program is annually subjected to a full external evaluation by an expert third-party evaluator. That evaluation is done pursuant to Commission regulations and long-standing practice for such

evaluations. PECO expects to have its external LIURP evaluator conduct an evaluation of the de facto program within the LIURP evaluation framework – albeit the de facto evaluation will be provided in a report that is separate from the regular annual evaluation. CAUSE-PA provides no reason to believe that the de facto heating pilot cannot be properly evaluated within that framework.

9. PECO’s will accept referrals for the pilot from other agencies

CAUSE-PA also requests (p. 14) that PECO should accept referrals for the de facto pilot from agencies other than state weatherization agencies. PECO will accept referrals from such other agencies (or self-referrals), but the customer will still need to meet the eligibility requirements to be eligible for a de facto heating assessment. However, because the 2016/2017 LIURP process already generated more leads than PECO expects to implement in the first program year, there is no guarantee that every referral will result in de facto treatment.

10. PECO will provide the requested clarification regarding PECO’s budget information

CAUSE-PA (pp. 15-16) asks three questions that are common to PECO’s de facto heating and supplemental LIURP budgets, and one question that is specific to each of the programs.

1. Why do both budgets refer to electric, rather than gas, LIURP programs?

The Joint Settlement, p. 11 states that: “Beginning October 2017, for a period of three years PECO will increase its current electric LIURP budget by \$700,000 per year for the purpose of implementing measures for the De Facto Target group.” The Joint Settlement does not specify whether the additional \$1 million increase in the LIURP budget should be gas or electric,

but in order to retain the ability to shift these funds to the de facto heating pilot if needed, PECO has designated those funds as electric LIURP funds.

2. Why do both programs report high overheads?

PECO is reviewing the submitted budget figures and will provide BCS with either revised figures or a more detailed explanation of how the funds are applied.

3. Why do the budgets contain separate line items for Conservation and Weatherization?

These are normal classifications for LIURP budgets. On further review, PECO is willing to eliminate those line items for the de facto heating pilot (and the portion of the supplemental LIURP funds that are applied to de facto heating) to simply reflect that the funds will be spent on de facto heating. .

4. Why does the number of de facto heating job completions vary from month-to-month when the budget dollars are the same month-to-month?

The annual program budget is simply divided by 12 to obtain a monthly amount. For the number of jobs, however, PECO is suggesting that there will be a several month ramp up of the number of jobs, followed by more intense activity during the winter months when de facto heating issues are more apparent, with a slower pace of work in the non-winter months.

5. Should the supplemental LIURP budget be combined with the existing LIURP budget?

PECO recommends against this option, for two reasons. First, the Commission may wish to be able to evaluate whether, in future settlements, it should approve supplemental LIURP funds; having the \$1 million reported separately may assist the Commission in evaluating the

marginal utility of supplemental funding. Second, since some of the supplemental LIURP funds may be devoted to the de facto heating pilot, PECO believes that those funds have a special nature (possible use in two different programs) that will best be tracked in a separate budget.

IV. Conclusion

Based on the foregoing, PECO requests that the Commission approve its Addendum F as filed.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ward L. Smith". The signature is fluid and cursive, with the first name "Ward" being the most prominent part.

Ward L. Smith
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