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October 17, 2017

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

RE: PECO Energy Company's Pilot Plan for an Advance Payments Program Submitted Pursuant to 52 PA. Code §56.17 and PECO Energy Company's Petition for Temporary Waiver of Portions of the Commission's Regulations with Respect to that Plan
Docket No. P-2016-2573023

Dear Ms. Chiavetta:

Enclosed for filing with the Commission is the ***Main Brief of PECO Energy Company.***

Very truly yours,

Ward Smith

Ward Smith
Counsel for PECO Energy Company

WS/ab
Enclosure

cc: Honorable Angela T. Jones, ALJ
Certificate of Service

BEFORE THE
PENNSYLVANIA PUBLIC UTILITIES COMMISSION

PECO ENERGY COMPANY'S PILOT PLAN FOR AN ADVANCE PAYMENTS PROGRAM SUBMITTED PURSUANT TO 52 PA. CODE §56.17	:	
AND	:	**DOCKET NO. P-2016-2573023**
PECO ENERY COMPANY'S PETITION FOR TEMPORARY WAIVER OF PORTIONS OF THE COMMISSION'S REGULATIONS WITH RESPECT TO THAT PLAN	:	

CERTIFICATE OF SERVICE

I, Ward Smith, hereby certify that I have this day served a copy of the Main Brief of PECO Energy Company in the above matter, upon all interested parties via email to:

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Main Brief of PECO Energy Company

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Introduction

This proceeding involves PECO's proposal to conduct a volunteer-only, 2,000-participant pilot of Advance Payments service, also known as prepaid meter service, pursuant to 52 Pa. Code § 56.17. PECO has requested waivers of three portions of the prepaid meter regulation to (1) allow participation by applicants, (2) allow participation by volunteers who do not have a delinquency, and (3) allow volunteers to leave the program before their delinquency is eliminated. PECO also proposes to have volunteers with a deposit use those deposits to fund their prepaid service, which may require waiver of certain provisions of the deposit regulations. Collectively, these waivers are designed to make the program available to more participants, and to make it easier for participants to fund their prepaid account. Other than the noted waiver requests, PECO's proposal strictly follows the Commission's regulations, including the exclusion of low-income customers from prepaid meter eligibility.

Four stakeholder groups – the Office of Consumer Advocate, the Commission's Bureau of Investigation and Enforcement, TURN *et al.*, and CAUSE-PA – intervened and presented testimony that PECO's plan is not in the public interest and will be a danger to participants in the program.[1] Although these stakeholder groups presented a substantial variety of arguments in support of their view, the common theme of their arguments is that prepaid service *in any form* will increase the rate of service disconnection for participants and is thus dangerous. PECO respectfully submits that these arguments should be understood as primarily an attack on the general Commission policy of allowing prepaid service, and only secondarily as an attack on PECO's specific program. That difference is significant. While the Commission may ultimately

[1] A fifth interest group – RESA – intervened and presented testimony that prepay programs are good public policy, but only if implemented by competitive market participants, not by a utility.

decide to revisit and revise its advance payment regulations, that hypothetical future review should not affect the evaluation of PECO's proposal. For purposes of this proceeding, the existing regulations are the law – and those regulations allow utilities to propose and implement prepaid service programs.

PECO's primary position in this Main Brief, therefore, is simply that its proposal complies with the Commission's regulations – or, in the case of the four requested waivers, that the waivers are in the public interest.

With that said, PECO's proposal was crafted with two key elements that will mitigate or avoid the negative consequences raised by the other parties. First, PECO's program is entirely voluntary. Second, a pilot participant may revert to standard service at any time during the pilot merely by calling PECO and asking to revert. Once the volunteer requests reversion to standard service, they will immediately be returned to standard service without making any additional payments, and all of the rights and protections associated with standard service will re-attach to their account just as if they had not participated in the prepaid pilot.

Finally, PECO notes that in a recent Chapter 56 Rulemaking, a proposal was made that asked the Commission to revise its prepaid service regulations. The Commission declined to do so, because: "To date, no utility has utilized these provisions to offer prepayment metering, so unfortunately we have no practical experience to rely upon when assessing the need to revise this section."[2] PECO's proposed pilot squarely presents an opportunity to gain that desired practical experience – and PECO's proposal is limited in scope (2,000 customers) and time (2 years), and will only use volunteers who can leave the program at any time for any reason. The

[2] Docket No. L-00060182, Rulemaking to Amend the Provisions of 52 Pa Code, Chapter 56 to Comply with the Provisions of 66 Pa. C.S. Chapter 14, Revised Final Attachment One (June 13, 2011) at 57, cited in TURN Statement No. 1SR, p. 13.

Commission's regulations require, and PECO has committed to do, an impact evaluation that will provide systematic data describing that practical experience with prepaid service. PECO respectfully submits that the PECO pilot allows the Commission and Pennsylvania stakeholders to gain the practical experience that is needed to assess whether to the Commission should revise its prepaid service regulations, or whether those regulations should be left intact. PECO therefore respectfully requests that Your Honor and the Commission approve its Petition and the associated waivers and allow PECO to proceed with its limited prepaid service pilot.

Background and Procedural History

PECO initiated this proceeding by filing the instant Petition on October 26, 2016. After a series of written comments from stakeholders, the matter was assigned to the Office of Administrative Law Judge, Angela T. Jones presiding, for evidentiary hearings. A Prehearing Conference Order was issued on December 21, 2016 and, after submittal of interventions and prehearing conference memoranda by the various parties, a prehearing conference was held on January 23, 2017.

The parties subsequently served and pre-filed written testimony as follows:

- March 9, 2017: PECO Direct Testimony (Jude Scarpello, PECO Statement No. 1; James Reiley, PECO Statement No. 2);
- June 6, 2017: Other parties' Direct Testimony (John Howat, OCA Statement No. 1; Brenton Grab, I&E Statement No. 1; Harry Geller, TURN Statement No. 1; Mitch Miller, CAUSE-PA Statement No. 1; Norman Levine, RESA Statement No. 1);
- July 18, 2017: All parties' Rebuttal Testimony (Jude Scarpello, PECO Statement No. 1R; James Reiley, PECO Statement No. 2R; Mark Kehl, PECO Statement No. 3R; John Howat, OCA Statement No. 1R; Brenton Grab, I&E Statement No. 1R; Harry Geller, TURN Statement No. 1R; Mitch Miller, CAUSE-PA Statement No. 1R; Norman Levine, RESA Statement No. 1R);
- August 15, 2017 – Other parties' Surrebuttal Testimony (John Howat, OCA Statement No. 1S; Brenton Grab, I&E Statement No. 1SR; Harry Geller, TURN Statement No. 1SR; Mitch Miller, CAUSE-PA Statement No. 1SR; Norman Levine, RESA Statement No. 1SR);

- August 25, 2017 – PECO Rejoinder Testimony (Jude Scarpello, PECO Statement No. 1Rej).

Two public input hearings were held on April 24, 2017.

An evidentiary hearing was scheduled for August 28 and 29, 2017. However, all parties waived cross-examination and Your Honor excused the witnesses from appearing at hearing. A brief evidentiary hearing was held on August 29, 2017, at which time all pre-filed testimony and exhibits were admitted into the evidentiary record without objection or cross-examination.

Main briefs were designated as due on October 17, 2017, with Reply Briefs due on November 8, 2017.

Proposed Findings of Fact[3]

Direct Testimony of Jude Scarpello (PECO Statement No. 1)

1. Jude Scarpello is a PECO employee who was responsible for the development of PECO's Advance Payments Plan. He is currently Senior Manager, Strategic Projects, with oversight for Advance Payments Plans in all of Exelon's utility companies. PECO Statement No. 1, p. 3.

2. PECO's proposal in this proceeding is to implement a pilot form of a prepayment meter program that will allow certain of its customers and applicants to voluntarily enter into a program in which they pay their bills for utility service in advance of receiving that service. PECO's full proposal is described in more detail in PECO's Advance Payments Plan, which was attached to the Petition and Mr. Scarpello's testimony and which he adopted as a part of his testimony. PECO Statement No., 1, pp. 3-4.

3. PECO proposes to have its pilot be available for up to approximately 2,000 customers. PECO Statement No. 1, p. 4.

4. PECO generally aims to achieve three goals with its pilot: (1) to determine whether customers will utilize this alternative payment program, and whether it will increase their customer satisfaction; (2) to determine whether the program will have an effect on customer

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[3] As an aide to understanding the issues in this case and to assist in preparation of the Initial Decision, PECO has prepared Proposed Findings of Fact that materially address all 20+ pieces of prefiled written testimony. Of course, PECO does not agree with much of the testimony presented by the other parties' witnesses, and therefore does not actually propose that the testimony of those witnesses be adopted as Findings of Fact. One common way of addressing that conundrum is to precede the recitation of a Proposed Finding with "Mr. X testified that" or "Mr. Z believes" or similar language. Given the several hundred Proposed Findings of Fact set forth in this Main Brief, that convention would become extremely tiresome, and PECO has therefore minimized its use of it. However, PECO does request that, for all Proposed Findings of Fact set forth in this brief that relate to the testimony of non-PECO witnesses, the phrase "Mr. X testified that" be implied at the beginning of each such Proposed Finding, and that it be understood that, for other parties' witnesses, PECO is simply summarizing key elements of the testimony rather than proposing its adoption as Findings of Fact.

delinquencies; and (3) to determine whether the program can assist customers to conserve energy. PECO Statement No. 1, p. 4.

5. Early reports from prepaid meter programs in other utilities suggest that, for some populations, these goals can be achieved. However, no major Pennsylvania utility has implemented a prepaid meter program, and there is therefore limited data on whether these goals are achievable for Pennsylvania residents. PECO wishes to conduct the pilot and collect data to be used in determining whether these goals are achievable in its service territory. PECO Statement No. 1, p. 5.

6. Pilot participants will "load" funds into their account prior to receiving service. Account balances will be adjusted each day to reflect the prior day's usage and payments; the volunteer participant will be able to log onto their account each day to review their account and load additional funds. PECO Statement No. 1, p. 5.

7. If the account balance decreases so that only approximately five days of usage is funded by the remaining balance, the volunteer will receive e-channel notifications of that status. PECO Statement No. 1, p. 5.

8. If the account balance goes to $0, PECO will continue to provide service for a grace period of five additional days, during which additional notifications will be sent. If the customer does not load sufficient additional funds by the end of the five-day grace period, service will be remotely disconnected. PECO Statement No. 1, p. 6.

9. PECO refers to the disconnection of service at the end of the five-day grace period as a "discontinuance" rather than as "termination" because the Commission's regulations, 52 Pa. Code §56.17, require that a program participant must agree "that failure to renew the credits by making prepayment for additional service constitutes a request for discontinuance. . . ." "[C]essation of service under the plan is thus a discontinuation of service, not a termination of service." PECO Statement No. 1, p. 6, 19-20.

10. PECO's Plan therefore does not incorporate the protections, such as 10-day written notices and payment arrangements, that would normally precede termination of

service. Instead, PECO's plan contains a set of pre-cessation protections that are unique to its Plan, which include the protections offered in the Commission's regulations for discontinuance of service and additional protections specific to advance payments (including notice 5 days, 3 days, and 1 day prior to a $0 balance, a five-day emergency credit, and electronic notices during every day of the emergency credit period). PECO Statement No. 1, p. 7.

11. In addition, a volunteer in the PECO pilot may revert to standard service at any time during the pilot, thus re-obtaining all of the termination and other protections available through standard service. PECO Statement No. 1, p. 7.

12. PECO will reinforce the difference between termination and discontinuance in its outreach and enrollment of volunteers. PECO Statement No. 1, p. 7.

13. All or most communications to pilot volunteers will be by electronic channels, and all volunteers will thus be required to have access to a smart phone or the internet, and will be required to designate one or more e-channels for receipt of communications. PECO Statement No. 1, p. 7.

14. PECO will allocate the monthly service charge on a pro rata daily basis across the billing month. PECO Statement No. 1, p 8.

15. For customers who have a deposit credit on their account and who volunteer for the pilot, the deposit credit will be transferred and used to load the initial payment on the prepayment account. PECO Statement No. 1, p. 8.

16. PECO's pilot will be available for both gas and electric service. Under PECO's normal payment priority posting rules, when a dual commodity customer makes a partial payment, those funds are deemed to go first to payment of the gas bill. Those same rules will be applied in the prepaid pilot; consequently, if a volunteer does not make full payment, their electric service will be deemed delinquent, and the electric service will be discontinued. PECO Statement No. 1, pp. 11-12.

17. Customers will be allowed to volunteer for the pilot whether they shop for commodity service or not. PECO Statement No. 1, p. 12.

18. PECO proposes to make its prepayment plan available to both customers and applicants. In order to make the program available to applicants, PECO is seeking a waiver of the Commission's regulations that normally limit the availability of prepaid programs to customers. PECO Statement No. 1, pp. 12-13.

19. PECO proposes to make its prepayment plan available to volunteers who have a delinquency of up to $1500, and to volunteers who do not have a delinquency. In order to make the program available to volunteers who do not have a delinquency, PECO is seeking a waiver of the Commission's regulations that normally limit the availability of prepaid programs to customers with a delinquency. PECO Statement No. 1, p. 13.

20. Low-income customers and applicants, defined as those with household income of less than 150% of the Federal Poverty Level, will not be eligible to volunteer for the PECO pilot. PECO Statement No. 1, p. 13. In order to implement this requirement, during the intake process PECO will make an income inquiry of each potential volunteer, using the same questions and procedures that it uses for intake to its low-income programs. PECO Statement No. 1, p. 14.

21. Only individually-metered residential dwellings will be eligible to participate in PECO's pilot. PECO Statement No. 1, p. 14. In order to implement that requirement, during the intake process PECO will require that the potential volunteer provide their name, address and (for existing customers) their account number. PECO will also inquire whether the service in question is through an individually-metered residential account. Commercial accounts and non-individually-metered residential dwellings will not be eligible for the program. PECO Statement No. 1, p. 15. PECO therefore does not expect any landlord-tenant accounts to be eligible for the pilot. PECO Statement No. 1, p. 15.

22. For volunteers with a delinquency, PECO will offer a payment arrangement in which, for each dollar loaded to the volunteer's prepayment account, 25 cents

will be allocated to the delinquency and 75 cents will be allocated to pay for future use. PECO Statement No. 1, pp. 15-16.

23. For customers who have a delinquency, PECO will not require the customer to remain in the pilot until the delinquency is retired; the volunteer will be allowed to revert to standard service during the pilot even if they have not extinguished their full delinquency. In order to allow volunteers to exit the program prior to resolving their delinquency, PECO is seeking a waiver of the Commission's regulations that normally require a volunteer to commit to remain in the program until their delinquency is eliminated. PECO Statement No. 1, pp. 16-17.

24. By allowing volunteers with a delinquency to leave the program before extinguishing the delinquency, PECO will provide greater flexibility to potential volunteers who are deciding whether to participate but who are unable to predict life events during their delinquency or the two-year life of the pilot, and who may find that such uncertainty acts as a barrier to such customers volunteering to participate. PECO believes that it is in the public interest to remove these barriers to entry, as eliminating the barriers will allow additional participants and data collection on a set of customers who have delinquencies and have an interest, but not certainty, about participating in the pilot. PECO Statement No. 1, pp. 16-17.

25. Any volunteer who wishes to revert to standard service may do so at any time during the pilot by calling PECO and requesting to be returned to standard service. Once a customer reverts to standard service, they will not be eligible to re-enter the pilot. If the customer has an account credit on reversion, they can apply it to future service or seek a return of the credit amount. If the customer has an overdue account debit on reversion, once the customer has reverted to standard service PECO will follow its normal credit and collection procedures, including the issuance of termination notices, before proceeding with termination of the reverted account. PECO Statement No. 1, p. 17.

26. The prepaid program will use technology from PECO's Advanced Meter Infrastructure ("AMI") meters, which can function as prepayment meters. More than 99.8% of PECO's residential customers had AMI meters installed as of the filing of Mr. Scarpello's Direct

Testimony in March 2017; however, if a customer or applicant wishes to volunteer and does not have an AMI meter already installed, the customer will be required to allow installation of an AMI meter as a condition of program participation. PECO Statement No. 1, pp. 17-18.

27. When a customer makes a payment to load their prepaid balance, PECO will make those funds available for use in less than five days. If the customer uses an electronic payment method, PECO expects to make the funds available for use within minutes of receipt. PECO Statement No. 1, p. 18.

28. If an account balance reaches $0, PECO will provide service for an additional five days, and then discontinue service. During those five days, PECO will send multiple notices to the volunteer. PECO Statement No. 1, pp. 18-19.

29. If a volunteer faces a medical emergency, they can call PECO and request to be reverted to standard service, which will be done immediately. Service will not be discontinued; instead, the reversion will allow the customer to have access to the medical certificate protections provided in the Commission's regulations, just as if that customer had never volunteered to participate in the pilot. PECO Statement No. 1, p. 20.

30. PECO submitted a written Plan for this pilot program. PECO Statement No. 1, pp. 20-21.

31. PECO has committed to conducting the process and impact evaluations required by the Commission's regulations. PECO Statement No. 1, p. 21.

32. Customers who have a deposit on their account will use that deposit to fund their prepaid account. PECO Statement No. 1, pp. 21-22. Applicants who volunteer to participate in the prepaid meter pilot will not be required to pay a security deposit; if a security deposit would have been required of the customer under traditional service, the applicant will be able to use those dollars to fund their prepaid account. PECO Statement No. 1, p. 22. Mr. Scarpello believes that such a use of deposit funds constitutes a "return" of those funds to the customer that meets the Commission's deposit regulations. However, if any waiver of the deposit regulations is needed to implement this proposal, PECO seeks such a waiver. Such a

waiver is reasonable because, for both existing customers and applicants, redirection of the credit to prepay for current usage will reduce the overall cash funding needs for the volunteer's utility service. PECO Statement No. 1, pp. 21-22.

33. PECO will provide prospective volunteers with educational materials that describe the Plan and will include information on the difference between "discontinuation" and "termination." The materials have not been developed because it is premature to develop educational materials for a program that is being litigated, for which issues are being developed and explored in litigation, and which some stakeholders have taken the position should not be allowed to proceed. PECO Statement No. 1, p. 22.

34. PECO initially estimated that the pilot would cost less than $500,000 for the life of the pilot. PECO Statement No. 1, p. 23.

35. PECO is not seeking cost recovery for any pilot costs at this time, nor is it seeking any determination of cost reasonableness or prudence of Plan expenditures. Plan costs will be accounted for as a normal operating expense and, to the extent that they are incurred in a test year or other applicable year for the determination of rate base expenses, PECO will include Plan costs in a future rate base case claim. PECO Statement No. 1, p. 23.

36. PECO is proposing a pilot, rather than a full-scale program, because this is the first prepaid program in Pennsylvania. PECO therefore prefers to test concepts on a limited basis and to measure and evaluate the outcome before deciding whether to propose a full-scale program. PECO Statement No. 1, pp. 23-24.

37. PECO has not conducted a cost-benefit analysis of the pilot because the purpose of the pilot is to collect data to allow a robust cost-benefit analysis to be conducted. This is an additional virtue of a pilot – it provides a low-cost, low-risk opportunity to develop real-world data that can be used to assess the costs and benefits of a potential larger program. PECO Statement No. 1, p. 24.

Direct Testimony of James Reiley (PECO Statement No. 2)

38. James Reiley is a PECO employee who is Business Lead for Business Intelligence/Data Analytics, Smart Energy Services. PECO Statement No. 2, p. 1.

39. PECO will select program volunteers with the assistance of an external vendor with expertise in population evaluation. The vendor will be tasked to assist in selecting a pilot population that is sufficiently representative to gather data in various subgroups, and sufficiently randomized to allow valid statistical inferences to be drawn. PECO Statement No. 2, p. 3.

40. PECO will conduct its program evaluation with the assistance of an external vendor with expertise in program evaluation. While the final evaluation endpoints are typically coordinated with such a vendor once retained, Mr. Reiley currently expects certain endpoints to be evaluated, including per capita income, home ownership v rental, household size, age of housing stock, monthly and annual usage, monthly and annual bill, amount of delinquency, and customer v applicant. Since low-income customers are not eligible for the pilot, measures such as percentage of CAP customers will not be utilized. Once the relevant metrics have been determined, the evaluation will compare those endpoints for the volunteers (or a subset of them) to a sample of customers receiving standard service. PECO Statement No. 2, pp. 3-4.

41. If the volunteer pool is less than 2,000, then all eligible volunteers will be allowed to participate. If the volunteer pool exceeds 2,000, then PECO will choose a group of volunteers that optimizes representation of the population as a whole. PECO Statement No. 2, p. 4.

42. Because population selection occurs early in the pilot, the population selection vendor and the evaluation vendor will be retained as one of the first operational steps after the Plan is approved by the Commission. PECO Statement No. 2, p. 5.

43. The process evaluation will occur within six months of pilot start, and will primarily be a "lessons learned" review of the implementation of the program. It will include data collection and analysis of at least the following endpoints: effectiveness of outreach, participation uptake, customer interest (# of volunteers, etc.), and customer satisfaction with the intake process. PECO Statement No. 2, p. 5.

44. The impact evaluation will occur within two years of pilot start. It will look to see whether the pilot is achieving its goals of customer satisfaction, improved payment metrics, and ability to control usage. Costs will also be tracked. Pending work with its external expert, PECO expects to collect data on multiple endpoints, specified in Mr. Reiley's testimony, related to those endpoints and other metrics. PECO Statement No. 2, pp. 5-6.

Direct Testimony of John Howat (OCA Statement No. 1)

45. John Howat is a Senior Policy Analyst at the National Consumer Law Center. He has been involved with numerous regulatory policy initiatives over the past 18 years. OCA Statement No. 1, pp. 1-3.

46. Prepayment programs are in use in many jurisdictions in the United States, Great Britain, and New Zealand. OCA Statement No. 1, pp. 13-15.

47. One of those programs is operated by the Salt River Project ("SRP"). The SRP prepaid program has a high participation rate by low-income customers. OCA Statement No. 1, pp. 13-16.

48. In response to a media inquiry, the SRP's prepaid program reported that participants in its prepaid program are disconnected once a month, compared to once a year for traditional payment customers. OCA Statement No. 1, p. 16.

49. The Arizona Public Service prepaid pilot reported a disconnection rate of 0.8 disconnections per participant per month. OCA Statement No. 1, p. 17.

50. Westar Energy (Kansas) has a pilot prepaid program. OCA Statement No. 1, pp. 17-18.

51. Nevada Power Company has a prepaid program. OCA Statement No. 1, pp. 18-19.

52. DTE (Michigan) has a prepaid program. OCA Statement No. 1, p. 19.

53. Utilities in Great Britain have prepaid programs involving more than 3.7 million electric prepayment meters and 2.5 million natural gas prepayment meters. A vast majority of the Great Britain participants are low-income. Data on disconnection rates in the Great Britain program are "very difficult to come by," but customer surveys suggest that traditionally-served customers have about one-tenth the disconnections as prepaid service customers in Great Britain. OCA Statement No. 1, pp. 19-22.

54. New Zealand has a prepaid program. Participants in the New Zealand program are more likely to be low-income and to have a higher disconnection rate than traditionally-served customers. OCA Statement No. 1, pp. 22-23.

55. Based on the experience with these existing programs described above, Mr. Howat concludes that participants in these prepaid programs tend to be concentrated in low- and moderate- income households, and that when these households participate in these prepaid programs they have elevated rates of service disconnection. OCA Statement No. 1, p. 23.

56. Mr. Howat believes that PECO is erroneously referring to service disconnection under its prepaid pilot as "discontinuance" vs "termination" of service. The error that Mr. Howat alleges is that, in order to characterize a disconnection as a "discontinuance," he believes the disconnection must be voluntary, and Mr. Howat notes that a person who volunteers to participate in PECO's program does not also volunteer to run out of money to reload their account balance, and the precipitating event that leads to service disconnection therefore cannot be characterized as "voluntary." OCA Statement No. 1, pp. 24-27.

57. Because PECO's program treats service disconnections as a "discontinuance" rather than a "termination," the winter termination provisions found at 66 Pa. C.S. §1406(b)(1) will not apply to program volunteers. OCA Statement No. 1, p. 28.

58. The pending discontinuation notices that PECO will provide do not contain all of the information that would be included in a standard termination notice, and the PECO proposal will thus "unseat the careful balance of notice requirements that have been developed in Pennsylvania law." OCA Statement No. 1, p. 29.

59. When a volunteer is running out of money and unable to reload their account, they may also be experiencing service interruptions to phone and/or internet service, and thus be unable to receive electronic notices. OCA Statement No. 1, p. 29.

60. PECO's proposed allocation for customers with a delinquent balance of 25% to arrearages and 75% to future service is inconsistent with Section 1405 of the Public Utility Code and will "quickly consume customer prepayments." OCA Statement No. 1, p. 30.

61. There are many customers in PECO's service territory who have incomes of between 151-250% of the Federal Poverty Level, and those customers are financially vulnerable. OCA Statement No. 1, pp. 31-33, 34-36.

62. Customers with incomes of 151-250% of the Federal Poverty Level will be "induced" to participate in PECO's pilot program because the prospect of not having to pay a credit deposit (for an applicant) or of receiving a billing credit for a held deposit (for existing customers) may be attractive to those customers. OCA Statement No. 1, pp. 33-34.

63. Under standard service, a customer with income of between 151-250% of the Federal Poverty Level would typically be protected from termination during the winter. If a volunteer with that income level enrolls in the pilot and has their service disconnected during the winter, that would pose "extreme health and safety risks" if the customer was unable to have their service turned back on, because they might then use unsafe methods of heating their home. OCA Statement No. 1, pp. 36-37.

64. Even in non-winter periods, disconnection of electric service is hazardous because electricity service is widely considered to be a necessity of life. OCA Statement No. 1, pp. 37-39.

65. PECO's pilot does not provide meaningful additional functionality because customers already have available the tools necessary to manage their accounts and usage. OCA Statement No. 1, pp. 39-40.

66. Based on experience at the Salt River Project, it is reasonable to conclude that PECO's pilot participants will load their accounts several times a month, using electronic means that may have a fee involved. OCA Statement No. 1, p. 40.

67. PECO has not completed preparation of education and disclosure materials to be used in this pilot. Mr. Howat believes it is premature to approve the pilot program without having education and disclosure materials completed. OCA Statement No. 1, p. 42.

68. PECO's proposed evaluation endpoints are not sufficient because PECO did not propose to track transaction fees or "metrics to measure costs . . . such as foregoing necessities to stay connected to service and maintaining unsafe or unhealthy indoor temperatures to retain service." OCA Statement No. 1, p. 43.

69. PECO has not offered detail on how it would segment its control group population to ensure that it is properly comparing participants with the control group. OCA Statement No. 1, p. 44.

70. PECO should be required to develop and review a full and complete evaluation plan, and subject that plan to litigation, before its proposal can be approved. OCA Statement No. 1, p. 44.

71. There are additional endpoints, set forth in Mr. Howat's testimony, that should be included in the program evaluation. OCA Statement No. 1, pp. 44-46.

72. Mr. Howat recommends rejecting the PECO proposal or requiring "significant changes to the plan" specified in Mr. Howat's testimony. OCA Statement No. 1, pp. 47-49.

Direct Testimony of Brenton Grab (I&E Statement No. 1)

73. Brenton Grab is a Fixed Utility Financial Analyst employed by the Commission's Bureau of Investigation and Enforcement. I&E Statement No. 1, p. 1.

74. In his Direct Testimony, Mr. Grab expressed five areas of concern with the PECO program. I&E Statement No. 1, p. 7.

75. Mr. Grab's first concern has to do with the difference between a discontinuance, which is a consensual disconnection of service, and a termination, which is a non-consensual cessation of service. I&E Statement No. 1, pp. 8-9. This concerns Mr. Grab because disconnections under the PECO program will be treated as discontinuances, which he believes "conflicts with many of the termination protections laid out in the Commission's Chapter 56 regulations," including written 10-day notices and winter termination protections. Mr. Grab considers PECO's use of the term "discontinuance" rather than "termination" to be "using semantics." I&E Statement No. 1, pp. 9-10.

76. Access to electric service is essential to the health and well-being of residents. I&E Statement No. 1, p. 10.

77. If the use of discontinuance procedures results in a customer being without service during the winter, that outcome would be dangerous if the customer uses alternative heating methods that are unsafe. I&E Statement No. 1, pp. 10-11.

78. PECO has committed to providing materials to participants that will include information about the respective protections available in discontinuation v termination, but did not provide those educational materials in this filing. Mr. Grab therefore considers the question of how PECO will educate customers to be an "unanswered" question. I&E Statement No. 1, p. 12.

79. In 1995, PECO sought and obtained approval for a prepaid meter program limited to low-income customers, but never implemented it. The 1995 program was "distinctly different from what PECO is proposing here" with respect to use of discontinuance vs termination. I&E Statement No. 1, pp. 12-13.

80. Mr. Grab's second concern has to do with costs and associated recovery. Mr. Grab calculates that the pilot will cost $400 per participant to implement, which he considers to be "a very expensive experiment." I&E Statement No. 1, p. 14.

81. Mr. Grab third concern is that PECO may earn interest on advance payments received from customers, and that it has not explained how it will treat those interest payments. He considers this an issue that "could be important in deciding whether or not the Advance Payments Plan is in the public interest." I&E Statement No. 1, p. 15.

82. With respect to costs, PECO originally estimated that the cost of its program would be $500,000, and in response to discovery questions raised that estimate to approximately $800,000. Mr. Grab is concerned that PECO may not be estimating the costs for its proposal "accurately or correctly." Mr. Grab believes that, without accurate cost information, it is difficult if not impossible to determine whether PECO's plan is in the public interest. I&E Statement No. 1, pp. 15-17.

83. Mr. Grab testified that PECO has not provided details regarding its intended cost recovery mechanism. I&E Statement No. 1, pp. 17-18.

84. Mr. Grab's fourth concern has to do with contacting participants electronically. I&E Statement No. 1, p. 18.

85. Mr. Grab's primary concern with respect to electronic communications is that, if a customer is having trouble paying their electric bills, they may also be in a position where their cell phone or internet service has been shut off. Cell phone or internet service might also be off due to natural catastrophe. I&E Statement No. 1, p. 18.

86. Although PECO stated in discovery responses that, if an electronic communication is returned as undeliverable, it will (1) call the customer, then (2) send them a letter, then (3) automatically revert the customer to standard service without disconnecting service, none of that had been made a part of the record as of the time of Mr. Grab's testimony, and "therefore, my concerns still exist." I&E Statement No. 1, pp. 19-20.

87. Moreover, if a customer loses internet service but is still signed up for email service, messages to that customer may not be received but would not be noted as undeliverable. Such customers might not receive notice of pending service discontinuance. I&E Statement No. 1, p. 20.

88. Mr. Grab's fifth concern is that he believes that the purported benefits of PECO's pilot are already available to PECO's customers through other tools and initiatives. I&E Statement No. 1, pp. 20-21.

89. Mr. Grab recommends that the Commission should deny PECO's Petition in its entirety, or if it is approved that the Commission should require certain amendments set forth in Mr. Grab's testimony. In particular, Mr. Grab believes that, instead of providing an impact evaluation after two years as required by the regulations, PECO should be required to submit interim quarterly reports on the endpoints that will be later utilized in its impact evaluation. I&E Statement No. 1, pp. 22-27.

Direct Testimony of Harry Geller (TURN Statement No. 1)

90. Mr. Geller serves as Senior Counsel to the Pennsylvania Utility Law Project and as a consultant to legal aid programs and their clients. TURN Statement No. 1, p. 1.

91. In 1996, PECO requested permission from the PUC to implement a prepaid service program, but did not implement it. Mr. Geller is not aware of any other instance of a Pennsylvania utility seeking approval for such a program. TURN Statement No. 1, p. 6.

92. In 1995, the Commission updated its prepaid service regulations to allow for electric service to be included in prepaid service programs. At that time, the Independent

Regulatory Review Commission expressed concern that low-income customers should be excluded from any advance payment program. The Commission agreed with the IRRC's recommendation and, in its regulations, excluded low-income customers from prepaid service programs. TURN Statement No. 1, p. 6.

93. In 1995, the Commission also stated that these regulations "primarily benefit the utilities and not customers." TURN Statement No. 1, p. 6.

94. PECO's stated goals for the prepaid program – customer satisfaction, improved payment behavior, and energy conservation – are all attainable through programs other than an advance payments program. TURN Statement No. 1, pp. 8-10.

95. There is no proof that advance payment programs lead to actual conservation. Instead, the usage reduction observed in existing programs may be due to "deprivation," which refers to customers depriving themselves of essential energy usage as a means to continue service. Mr. Geller is concerned that PECO's proposed program will result in deprivation, rather than conservation. TURN Statement No. 1, p. 9.

96. According to Mr. Geller, PECO is "euphemistically" labelling the loss of service as a discontinuance rather than a termination, but he believes that the disconnection of service in PECO's pilot is functionally a termination because in his experience customers do not "voluntarily discontinue" service through non-payment. TURN Statement No. 1, pp. 9-10.

97. Advance payment programs may be more attractive to low-income customers because there is no deposit required to initiate service and because it allows them to pay a little at a time, pay on days they receive their paychecks, or pay small amounts to avoid termination. TURN Statement No. 1, p. 11.

98. In Great Britain and the Salt River Project, the majority of participants are low-income. TURN Statement No. 1, p. 11.

99. PECO's proposal will be harmful to low-income customers because, in order to load their accounts, they may choose to use for-fee payment procedures. Customers

who use for-fee payment procedures seven times a month would pay $16.45 per month in additional fees. TURN Statement No. 1, p. 12.

100. The prepayment regulations were adopted in 1978. TURN Statement No. 1, p 13.

101. In 1978, the United States Supreme Court recognized that electric service is a necessity of modern life and critical to the health and safety of families. TURN Statement No. 1, p. 13.

102. Chapter 14 of the Public Utility Code and the Electric and Natural Gas Choice Acts, all of which were adopted after 1978, contain important consumer protections. TURN Statement No. 1, p. 13.

103. PECO's use of the term "discontinuance" is "specious," and it "distorts the underlying principle that a request for discontinuance of service is to be a voluntary act by a customer, as opposed to a required program entry condition." TURN Statement No. 1, pp. 14-15.

104. Participants in PECO's pilot will lose the protections of the 10-day written notice requirement. PECO's notices are not equivalent to the 10-day notice because the 10-day notice provides "an actual date on or after which a customer's service will be terminated," while PECO's notices will contain "an estimate of how much utility service a customer is likely to use in the future, and does not accurately put a customer on notice as to when service will be terminated." TURN Statement No. 1, pp. 15-16.

105. Participants in PECO's pilot will lose the protection of the termination requirement that, in winter, a property be posted 48 hours before termination if personal contact has not been made. TURN Statement No. 1, p. 16.

106. Participants in PECO's pilot will lose the ability to have a payment arrangement other than the 25%/75% payment arrangement required by PECO for participation in the pilot. This "circumvents the rules." TURN Statement No. 1, p. 16.

107. Participants in PECO's pilot with income up to 250% of the Federal Poverty Level will lose winter termination protections. TURN Statement No. 1, p. 17.

108. PECO's proposal is silent as to whether it will honor the dispute stay procedures set forth at 66 Pa. C.S. §1401(10). TURN Statement No. 1, p. 17.

109. Under PECO's proposal, a customer must revert to standard service before submitting a medical certificate. In Mr. Geller's opinion, this is a violation of 66 Pa. C.S §1406(f), "if the customer cannot revert to standard service in time to avoid the automatic termination that will occur under the pilot program." This is a detriment because a pilot participant "must take the additional step of reverting back to standard service before PECO will honor the participant's medical certificate." TURN Statement No. 1, pp. 17-18.

110. If a victim of domestic violence with a delinquent balance volunteers to participate in PECO's program and PECO allows them to participate, that will violate the law because such a customer is entitled to a payment arrangement that is more flexible than the 25%/75% payment arrangement being offered by PECO in its pilot. TURN Statement No. 1, p. 18.

111. PECO's plan fails to comply with the medical condition requirements of 52 Pa. Code §56.17 because PECO requires customers with a medical emergency to revert to standard service before using a medical certificate. The additional step of reverting to standard service adds an "additional and potentially time consuming step" that "materially worsen[s] the situation." TURN Statement No. 1, p. 19.

112. PECO's plan violates the Commission's deposit regulations because it does not necessarily return a deposit to a customer after 24 months. PECO's request for a waiver of that regulation should be denied because PECO did not explain why this component is important, let alone essential, to the pilot. TURN Statement No. 1, p. 20.

113. PECO's plan violates the statutory requirement to provide universal service because a volunteer could become low-income during the pilot, and in the act of

reverting to standard service "could be forced to pay unaffordable sums to maintain or restore electric service." TURN Statement No. 1, p. 21.

114. PECO's proposal to exclude low-income customers from its pilot has an inadequate process for screening those customers because a customer may have income above 150% at the time they volunteer, but "dip below" the 150% threshold during the term of the pilot. PECO's plan to address in-program reductions in income is inadequate because it is an "ad hoc process that relies largely on self-identification of the customer." TURN Statement No. 1, pp. 21-22.

115. PECO could still end up with landlord-tenant accounts in its program in two scenarios. First, if an occupant landlord moves out of the property during the pilot and rents the property to another person; second, where a landlord lives at the property and rents out rooms. The renters or room-renters in such situations could face termination without notice. TURN Statement No. 1, pp. 22-24.

116. PECO has not provided specific educational information and has not listed the information that will be included in its Welcome Packet. Before PECO is permitted to proceed it must "develop, propose, and appropriately use materials that clearly explain the loss of consumer protections." TURN Statement No. 1, pp. 25-26.

117. Electronic communications could be challenging because when a customer is having trouble paying their PECO bill, they may also have had their phone and/or internet service disconnected. PECO has proposed a follow-up procedure in which, if an electronic communication is returned as undeliverable, PECO will follow-up with a call and a letter and, if contact is not made, it will revert the customer to standard service. This is not adequate because PECO has not stated that it will continue to provide service will it does the call, letter and reversion. Also, if PECO does not receive an "undeliverable" message, this process will not be triggered. TURN Statement No. 1, pp. 26-27.

118. PECO has not addressed whether LIHEAP funds and MEAF funds will be made available to program participants, or how they will be applied. TURN Statement No. 1, pp. 27-28.

119. In PECO's evaluation, it should include additional metrics set forth in Mr. Geller's testimony. TURN Statement No. 1, pp. 28-29.

120. Allowing Electricity Generation Suppliers to provide prepaid service would be "as harmful or more harmful than" having that service provided by a utility. TURN Statement No. 1, pp. 29-30.

121. PECO's plan should not be approved. TURN Statement No. 1, p. 30.

Direct Testimony of Mitch Miller (CAUSE-PA Statement No. 1)

122. Mitch Miller is an ex-employee of the Commission who is currently providing consulting services regarding utility programs that promote the public interest with a focus on low-income households. CAUSE-PA Statement No. 1, p. 1.

123. "Economically vulnerable" households are households that cannot make ends meet each month without public or other support. CAUSE-PA Statement No. 1, p. 6. Given that PECO has excluded customers with income below 150% of the Federal Poverty Level from its program, Mr. Geller's testimony focused on "households with incomes above 150% of the Federal Poverty Level, but which are nonetheless economically vulnerable. Generally, this includes households with incomes up to 250% to 300% of the federal poverty level, or those households with income below the accepted self-sufficiency standard." CAUSE-PA Statement No. 1, pp. 6-7.

124. A proxy called the "self-sufficiency standard" is sometimes used as a proxy for "economically vulnerable." There are a significant number of households in PECO's service territory who fall below the self-sufficiency standard. CAUSE-PA Statement No. 1, p. 7.

125. In January 1995, when Mr. Miller was Director of the Commission's Bureau of Consumer Services, the Commission revised its prepaid service regulations to include electric service. The regulations have not materially changed since that time. CAUSE-PA Statement No. 1, p. 8.

126. PECO filed a request for a prepaid meter program in November 1995, but did not implement it. The program was limited to low-income customers (incomes below 150% of the Federal Poverty Level) and contained customer protections that PECO did not include in its current proposal. CAUSE-PA Statement No. 1, pp. 9-15.

127. The regulations that allow prepaid meter electric service were created in 1995 and have never been evaluated in light of subsequent changes to other portions of the law, such as electric restructuring and the Chapter 14 legislative changes. CAUSE-PA Statement No. 1, pp. 16-17.

128. Participants in PECO's pilot will lose the protections of the 10-day written notice requirement and the winter period protections. CAUSE-PA Statement No. 1, p. 17.

129. Referring to the disconnection of service under the pilot as a "discontinuance" rather than as a "termination" is "pure fiction" and "illusory" because, while 52 Pa. Code §56.17 does specifically require that the disconnection be characterized as a "discontinuance," "this regulation did not contemplate subsequent statutory changes and appears to be inconsistent with later-enacted statutory provisions," especially the winter period protections. CAUSE-PA Statement No. 1, pp. 17-18.

130. Chapter 14 "enshrined winter termination protections for limited income households . . . that had previously been only regulatory." CAUSE-PA Statement No. 1, p. 18.

131. A "discontinuance" usually requires a customer to affirmatively contact the utility and request discontinuance, whereas in PECO's plan the discontinuance will be deemed to occur if the participant does not pay on time. Failure to pay should not be automatically and impliedly construed as a voluntary relinquishment of service. CAUSE-PA Statement No. 1, p. 20.

132. PECO's pilot conflicts with the Chapter 14 guidelines for payment agreements because the 25%/75% split used in PECO's program may require a higher payment toward delinquency than would be the case under those guidelines. This problem is amplified for victims of domestic violence. CAUSE-PA Statement No. 1, pp. 21-22.

133. PECO may not be able to identify a household that is facing a medical emergency because use of a medical certificate, under either traditional service or prepaid service, requires the customer to contact PECO and inform it of the existence of the medical emergency. Traditional termination notices have a better chance of causing the customer to contact PECO than do the notices that will be used in PECO's pilot, and therefore the medical protections are greater under traditional service. CAUSE-PA Statement No. 1, pp. 23-24.

134. PECO's plan will increase the likelihood that economically vulnerable participants will face more frequent service disruption. Disconnection rates in the Salt River Project prepaid program and the Arizona Public Service prepaid program were much higher than PECO's system-wide disconnection rate. CAUSE-PA Statement No. 1, p. 24-27.

135. Electricity is necessary for a household's well-being. CAUSE-PA Statement No. 1, pp. 24-25.

136. It is likely that pilot participants will load their account several times each month. Some of the payment options involve an additional fee; some do not. Because economically vulnerable customers tend to be "unbanked," or "underbanked," they are not likely to have sufficient funds available in a bank account to pay their bills using an electronic check. They are therefore likely to pay using a credit card and incur fees. CAUSE-PA Statement No. 1, pp. 27-29.

137. If prepaid service is allowed to proceed, even in pilot form, "it would not be long before we will again be seeing tragic headlines about avoidable deaths." CAUSE-PA Statement No. 1, pp. 30-31.

138. Everything that can be done under PECO's pilot can be done in traditional service with no risk of harm. CAUSE-PA Statement No. 1, pp. 31-34.

139. While some reports show decreased usage by participants in prepaid programs, "none of these reports demonstrate with any certainty" that the reduction is due to conservation rather than deprivation. CAUSE-PA Statement No. 1, p. 33.

140. Mr. Miller is not aware of any interest in prepaid service from the organizations and customers with whom he works. Indeed, at the public input hearing, the testimony expressed a disinterest in the program. CAUSE-PA Statement No. 1, pp. 33-34.

141. If the Commission approves the pilot, it should require certain additional provisions set forth in Mr. Miller's testimony. CAUSE-PA Statement No. 1, pp. 37-39.

Direct Testimony of Norman Levine (RESA Statement No. 1)

142. Norman Levine is Director, Government & Regulatory Affairs for Direct Energy. RESA Statement No. 1, p. 1.

143. The Commission should reject PECO's proposal and instead direct PECO to focus its efforts on upgrading its billing systems so that electric generation suppliers ("EGSs") can offer prepay service instead. RESA Statement No. 1, p. 3.

144. If the Commission approves PECO's pilot, it should require certain additional provisions set forth in Mr. Levine's testimony. RESA Statement No. 1, pp. 3-4, 19-22.

145. RESA supports prepaid service plans that are offered in a competitive environment. RESA Statement No. 1, p. 5.

146. In Texas, prepaid service programs are operating successfully in a competitive environment. There is strong consumer appreciation for prepaid service. RESA Statement No. 1, p. 6.

147. PECO should not be allowed to proceed with its pilot because if it is the first provider of prepaid service that will "stymie" the opportunity for others to enter the market. RESA Statement No. 1, p. 7, 9-12.

148. Prepaid service is better in competitive environments than when offered by a utility because competition spurs innovation. The PUC of Texas has recognized this. RESA Statement No. 1, pp. 7-8.

149. Such innovation cannot occur in a utility program because the utility program must be "scrutinized, justified, and approved in a rate case," which means that "innovation simply cannot occur." RESA Statement No. 1, p. 9.

150. Experience in Great Britain and Texas shows that customers come to fully understand the prepaid model within a few months of its introduction. RESA Statement No. 1, p. 13.

151. Participation in a prepaid program does not require anyone to give up rights, because participation in the program is voluntary. RESA Statement No. 1, p. 15.

152. Disconnection rates should not increase, and disconnection duration should be shorter, under a prepaid program. RESA Statement No. 1, p. 16.

153. The concern with medical emergencies can be solved by having clear communication on this issue at the time of enrollment. RESA Statement No. 1, p 16.

154. RESA believes that low-income customers should be allowed to participate in prepaid programs. RESA Statement No. 1, p. 17.

155. Currently, utility consolidated billing ("UCB") is the only viable billing option available for EGSs. RESA Statement No. 1, pp. 17-18.

156. Instead of granting PECO's Petition, the Commission should grant NRG Energy's Petition in Docket No. P-2016-2579249, which would allow for supplier consolidated billing ("SCB"), which would then facilitate competitive prepaid programs. RESA Statement No. 1, p. 18.

Rebuttal Testimony of Jude Scarpello (PECO Statement No. 1R)

157. Although several of the other parties' witnesses claimed that PECO's pilot will be especially detrimental to customers whose income is 151-300% of the Federal Poverty Level, none of them provided any income-disaggregated data to support those claims. All of the

data discussed by those witnesses includes outcomes for participants whose income is 0-150% of the Federal Poverty Level, and customers in that income level are not eligible to participate in PECO's pilot. Since low-income customers do tend to have different service characteristics regardless of whether they are in a prepaid program or not – for example, they tend to have higher disconnection rates than other customers – data that is not disaggregated for 0-150% customers and other income tranches "cannot be used to meaningfully predict anything about PECO's pilot program." Indeed, such data "really tells us nothing about the projected disconnection rate (or any other data point) for the PECO program, which specifically excludes" 0-150% customers. In sum, the witnesses who claimed that the PECO program will harm customers in the 151-300% income range "provided no data from programs similar to the PECO pilot to support their claims." PECO Statement No. 1R, pp. 5-6.

158. Before a pilot volunteer's service is discontinued, the volunteer will receive notices whose protections that go beyond what is required by the Commission's regulations and which are unique to PECO's program. The notices offered through PECO's program are equal or superior to the protections against termination offered under standard service. Specifically, a standard service customer receives a ten-day notice and a 72-hour notice, and then must either enter into a payment arrangement if one is available to them, or pay the entire balance, to avoid termination. A pilot participant receives three electronic notices of declining balances, five electronic notices that that the balance has reached zero, a follow-up phone call if any of those messages are returned as undeliverable, a follow-up letter if the call does not result in contact – and if the letter does not result in contact with the volunteer, then they are automatically reverted to standard service, at which point in time all of the protections given to a standard service customer begin anew for the customer. Moreover, the customer can revert to standard service at any time and receive all of the notices available to standard service customers. Finally, if a volunteer is disconnected, they can be reconnected in two ways: (1) by paying for service used to date plus a nominal $15 funding for additional prepaid service; or (2) by asking to revert to standard service, in which case service will be restored and the customer will receive all of the termination notices of standard service before service can be terminated. PECO Statement No. 1R, pp. 7-10.

159. Although some of the other parties' witnesses claimed that customers with incomes greater than 150% of the Federal Poverty Level who participate in prepaid service programs have higher disconnection rates than when they receive standard service, that conclusion is flawed because: (1) the witnesses did not have income-disaggregated data; (2) some of the data they relied upon was for customers receiving traditional service, not prepaid service; (3) none of the programs from which the data were derived have the additional protections contained in the PECO program, and (4) they only looked at number of disconnections, not length of disconnections, which is also an important metric. PECO Statement No. 1R, p. 10.

160. Although some of the other parties' witnesses claimed that customers with income below 250% of the Federal Poverty Level will have their service terminated in the winter under PECO's pilot, a customer can avoid that outcome by calling PECO to revert to standard service at any time, including upon receipt of any of the many notices that will be sent under the PECO pilot, and including after service has been discontinued. In the event of such discontinuance, a customer that calls PECO and asks to be reverted to standard service will have their service immediately restored. There is no reason to believe that a volunteer in PECO's pilot would miss all of those opportunities to avoid winter termination. PECO Statement No. 1R, pp. 11-12.

161. Under PECO's pilot, customer's retain the right and ability to revert to standard service at any time and thus to prevent winter shutoff, it they are income-eligible for winter protections. PECO Statement No. 1R, p. 11.

162. Medical certificate procedures will be available to all advance payment plan volunteers. To access the procedures, the customer must first contact PECO and ask to revert to standard service. PECO Statement No. 1R, p. 12.

163. A pilot volunteer may access the medical certificate procedure by making a single call to PECO to simultaneously discuss reverting to standard service and obtaining a medical certificate. Under traditional service, the customer typically accesses the medical certificate procedure by making a single call to PECO to discuss obtaining a medical certificate.

No additional step is interposed in the pilot plan; in both cases the process is initiated through a single call. PECO Statement No. 1R, pp. 11-14.

164. If a volunteer becomes low-income during the course of the pilot, PECO may become aware of that fact through multiple communications, including a customer abiding by the rules of the program and informing PECO that their income status has changed, a customer calling PECO to discuss payment difficulties, a customer calling PECO to claim low-income status for some other purpose, and customer receipt of a LIHEAP grant. The customer may also call PECO and request a reversion to standard service without giving a reason. PECO Statement No. 1R, pp. 14-15.

165. PECO will exclude landlord-tenant accounts from the pilot by asking two questions during the intake process: (1) are you the account holder, and (2) are you an occupant at this address? Unless the prospective volunteer answers yes to both questions, they will not be eligible to participate. This procedure will reasonably determine whether a prospective volunteer is a "non-occupant landlord account holder." PECO Statement No. 1R, pp. 15-16.

166. The claims that PECO's program will attract economically vulnerable customers is based upon data from programs that allow customers to participate even if their income is below 150% of the Federal Poverty Level, and since PECO's program excludes those customers, no conclusions can be drawn from those data. PECO Statement No. 1R, p. 16.

167. There is nothing inherently wrong with having economically vulnerable customers enrolled in the pilot. The pilot may provide advantages to some such customers. PECO Statement No. 1R, p. 17.

168. If a pilot volunteer initiates a regulatory dispute, PECO will suspend the discontinuance of service under the pilot until the dispute is resolved. PECO Statement No. 1R, p. 17.

169. PECO has provided for-fee options to load a prepaid account, but has also provided for-free options to load a prepaid account, including electronic check (ACH) from

mobile phone or internet, mail (check or money order), and walk-up payments to PECO's district office. PECO Statement No. 1R, p. 18.

170. There is no reason to believe that an economically vulnerable customer will choose the for-fee procedures if those procedures are financially burdensome to the customer. PECO Statement No. 1R, p. 18.

171. If a customer cannot find a way to load their prepaid account without taking on a financial burden, they can revert to standard service. PECO Statement No. 1R, p. 18.

172. In the event PECO receives an undeliverable message for its electronic communications to a customer, PECO will call the customer and, if that does not successfully result in contact, PECO will send the customer a letter. If the letter is not successful, PECO will revert the customer to standard service. Even if PECO does not receive an undeliverable message to trigger this procedure, the customer may nonetheless contact PECO and revert to standard service. PECO Statement No. 1R, p. 19-20.

173. PECO will continue service to the customer during the "undeliverable" procedure. PECO Statement No. 1R, p. 20.

174. While there are other utility programs that seek to attain the goals of customer satisfaction, improved payment behavior, and energy conservation, none of those programs have one of the key elements of the prepaid program: an overall approach to paying for utility service prior to receipt of that service. PECO Statement No. 1R, pp. 20-21.

175. Utilities should be encouraged to use multiple programs to seek to attain key policy goals such as customer satisfaction, improved payment behavior, and energy conservation. PECO Statement No. 1R, pp. 21-22.

176. If a customer with income above 150% of the Federal Poverty Level wishes to participate in the pilot and obtains a MEAF grant, they will be eligible to participate in the pilot and use the MEAF grant to fund their prepaid account. PECO Statement No. 1R, pp. 22-23.

177. LIHEAP recipients are currently income-ineligible for the PECO pilot. PECO Statement No. 1R, p. 23.

178. The public input testimony, while negative towards PECO's proposal, was largely based on the incorrect belief that the program would be mandatorily applied to low-income customers. PECO Statement No. 1R, pp. 23-24.

179. PECO plans to develop detailed disclosures and consumer education materials for review and input by the parties before the program is implemented. PECO Statement No. 1R, p. 24.

180. The fact that PECO's cost estimate increased from $500,000 to $800,000 does not make it difficult or impossible to determine whether PECO's proposal is beneficial or prudent. Estimates by definition are imprecise and changeable, but even at costs above the top of PECO's estimated range, the pilot is a low-cost method of determining whether prepaid meters have the potential to obtain PECO's goals. Moreover, PECO will not be allowed to recover any of its pilot costs until other parties have an opportunity to weigh in on the reasonableness and prudence of such expenditures. PECO Statement No. 1R, p. 25-26.

181. The benefits that PECO seeks to obtain through the prepaid program could not be attained using traditional service and termination procedures, because the proposition that PECO wishes to test is whether, for some volunteers, a new overall approach to paying for service will obtain the goals of the program. PECO Statement No. 1R, pp. 26-28.

182. Allowing applicants to participate will not complicate the program because all pilot procedures will be the same for applicants and customers. Even for applicants, by the time a discontinuance notice needs to be sent there will be sufficient recent usage history to estimate how many days of service the customer has left. PECO Statement No. 1R, p. 28.

183. The periodicity for evaluation and reporting is set forth in the Commission's regulations, and PECO's Plan meets those regulations. Mr. Grab did not provide any rationale for his recommendation to increase the periodicity to quarterly reporting, and such

a change would significantly increase the cost of the evaluation and reporting effort. PECO Statement No. 1R, p. 30.

Rebuttal Testimony of James Reiley (PECO Statement No. 2R)

184. Many of the evaluation metrics suggested by other witnesses are similar or identical to metrics proposed by PECO. PECO Statement No. 2R, p. 3.

185. While it is helpful to have comments of other parties on potential evaluation metrics, it is not appropriate to attempt to finely define how those endpoints will be measured until an expert vendor is retained. PECO Statement No. 2R, p. 4.

186. Increasing the number of metrics included in the evaluation will increase the cost of the evaluation. PECO Statement No. 2R, p. 4.

187. PECO will collect data on three additional issues set forth in Mr. Reiley's testimony, and will work with its vendor to determine the appropriate metrics to use for those issues. PECO Statement No. 2R, p. 5.

188. The determination of whether decreased energy usage is "conservation" or "deprivation" is a definitional debate – if on a winter day a customer turns their thermostat to 68 degrees, that can be seen as either depriving themselves of a 72 degree environment, or as awareness of the savings associated with a four-degree change in ambient temperature. PECO will collect data on that issue in its evaluation. PECO Statement No. 2R, p. 5.

Rebuttal Testimony of Mark Kehl (PECO Statement No. 3R)

189. Mark Kehl is Principal Regulatory and Rates Specialist for PECO. PECO Statement No. 3R, p. 3.

190. PECO's 1995 prepaid pilot proposal was very different than its current proposal. In particular, it was limited to low-income customers (less than 150% of the Federal Poverty Level), while PECO's current program excludes that group. PECO made additional

concessions in 1995 because the pilot was limited to the most vulnerable low-income group. In PECO's current proposal, it has made an even greater concession to protect that group – it excluded that group from program eligibility. The 1995 pilot did not include customers with incomes above 150% of the Federal Poverty Level, and so the settlement of the 1995 pilot provides no guidance on what is appropriate for that group. PECO Statement No. 3R, pp. 3-4.

191. There are many parts of the Commission's regulations that have not been recently re-evaluated or revised, but PECO nonetheless treats them as binding requirements. PECO Statement No. 3R, p. 4.

192. In 2011, the Commission considered, but rejected, the idea of allowing low-income customers to participate in prepaid service programs. PECO Statement No. 3R, p. 4.

193. The Commission's regulations clearly state the disconnections in prepaid service must be treated as discontinuances. PECO Statement No. 3R, p. 5.

194. The self-sufficiency standard does not appear in the Commission's regulations and there is no Commission order that holds that a utility program is required to meet the self-sufficiency standard. PECO Statement No. 3R, p. 6.

195. While the courts and the legislature have held that access to electricity is essential, no has concluded that service disconnections violate this provision of the law. Indeed, tens of thousands of customers have service disconnected every year under the auspices of Chapter 14 and related laws. PECO Statement No. 3R, p. 7.

196. The winter termination regulations were enacted in materially their current form in 1983, before the prepaid service regulations were expanded to include electric service. The decision to treat prepaid service disconnections as discontinuances was thus made with specific knowledge of the winter termination policy and protections. The statutory enactment of identical winter termination provisions in Chapter 14 did not materially change the winter termination policy and regulations. PECO Statement No. 3R, p. 8.

197. Customers who want a payment arrangement other than the 75/25 split offered in the pilot are not required to enter into the 75/25 split. They can remain on traditional service (or revert to it) and choose not to participate in the pilot. In deciding whether to participate in the pilot, and throughout their participation in the pilot, the customer can always leave the pilot and obtain payment arrangement terms established in Chapter 14. PECO Statement No. 3R, p. 9.

198. Domestic violence survivors who have a protection from abuse or similar order will retain their rights to an alternative payment arrangement because they can choose not to volunteer or can revert to standard service on request. PECO Statement No. 3R, p. 10.

199. The prepaid regulations related to medical emergencies state that a discontinuance of prepaid service should not occur during a medical emergency, but do not specify the procedure that must be utilized to obtain this outcome. PECO has chosen to implement that requirement by giving prepaid customers full access to the medical certificate procedures. PECO Statement No. 3R, pp. 10-11.

200. Even if a low-income customer somehow enrolled in the pilot, or if a customer becomes low-income while in the pilot, that would not constitute a violation of the Commission's regulations. While PECO is required to have universal service programs available and adequately funded, there is no requirement that every low-income customer must participate in those programs. PECO Statement No. 3R, pp. 11-12.

201. It is normal practice in Pennsylvania regulatory proceedings to develop consumer education materials after the robust debate that occurs in litigation, and after the Commission approves the overall proposal. Often, these materials are developed using post-litigation consultation with the parties and the Commission, and PECO has offered to take that approach in this proceeding. PECO Statement No. 3R, pp. 12-13.

202. PECO provided a clear statement of its cost recovery mechanism for plan expenses that describes the accounting treatment, timing factor, recovery mechanism, and recovery proceeding. No other detail is needed. PECO Statement No. 3R, p. 14.

203. PECO will use the traditional ratemaking process for cost recovery, which eliminates all risk associated with PECO's changing cost estimates, because it will not be able to recover those costs until other parties have had an opportunity to review and challenge those costs in a future proceeding. PECO Statement No. 3R, p. 14.

204. Customer payments made to prepaid accounts will be deposited in PECO's accounts and used to fund the operations of the Company. Any interest earned on those deposits will be reflected as "other revenues." PECO's accounts receivables may also decrease, and its needs for cash operating capital also will likely decrease. All of these effects will be reflected in its future base rate proceedings, and the benefits of the program will thus be passed on to other customers. PECO Statement No. 3R, pp. 14-15.

205. The Commission's current regulations do not allow an EGS to provide prepaid service. If RESA wishes to advocate a change of the regulations, it should do so in a separate rulemaking docket. PECO Statement No. 3R, pp. 15-17.

Rebuttal Testimony of John Howat (OCA Statement No. 1R)

206. The concerns associated with a PECO prepaid program would also be present if those services were offered by an EGS. OCA Statement No. 1R, pp. 2-10.

207. The Texas experience has resulted in higher disconnection rates and higher transaction costs for participants, and has other problems that suggest that it should not serve as a model for Pennsylvania prepaid programs. OCA Statement No. 1R, pp. 2-8.

Rebuttal Testimony of Brenton Grab (I&E Statement No. 1R)

208. It is improper for RESA to advocate in this docket for EGS prepaid programs. If it wishes to offer such programs, it should make its own proposal in another docket. I&E Statement No. 1R, pp. 2-3.

209. PECO did not request to be the sole provider of prepay products. I&E Statement No. 1R, p. 3.

Rebuttal Testimony of Harry Geller (TURN Statement No. 1R)

210. Prepaid service, if offered by an EGS, would be even worse than prepaid service offered by a utility because the utility is subject to careful regulatory oversight, while an EGS is not. TURN Statement No. 1R, pp. 1-2.

211. Supplier consolidated billing ("SCB") is inefficient and creates serious risks for customers. The Commission should not focus on SCB at all, and certainly not as a pathway to allowing EGS prepaid programs. TURN Statement No. 1R, p. 3.

Rebuttal Testimony of Mitch Miller (CAUSE-PA Statement No. 1R)

212. The concerns associated with a PECO prepaid program would also be present if those services were offered by an EGS. CAUSE-PA Statement No. 1R, pp. 2-4.

213. The Texas consumer protections are not sufficient to make prepaid service an acceptable alternative. CAUSE-PA Statement No. 1R, pp. 3-5.

Rebuttal Testimony of Norman Levine (RESA Statement No. 1R)

214. Prepaid service, if offered under a competitive model, would not have the consumer protection concerns raised by the parties and, if any do exist, the competitive model would cause the programs to evolve to solve those concerns. RESA Statement No. 1R, pp. 1-4.

215. The benefits of EGS prepaid programs cannot be achieved by a utility because an EGS can communicate daily with its prepaid customers, which brings additional benefits beyond the utility model. RESA Statement No. 1R, pp. 5-6.

Surrebuttal Testimony of John Howat (OCA Statement No. 1S)

216. Prepaid services cannot be considered voluntary because financial pressures may motivate customers to volunteer for the program. OCA Statement No. 1S, p. 3.

217. Income disaggregated data from existing prepaid programs showing disconnection rates for various income levels does not exist. OCA Statement No. 1S, p. 5.

218. It is not clear from PECO's "undeliverable" protocol whether it will be completed prior to service being disconnected. OCA Statement No. 1S, pp. 7-8.

219. It is not possible to determine whether customer notifications will be effective because PECO has not provided drafts of its consumer education materials and notices. OCA Statement No. 1S, p. 10.

220. It is not possible to determine whether PECO's low-income exclusion procedures will succeed, because PECO has not provided drafts of its application materials and call center scripts. OCA Statement No. 1S, p. 11.

221. Prepaid programs will attract economically vulnerable customers. OCA Statement No. 1S, p. 12.

222. Customers who make numerous small payments by electronic or mail check will face increased disconnection risk due to lag time. OCA Statement No. 1S, p. 14.

223. PECO's affiliate, BG&E, has offered to pay two transaction fees per month in its prepay program. PECO should be required to do the same. OCA Statement No. 1S, p. 14.

224. Mr. Howat did not argue that PECO's pilot has to meet the self-sufficiency standard. OCA Statement No. 1S, p. 15.

225. PECO's evaluation should incorporate all of the endpoints and metrics previously suggested by Mr. Howat. OCA Statement No. 1S, p. 16.

226. A competitive prepaid program would have all of the problems of a utility prepaid program. OCA Statement No. 1S, pp. 16-17.

Surrebuttal Testimony of Brenton Grab (I&E Statement No 1SR)

227. Because PECO's disconnection procedures do not guarantee personal contact with customers prior to discontinuance, there will be an increase in disconnections under the pilot. I&E Statement No. 1SR, p. 4.

228. There is an unexplained discrepancy between the Petition and Mr. Scarpello's testimony. The Petition states that, when a volunteer's service is discontinued, to restore his service and remain in the prepaid program he must pay his past due balance plus $15. Mr. Scarpello's testimony states that the customer will be able to revert to standard service without making a payment. This is inconsistent. I&E Statement No. 1SR, p. 5.

229. The fact that the winter termination regulations were in place when the prepaid meter regulations were expanded to include electric service is not meaningful, because PECO wishes to include customers in its pilot who do not have a delinquency. That is different than what the Commission reviewed when it expanded prepaid meters to include electric service in 1995. I&E Statement No. 1SR, pp. 6-7.

230. PECO has asked to expand the pilot program to include customers without delinquencies. Given that it is seeking a waiver of the Commission's regulations to allow this, it is unclear why it should be bound by any other portion of the regulation; it could seek waivers of anything or everything. I&E Statement No. 1SR, p. 8.

231. When Mr. Scarpello stated in his rebuttal testimony that he adopted the "undeliverable" procedure as his testimony, and that "PECO is committed to adopting the procedure," that did not constitute a binding commitment to adopt the procedure. I&E Statement No. 1SR, p. 11.

232. PECO did not provide a valid solution for dealing with customers who have an active email account but lose their internet service. I&E Statement No. 1SR, p. 11.

233. As the proceeding progressed, PECO changed one of its goals for the program from "preventing customers from becoming delinquent or helping them to recover from delinquency" to "reducing PECO's uncollectibles." This rewording of the goal raises concerns about PECO's preparation and readiness to implement the pilot. I&E Statement No. 1SR, pp. 14-15.

234. PECO should have provided fully-developed educational materials with its Petition because this is not a typical proceeding. I&E Statement No. 1SR, p. 18-19.

235. PECO's Advance Payments Plan should have been fully designed before PECO filed its Petition so that accurate cost information could have been presented. I&E Statement No. 1SR, pp. 20-21.

236. Mr. Grab accepts PECO's description of how it will treat prepayment deposits and any interest earned thereon. I&E Statement No. 1SR, pp. 22-23.

237. Including applicants in the program will make it more complex because applicants do not have usage history on which to base notification estimates. I&E Statement No. 1SR, pp. 25-28.

238. PECO should be required to provide quarterly reports because, since it is has asked for waivers of certain parts of the regulations, it has changed the purpose of the regulation. I&E Statement No. 1SR, p. 30.

239. PECO keeps changing its plan in response to questions and concerns raised in the litigation and as its pilot continues to develop. PECO should have fully developed its plan before filing, and the ongoing evolution of the pilot is a reason that the Commission should not approve the plan. I&E Statement No. 1SR, pp. 31-32.

Surrebuttal Testimony of Harry Geller (TURN Statement No. 1SR)

240. Data from existing programs that include customers with incomes below 150% of the Federal Poverty Level does not have to be income-disaggregated in order to demonstrate that there will be higher levels of disconnection in the PECO program, even though the PECO program excludes those customers, because some participants in the PECO program may only make 151% of the Federal Poverty Level. The data from existing programs allows a reasonable inference that such customers will also have higher rates of disconnection. TURN Statement No. 1SR, pp. 3-4.

241. PECO's residential customers as a whole have the highest termination rate in Pennsylvania. This fact demonstrates that the data from other studies will have predictive value even if the data is not income-disaggregated. TURN Statement No. 1SR, p. 4.

242. PECO's discontinuance notices are not equal or superior to termination notices because they will not be in writing and will not contain specificity with regard to the date of actual termination. TURN Statement No. 1SR, p. 4.

243. PECO's discontinuance notices during the 5-day emergency period are not equal to or superior to termination notices because they will not be in writing. TURN Statement No. 1SR, pp. 4-5.

244. Even though a customer has the right to revert to standard service in the winter, the pilot still denies a participant's right to service during the winter because "if a customer does not know, or somehow is unable to revert to standard service prior to termination, service will be terminated." TURN Statement No. 1SR, p. 7.

245. Pilot participants may not be able to protect their winter service by calling PECO and requesting reversion to standard service because many of PECO's customers "have cognitive and mental impairments, low or limited literacy skills, stressful lives due to their economically vulnerable states, and a host of other daily challenges that could interfere with their ability to revert to standard service." TURN Statement No. 1SR, p. 7.

246. Pilot participants will have to call PECO and both request to revert to standard service prior and to obtain a medical certificate, and claiming that this provides the same protections as simply calling PECO to obtain a medical certificate is "circular reasoning and an inadequate and dangerous approach to providing essential utility service" because it "imposes an additional and improper layer of bureaucracy." TURN Statement No. 1SR, p. 8-9.

247. PECO's landlord-tenant procedures are not properly protective because a landlord who rents out rooms will be allowed to enroll in the pilot. TURN Statement No. 1SR, p. 9.

248. The public input hearing showed that there is strong and informed opposition to the PECO proposal. TURN Statement No. 1SR, pp. 10-12.

249. PECO should not be allowed to wait until it hires an expert vendor to assist it with developing evaluation metrics because "PECO's ability to meaningfully evaluate the pilot should not be contingent on the capabilities of its vendor." TURN Statement No. 1SR, p. 12.

250. In 2011, the Commission stated in a Chapter 56 Rulemaking that it would not revise the prepaid meter regulations because "to date, no utility has utilized these procedures to offer prepayment metering, so unfortunately we have no practical experience to rely upon when assessing the need to revise this section." This proves that the Commission has not recently re-evaluated the health and safety implications of the regulations. TURN Statement No. 1SR, p. 13.

Surrebuttal Testimony of Mitch Miller (CAUSE-PA Statement No. 1SR)

251. There are no studies of prepaid service that disaggregate income to the level requested by Mr. Scarpello, but it is "incredibly misleading" to say so, because Mr. Miller believes that the data from existing studies provide information about the likely disconnection rates in PECO's pilot, notwithstanding the absence of income disaggregation. CAUSE-PA Statement No. 1SR, pp. 2-3.

252. If a customer fails to receive an electronic notice but PECO does not receive an "undeliverable" notice, the customer will not be motivated to call and revert to standard service. Many lower-income customers have intermittent access to electronic channels. CAUSE-PA Statement No. 1SR, p. 5.

253. Any pilot that increases the frequency of disconnections, no matter how short the duration of such disconnections, should be viewed with skepticism. CAUSE-PA Statement No. 1SR, p. 6.

254. Receiving electronic notice of pending discontinuance of service is not the same as the termination protections enshrined in law. CAUSE-PA Statement No. 1SR, p. 6.

255. PECO conceded that there are other programs that seek to obtain the goals of customer satisfaction, better payment behavior, and energy conservation under traditional service. CAUSE-PA Statement No. 1SR, p. 8.

256. It is not clear that PECO will clearly communicate a pilot participant's right to revert to standard service. Mr. Miller does not believe that PECO will engage in such communications because he believes that doing so would undermine the operation of the pilot. CAUSE-PA Statement No. 1SR, pp. 8-9.

257. If PECO wanted to, it could seek a waiver of the Commission's regulations to request permission for any of the alternative approaches recommended by the other parties. CAUSE-PA Statement No. 1SR, p. 9.

258. The "for-free" payment alternatives may not be "truly accessible" to pilot participants. CAUSE-PA Statement No. 1SR, p. 10.

259. When discussing "deprivation" vs "conservation," Mr. Miller was not referring to lowering the thermostat – he was referring to customers who would choose not to reconnect their service. CAUSE-PA Statement No. 1SR, p. 11.

260. PECO's 1995-95 pilot covered only low-income customers (those earning less than 150% of the Federal Poverty Level), but it still proves that customers in other income

tranches need additional protections in a prepaid program. CAUSE-PA Statement No. 1SR, p. 12.

261. The self-sufficiency standard, while not the law, is still important, and the General Assembly has recognized that it is important. CAUSE-PA Statement No. 1SR, pp. 12-13.

262. PECO should review its consumer education materials extensively with shareholders and submit those materials to the Commission for approval; overall approval of the pilot should be contingent upon approval of the consumer education materials. CAUSE-PA Statement No. 1SR, p. 14.

263. Prepaid service offerings from EGSs have the "potential to be incredibly harmful, given a lack of Commission regulation." CAUSE-PA Statement No. 1SR, p. 14.

Surrebuttal Testimony of Norman Levine (RESA Statement No. 1SR)

264. Allowing PECO to implement a prepaid service offering would hamper the ability of competitive market participants to offer prepaid service in the future. RESA Statement No. 1SR, pp. 2-3.

265. The prepaid regulations predate the Competition Act, and therefore the scope of issues in this proceeding must include any possible anti-competitive effects. RESA Statement No. 1SR, p. 4.

266. RESA is not arguing that it should be allowed to offer prepay services. It is arguing that PECO should not be allowed to offer prepaid services because that would hamper RESA's ability to provide prepay services at some time in the future. RESA Statement No. 1SR, pp. 5-7.

267. Competitive prepaid services are superior to regulated prepaid services because competition fosters innovation. RESA Statement No. 1SR, pp. 8-9.

268. The Texas consumer protection rules are adequate to allow competitive prepaid service. RESA Statement No. 1SR, pp. 10-12.

269. Existing programs for, e.g., energy conservation are good, but they do not obviate the desirability of prepaid service offered by the competitive market. RESA Statement No. 1SR, pp. 14-15.

Rejoinder Testimony of Jude Scarpello (PECO Statement No. 1Rej)

270. While BG&E's pilot includes a provision to pay for two transactions per month, it also makes low-income customers eligible and does not include a five-day emergency grace period before discontinuance. These are different programs that use different overall approaches to customer protections and needs, and it is not appropriate to isolate one provision in the BG&E proposal and attempt to incorporate it into the PECO pilot. PECO Statement No. 1Rej, pp. 3-4.

271. The data from the Commission's Universal Services Report clearly demonstrate that low-income customers tend to have higher disconnection rates than other income levels under traditional service. This supports the view that, in order to determine the likely disconnection rate in PECO's pilot, which does not include low-income customers, income-disaggregated data from those programs is needed. PECO Statement No. 1Rej, pp. 4-5.

272. The use of the term "discontinuance" rather than "termination" is not a construct created by PECO. It is embedded in the Commission's regulations and, prior to the Commission's expansion of prepaid meters to include electric service, was discussed in a 1992 study by the Commission's Bureau of Consumer Services that formed the basis of the Commission's expansion of prepaid to electric. PECO Statement No. 1Rej, pp. 5-6.

Summary of Argument

PECO has demonstrated that its proposal complies with the Commission's regulations and that its requested waivers are in the public interest. The Commission's prepaid service regulations, 52 Pa. Code §56.17, set forth a series of requirements that must be met by any prepaid proposal; PECO's proposal either meets those requirements or PECO has requested a waiver for any provision it is not meeting. PECO has demonstrated that each requested waiver is in the public interest.

None of the issues raised by the other parties provides a reason not to approve PECO's Petition.

Argument

I. PECO has demonstrated that its proposal complies with the Commission's regulations and that its requested waivers are in the public interest

A. The Commission's regulations, 52 Pa. Code §56.17, provide the regulatory framework for Advance Payment plans

The Commission's regulations on Advance Payments plans are found at 52 Pa. Code §56.17(3), and state that:

> ***§ 56.17. Advance payments.***
>
> Payments may be required in advance of furnishing any of the following services:
>
> (1) [Not applicable.]
>
> (2) [Not applicable.]
>
> (3) Gas and electric rendered through prepayment meters provided:
>
> (i) The customer is nonlow income. For purposes of this section, ''nonlow income'' is defined as an individual who has an annual household gross income greater than 150% of the Federal poverty income guidelines and has a delinquency for which the individual is requesting a payment agreement but offering terms that the public utility, after consideration of the factors in § 56.97(b) (relating to procedures upon customer or occupant contact prior to termination), finds unacceptable.
>
> (ii) The service is being rendered to an individually-metered residential dwelling, and the customer and occupants are the only individuals affected by the installation of a prepayment meter.
>
> (iii) The customer and public utility enter into a payment agreement which includes, but is not limited to, the following terms:
>
> (A) The customer voluntarily agrees to the installation of a prepayment meter.
>
> (B) The customer agrees to purchase prepayment credits to maintain service until the total balance is retired and the public utility agrees to make new credits available to the customer within 5 days of receipt of prepayment.

(C) The public utility agrees to furnish the customer with emergency backup credits for additional usage of at least 5 days.

(D) The customer agrees that failure to renew the credits by making prepayment for additional service constitutes a request for discontinuance under § 56.72(1) (relating to discontinuance of service), except during a medical emergency, and that discontinuance will occur when the additional usage on the emergency backup credits runs out.

(iv) The public utility develops a written plan for a prepayment meter program, consistent with the criteria established in this section, and submits the plan to the Commission at least 30 days in advance of the effective date of the program.

(v) During the first 2 years of use of prepayment meters, the public utility thoroughly and objectively evaluates the use of prepayment meters in accordance with the following:

(A) *Content.* The evaluation should include both process and impact components. Process evaluation should focus on whether the use of prepayment meters conforms to the program design and should assess the degree to which the program operates efficiently. The impact evaluation should focus on the degree to which the program achieves the continuation of utility service to participants at reasonable cost levels. The evaluation should include an analysis of the costs and benefits of traditional collections or alternative collections versus the costs and benefits of handling nonlow income positive ability to pay customers through prepayment metering. This analysis should include comparisons of customer payment behavior, energy consumption, administrative costs and actual collection costs.

(B) *Time frame.* The process evaluation should be undertaken during the middle of the first year; the impact evaluation at least by the end of the second year.

(4) [Not applicable.]

In this Brief, PECO will also discuss the Commission's regulations on return of deposits, which are found at 52 Pa. Code §56.53, and state:

§ 56.53. Deposit hold period and refund.

(a) A public utility may hold a deposit until a timely payment history is established or for a maximum period of 24 months.

(b) A timely payment history is established when a customer has paid in full and on time for 12 consecutive months.

(c) At the end of the deposit holding period as established in subsection (a), the public utility shall deduct the outstanding balance from the deposit and return or credit any positive difference to the customer. At the option of the utility, a cash deposit, including accrued interest, may be refunded in whole or in part, at any time earlier than the time stated in this section.

(d) If service is terminated before the end of the deposit holding period as established in subsection (a), the public utility shall deduct the outstanding balance from the deposit and return any positive difference to the customer within 60 days of the termination.

(e) If a customer becomes delinquent before the end of the deposit holding period as established in subsection (a), the public utility may deduct the outstanding balance from the deposit.

B. There are different standards of review applicable to PECO's Petition and to its requests for waivers

It is axiomatic in all Commission proceedings that the proponent of a rule or order has the burden of proof with respect to the rule or order that it seeks. *See, for example, Samuel J. Lansberry, Inc. v. Pa. PUC*, 578 A.2d 600 (Pa. Cmwlth. 1990), *alloc. denied,* 529 Pa. 654, 602 A.2d 863 (1992). However, in various proceedings the proponent of a rule or order may be required to prove differing things.

PECO believes that two different standards of review are implicated by its Petition, and those standards of review create different answers to what it is that PECO bears the burden of proving. For those portions of the PECO Advance Payments Plan that comply with the Commission's regulations without waiver or variance, the standard of review – and all that PECO must prove -- is that PECO's proposal in fact tracks the regulatory requirement. For those portions of the PECO Advance Payments Plan in which PECO seeks a variation from the Commission's regulations, PECO believes that the Commission should review those requests using the public interest standard, and that PECO bears the burden of proving that its requested waivers are in the public interest.

Plan elements that track the Commission's regulations: PECO contends that, for plan provisions that follow the Commission's regulations, the review standard should be limited to a determination of whether the plan provisions in fact track the Commission's regulations. If so, the presumption of public interest is inherent in that determination, and no further public interest evaluation is required. In support of this view, PECO notes that the Commission's regulations, 52 Pa. Code §56.17(3)(iv), authorize a utility to proceed with an Advance Payments plan after it develops a written plan and submits that written plan to the Commission "at least 30 days in advance of the effective date of the program." Section 56.17 does not state that Commission approval of the plan is required before the plan is implemented, and the fact that the plan is only required to be submitted 30 days prior to implementation strongly suggests that the required submittal is primarily informational and that the Commission's review is limited in scope. In such situations, Commission review of the plan should not include a separate determination of whether the plan is in the public interest – that is, we do not need to have a debate on the overarching question of whether prepaid meter plans are in the public interest. Rather, the presumption should be that, when the Commission promulgated its regulations allowing for prepaid meter plans, it already concluded that such plans are in the public interest and that utilities are authorized to proceed with such plans upon the 30-day submittal of a plan to the Commission. Given that framework, PECO believes that the

Commission's formal review of the Plan should be limited to a determination of whether the plan meets the requirements set forth in the regulations.[4]

Waivers: A different review standard is appropriate for PECO's request for temporary waivers of the Commission's regulations. PECO recognizes that, for waiver requests, it must demonstrate that the requested waiver is in the public interest.

C. Except for the requested waivers, the PECO Advance Payments Plan complies with the Commission's regulations

In this section of its Brief, PECO provides a step-by-step analysis of the requirements of the Commission's regulations. Where PECO is requesting a waiver, PECO notes that fact. Where PECO avers that the PECO Plan meets the requirements of the Commission's regulations, it provides a brief discussion and record citation in support of that contention.

- Section 56.17(3)(i) sets forth the requirement that the Plan be made available to only "nonlow income" customers. The PECO Advance Payments Plan will only be available to nonlow-income customers. PECO Statement No. 1, pp. 13-14.

- Section 56.17(3)(i) also sets forth the requirement that the Plan be made available only to those customers who have a delinquency. PECO seeks a temporary waiver of this requirement, which is discussed later in this Brief. See also, PECO Statement No. 1, p. 13.

- Section 56.17(3)(ii) states the requirement that the plan be made available only to individually-metered residential dwellings, and that only the customer and

[4] While PECO believes that its burden is limited to demonstrating compliance with the Commission's regulations, it notes that the record evidence in this proceeding also demonstrates that its proposal is in the public interest. The Commission itself has decried an "unfortunate" lack of practical experience with prepaid service programs. TURN Statement No. 1R, p. 13. PECO chose to propose a pilot, rather than a full-scale program, precisely so that it could gain practical experience and generate data on that practical experience. PECO Statement No. 1, p. 5. PECO incorporated many customer protections into its pilot that are not required by the Commission's regulations. PECO Statement No. 1R, pp. 7-10. PECO's pilot is therefore a low-risk, low-cost method of obtaining practical experience on prepaid service. PECO Statement No. 1, p. 24. If Your Honor or the Commission believes that PECO must show more than compliance with the Commission's regulations, these facts demonstrate that PECO's Petition should be approved the pilot even using the public interest standard.

occupants be affected by the use of the prepayment meter. The PECO Advance Payments Plan will only be available to individually-metered residential dwellings. PECO Statement No. 1, pp. 14-15.

- Section 56.17(3)(iii) states that, as a requirement to participate in the Plan, a customer must enter into a payment arrangement for their delinquency. PECO proposes to make the PECO Advance Payments Plan available to customers both with and without delinquencies. For customers who do not have delinquencies, no payment arrangement is needed. For customers with delinquencies, the PECO Advance Payments Plan will be based upon a payment arrangement in which, for each dollar loaded to the customer's account, 25 cents will be allocated to the delinquency and 75 cents will be allocated for future charges. PECO Statement No. 1, pp. 15-16.

- Section 56.17(3)(iii)(A) states that each participant customer must voluntarily agree to the installation of a prepayment meter. The PECO Advance Payments Plan, including the Remote Connect/Disconnect technology, will be implemented using PECO's AMI metering technology, which has been installed at over 99% of PECO's residential customers. No further meter installation will thus be needed to participate in the PECO Plan. Any customer who does not have an AMI meter installed will not be eligible to participate in the PECO Plan unless they voluntarily agree to the installation of an AMI meter. PECO Statement No. 1, pp. 17-18.

- Section 56.17(3)(iii)(B) sets forth the requirement that the customer agree to purchase prepayment credits to maintain service until the total balance is retired – that is, the regulations require that a customer with a delinquency can only enter the program if they agree, as a condition of enrollment, to stay in the program until their delinquency is completely gone. PECO would prefer to give its customers greater flexibility to participate in the program without making that level of commitment. PECO therefore seeks a temporary waiver of this requirement. The waiver request is discussed later in this Brief. PECO Statement No. 1, p. 16.

- Section 56.17(3)(iii)(B) requires that PECO agree to make new credits available within five days of receipt of prepayment. Given advances in online payment technology, PECO expects to make new credits available effectively upon verified receipt of prepayment, and certainly in less than five days. PECO Statement No. 1, p. 18.

- Section 56.17(3)(iii)(C) states that PECO must agree to furnish the customer with emergency backup credits for additional usage of at least five days. PECO has incorporated this requirement into the PECO Advance Payments Plan. PECO Statement No. 1, pp. 18-19.

- Section 56.17(3)(iii)(D) states that, in order to participate, the customer must agree that failure to make additional payments constitutes a request for discontinuance of service, and that discontinuance will occur when the five days of additional emergency backup usage have been exhausted. PECO will require the customer to accept this condition to participate in the PECO Plan. PECO Statement No. 1, pp. 19-20.

- Section 56.17(3)(iii)(D) sets forth the requirement that, in the event of a medical emergency, an exception will be made to the discontinuation policy described in the prior paragraph. PECO will allow PECO Plan participants to use its medical certificate processes to avoid discontinuance/termination. However, they will be required to resign from the PECO Advance Payments Plan and revert to standard service; access to PECO's medical certificate program will be on the same basis as any other standard service customer. PECO Statement No. 1, p. 20.

- Section 56.17(3)(iv) states that PECO must develop a written plan and submit it to the Commission at least 30 days in advance of the effective date of the program. The PECO Advance Payments Plan was attached to its Petition, and the effective date of the Plan was more than 30 days from the date of filing. PECO Statement No. 1, pp. 20-21.

- Section 56.17(3)(v) states that PECO must conduct a process evaluation and impact evaluations on specified timelines. The PECO Plan includes a commitment to such evaluations on the required timelines. PECO Statement No. 1, p. 21.

In sum, PECO's proposed Plan complies with each provision of the Commission's prepaid service regulations, except for the specific provisions for which PECO is seeking a waiver.

D. The requested waivers are in the public interest

PECO is seeking four waivers of the Commission's regulations:

- customers will be allowed to participate whether they have a delinquency, or not;

- applicants will be allowed to participate;

- customers/applicants with a delinquency will be allowed to participate without committing to remain in the Advance Payments program until their delinquency is retired; and

- customers/applicants who have a deposit on their account when they enroll will use that deposit to fund their participation in the program.

Each of these requested waivers is designed to make the program available to more participants, and to make it easier for participants to fund their prepaid account. For those and other reasons set forth below, each is in the public interest.

Non-Delinquent Customers: It is in the public interest to allow customers to participate even if they do not have a delinquency. Early data from other utility programs suggest that use of Advance Payments programs increases customer satisfaction and helps to decrease usage. Both of those outcomes, if attainable, will be valuable for customers who do not have a delinquency and pursuing those outcomes is in the public interest. PECO therefore respectfully requests that it be granted a temporary waiver of the requirement, set forth in 52 Pa. Code §56.17(3)(i), that only customers with delinquencies are allowed to participate in a prepayment meter program. This waiver will allow PECO the opportunity to determine, with real-world experience, whether non-delinquent customers can also gain advantage from participating in an Advance Payments program. PECO Statement No. 1, p. 13.

The only testimony specific to this waiver came from I&E witness Brenton Grab, who testified that since PECO is seeking a waiver of this portion of the Commission's regulations, PECO should not feel constrained by other portions of the regulation since it could also seek waivers to it. Mr. Grab also suggested that his recommendation that PECO provide quarterly reports was in part supported by PECO's request for this waiver. *See* I&E Statement No. 1SR, p. 30. Neither of those arguments challenges whether it is in the public interest to allow non-delinquent customers to participate in the pilot. The record evidence, taken as a whole, thus supports granting this waiver as in the public interest.

Applicants: As with non-delinquent customers, applicants also would benefit from the opportunity to have increased customer satisfaction and decreased usage. In addition, an applicant can avoid use of credit deposits by enrolling in the PECO Advance Payments Plan, which may be a substantial advantage to some applicants without harming PECO or other customers. Allowing applicants to participate in the pilot program is thus in the public interest, and PECO therefore respectfully requests that it be granted a temporary waiver of the requirement, set forth in 52 Pa. Code §56.17(3)(i), that only customers are allowed to participate in a prepayment meter program. PECO Statement No. 1, p. 12.

Mr. Grab challenged the propriety of this waiver on two bases: (1) that it will make the pilot more complex; and (2) that there may not be sufficient usage data for an applicant to provide a meaningful estimate of usage for discontinuance notices. *See* I&E Statement No. 1, p. 26; I&E Statement No. 1SR, pp. 25-28.

In reply, Mr. Scarpello testified that allowing applicants to participate will not complicate the program because all pilot procedures will be the same for applicants and customers. As for the claim that there may not be sufficient usage data to support a discontinuance notice for applicants, Mr. Scarpello testified that, by the time a discontinuance notice needs to be sent, there will be sufficient recent usage history to estimate how many days of service the customer has left. PECO Statement No. 1R, p. 28.

PECO respectfully submits that both of the concerns raised in Mr. Grab's testimony were adequately addressed and, given the public interest advantages noted above, the Commission should grant the requested waiver and allow applicants to participate in PECO's pilot.

<u>Commitment to remain in program until delinquency is retired</u>: As noted above, PECO intends to offer the PECO Advance Payments Plan to customers and applicants who do not have delinquencies. PECO would also like to offer the program to customers with

delinquencies – but without requiring those customers to commit to remain in the Plan until their delinquency is retired. When a customer with a delinquency is deciding whether to volunteer to participate in the Plan, that customer will not be able to predict all of the financial and life events that may occur in their future, and that uncertainty may cause hesitation and concern about volunteering for the Plan. PECO would like to have that barrier removed, at least for the pilot phase of this program, so that a wide variety of customers can reasonably participate in the Plan. If their participation is successful, then many of them may be able to retire their delinquency while in the Plan. Given the potential advantage to having such customers participate and succeed and of gaining information about how these programs work PECO believes it is in the public interest to remove barriers by participation by such customer. PECO therefore respectfully requests that it be granted a temporary waiver of the requirement, set forth in 52 Pa. Code §56.17(3)(iii)(B), that, as a condition of participation, customers with a delinquency must commit to staying in the program until their delinquency is retired. PECO Statement No. 1, p. 16.

PECO is not aware of any testimony offered by any party in this proceeding that suggests that this waiver is not in the public interest.

Use of Deposits to Fund Program Participation: The Commission's regulations, 52 Pa. Code §56.53, allow PECO to assess deposits in certain situations, and require that PECO return the deposits to customers once certain conditions are met. PECO proposes to transfer existing deposits to fund customer participation in the program. This will allow customers who have a deposit to participate in the program without having to identify and provide additional funds. Such a transfer of funds might be seen as a return of funds to the customer, and therefore already allowable under the Commission's regulations. However, to the extent that such a transfer is not viewed as already allowable under 52 Pa. Code §56.53, PECO requests that it be granted a temporary waiver of that regulation to the extent necessary to allow the transfer of deposits to fund a customer's participation in the program. Such a waiver would be in the public interest because it will reduce the overall cash funding needs for the volunteer's utility service. PECO Statement No. 1, pp. 21-22.

Two witnesses discussed the use of deposits in the PECO pilot (although neither characterized their testimony as a challenge to whether this waiver is in the public interest). Mr. Howat stated that, by allowing the use of deposit credits to prepay for current service, economically vulnerable customers might be "induced" to participate in the program. OCA Statement No. 1, pp. 33-34. Mr. Geller similarly testified that this provision might make prepaid service more "attractive" to economically vulnerable customers. TURN Statement No. 1, p. 11. Finally, Mr. Geller stated that PECO "did not explain" why its requested waiver is in the public interest. TURN Statement No. 1, p. 20.

First, PECO did explain why its requested waiver is in the public interest: it will reduce the overall cash funding needs for the volunteer's utility service. PECO Statement No. 1, pp. 21-22. To PECO, it is obvious that this is an advantage to program participants that should be allowed. And, in a very real sense, PECO agrees with the OCA and TURN that allowing use of credit deposits to fund the prepaid accounts is likely to make the pilot more attractive to volunteers who might not otherwise have the resources to participate in the pilot – use of deposits in this way lowers or eliminates an entry barrier to pilot participation. The dispute appears to be whether that is a good thing, or a bad thing – and the point made by the OCA and TURN is actually that, since they think prepaid service overall is dangerous, anything that lowers an entry barrier is also dangerous. And that, in turn, is an attack on the policy of allowing prepaid programs, not an attack on PECO's specific program, or the requested waiver. Put differently, if prepaid service is a good thing, then lowering entry barriers to that program is also a good thing. On that basis, PECO submits that the requested waiver is in the public interest, and if the Commission determines that use of a credit deposit in this way does not constitute a return of the credit to customers, the Commission should grant the requested waiver.

II. The other parties' arguments are not reason to disapprove PECO's proposed pilot

A. "Discontinuance" vs "Termination"

One aspect of PECO's proposal generated the most vigorous adverse commentary: The requirement that, in order to participate in the pilot, a customer must agree that a service disconnection will be treated as a "discontinuance" rather than a "termination." This characterization of the pilot's disconnections as a "discontinuance" was variously characterized as "erroneous," (OCA Statement No. 1, pp. 24-27), "semantics," (I&E Statement No. 1, pp. 9-10), "specious," (TURN Statement No. 1, pp. 14-15), and "pure fiction" and "illusory" (CAUSE-PA Statement No. 1, pp. 17-18).

This characterization is actually required by the Commission's regulations. PECO Statement No. 1, pp. 6, 19-20, PECO Statement No. 1Rej, pp. 5-6, PECO Statement No. 3, p. 5.

The reason that the Commission's regulations characterize a prepaid disconnection as a "discontinuance" rather than a "termination is so that a utility will be able to disconnect prepaid service without following all of the pre-termination procedures. In its pilot, PECO follows that path and, instead of normal termination notices, PECO will use a series of eight or more electronic notices, followed in some cases by calls, letters, and automatic reversion to standard service, before disconnecting service. PECO Statement No. 1, p. 7.

The question is not whether PECO is engaging in "pure fiction" by referring to disconnections as a "discontinuance," the question is whether the notices that it will provide are sufficient and appropriate in a volunteer program in which the customer can revert to standard service upon request. PECO notes that none of the notices or other protections that it has included in its pilot are required by the Commission's discontinuance regulations – these are all additional notices, contacts, and protections that PECO crafted specifically for its pilot. Mr. Scarpello expressed his view, largely based on the facts that the program is voluntary, that PECO will provide a greater number of notices, and that a customer may revert to standard service upon request, that PECO's notice protocol is equal to or superior to the notices used prior to termination. PECO Statement No. 1R, pp. 7-10. The other parties' witnesses generally expressed the view that, because PECO's discontinuance notices will be communicated electronically rather through in written form (as per normal practice with termination notices), and because they will necessarily use less words than a standard termination notice, they must be considered inferior and deficient. *See, for example*, OCA Statement No. 1, p. 29.

It should be understood that the position of the other parties, reduced to its core, is that standard termination notices and procedures, and *only* standard termination notices and procedures, can ever be sufficient in a prepaid service program. They roundly reject any variation whatsoever from those standard notices. But the point of prepaid service is to take a different approach to the payment for service, and the procedures for dealing with non-payment. PECO Statement No. 1, pp. 7, 19-20. That is why the Commission's regulations recognize the need to treat prepaid disconnections as "discontinuances" – to take those activities outside of the normal termination procedures. In PECO's view, if the Commission accepts the view that all normal termination procedures must be followed in a prepaid program, that is effectively the same thing as saying that prepaid service is disallowed in the Commonwealth. PECO urges the Commission not to take that position, but instead to accept PECO's program, with the numerous notices and customer protections offered in it – including the voluntary nature of the program and the unfettered rate to return to standard service on request – and allow PECO to proceed with its pilot as proposed.

B. Disconnection Rate

Several of the witnesses expressed the view, based on studies done of existing prepaid service programs, that PECO's program will have higher disconnection rates for the participants than would be the case for those participants if they were to remain on standard service. As a corollary to that argument, they state that any increase in disconnection rate is unacceptable and should result in rejection of the program. *See, for example*, OCA Statement No. 1, p. 23.

PECO does not agree that any increase in disconnection rate is unacceptable. If a customer goes from having one lengthy discussion (under standard service) to a series of short disconnections (under prepaid service), that may well be a better outcome for both the customer and the utility. PECO Statement No. 1R, p. 10. If that outcome is accompanied by increased customer satisfaction, better payment behaviors, and/or improved energy conservation, that will be a strong warrant for an expansion of the prepaid pilot.

No existing prepaid service program excludes low-income customers – which PECO's program does -- and none of the data from studies of those programs has been disaggregated on an income basis. It is therefore PECO's position that data from the existing programs does not give meaningful insight into whether PECO's program will have increased disconnections (or increased customer satisfaction, or better payment behaviors, or increased energy conservation), and that is one of the primary warrants for doing the pilot and collecting data. PECO Statement No. 1, pp. 5, 23-24; PECO Statement No. 1R, pp. 5-6.

Most of the other witnesses concurred that such data does not exist – although Mr. Geller suggested that the existing data can still be used to predict outcomes for economically vulnerable customers. Generally, they argue that the absence of data means that no prepaid program should be allowed to proceed, because data must precede the program.

That argument creates a chicken-and-egg issue (also known as a Catch-22). One cannot collect data without having a program in place, and one cannot put a program in place until one has data.

PECO respectfully submits that the purpose of a pilot is to break that chain of reasoning and create a limited platform for collecting data upon which future decisions can be made. As the Commission noted in its Chapter 56 rulemaking comments, the absence of such practical experience is "unfortunate." PECO proposes to remedy that unfortunate lack of practical experience and obtain Pennsylvania-specific data, within the context of the Commission's regulations, as to the operation of prepaid service in Pennsylvania.

C. Winter terminations

The other parties' witnesses generally noted that, under PECO's program, participants will not have the winter termination protections normally available to customers with income up to 250% of the Federal Poverty Level. OCA Statement No. 1, p. 28, I&E Statement No. 1, pp. 10-11; TURN Statement No. 1, pp. 16-17; CAUSE-PA Statement No. 1, p. 17.

PECO disagrees with this analysis. Any pilot participant with income below 250% of the Federal Poverty Level will continue to have access the winter termination protections – all they must do to access them is to call PECO and ask to revert to standard service. Of course, prior to making that call, the customer will receive numerous discontinuance notifications from PECO. The customer thus has access to the existing protections *plus* the protections and notices offered in PECO's program.

PECO recognizes that the other parties' witnesses uniformly believe that the requirement to call PECO and request reversion to standard service is an unreasonable barrier that materially degrades the protections otherwise offered by the winter termination protections. PECO simply cannot concur. At enrollment, customers will be informed that they have the right to revert to standard service at any time simply by calling PECO. It is not reasonable to expect that volunteers in this program, having been so informed, will then fail to call and request reversion if they find that they are having trouble paying their bills in the winter – that is, that the pilot isn't working for them. PECO Statement No. 1, pp. 11-12: PECO Statement IR, pp. 11-12.

Of course, Mr. Geller argues that we should expect exactly that kind of behavior because many of PECO's customers "have cognitive and mental impairments, low or limited literacy skills, stressful lives due to their economically vulnerable states, and a host of other daily challenges that could interfere with their ability to revert to standard service." TURN Statement No. 1SR, p. 7. But one has to further inquire what the chances are that customers with "cognitive and mental impairments" will volunteer for the program and, having volunteered, find themselves behind on their bills but unable or unwilling to make a single phone call to return to standard service and gain the standard termination protections. PECO submits that this risk is minimal to non-existent, and should not stand in the way of pursuing this pilot.

D. Medical emergencies

In PECO's pilot, all volunteers will have access to the Commission's medical certificate procedures on the same basis as if they were not in the pilot program. They will access these procedures by calling PECO, requesting that they be reverted to standard service, and in that same call requesting access to the medical certificate procedures.

Mr. Geller and Mr. Miller suggest that this procedure creates an extra bureaucratic step – a phone call – that will degrade access to the medical certificate procedures. TURN Statement No. 1, pp. 17-18; CAUSE-PA Statement No. 1, pp. 23-24.

Virtually all customers who access the medical certificate procedures under traditional service begin that process with a single call to PECO, and a single call is all that will be required in PECO's pilot. There will be no degradation of access to the medical certificate procedures under PECO's pilot. PECO Statement No. 1R, pp. 11-14.

E. Payment arrangements

Several of the other parties' witnesses argue that PECO violates the payment arrangement provisions of the Public Utility Code, both for regular customers and victims of domestic violence, because it is offering a 25/75 payment arrangement to pilot volunteers. *See, for example*, TURN Statement No. 1, p. 18.

Every pilot participant will retain their access to payment arrangements on terms other than the 25/75 split being offered by PECO. First, if they wish another form of payment arrangement (and are eligible for one), then they need not volunteer to participate in the pilot. Second, if they enter the pilot and find that a 25/75 payment arrangement is not appropriate for them, they can revert to standard service at any time. PECO Statement No. 3R, pp. 9-10.

F. Determination of low-income status

Mr. Geller notes that low-income customers have variable incomes, and that a customer might volunteer for the pilot at a time when they have income of greater than 150% of the Federal Poverty Level, but drop below that income level while in the pilot. He questions whether PECO will be able to identify such a person and remove them from the program. TURN Statement No. 1, pp. 21-22.

Mr. Scarpello noted that PECO will have various ways of obtaining such information, including a customer abiding by the rules of the program and informing PECO that their income status has changed, a customer calling PECO to discuss payment difficulties, a customer calling PECO to claim low-income status for some other purpose, and customer receipt of a LIHEAP grant. The customer may also call PECO and request a reversion to standard service without giving a reason. PECO Statement No. 1R, pp. 14-15.

In addition, Mr. Kehl noted that, even if a low-income customer somehow enrolled in the pilot, or if a customer becomes low-income while in the pilot, that would not constitute a violation of the Commission's regulations. While PECO is required to have universal service programs available and adequately funded, there is no requirement that every low-income customer must participate in those programs. PECO Statement No. 3R, pp. 11-12.

Overall, this argument does not provide a reason to rule against PECO's Petition.

G. Electronic communications

Several witnesses expressed concern that, if a customer is having trouble paying their electric bill, they might also be cutoff from cell phone or internet service, meaning that they would not receive discontinuance notices. OCA Statement No. 1, p. 29; I&E Statement No. 1, pp. 18-20, TURN Statement No. 1, pp. 26-27.

In response to this concern, PECO stated that, if it receives an undeliverable message for its electronic communications to a customer, PECO will call the customer and, if that does not successfully result in contact, PECO will send the customer a letter. If the letter is not successful, PECO will revert the customer to standard service. Even if PECO does not receive an undeliverable message to trigger this procedure, the customer may nonetheless contact PECO and revert to standard service. PECO Statement No. 1R, p. 19-20. Moreover, PECO will continue service to the customer during the "undeliverable" procedure. PECO Statement No. 1R, p. 20.

H. Education

PECO initially noted that it is premature to prepare customer education materials for a litigated proceeding that will involve various views on whether the program should move ahead at all and, if so, what issues should be addressed. PECO Statement No. 1, p. 22. PECO plans to develop detailed disclosures and consumer education materials for review and input by the parties before the program is implemented. PECO Statement No. 1R, p. 24. It is normal practice in Pennsylvania regulatory proceedings to develop consumer education materials after the robust debate that occurs in litigation, and after the Commission approves the overall proposal. Often, these materials are developed using post-litigation consultation with the parties and the Commission, and PECO has offered to take that approach in this proceeding. PECO Statement No. 3R, pp. 12-13.

The other parties expressed the view that PECO should have prepared final education materials before submitting its plan. OCA Statement 1, p. 42, I&E Statement No. 1, p. 12, I&E

Statement No. 1SR, pp. 18-19; TURN Statement NO. 1, pp. 25-26; CAUSE-PA Statement No. 1SR, p. 14.

That is simply not a workable or realistic request. Education materials are always developed after litigation is complete, in tandem with the other details of project implementation. This demand to see education materials as part of the filing package has no basis in real project implementation or Commission practice, and there is no reason to give it credence.

I. Cost estimation

Mr. Grab expressed concern that PECO's program cost estimates increased from $500,000 at the time of filing to $800,000 later in the litigation. He indicated that this demonstrates that PECO's program is not sufficiently detailed and finalized to be approved. I&E Statement No. 1, pp. 15-17.

Mr. Scarpello pointed out that estimates are, by their nature, imprecise and changing and that, even at $800,000, this pilot is a very low-cost method of obtaining data on prepaid service. PECO Statement No. 1R, pp. 25-26. Moreover, Mr. Kehl testified that PECO will not be able to recover any costs from the pilot until other parties have had the opportunity to review those costs in a future cost recovery proceeding, such as a base rate case. PECO Statement No. 3R, pp. 13-14.

All programs are subject to budget estimate variability as the projects develop and progress. That is why traditional rate law – and the process that will be applied in this case – is not to review the prudence and reasonableness of costs until after they have been incurred. That gives all parties the opportunity to have their say on cost recovery before any cost recovery is allowed. The variability is not a reason to reject a proposal.

J. Effect on prepaid programs offered by Electricity Generation Suppliers

RESA argues that PECO's pilot should be disapproved because allowing an incumbent to enter the field of prepaid services will "stymie" the opportunity for others to enter that market. RESA Statement No. 1, p. 7, 9-12,

The other parties' witnesses took the position that prepaid service, if offered through the competitive marketplace, would be "incredibly harmful" because, unlike PECO's proposal, the activities of the Electricity Generation Supplier ("EGS") offering such services would not be regulated by the Commission. *See, for example,* CAUSE-PA Statement No. 1SR, p. 14.

In addition, the Commission's current regulations do not allow an EGS to provide prepaid service. PECO Statement No. 3R, pp. 15-17. Thus, even if no utility ever enters the field of prepaid service, there will still be a complete regulatory barrier to EGSs entering that field. Conversely, if PECO enters the filed, there remains a complete regulatory barrier to EGSs entering the field. It is the absence of regulations, not PECO's proposal, that stands in the way of the EGSs.

Proposed Conclusions of Law

1. The Commission has jurisdiction over the parties and the subject matter of this proceeding. 66 Pa.C.S. § 701.

2. As the proponent of a rule or order, PECO has the burden of proving its case. *Samuel J. Lansberry, Inc. v. Pa. Pub. Util. Comm'n*, 578 A.2d 600 (Pa. Cmwlth. 1990), alloc. den., 602 A.2d 863 (Pa. 1992); 66 Pa. C.S. §332(a).

3. Other than the requested waivers, PECO has met its burden of proving that its Plan complies with the Commission's regulations and, to the extent that such a finding is required, the pilot program is in the public interest. 66 Pa. C.S. §332(a).

4. For the requested waivers, PECO has met its burden of proving that the requested waivers are in the public interest. 66 Pa. C.S. §332(a).

Proposed Ordering Paragraphs

For the reasons set forth above, PECO respectfully requests that the Commission issue an Order that states:

1. That PECO's Petition is granted; and
2. That the four waivers requested by PECO are granted for the life of the pilot;

Conclusion

For the reasons set forth above, PECO respectfully submits that its proposed prepaid service pilot complies with the Commission's regulations and that the requested waivers are in the public interest. PECO therefore requests that the Commission approve its Petition and the requested waivers.

Respectfully submitted,

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