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May 8, 2019

VIA E-FILING

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

Re: Energy Affordability for Low Income Services
Docket No. M-2017-2587711

Dear Secretary Chiavetta:

Enclosed for filing with the Commission in the above-captioned docket are ***Initial Comments of PECO Energy Company***.

If you have any questions regarding this filing, please do not hesitate to contact me at: 215-841-4353.

Very truly yours,

Jennedy S. Johnson

JSJ/ab
Enclosures

cc: Certificate of Service

#46265569

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ENERGY AFFORDABILITY FOR LOW-INCOME CUSTOMERS	: :	**DOCKET NO. M-2017-2587711**

INITIAL COMMENTS OF PECO ENERGY COMPANY

I. INTRODUCTION

On May 5, 2017, the Pennsylvania Public Utility Commission ("the Commission") issued an Opinion and Order in the above-captioned docket directing Commission staff to initiate a study to "determine what constitutes an affordable energy burden for Pennsylvania's low-income households and, based on this analysis, whether any changes in the Commission's Customer Assistance Program ("CAP") Policy Statement or other Universal Service and Energy Conservation Program ("USECP") guidelines are necessary to bring these programs into alignment with any affordability recommendations."[1] In response to a Secretarial Letter issued October 16, 2017 in this docket, PECO Energy Company ("PECO" or "the Company") and other Electric Distribution Companies ("EDCs") and Natural Gas Distribution Companies ("NGDCs") provided data to the Commission's staff. On January 17, 2019, the Commission issued an Order (the "Order") and the resulting staff report, titled *Home Energy Affordability for Low-Income Customers in Pennsylvania* ("Report")[2], directing EDCs and NGDCs to provide supplemental data[3] and offering interested parties the opportunity to submit Comments and Reply Comments.[4] By Secretarial Letter issued March 7, 2019, the Commission clarified the supplemental data it was requesting and set the dates for submission of Comments and Reply Comments on May 8,

[1] Opinion and Order, *Energy Affordability for Low Income Customers*, Docket No. M-2017-2587711 (Order entered May 5, 2017).

[2] Order, *Energy Affordability for Low Income Customers*, Docket No. M-2017-2587711 (Order entered January 17, 2019).

[3] PECO's Responses to the Commission's Supplemental Data Requests are attached to these Comments as Appendix A.

[4] Order, at pp. 22-24.

2019 and May 23, 2019, respectively.[5] PECO submits these Initial Comments in accordance with the Order and Secretarial Letter.[6]

As the public utility with the largest low-income population in Pennsylvania, PECO welcomes this opportunity to contribute its knowledge and experience to the Commission's consideration of how USECPs can work most effectively for both low-income customers who need assistance with energy costs and for all residential customers who pay USECP costs. In addition to responding to the issues raised in the Statements of Vice Chairman Sweet and Commissioner Place that accompanied the Order, these Initial Comments discuss the supplemental data requested by the Commission and recent actions taken by the Company to further improve the affordability of electric and gas utility service within its service territory.

As the Commission begins this review, PECO believes that two practical policy issues should be considered by the Commission. First, PECO and other utilities have recently implemented numerous USECP features to enhance cost-effective assistance to low-income customers in accordance with the direction of the Commission and with the significant efforts of a wide range of stakeholders. In the case of PECO, as discussed *infra*, low-income customers only began enrolling in PECO's new Fixed Credit Option ("FCO") CAP ("CAP FCO") in October 2016, and the first program evaluation will not be completed until June 2019 under the terms of an extensive settlement approved by the Commission. The Commission should make clear that PECO's CAP FCO will continue consistent with prior Commission approvals, and any changes in CAP regulations or guidance that may arise from this proceeding will build on the learnings and data from the CAP FCO and other new programs in the early stages of implementation.

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[5] *Energy Affordability for Low Income Customers*, Docket No. M-2017-2587711 (Secretarial Letter issued March 7, 2019) ("Secretarial Letter").

[6] *Id.*; Order, at pp. 22-24.

Second, the Commission should ensure flexibility in USECP program design in future USECP initiatives to take into account differences in utility customer populations and service territories. Simply put, there is no "one-size-fits-all" USECP for every utility customer and each utility. PECO believes that there can be significant benefits in enabling utilities and stakeholders to develop and validate new programs (such as PECO's CAP FCO) for Commission consideration and approval in order to advance the goals of cost-effective universal service.

With these considerations in mind, PECO provides the following overview of its four major components[7] to help low-income customers maintain utility service:

- PECO's **CAP FCO** program, which provides credits to reduce low-income residential customers' bills;
- PECO's **Low-Income Usage Reduction Program ("LIURP")**, which provides weatherization and usage reduction services to help low-income customers reduce their utility bills;
- PECO's **Customer Assistance and Referral Evaluation Services ("CARES")** Program, which provides referral services for low-income, special needs customers; and
- PECO's **Hardship Fund, known as the Matching Energy Assistance Fund ("MEAF")**, which provides grants to customers with incomes up to 175% of the Federal Poverty Income Guidelines ("FPIG") who have had their utility service terminated or are threatened with termination.

Together, these programs assist more than 115,000 customers annually, at a total projected annual cost of approximately $89 million for the 2019-2021 period, broken down as follows:

[7] Although not a PECO program *per se*, PECO also supports the Administration of LIHEAP Cash and Crisis grants (see Section II.B., below).

Program	Approximate Annual Budget
CAP	$77.5 million
LIURP	$10.6 million
CARES	$400,000
MEAF	$800,000[8]

PECO's USECP costs are recovered from all residential customers through a combination of distribution base rates and PECO's Universal Service Fund Charge ("USFC").[9] For an average residential customer (using 700 kWh or 8 MCF monthly), universal service costs are $4.31 per month for electric and $3.21 per month for gas.

II. CAP AND LIHEAP PROGRAMS

A. PECO's CAP Program

PECO's CAP has evolved and grown significantly since its inception in 1984, when all participants paid a fixed minimum charge each month.[10] In 1996, when PECO served 30,000 CAP customers, PECO implemented a new pilot CAP rate in which participants would be placed into various rate discount tiers based upon their household income levels. Thereafter, as part of its 1998 Electric Restructuring Settlement,[11] PECO expanded participation on an open enrollment basis with an initial maximum participation level of 100,000 customers. By 2005, CAP rate participation increased to approximately 103,000 customers, making PECO's program

[8] PECO's MEAF matching contribution, currently $250,000 per year, is not recovered from customers.

[9] CAP costs that are not otherwise recovered through base rates are recovered through the USFC. This amount is referred to as the "CAP shortfall."

[10] *PECO Energy Company Universal Service and Energy Conservation Plan for 2016-2018 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2015-2507139 (Order entered August 11, 2016).

[11] *Application of PECO Energy Company for Approval of Restructuring Plan Under Section 2806 of the Public Utility Code*, Docket No. R-00973953 et al. (Order entered May 14, 1998).

the largest universal services program in Pennsylvania. In 2006, the CAP rate was opened up to unlimited participation, and PECO's CAP enrollment has remained above 100,000 customers since September 2010.[12] The evolution of PECO's CAP has been guided by the Commission's CAP Policy Statement, at 52 Pa. Code Sections 69.261-69.267 (adopted in 1992 and amended in 1999 and 2010), which addresses affordable payments and arrearages and establishes a process for utilities to work with the Commission's Bureau of Consumer Services ("BCS").

The Commission has recently approved a fundamental change in approach and structure for PECO's CAP that is designed to significantly increase both the breadth and depth of service affordability to PECO's low-income customers. The process began on April 4, 2013, when the Commission issued a Final Order approving PECO's 2013-2015 USECP and directing PECO to conduct a study of an FCO and other possible CAP design alternatives for potential use by PECO in its next triennial USECP (2016-2018).[13] The Commission instructed PECO to test various models to improve the affordability of its CAP program to participants while not placing additional financial burdens on the non-participants.

On April 25, 2014, the Commission issued a Secretarial Letter directing the parties[14] to attempt to reach agreement on a new CAP design. On March 20, 2015, a Joint Petition for Settlement was filed by PECO, OCA, TURN et al., and CAUSE-PA proposing to change

[12] A more detailed chronology of PECO's CAP can be found in PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, p. 3. PECO submitted its 2019-2021 in October 2018, but it has not yet been docketed.

[13] *See PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911 (Order entered April 4, 2013), pp. 24-25.

[14] In addition to PECO, the following entities were parties to the 2013-2015 USECP proceeding: the Office of Consumer Advocate ("OCA"); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"); and the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (collectively referred to as "TURN et al.")

PECO's CAP design from a seven-tier, fixed rate program to a FCO program, beginning October 2016. The Commission approved the Joint Settlement by Order entered on July 8, 2015.[15]

Under the new structure, PECO reviews each customer's income and usage characteristics and determines the amount of financial assistance that the customer requires in order to have their overall utility bills reduced to an amount that falls within the Commission-defined range of "affordability."[16] Within certain program limits, PECO then provides each customer with a fixed credit designed to result in the customer receiving an affordable bill for utility service. PECO's annual CAP discount budget for the current plan period is approximately $65 million.[17]

PECO has a long history of working collaboratively with the Commission and stakeholders to improve its USECP, and this was again demonstrated in the development of the Joint Settlement and FCO. PECO, along with other parties to the Company's 2013-2015 USECP proceeding, engaged the services of the Commission's mediation office and conducted extensive mediation sessions in order to reach agreement on an appropriate CAP structure.[18] Eight sessions were held over the course of several months with a substantial exchange of data and other information between the parties, resulting in a detailed negotiated agreement supported by the participants. As the OCA explained in its Statement in Support of Settlement:

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[15] Order, *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911 (Order entered July 8, 2015) (adopting Recommend Decision of Administrative Law Judge Cynthia Williams Fordham dated June 11, 2015).

[16] 52 Pa. Code § 69.265 provides the maximum percentage of participating household's income that may be used for heating and non-heating service. The percentage is sometimes referred to as an "energy burden."

[17] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, pp. 11, 25. Note that the $77.5 million CAP budget listed on page 4 is for all aspects of CAP. The $65 million is the portion of that budget that is spent on CAP discounts alone.

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

> The proposed FCO will provide for affordable service that meets the guidelines set forth in the Commission's CAP Policy Statement; will more efficiently utilize ratepayer-supplied funding to direct benefits towards those customers who are most in need; and will provide for a CAP Shopping platform that will balance the interests of CAP customers and non-CAP residential customers who pay the costs of the program.[19]

Following the implementation of the FCO, PECO continues to host quarterly meetings with its Universal Services Advisory Committee[20] to discuss implementation of the USECP, to receive stakeholder feedback, and to discuss potential changes and improvements to the USECP.

In addition to detailing the new CAP structure, the Joint Settlement also provided a timetable for evaluation of the FCO program. Expert external evaluation requires two full calendar years of operational data (through December 2018) plus a six-month period for data analysis and evaluation. The evaluator's report will be provided to the Commission, the parties to the Joint Settlement, and PECO's Universal Services Advisory Committee by June 30, 2019.[21]

Collecting sufficient data for meaningful expert analysis is critical to the success of the program. Given the significant investment in the CAP FCO by PECO, its customers, and participating stakeholders, PECO believes that it is imperative for the CAP FCO to continue without change through the completion and review of the June 2019 evaluator's report as envisioned in the Commission-approved Joint Settlement.

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[19] Office of Consumer Advocate's Statement in Support of Settlement, *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911, p. 8; *see also* Statement of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania in Support of Settlement, Docket No. M-2012-2290911, p. 6 (explaining that "the complete package, while not yet achieving full energy burden compliance for all CAP participants, has been arrived at through negotiation and compromise" and CAUSE-PA "believes the FCO design satisfactorily addresses the varied interests and issues in this proceeding while increasing affordability over the existing PECO program.").

[20] The following entities are represented on the committee: BCS, OCA, Community Legal Services, the Pennsylvania Utility Law Project, Philadelphia Corporation for Aging, the Energy Coordinating Agency of Philadelphia, the Energy Association of Pennsylvania, Bucks County Opportunity Council, Community Action Agency of Delaware County, Montgomery County Community Action Development Commission, Utility Emergency Services Fund, and Mason-Dixon Cares of York County.

[21] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, pp. 11, 25.

PECO notes, however, that if the Commission-established energy burden is changed, PECO's CAP FCO program has a "pass through" clause allowing for automatic implementation. As PECO explained in its Supplemental Responses to the Commission (see Appendix A), using PECO's CAP FCO program and applying all other costs/savings, the impact of a decrease in energy burden to 4% for electric non-heat, 6% for gas heat, and 10% for electric heat would increase the cost of PECO's CAP program by $38,534,186 (from $59,322,897[22] to $97,857,083).[23] If that approximately $38.5 million were recovered from customers through the USFC as part of the CAP shortfall (i.e., CAP costs not otherwise recovered through base rates), the average residential customer would pay an additional $2.21 per month or $26.52 per year.

B. LIHEAP

The Low-Income Home Energy Assistance Program ("LIHEAP") is a federally-funded program administered by the Commonwealth's Department of Human Services ("DHS") which helps low-income households meet their home heating needs. There are three components to LIHEAP: 1) cash benefits to help eligible households pay for their home-heating fuel; 2) crisis payments to resolve weather-related, supply shortage, and other household energy-related emergencies; and 3) energy conservation and weatherization measures to provide long-term solutions to home-heating challenges for low-income households. Although not a PECO program *per se*, as part of its USECP, PECO supports the administration of LIHEAP cash and crisis grants.[24] PECO's annual budget for LIHEAP administration is $1.1 million and includes costs for customer outreach (such as direct mail, application assistance, and advertising), maintenance of a LIHEAP hotline, and contract workers to interface with PECO customers and

[22] The $59,322,897 figure is the actual impact as of the date the data request was run. As noted above, PECO's CAP discount budgets is $65 million/year.

[23] See Appendix A, PECO Responses to the Supplemental Information and Data Requests of the PA PUC, Docket No. M-2017-2587711 (dated April 8, 2019).

[24] Weatherization is administered by local agencies to provide heater repair/replacement and additional measures.

the local County Assistance Offices that administer the grants.[25] Additionally, PECO supports advocacy at both the state and federal level regarding the funding (federal) and administration (state) of the program.

Customers that direct LIHEAP grants to PECO receive benefits ancillary to the grant itself. For Crisis Grant recipients, in accordance with PECO's vendor agreement with DHS, PECO suspends both accrual of late payment charges and termination of service for the duration of the LIHEAP season or until May 1, whichever is longer.[26] PECO also sends letters and CAP applications to customers who receive a LIHEAP grant, but who are not enrolled in PECO's CAP program. Thus, enrollment in PECO's CAP FCO program can be facilitated by receipt of a grant. Additionally, CAP customers can have their recertification date extended, which continues their participation. Customers receiving LIHEAP Crisis grants also may be eligible for a deferred payment agreement if the grant does not satisfy the customer's balance.

Federal funding for LIHEAP grants is subject to change each year. When funding is reduced, low-income customers have less access to financial and weatherization assistance, putting increased pressure on the Company's universal service programs. If the Commission determines that cuts in LIHEAP warrant an offsetting reduction in the energy burden, the increase in CAP costs would be significant (see Section II.A, above).

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[25] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, pp. 21, 25.

[26] The LIHEAP season has historical begun on or around November 1.

III. PECO'S RESPONSES TO THE QUESTIONS OF VICE CHAIRMAN SWEET AND COMMISSIONER PLACE

In their Statements attached to the January 17, 2019 Order, Vice Chairman Sweet and Commissioner Place asked that commenters provide responses to a series of questions surrounding energy burden models and LIHEAP. PECO provides its responses below[27]:

How would the adoption of a flat affordability threshold impact customers compared to the income-tiered thresholds currently in place? Would a flat percentage be harmful to customers, especially for those at the lowest tier (0-50%) of the federal poverty income guidelines? Is it unreasonable for those households which might now only pay7% of income to see their obligations rise under a 10% threshold?

Moving from an income-tiered threshold to a flat threshold would not impact any of PECO's customers. The Commission asked PECO to answer the supplemental data requests by aligning energy burdens for all low-income customers as follows: 4% for Non-Heat Electric, 6% for Gas Heat, and 10% for Electric Heat. Currently, PECO's energy burdens are set using the PUC's guidelines:

PUC Guideline	Electric Non-Heat	Gas	Electric Heat
0-50% FPIG	2-**5%**	5-**8%**	7-**13%**
51-100% FPIG	4-**6%**	7-**10%**	11-**16%**
101-150% FPIG	6-**7%**	9-**10%**	15-**17%**

PECO uses the top number for each of the ranges (marked in bold in the above table). So, for example, for Electric Non-Heat customers, PECO uses 5, 6, & 7% for 0-50% FPIG, 51-100% FPIG, and 101-150% FPIG, respectively. Therefore, an energy burden reduction to 4% for Electric Non-Heat for all customers 150% FPIG and below would constitute a reduction regardless of tier.

New York has limited budget for each utility's payment assistance program to 2% of revenue for sales to end-use customers. If energy burden thresholds are lowered in order to make energy

[27] PECO takes no position with respect to the other questions posited by Vice Chairman Sweet and Commissioner Place.

bills more affordable for low-income households in Pennsylvania, should a CAP on customer assistance spending also be considered? If so, what would the impact of a 2% cap of revenue from sales to end-use customers? How would this change affect current CAP customers?

A 2% of revenue cap for low-income spending is below PECO's current spending levels. Therefore, the 2% limitation on CAP spending would decrease the effectiveness of any reduction in the Energy Burden rates for low-income customers or would limit the number of customers who could be served.

How are LIHEAP applications encouraged at the time of CAP enrollment? Are their ways the intake process could be improved to ensure dual enrollment in both programs? What are the perceived barriers to LIHEAP enrollment (administrative or otherwise), if any? What are the advantages or disadvantages of requiring a LIHEAP application in order to receive CAP benefits?

With respect to PECO's processes, regardless of the point in the year when a customer applies to CAP, he or she is encouraged in the introductory welcome letter to apply for LIHEAP when the season opens. Each year, PECO mails all CAP participants a LIHEAP application and information regarding their county's assistance office location. PECO also includes LIHEAP information in its messaging during customer calls and has a dedicated hotline for customers to call to receive applications.

There are a variety of issues with requiring a customer to apply to LIHEAP as a condition precedent to enrolling or remaining in a CAP program, including: the LIHEAP season, LIHEAP eligibility and total program cost, and single vendor applicability. These are discussed in more detail below.

A fundamental issue is that the LIHEAP program is not open year-round. As noted above, the LIHEAP season traditionally runs from November through April. PECO accepts CAP applications year-round. Conditioning enrollment on a LIHEAP Application would effectively prevent a customer from enrolling in PECO's CAP program from May through the end of October.

Next, from a budgetary perspective, LIHEAP cannot assist all CAP customers. As discussed above, funding for LIHEAP comes from the federal government (from the Department of Health and Human Services). In 2017, Pennsylvania's allocated LIHEAP budget was $206 million (of which $161 million was available for grants). The National Energy and Utility Affordability Coalition ("NEUAC") estimates that for that same year of the approximately 1 million households eligible for LIHEAP in Pennsylvania, only 500,000 applied for and 350,000 received a grant. Assuming that all CAP-eligible customers are also LIHEAP-eligible, Pennsylvania's Department of Human Services would exhaust all funding well before all customers received grants.

The determination of income thresholds eligible for LIHEAP grants presents another issue. DHS sets the income limits to qualify for a grant annually. In the recent past, LIHEAP income thresholds have mirrored those of PECO's CAP (i.e., 150% FPIG). However, within the last decade, DHS has increased the income threshold to 160% FPIG and decreased it to 135% FPIG. If DHS once again sets the threshold below 150% FPIG (the outer boundary of PECO's CAP program), a portion of CAP-eligible customers would be unable to enroll or remain in PECO's program as they would not qualify for LIHEAP.

Finally, LIHEAP Cash grants cannot be designated for two vendors. Specific to Philadelphia, a customer required to apply for LIHEAP in order to enroll in a CAP program would not be able to participate in both PGW's customer assistance program (called "CRP" or Customer Responsibility Program) and PECO's CAP. Similarly, customers with deliverable fuels would be forced to make a choice. Currently, a customer can apply for their primary or secondary heating source; if a customer applied for their oil vendor, he or she would then be unable to participate in PECO's CAP.

IV. CONCLUSION

PECO appreciates the opportunity the Commission has provided to offer these Comments on energy affordability and looks forward to working with the Commission and interested stakeholders on this important initiative.

Respectfully submitted,

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Dated: May 8, 2019

APPENDIX A

PECO's Responses to the Supplemental Information and Data Requests of
The Pennsylvania Public Utility Commission
Docket No. M-2017-2587711
Dated: April 8, 2019

Question 1: The first cost estimate should be based only on charging all CAP customers the lesser of an average bill or 4, 6, or 10% of the household's income for the yearly periods **from 2016 through 2021**. This estimate should not take into consideration system change costs, additional CAP charges, CAP credit limits, minimum payment/bill requirements, or other costs not related to charging the CAP customer the lesser of an average bill or the designated percent of income.

Answer: PECO is unable to provide the exact information requested by the Commission for 2016-2018 because PECO does not store past iterations of the CAP credit calculation. PECO did, however, calculate the requested information as of January 2019 using individual customer data to more accurately estimate the cost of these scenarios. The January 2019 calculation was then adjusted based on actual CAP enrollment levels in 2016-2018 and was forecasted for the remainder of 2019 and for 2020 and 2021.

For 2019, PECO estimates that changing energy burdens to 4, 6, or 10% for electric, gas heat, and electric heat, respectively, would result in a $52.9M increase per year over existing CAP costs, as shown below:

	4, 6, 10 % (% of Income)	$ Change over existing CAP costs
Non-Heat Electric, 4%	$83,470,418	$32,238,719
Gas Heat, 6%	$13,695,169	$11,313,293
Electric Heat, 10%	$15,075,886	$9,366,564
Totals	$112,241,473	$52,918,576

The 2019 CAP cost increases would impact average monthly residential customer bills as follows:

- Gas: increase of $2.59 or 2.7%
- Combined Electric and Electric Heat: increase of $2.38 or 2.3%.

For 2016-2021, PECO projects the following CAP costs (using 4, 6, or 10% energy burdens):

	2016	2017	2018	2019	2020	2021	Total
Non-Heat Electric, 4%	$96,404,425	$86,660,643	$84,943,569	$83,470,418	$85,211,971	$85,188,366	
Gas Heat, 6%	$15,922,392	$14,356,062	$14,069,952	$13,695,169	$14,170,402	$14,165,553	
Electric Heat, 10%	$17,411,942	$15,652,084	$15,341,957	$15,075,886	$15,390,434	$15,386,171	
Totals	$129,738,759	$116,668,789	$114,355,478	$112,241,473	$114,772,808	$114,740,090	
$ change over existing CAP costs	$47,424,757	$52,992,186	$57,961,660	$52,918,576	$52,127,829	$52,154,434	**$315,579,442**

PECO projects that changing energy burdens to 4, 6, or 10% would result in a total CAP cost increase of $315M over the period of 2016-2021.

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Question 2: The second cost estimate should also be based on the average bill or the PIP CAP model **from 2016 through 2021** but include all other costs/savings related to this change. This includes utility CAP charges, minimum payment restrictions, CAP credit limits, and other CAP costs/savings described in the January 2019 Order. NGDCs and EDCs should identify all costs/savings related to this estimate separately.

Answer: PECO does not have a PIP program, therefore the data provided below is modeled using PECO's existing CAP Fixed Credit Option ("FCO") model. As in response to Question 1, past and future years were forecasted using the January 2019 base calculation. Applying all other costs/savings to PECO's existing CAP FCO model, while changing the energy burdens to 4, 6, or 10%, would result in a $38.5M increase per year over existing CAP costs, as shown below:

	4, 6, 10% (within CAP FCO Model)	$ Change over existing CAP costs
Non-Heat Electric, 4%	$73,804,737	$22,573,038
Gas Heat, 6%	$13,327,824	$10,945,948
Electric Heat, 10%	$10,724,522	$5,015,200
Totals	$97,857,083	$38,534,186

For 2016-2021 (applying all other costs/savings), PECO projects the following CAP costs:

	2016	2017	2018	2019	2020	2021	Total
Non-Heat Electric, 4%	$85,241,016	$76,625,542	$75,107,301	$73,804,737	$75,344,623	$75,323,751	
Gas Heat, 6%	$15,495,306	$13,970,989	$13,692,554	$13,327,824	$13,790,310	$13,785,590	
Electric Heat, 10%	$12,386,321	$11,134,411	$10,913,797	$10,724,522	$10,948,282	$10,945,249	
Totals	$113,122,643	$101,730,943	$99,713,652	$97,857,083	$100,083,214	$100,054,590	
$ change over existing CAP costs	$30,808,641	$38,054,340	$43,319,834	$38,534,186	$37,438,236	$37,468,934	**$225,624,171**

PECO projects that changing energy burdens to 4, 6, or 10% (and applying all other costs/savings) would result in a total CAP cost increase of $225M over the period of 2016-2021.

It is important to note that the cost of IT changes and bad debt impacts are not included in the answers to Questions 1 and 2. PECO estimates that an IT change from the CAP FCO to a PIP would cost $7-$11M. PECO estimates a $3.5M reduction to bad debt resulting from the reduction in CAP bills; this does not, however, include any additional increases in bad debt due to residential customers subsidizing the increased CAP program costs.

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Question 3: The Commission Secretarial letter directed all NGDCs and EDCs to provide monthly customer tallies for all CAP customers claiming zero income in 2016 and 2017, broken out by heating type if possible.

Answer: See below:

CAP Non Heating No Income Counts

Month	Count of Non Heating Accounts
201601	1,307
201602	1,263
201603	1,255
201604	1,255
201605	1,272
201606	1,222
201607	1,195
201608	1,149
201609	1,095
201610	1,065
201611	1,062
201612	1,034
201701	998
201702	976
201703	980
201704	996
201705	985
201706	1,029
201707	1,035
201708	1,069
201709	1,076
201710	1,078
201711	1,029
201712	1,001

CAP Heating No Income Counts

Month	Count of Heating Accounts
201601	456
201602	455
201603	459
201604	486
201605	517
201606	493
201607	491
201608	477
201609	440
201610	435
201611	426
201612	395
201701	391
201702	371
201703	384
201704	388
201705	386
201706	408
201707	422
201708	414
201709	401
201710	401
201711	389
201712	388

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

ENERGY AFFORDABILITY FOR LOW-INCOME CUSTOMERS	: :	**DOCKET NO. M-2017-2587711**

CERTIFICATE OF SERVICE

I hereby certify that I have this day served a true copy of the Initial Comments of PECO Energy Company upon the parties of record in this proceeding in accordance with the requirements of 52 Pa. Code § 1.54 (relating to service by a participant), in the matter and upon the persons listed below via first class mail and/or electronic mail:

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