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January 16, 2020

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17105-3265

Re: PECO Energy Company's 2019-2021 Universal Service and Energy Conservation Plan ("USECP"), Docket Nos. M-2018-3005795 and M-2019-3012601

Dear Secretary Chiavetta:

In its Order in Docket M-2019-2032601 (entered October 3, 2019) addressing USECP filing schedules and independent evaluation filing schedules ("October 3<sup>rd</sup> Order"), the Pennsylvania Public Utility Commission ("Commission") directed PECO Energy Company ("PECO") to file an addendum to its USECP at Docket M-2018-3005795 to provide enrollment and budgetary projections based on any additional years added to its pending proposed USECP. In accordance with the October 3<sup>rd</sup> Order, PECO hereby files the attached redline and clean copies of its USECP expanding its pending USECP from 2019-2021 to 2019-2024.<sup>1</sup>

In connection with the CAP Policy Statement Order entered by the Commission on November 5, 2019 in Docket M-2019-3012599 ("November 5<sup>th</sup> Order"), PECO indicates below which of the items specified in the amended CAP Policy Statement it has implemented or plans to implement.<sup>2</sup> PECO is still considering the remaining provisions of the November 5<sup>th</sup> Order.

- CAP Enrollment: PECO allows CAP households to retain CAP enrollment when they transfer service within its service territory.
- Income Documentation: PECO accepts documentation of at least the last 30 days or 12 months, whichever is more beneficial to the household, when determining CAP eligibility at application or recertification.

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<sup>1</sup> On December 13, 2019, PECO filed with the Commission a request to suspend the USECP addendum filing required per the October 3<sup>rd</sup> Order until 45 days following the entry of the Commission's Order on Reconsideration/Clarification in the Commission's CAP Policy Statement Docket at M-2019-3012599.

<sup>2</sup> PECO notes that Ordering Paragraphs 6-8 of the November 5<sup>th</sup> Order are currently stayed pursuant to the Commission's November 25, 2019 Order at Docket No. M-2019-3012599.

Rosemary Chiavetta, Secretary

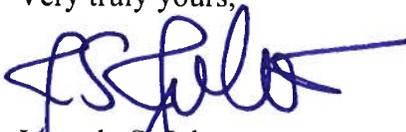
January 16, 2020

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- “Payment-Troubled” Classification: PECO does not require a customer to be payment-troubled to qualify for CAP.
- LIHEAP Grant Assignment: No action is required by an EDC/NGDC for this provision.
- Late Payment Charges: PECO is working to implement an IT Solution eliminating late payment charges that would go live in 2021.
- PPA Forgiveness: PECO already provides CAP customers with (a) PPA forgiveness for each on-time and in-full monthly CAP payment regardless of in-CAP arrears and (b) retroactive PPA forgiveness for any month(s) missed once the household pays its in-CAP/in-program balance/debt in full.
- Social Security Numbers: PECO does not require household members to provide Social Security Numbers to enroll in CAP.
- Minimum CAP Payments: PECO’s 2019-2024 USECP does not reflect any changes to its current minimum payment requirements.
- Online CAP Applications: PECO’s CAP allocation is available online and customers can submit documentation electronically.
- Zero-Income Form: PECO is making operational letter and back office application processing changes so that it can utilize the standardized zero-income form no later than 4Q2020.
- Quarterly CAP Credit Evaluation: As part of its CAP Fixed Credit Option (“FCO”), PECO already adjusts a customer’s CAP discount quarterly.
- Definition of “Household Income”: PECO already uses the definition of “household income” contained in Chapter 14 of the Public Utility Code.

Should you have any questions, please do not hesitate to contact me at 215-841-4353.

Very truly yours,



Jennedy S. Johnson  
Assistant General Counsel

Encl.

Copies to: Certificate of Service  
Joseph Magee, Bureau of Consumer Services  
Alexis Bechtel, Bureau of Consumer Services  
Louise Fink Smith, Law Bureau

**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

<b>UNIVERSAL SERVICE AND ENERGY CONSERVATION PLAN (USECP) FILING SCHEDULE AND INDEPENDENT EVALUATION FILING SCHEDULE</b>	<b>:</b>	<b>:</b>	<b>DOCKET NO. M-2019-3012601</b>
	<b>:</b>	<b>:</b>	
<b>PECO ENERGY COMPANY'S 2019-2021 UNIVERSAL SERVICE AND ENERGY CONSERVATION PLAN</b>	<b>:</b>	<b>:</b>	<b>DOCKET NO. M-2018-3005795</b>

**CERTIFICATE OF SERVICE**

I hereby certify that I have this day served a true copy of the Letter 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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Dated: January 16, 2020

**PECO Energy Company  
Universal Service and  
Energy Conservation Plan  
("Six Year Plan")  
2019 to 2024**

**Prepared by:  
Mark Kehl  
Manager, Universal Services**

**Submitted January 16, 2020**

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## I. INTRODUCTION

The Universal Services programs offered by PECO Energy Company (“PECO” or “the Company”) are designed to provide low-income, residential customers with electric and/or gas service affordable bills based on individual household needs including gross household income and usage. PECO’s first Three-Year Plan was submitted in 2002. PECO is pleased to submit the following Universal Services Plan for calendar years 2019 - 2024 in accordance with 52 Pa. Code § 54.74.

PECO’s Customer Assistance Program (“CAP”) began in 1984 and all participants paid a fixed minimum charge each month. Twelve years later, by 1996, PECO had enrolled approximately 30,000 customers into CAP. During 1996, PECO also implemented a new pilot CAP Rate, initially limited to 10,000 customers, in which participants were placed in various rate discount tiers based upon their household income levels. By early 1998, the pilot CAP Rate program became fully subscribed up to the 10,000-customer limit. As part of its 1998 Electric Restructuring Settlement, PECO transferred 30,000 customers from the CAP program that incorporated a fixed monthly charge to the CAP Rate tiered program and expanded participation on an open enrollment basis to those who qualified with an initial maximum participation level of 100,000 customers. Participation in the tiered CAP Rate program grew to about 83,000 customers by March 2000. In that month, PECO also entered into the PECO/Unicom Merger Settlement, in which it agreed to continue the CAP Rate as an open enrollment program with a provisional maximum participation level of 125,000 customers. By 2005, CAP Rate participation increased to approximately 103,000 customers, making PECO’s program the largest Universal Services program in Pennsylvania. In 2006, CAP Rate was opened up to unlimited participation.

From 1998 to the present, PECO’s CAP Rate tier program was regularly modified as a result of Settlements and Orders of the Pennsylvania Public Utility Commission (“Commission” or “PUC”) but remained within the overall tiered rate approach. In 2014, and 2015, however, PECO met with interested stakeholders and agreed to implement a new form of CAP program known as the Fixed Credit Option, or (“FCO,”) beginning in October 2016. On July 8, 2015, the Commission approved that proposal. The CAP FCO program provides eligible customers with a fixed credit for the year that will result in the customer receiving affordable bills for utility service.

PECO’s Universal Services Program has six components :

- CAP FCO
- Low Income Usage Reduction Program (“LIURP”)
- Matching Energy Assistance Fund (“MEAF”)
- Customer Assistance and Referral Evaluation Services (“CARES”)
- Education-Outreach Programs
- External Grant Program Administration (e.g., “LIHEAP”)

## II. NEEDS ASSESSMENT

PECO utilizes data from the U.S. Census Bureau and its Customer Information Management System (“CIMS”) to determine the possible number of low-income customers in its service territory that may qualify for the Company’s Universal Services programs.

<b>PECO Service Territory Poverty Chart</b>		
<b>County</b>	<b>Households &lt; 150% FPL</b> <i>(FPL - Federal Poverty Level)</i>	<b>Households &lt; 200% FPL</b>
Bucks	23,457	36,788
Chester	15,824	24,869
Montgomery	31,635	48,375
Philadelphia	166,599	219,432
Delaware	30,643	43,853
York <sup>1</sup>	850	1,200
<b>Total</b>	<b>269,008</b>	<b>374,517</b>

APPRISE – Applied Public Policy Research Institute for Study and Evaluation conducted analyses using ACS data files from 2014, 2015 and 2016 to determine the numbers in the chart above (*see Memo dated August 7, 2018 from APPRISE to Patricia King in Addendum E*).

Utilizing 2014-2016 ACS (American Community Survey) data, PECO estimates that it has a population of 374,517 households that may be eligible to receive assistance from PECO’s low-income programs including CAP, LIURP, CARES and MEAF. PECO has 269,008 households who may be eligible for CAP.

Not all households in the aforementioned table are direct customers of PECO (*i.e. mass-metered apartment buildings, etc.*). Therefore, the numbers in the aforementioned table overstate PECO’s opportunity for enrollment in its various low-income assistance programs.

With respect to Needs Assessment, PECO has agreed to conduct a language assessment of the residents in its service territory.<sup>2</sup> On the basis of this assessment,

<sup>1</sup> York County – The total approximate population for York County is 170,000 households. PECO has 4,700 customers in York County. The total number of households at or below 150% FPL in York County is about 30,700, or 18%. Of the 4,700 PECO customers in York County, 850 (or 18%) would be CAP Rate eligible. Using this same methodology, 1,200 or 26% households would be 200% FPL.

<sup>2</sup> On August 28, 2018, PECO filed a Joint Petition for Partial Settlement (“Petition”) in its 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164. That Petition memorialized several commitments that PECO made related to serving its low-income customers (see

PECO will distribute results to all relevant parties of the settlement agreement. If required, PECO will develop a plan to address deficiencies and share with key stakeholders.

### **III. PECO's UNIVERSAL SERVICES DEPARTMENT**

PECO has a full staff of experienced Universal Services employees that support the Company's low-income programs. In addition, PECO engages various vendors who assist in the implementation of these programs.

PECO's Universal Services' department consists of a manager, analysts, CARES administrators, contractors and outsourced vendors.

#### **1. CUSTOMER ASSISTANCE PROGRAM: FIXED CREDIT OPTION**

##### **A. Program Description**

"CAP" is an assistance program for PECO's low-income, residential customers whose total household income levels are at or below 150% FPL. PECO identifies CAP customers through a variety of means such as when a customer calls into one of our PECO call centers, at an Outreach event, in our Solution Center at PECO's Main Office Building ("MOB"), or by referrals from various human services agencies and elected official offices.

In October 2016, PECO implemented its current CAP FCO program. This program provides eligible customers with a fixed credit for the year that will result in the customer receiving affordable bills for utility service. The amount of fixed credit is determined separately for each customer's household and is based on the household FPL, Energy Burden ("EB"), and historical usage for the past 12 months.

##### **B. Eligibility Criteria and Program Requirements for CAP**

1. Eligibility Criteria: A customer with a verified, total household gross income at or below 150% of the FPL is eligible for PECO's CAP program. Income verification must be documented through PECO's income verification process. The FCO monthly credit is dependent upon the household FPL and usage.

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Addendum B to this Plan, which contains Appendix C of the Joint Petition of Partial Settlement). Where applicable, in the remainder of this Plan, any rate case commitments will be referenced with a footnote to the settlement agreement.

Most of the provisions have a commencement date of January 1, 2019 and have not yet been approved by the Commission. When they are approved by the Commission, PECO will implement them as part of this Plan.

2. Program requirements: The program components below apply to the CAP FCO program:

- A. Complete a CAP application and provide documented proof of income for all adult household members (*18 years of age or older*)
- B. Provide proof of household income at or below 150% FPL
- C. Report any change in household income to PECO right away
- D. Agree to re-certification every 2 years (*unless PECO receives a LIHEAP grant, then it's every 6 years*)
- E. Provide PECO permission to verify their income with authorized entities including credit reporting bureaus
- F. Participate in energy reduction and conservation programs offered by PECO (*i.e. LIURP*), if identified as high-usage
- G. Provide social security numbers or ITIN for themselves and any member of their household (*optional*)
- H. Identify one premise to apply CAP benefits (*note, a customer cannot enroll multiple premises on CAP*)
- I. Apply for a Low-Income Home Energy Assistance Program (LIHEAP) grant each LIHEAP season (*Note: PECO encourages but does not mandate CAP customers apply for LIHEAP*)
- J. Select PECO as their generation supplier. (*Note: The courts and/or the Commission may change this rule during the term of this 3-Year Plan. If so, PECO will adopt a CAP Shopping program consistent with Court / Commission rules and guidance at that time.*)

3. CAP Application / Enrollment Process: In order to be considered for CAP, a customer is required to complete and sign a CAP application and provide household income verification documentation showing a household FPL of 150% or below. PECO considers income verified when the customer provides proof of income or submits a no-income form for all adult household members (*18 years of age or older*). Acceptable forms of income are listed on the back of the CAP application.

PECO currently receives CAP applications via four communication mediums – U.S. Mail, Fax, Email, and On-Line. PECO also receives CAP applications in person at our Solution Center at PECO’s Main Office Building (MOB). While the majority of CAP applications continue to come to PECO via U.S. Mail. PECO encourages customers to use electronic communication mediums for CAP enrollment, namely E-Mail and On-Line submissions.

Beginning in 2019, PECO will also allow CAP enrollment to be processed by a Community Based Organization (“CBO”).<sup>3</sup> The CBO will complete and send the CAP application and all relevant documents to PECO to process the CAP enrollment. Please see Section E for more information.

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<sup>3</sup> This provision is from the Joint Petition for Partial Settlement in PECO’s 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164; see footnote 1, *supra*.

In order to place a customer in the CAP FCO program, PECO must have information on the customer's actual income (*not merely a range of incomes*) and the customer's household size; neither of those types of information is provided to PECO with a LIHEAP Grant. PECO has therefore concluded that it is not possible to use LIHEAP Grant information to place a customer in the CAP FCO program (*i.e. LIHEAP auto-enrollment*). However, PECO utilizes the list of LIHEAP recipients to identify potential CAP customers. In these instances, PECO mails a CAP application to those customers along with a letter explaining CAP and the benefits of CAP (*i.e. LIHEAP auto-solicitation*).

4. CAP Re-enrollment: PECO customers previously removed from CAP that subsequently submit a completed CAP application (*and are income eligible for CAP*) are re-enrolled in CAP. Customers re-enrolled in CAP are not eligible for additional PPA (*Pre-Program Arrearage*) forgiveness. Customers are not required to pay any past due amounts to re-enroll in CAP.

5. CAP Recertification: CAP customers must re-certify their income eligibility every 2 years unless the customer receives a LIHEAP grant. Customers who receive a LIHEAP grant must recertify every 6 years. Customers are informed of the recertification requirement during the initial intake process.

The recertification process spans ~45 days. It starts ~30 days prior to the recertification date and concludes ~15 days after the recertification date. If re-certification is not completed within ~45 days, the customer may lose the benefits of CAP. Once a customer is removed from CAP, the customer will return to standard rates. The customer is eligible to re-apply for CAP at any time.

When the customer responds to the initial re-certification letter with complete documentation and remains eligible for CAP, they will receive a letter from PECO confirming that the process has been completed. This letter reaffirms Universal Services program requirements and customer obligations.

If the customer responds with incomplete or inadequate information, PECO will notify the customer requesting the missing information.

If there is no response from the customer to the initial re-certification letter, a second letter is sent 15 days later requesting the necessary income information and explaining the risk of being removed from CAP.

If customer gets a LIHEAP grant and is due for recertification:

A CAP customer that is due for re-certification that has received a LIHEAP grant may automatically be validated for recertification if LIHEAP income eligibility was based upon identical or lower income parameters as CAP and if the income verification process of the Department of Human Services (DHS) is acceptable to PECO. The customer could then be

re-certified and may not be required to provide a new, completed CAP application for recertification. This process is referred to as LIHEAP / CAP auto-recertification. Although PECO will allow CAP auto-recertification for customers who received a LIHEAP grant, in order to maintain the integrity of the CAP program, PECO will require a completed CAP application at least every 6 years regardless of LIHEAP status.

If customer does not receive a LIHEAP grant and is due for recertification:

A CAP customer that is due for re-certification that has not received a LIHEAP grant must submit a completed, signed CAP application along with income verification documentation every 2 years.

6. Pre-Program Arrearage: PECO's Pre-Program Arrearage ("PPA") forgiveness (*note: PPA is delinquency incurred before the customer's initial enrollment in CAP*) is a key element of PECO's CAP. PPA is designed to provide the customer with a fresh start and also achieve the goal of improving customer payment behaviors.

CAP customers are entitled to PPA forgiveness only at their initial enrollment in CAP. If a customer is eligible for PPA forgiveness (*i.e., they have not received or benefited from PPA forgiveness in the past*), the customer's total arrearage is set-aside and divided into 12 equal parts. Each month the CAP customer pays their new, affordable CAP bill in full and on time, one-twelfth of their PPA is forgiven.

The intent of PPA forgiveness is to encourage customers to pay their CAP bill on-time every month to establish a positive payment history for the customer enabling them to remain current and out of the collection process.

Customers who benefited from PPA forgiveness as an adult household member at another address may not be eligible for PPA forgiveness at a new address.

PECO allows for CAP customers who may have missed a PPA forgiveness due to late or missed payments to "catch-up" on missed "forgivenesses." Whenever a customer brings their bill current, PECO will forgive any missed forgivenesses the customer did not receive during that time.

7. Portability: Both CAP and PPA programs port, as noted below.

CAP Portability – PECO's CAP program is portable and moves from one premise to another premise within PECO's service territory as long as the direct transfer of service occurs within a 60-day window from the date the service was disconnected at the previous address, and the date the service was connected at the current address.

PPA Portability – If a CAP customer moves from one premise to another, previously unforgiven PPA will be transferred to the customer's new address and the

customer will continue to be eligible for forgiveness as long as the customer remains CAP eligible.

8. Arrearages: Every PECO customer (*including CAP customers*), are subject to PECO's credit and collection policies, up to and including termination of service.

CAP customers are only eligible for payment arrangements under the following circumstances:

1. CAP Re-enrollment (*i.e. off CAP for more than 12 months*)
2. LIHEAP Crisis Grant (*subject to annual PECO LIHEAP Crisis grant rules*)
3. Protection from Abuse (*PFA*)
4. Budget Billing Settlement (*BB*)
5. Reduced Restoration (*only if less than 2 broken payment agreements (Note: PPA and InPA are CAP agreement types)*)

CAP Rate customers who were converted to the new CAP FCO in October 2016 were afforded a one-time, "In-Program Arrearage Forgiveness" ("InPA Forgiveness"). In October 2016, if a customer developed an arrearage since joining the CAP program – known as an "in-program arrearage," PECO provided a special arrangement that allows the customer to pay 1/3 of that arrearage amount and have the remaining 2/3 forgiven. This program was approved by the Commission in early 2015 in PECO's last base rate case proceeding. The details of the "In-Program Arrearage Forgiveness" program are included in Addendum D to this Plan. Once a customer is enrolled in the InPA program, the customer will continue to be eligible to receive InPA arrearage forgiveness through the 60-month term of the InPA program, even if the customer is moved to a non-CAP rate, provided the customer is not moved to a non-CAP rate due to fraud, theft of service, or other misappropriation of service. CAP customers are not eligible for payment arrangements beyond the initial "In-Program Arrearage Forgiveness Agreement." If a customer's account is finalized, and the customer comes back to PECO within the length of the original InPA installment plan (which is a maximum of 60 months from the time of CAP FCO go-live which was October 14, 2016), that customer's InPA will automatically reinstate.

9. CAP Restoration Requirements: CAP customers can have their service restored if they pay their past due balance. PECO will also restore CAP customers if they provide a valid medical certificate or Protection From Abuse (PFA) order. Additionally, CAP eligible customers who have never been on CAP may have their service restored and will be enrolled in CAP after service restoration. Their prior arrearages would go into PPA (*Pre-Program Arrearage Forgiveness*). Existing CAP customers are required to pay the restoration requirements defined in 52 Pa. Code § 56.191(c)(2) (herein Chapter 56).

10. Dismissal from CAP: Customers may be dismissed by PECO from CAP for the following reasons: over income guidelines, failure to meet program requirements,

failure to accept program services, failure to participate in a LIURP audit, failure to complete the recertification process, fraud, theft of service, or other misappropriations of service.

11. Policies for Fraud, Theft of Service and Other Misappropriations of Service: PECO views theft of service as a serious public safety issue. In cases of theft of service, the customer is placing both his/her household as well as the community at large in an unsafe condition. For this reason, PECO will not tolerate theft of service.

PECO will conduct an investigation of any CAP account if PECO becomes aware of potential fraud, theft of service or other misappropriations of service.

Action may be taken to review CAP applications for potential fraud or misrepresentation of information (*e.g., investigate inconsistent household / demographic information provided during the application process, theft of service, "name-game", etc.*).

As part of PECO's standard revenue protection practices, customer information may be analyzed for potential fraud. The investigation may include a credit check and a probe into how the customer pays for basic living expenses. When PECO's investigation includes the use of credit report information, PECO will provide the customer with adverse action notification in accordance with the FCRA.

Fraud includes, but is not limited to, misrepresentation of the customer's identity for the purpose of obtaining utility service or CAP benefits, misrepresentation of income or occupant information, tampering with PECO's equipment or otherwise obtaining electric and/or gas service illegally.

PECO will follow its normal practices for investigation of fraud, theft of service, and other misappropriations of service which may result in some or all of the following; back billing, removal from CAP and termination of service.

Once an account is removed from CAP for fraud, theft of service, or other misappropriations of service, the customer will not be eligible to receive CAP benefits for one full year from the date of removal. Customers may also be held liable for some or all of the following including account arrearages (*forgiven or not forgiven*), pre-program arrearages, In-Program Arrearage Forgiveness (*i.e. one-time forgiveness program during the implementation of CAP FCO in October 2016*), and related account collection fees.

12. Enrollment Limits: There is currently no enrollment limit for CAP.

### **C. Projected Enrollment Levels**

The past 3 years have seen a CAP enrollment decline. PECO has implemented several initiatives to combat the decline. Initiatives implemented include targeted outreach as well as calling campaigns to various categories of customers. PECO will continue to monitor and address CAP enrollment levels.

To reflect the current forecast, PECO's anticipated CAP enrollment levels for the calendar years covering this 6-Year Plan are as follows:

2019	111,000 customers
2020	112,000 customers
2021	113,000 customers
2022	114,000 customers
2023	115,000 customers
2024	116,000 customers

### **D. CAP Program Budget**

See Section VI Budget.

### **E. Plans to use Community Based Organizations**

PECO will continue to partner with Community-Based Organizations ("CBOs") to promote its Universal Services' CAP program.

PECO will accept certification by a CBO as confirmation of customer annual household gross income for purposes of CAP enrollment and verification of confirmed income status, contingent upon the following:

- a. The CBO must be an attendee of PECO's Universal Services Advisory Committee meetings or otherwise demonstrate to PECO's satisfaction that it is qualified to perform income certification;
- b. PECO and the CBO must reach agreement, through arms-length negotiations, regarding the scope of work to be performed by the CBO and cost reimbursement from PECO to the CBO (such agreement to include the right for PECO to audit and/or terminate for quality control purposes); and
- c. PECO will be allowed to recover all funds paid to CBO's for this function, on a dollar-for-dollar basis through its period USFC filings without offsets for working capital (5%) or receivables (22%).

### **F. Explanation of any differences between this plan and previous 3-Year plan**

- Changed LIHEAP recertification requirement to 6 years vs. 3 years, meaning a customer would have to provide a completed CAP application every 6 year regardless of LIHEAP grant status.

- Added CAP payment agreement types under #8 – Arrearages
- Added the following CAP program requirements for CAP:
  - Adult is a household member 18 year of age or older
  - Added ITIN in addition to Social Security Number (*optional*)
- Updated CAP enrollment forecast

## **2. LOW INCOME USAGE REDUCTION PROGRAM (“LIURP”)**

### **A. Program Description**

LIURP is a usage reduction program for low income, residential customers with household gross income at or below 200% of the FPL and high usage as defined under LIURP eligibility criteria under section B – LIURP Eligibility Criteria.

LIURP assistance includes direct weatherization and conservation measures as well as in-home education that promote usage reduction for the customer. PECO will also refer LIURP participants to CAP, LIHEAP, MEAF and other appropriate low-income programs.

PECO made the following changes to its LIURP program:

- Beginning October 2017, for a period of three years, PECO increased its current annual electric LIURP budget by \$700,000 per year for the purpose of implementing measures under a pilot program for Defacto Heating customers.<sup>4</sup>
- Beginning October 2017, for a period of three years, PECO increased its current annual LIURP budget by \$1,000,000 per year for the purpose of additional LIURP services which may or may not be additional Defacto Heating services as PECO sees fit.
- Beginning January 2019, PECO will increase its annual LIURP budget by \$1,000,000. These incremental LIURP funds may be used to resolve related health and safety issues as well as structural issues that would otherwise prohibit or hamper LIURP measures in the home. PECO will use its best efforts to spend these incremental LIURP funds.

#### **LIURP Health and Safety Allowances:**

PECO's LIURP values the health and safety of our participants and service providers. Our comprehensive approach to client health and safety includes lifesaving devices such as smoke detectors and carbon monoxide alarms, which are installed on-site during the initial audit. Our auditors perform an in-depth visual inspection of the building, along with diagnostic testing such as combustion analysis, zonal pressure diagnostics, and infrared thermography where applicable.

The customer is always informed of any hazards found during this inspection, including but not limited to: gross moisture problems, visible mold growth, friable

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<sup>4</sup> De facto heating refers to the situation (for Rate R customers), where a customer's residence is normally heated by a source other than electricity, but where the customer is actually heating with electricity (usually space heaters) because the other-fuel heating is not available. This can be due to a broken gas or oil furnace; it can also be due to inability to pay gas or oil bills, resulting in termination of that service. In such situations, the customer often heats their home using inefficient electric space heaters, increasing their electric bills.

asbestos, potential carbon monoxide sources, and other real or potential indoor air quality (IAQ) concerns.

Carbon monoxide and other combustion appliance hazards are remedied through service or replacement as needed. Space heaters are addressed through client education in every house where they are found. We refer clients to other programs for assistance with hazards that are beyond the scope of LIURP, such as electrical problems, structural damage to the property, or heating system malfunctions that our program is unable to address.

#### LIURP Contractors:

PECO has vendors who have contractual responsibility for managing all subcontractors for PECO's LIURP program. PECO requires that the primary vendor as well as all subcontractors including Energy Auditors, Field Supervisors, Inspectors, Plumbers, Electricians, etc. are certified in their particular craft(s) and hold and maintain professional licenses, certifications and BPI certification.

#### LIURP Quality Controls:

PECO's LIURP vendor is required to inspect all heating audits and 5% of all base-load audits once all identified measures have been installed and completed. Both energy auditors and sub-contractors have on-site and in-progress supervision and inspections.

The LIURP Customer Call Center conducts real-time observations of telephone calls in addition to having floor supervision which provides support to LIURP Customer Service Representatives (CSR's) during communication with customers.

PECO's LIURP Quality Control activities focus on customer and contractor safety, quality workmanship, customer satisfaction, and adherence to LIURP guidelines and OSHA standards.

### **B. LIURP Eligibility Criteria**

Low-income residential customers whose household incomes are at or below 200% FPL and deemed high usage as defined in the paragraph below are eligible for LIURP. Special consideration is given to CAP households.

LIURP applicants must have household monthly average usage levels that exceed 600 kWh per month for electric base load, or exceed 1,400 kWh per month for electric heat, or exceed 50 Ccf per month for gas heat. CAP customers with monthly average usage at or above 500 kWh per month for electric base load are also eligible for LIURP.

LIURP is required for CAP customers who are deemed high users. CAP customers who refuse a LIURP audit will be removed from CAP after a series of communications including letters and phone calls. Customers who are removed from CAP for failure to submit to a LIURP audit can be re-enrolled in CAP as soon as they allow PECO to conduct a LIURP audit on their home as well as any follow-up remediation installs identified during the LIURP audit. If the installation takes more than 30 days and the customer is not responsible for the delay, PECO will re-enroll the customer in CAP. If the customer does not allow PECO to do the install at a later date when the equipment becomes available, the customer will be removed from CAP again.

PECO's LIURP program is available to eligible residential customers any month of the calendar year. There is no restriction on receiving services during the non-heating season.

### **C. Projected Enrollment Levels**

The number of customers who receive LIURP services is determined annually. The projected enrollment levels are based on the average cost per audit serviced in the current program year plus anticipated cost increases. The average cost per audit is applied to the annual program budget less anticipated administrative costs to determine the projected enrollment levels for the upcoming program year.

PECO anticipates the LIURP program will serve a consistent number of customers in the next three years. For the preceding three years, PECO's LIURP Program serviced an average of 9,000 customers per year. *(Note: The number of audits could decrease as the cost of measures increase).*

### **D. LIURP Program Budget**

The anticipated LIURP program budget for each program year of this 3-Year Plan is \$7,850,000. The budget for the electric LIURP program is \$5,600,000. The budget for the gas LIURP program is \$2,250,000. The administrative costs will not exceed the standards set in Chapter 58, Residential Low-Income Usage Reduction Program and our LIURP commitment in the Commission approved settlement agreement.

Per the CAP settlement agreement of 2015, the LIURP budget increased by \$700,000 for a period of three years beginning in October 2017 for the purpose of treating Defacto heating conditions. The LIURP budget increased by \$1,000,000 for a period of three years beginning in October 2017 for the purpose of additional LIURP measures.

The LIURP budget will increase by \$1,000,000 per year commencing January 2019 for LIURP Health and Safety measures.<sup>5</sup> These incremental LIURP funds may be used to resolve related safety/health issues and structural issues that would otherwise

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<sup>5</sup> This provision is from the Joint Petition for Partial Settlement in PECO's 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164; see footnote 1, *supra*.

prohibit or hamper LIURP measures in the home. PECO will initially target these funds to customers who exceed the applicable CAP credit maximum after the increase in the CAP credit maximums is implemented. PECO will evaluate each such residence and determine whether: (1) performing LIURP work would require safety/health/structural work, and (2) performing such safety/health/structural work is appropriate to allow LIURP measures to be implemented. PECO will retain discretion of whether to expend LIURP funds at any such residence.

**E. Plans to Use Community-Based Organizations**

The Company does not propose to utilize community-based organizations in the delivery of LIURP services.

**F. Explanation of any Differences Between This Plan and Previous 3 Year Plan**

- Removed anticipated population numbers
- Added additional \$1,000,000 per 2018 Rate Case to total LIURP budget

### 3. **MATCHING ENERGY ASSISTANCE FUND (“MEAF”)**

The information provided in this section reflects the current procedures and policies for the administration of MEAF.

#### **A. Program Description**

MEAF is PECO’s hardship fund program. There are two components: MEAF contributors and MEAF grants.

- **Contributors** – Customers or interested parties can pledge donations through monthly bill payments or the PECO website ([www.peco.com](http://www.peco.com)). Donations can be either one-time or recurring, which can be added to the customer’s bill on a monthly basis. Funds are made available by contributions to eligible residential customers.
- **Grants** – Residential customers whose income is at or below 175% of the FPL; that have not received a MEAF grant in the past 24 months; that are in imminent danger of service termination or their services have been terminated; and that can bring their balance to zero are eligible for a MEAF grant.

The maximum MEAF grant is five hundred dollars (\$500) per commodity. The grant must eliminate the total amount due, excluding pre-program arrearage (PPA). If the grant amount does not bring the bill to zero, the customer will be required to make a payment and/or solicit other third-party grants to satisfy the remaining total amount due before receiving the MEAF grant.

PECO will continue its MEAF fundraising by utilizing MEAF bill inserts as a vehicle for customer outreach and contribution solicitation. In addition, customers can contribute to MEAF via a check off box on their bill stub.

PECO has established a MEAF intake site in 5 counties within its service territory. The list of MEAF agency intake sites is found in Addendum A.

#### **B. Eligibility Criteria**

A residential customer must meet all of the following criteria for MEAF eligibility:

- Income at or below 175% FPL
- Hardship (*i.e. service is in imminent danger of termination or has been terminated*)
- Reside within the county where they are applying for a MEAF grant
- Not received a MEAF grant in the past 24 months and,
- Must bring account balance to zero – this requirement can be met via a combination of MEAF grant, customer co-payments and/or other grants

**C. Projected Enrollment Levels**

Over the past 3 years, an average of 1,000 customers a year have benefited from a MEAF grant. Due to the unpredictability of customer donations and additional amounts from fundraising efforts, PECO has not estimated enrollment levels for the three-year period of 2019-2021; however, ~1,000 customers helped is a reasonable planning estimate.

**D. MEAF Program Budget**

See Section VI - Budget

**E. Plans To Use Community-Based Organizations**

PECO uses non-profit, MEAF affiliated CBOs to administer MEAF. The agencies are members of the Universal Service Advisory Committee. See Addendum A of this Plan for current MEAF agency listings

**F. Explanation of any Differences Between This Plan and Previous 3 Year Plan**

➤ None.

#### **4. CUSTOMER ASSISTANCE AND REFERRAL EVALUATION SERVICES PROGRAM (“CARES”)**

##### **A. Program Description**

PECO’ CARES program is a referral and information service designed to assist low-income customers with special needs and/or extenuating circumstances that hinders their ability to pay their utility bill. Eligible customers may receive temporary protection from termination of service and specific education and referral information for energy and non-energy related assistance. CARES services will continue in conjunction with PECO’s Universal Services programs.

The goal of the CARES component of Universal Services is to educate and inform PECO customers of available resources such as, energy and non-energy assistance, budget counseling and housing assistance. The purpose of CARES services is to maximize the ability of customers to pay their energy bills.

There are two components to PECO’s CARES program. The first component is an extensive referral network of community organizations, government agencies, and social service agencies that assists low-income customers. The second component is an in-house assistance program that includes Universal Services’ CARES administrators. CARES administrators assist customers on a personal basis with the identification of grant assistance and direct referrals. CARES administrators work with individual customers to ensure the customer receives the assistance they are eligible for based upon their income and circumstances and provide direct follow-up to the customer as appropriate. Follow-up may be conducted with the agency accepting the CARES referral.

##### **B. Eligibility Criteria**

Customers who are low-income (*200% FPL or below*), and have special needs, and/or extenuating circumstances.

##### **C. Projected Enrollment Levels**

Special needs and/or extenuating circumstances are difficult to forecast. PECO has provided CARES services to an average of 2,500 customers a year historically via direct CARES referrals and believes this serves as our best estimate for the potential eligible population during this 6 year plan period.

##### **D. CARES Program Budget**

See Section VI - Budget

**E. Plans to Use Community-Based Organizations**

PECO will continue to use the services and referrals from community-based organizations to assist in the enrollment of low-income residential customers into the CARES program. See Addendum A of this Plan for a list of agency referrals.

**F. Explanation of any Differences Between This Plan and Previous 3 Year Plan**

➤ None

## **5. UNIVERSAL SERVICES OUTREACH AND EDUCATION PROGRAM**

### **A. Program Description**

PECO's Universal Services' Outreach and Education program has been enhanced to communicate directly and indirectly to all customers in its service territory. It has been designed to create a consistent and broader awareness of program benefits, provide tools for a streamlined and complete enrollment process, and maintain PECO's relationship within its customers as a community partner. PECO utilizes several methods for outreach including solicitation and direct enrollment when performing the following:

- LIURP recipients are referred directly to other Universal Services programs for evaluation;
- MEAF recipients are referred to MEAF agencies; and
- Universal Services' website provides a description and contact information for CAP, LIURP, MEAF, LIHEAP and CARES. The website also provides a printable CAP application and on-line CAP enrollment.

PECO conducts two types of outreach events:

- 1) Training – PECO provides train-the-trainer sessions to educate service providers and staff members of community organizations and health providers such as Neighborhood Energy Centers (“NECs”), Community Based Organizations (“CBOs”), and legal service organizations.
- 2) Direct Customer Outreach – PECO conducts outreach in the communities within PECO's service territories to increase customer's awareness of and access to its low-income programs. In some cases, at these events, PECO representatives will provide assistance with LIHEAP and CAP applications.

## 6. EXTERNAL GRANT PROGRAM (E.G. LIHEAP)

PECO supports the Federal grant program called “LIHEAP” – Low Income Home Energy Assistance Program:

There are three components to LIHEAP: Cash, Crisis, and weatherization assistance. Recipients can allocate their LIHEAP payment to any primary or secondary heating utility or deliverable fuel company that serves them. The Cash program provides a direct payment to a vendor, such as PECO. The Crisis program allocates funding for emergencies including purchasing home heating fuel, preventing service from termination, or reinstating service that has been terminated for non-payment. The entire LIHEAP grant payment (Cash or Crisis) is applied directly to the customer’s account. The weatherization program provides funding for winter emergencies including repairing leaking pipes and broken furnaces. Funding for the LIHEAP program is appropriated by Congress under the Labor/Health and Human Services Appropriations Bill. The federal funding (*and any state funding*) is subject to change each year. In Pennsylvania, this program is administered by the Department of Human Services (“DHS”).

### Program Characteristics:

- Grants are based on household size and income, type of fuel used and geographical region.
- Late payment charges are suspended, and reconnection fees are waived on LIHEAP recipient’s accounts from the time the grant is received until the end of the LIHEAP season per the annual LIHEAP State Plan.
- PECO will continue to review the size of LIHEAP grants annually in order to establish a maximum threshold for acceptance of LIHEAP Crisis grants. The ceiling will be established annually in order to give customers the best opportunity for success moving forward.
- PECO conducts a Winter Survey each year which identifies customers that were terminated and not restored in the given year. PECO then reaches out to those customers to confirm the property is occupied, in an effort to have these customers apply for LIHEAP Cash and Crisis grants to have their service restored.
- To help low-income customers maintain active service, with the approval of DHS, every February, PECO conducts an “Expedited mailing” to customers that have been identified as being Crisis eligible. The mailing will include a termination notice with a termination date of April 1<sup>st</sup>. The termination notice is required for a LIHEAP Crisis grant. The mailing will also include a letter informing the customer they are LIHEAP Crisis eligible and how to apply for a LIHEAP Crisis grant. In the explanation letter, customers are asked to call PECO’s LIHEAP Hotline for more information.
- LIHEAP grants are posted to customer accounts in the following order:
  - past due balance
  - current charges
  - credit to account

## IV. COLLECTION STRATEGY

PECO's collection strategy for CAP customers is not materially different from its standard collection strategy and procedure. PECO's strategy is to begin collection action as soon as a customer becomes past due to enable the customer to bring the account current as soon as possible so that he/she will not be placed in a catch-up situation that is more difficult to manage. A CAP customer who does not pay his/her PECO bill will be subject to termination for non-payment.

PECO will treat all CAP customers requesting medical certificates the same as non-CAP residential customers per Chapter 56.

If a customer pays more than the amount due in a given billing period, or otherwise has a credit balance at the end of their billing period, the credit balance will be carried forward to the next month's bill. The credit balance amount will then be applied against the next month's bill, using the Company's payment priority posting rules.

PECO maintains the same collection rules for CAP customers as non-CAP customers, however, Chapter 56 offers the following provisions for CAP customers:

- A deposit will not be charged for customers eligible for CAP. However, a deposit will be charged regardless of income level in the case of a post-bankruptcy account, in accordance with 11 U.S.C. Section 366. PECO will educate post-bankruptcy low-income customers about the availability of temporary service for no more than 20 days post-petition without a security deposit before initiating the termination process
  - If PECO confirms that any low-income customer has paid or been assessed a deposit, it will promptly have the deposit credited back to the customer's account.<sup>6</sup>
- Service will not be terminated for verified low-income customers (250% FPL or below) during the winter period (December 1<sup>st</sup> – April 1<sup>st</sup>) per chapter 14 section 1406 (E)<sup>7</sup>

In addition, PECO offers payment agreements<sup>8</sup> for CAP customers under the following circumstances:

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<sup>6</sup> This provision is from the Joint Petition for Partial Settlement in PECO's 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164; see footnote 1, *supra*.

<sup>7</sup> PECO's Electric Service Tariff Rule 18.1 sets forth PECO's procedures for verifying the income status of customers for winter termination purposes. On May 16, 2018, in Docket No. M-2018-2531404, PECO agreed to revise and provide additional detail with respect to its procedures for determining low income status for winter termination. The Commission has not yet ruled on that filing; when it does, PECO will modify its winter termination procedures and insert a tariff provision consistent with the Commission's Order. This issue was also referenced in a provision in the Joint Petition for Partial Settlement in PECO's 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164; see footnote 1, *supra*.

- CAP Re-Enrollment (off CAP for more than 12 months)
- LIHEAP Crisis Grant
- Budget Billing Settlement
- Protection from Abuse Order (PFA)
- Reduced Restoration (less than 2 defaulted payment agreements – PPA and InPA both count towards this requirement. *(Note: since customers should not have 2 concurrent agreements, all CAP customers who have an active InPA are not eligible for Reduced Restoration)*)

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<sup>8</sup> When a low-income customer enters into a payment agreement, PECO will inform them of the availability of budget billing. This provision is from the Joint Petition for Partial Settlement in PECO's 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164; *see* footnote 1, *supra*.

## **V. COST RECOVERY**

The Commission has proposed that utilities' Three-Year Plan filings should incorporate a utility's CAP rules into its tariff and that the cost recovery mechanisms for its low-income programs should be included in the Three-Year Plan filing.

PECO's CAP program rules are materially incorporated in its existing CAP Tariffs, which have been previously approved by the Commission.

As to cost recovery, PECO's CARES costs, LIHEAP administrative costs and MEAF administrative costs are included in its existing base rates. MEAF matching contributions are funded by shareholders and cost recovery is not obtained.

For electric, PECO's CAP costs are recovered through base rates. Adjustments to that amount up or down will be implemented through its Electric USFC.

For natural gas, PECO's CAP costs are recovered through its base rates. Adjustments to that amount, up or down, will be implemented through its gas USFC.

## VI. BUDGET

Universal Services Cost Description	2019 Projected Costs	2020 Projected Costs	2021 Projected Costs	2022 Projected Costs	2023 Projected Costs	2024 Projected Costs
<b>by Expense Type:</b>						
Internal staffing and related expenses	\$1,355,891	\$1,378,246	\$1,425,665	\$1,461,307	\$1,497,839	\$1,535,285
Outreach and Advertising	\$328,000	\$336,201	\$344,598	\$353,213	\$362,043	\$371,094
Company MEAF contribution <sup>1</sup>	\$276,750	\$283,662	\$290,754	\$298,023	\$305,473	\$313,110
Consumer Education	\$11,275	\$11,557	\$11,846	\$12,142	\$12,446	\$12,757
Contractor Costs	\$14,540,599	\$14,131,020	\$12,970,078	\$13,294,330	\$13,626,688	\$13,967,355
<b>Total expense</b>	<b>\$16,512,515</b>	<b>\$16,140,686</b>	<b>\$15,042,941</b>	<b>\$15,419,015</b>	<b>\$15,804,490</b>	<b>\$16,199,602</b>
<b>by Program Type:</b>						
CAP	\$2,851,597	\$2,973,855	\$3,050,362	\$3,126,621	\$3,204,786	\$3,284,906
CARES	\$412,133	\$419,149	\$433,318	\$444,151	\$455,255	\$466,636
LIHEAP	\$1,103,605	\$1,129,707	\$1,159,599	\$1,188,589	\$1,218,304	\$1,248,761
LIURP	\$10,652,436	\$10,229,426	\$8,972,900	\$9,197,222	\$9,427,153	\$9,662,831
MEAF <sup>1</sup>	\$791,186	\$809,477	\$831,368	\$852,152	\$873,456	\$895,292
OUTREACH	\$263,774	\$268,720	\$277,287	\$284,219	\$291,324	\$298,607
OTHER	\$437,785	\$310,353	\$318,108	\$326,061	\$334,212	\$342,568
<b>Total expense</b>	<b>\$16,512,515</b>	<b>\$16,140,686</b>	<b>\$15,042,941</b>	<b>\$15,419,015</b>	<b>\$15,804,490</b>	<b>\$16,199,602</b>
<b>Total CAP Rates Costs:</b>						
CAP Operations expense (from above)	\$2,851,597	\$2,973,855	\$3,050,362	\$3,126,621	\$3,204,786	\$3,284,906
PPA Set-Aside <sup>2</sup>	\$7,200,000	\$7,300,000	\$7,400,000	\$7,600,000	\$7,900,000	\$8,200,000
CAP Credits (Shortfall)	\$60,000,000	\$60,000,000	\$60,600,000	\$61,206,000	\$61,818,060	\$62,436,241
<b>Total expense</b>	<b>\$70,051,597</b>	<b>\$70,273,855</b>	<b>\$71,050,362</b>	<b>\$71,932,621</b>	<b>\$72,922,846</b>	<b>\$73,921,147</b>

<sup>1</sup> PECO's MEAF Company Matching Contribution, currently averaging at \$250k per year, is not included in base rates or the USFC and is funded by the corporation.

<sup>2</sup> When dollars are designated to be set aside as CAP pre-program arrearage ("PPA"), PECO accounts for those dollars as fully uncollectible. The full amount of the PPA is thus accounted for as a program cost.

Note: All Universal Service expense, excluding the MEAF company match, are recoverable either through base rates or the USFC. The USFC is a mechanism to adjust the CAP shortfall amount established in the base rate case for the actual shortfall. All other Universal Service costs are recovered through base rates and are not subject to an annual adjustment.

## **VII. USE OF COMMUNITY BASED ORGANIZATIONS**

PECO continually seeks community partners that provide opportunities and access to resources that offer the assistance that our customers may need. The Company maintains relationships with the following community-based organizations (CBOs):

- Utility Emergency Services Fund (UESF) – Philadelphia County
- Community Action Agency of Delaware County – Delaware County
- Montgomery County Community Action Agency Development Commission –  
Montgomery County
- Bucks County Opportunity Council Inc. – Bucks County
- Mason Dixon Cares – York County

PECO continuously works with several other CBOs throughout PECO's service territory to develop an ongoing relationship to provide referral services such as job/skill training, budget counseling and to conduct education workshops.

See Addendum A for Key CBOs as of 10/31/18.

## ADDENDUM A

### Community Based Organizations (CBOs)

**PECO uses the following County Fuel Fund Agencies to administer its Matching Energy Assistance Fund (MEAF).**

<p><b>Bucks County</b></p>	<p><b>PROJECT HEAT - Bucks County Opportunity Council, Inc</b>          100 Doyle Street          Doylestown, PA 18901</p> <p>Phone: 215-345-8175          Fax: 215-345-8573  <a href="http://www.bcoc.org/">http://www.bcoc.org/</a></p>
<p><b>Chester County</b></p>	<p>Torres Credit Services, Inc.          P.O. Box 89          Carlisle, Pa 17103</p> <p>Phone: 1-800-403-6806</p>
<p><b>Delaware County</b></p>	<p><b>DELCO SHARES ITS WARMTH - Community Action Agency of Delaware County, Inc</b>          1414 Meetinghouse Road          Upper Chichester, PA 19061</p> <p>Phone: 610-874-8451          Fax: 610-874-8476  <a href="http://www.caadc.org/">http://www.caadc.org/</a></p>
<p><b>Montgomery County</b></p>	<p><b>PROJECT REACH - Community Action Development Commission</b>          113 East Main Street          Norristown, PA 19401</p> <p>Phone: 610-277-6363          Fax: 610-277-2123  <a href="http://www.cadcom.org/">http://www.cadcom.org/</a></p>
<p><b>Philadelphia County</b></p>	<p><b>Utility Emergency Services Fund</b>          1608 Walnut Street, Suite 600          Philadelphia, PA 19103</p> <p>Phone: 215-814-6847          Fax: 215-972-5174/5175  <a href="http://www.uesfacts.org/">http://www.uesfacts.org/</a></p>
<p><b>York County</b></p>	<p><b>Mason-Dixon Community Services, Inc.</b>          5 Pendyrus Street, Suite 2          Delta, PA 17314</p> <p>Phone: 717-456-5559          Fax: 717-456-6508  <a href="http://www.mason-dixon.org/">http://www.mason-dixon.org/</a></p>

## **Neighborhood Energy Centers**

ACHEIVEability – 215-748-8838

Center in the Park – 215 848-7722

Congreso de Latinos Unidos, Inc. – 215-763-8870

Diversified Community Services (Dixon House) – 215 336-3511

Germantown Ave. Crisis Ministry – 215-843-2340

Greater Philadelphia Asian Social Service (GPASS) – 215 456-1662

HACE – 215-426-8025

Hunting Park NAC – 215-225-5560

New Kensington CDC – 215-427-0350

Nicetown CDC – 215 329-1824

Southwest CDC – 215 729-0800

Strawberry Mansion NAC – 215 235-7505

United Communities – 215 467-8700

We Never Say Never – 215 452-0440

PECO continually seeks community-based organizations (CBOs) that provide opportunities and access to resources that offer assistance to our low-income, residential customers. Through direct outreach, PECO seeks to leverage customer assistance throughout our service territory. PECO continues to provide advocacy for federal funding when available.

*Note: Contact information for the aforementioned CBOs, inclusive of PECO's MEAF agencies, can change during the years governing this 3-Year Plan.*

## ADDENDUM B

### 2018 Rate Case Settlement Petition: Appendix C from *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164

#### Residential and Low-Income Customer Issues

Items 1-5 will have a commencement date of January 1, 2019. Dates for items 6-7 are discussed in the text of those items.

#### 1. CAP Enrollment

PECO will accept certification by a Community-Based Organization (“CBO”) as confirmation of customer annual household gross income for purposes of CAP enrollment and verification of confirmed income status, contingent upon the following:

- (a) The CBO must be an attendee of PECO’s Universal Services Advisory Committee meetings or otherwise demonstrate to PECO’s satisfaction that it is qualified to perform income certification;
- (b) PECO and the CBO must reach agreement, through arms-length negotiations, regarding the scope of work to be performed by the CBO and cost reimbursement from PECO to the CBO (such agreement to include the right for PECO to audit and/or terminate for quality control purposes); and
- (c) PECO will be allowed to recover all funds paid to CBO’s for this function, on a dollar-for dollar basis through its period USFC filings *without offsets* for working capital (5%) or receivables (22%).

PECO will actively solicit at least twice per year, for purposes of CAP enrollment, through mailings and outbound calls all confirmed low income customers with existing debt to PECO who are not currently enrolled in CAP.

Within 6 months of the effective date of rates, PECO will revise its termination notice to state: “You may be eligible for a payment agreement or special assistance programs, which may stop the termination of your service. Call 1-888-480-1533 right away to determine if you are eligible for a payment agreement or assistance, dispute your bill or to provide us with household income or occupant information.” PECO will submit the revised tariff language to the Commission’s Bureau of Consumer Services and, subject to BCS consent, will change its termination notice as per above.

**2. CAP Credit Maximum**

(a) PECO will increase the CAP Credit Maximum by \$200 per customer, as follows

	<b>PECO Annual Maximum CAP Credits - Rate R</b>	<b>New PECO Maximum Rate R</b>	<b>PECO Annual Maximum CAP Credits - Rate RH</b>	<b>New PECO Maximum Rate RH</b>
0-50% FPL	\$2,048	$[\$2,048 * (1 + \% \text{age rate increase})] + \$200$	\$2,922	$[\$2,922 * (1 + \% \text{age rate increase})] + \$200$
51-100% FPL	\$1,389	$[\$1,389 * (1 + \% \text{age rate increase})] + \$200$	\$1,881	$[\$1,881 * (1 + \% \text{age rate increase})] + \$200$
101-150% FPL	\$1,241	$[\$1,241 * (1 + \% \text{age rate increase})] + \$200$	\$1,661	$[\$1,661 * (1 + \% \text{age rate increase})] + \$200$

(b) The increased discounts will be recovered as marginal costs of providing the CAP discount, with recovery through the USFC, *with offsets* for working capital (5%) or receivables (22%)

**3. LIURP Spend**

PECO will increase its LIURP budget by \$1 million per year. In its next base rate proceeding, PECO may propose a LIURP budget that does not include this additional \$1 million per year. The additional \$1 million LIURP budget amount shall be in addition to PECO’s existing LIURP budget, including the \$1 million dollars of additional LIURP spending that was agreed to in the FCO Settlement at Paragraph C.1, and is subject to the following conditions:

(a) These incremental LIURP funds may be used to resolve related safety/health issues and structural issues that would otherwise prohibit or hamper LIURP measures in the home.

(b) PECO will initially target these funds to customers who exceed the applicable CAP Credit Maximum after the increase in the CAP Credit Maximums is implemented. PECO

will evaluate each such residence and determine whether: (1) performing LIURP work would require safety/health/structural work, and (2) performing such safety/health/structural work is appropriate to allow LIURP measures to be implemented. PECO shall retain discretion of whether to expend LIURP funds at any such residence;

(c) PECO is shall use its best efforts to spend these incremental LIURP funds; and

(d) For LIURP funds that are spent, PECO will recover those funds through the USFC, *without offsets* for working capital (5%) or receivables (22%).

(e) Nothing here shall restrict the parties' rights to make any LIURP budget proposals in future PUC proceedings initiated after January 1, 2019.

#### **4. Winter Termination**

PECO has informed the Parties that it reached a Settlement with the prosecutorial division of I&E in Docket No. M-2018-2531404 addressing winter termination issues. As part of that Settlement, PECO has agreed to make tariff modifications to its winter termination provisions within 60 days of approval of that Settlement.

In this proceeding the OCA has raised issues concerning the determination of low-income status for the purpose of winter terminations. As resolution of the issues in this proceeding, PECO agrees to:

(a) include in its planned Tariff filing in Docket No. M-2018-2531404 at least the following provisions:

- Adopt language that mirrors the language of Columbia Gas and/or the FirstEnergy companies providing greater flexibility in the documentation that will be accepted to establish income eligibility
- Allow income verification from CBOs
- Adopt language providing that any customer identified as confirmed low-income in the Company's records in the prior four years shall not be required to re-certify or re-verify income to gain the protections of the winter shutoff protections
- Adopt language providing that any customer having established income eligibility for cold weather protections within at least the 12 months preceding the start of the cold weather season shall not be required to re-certify or re-verify their income for that heating season
- Adopt language providing that income eligibility for the cold weather protections may be established using 30-day annualized income rather than being based solely on an annual income.

(b) The parties reserve their rights to address the provisions of the Settlement in Docket M-2018-2531404 and final proposed tariff that PECO may submit in that docket.

## **5. Budget Billing**

When a low-income customer is entering into a Deferred Payment Arrangement (“DPA”), PECO will inform them of the availability of budget billing, but will not require the customer to enroll in budget billing as a condition of obtaining the DPA. PECO will seek input from its Universal Service Advisory Committee about how to inform customers about the benefits of budget billing and deferred payment arrangements.

## **6. Security Deposits**

(a) PECO confirms that it has returned or credited the security deposits of low-income customers that it was inadvertently holding and which were identified in its discovery response CAUSE-PA-I-18-1.

(b) Beginning in August, the Company will complete monthly reviews of its customer accounts to identify deposits paid and assessed for customers who have: (1) verified their income is below 150% FPL within the past four years; or (2) received LIHEAP grants within the past two years. Any such customers who have paid or been assessed a security deposit will promptly have the deposit credited to their account.

## **7. Limited English Proficiency (“LEP”)**

(a) Within six months of the Commission approval of this Settlement, PECO will conduct a language assessment of the residents in its service territory. On the basis of its needs assessment, PECO will draft and distribute for comment its written policy statement on how it intends to service its LEP customers.

(b) The parties agree that, other than requirements that may currently exist in the Commission’s regulations with respect to provision of service to LEP households, the language analysis shall not commit PECO to undertake specific measures with respect to LEP households.

## ADDENDUM C

### CAP FCO Calculation:

Prior to October 2016, the 2013 – 2015 PECO 3-Year Plan Settlement will continue to govern CAP program activities. Post October 2016, the CAP FCO program activities will govern PECO's CAP. The FCO calculation is outlined below;

### Fixed Credit Option (FCO) Calculation

#### A. FCO/CAP Design

##### 1. Determination of Credits:

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

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

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

usage/charges. The pro forma profile will be based on the following, in order of preference if data is available:<sup>1</sup>

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

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

- PECO’s existing income verification procedures will be used to determine Verified Household Income. PECO will then use that information and the number of people in the household to determine the household’s Federal Poverty Level<sup>2</sup>.

Step 3: Determine customer’s allowable Energy Burden:

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

Table 1: Energy Burdens

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

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

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

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

Step 4: Calculate customer’s Annual Credit:

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

The maximum Annual Credit for any household will be as follows:<sup>7</sup>

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

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

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

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

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

The maximum Annual Credits set forth in the table have been determined in an effort to reduce the number of CAP customers whose bills exceed commission energy burden guidelines. The Commission has previously granted PECO permission to apply maximum annual credits on a system-wide average, rather than as an individual customer limit. This settlement continues that practice. See also section A3 (Cost Containment) below.

Table 2: Maximum Annual Credits

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

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

Step 5: Apply Annual Credit to Bill:

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

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

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

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

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

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

Table 3: Seasonality Distribution

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

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

Step 6: Periodic Recalculation and Adjustment of Annual Credit

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

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

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

#### Step 7: New entrants to CAP program after program begins

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

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

- In the FCO, it is possible for a customer to be income-eligible for CAP (defined as having income of less than 150% of the Federal Poverty Level), but nonetheless receive a \$0 credit.
- Phase-Out Benefit: PECO estimates that, under the FCO approach, approximately 40,000 households that receive rate discounts under PECO's current program will not receive discounts under the FCO. PECO will identify the individuals in that category as of the October 2016 FCO implementation date and, for that population, will provide a Phase-Out Benefit of \$50 per household. The Phase-Out Benefit will be provided as a monthly bill credit of \$4.17 for each month the household continues to take service, up to a maximum of 12 consecutive months

- Other Benefits: Any customer who is verified to be eligible for CAP, but who does not receive an Annual Credit, will nonetheless be eligible for any other benefits that may be available to CAP customers including, but not limited to, PPA forgiveness, LIURP priority, etc., according to the terms of those program components.

### 3. Cost Containment

- Minimum monthly billing amounts: The Commission's CAP Guidelines, 52 Pa. Code §69.265(3)(i), state that CAP participant payments should be at least:
  - Rate R: \$12 per month
  - Rate RH: \$30 per month
  - Gas Heat: \$25 per month
- Each monthly bill rendered under this program will have an asked-to-pay amount equal or greater to these monthly minimums, even if a rolling credit creates an overall credit or owed amount of less than the applicable minimum (\$12, \$25 or \$30).
- Maximum Annual Credits: The maximum Annual Credits set forth in Table 2 of this settlement exceed the maximum annual credits set forth in the Commission's guidelines at 52 Pa. Code § 69.265(3)(v). However, the Commission has previously granted PECO permission to apply those maximum annual credits on a system-wide average, rather than as an individual customer limit. This practice will continue.

## ADDENDUM D

(In-Program Arrearage Forgiveness)  
To The Joint Petition For Settlement Of Rate Investigation

PA. P.U.C. V. PECO Energy Company  
Docket No. R-2015-2468981

### I. Background

1. On July 8, 2015, the Pennsylvania Public Commission (“Commission”) approved a multi-party settlement related to PECO’s 2013-2015 Universal Service and Energy Conservation Plan in Docket No. M-2012-2290911. In that Order, the Commission approved PECO to implement, in October 2016, a form of Customer Assistance Program (“CAP”), known as the Fixed Credit Option (“FCO”). The move from PECO’s existing CAP program to the FCO approach represents a fundamental change in CAP approach and structure that is designed and intended to significantly increase both the breadth and depth of affordability of service to PECO’s low-income customers.
2. As of this time, PECO’s customers who participate in PECO’s existing CAP program have accumulated approximately \$45 million of “in-program arrears” – that is, amounts that the customers have been billed since they entered the CAP program, but which they have not paid. The \$45 million includes amounts that are currently overdue, as well as amounts owed for prior service that are currently subject to a payment arrangement. This amount does not include any amounts owed for prior service that are classified as pre-program arrears. The parties have agreed that PECO’s historic CAP program did not provide rates that comprehensively met the Commission’s guidelines for affordable service, and that this unaffordability was a material factor in the customer’s developing the \$45 million in-program arrearage.
3. The testimony of BI&E (J. Dagadu) and the OCA (R. Colton) contains claims that PECO is responsible for a portion of the IPA arrearages due to PECO’s collection practices or for other reasons. This settlement does not admit or deny those claims; to the extent that any party considers those claims to be a valid part of this settlement, PECO’s guarantee to absorb 1/3 of the in-program arrearages, as set forth in detail below, is deemed to include and fully resolve such claims.
4. The parties further recognize that, when PECO implements the FCO program in October 2016, the full collection of the \$45 million of in-program arrears from CAP customers with the arrears will present substantial challenges to the success of the FCO program due to the potential impacts on affordability.

5. The parties have agreed to an in-program arrearage forgiveness program that will materially decrease the obligation of PECO's CAP customers to pay the accumulated \$45 million of in-program arrearages. The parties believe and agree that PECO's transition from its current program to the FCO program presents a unique opportunity to improve affordability for PECO's CAP customers. Given the unique circumstances presented, the parties have agreed to the approach set forth below to address the in-program arrearages. For its part, PECO has agreed that, for 1/3 of the arrearages, it will write-off those arrearages and not seek rate recovery of that 1/3. The other parties have agreed that PECO may recover the remaining 2/3 of the arrearages, as a transition cost of moving to the FCO, through a combination of CAP customer payments and rate recovery, as set forth at length below.
6. This Appendix describes: (a) how the arrearage forgiveness program will be applied to CAP customers' bills, and (b) how PECO will be allowed to recover 2/3 of the transition costs.

## **II. Application of In-program Arrearage Forgiveness ("IPAF") To CAP Customer Bills**

1. PECO will continue to work to collect and mitigate in-program arrears between now and October 2016.
2. When the FCO program goes live in October 2016, PECO will determine the in-program arrearage balance for each CAP customer ("Customer Final IPA Balance") as of the implementation of the FCO program. Collectively, all Customer Final IPA Balances will constitute the "System Final IPA Balance," which will be addressed in the cost recovery section of this term sheet.
3. For each customer, 1/3 of their Customer Final IPA Balance will be designated as that customer's IPA Payment Arrangement Balance ("IPA PAR Balance") and will be recovered from the customer over a 60-month payment arrangement. The remaining 2/3 of the Customer Final IPA Balance will be tracked for potential forgiveness as a Customer Deferred Amount.
4. During the 60-month duration of the payment arrangement, whenever a customer pays \$1 of their IPA PAR Balance, the customer will receive permanent forgiveness of \$2 of their Customer Deferred Amount. (The cost recovery mechanism for this forgiveness is described in the cost recovery section, below.)
5. If a customer transfers their service to a new location and account during the 60-month duration of the payment arrangement, the payment arrangement shall transfer

to the new account on the same terms and conditions as at the initial residence. For customers whose service is terminated pursuant to 52 Pa. Code §56.81 and whose account is then finalized prior to that customer paying their entire IPA PAR Balance, PECO will recombine the unpaid IPA PAR Balance and the unforgiven Customer Deferred Amount to constitute that customer's Remaining IPA Balance. (An example of this calculation is attached as Exhibit 1.) The CAP customer shall continue to owe the Remaining IPA Balance, and PECO shall continue normal credit and collections practices with respect to the Remaining IPA Balance. However, if the customer successfully reinstates service during the initial 60-month term of the payment arrangement, the customer's payment arrangement shall be re-established, on the same terms and conditions as the original payment arrangement, with the specific limitation that the payment arrangement term shall expire 60 months after the FCO program is initiated. Customers who discontinue service pursuant to 52 Pa. Code § 56.72 prior to that customer paying their entire IPA PAR Balance will be handled under the termination rules set forth above, including the ability to reinstate the payment agreement if the customer successfully reinitiates service during the initial 60-month term of the payment arrangement.

### **III. IPAF Cost Recovery**

1. PECO commits and guarantees that it will not, in this rate proceeding or any future rate proceeding, seek to collect an amount equal to 1/3 of the System Final IPA Balance, provided that the PECO guarantee shall have the same guarantee status as the regulatory asset guarantees described below. For example, if the System Final IPA Balance is \$45 million, PECO's cost recovery will not exceed \$30 million cumulatively from ratepayers and CAP customers in arrears. A detailed method of ensuring that guarantee is set forth below.
2. PECO will be allowed to collect \$2 million per year through the base rates established in this proceeding as a transition cost associated with in-program arrearage forgiveness (the "2015 Base Rate Case Allowance").
3. Once PECO has determined the System Final IPA Balance in October 2016, it will implement through its Universal Services Fund Charge ("USFC") a correction factor ("USFC Correction Factor"), using the formula set forth in Exhibit 2. The formula is designed such that the net sum of the 2015 Base Rate Case Allowance and the USFC Adjustment divided by the System Final IPA Balance will be the same ratio as the 2015 Base Rate Case Allowance divided by PECO's base rate claim of \$44.511 million.
4. Whenever a CAP customer makes a payment of \$1 toward their IPA PAR Balance, PECO will write-off \$1 of the Customer Deferral Amount; PECO will not seek rate recovery of the written off amounts through any rate mechanism. In addition, in its

next USFC filing, PECO will include \$1 for recovery through the USFC (the “USFC Matching Amounts”). The USFC collections described herein will not include the offsets for uncollectible expense (22%) and cash working capital (5%) that are used for some PECO USFC charges.

5. In PECO’s future rate case(s), PECO will make a claim for FCO Transition Cost equal to 2/3 of the System Final IPA Balance, net of the following: (1) all revenues received through the 2015 Base Rate Case Allowance, as adjusted by the USFC Correction Factor, (2) all amounts paid by CAP customers toward their IPA PAR Balances, and (3) the USFC Matching Amounts. PECO’s right to the prospective full recovery of its claimed FCO Transition Cost may not be challenged other than with respect to proof of the amount claimed or claims of calculation error. As a result of the approval in this proceeding of PECO’s future FCO Transition Cost claim, PECO may hold the amount of the FCO Transition Cost claim as a regulatory asset, with such regulatory asset to be amortized over three years beginning with the effective date of the new tariff rates approved in PECO’s future base rate case in which it makes the claim for FCO Transition Costs.
6. To ensure PECO’s 1/3 guarantee, PECO will track its collections from the following sources: (1) all revenues received through the 2015 Base Rate Case Allowance, as adjusted by the USFC Correction Factor, (2) all amounts paid by CAP customers toward their IPA PAR Balances, (3) the USFC Matching Amounts, and (4) all revenues received through the FCO Transition Cost expense in future base rate case(s). When the total of all those collections equals 2/3 of the System Final IPA Balance, PECO will provide a credit to its USFC so that it will be collecting \$0, on an ongoing basis, from base rates and the USFC. Examples of this calculation are shown in Exhibit 3.

#### **IV. Additional Issues:**

1. If the total amount of the System Final IPA Balance to be included in this program exceeds \$46.7 million, or 5% above the current \$44.5 million estimate included in the Company’s 2015 base rate filing, the Company agrees to provide to the parties an explanation for the increase and a description of all collection activities undertaken between the date of this Settlement and October 2016 that were designed to collect IPA balances.
2. PECO agrees to serve all parties of record in this proceeding with its yearly USFC reconciliation filing. In that filing, PECO will provide supporting documentation and explanation of any methodology and formulae employed to determine the amount of in-program arrearages included in the USFC rider. PECO will also provide a statement of the in-program arrearages recovered through both the USFC and base rates, in that year as well as cumulatively.

3. PECO agrees to improve its referral of CAP customers through its CARES program or other appropriate communication channel to facilitate the receipt of income assistance that might be of help in retiring past-due utility bills, including assisting CAP participants with applying for and receiving the Earned Income Tax Credit (EITC). PECO shall report on these efforts at its Universal Service Advisory Committee meetings.
  
4. PECO will evaluate whether it is over-noticing disconnections of service and tighten its business rule for when a notice of termination is issued. PECO shall report the results at its Universal Service Advisory Committee meeting and discuss reasonable notice procedures with the Universal Service Advisory Committee.

**Exhibit 1: Determination of Remaining IPA Balance:**

1. The Remaining IPA Balance shall be determined as follows: (Example):

Customer Final IPA Balance (established in October 2016): \$1800

Customer Payments to IPA PAR Balance (made prior to account being finalized): -\$50

Permanent Forgiveness of Customer Deferred Amount: -\$100

Remaining IPA Balance: \$1650

The above customer, with a finalized account, would thus still owe \$1650.

**Exhibit 2**

**Determination of USFC Correction Factor**

$$\frac{\text{System Final IPA Balance}}{\text{Factor}} = \text{USFC Correction}$$

\$44.511 (PECO's rate case IPA claim)

Example: System Final IPA Balance = \$42 million

$$\frac{42,000,000}{44,511,000} = .944$$

In this example, PECO would make an adjustment in its next USFC filing as follows:

$$(\text{USFC Correction Factor} * \$2\text{M}) - \$2\text{M} = \text{USFC Adjustment}$$

$$(.944 * \$2\text{M}) - \$2\text{M} = ( \$112,000) \text{ USFC Adjustment}$$

Note that, as stated in the text of the settlement, the ratios remain the same.  
Thus:

$$\$2.0 \text{ million} / \$44.511 \text{ million} = .0449$$

$$(\$2.0 \text{ million} - \$0.112 \text{ million}) / 42 \text{ million} = .0449$$

- The USFC Correction Factor will be applied prospectively, beginning with the effective date of PECO's next USFC filing. An additional adjustment will be made to apply the USFC Correction Factor retrospectively to the base rate revenues collected between January 1, 2016 and the effective date of the prospective correction, amortized over the same number of months as the over or under collection occurred.
- The USFC collections described herein will not include the offsets for uncollectible expense (22%) and cash working capital (5%) that are used for some PECO USFC charges.

### Exhibit 3: Examples of PECO Guarantee

#### Example 1: No USFC Adjustment, Assumes Customers Pay 40% of Their IPA Balance, 5 Years Until Next Base Rate Case

(millions)

##### Revenue Collection Assumptions:

IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$44.511
2015 Base Rate Allowance, Annual	\$2
USFC Correction	\$0
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$2

##### Revenue Collection:

2015 Base Rate Case Allowance, 5 Years	\$10
CAP Customer Payments To System Final IPA Balance Over 5 Years (Annual Collections = $44.511/3/5*.4 = \$1.18696$ )	\$5.9348
USFC Matching Amounts	\$5.9348
Total Revenues Received Prior to Next Base Rate Case	\$21.8696

##### Calculation of PECO Transition Cost Claim in Next Base Rate Case:

System Final IPA Balance	\$44.511
-1/3 PECO Guarantee	(14.837)
- Total Revenues Collected	(\$21.8696)
= PECO Transition Cost Claim	\$7.8044
Three-Year Amortization = Annual Rev Req	\$2.6014

When PECO's collections of its Transition Cost Claim equal \$7.8044, an offsetting annual USFC credit of \$2.6014 would be put in place to zero out the then-ongoing base rate recoveries.

**Example 2: USFC Adjustment, Assumes Customers Pay 30% of Their IPA Balance; 5 Years Until Next Base Rate Case**

(millions)

**Revenue Collection Assumptions:**

IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$42
2015 Base Rate Allowance, Annual	\$2
USFC Correction (see Exhibit 2)	(\$.112)
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$1.888

**Revenue Collection:**

2015 Base Rate Case Allowance, 5 Years	\$9.44
CAP Customer Payments To System Final IPA Balance Over 5 Years (Annual Collections = $42/3/5 * .3 = \$0.84$ )	\$4.2
USFC Matching Amounts	\$4.2
Total Revenues Received Prior to Next Base Rate Case	\$17.84

**Calculation of PECO Transition Cost Claim in Next Base Rate Case:**

System Final IPA Balance	\$42
-1/3 PECO Guarantee	(14)
- Total Revenues Collected	(\$17.84)
= PECO Transition Cost Claim	\$10.16
Three-Year Amortization = Annual Rev Req	\$3.3866

When PECO's collections of its Transition Cost Claim equal \$10.16, an offsetting annual USFC credit of \$3.3866 would be put in place to zero out the then-ongoing base rate recoveries.

**Example 3: USFC Adjustment, Assumes Customers Pay 30% of Their IPA Balance; 4 Years Until Next Base Rate Case**

	(millions)
<b>Revenue Collection Assumptions:</b>	
IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$42
2015 Base Rate Allowance, Annual	\$2
USFC Correction (see Exhibit 2)	(\$1.112)
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$1.888
<b>Revenue Collection:</b>	
2015 Base Rate Case Allowance, 4 Years	\$7.552
CAP Customer Payments To System Final IPA Balance Over 4 Years (Annual Collections = $42/3/5 * .3 = \$0.84$ )	\$3.36
USFC Matching Amounts	\$3.36
Total Revenues Received Prior to Next Base Rate Case	\$14.272

**Calculation of PECO Transition Cost Claim in Next Base Rate Case:**

System Final IPA Balance	\$42
-1/3 PECO Guarantee	(14)
- Total Revenues Collected	(\$14.272)
= PECO Transition Cost Claim	\$13.728
Three-Year Amortization = Annual Rev Req	\$4.576

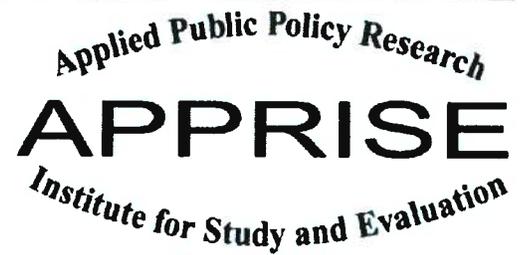
In this example, the 5-year program period for arrearage forgiveness would still be active when PECO goes in for its next base rate case. PECO would thus continue to track customer payments toward their IPA PAR Balances and USFC Matching Amounts. When PECO's collections of its Transition Cost Claim, post base rate Customer Payments and post base rate case USFC Matching Amounts equal \$13.728 million, an offsetting annual USFC credit of \$4.576 would be put in place to zero out the then-ongoing base rate recoveries. If subsequent analysis showed that a timing mismatch between the IPAF program and PECO's base rate case had resulted in collection by PECO of more than \$28 million, that amount would be returned through a USFC credit.

## ADDENDUM E

### APPRISE Universal Services Needs Assessment Memo

# MEMO

DATE: August 7, 2018  
TO: Patricia King  
FROM: Jackie Berger and Jorge Mancilla  
SUBJECT: PECO Universal Services Needs Assessment Memo



PECO customers are income-eligible for the Customer Assistance Program (CAP) if they have income below 150 percent of the poverty level and they are income-eligible for the Low-Income Usage Reduction Program (LIURP) if they have income below 200 percent of the poverty level. This memo provides an assessment of the number of PECO customers who are income-eligible for CAP and LIURP.

#### I. Methodology

This memo provides a profile of low-income households in the PECO service territory using data from the American Community Survey (ACS). The ACS data provide information on household characteristics, including income level and demographic characteristics. We use data on household size and income to construct the poverty ratio for each household and identify those households that were income-eligible for the CAP and LIURP.

Most of the analyses are conducted using the 2014, 2015, and 2016 ACS data files. An average of the three years of data is used to provide a larger sample for analysis than would be available in the one-year file. Table III-2B also provides an analysis of the 2013-2015 files and the 2012-2014 files to assess whether there have been changes in the income-eligible population.

#### II. PECO Electric and Natural Gas Customers

There are approximately 1,700,000 households in the PECO service territory (excluding vacant units and group quarters). About 1,600,000 of these households are categorized as having PECO Residential Service because they received electric or gas service from PECO. Households are categorized as receiving electric or gas service from PECO if they provided a numeric value for their most recent month's gas or electricity bill and lived in one of the counties where PECO provides that service. Households are not included if their electricity and gas bills are included in their rent or condo fee, or if there was no charge for gas and electricity, or if neither gas nor electricity were used.

PECO Electric Service includes households in Bucks, Chester, Delaware, Montgomery, Philadelphia, and York counties. PECO Gas Services includes households in these counties

except for Philadelphia county, as Philadelphia Gas Works (PGW) services these customers.

Table II-1  
**Distribution of Service Status for Households in PECO Service Territory**

Service Status	Number	Percent
PECO Residential Service	1,599,172	95%
PECO Electric Service	1,595,669	95%
PECO Gas Service	384,256	23%
PECO Electric-Only Service	1,214,916	72%
PECO Combination Gas and Electric Service	380,753	23%
PECO Gas-Only Service	3,503	<1%
PECO Heating Service	606,219	36%
PECO Non-Heating Service	992,953	59%
<b>All Households</b>	<b>1,683,831</b>	<b>100%</b>

Table II-2 shows the number households in each county who receive utility service from PECO. The county with the most households receiving PECO Residential Service is Philadelphia County with 539,462 such households, representing 34 percent of all the households who receive PECO service. The county with the most households receiving PECO Gas Service is York County, with 108,848 households.

Table II-2  
**Distribution of Service Type for Households in PECO Service Territory, By County**

County	All Households	PECO Residential Service		PECO Electric Service		PECO Gas Service	
	N	N	%	N	%	N	%
Bucks	233,644	225,387	14%	224,935	14%	63,505	17%
Chester	187,151	180,016	11%	179,218	11%	61,128	16%
Delaware	204,321	195,709	12%	195,339	12%	62,341	16%
Montgomery	310,568	296,237	19%	295,515	19%	88,434	23%
Philadelphia	579,891	539,462	34%	539,462	34%	-	-
York	168,256	162,361	10%	161,200	10%	108,848	28%
<b>Total Service Territory</b>	<b>1,683,831</b>	<b>1,599,172</b>	<b>100%</b>	<b>1,595,669</b>	<b>100%</b>	<b>384,256</b>	<b>100%</b>

Table II-3 shows the number households in each county who receive service from PECO, broken down by whether their primary heating service is provided by PECO.

**Table II-3  
Distribution of Heating Service for Households in PECO Service Territory  
By County**

County	PECO Residential Service	PECO Heating Service		PECO Non-Heating Service	
	Number	Number	Percent	Number	Percent
Bucks	225,387	104,253	17%	121,134	12%
Chester	180,016	80,286	13%	99,729	10%
Delaware	195,709	81,845	14%	113,864	11%
Montgomery	296,237	135,521	22%	160,716	16%
Philadelphia	539,462	88,261	15%	451,201	45%
York	162,361	116,053	19%	46,308	5%
<b>Total Service Territory</b>	<b>1,599,172</b>	<b>606,219</b>	<b>100%</b>	<b>992,953</b>	<b>100%</b>

**III. PECO CAP and LIURP Income-Eligible Customers**

Table III-1 presents data on income-eligible households by service type and heating service. We estimate in the most recent 3-year combined files that 18 percent of all households with PECO residential service are income-eligible for the CAP, and 26 percent for LIURP. Of the 1,599,172 households with residential utility service from PECO, approximately 292,913 have income at or below 150 percent of the federal poverty guidelines, and 411,542 have income at or below 200 percent of the federal poverty guidelines.

**Table III-1  
CAP and LIURP Income Eligibility Rate  
By PECO Service Status**

Service Status	Total Households	CAP Income-Eligible Households (150% of FPL)		LIURP Income-Eligible Households (200% of FPL)	
		Number	Percent	Number	Percent
PECO Residential Service	1,599,172	292,913	18%	411,542	26%
PECO Electric Service	1,595,669	291,780	18%	410,136	26%
PECO Gas Service	384,256	43,735	11%	67,015	17%
PECO Electric-Only Service	1,214,916	249,178	21%	344,528	28%
PECO Combination Gas and Electric Service	380,753	42,602	11%	65,609	17%
PECO Gas-Only Service	3,503	1,133	32%	1,406	40%
PECO Heating Service	606,219	98,073	16%	138,361	23%
PECO Non-Heating Service	992,953	194,840	20%	273,181	28%
<b>All Households</b>	<b>1,683,831</b>	<b>328,228</b>	<b>19%</b>	<b>456,245</b>	<b>27%</b>

Table III-2A presents data on income-eligible households by county. The county with the most eligible households and with the highest eligibility rate for both CAP and LIURP is Philadelphia County. There are 166,559 households that are income-eligible for CAP in Philadelphia (31%) and 219,432 that are income-eligible for LIURP (41%). The county with the least eligible households and with the lowest eligibility rate for both programs is Chester County.

Table III-2A  
CAP and LIURP Income Eligibility Rate  
By County

County	PECO Residential Service	CAP Income-Eligible Households (150% of FPL)		LIURP Income-Eligible Households (200% of FPL)	
	Number	Number	Percent	Number	Percent
Bucks	225,387	23,457	10%	36,788	16%
Chester	180,016	15,824	9%	24,869	14%
Delaware	195,709	30,643	16%	43,853	22%
Montgomery	296,237	31,635	11%	48,375	16%
Philadelphia	539,462	166,599	31%	219,432	41%
York	162,361	24,755	15%	38,225	24%
<b>Total Service Territory</b>	<b>1,599,172</b>	<b>292,913</b>	<b>18%</b>	<b>411,542</b>	<b>26%</b>

Table II-2B shows that there has been an increase in the total number of households in PECO’s service territory, but a decrease the number of CAP income-eligible households, and in the percent of households that are income-eligible for CAP in the service territory. The number of income-eligible households declined from 312,391 in the 2012-2014 analysis to 301,838 in the 2013-2015 analysis, to 292,913 in the 2014-2016 analysis. The percent of households who were income-eligible declined from 20 percent to 19 percent to 18 percent. The number eligible in Philadelphia County declined from 175,599 in the 2012-2014 analysis to 166,599 in the 2014-2016 analysis.

Table III-2B  
CAP Income Eligibility Rate  
By County

County	2014-2016 ACS			2013-2015 ACS			2012-2014 ACS		
	PECO Residential Service	CAP Income-Eligible Households		PECO Residential Service	CAP Income-Eligible Households		PECO Residential Service	CAP Income-Eligible Households	
	#	#	%	#	#	%	#	#	%
Bucks	225,387	23,457	10%	225,281	24,635	11%	224,671	24,543	11%
Chester	180,016	15,824	9%	179,485	17,542	10%	177,700	19,344	11%
Delaware	195,709	30,643	16%	194,401	31,080	16%	193,250	33,256	17%
Montgomery	296,237	31,635	11%	294,093	32,883	11%	293,928	32,762	11%
Philadelphia	539,462	166,599	31%	540,732	170,450	32%	537,746	175,599	33%

County	2014-2016 ACS			2013-2015 ACS			2012-2014 ACS		
	PECO Residential Service	CAP Income-Eligible Households		PECO Residential Service	CAP Income-Eligible Households		PECO Residential Service	CAP Income-Eligible Households	
	#	#	%	#	#	%	#	#	%
York	162,361	24,755	15%	160,751	25,248	16%	162,548	26,887	17%
<b>Total</b>	<b>1,599,172</b>	<b>292,913</b>	<b>18%</b>	<b>1,594,742</b>	<b>301,838</b>	<b>19%</b>	<b>1,589,843</b>	<b>312,391</b>	<b>20%</b>

Table III-3 provides a breakdown of the income-eligible population receiving PECO residential service by poverty level and service type. While 72 percent of the LIURP income-eligible electric only households have income at or below 150 percent of poverty and are income-eligible for CAP, 64 percent of the LIURP income-eligible combination households are income-eligible for CAP.

Table III-3  
Distribution of Households  
By Service Type and Poverty Group

Poverty Group	Electric-Only			Combination			Gas-Only		
	Number	Percent		Number	Percent		Number	Percent	
		Of CAP	Of LIURP		Of CAP	Of LIURP		Of CAP	Of LIURP
<b>CAP &amp; LIURP Eligible</b>									
0% -25%	44,098	18%	13%	5,612	13%	9%	300	27%	21%
26% -50%	23,024	9%	7%	3,289	8%	5%	62	5%	4%
51% -75%	41,241	17%	12%	5,491	13%	8%	7	1%	1%
76%-100%	49,490	20%	14%	7,372	17%	11%	291	26%	21%
101%-125%	48,796	20%	14%	10,124	24%	15%	307	27%	22%
126% - 150%	42,528	17%	12%	10,715	25%	16%	166	15%	12%
<b>Total CAP Eligible</b>	<b>249,178</b>	<b>100%</b>	<b>72%</b>	<b>42,602</b>	<b>100%</b>	<b>64%</b>	<b>1,133</b>	<b>100%</b>	<b>81%</b>
<b>LIURP Eligible</b>									
151%-175%	49,436	-	14%	11,549	-	18%	181	-	13%
176%-200%	45,913	-	13%	11,458	-	17%	91	-	7%
<b>Total LIURP Eligible</b>	<b>344,528</b>	<b>-</b>	<b>100%</b>	<b>65,609</b>	<b>-</b>	<b>100%</b>	<b>1,406</b>	<b>-</b>	<b>100%</b>

Table III-4 provides a breakdown of the income-eligible population receiving PECO electric service by poverty level. While 28 percent of CAP income-eligible households are below 50 percent of the poverty level, 35 percent are between 51 and 100 percent, and 38 percent are between 101 and 150 percent.

Table III-4  
Distribution of Households with Electric Service  
By Poverty Group

Poverty Group	Households With Electric Service		
	Number	Percent	
		Of CAP	Of LIURP
<b>CAP &amp; LIURP Eligible</b>			
0% -25%	49,710	17%	12%
26% -50%	26,313	9%	6%
51% -75%	46,732	16%	11%
76%-100%	56,862	19%	14%
101%-125%	58,920	20%	14%
126% - 150%	53,243	18%	13%
<b>Total CAP Eligible</b>	<b>291,780</b>	<b>100%</b>	<b>70%</b>
<b>LIURP Eligible</b>			
151%-175%	60,985	-	15%
176%-200%	57,371	-	14%
<b>Total LIURP Eligible</b>	<b>410,136</b>	<b>-</b>	<b>100%</b>

Table III-5 and Table III-6 provide a breakdown of the CAP and LIURP income-eligible population receiving PECO electric service by poverty level and county. The county with the highest number and percentage income-eligible households with income below 100% of the Federal Poverty Guidelines is Philadelphia County.

Table III-5  
Distribution of CAP Income-Eligible Households with Electric Service  
By Poverty Group and County

Poverty Group	County											
	Bucks		Chester		Delaware		Montgomery		Philadelphia		York	
	N	%	N	%	N	%	N	%	N	%	N	%
0% -25%	3,283	14%	2,289	15%	4,366	14%	4,960	16%	32,063	19%	2,748	11%
26% -50%	1,952	8%	1,025	7%	2,999	10%	2,089	7%	16,704	10%	1,544	6%
51% -75%	2,912	12%	2,688	17%	4,902	16%	3,506	11%	29,309	18%	3,415	14%
76%-100%	4,622	20%	2,968	19%	5,327	18%	6,208	20%	33,574	20%	4,163	17%
101%-125%	5,534	24%	3,470	22%	6,273	21%	7,037	22%	30,600	18%	6,007	25%
126% - 150%	5,154	22%	3,186	20%	6,459	21%	7,678	24%	24,349	15%	6,418	26%
<b>Total CAP Eligible</b>	<b>23,457</b>	<b>100%</b>	<b>15,626</b>	<b>100%</b>	<b>30,326</b>	<b>100%</b>	<b>31,477</b>	<b>100%</b>	<b>166,599</b>	<b>100%</b>	<b>24,294</b>	<b>100%</b>

Table III-6  
Distribution of LIURP Income-Eligible Households with Electric Service  
By Poverty Group and County

Poverty Group	County											
	Bucks		Chester		Delaware		Montgomery		Philadelphia		York	
	N	%	N	%	N	%	N	%	N	%	N	%
0% -25%	3,283	9%	2,289	9%	4,366	10%	4,960	10%	32,063	15%	2,748	7%
26% -50%	1,952	5%	1,025	4%	2,999	7%	2,089	4%	16,704	8%	1,544	4%
51% -75%	2,912	8%	2,688	11%	4,902	11%	3,506	7%	29,309	13%	3,415	9%
76%-100%	4,622	13%	2,968	12%	5,327	12%	6,208	13%	33,574	15%	4,163	11%
101%-125%	5,534	15%	3,470	14%	6,273	14%	7,037	15%	30,600	14%	6,007	16%
126% - 150%	5,154	14%	3,186	13%	6,459	15%	7,678	16%	24,349	11%	6,418	17%
151%-175%	5,921	16%	4,507	18%	7,460	17%	7,613	16%	28,183	13%	7,302	19%
176%-200%	7,352	20%	4,517	18%	5,750	13%	9,051	19%	24,650	11%	6,051	16%
<b>Total LIURP Eligible</b>	<b>36,730</b>	<b>100%</b>	<b>24,651</b>	<b>100%</b>	<b>43,536</b>	<b>100%</b>	<b>48,141</b>	<b>100%</b>	<b>219,432</b>	<b>100%</b>	<b>37,647</b>	<b>100%</b>

Table III-7 provides a breakdown of the income-eligible population receiving PECO gas service by poverty level. While 20 percent of CAP income-eligible households are below 50 percent of the poverty level, 31 percent are between 51 and 100 percent, and 49 percent are between 101 and 150 percent.

Table III-7  
Distribution of Households with Gas Service  
By Poverty Group

Poverty Group	Households With Gas Service		
	Number	Percent	
		Of CAP	Of LIURP
<b>CAP &amp; LIURP Eligible</b>			
0% -25%	5,912	14%	9%
26% -50%	3,351	8%	5%
51% -75%	5,498	13%	8%
76%-100%	7,662	18%	11%
101%-125%	10,431	24%	16%
126% - 150%	10,881	25%	16%
<b>Total CAP Eligible</b>	<b>43,735</b>	<b>100%</b>	<b>65%</b>
<b>LIURP Eligible</b>			
151%-175%	11,730	-	18%
176%-200%	11,549	-	17%
<b>Total LIURP Eligible</b>	<b>67,015</b>	<b>-</b>	<b>100%</b>

Table III-8 and Table III-9 provide a breakdown of the CAP and LIURP income-eligible population receiving PECO gas service by poverty level and county. No households in Philadelphia County receive PECO gas service. The county with the highest number of income-eligible households with income below 100% of the Federal Poverty Guidelines is York County. The county with the highest percentage of income-eligible households with income below 100% of the Federal Poverty Guidelines is Delaware County, where 59 percent of the households have income at or below that level.

Table III-8  
Distribution of CAP Income-Eligible Households with Gas Service  
By Poverty Group and County

Poverty Group	County											
	Bucks		Chester		Delaware		Montgomery		Philadelphia		York	
	N	%	N	%	N	%	N	%	N	%	N	%
0% -25%	628	10%	897	17%	1,372	17%	1,241	17%	-	-	1,775	11%
26% -50%	513	9%	325	6%	821	10%	528	7%	-	-	1,163	7%
51% -75%	964	16%	800	15%	1,110	14%	709	10%	-	-	1,915	11%
76%-100%	1,167	19%	911	17%	1,432	18%	1,265	17%	-	-	2,887	17%
101%-125%	1,148	19%	1,393	26%	1,848	23%	1,720	23%	-	-	4,321	26%
126% - 150%	1,591	26%	1,097	20%	1,479	18%	1,866	25%	-	-	4,848	29%
<b>Total CAP Eligible</b>	<b>6,010</b>	<b>100%</b>	<b>5,425</b>	<b>100%</b>	<b>8,061</b>	<b>100%</b>	<b>7,330</b>	<b>100%</b>	-	-	<b>16,909</b>	<b>100%</b>

Table III-9  
Distribution of LIURP Income-Eligible Households with Gas Service  
By Poverty Group and County

Poverty Group	County											
	Bucks		Chester		Delaware		Montgomery		Philadelphia		York	
	N	%	N	%	N	%	N	%	N	%	N	%
0% -25%	628	7%	897	11%	1,372	11%	1,241	10%	-	-	1,775	7%
26% -50%	513	6%	325	4%	821	7%	528	4%	-	-	1,163	5%
51% -75%	964	11%	800	10%	1,110	9%	709	6%	-	-	1,915	8%
76%-100%	1,167	13%	911	11%	1,432	12%	1,265	10%	-	-	2,887	12%
101%-125%	1,148	13%	1,393	17%	1,848	15%	1,720	14%	-	-	4,321	17%
126% - 150%	1,591	18%	1,097	13%	1,479	12%	1,866	15%	-	-	4,848	19%
151%-175%	1,287	14%	1,592	19%	2,239	18%	2,110	17%	-	-	4,502	18%
176%-200%	1,588	18%	1,377	16%	2,083	17%	2,842	23%	-	-	3,659	15%
<b>Total LIURP Eligible</b>	<b>8,885</b>	<b>100%</b>	<b>8,394</b>	<b>100%</b>	<b>12,383</b>	<b>100%</b>	<b>12,282</b>	<b>100%</b>	-	-	<b>25,070</b>	<b>100%</b>

**IV. CAP Participation Rates**

Table IV-1 displays the participation rate for Program Year 2015. The table shows that an estimated 56 percent of the income-eligible population participated in the CAP.

Table IV-1  
**Participation Rate for 2015  
By Poverty Level**

<b>Poverty Level</b>	<b>CAP Participants</b>	<b>CAP Eligible PECO Residential Households</b>	<b>Participation Rates</b>
0% -50%	36,335	76,385	48%
51% -100%	75,904	103,892	73%
101% -150%	53,044	112,636	47%
<b>Total</b>	<b>165,283</b>	<b>292,913</b>	<b>56%</b>

**V. Summary**

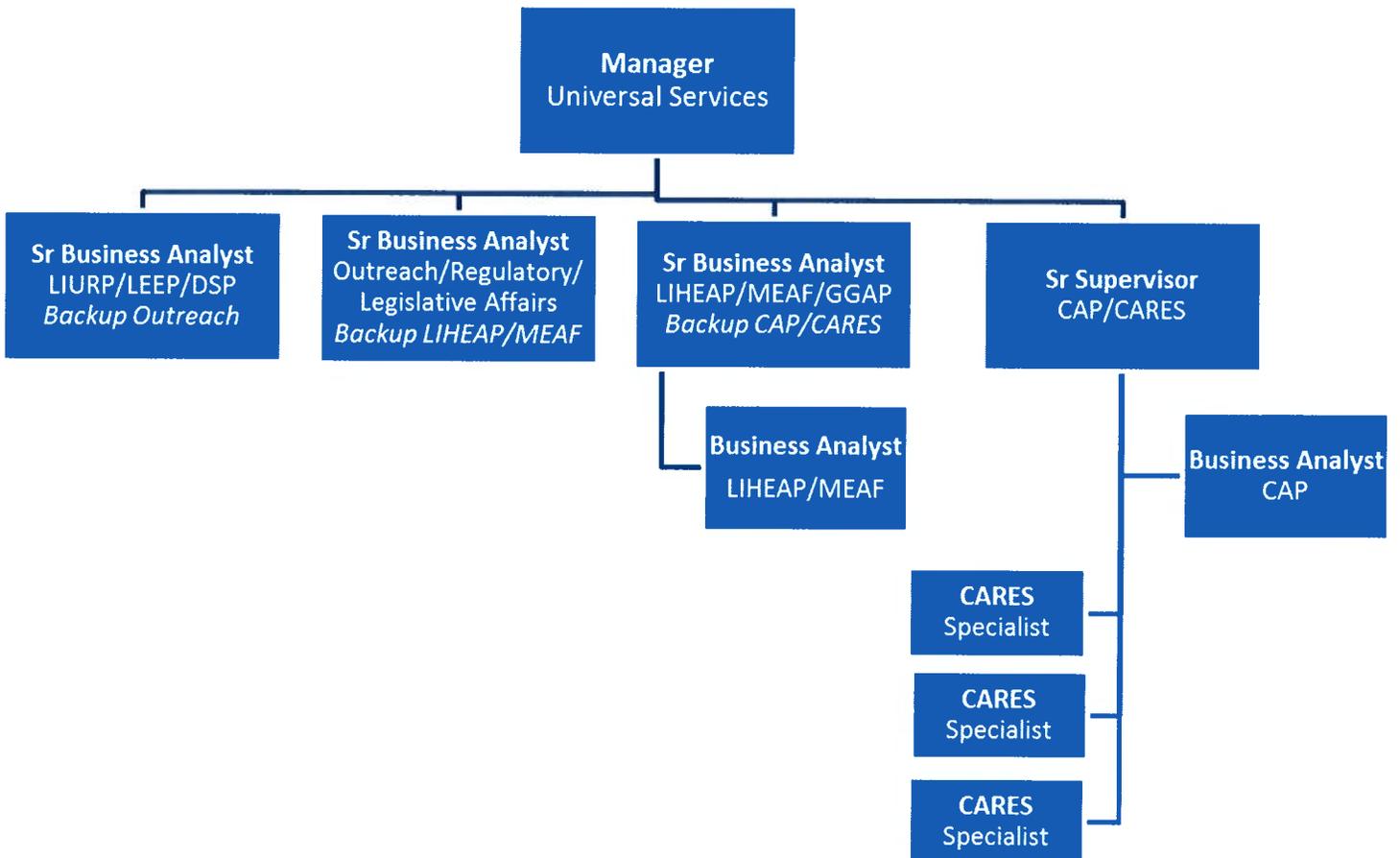
This memo provided a profile of income-eligible households in the PECO service territory using data from the American Community Survey (ACS). Key findings from the analysis are provided below.

- There are approximately 1,683,831 households in the PECO service territory and about 1,599,172 have direct PECO bill payment.
- While 18 percent of all households with PECO residential service are income-eligible for CAP, 26 percent are income-eligible for LIURP.
- The number of CAP income-eligible households declined from 312,391 in the 2012-2014 analysis to 301,838 in the 2013-2015 analysis, to 292,913 in the 2014-2016 analysis. The percent of households who were income-eligible for CAP declined from 20 percent to 19 percent to 18 percent.
- An estimated 56 percent of the income-eligible population participated in CAP during Program Year 2015.

## ADDENDUM F

### Job Description and Organization Structure

PECO currently has 10 full time employees in our Universal Services department including the manager. See Universal Services' organization chart below. Additionally, PECO has 3 outsourced vendors that do support work for LIURP, CAP, LIHEAP and MEAF. Specifically, PECO has a LIURP vendor that serves as a LIURP call center, schedules LIURP appointments, and provides follow-up administrative services for customers post LIURP audit. PECO also has a LIHEAP / MEAF vendor that provides call center capabilities as well as general program support. And finally, PECO has a CAP Call Center that provides call center support as well as back office support via enrolling customers in CAP. PECO does not intend to make any organizational changes at this time to either its internal Universal Services department or its external vendors. That said, PECO reserves the right to make changes to its internal or external organizational structures in the future as it sees fit to satisfy on-going business needs.



**PECO Energy Company  
Universal Service and  
Energy Conservation Plan  
(“Six~~Three~~ Year Plan”)  
2019 to 20214**

**Prepared by:  
Patricia King Mark Kehl**

**Manager, Universal Services**

**Submitted ~~November 1, 2018~~ January 17,  
2020  
~~Corrected Version~~**

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## I. INTRODUCTION

The Universal Services programs offered by PECO Energy Company (“PECO” or “the Company”) are designed to provide low-income, residential customers with electric and/or gas service affordable bills based on individual household needs including gross household income and usage. PECO’s first Three-Year Plan was submitted in 2002. PECO is pleased to submit the following Universal Services Plan for calendar years 2019 - 2024~~4~~ in accordance with 52 Pa. Code § 54.74.

PECO’s Customer Assistance Program (“CAP”) began in 1984 and all participants paid a fixed minimum charge each month. Twelve years later, by 1996, PECO had enrolled approximately 30,000 customers into CAP. During 1996, PECO also implemented a new pilot CAP Rate, initially limited to 10,000 customers, in which participants were placed in various rate discount tiers based upon their household income levels. By early 1998, the pilot CAP Rate program became fully subscribed up to the 10,000-customer limit. As part of its 1998 Electric Restructuring Settlement, PECO transferred 30,000 customers from the CAP program that incorporated a fixed monthly charge to the CAP Rate tiered program and expanded participation on an open enrollment basis to those who qualified with an initial maximum participation level of 100,000 customers. Participation in the tiered CAP Rate program grew to about 83,000 customers by March 2000. In that month, PECO also entered into the PECO/Unicom Merger Settlement, in which it agreed to continue the CAP Rate as an open enrollment program with a provisional maximum participation level of 125,000 customers. By 2005, CAP Rate participation increased to approximately 103,000 customers, making PECO’s program the largest Universal Services program in Pennsylvania. In 2006, CAP Rate was opened up to unlimited participation.

From 1998 to the present, PECO’s CAP Rate tier program was regularly modified as a result of Settlements and Orders of the Pennsylvania Public Utility Commission (“Commission” or “PUC”) but remained within the overall tiered rate approach. In 2014, and 2015, however, PECO met with interested stakeholders and agreed to implement a new form of CAP program known as the Fixed Credit Option, or (“FCO,”) beginning in October 2016. On July 8, 2015, the Commission approved that proposal. The CAP FCO program provides eligible customers with a fixed credit for the year that will result in the customer receiving affordable bills for utility service.

PECO’s Universal Services Program has six components :

- CAP FCO
- Low Income Usage Reduction Program (“LIURP”)
- Matching Energy Assistance Fund (“MEAF”)
- Customer Assistance and Referral Evaluation Services (“CARES”)
- Education-Outreach Programs
- External Grant Program Administration (e.g., “LIHEAP”)

## II. NEEDS ASSESSMENT

PECO utilizes data from the U.S. Census Bureau and its Customer Information Management System (“CIMS”) to determine the possible number of low-income customers in its service territory that may qualify for the Company’s Universal Services programs.

<b>PECO Service Territory Poverty Chart</b>		
<b>County</b>	<b>Households &lt; 150% FPL</b> <i>(FPL - Federal Poverty Level)</i>	<b>Households &lt; 200% FPL</b>
Bucks	23,457	36,788
Chester	15,824	24,869
Montgomery	31,635	48,375
Philadelphia	166,599	219,432
Delaware	30,643	43,853
York <sup>1</sup>	850	1,200
<b>Total</b>	<b>269,008</b>	<b>374,517</b>

APPRISE – Applied Public Policy Research Institute for Study and Evaluation conducted analyses using ACS data files from 2014, 2015 and 2016 to determine the numbers in the chart above (*see Memo dated August 7, 2018 from APPRISE to Patricia King in Addendum E*).

Utilizing 2014-2016 ACS (American Community Survey) data, PECO estimates that it has a population of 374,517 households that may be eligible to receive assistance from PECO’s low-income programs including CAP, LIURP, CARES and MEAF. PECO has 269,008 households who may be eligible for CAP.

Not all households in the aforementioned table are direct customers of PECO (*i.e. mass-metered apartment buildings, etc.*). Therefore, the numbers in the aforementioned table overstate PECO’s opportunity for enrollment in its various low-income assistance programs.

With respect to Needs Assessment, PECO has agreed to conduct a language assessment of the residents in its service territory.<sup>2</sup> On the basis of this assessment,

<sup>1</sup> York County – The total approximate population for York County is 170,000 households. PECO has 4,700 customers in York County. The total number of households at or below 150% FPL in York County is about 30,700, or 18%. Of the 4,700 PECO customers in York County, 850 (or 18%) would be CAP Rate eligible. Using this same methodology, 1,200 or 26% households would be 200% FPL.

<sup>2</sup> On August 28, 2018, PECO filed a Joint Petition for Partial Settlement (“Petition”) in its 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164. That Petition memorialized several commitments that PECO made related to serving its low-income customers (see

PECO will distribute results to all relevant parties of the settlement agreement. If required, PECO will develop a plan to address deficiencies and share with key stakeholders.

### **III. PECO's UNIVERSAL SERVICES DEPARTMENT**

PECO has a full staff of experienced Universal Services employees that support the Company's low-income programs. In addition, PECO engages various vendors who assist in the implementation of these programs.

PECO's Universal Services' department consists of a manager, analysts, CARES administrators, contractors and outsourced vendors.

#### **1. CUSTOMER ASSISTANCE PROGRAM: FIXED CREDIT OPTION**

##### **A. Program Description**

"CAP" is an assistance program for PECO's low-income, residential customers whose total household income levels are at or below 150% FPL. PECO identifies CAP customers through a variety of means such as when a customer calls into one of our PECO call centers, at an Outreach event, in our Solution Center at PECO's Main Office Building ("MOB"), or by referrals from various human services agencies and elected official offices.

In October 2016, PECO implemented its current CAP FCO program. This program provides eligible customers with a fixed credit for the year that will result in the customer receiving affordable bills for utility service. The amount of fixed credit is determined separately for each customer's household and is based on the household FPL, Energy Burden ("EB"), and historical usage for the past 12 months.

##### **B. Eligibility Criteria and Program Requirements for CAP**

1. Eligibility Criteria: A customer with a verified, total household gross income at or below 150% of the FPL is eligible for PECO's CAP program. Income verification must be documented through PECO's income verification process. The FCO monthly credit is dependent upon the household FPL and usage.

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Addendum B to this Plan, which contains Appendix C of the Joint Petition of Partial Settlement). Where applicable, in the remainder of this Plan, any rate case commitments will be referenced with a footnote to the settlement agreement.

Most of the provisions have a commencement date of January 1, 2019 and have not yet been approved by the Commission. When they are approved by the Commission, PECO will implement them as part of this Plan.

2. Program requirements: The program components below apply to the CAP FCO program:

- A. Complete a CAP application and provide documented proof of income for all adult household members (*18 years of age or older*)
- B. Provide proof of household income at or below 150% FPL
- C. Report any change in household income to PECO right away
- D. Agree to re-certification every 2 years (*unless PECO receives a LIHEAP grant, then it's every 6 years*)
- E. Provide PECO permission to verify their income with authorized entities including credit reporting bureaus
- F. Participate in energy reduction and conservation programs offered by PECO (*i.e. LIURP*), if identified as high-usage
- G. Provide social security numbers or ITIN for themselves and any member of their household (*optional*)
- H. Identify one premise to apply CAP benefits (*note, a customer cannot enroll multiple premises on CAP*)
- I. Apply for a Low-Income Home Energy Assistance Program (LIHEAP) grant each LIHEAP season (*Note: PECO encourages but does not mandate CAP customers apply for LIHEAP*)
- J. Select PECO as their generation supplier. (*Note: The courts and/or the Commission may change this rule during the term of this 3-Year Plan. If so, PECO will adopt a CAP Shopping program consistent with Court / Commission rules and guidance at that time.*)

3. CAP Application / Enrollment Process: In order to be considered for CAP, a customer is required to complete and sign a CAP application and provide household income verification documentation showing a household FPL of 150% or below. PECO considers income verified when the customer provides proof of income or submits a no-income form for all adult household members (*18 years of age or older*). Acceptable forms of income are listed on the back of the CAP application.

PECO currently receives CAP applications via four communication mediums – U.S. Mail, Fax, Email, and On-Line. PECO also receives CAP applications in person at our Solution Center at PECO's Main Office Building (MOB). While the majority of CAP applications continue to come to PECO via U.S. Mail. PECO encourages customers to use electronic communication mediums for CAP enrollment, namely E-Mail and On-Line submissions.

Beginning in 2019, PECO will also allow CAP enrollment to be processed by a Community Based Organization (“CBO”).<sup>3</sup> The CBO will complete and send the CAP application and all relevant documents to PECO to process the CAP enrollment. Please see Section E for more information.

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<sup>3</sup> This provision is from the Joint Petition for Partial Settlement in PECO's 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164; see footnote 1, *supra*.

In order to place a customer in the CAP FCO program, PECO must have information on the customer's actual income (*not merely a range of incomes*) and the customer's household size; neither of those types of information is provided to PECO with a LIHEAP Grant. PECO has therefore concluded that it is not possible to use LIHEAP Grant information to place a customer in the CAP FCO program (*i.e. LIHEAP auto-enrollment*). However, PECO utilizes the list of LIHEAP recipients to identify potential CAP customers. In these instances, PECO mails a CAP application to those customers along with a letter explaining CAP and the benefits of CAP (*i.e. LIHEAP auto-solicitation*).

4. CAP Re-enrollment: PECO customers previously removed from CAP that subsequently submit a completed CAP application (*and are income eligible for CAP*) are re-enrolled in CAP. Customers re-enrolled in CAP are not eligible for additional PPA (*Pre-Program Arrearage*) forgiveness. Customers are not required to pay any past due amounts to re-enroll in CAP.

5. CAP Recertification: CAP customers must re-certify their income eligibility every 2 years unless the customer receives a LIHEAP grant. Customers who receive a LIHEAP grant must recertify every 6 years. Customers are informed of the recertification requirement during the initial intake process.

The recertification process spans ~45 days. It starts ~30 days prior to the recertification date and concludes ~15 days after the recertification date. If re-certification is not completed within ~45 days, the customer may lose the benefits of CAP. Once a customer is removed from CAP, the customer will return to standard rates. The customer is eligible to re-apply for CAP at any time.

When the customer responds to the initial re-certification letter with complete documentation and remains eligible for CAP, they will receive a letter from PECO confirming that the process has been completed. This letter reaffirms Universal Services program requirements and customer obligations.

If the customer responds with incomplete or inadequate information, PECO will notify the customer requesting the missing information.

If there is no response from the customer to the initial re-certification letter, a second letter is sent 15 days later requesting the necessary income information and explaining the risk of being removed from CAP.

If customer gets a LIHEAP grant and is due for recertification:

A CAP customer that is due for re-certification that has received a LIHEAP grant may automatically be validated for recertification if LIHEAP income eligibility was based upon identical or lower income parameters as CAP and if the income verification process of the Department of Human Services (DHS) is acceptable to PECO. The customer could then be

re-certified and may not be required to provide a new, completed CAP application for recertification. This process is referred to as LIHEAP / CAP auto-recertification. Although PECO will allow CAP auto-recertification for customers who received a LIHEAP grant, in order to maintain the integrity of the CAP program, PECO will require a completed CAP application at least every 6 years regardless of LIHEAP status.

If customer does not receive a LIHEAP grant and is due for recertification:

A CAP customer that is due for re-certification that has not received a LIHEAP grant must submit a completed, signed CAP application along with income verification documentation every 2 years.

6. Pre-Program Arrearage: PECO's Pre-Program Arrearage ("PPA") forgiveness (*note: PPA is delinquency incurred before the customer's initial enrollment in CAP*) is a key element of PECO's CAP. PPA is designed to provide the customer with a fresh start and also achieve the goal of improving customer payment behaviors.

CAP customers are entitled to PPA forgiveness only at their initial enrollment in CAP. If a customer is eligible for PPA forgiveness (*i.e., they have not received or benefited from PPA forgiveness in the past*), the customer's total arrearage is set-aside and divided into 12 equal parts. Each month the CAP customer pays their new, affordable CAP bill in full and on time, one-twelfth of their PPA is forgiven.

The intent of PPA forgiveness is to encourage customers to pay their CAP bill on-time every month to establish a positive payment history for the customer enabling them to remain current and out of the collection process.

Customers who benefited from PPA forgiveness as an adult household member at another address may not be eligible for PPA forgiveness at a new address.

PECO allows for CAP customers who may have missed a PPA forgiveness due to late or missed payments to "catch-up" on missed "forgivenesses." Whenever a customer brings their bill current, PECO will forgive any missed forgivenesses the customer did not receive during that time.

7. Portability: Both CAP and PPA programs port, as noted below.

CAP Portability – PECO's CAP program is portable and moves from one premise to another premise within PECO's service territory as long as the direct transfer of service occurs within a 60-day window from the date the service was disconnected at the previous address, and the date the service was connected at the current address.

PPA Portability – If a CAP customer moves from one premise to another, previously unforgiven PPA will be transferred to the customer's new address and the

customer will continue to be eligible for forgiveness as long as the customer remains CAP eligible.

8. Arrearages: Every PECO customer (*including CAP customers*), are subject to PECO's credit and collection policies, up to and including termination of service.

CAP customers are only eligible for payment arrangements under the following circumstances:

1. CAP Re-enrollment (*i.e. off CAP for more than 12 months*)
2. LIHEAP Crisis Grant (*subject to annual PECO LIHEAP Crisis grant rules*)
3. Protection from Abuse (*PFA*)
4. Budget Billing Settlement (*BB*)
5. Reduced Restoration (*only if less than 2 broken payment agreements (Note: PPA and InPA are CAP agreement types)*)

CAP Rate customers who were converted to the new CAP FCO in October 2016 were afforded a one-time, "In-Program Arrearage Forgiveness" ("InPA Forgiveness"). In October 2016, if a customer developed an arrearage since joining the CAP program – known as an "in-program arrearage," PECO provided a special arrangement that allows the customer to pay 1/3 of that arrearage amount and have the remaining 2/3 forgiven. This program was approved by the Commission in early 2015 in PECO's last base rate case proceeding. The details of the "In-Program Arrearage Forgiveness" program are included in Addendum D to this Plan. Once a customer is enrolled in the InPA program, the customer will continue to be eligible to receive InPA arrearage forgiveness through the 60-month term of the InPA program, even if the customer is moved to a non-CAP rate, provided the customer is not moved to a non-CAP rate due to fraud, theft of service, or other misappropriation of service. CAP customers are not eligible for payment arrangements beyond the initial "In-Program Arrearage Forgiveness Agreement." If a customer's account is finalized, and the customer comes back to PECO within the length of the original InPA installment plan (which is a maximum of 60 months from the time of CAP FCO go-live which was October 14, 2016), that customer's InPA will automatically reinstate.

9. CAP Restoration Requirements: CAP customers can have their service restored if they pay their past due balance. PECO will also restore CAP customers if they provide a valid medical certificate or Protection From Abuse (PFA) order. Additionally, CAP eligible customers who have never been on CAP may have their service restored and will be enrolled in CAP after service restoration. Their prior arrearages would go into PPA (*Pre-Program Arrearage Forgiveness*). Existing CAP customers are required to pay the restoration requirements defined in 52 Pa. Code § 56.191(c)(2) (herein Chapter 56).

10. Dismissal from CAP: Customers may be dismissed by PECO from CAP for the following reasons: over income guidelines, failure to meet program requirements,

failure to accept program services, failure to participate in a LIURP audit, failure to complete the recertification process, fraud, theft of service, or other misappropriations of service.

11. Policies for Fraud, Theft of Service and Other Misappropriations of Service: PECO views theft of service as a serious public safety issue. In cases of theft of service, the customer is placing both his/her household as well as the community at large in an unsafe condition. For this reason, PECO will not tolerate theft of service.

PECO will conduct an investigation of any CAP account if PECO becomes aware of potential fraud, theft of service or other misappropriations of service.

Action may be taken to review CAP applications for potential fraud or misrepresentation of information (*e.g., investigate inconsistent household / demographic information provided during the application process, theft of service, "name-game", etc.*).

As part of PECO's standard revenue protection practices, customer information may be analyzed for potential fraud. The investigation may include a credit check and a probe into how the customer pays for basic living expenses. When PECO's investigation includes the use of credit report information, PECO will provide the customer with adverse action notification in accordance with the FCRA.

Fraud includes, but is not limited to, misrepresentation of the customer's identity for the purpose of obtaining utility service or CAP benefits, misrepresentation of income or occupant information, tampering with PECO's equipment or otherwise obtaining electric and/or gas service illegally.

PECO will follow its normal practices for investigation of fraud, theft of service, and other misappropriations of service which may result in some or all of the following; back billing, removal from CAP and termination of service.

Once an account is removed from CAP for fraud, theft of service, or other misappropriations of service, the customer will not be eligible to receive CAP benefits for one full year from the date of removal. Customers may also be held liable for some or all of the following including account arrearages (*forgiven or not forgiven*), pre-program arrearages, In-Program Arrearage Forgiveness (*i.e. one-time forgiveness program during the implementation of CAP FCO in October 2016*), and related account collection fees.

12. Enrollment Limits: There is currently no enrollment limit for CAP.

### C. Projected Enrollment Levels

The past 3 years have seen a CAP enrollment decline. PECO has implemented several initiatives to combat the decline. Initiatives implemented include targeted outreach as well as calling campaigns to various categories of customers. PECO will continue to monitor and address CAP enrollment levels.

To reflect the current forecast, PECO's anticipated CAP enrollment levels for the calendar years covering this ~~63~~-Year Plan are as follows:

2019	11 <u>12,070</u> 0 customers
2020	11 <u>24,020</u> 0 customers
2021	11 <u>35,000</u> customers
<u>2022</u>	<u>114,000</u> customers
<u>2023</u>	<u>115,000</u> customers
<u>2024</u>	<u>116,000</u> customers

### D. CAP Program Budget

See Section VI Budget

### E. Plans to use Community Based Organizations

PECO will continue to partner with Community-Based Organizations ("CBOs") to promote its Universal Services' CAP program.

PECO will accept certification by a CBO as confirmation of customer annual household gross income for purposes of CAP enrollment and verification of confirmed income status, contingent upon the following:

- a. The CBO must be an attendee of PECO's Universal Services Advisory Committee meetings or otherwise demonstrate to PECO's satisfaction that it is qualified to perform income certification;
- b. PECO and the CBO must reach agreement, through arms-length negotiations, regarding the scope of work to be performed by the CBO and cost reimbursement from PECO to the CBO (such agreement to include the right for PECO to audit and/or terminate for quality control purposes); and
- c. PECO will be allowed to recover all funds paid to CBO's for this function, on a dollar-for-dollar basis through its period USFC filings without offsets for working capital (5%) or receivables (22%).

### F. Explanation of any differences between this plan and previous 3-Year plan

- Changed LIHEAP recertification requirement to 6 years vs. 3 years, meaning a customer would have to provide a completed CAP application every 6 year regardless of LIHEAP grant status.
- Added CAP payment agreement types under #8 – Arrearages

- Added the following CAP program requirements for CAP:
  - Adult is a household member 18 year of age or older
  - Added ITIN in addition to Social Security Number (*optional*)
- Updated CAP enrollment forecast

## **2. LOW INCOME USAGE REDUCTION PROGRAM (“LIURP”)**

### **A. Program Description**

LIURP is a usage reduction program for low income, residential customers with household gross income at or below 200% of the FPL and high usage as defined under LIURP eligibility criteria under section B – LIURP Eligibility Criteria.

LIURP assistance includes direct weatherization and conservation measures as well as in-home education that promote usage reduction for the customer. PECO will also refer LIURP participants to CAP, LIHEAP, MEAF and other appropriate low-income programs.

PECO made the following changes to its LIURP program:

- Beginning October 2017, for a period of three years, PECO increased its current annual electric LIURP budget by \$700,000 per year for the purpose of implementing measures under a pilot program for Defacto Heating customers.<sup>4</sup>
- Beginning October 2017, for a period of three years, PECO increased its current annual LIURP budget by \$1,000,000 per year for the purpose of additional LIURP services which may or may not be additional Defacto Heating services as PECO sees fit.
- Beginning January 2019, PECO will increase its annual LIURP budget by \$1,000,000. These incremental LIURP funds may be used to resolve related health and safety issues as well as structural issues that would otherwise prohibit or hamper LIURP measures in the home. PECO will use its best efforts to spend these incremental LIURP funds.

#### LIURP Health and Safety Allowances:

PECO's LIURP values the health and safety of our participants and service providers. Our comprehensive approach to client health and safety includes lifesaving devices such as smoke detectors and carbon monoxide alarms, which are installed on-site during the initial audit. Our auditors perform an in-depth visual inspection of the building, along with diagnostic testing such as combustion analysis, zonal pressure diagnostics, and infrared thermography where applicable.

The customer is always informed of any hazards found during this inspection, including but not limited to: gross moisture problems, visible mold growth, friable

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<sup>4</sup> De facto heating refers to the situation (for Rate R customers), where a customer's residence is normally heated by a source other than electricity, but where the customer is actually heating with electricity (usually space heaters) because the other-fuel heating is not available. This can be due to a broken gas or oil furnace; it can also be due to inability to pay gas or oil bills, resulting in termination of that service. In such situations, the customer often heats their home using inefficient electric space heaters, increasing their electric bills.

asbestos, potential carbon monoxide sources, and other real or potential indoor air quality (IAQ) concerns.

Carbon monoxide and other combustion appliance hazards are remedied through service or replacement as needed. Space heaters are addressed through client education in every house where they are found. We refer clients to other programs for assistance with hazards that are beyond the scope of LIURP, such as electrical problems, structural damage to the property, or heating system malfunctions that our program is unable to address.

#### LIURP Contractors:

PECO has vendors who have contractual responsibility for managing all subcontractors for PECO's LIURP program. PECO requires that the primary vendor as well as all subcontractors including Energy Auditors, Field Supervisors, Inspectors, Plumbers, Electricians, etc. are certified in their particular craft(s) and hold and maintain professional licenses, certifications and BPI certification.

#### LIURP Quality Controls:

PECO's LIURP vendor is required to inspect all heating audits and 5% of all base-load audits once all identified measures have been installed and completed. Both energy auditors and sub-contractors have on-site and in-progress supervision and inspections.

The LIURP Customer Call Center conducts real-time observations of telephone calls in addition to having floor supervision which provides support to LIURP Customer Service Representatives (CSR's) during communication with customers.

PECO's LIURP Quality Control activities focus on customer and contractor safety, quality workmanship, customer satisfaction, and adherence to LIURP guidelines and OSHA standards.

### **B. LIURP Eligibility Criteria**

Low-income residential customers whose household incomes are at or below 200% FPL and deemed high usage as defined in the paragraph below are eligible for LIURP. Special consideration is given to CAP households.

LIURP applicants must have household monthly average usage levels that exceed 600 kWh per month for electric base load, or exceed 1,400 kWh per month for electric heat, or exceed 50 Ccf per month for gas heat. CAP customers with monthly average usage at or above 500 kWh per month for electric base load are also eligible for LIURP.

LIURP is required for CAP customers who are deemed high users. CAP customers who refuse a LIURP audit will be removed from CAP after a series of communications including letters and phone calls. Customers who are removed from CAP for failure to submit to a LIURP audit can be re-enrolled in CAP as soon as they allow PECO to conduct a LIURP audit on their home as well as any follow-up remediation installs identified during the LIURP audit. If the installation takes more than 30 days and the customer is not responsible for the delay, PECO will re-enroll the customer in CAP. If the customer does not allow PECO to do the install at a later date when the equipment becomes available, the customer will be removed from CAP again.

PECO's LIURP program is available to eligible residential customers any month of the calendar year. There is no restriction on receiving services during the non-heating season.

### **C. Projected Enrollment Levels**

The number of customers who receive LIURP services is determined annually. The projected enrollment levels are based on the average cost per audit serviced in the current program year plus anticipated cost increases. The average cost per audit is applied to the annual program budget less anticipated administrative costs to determine the projected enrollment levels for the upcoming program year.

PECO anticipates the LIURP program will serve a consistent number of customers in the next three years. For the preceding three years, PECO's LIURP Program serviced an average of 9,000 customers per year. *(Note: The number of audits could decrease as the cost of measures increase).*

### **D. LIURP Program Budget**

The anticipated LIURP program budget for each program year of this 3-Year Plan is \$7,850,000. The budget for the electric LIURP program is \$5,600,000. The budget for the gas LIURP program is \$2,250,000. The administrative costs will not exceed the standards set in Chapter 58, Residential Low-Income Usage Reduction Program and our LIURP commitment in the Commission approved settlement agreement.

Per the CAP settlement agreement of 2015, the LIURP budget increased by \$700,000 for a period of three years beginning in October 2017 for the purpose of treating Defacto heating conditions. The LIURP budget increased by \$1,000,000 for a period of three years beginning in October 2017 for the purpose of additional LIURP measures.

The LIURP budget will increase by \$1,000,000 per year commencing January 2019 for LIURP Health and Safety measures.<sup>5</sup> These incremental LIURP funds may be used to resolve related safety/health issues and structural issues that would otherwise

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<sup>5</sup> This provision is from the Joint Petition for Partial Settlement in PECO's 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164; see footnote 1, *supra*.

prohibit or hamper LIURP measures in the home. PECO will initially target these funds to customers who exceed the applicable CAP credit maximum after the increase in the CAP credit maximums is implemented. PECO will evaluate each such residence and determine whether: (1) performing LIURP work would require safety/health/structural work, and (2) performing such safety/health/structural work is appropriate to allow LIURP measures to be implemented. PECO will retain discretion of whether to expend LIURP funds at any such residence.

**E. Plans to Use Community-Based Organizations**

The Company does not propose to utilize community-based organizations in the delivery of LIURP services.

**F. Explanation of any Differences Between This Plan and Previous 3 Year Plan**

- Removed anticipated population numbers
- Added additional \$1,000,000 per 2018 Rate Case to total LIURP budget

### 3. **MATCHING ENERGY ASSISTANCE FUND (“MEAF”)**

The information provided in this section reflects the current procedures and policies for the administration of MEAF.

#### **A. Program Description**

MEAF is PECO’s hardship fund program. There are two components: MEAF contributors and MEAF grants.

- **Contributors** – Customers or interested parties can pledge donations through monthly bill payments or the PECO website ([www.peco.com](http://www.peco.com)). Donations can be either one-time or recurring, which can be added to the customer’s bill on a monthly basis. Funds are made available by contributions to eligible residential customers.
- **Grants** – Residential customers whose income is at or below 175% of the FPL; that have not received a MEAF grant in the past 24 months; that are in imminent danger of service termination or their services have been terminated; and that can bring their balance to zero are eligible for a MEAF grant.

The maximum MEAF grant is five hundred dollars (\$500) per commodity. The grant must eliminate the total amount due, excluding pre-program arrearage (PPA). If the grant amount does not bring the bill to zero, the customer will be required to make a payment and/or solicit other third-party grants to satisfy the remaining total amount due before receiving the MEAF grant.

PECO will continue its MEAF fundraising by utilizing MEAF bill inserts as a vehicle for customer outreach and contribution solicitation. In addition, customers can contribute to MEAF via a check off box on their bill stub.

PECO has established a MEAF intake site in 5 counties within its service territory. The list of MEAF agency intake sites is found in Addendum A.

#### **B. Eligibility Criteria**

A residential customer must meet all of the following criteria for MEAF eligibility:

- Income at or below 175% FPL
- Hardship (*i.e. service is in imminent danger of termination or has been terminated*)
- Reside within the county where they are applying for a MEAF grant

- Not received a MEAF grant in the past 24 months and,
- Must bring account balance to zero – this requirement can be met via a combination of MEAF grant, customer co-payments and/or other grants

**C. Projected Enrollment Levels**

Over the past 3 years, an average of 1,000 customers a year have benefited from a MEAF grant. Due to the unpredictability of customer donations and additional amounts from fundraising efforts, PECO has not estimated enrollment levels for the three-year period of 2019-2021; however, ~1,000 customers helped is a reasonable planning estimate.

**D. MEAF Program Budget**

See Section VI - Budget

**E. Plans To Use Community-Based Organizations**

PECO uses non-profit, MEAF affiliated CBOs to administer MEAF. The agencies are members of the Universal Service Advisory Committee. See Addendum A of this Plan for current MEAF agency listings

**F. Explanation of any Differences Between This Plan and Previous 3 Year Plan**

➤ None.

**4. CUSTOMER ASSISTANCE AND REFERRAL EVALUATION SERVICES PROGRAM (“CARES”)**

**A. Program Description**

PECO’ CARES program is a referral and information service designed to assist low-income customers with special needs and/or extenuating circumstances that hinders their ability to pay their utility bill. Eligible customers may receive temporary protection from termination of service and specific education and referral information for energy and non-energy related assistance. CARES services will continue in conjunction with PECO’s Universal Services programs.

The goal of the CARES component of Universal Services is to educate and inform PECO customers of available resources such as, energy and non-energy assistance, budget counseling and housing assistance. The purpose of CARES services is to maximize the ability of customers to pay their energy bills.

There are two components to PECO’s CARES program. The first component is an extensive referral network of community organizations, government agencies, and social service agencies that assists low-income customers. The second component is an in-house assistance program that includes Universal Services’ CARES administrators. CARES administrators assist customers on a personal basis with the identification of grant assistance and direct referrals. CARES administrators work with individual customers to ensure the customer receives the assistance they are eligible for based upon their income and circumstances and provide direct follow-up to the customer as appropriate. Follow-up may be conducted with the agency accepting the CARES referral.

**B. Eligibility Criteria**

Customers who are low-income (*200% FPL or below*), and have special needs, and/or extenuating circumstances.

**C. Projected Enrollment Levels**

Special needs and/or extenuating circumstances are difficult to forecast. PECO has provided CARES services to an average of 2,500 customers a year historically via direct CARES referrals and believes this serves as our best estimate for the potential eligible population during this 63 year plan period.

**D. CARES Program Budget**

See Section VI - Budget

**E. Plans to Use Community-Based Organizations**

PECO will continue to use the services and referrals from community-based organizations to assist in the enrollment of low-income residential customers into the CARES program. See Addendum A of this Plan for a list of agency referrals.

**F. Explanation of any Differences Between This Plan and Previous 3 Year Plan**

➤ None

## **5. UNIVERSAL SERVICES OUTREACH AND EDUCATION PROGRAM**

### **A. Program Description**

PECO's Universal Services' Outreach and Education program has been enhanced to communicate directly and indirectly to all customers in its service territory. It has been designed to create a consistent and broader awareness of program benefits, provide tools for a streamlined and complete enrollment process, and maintain PECO's relationship within its customers as a community partner. PECO utilizes several methods for outreach including solicitation and direct enrollment when performing the following:

- LIURP recipients are referred directly to other Universal Services programs for evaluation;
- MEAF recipients are referred to MEAF agencies; and
- Universal Services' website provides a description and contact information for CAP, LIURP, MEAF, LIHEAP and CARES. The website also provides a printable CAP application and on-line CAP enrollment.

PECO conducts two types of outreach events:

- 1) Training – PECO provides train-the-trainer sessions to educate service providers and staff members of community organizations and health providers such as Neighborhood Energy Centers (“NECs”), Community Based Organizations (“CBOs”), and legal service organizations.
- 2) Direct Customer Outreach – PECO conducts outreach in the communities within PECO's service territories to increase customer's awareness of and access to its low-income programs. In some cases, at these events, PECO representatives will provide assistance with LIHEAP and CAP applications.

## 6. EXTERNAL GRANT PROGRAM (E.G. LIHEAP)

PECO supports the Federal grant program called “LIHEAP” – Low Income Home Energy Assistance Program:

There are three components to LIHEAP: Cash, Crisis, and weatherization assistance. Recipients can allocate their LIHEAP payment to any primary or secondary heating utility or deliverable fuel company that serves them. The Cash program provides a direct payment to a vendor, such as PECO. The Crisis program allocates funding for emergencies including purchasing home heating fuel, preventing service from termination, or reinstating service that has been terminated for non-payment. The entire LIHEAP grant payment (Cash or Crisis) is applied directly to the customer’s account. The weatherization program provides funding for winter emergencies including repairing leaking pipes and broken furnaces. Funding for the LIHEAP program is appropriated by Congress under the Labor/Health and Human Services Appropriations Bill. The federal funding (*and any state funding*) is subject to change each year. In Pennsylvania, this program is administered by the Department of Human Services (“DHS”).

### Program Characteristics:

- Grants are based on household size and income, type of fuel used and geographical region.
- Late payment charges are suspended, and reconnection fees are waived on LIHEAP recipient’s accounts from the time the grant is received until the end of the LIHEAP season per the annual LIHEAP State Plan.
- PECO will continue to review the size of LIHEAP grants annually in order to establish a maximum threshold for acceptance of LIHEAP Crisis grants. The ceiling will be established annually in order to give customers the best opportunity for success moving forward.
- PECO conducts a Winter Survey each year which identifies customers that were terminated and not restored in the given year. PECO then reaches out to those customers to confirm the property is occupied, in an effort to have these customers apply for LIHEAP Cash and Crisis grants to have their service restored.
- To help low-income customers maintain active service, with the approval of DHS, every February, PECO conducts an “Expedited mailing” to customers that have been identified as being Crisis eligible. The mailing will include a termination notice with a termination date of April 1<sup>st</sup>. The termination notice is required for a LIHEAP Crisis grant. The mailing will also include a letter informing the customer they are LIHEAP Crisis eligible and how to apply for a LIHEAP Crisis grant. In the explanation letter, customers are asked to call PECO’s LIHEAP Hotline for more information.

- LIHEAP grants are posted to customer accounts in the following order:
  - past due balance
  - current charges
  - credit to account

#### IV. COLLECTION STRATEGY

PECO's collection strategy for CAP customers is not materially different from its standard collection strategy and procedure. PECO's strategy is to begin collection action as soon as a customer becomes past due to enable the customer to bring the account current as soon as possible so that he/she will not be placed in a catch-up situation that is more difficult to manage. A CAP customer who does not pay his/her PECO bill will be subject to termination for non-payment.

PECO will treat all CAP customers requesting medical certificates the same as non-CAP residential customers per Chapter 56.

If a customer pays more than the amount due in a given billing period, or otherwise has a credit balance at the end of their billing period, the credit balance will be carried forward to the next month's bill. The credit balance amount will then be applied against the next month's bill, using the Company's payment priority posting rules.

PECO maintains the same collection rules for CAP customers as non-CAP customers, however, Chapter 56 offers the following provisions for CAP customers:

- A deposit will not be charged for customers eligible for CAP. However, a deposit will be charged regardless of income level in the case of a post-bankruptcy account, in accordance with 11 U.S.C. Section 366. PECO will educate post-bankruptcy low-income customers about the availability of temporary service for no more than 20 days post-petition without a security deposit before initiating the termination process
  - If PECO confirms that any low-income customer has paid or been assessed a deposit, it will promptly have the deposit credited back to the customer's account.<sup>6</sup>
- Service will not be terminated for verified low-income customers (250% FPL or below) during the winter period (December 1<sup>st</sup> – April 1<sup>st</sup>) per chapter 14 section 1406 (E)<sup>7</sup>

<sup>6</sup> This provision is from the Joint Petition for Partial Settlement in PECO's 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164; see footnote 1, *supra*.

<sup>7</sup> PECO's Electric Service Tariff Rule 18.1 sets forth PECO's procedures for verifying the income status of customers for winter termination purposes. On May 16, 2018, in Docket No. M-2018-2531404, PECO agreed to revise and provide additional detail with respect to its procedures for determining low income status for winter termination. The Commission has not yet ruled on that filing; when it does, PECO will modify its winter termination procedures and insert a tariff provision consistent with the Commission's Order. This issue was also referenced in a provision in the Joint Petition for Partial Settlement in PECO's

In addition, PECO offers payment agreements<sup>8</sup> for CAP customers under the following circumstances:

- CAP Re-Enrollment (off CAP for more than 12 months)
- LIHEAP Crisis Grant
- Budget Billing Settlement
- Protection from Abuse Order (PFA)
- Reduced Restoration (less than 2 defaulted payment agreements – PPA and InPA both count towards this requirement. *(Note: since customers should not have 2 concurrent agreements, all CAP customers who have an active InPA are not eligible for Reduced Restoration)*)

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2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164; see footnote 1, *supra*.

<sup>8</sup> When a low-income customer enters into a payment agreement, PECO will inform them of the availability of budget billing. This provision is from the Joint Petition for Partial Settlement in PECO's 2018 distribution rate case. *Pa. P.U.C. v PECO Energy Company*, Docket No. R-2018-3000164; see footnote 1, *supra*.

## **V. COST RECOVERY**

The Commission has proposed that utilities' Three-Year Plan filings should incorporate a utility's CAP rules into its tariff and that the cost recovery mechanisms for its low-income programs should be included in the Three-Year Plan filing.

PECO's CAP program rules are materially incorporated in its existing CAP Tariffs, which have been previously approved by the Commission.

As to cost recovery, PECO's CARES costs, LIHEAP administrative costs and MEAF administrative costs are included in its existing base rates. MEAF matching contributions are funded by shareholders and cost recovery is not obtained.

For electric, PECO's CAP costs are recovered through base rates. Adjustments to that amount up or down will be implemented through its Electric USFC.

For natural gas, PECO's CAP costs are recovered through its base rates. Adjustments to that amount, up or down, will be implemented through its gas USFC.

**VI. BUDGET**

<b>Universal Services Cost Description</b>	<b>2019 Projected Costs</b>	<b>2020 Projected Costs</b>	<b>2021 Projected Costs</b>	<b>2022 Projected Costs</b>	<b>2023 Projected Costs</b>	<b>2024 Projected Costs</b>
<b>by Expense Type:</b>						
Internal staffing and related expenses	\$1,355,891	\$1,378,246	\$1,425,665	\$1,461,307	\$1,497,839	\$1,535,285
Outreach and Advertising	\$328,000	\$336,201	\$344,598	\$353,213	\$362,043	\$371,094
Company MEAF contribution <sup>1</sup>	\$276,750	\$283,662	\$290,754	\$298,023	\$305,473	\$313,110
Consumer Education	\$11,275	\$11,557	\$11,846	\$12,142	\$12,446	\$12,757
Contractor Costs	\$14,540,599	\$14,131,020	\$12,970,078	\$13,294,330	\$13,626,688	\$13,967,355
<b>Total expense</b>	<b>\$16,512,515</b>	<b>\$16,140,686</b>	<b>\$15,042,941</b>	<b>\$15,419,015</b>	<b>\$15,804,490</b>	<b>\$16,199,602</b>
<b>by Program Type:</b>						
CAP	\$2,851,597	\$2,973,855	\$3,050,362	\$3,126,621	\$3,204,786	\$3,284,906
CARES	\$412,133	\$419,149	\$433,318	\$444,151	\$455,255	\$466,636
LIHEAP	\$1,103,605	\$1,129,707	\$1,159,599	\$1,188,589	\$1,218,304	\$1,248,761
LIURP	\$10,652,436	\$10,229,426	\$8,972,900	\$9,197,222	\$9,427,153	\$9,662,831
MEAF <sup>1</sup>	\$791,186	\$809,477	\$831,368	\$852,152	\$873,456	\$895,292
OUTREACH	\$263,774	\$268,720	\$277,287	\$284,219	\$291,324	\$298,607
OTHER	\$437,785	\$310,353	\$318,108	\$326,061	\$334,212	\$342,568
<b>Total expense</b>	<b>\$16,512,515</b>	<b>\$16,140,686</b>	<b>\$15,042,941</b>	<b>\$15,419,015</b>	<b>\$15,804,490</b>	<b>\$16,199,602</b>
<b>Total CAP Rates Costs:</b>						
CAP Operations expense (from above)	\$2,851,597	\$2,973,855	\$3,050,362	\$3,126,621	\$3,204,786	\$3,284,906
PPA Set-Aside <sup>2</sup>	\$7,200,000	\$7,300,000	\$7,400,000	\$7,600,000	\$7,900,000	\$8,200,000
CAP Credits (Shortfall)	\$60,000,000	\$60,000,000	\$60,600,000	\$61,206,000	\$61,818,060	\$62,436,241
<b>Total expense</b>	<b>\$70,051,597</b>	<b>\$70,273,855</b>	<b>\$71,050,362</b>	<b>\$71,932,621</b>	<b>\$72,922,846</b>	<b>\$73,921,147</b>

<sup>1</sup> PECO's MEAF Company Matching Contribution, currently averaging at \$250k per year, is not included in base rates or the USFC and is funded by the corporation.

<sup>2</sup> When dollars are designated to be set aside as CAP pre-program arrearage ("PPA"), PECO accounts for those dollars as fully uncollectible. The full amount of the PPA is thus accounted for as a program cost.

Note: All Universal Service expense, excluding the MEAF company match, are recoverable either through base rates or the USFC. The USFC is a mechanism to adjust the CAP shortfall amount established in the base rate case for the actual shortfall. All other Universal Service costs are recovered through base rates and are not subject to an annual adjustment.

<b>Universal Services Cost Description</b>	<b>2019 Projected Costs</b>	<b>2020 Projected Costs</b>	<b>2021 Projected Costs</b>
<b>by Expense Type:</b>			

Internal staffing and related expenses	\$1,355,891	\$1,378,246	\$1,425,665
Outreach and Advertising	\$328,000	\$336,201	\$344,598
Company MEAF contribution <sup>1</sup>	\$276,750	\$283,662	\$290,754
Consumer Education	\$11,275	\$11,557	\$11,846
Contractor Costs	\$14,540,599	\$14,131,020	\$12,970,078
<b>Total expense</b>	<b>\$16,512,515</b>	<b>\$16,140,686</b>	<b>\$15,042,941</b>

**by Program Type:**

CAP	\$2,851,597	\$2,973,855	\$3,050,362
CARES	\$412,133	\$419,149	\$433,318
LIHEAP	\$1,103,605	\$1,129,707	\$1,159,599
LIURP	\$10,662,436	\$10,229,426	\$8,972,900
MEAF <sup>1</sup>	\$791,186	\$809,477	\$831,368
OUTREACH	\$263,774	\$268,720	\$277,287
OTHER	\$437,785	\$310,353	\$318,108
<b>Total expense</b>	<b>\$16,512,515</b>	<b>\$16,140,686</b>	<b>\$15,042,941</b>

**Total CAP Rates Costs:**

CAP Operations expense (from above)	\$2,851,597	\$2,973,855	\$3,050,362
PPA Set-Aside <sup>2</sup>	\$8,000,000	\$7,600,000	\$7,400,000
CAP Credits (Shortfall)	\$64,800,000	\$65,200,000	\$69,200,000
<b>Total expense</b>	<b>\$75,651,597</b>	<b>\$75,773,855</b>	<b>\$79,650,362</b>

<sup>1</sup> PECO's MEAF Company Matching Contribution, currently averaging at \$250k per year, is not included in base rates or the USFC and is funded by the corporation.

<sup>2</sup> When dollars are designated to be set aside as CAP pre-program arrearage ("PPA"), PECO accounts for those dollars as fully uncollectible. The full amount of the PPA is thus accounted for as a program cost.

Note: All Universal Service expense, excluding the MEAF company match, are recoverable either through base rates or the USFC. The USFC is a mechanism to adjust the CAP shortfall amount established in the base rate case for the actual shortfall. All other Universal Service costs are recovered through base rates and are not subject to an annual adjustment.

## VII. USE OF COMMUNITY BASED ORGANIZATIONS

PECO continually seeks community partners that provide opportunities and access to resources that offer the assistance that our customers may need. The Company maintains relationships with the following community-based organizations (CBOs):

- Utility Emergency Services Fund (UESF) – Philadelphia County

- Community Action Agency of Delaware County – Delaware County
- Montgomery County Community Action Agency Development Commission –  
Montgomery County
- Bucks County Opportunity Council Inc. – Bucks County
- Mason Dixon Cares – York County

PECO continuously works with several other CBOs throughout PECO's service territory to develop an ongoing relationship to provide referral services such as job/skill training, budget counseling and to conduct education workshops.

See Addendum A for Key CBOs as of 10/31/18.

## ADDENDUM A

### Community Based Organizations (CBOs)

PECO uses the following County Fuel Fund Agencies to administer its Matching Energy Assistance Fund (MEAF).

<b>Bucks County</b>	<p><b>PROJECT HEAT - Bucks County Opportunity Council, Inc</b>            100 Doyle Street            Doylestown, PA 18901</p> <p>Phone: 215-345-8175            Fax: 215-345-8573  <a href="http://www.bcoc.org/">http://www.bcoc.org/</a></p>
<b>Chester County</b>	<p>Torres Credit Services, Inc.            P.O. Box 89            Carlisle, Pa 17103</p> <p>Phone: 1-800-403-6806</p>
<b>Delaware County</b>	<p><b>DELCO SHARES ITS WARMTH - Community Action Agency of Delaware County, Inc</b>            1414 Meetinghouse Road            Upper Chichester, PA 19061</p> <p>Phone: 610-874-8451            Fax: 610-874-8476  <a href="http://www.caadc.org/">http://www.caadc.org/</a></p>
<b>Montgomery County</b>	<p><b>PROJECT REACH - Community Action Development Commission</b>            113 East Main Street            Norristown, PA 19401</p> <p>Phone: 610-277-6363            Fax: 610-277-2123  <a href="http://www.cadcom.org/">http://www.cadcom.org/</a></p>
<b>Philadelphia County</b>	<p><b>Utility Emergency Services Fund</b>            1608 Walnut Street, Suite 600            Philadelphia, PA 19103</p> <p>Phone: 215-814-6847            Fax: 215-972-5174/5175  <a href="http://www.uesfacts.org/">http://www.uesfacts.org/</a></p>
<b>York County</b>	<p><b>Mason-Dixon Community Services, Inc.</b>            5 Pendyrus Street, Suite 2            Delta, PA 17314</p> <p>Phone: 717-456-5559            Fax: 717-456-6508  <a href="http://www.mason-dixon.org/">http://www.mason-dixon.org/</a></p>

## **Neighborhood Energy Centers**

ACHEIVEability – 215-748-8838

Center in the Park – 215 848-7722

Congreso de Latinos Unidos, Inc. – 215-763-8870

Diversified Community Services (Dixon House) – 215 336-3511

Germantown Ave. Crisis Ministry – 215-843-2340

Greater Philadelphia Asian Social Service (GPASS) – 215 456-1662

HACE – 215-426-8025

Hunting Park NAC – 215-225-5560

New Kensington CDC – 215-427-0350

Nicetown CDC – 215 329-1824

Southwest CDC – 215 729-0800

Strawberry Mansion NAC – 215 235-7505

United Communities – 215 467-8700

We Never Say Never – 215 452-0440

PECO continually seeks community-based organizations (CBOs) that provide opportunities and access to resources that offer assistance to our low-income, residential customers. Through direct outreach, PECO seeks to leverage customer assistance throughout our service territory. PECO continues to provide advocacy for federal funding when available.

*Note: Contact information for the aforementioned CBOs, inclusive of PECO's MEAF agencies, can change during the years governing this 3-Year Plan.*

## ADDENDUM B

### 2018 Rate Case Settlement Petition: Appendix C from *Pa. P.U.C. v PECO Energy Company, Docket No. R-2018-3000164*

#### Residential and Low-Income Customer Issues

Items 1-5 will have a commencement date of January 1, 2019. Dates for items 6-7 are discussed in the text of those items.

#### 1. CAP Enrollment

PECO will accept certification by a Community-Based Organization (“CBO”) as confirmation of customer annual household gross income for purposes of CAP enrollment and verification of confirmed income status, contingent upon the following:

- (a) The CBO must be an attendee of PECO’s Universal Services Advisory Committee meetings or otherwise demonstrate to PECO’s satisfaction that it is qualified to perform income certification;
- (b) PECO and the CBO must reach agreement, through arms-length negotiations, regarding the scope of work to be performed by the CBO and cost reimbursement from PECO to the CBO (such agreement to include the right for PECO to audit and/or terminate for quality control purposes); and
- (c) PECO will be allowed to recover all funds paid to CBO’s for this function, on a dollar-for dollar basis through its period USFC filings *without offsets* for working capital (5%) or receivables (22%).

PECO will actively solicit at least twice per year, for purposes of CAP enrollment, through mailings and outbound calls all confirmed low income customers with existing debt to PECO who are not currently enrolled in CAP.

Within 6 months of the effective date of rates, PECO will revise its termination notice to state: “You may be eligible for a payment agreement or special assistance programs, which may stop the termination of your service. Call 1-888-480-1533 right away to determine if you are eligible for a payment agreement or assistance, dispute your bill or to provide us with household income or occupant information.” PECO will submit the revised tariff language to the Commission’s Bureau of Consumer Services and, subject to BCS consent, will change its termination notice as per above.

**2. CAP Credit Maximum**

(a) PECO will increase the CAP Credit Maximum by \$200 per customer, as follows

	<b>PECO Annual Maximum CAP Credits - Rate R</b>	<b>New PECO Maximum Rate R</b>	<b>PECO Annual Maximum CAP Credits - Rate RH</b>	<b>New PECO Maximum Rate RH</b>
0-50% FPL	\$2,048	[\$2,048 * (1+%age rate increase)] + \$200	\$2,922	[\$2,922 * (1+%age rate increase)] + \$200
51-100% FPL	\$1,389	[\$1,389 * (1+%age rate increase)] + \$200	\$1,881	[\$1,881 * (1+%age rate increase)] + \$200
101-150% FPL	\$1,241	[\$1,241 * (1+%age rate increase)] + \$200	\$1,661	[\$1,661 * (1+%age rate increase)] + \$200

(b) The increased discounts will be recovered as marginal costs of providing the CAP discount, with recovery through the USFC, *with offsets* for working capital (5%) or receivables (22%)

**3. LIURP Spend**

PECO will increase its LIURP budget by \$1 million per year. In its next base rate proceeding, PECO may propose a LIURP budget that does not include this additional \$1 million per year. The additional \$1 million LIURP budget amount shall be in addition to PECO’s existing LIURP budget, including the \$1 million dollars of additional LIURP spending that was agreed to in the FCO Settlement at Paragraph C.1, and is subject to the following conditions:

(a) These incremental LIURP funds may be used to resolve related safety/health issues and structural issues that would otherwise prohibit or hamper LIURP measures in the home.

(b) PECO will initially target these funds to customers who exceed the applicable CAP Credit Maximum after the increase in the CAP Credit Maximums is implemented. PECO

will evaluate each such residence and determine whether: (1) performing LIURP work would require safety/health/structural work, and (2) performing such safety/health/structural work is appropriate to allow LIURP measures to be implemented. PECO shall retain discretion of whether to expend LIURP funds at any such residence;

(c) PECO is shall use its best efforts to spend these incremental LIURP funds; and

(d) For LIURP funds that are spent, PECO will recover those funds through the USFC, *without offsets* for working capital (5%) or receivables (22%).

(e) Nothing here shall restrict the parties' rights to make any LIURP budget proposals in future PUC proceedings initiated after January 1, 2019.

#### **4. Winter Termination**

PECO has informed the Parties that it reached a Settlement with the prosecutorial division of I&E in Docket No. M-2018-2531404 addressing winter termination issues. As part of that Settlement, PECO has agreed to make tariff modifications to its winter termination provisions within 60 days of approval of that Settlement.

In this proceeding the OCA has raised issues concerning the determination of low-income status for the purpose of winter terminations. As resolution of the issues in this proceeding, PECO agrees to:

(a) include in its planned Tariff filing in Docket No. M-2018-2531404 at least the following provisions:

- Adopt language that mirrors the language of Columbia Gas and/or the FirstEnergy companies providing greater flexibility in the documentation that will be accepted to establish income eligibility
- Allow income verification from CBOs
- Adopt language providing that any customer identified as confirmed low-income in the Company's records in the prior four years shall not be required to re-certify or re-verify income to gain the protections of the winter shutoff protections
- Adopt language providing that any customer having established income eligibility for cold weather protections within at least the 12 months preceding the start of the cold weather season shall not be required to re-certify or re-verify their income for that heating season
- Adopt language providing that income eligibility for the cold weather protections may be established using 30-day annualized income rather than being based solely on an annual income.

(b) The parties reserve their rights to address the provisions of the Settlement in Docket M-2018-2531404 and final proposed tariff that PECO may submit in that docket.

#### **5. Budget Billing**

When a low-income customer is entering into a Deferred Payment Arrangement (“DPA”), PECO will inform them of the availability of budget billing, but will not require the customer to enroll in budget billing as a condition of obtaining the DPA. PECO will seek input from its Universal Service Advisory Committee about how to inform customers about the benefits of budget billing and deferred payment arrangements.

#### **6. Security Deposits**

(a) PECO confirms that it has returned or credited the security deposits of low-income customers that it was inadvertently holding and which were identified in its discovery response CAUSE-PA-I-18-1.

(b) Beginning in August, the Company will complete monthly reviews of its customer accounts to identify deposits paid and assessed for customers who have: (1) verified their income is below 150% FPL within the past four years; or (2) received LIHEAP grants within the past two years. Any such customers who have paid or been assessed a security deposit will promptly have the deposit credited to their account.

#### **7. Limited English Proficiency (“LEP”)**

(a) Within six months of the Commission approval of this Settlement, PECO will conduct a language assessment of the residents in its service territory. On the basis of its needs assessment, PECO will draft and distribute for comment its written policy statement on how it intends to service its LEP customers.

(b) The parties agree that, other than requirements that may currently exist in the Commission’s regulations with respect to provision of service to LEP households, the language analysis shall not commit PECO to undertake specific measures with respect to LEP households.

## ADDENDUM C

### CAP FCO Calculation;

Prior to October 2016, the 2013 – 2015 PECO 3-Year Plan Settlement will continue to govern CAP program activities. Post October 2016, the CAP FCO program activities will govern PECO’s CAP. The FCO calculation is outlined below;

### Fixed Credit Option (FCO) Calculation

#### A. FCO/CAP Design

##### 1. Determination of Credits:

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

##### Step 1: Determine customer’s prior year’s undiscounted charges:

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

usage/charges. The pro forma profile will be based on the following, in order of preference if data is available:<sup>1</sup>

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

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

- PECO’s existing income verification procedures will be used to determine Verified Household Income. PECO will then use that information and the number of people in the household to determine the household’s Federal Poverty Level<sup>2</sup>.

Step 3: Determine customer’s allowable Energy Burden:

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

Table 1: Energy Burdens

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

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

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

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

**Step 4: Calculate customer’s Annual Credit:**

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

The maximum Annual Credit for any household will be as follows:<sup>7</sup>

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

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

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

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

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

The maximum Annual Credits set forth in the table have been determined in an effort to reduce the number of CAP customers whose bills exceed commission energy burden guidelines. The Commission has previously granted PECO permission to apply maximum annual credits on a system-wide average, rather than as an individual customer limit. This settlement continues that practice. See also section A3 (Cost Containment) below.

Table 2: Maximum Annual Credits

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

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

Step 5: Apply Annual Credit to Bill:

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

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

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

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

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

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

Table 3: Seasonality Distribution

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

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

Step 6: Periodic Recalculation and Adjustment of Annual Credit

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

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

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

#### Step 7: New entrants to CAP program after program begins

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

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

- In the FCO, it is possible for a customer to be income-eligible for CAP (defined as having income of less than 150% of the Federal Poverty Level), but nonetheless receive a \$0 credit.
- Phase-Out Benefit: PECO estimates that, under the FCO approach, approximately 40,000 households that receive rate discounts under PECO's current program will not receive discounts under the FCO. PECO will identify the individuals in that category as of the October 2016 FCO implementation date and, for that population, will provide a Phase-Out Benefit of \$50 per household. The Phase-Out Benefit will be provided as a monthly bill credit of \$4.17 for each month the household continues to take service, up to a maximum of 12 consecutive months

- Other Benefits: Any customer who is verified to be eligible for CAP, but who does not receive an Annual Credit, will nonetheless be eligible for any other benefits that may be available to CAP customers including, but not limited to, PPA forgiveness, LIURP priority, etc., according to the terms of those program components.

### 3. Cost Containment

- Minimum monthly billing amounts: The Commission's CAP Guidelines, 52 Pa. Code §69.265(3)(i), state that CAP participant payments should be at least:
  - Rate R: \$12 per month
  - Rate RH: \$30 per month
  - Gas Heat: \$25 per month
- Each monthly bill rendered under this program will have an asked-to-pay amount equal or greater to these monthly minimums, even if a rolling credit creates an overall credit or owed amount of less than the applicable minimum (\$12, \$25 or \$30).
- Maximum Annual Credits: The maximum Annual Credits set forth in Table 2 of this settlement exceed the maximum annual credits set forth in the Commission's guidelines at 52 Pa. Code § 69.265(3)(v). However, the Commission has previously granted PECO permission to apply those maximum annual credits on a system-wide average, rather than as an individual customer limit. This practice will continue.

## ADDENDUM D

(In-Program Arrearage Forgiveness)  
To The Joint Petition For Settlement Of Rate Investigation

PA. P.U.C. V. PECO Energy Company  
Docket No. R-2015-2468981

### I. Background

1. On July 8, 2015, the Pennsylvania Public Commission (“Commission”) approved a multi-party settlement related to PECO’s 2013-2015 Universal Service and Energy Conservation Plan in Docket No. M-2012-2290911. In that Order, the Commission approved PECO to implement, in October 2016, a form of Customer Assistance Program (“CAP”), known as the Fixed Credit Option (“FCO”). The move from PECO’s existing CAP program to the FCO approach represents a fundamental change in CAP approach and structure that is designed and intended to significantly increase both the breadth and depth of affordability of service to PECO’s low-income customers.
2. As of this time, PECO’s customers who participate in PECO’s existing CAP program have accumulated approximately \$45 million of “in-program arrears” – that is, amounts that the customers have been billed since they entered the CAP program, but which they have not paid. The \$45 million includes amounts that are currently overdue, as well as amounts owed for prior service that are currently subject to a payment arrangement. This amount does not include any amounts owed for prior service that are classified as pre-program arrears. The parties have agreed that PECO’s historic CAP program did not provide rates that comprehensively met the Commission’s guidelines for affordable service, and that this unaffordability was a material factor in the customer’s developing the \$45 million in-program arrearage.
3. The testimony of BI&E (J. Dagadu) and the OCA (R. Colton) contains claims that PECO is responsible for a portion of the IPA arrearages due to PECO’s collection practices or for other reasons. This settlement does not admit or deny those claims; to the extent that any party considers those claims to be a valid part of this settlement, PECO’s guarantee to absorb 1/3 of the in-program arrearages, as set forth in detail below, is deemed to include and fully resolve such claims.
4. The parties further recognize that, when PECO implements the FCO program in October 2016, the full collection of the \$45 million of in-program arrears from CAP customers with the arrears will present substantial challenges to the success of the FCO program due to the potential impacts on affordability.

5. The parties have agreed to an in-program arrearage forgiveness program that will materially decrease the obligation of PECO's CAP customers to pay the accumulated \$45 million of in-program arrearages. The parties believe and agree that PECO's transition from its current program to the FCO program presents a unique opportunity to improve affordability for PECO's CAP customers. Given the unique circumstances presented, the parties have agreed to the approach set forth below to address the in-program arrearages. For its part, PECO has agreed that, for 1/3 of the arrearages, it will write-off those arrearages and not seek rate recovery of that 1/3. The other parties have agreed that PECO may recover the remaining 2/3 of the arrearages, as a transition cost of moving to the FCO, through a combination of CAP customer payments and rate recovery, as set forth at length below.
6. This Appendix describes: (a) how the arrearage forgiveness program will be applied to CAP customers' bills, and (b) how PECO will be allowed to recover 2/3 of the transition costs.

## **II. Application of In-program Arrearage Forgiveness ("IPAF") To CAP Customer Bills**

1. PECO will continue to work to collect and mitigate in-program arrears between now and October 2016.
2. When the FCO program goes live in October 2016, PECO will determine the in-program arrearage balance for each CAP customer ("Customer Final IPA Balance") as of the implementation of the FCO program. Collectively, all Customer Final IPA Balances will constitute the "System Final IPA Balance," which will be addressed in the cost recovery section of this term sheet.
3. For each customer, 1/3 of their Customer Final IPA Balance will be designated as that customer's IPA Payment Arrangement Balance ("IPA PAR Balance") and will be recovered from the customer over a 60-month payment arrangement. The remaining 2/3 of the Customer Final IPA Balance will be tracked for potential forgiveness as a Customer Deferred Amount.
4. During the 60-month duration of the payment arrangement, whenever a customer pays \$1 of their IPA PAR Balance, the customer will receive permanent forgiveness of \$2 of their Customer Deferred Amount. (The cost recovery mechanism for this forgiveness is described in the cost recovery section, below.)
5. If a customer transfers their service to a new location and account during the 60-month duration of the payment arrangement, the payment arrangement shall transfer

to the new account on the same terms and conditions as at the initial residence. For customers whose service is terminated pursuant to 52 Pa. Code §56.81 and whose account is then finalized prior to that customer paying their entire IPA PAR Balance, PECO will recombine the unpaid IPA PAR Balance and the unforgiven Customer Deferred Amount to constitute that customer's Remaining IPA Balance. (An example of this calculation is attached as Exhibit 1.) The CAP customer shall continue to owe the Remaining IPA Balance, and PECO shall continue normal credit and collections practices with respect to the Remaining IPA Balance. However, if the customer successfully reinstates service during the initial 60-month term of the payment arrangement, the customer's payment arrangement shall be re-established, on the same terms and conditions as the original payment arrangement, with the specific limitation that the payment arrangement term shall expire 60 months after the FCO program is initiated. Customers who discontinue service pursuant to 52 Pa. Code § 56.72 prior to that customer paying their entire IPA PAR Balance will be handled under the termination rules set forth above, including the ability to reinstate the payment agreement if the customer successfully reinitiates service during the initial 60-month term of the payment arrangement.

### **III. IPAF Cost Recovery**

1. PECO commits and guarantees that it will not, in this rate proceeding or any future rate proceeding, seek to collect an amount equal to 1/3 of the System Final IPA Balance, provided that the PECO guarantee shall have the same guarantee status as the regulatory asset guarantees described below. For example, if the System Final IPA Balance is \$45 million, PECO's cost recovery will not exceed \$30 million cumulatively from ratepayers and CAP customers in arrears. A detailed method of ensuring that guarantee is set forth below.
2. PECO will be allowed to collect \$2 million per year through the base rates established in this proceeding as a transition cost associated with in-program arrearage forgiveness (the "2015 Base Rate Case Allowance").
3. Once PECO has determined the System Final IPA Balance in October 2016, it will implement through its Universal Services Fund Charge ("USFC") a correction factor ("USFC Correction Factor"), using the formula set forth in Exhibit 2. The formula is designed such that the net sum of the 2015 Base Rate Case Allowance and the USFC Adjustment divided by the System Final IPA Balance will be the same ratio as the 2015 Base Rate Case Allowance divided by PECO's base rate claim of \$44.511 million.
4. Whenever a CAP customer makes a payment of \$1 toward their IPA PAR Balance, PECO will write-off \$1 of the Customer Deferral Amount; PECO will not seek rate recovery of the written off amounts through any rate mechanism. In addition, in its

next USFC filing, PECO will include \$1 for recovery through the USFC (the “USFC Matching Amounts”). The USFC collections described herein will not include the offsets for uncollectible expense (22%) and cash working capital (5%) that are used for some PECO USFC charges.

5. In PECO’s future rate case(s), PECO will make a claim for FCO Transition Cost equal to 2/3 of the System Final IPA Balance, net of the following: (1) all revenues received through the 2015 Base Rate Case Allowance, as adjusted by the USFC Correction Factor, (2) all amounts paid by CAP customers toward their IPA PAR Balances, and (3) the USFC Matching Amounts. PECO’s right to the prospective full recovery of its claimed FCO Transition Cost may not be challenged other than with respect to proof of the amount claimed or claims of calculation error. As a result of the approval in this proceeding of PECO’s future FCO Transition Cost claim, PECO may hold the amount of the FCO Transition Cost claim as a regulatory asset, with such regulatory asset to be amortized over three years beginning with the effective date of the new tariff rates approved in PECO’s future base rate case in which it makes the claim for FCO Transition Costs.
6. To ensure PECO’s 1/3 guarantee, PECO will track its collections from the following sources: (1) all revenues received through the 2015 Base Rate Case Allowance, as adjusted by the USFC Correction Factor, (2) all amounts paid by CAP customers toward their IPA PAR Balances, (3) the USFC Matching Amounts, and (4) all revenues received through the FCO Transition Cost expense in future base rate case(s). When the total of all those collections equals 2/3 of the System Final IPA Balance, PECO will provide a credit to its USFC so that it will be collecting \$0, on an ongoing basis, from base rates and the USFC. Examples of this calculation are shown in Exhibit 3.

#### **IV. Additional Issues:**

1. If the total amount of the System Final IPA Balance to be included in this program exceeds \$46.7 million, or 5% above the current \$44.5 million estimate included in the Company’s 2015 base rate filing, the Company agrees to provide to the parties an explanation for the increase and a description of all collection activities undertaken between the date of this Settlement and October 2016 that were designed to collect IPA balances.
2. PECO agrees to serve all parties of record in this proceeding with its yearly USFC reconciliation filing. In that filing, PECO will provide supporting documentation and explanation of any methodology and formulae employed to determine the amount of in-program arrearages included in the USFC rider. PECO will also provide a statement of the in-program arrearages recovered through both the USFC and base rates, in that year as well as cumulatively.

3. PECO agrees to improve its referral of CAP customers through its CARES program or other appropriate communication channel to facilitate the receipt of income assistance that might be of help in retiring past-due utility bills, including assisting CAP participants with applying for and receiving the Earned Income Tax Credit (EITC). PECO shall report on these efforts at its Universal Service Advisory Committee meetings.
  
4. PECO will evaluate whether it is over-noticing disconnections of service and tighten its business rule for when a notice of termination is issued. PECO shall report the results at its Universal Service Advisory Committee meeting and discuss reasonable notice procedures with the Universal Service Advisory Committee.

**Exhibit 1: Determination of Remaining IPA Balance:**

1. The Remaining IPA Balance shall be determined as follows: (Example):

Customer Final IPA Balance (established in October 2016): \$1800

Customer Payments to IPA PAR Balance (made prior to account being finalized): -\$50

Permanent Forgiveness of Customer Deferred Amount: -\$100

Remaining IPA Balance: \$1650

The above customer, with a finalized account, would thus still owe \$1650.

## Exhibit 2

### Determination of USFC Correction Factor

$$\frac{\text{System Final IPA Balance}}{\text{Factor}} = \text{USFC Correction}$$

\$44.511 (PECO's rate case IPA claim)

Example: System Final IPA Balance = \$42 million

$$\frac{42,000,000}{44,511,000} = .944$$

In this example, PECO would make an adjustment in its next USFC filing as follows:

$$(\text{USFC Correction Factor} * \$2\text{M}) - \$2\text{M} = \text{USFC Adjustment}$$

$$(.944 * \$2\text{M}) - \$2\text{M} = ( \$112,000) \text{ USFC Adjustment}$$

Note that, as stated in the text of the settlement, the ratios remain the same.  
Thus:

$$\$2.0 \text{ million} / \$44.511 \text{ million} = .0449$$

$$(\$2.0 \text{ million} - \$0.112 \text{ million}) / 42 \text{ million} = .0449$$

- The USFC Correction Factor will be applied prospectively, beginning with the effective date of PECO's next USFC filing. An additional adjustment will be made to apply the USFC Correction Factor retrospectively to the base rate revenues collected between January 1, 2016 and the effective date of the prospective correction, amortized over the same number of months as the over or under collection occurred.
- The USFC collections described herein will not include the offsets for uncollectible expense (22%) and cash working capital (5%) that are used for some PECO USFC charges.

### Exhibit 3: Examples of PECO Guarantee

#### Example 1: No USFC Adjustment, Assumes Customers Pay 40% of Their IPA Balance, 5 Years Until Next Base Rate Case

(millions)

##### Revenue Collection Assumptions:

IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$44.511
2015 Base Rate Allowance, Annual	\$2
USFC Correction	\$0
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$2

##### Revenue Collection:

2015 Base Rate Case Allowance, 5 Years	\$10
CAP Customer Payments To System Final IPA Balance Over 5 Years (Annual Collections = $44.511/3/5*.4 = \$1.18696$ )	\$5.9348
USFC Matching Amounts	\$5.9348
Total Revenues Received Prior to Next Base Rate Case	\$21.8696

##### Calculation of PECO Transition Cost Claim in Next Base Rate Case:

System Final IPA Balance	\$44.511
-1/3 PECO Guarantee	(14.837)
- Total Revenues Collected	(\$21.8696)
= PECO Transition Cost Claim	\$7.8044
Three-Year Amortization = Annual Rev Req	\$2.6014

When PECO's collections of its Transition Cost Claim equal \$7.8044, an offsetting annual USFC credit of \$2.6014 would be put in place to zero out the then-ongoing base rate recoveries.

**Example 2: USFC Adjustment, Assumes Customers Pay 30% of Their IPA Balance; 5 Years Until Next Base Rate Case**

(millions)

**Revenue Collection Assumptions:**

IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$42
2015 Base Rate Allowance, Annual	\$2
USFC Correction (see Exhibit 2)	(\$1.112)
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$1.888

**Revenue Collection:**

2015 Base Rate Case Allowance, 5 Years	\$9.44
CAP Customer Payments To System Final IPA Balance Over 5 Years (Annual Collections = $42/3/5 * .3 = \$0.84$ )	\$4.2
USFC Matching Amounts	\$4.2
Total Revenues Received Prior to Next Base Rate Case	\$17.84

**Calculation of PECO Transition Cost Claim in Next Base Rate Case:**

System Final IPA Balance	\$42
-1/3 PECO Guarantee	(14)
- Total Revenues Collected	(\$17.84)
= PECO Transition Cost Claim	\$10.16
Three-Year Amortization = Annual Rev Req	\$3.3866

When PECO's collections of its Transition Cost Claim equal \$10.16, an offsetting annual USFC credit of \$3.3866 would be put in place to zero out the then-ongoing base rate recoveries.

**Example 3: USFC Adjustment, Assumes Customers Pay 30% of Their IPA Balance; 4 Years Until Next Base Rate Case**

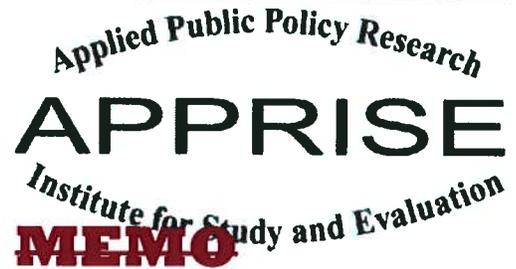
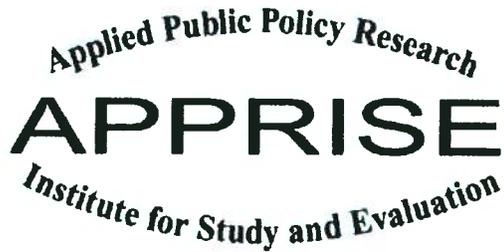
	(millions)
<b>Revenue Collection Assumptions:</b>	
IPA Balance – Base Rate Assumption:	\$44.511
System Final IPA Balance	\$42
2015 Base Rate Allowance, Annual	\$2
USFC Correction (see Exhibit 2)	(\$1.112)
Net of 2015 Base Rate Allowance and USFC Correction, Annual	\$1.888
<b>Revenue Collection:</b>	
2015 Base Rate Case Allowance, 4 Years	\$7.552
CAP Customer Payments To System Final IPA Balance Over 4 Years (Annual Collections = $42/3/5 * .3 = \$0.84$ )	\$3.36
USFC Matching Amounts	\$3.36
Total Revenues Received Prior to Next Base Rate Case	\$14.272
<b>Calculation of PECO Transition Cost Claim in Next Base Rate Case:</b>	
System Final IPA Balance	\$42
-1/3 PECO Guarantee	(14)
- Total Revenues Collected	(\$14.272)
= PECO Transition Cost Claim	\$13.728
Three-Year Amortization = Annual Rev Req	\$4.576

In this example, the 5-year program period for arrearage forgiveness would still be active when PECO goes in for its next base rate case. PECO would thus continue to track customer payments toward their IPA PAR Balances and USFC Matching Amounts. When PECO's collections of its Transition Cost Claim, post base rate Customer Payments and post base rate case USFC Matching Amounts equal \$13.728 million, an offsetting annual USFC credit of \$4.576 would be put in place to zero out the then-ongoing base rate recoveries. If subsequent analysis showed that a timing mismatch between the IPAF program and PECO's base rate case had resulted in collection by PECO of more than \$28 million, that amount would be returned through a USFC credit.

## ADDENDUM E

### APPRISE Universal Services Needs Assessment Memo

#### **MEMO**



DATE: August 7, 2018

TO: Patricia King

FROM: Jackie Berger and Jorge Mancilla

SUBJECT: PECO Universal Services Needs Assessment Memo

PECO customers are income-eligible for the Customer Assistance Program (CAP) if they have income below 150 percent of the poverty level and they are income-eligible for the Low-Income Usage Reduction Program (LIURP) if they have income below 200 percent of the poverty level. This memo provides an assessment of the number of PECO customers who are income-eligible for CAP and LIURP.

#### **I. Methodology**

This memo provides a profile of low-income households in the PECO service territory using data from the American Community Survey (ACS). The ACS data provide information on household characteristics, including income level and demographic characteristics. We use data on household size and income to construct the poverty ratio for each household and identify those households that were income-eligible for the CAP and LIURP.

Most of the analyses are conducted using the 2014, 2015, and 2016 ACS data files. An average of the three years of data is used to provide a larger sample for analysis than would be available in the one-year file. Table III-2B also provides an analysis of the 2013-2015 files and the 2012-2014 files to assess whether there have been changes in the income-eligible population.

#### **II. PECO Electric and Natural Gas Customers**

There are approximately 1,700,000 households in the PECO service territory (excluding vacant units and group quarters). About 1,600,000 of these households are categorized as having PECO Residential Service because they received electric or gas service from

PECO. Households are categorized as receiving electric or gas service from PECO if they provided a numeric value for their most recent month's gas or electricity bill and lived in one of the counties where PECO provides that service. Households are not included if their electricity and gas bills are included in their rent or condo fee, or if there was no charge for gas and electricity, or if neither gas nor electricity were used.

PECO Electric Service includes households in Bucks, Chester, Delaware, Montgomery, Philadelphia, and York counties. PECO Gas Services includes households in these counties except for Philadelphia county, as Philadelphia Gas Works (PGW) services these customers.

Table II-1  
Distribution of Service Status for Households in PECO Service Territory

Service Status	Number	Percent
PECO Residential Service	1,599,172	95%
PECO Electric Service	1,595,669	95%
PECO Gas Service	384,256	23%
PECO Electric-Only Service	1,214,916	72%
PECO Combination Gas and Electric Service	380,753	23%
PECO Gas-Only Service	3,503	<1%
PECO Heating Service	606,219	36%
PECO Non-Heating Service	992,953	59%
<b>All Households</b>	<b>1,683,831</b>	<b>100%</b>

Table II-2 shows the number households in each county who receive utility service from PECO. The county with the most households receiving PECO Residential Service is Philadelphia County with 539,462 such households, representing 34 percent of all the households who receive PECO service. The county with the most households receiving PECO Gas Service is York County, with 108,848 households.

Table II-2  
Distribution of Service Type for Households in PECO Service Territory, By County

County	All Households	PECO Residential Service		PECO Electric Service		PECO Gas Service	
	N	N	%	N	%	N	%
Bucks	233,644	225,387	14%	224,935	14%	63,505	17%
Chester	187,151	180,016	11%	179,218	11%	61,128	16%
Delaware	204,321	195,709	12%	195,339	12%	62,341	16%
Montgomery	310,568	296,237	19%	295,515	19%	88,434	23%
Philadelphia	579,891	539,462	34%	539,462	34%	-	-
York	168,256	162,361	10%	161,200	10%	108,848	28%

<b>Total Service Territory</b>	<b>1,683,831</b>	<b>1,599,172</b>	<b>100%</b>	<b>1,595,669</b>	<b>100%</b>	<b>384,256</b>	<b>100%</b>
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Table II-3 shows the number households in each county who receive service from PECO, broken down by whether their primary heating service is provided by PECO.

Table II-3  
**Distribution of Heating Service for Households in PECO Service Territory  
By County**

County	PECO Residential Service	PECO Heating Service		PECO Non-Heating Service	
	Number	Number	Percent	Number	Percent
Bucks	225,387	104,253	17%	121,134	12%
Chester	180,016	80,286	13%	99,729	10%
Delaware	195,709	81,845	14%	113,864	11%
Montgomery	296,237	135,521	22%	160,716	16%
Philadelphia	539,462	88,261	15%	451,201	45%
York	162,361	116,053	19%	46,308	5%
<b>Total Service Territory</b>	<b>1,599,172</b>	<b>606,219</b>	<b>100%</b>	<b>992,953</b>	<b>100%</b>

**III. PECO CAP and LIURP Income-Eligible Customers**

Table III-1 presents data on income-eligible households by service type and heating service. We estimate in the most recent 3-year combined files that 18 percent of all households with PECO residential service are income-eligible for the CAP, and 26 percent for LIURP. Of the 1,599,172 households with residential utility service from PECO, approximately 292,913 have income at or below 150 percent of the federal poverty guidelines, and 411,542 have income at or below 200 percent of the federal poverty guidelines.

Table III-1  
**CAP and LIURP Income Eligibility Rate  
By PECO Service Status**

Service Status	Total Households	CAP Income-Eligible Households (150% of FPL)		LIURP Income-Eligible Households (200% of FPL)	
		Number	Percent	Number	Percent
PECO Residential Service	1,599,172	292,913	18%	411,542	26%
PECO Electric Service	1,595,669	291,780	18%	410,136	26%
PECO Gas Service	384,256	43,735	11%	67,015	17%
PECO Electric-Only Service	1,214,916	249,178	21%	344,528	28%
PECO Combination Gas and Electric Service	380,753	42,602	11%	65,609	17%
PECO Gas-Only Service	3,503	1,133	32%	1,406	40%

Service Status	Total Households	CAP Income-Eligible Households (150% of FPL)		LIURP Income-Eligible Households (200% of FPL)	
		Number	Percent	Number	Percent
PECO Heating Service	606,219	98,073	16%	138,361	23%
PECO Non-Heating Service	992,953	194,840	20%	273,181	28%
<b>All Households</b>	<b>1,683,831</b>	<b>328,228</b>	<b>19%</b>	<b>456,245</b>	<b>27%</b>

Table III-2A presents data on income-eligible households by county. The county with the most eligible households and with the highest eligibility rate for both CAP and LIURP is Philadelphia County. There are 166,559 households that are income-eligible for CAP in Philadelphia (31%) and 219,432 that are income-eligible for LIURP (41%). The county with the least eligible households and with the lowest eligibility rate for both programs is Chester County.

Table III-2A  
CAP and LIURP Income Eligibility Rate  
By County

County	PECO Residential Service	CAP Income-Eligible Households (150% of FPL)		LIURP Income-Eligible Households (200% of FPL)	
	Number	Number	Percent	Number	Percent
Bucks	225,387	23,457	10%	36,788	16%
Chester	180,016	15,824	9%	24,869	14%
Delaware	195,709	30,643	16%	43,853	22%
Montgomery	296,237	31,635	11%	48,375	16%
Philadelphia	539,462	166,599	31%	219,432	41%
York	162,361	24,755	15%	38,225	24%
<b>Total Service Territory</b>	<b>1,599,172</b>	<b>292,913</b>	<b>18%</b>	<b>411,542</b>	<b>26%</b>

Table II-2B shows that there has been an increase in the total number of households in PECO's service territory, but a decrease the number of CAP income-eligible households, and in the percent of households that are income-eligible for CAP in the service territory. The number of income-eligible households declined from 312,391 in the 2012-2014 analysis to 301,838 in the 2013-2015 analysis, to 292,913 in the 2014-2016 analysis. The percent of households who were income-eligible declined from 20 percent to 19 percent to 18 percent. The number eligible in Philadelphia County declined from 175,599 in the 2012-2014 analysis to 166,599 in the 2014-2016 analysis.

Table III-2B  
CAP Income Eligibility Rate  
By County

County	2014-2016 ACS			2013-2015 ACS			2012-2014 ACS		
	PECO Residential Service	CAP Income-Eligible Households		PECO Residential Service	CAP Income-Eligible Households		PECO Residential Service	CAP Income-Eligible Households	
	#	#	%	#	#	%	#	#	%
Bucks	225,387	23,457	10%	225,281	24,635	11%	224,671	24,543	11%
Chester	180,016	15,824	9%	179,485	17,542	10%	177,700	19,344	11%
Delaware	195,709	30,643	16%	194,401	31,080	16%	193,250	33,256	17%
Montgomery	296,237	31,635	11%	294,093	32,883	11%	293,928	32,762	11%
Philadelphia	539,462	166,599	31%	540,732	170,450	32%	537,746	175,599	33%
York	162,361	24,755	15%	160,751	25,248	16%	162,548	26,887	17%
<b>Total</b>	<b>1,599,172</b>	<b>292,913</b>	<b>18%</b>	<b>1,594,742</b>	<b>301,838</b>	<b>19%</b>	<b>1,589,843</b>	<b>312,391</b>	<b>20%</b>

Table III-3 provides a breakdown of the income-eligible population receiving PECO residential service by poverty level and service type. While 72 percent of the LIURP income-eligible electric only households have income at or below 150 percent of poverty and are income-eligible for CAP, 64 percent of the LIURP income-eligible combination households are income-eligible for CAP.

Table III-3  
Distribution of Households  
By Service Type and Poverty Group

Poverty Group	Electric-Only			Combination			Gas-Only		
	Number	Percent		Number	Percent		Number	Percent	
		Of CAP	Of LIURP		Of CAP	Of LIURP		Of CAP	Of LIURP
<b>CAP &amp; LIURP Eligible</b>									
0% -25%	44,098	18%	13%	5,612	13%	9%	300	27%	21%
26% -50%	23,024	9%	7%	3,289	8%	5%	62	5%	4%
51% -75%	41,241	17%	12%	5,491	13%	8%	7	1%	1%
76%-100%	49,490	20%	14%	7,372	17%	11%	291	26%	21%
101%-125%	48,796	20%	14%	10,124	24%	15%	307	27%	22%
126% - 150%	42,528	17%	12%	10,715	25%	16%	166	15%	12%
<b>Total CAP Eligible</b>	<b>249,178</b>	<b>100%</b>	<b>72%</b>	<b>42,602</b>	<b>100%</b>	<b>64%</b>	<b>1,133</b>	<b>100%</b>	<b>81%</b>
<b>LIURP Eligible</b>									
151%-175%	49,436	-	14%	11,549	-	18%	181	-	13%
176%-200%	45,913	-	13%	11,458	-	17%	91	-	7%
<b>Total LIURP Eligible</b>	<b>344,528</b>	<b>-</b>	<b>100%</b>	<b>65,609</b>	<b>-</b>	<b>100%</b>	<b>1,406</b>	<b>-</b>	<b>100%</b>

Table III-4 provides a breakdown of the income-eligible population receiving PECO electric service by poverty level. While 28 percent of CAP income-eligible households are below 50 percent of the poverty level, 35 percent are between 51 and 100 percent, and 38 percent are between 101 and 150 percent.

Table III-4  
Distribution of Households with Electric Service  
By Poverty Group

Poverty Group	Households With Electric Service		
	Number	Percent	
		Of CAP	Of LIURP
<b>CAP &amp; LIURP Eligible</b>			
0% -25%	49,710	17%	12%
26% -50%	26,313	9%	6%
51% -75%	46,732	16%	11%
76%-100%	56,862	19%	14%
101%-125%	58,920	20%	14%
126% - 150%	53,243	18%	13%
<b>Total CAP Eligible</b>	<b>291,780</b>	<b>100%</b>	<b>70%</b>
<b>LIURP Eligible</b>			
151%-175%	60,985	-	15%
176%-200%	57,371	-	14%
<b>Total LIURP Eligible</b>	<b>410,136</b>	<b>-</b>	<b>100%</b>

Table III-5 and Table III-6 provide a breakdown of the CAP and LIURP income-eligible population receiving PECO electric service by poverty level and county. The county with the highest number and percentage income-eligible households with income below 100% of the Federal Poverty Guidelines is Philadelphia County.

Table III-5  
Distribution of CAP Income-Eligible Households with Electric Service  
By Poverty Group and County

Poverty Group	County											
	Bucks		Chester		Delaware		Montgomery		Philadelphia		York	
	N	%	N	%	N	%	N	%	N	%	N	%
0% -25%	3,283	14%	2,289	15%	4,366	14%	4,960	16%	32,063	19%	2,748	11%
26% -50%	1,952	8%	1,025	7%	2,999	10%	2,089	7%	16,704	10%	1,544	6%
51% -75%	2,912	12%	2,688	17%	4,902	16%	3,506	11%	29,309	18%	3,415	14%
76%-100%	4,622	20%	2,968	19%	5,327	18%	6,208	20%	33,574	20%	4,163	17%
101%-125%	5,534	24%	3,470	22%	6,273	21%	7,037	22%	30,600	18%	6,007	25%

Poverty Group	County											
	Bucks		Chester		Delaware		Montgomery		Philadelphia		York	
	N	%	N	%	N	%	N	%	N	%	N	%
126% - 150%	5,154	22%	3,186	20%	6,459	21%	7,678	24%	24,349	15%	6,418	26%
<b>Total CAP Eligible</b>	<b>23,457</b>	<b>100%</b>	<b>15,626</b>	<b>100%</b>	<b>30,326</b>	<b>100%</b>	<b>31,477</b>	<b>100%</b>	<b>166,599</b>	<b>100%</b>	<b>24,294</b>	<b>100%</b>

Table III-6  
Distribution of LIURP Income-Eligible Households with Electric Service  
By Poverty Group and County

Poverty Group	County											
	Bucks		Chester		Delaware		Montgomery		Philadelphia		York	
	N	%	N	%	N	%	N	%	N	%	N	%
0% -25%	3,283	9%	2,289	9%	4,366	10%	4,960	10%	32,063	15%	2,748	7%
26% -50%	1,952	5%	1,025	4%	2,999	7%	2,089	4%	16,704	8%	1,544	4%
51% -75%	2,912	8%	2,688	11%	4,902	11%	3,506	7%	29,309	13%	3,415	9%
76%-100%	4,622	13%	2,968	12%	5,327	12%	6,208	13%	33,574	15%	4,163	11%
101%-125%	5,534	15%	3,470	14%	6,273	14%	7,037	15%	30,600	14%	6,007	16%
126% - 150%	5,154	14%	3,186	13%	6,459	15%	7,678	16%	24,349	11%	6,418	17%
151%-175%	5,921	16%	4,507	18%	7,460	17%	7,613	16%	28,183	13%	7,302	19%
176%-200%	7,352	20%	4,517	18%	5,750	13%	9,051	19%	24,650	11%	6,051	16%
<b>Total LIURP Eligible</b>	<b>36,730</b>	<b>100%</b>	<b>24,651</b>	<b>100%</b>	<b>43,536</b>	<b>100%</b>	<b>48,141</b>	<b>100%</b>	<b>219,432</b>	<b>100%</b>	<b>37,647</b>	<b>100%</b>

Table III-7 provides a breakdown of the income-eligible population receiving PECO gas service by poverty level. While 20 percent of CAP income-eligible households are below 50 percent of the poverty level, 31 percent are between 51 and 100 percent, and 49 percent are between 101 and 150 percent.

Table III-7  
Distribution of Households with Gas Service  
By Poverty Group

Poverty Group	Households With Gas Service		
	Number	Percent	
		Of CAP	Of LIURP
<b>CAP &amp; LIURP Eligible</b>			
0% -25%	5,912	14%	9%
26% -50%	3,351	8%	5%
51% -75%	5,498	13%	8%
76%-100%	7,662	18%	11%
101%-125%	10,431	24%	16%
126% - 150%	10,881	25%	16%

<b>Total CAP Eligible</b>	<b>43,735</b>	<b>100%</b>	<b>65%</b>
<b>LIURP Eligible</b>			
151%-175%	11,730	-	18%
176%-200%	11,549	-	17%
<b>Total LIURP Eligible</b>	<b>67,015</b>	<b>-</b>	<b>100%</b>

Table III-8 and Table III-9 provide a breakdown of the CAP and LIURP income-eligible population receiving PECO gas service by poverty level and county. No households in Philadelphia County receive PECO gas service. The county with the highest number of income-eligible households with income below 100% of the Federal Poverty Guidelines is York County. The county with the highest percentage of income-eligible households with income below 100% of the Federal Poverty Guidelines is Delaware County, where 59 percent of the households have income at or below that level.

Table III-8  
Distribution of CAP Income-Eligible Households with Gas Service  
By Poverty Group and County

Poverty Group	County											
	Bucks		Chester		Delaware		Montgomery		Philadelphia		York	
	N	%	N	%	N	%	N	%	N	%	N	%
0% -25%	628	10%	897	17%	1,372	17%	1,241	17%	-	-	1,775	11%
26% -50%	513	9%	325	6%	821	10%	528	7%	-	-	1,163	7%
51% -75%	964	16%	800	15%	1,110	14%	709	10%	-	-	1,915	11%
76%-100%	1,167	19%	911	17%	1,432	18%	1,265	17%	-	-	2,887	17%
101%-125%	1,148	19%	1,393	26%	1,848	23%	1,720	23%	-	-	4,321	26%
126% - 150%	1,591	26%	1,097	20%	1,479	18%	1,866	25%	-	-	4,848	29%
<b>Total CAP Eligible</b>	<b>6,010</b>	<b>100%</b>	<b>5,425</b>	<b>100%</b>	<b>8,061</b>	<b>100%</b>	<b>7,330</b>	<b>100%</b>	<b>-</b>	<b>-</b>	<b>16,909</b>	<b>100%</b>

Table III-9  
Distribution of LIURP Income-Eligible Households with Gas Service  
By Poverty Group and County

Poverty Group	County											
	Bucks		Chester		Delaware		Montgomery		Philadelphia		York	
	N	%	N	%	N	%	N	%	N	%	N	%
0% -25%	628	7%	897	11%	1,372	11%	1,241	10%	-	-	1,775	7%
26% -50%	513	6%	325	4%	821	7%	528	4%	-	-	1,163	5%
51% -75%	964	11%	800	10%	1,110	9%	709	6%	-	-	1,915	8%
76%-100%	1,167	13%	911	11%	1,432	12%	1,265	10%	-	-	2,887	12%
101%-125%	1,148	13%	1,393	17%	1,848	15%	1,720	14%	-	-	4,321	17%

Poverty Group	County											
	Bucks		Chester		Delaware		Montgomery		Philadelphia		York	
	N	%	N	%	N	%	N	%	N	%	N	%
126% - 150%	1,591	18%	1,097	13%	1,479	12%	1,866	15%	-	-	4,848	19%
151%-175%	1,287	14%	1,592	19%	2,239	18%	2,110	17%	-	-	4,502	18%
176%-200%	1,588	18%	1,377	16%	2,083	17%	2,842	23%	-	-	3,659	15%
<b>Total LIURP Eligible</b>	<b>8,885</b>	<b>100%</b>	<b>8,394</b>	<b>100%</b>	<b>12,383</b>	<b>100%</b>	<b>12,282</b>	<b>100%</b>	-	-	<b>25,070</b>	<b>100%</b>

**IV. CAP Participation Rates**

Table IV-1 displays the participation rate for Program Year 2015. The table shows that an estimated 56 percent of the income-eligible population participated in the CAP.

Table IV-1  
Participation Rate for 2015  
By Poverty Level

Poverty Level	CAP Participants	CAP Eligible PECO Residential Households	Participation Rates
0% -50%	36,335	76,385	48%
51% -100%	75,904	103,892	73%
101% -150%	53,044	112,636	47%
<b>Total</b>	<b>165,283</b>	<b>292,913</b>	<b>56%</b>

**V. Summary**

This memo provided a profile of income-eligible households in the PECO service territory using data from the American Community Survey (ACS). Key findings from the analysis are provided below.

- There are approximately 1,683,831 households in the PECO service territory and about 1,599,172 have direct PECO bill payment.
- While 18 percent of all households with PECO residential service are income-eligible for CAP, 26 percent are income-eligible for LIURP.
- The number of CAP income-eligible households declined from 312,391 in the 2012-2014 analysis to 301,838 in the 2013-2015 analysis, to 292,913 in the 2014-2016 analysis. The percent of households who were income-eligible for CAP declined from 20 percent to 19 percent to 18 percent.
- An estimated 56 percent of the income-eligible population participated in CAP during Program Year 2015.

## ADDENDUM F

### Job Description and Organization Structure

PECO currently has 10 full time employees in our Universal Services department including the manager. See Universal Services' organization chart below. Additionally, PECO has 3 outsourced vendors that do support work for LIURP, CAP, LIHEAP and MEAF. Specifically, PECO has a LIURP vendor that serves as a LIURP call center, schedules LIURP appointments, and provides follow-up administrative services for customers post LIURP audit. PECO also has a LIHEAP / MEAF vendor that provides call center capabilities as well as general program support. And finally, PECO has a CAP Call Center that provides call center support as well as back office support via enrolling customers in CAP. PECO does not intend to make any organizational changes at this time to either its internal Universal Services department or its external vendors. That said, PECO reserves the right to make changes to its internal or external organizational structures in the future as it sees fit to satisfy on-going business needs.

