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August 18, 2020

**VIA E-FILING AND ELECTRONIC MAIL**

Rosemary Chiavetta, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street, 2<sup>nd</sup> Floor  
Harrisburg, PA 17120  
rchiavetta@pa.gov

**Re: Emergency Order at Docket Number M-2020-3019244**

Dear Secretary Chiavetta:

On August 10, 2020, the Pennsylvania Public Utility Commission (“Commission”) issued a Secretarial Letter (“August 10 Secretarial Letter”) on behalf of Chairman Dutrieuille requesting input from utilities and other interested stakeholders regarding the Pennsylvania Public Utility Commission’s Emergency Order entered on March 13, 2020 at Docket No. M-2020-3019244, and ratified at the Commission’s public meeting held on March 26, 2020 (“Emergency Order”).<sup>1</sup>

Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Power Company (collectively, the “Companies”) offer this letter as input in response to the questions posed within the August 10 Secretarial Letter. In particular, the Companies herein: 1) highlight their efforts to ensure appropriate customer protections are in place to support at-risk customers; 2) outline their roadmap for attempting to keep growing arrearages as low as possible through ongoing customer outreach and communication; 3) identify their readiness to move forward following the expiration of the Governor’s Emergency Proclamation; 4) update the Commission with respect to customer arrearage levels; and 5) offer recommendations with respect to next steps the Commission can take to balance the interests of all customers – regardless of status – and utilities so as to ensure that customers benefit from necessary protections while at the same time ensuring the continued availability of safe and reliable utility service is not compromised.

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<sup>1</sup> On, March 6, 2020, Governor Wolf issued a Proclamation of Disaster Emergency as a result of the COVID-19 pandemic for a period of 90 days, unless renewed by the Governor. Commonwealth of Pennsylvania, Governor’s Office, *Proclamation of Disaster Emergency* (March 6, 2020). On March 13, 2020, the Commission issued an Emergency Order halting service termination for non-payment during the pendency of the Disaster Emergency. *Public Utility Service Termination Moratorium Proclamation of Disaster Emergency – COVID-19*, Docket No. M-2020-3019244 (Emergency Order dated March 13, 2020, ratified on March 26, 2020). On June 3, 2020, the Governor issued an Amendment to Proclamation of Disaster Emergency, which renewed the Disaster Emergency for another 90 days. Commonwealth of Pennsylvania, Governor’s Office, *Amendment to Proclamation of Disaster Emergency* (June 3, 2020).

## **Voluntary Protections Established for At-Risk Customers**

Apart from halting all terminations for non-payment on March 13, 2020, the Companies continue to waive reconnection fees and security deposit assessments for customers whose service was disconnected for non-payment prior to that date. Each of these changes align with the directives of the Commission's Emergency Order. However, the Companies' efforts to extend additional protections to their customers throughout the pandemic are not limited to those directed upon them.

Specifically, the Companies made temporary modifications to certain practices within their Pennsylvania Customer Assistance Program ("PCAP") in response to the challenges imposed by COVID-19. These modifications include:

- Temporary elimination of the removal of customers from PCAP for failure to recertify their income.
- Allowing customers to enroll in PCAP without providing income documentation when customers are unable to provide them or after a customer experiences sudden job loss. Such customers will be asked to recertify their household income in six months.<sup>2</sup>

Beyond their PCAP, the Companies have implemented important measures geared to support all at-risk customers, regardless of PCAP participation. These include:

- Making additional Hardship Fund dollars available to customers.
- Providing a dedicated empathy training course to all customer service representatives to enable them to more effectively and compassionately handle calls from customers who are struggling as a result of the pandemic. This empathy training included revised call handling procedures and specific empathy coaching.
- Establishment of a small business team providing specialized support to commercial customers regarding the CARES Act and payment arrangements.
- Extension of additional payment arrangements beyond those typically offered.

The Companies continue to await approval to implement additional changes to their assistance programs in an effort to help low-income customers as outlined in their pending petition to revise their joint universal service and energy conservation program filed on February 21, 2020 at Docket Nos. M-2017-2636969, et al. ("Petition"). Approval of the changes proposed in the Petition would be of tremendous value in giving the Companies another tool to most effectively assist low-income customers during and after this pandemic. Those changes would allow:

- A one-time re-deferral of account balances for active and re-enrolling PCAP customer accounts. Under today's programs, PCAP customers are only permitted to defer their past due balance for potential arrearage forgiveness at the time of their initial PCAP enrollment.
- Establishment of tiered PCAP credit amounts based on household energy burden thresholds, which would ensure PCAP customers are only paying a certain fixed percentage of their income towards their electricity bill.

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<sup>2</sup> Notably, the Companies' customers have continued to have full access to apply for PCAP throughout the duration of the moratorium. While the Companies are aware that many external agencies have been closed to the public, the Companies' enrollment process does not use these agencies and had been unaffected by closures.

- Roll-out of a more robust customer education, outreach, and referral program designed to raise additional awareness of assistance available to low-income customers.
- Increased enrollment efficiency and speed by permitting the Companies to automatically enroll any customer confirmed to have received LIHEAP within the last 12 months without additional documentation.

### **Customer Education and Outreach**

In addition to the various process and program changes outlined above, the Companies launched an extensive education and outreach campaign to alert customers regarding the Companies' response to COVID-19 and the various assistance available to customers. These education and outreach efforts include:

- Regular social media posts focused on assistance options, energy efficiency, the suspension of service termination due to non-payment, and spam warnings;
- A dedicated website containing resources related to the Companies' response to COVID-19 (<https://www.firstenergycorp.com/help/safety/coronavirus.html>);
- An email from FirstEnergy Corp. Chief Executive Officer Chuck Jones to customers regarding their bill assistance options;
- Contact center scripting changes;
- Bill inserts and bill messaging outlining assistance options for residential customers and the CARES Act for commercial customers;
- Talking points for customer-facing employees on the Companies' COVID-19 response and assistance options for residential and commercial customers;
- An outbound call campaign with assistance information to customers in arrears;
- An outbound LIHEAP call to previous LIHEAP recipients;
- An email campaign with assistance program information to customers in arrears;
- Multiple news releases, radio and television advertisements related to the Companies' response to COVID-19, including the suspension of terminations and grant money available through the Companies' Hardship Funds; and
- Dedicated education to WARM participants.

### **Resumption of Collections**

As acknowledged by the August 10 Secretarial Letter, the Commonwealth of Pennsylvania is no longer under a sweeping shelter-in-place directive as it had been at the time the Emergency Order was issued and ratified, with all of Pennsylvania's counties effectively reopened for business. As of the date of this letter, the Companies' expectation is that the Governor's Emergency Proclamation will expire at the end of the day on September 2, 2020. Consistent with FirstEnergy Corp.'s plans to not commence service terminations any sooner than September 15, 2020 throughout its electric utilities' service territory footprints across six states, the Companies' current intent remains that service terminations for non-payment in Pennsylvania will resume on or after that date. Prior to resuming terminations, the Companies will directly reach out again to customers who have termination notices with a termination date of September 15 or later, with information related to the various options available for those customers. This outreach will take place through multiple communications channels including, but not limited to, bill messages,

termination notices, phone calls, and/or a field visit.<sup>3</sup> As an example, on August 17, 2020, the Companies' collectors began to make field visits to provide more information for customers regarding their current arrearages, available payment arrangements and assistance programs. These steps are intended to help customers to take proactive action to limit their arrearages, thereby limiting arrearages now to the extent possible will reduce the uncollectibles burden that all customers would have to bear later.

While awaiting the expiration of the moratorium, the Companies have discontinued sending termination notices. However, they have continued to reach out to customers to engage them and help them understand the need to continue to manage their utility accounts. Termination notices were replaced with delinquent notices (which, as the Commission is aware, customers need in order to request certain forms of energy assistance) and reminder calls have been made to inform customers of their account status and advise of assistance programs. Qualifying residential customers have been receiving a reminder call 7 days past their invoice due date, and non-residential customers receive a reminder call 3 days past their invoice due date. Customer account managers have reached out to non-residential customers. The Companies have also been making additional reminder calls in place of normal disconnection calls.

### **Arrearage Levels**

The data indicates that the pandemic has negatively impacted customer payment behaviors. Past due arrearages and average arrearages per customer have increased, while requests for payment arrangements (measured in both number and dollar amounts) have declined. The Companies are also experiencing a significant decline in credit-related call volumes. The conclusion these developments suggest is that enhanced outreach by the utility is not enough to motivate some customers to make payment arrangements so as to control their arrearages and reduce the amount of uncollectibles expense which other customers would ultimately have to bear.

To illustrate this point, the past-due balances greater than 30 days on active residential accounts have increased 21% since January 2020 (\$133.8 million in July 2020 vs \$110.6 million in January 2020). Normally, arrears would decrease in the summer as compared to January due to typical collection/moratorium cycles. However, the number of residential customers with past-due balances greater than 30 days has decreased by 8% in July 2020 compared to January 2020. In other words, it appears that there may be fewer new residential customers in arrears as a result of the pandemic than one might expect. As of July 31, 2020, 10.5% of active residential customers were greater than 30 days past due with an average balance of \$711.52, whereas on January 31, 2020, 11.4% of active residential customers were greater than 30 days past due with an average balance of \$542.42.

On the non-residential side, active customer arrearages with past due balances greater than 30 days increased 91% since January 2020 (\$6.5 million in July 2020 vs \$3.4 million in January 2020). Normally, arrears for non-residential customers remain relatively flat throughout the year. Here, the number of active non-residential accounts with past due arrears greater than 30 days doubled, while the number of residential customers in arrears decreased. As of July 31, 2020, 4% of active non-residential customers were greater than 30 days past due with an average balance of

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<sup>3</sup> Prior to any disconnections for non-payment, the Companies will fully comply with all customer notification requirements in Chapter 56 of the Commission's regulations.

\$669.46, whereas on January 31, 2020, 2% of active non-residential customers were greater than 30 days past due with an average balance of \$525.92.

Despite the fact that the Companies have actively engaged in outreach and extended more favorable terms for payment arrangements than they typically offer, residential payment arrangements created through July 31, 2020 have seen an overall decline in the number and dollars as compared to the same period in 2019. For 2020, the Companies have entered into 41,954 residential payment arrangements totaling \$34.2 million (moreover, note that 31% of these were created in January or February, prior to the pandemic emergency), whereas in the comparable period in 2019, 84,803 residential arrangements were created for \$74.1 million. Even though the Companies have expanded payment arrangements to non-residential customers, through July 31, 2020, only 917 non-residential payment arrangements totaling about \$2.6M have been requested since January 1. This places the percentage of active non-residential customers on a payment arrangement as a percentage of active non-residential customers with a balance greater than 30 days past due as of July 31, 2020 at 9%. Meanwhile, call volume concerning credit and collections matters through July 31, 2020 has decreased by 18% as compared to the same period in 2019. March-July 2020 is even lower at 25% below March-July 2019 levels.

### **Recommended Next Steps**

The August 10 Secretarial Letter acknowledged that Pennsylvanians are no longer restricted under a shelter-in-place directive and that continuance of the moratorium could create longer-term challenges by driving the accrual of arrearages for individual customers which could place them at increased risk of termination in the future. The data provided herein are suggestive that this will indeed continue to grow as a problem if those customers who represent the bulk of the arrearage levels continue to avoid engagement with their utilities. The Companies agree with the concept that assistance programs and options are vital to many of these customers being able to effectively address their outstanding balances. However, it is clear that the increased outreach and efforts undertaken to date have not been fruitful in engaging many of these customers. The Companies' concern remains that while there are a vast number of assistance options available to payment troubled customers, those customers are unlikely to engage with the utilities to secure and move forward with that assistance unless and until they realize that they must do so to avoid other adverse impacts. As such, the Companies do not recommend that any further extension of the emergency moratorium should occur.

The August 10 Secretarial Letter further noted that the expiration of the moratorium requires appropriate customer protections for at-risk customers. As the Companies' data reflects, arrearages are growing at unprecedented rates, but remain largely contained to the same customers historically affected as payment troubled. A focus on the programs and assistance that would best serve those customers, while also ensuring that the interests of all other customers who fund that assistance, would most appropriately target those efforts. To that end, the Companies again strongly urge the Commission to review and approve their Joint Petition filed on February 21, 2020 at Docket Nos. M-2017-2636969, et al., as outlined in further detail above. If approved, the foregoing changes requested in the Companies' Petition would provide significant additional help to low-income customers who are facing unprecedented affordability challenges as a result of the COVID-19 pandemic. The additional protections that this approval would enable the Companies to offer to their at-risk customers, paired with the voluntary support the Companies have already

implemented and the expiration of the moratorium, should give the Companies the tools they need to get assistance into the hands of those who most need it.

It should not be ignored that individual utility customers' needs in one territory may be different than the needs of another territory due to differences in demographics, community profiles, implementation ability, etc. As such, to the extent that any additional protections are directed, a certain degree of flexibility should be given to utilities to in tailoring and implementing any added protections. Furthermore, it should not be forgotten that it is in the utilities' interests to not only ensure that customers pay, but that those customers can become and remain non-payment troubled customers moving forward. For these reasons, it is not a utility's goal to terminate a customer – it is a last resort after all other efforts fail, so as to protect the interests of all other customers. For this and the other reasons stated previously, the Companies do not recommend that additional protective measures be implemented beyond which individual utilities have already established or choose to implement on their own. To the extent that additional protections are nonetheless directed, those protections should not go on indefinitely, and should instead terminate with the onset of the winter moratorium which will begin on December 1, 2020. Further, given that those protections would be geared towards offsetting the impact of the expiration of the moratorium, they should be implemented on a prospective-only basis.<sup>4</sup>

Finally, the August 10 Secretarial Letter also correctly notes that an absolute moratorium for an indeterminate period of time is not financially sustainable. Nor are other unfunded directives. While the Companies applaud the Commission for its action in issuing its May 13, 2020 Secretarial Letter at Docket No. M-2020-3019775 which allowed for the deferral and establishment of regulatory assets associated with additional uncollectible-related expense related to the emergency moratorium, the fact is that this authorization only goes so far in resolving the impact to utilities. A regulatory asset, where it includes carrying charges, should be granted to utilities for all expenses associated with customer protections related to the COVID-19 pandemic.<sup>5</sup> This protection will allow utilities to secure future recovery for all such expenses. However, it should be borne in mind that adverse cash flow impacts increase with the number of concessions adopted. Given that critical fact and the duration for which any incremental protections have been in place and may continue, full and timely rider recovery becomes increasingly necessary to ensure this cash flow impact does not begin to cause what could be significant operating challenges to Pennsylvania's public utilities, and should be authorized for all Pennsylvania utilities that wish to pursue such a mechanism.

In conclusion, the Companies recommend that the emergency moratorium be permitted to expire as currently scheduled and that apart from review and approval of their Petition at Docket Nos. M-2017-2636969, et al., no additional protective measures be directed. Under any circumstances, utilities should be granted full and current cost recovery for any continuation of the emergency moratorium, as well as any incremental protections that are directed in order to ensure the added expenses to utilities do not begin to present adverse cash flow impacts.

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<sup>4</sup> Making any such provisions prospective only also reduces concern related to implementation ability and cost impacts to the utilities.

<sup>5</sup> By "all expenses", the Companies wish to note that the current authorization only extends to increased uncollectible expense. To the extent additional customer protections are directed, the full cost of those directives should similarly be granted deferral authority for treatment as a regulatory asset for future recovery, inclusive of carrying charges.

The Companies appreciate the opportunity to provide input on such an important issue. Should you have any additional questions or concerns, please do not hesitate to contact me.

Very truly yours,



Tori L. Giesler