

COMMONWEALTH OF PENNSYLVANIA



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July 20, 2021

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

Re: PECO Energy Company Universal Service  
and Energy Conservation Plan for 2019-  
2024 Submitted in Compliance with 52 Pa.  
Code §§ 54.74 and 62.4.  
Docket No. M-2018-3005795

Petition of PECO Energy Company to  
amend its Amended Proposed 2019-2024  
Universal Service and Energy  
Conservation Plan – filed July 8, 2020  
Docket No. P-2020-3020727

Petition of PECO Energy Company to  
amend its Amended Proposed 2019-2024  
Universal Service and Energy Conservation  
Plan – filed September 25, 2020  
Docket No. P-2020-3022154

Dear Secretary Chiavetta:

Attached for electronic filing please find the Office of Consumer Advocate's Comments in  
the above-referenced proceeding.

Rosemary Chiavetta, Secretary  
July 20, 2021  
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Copies have been served as indicated on the enclosed Certificate of Service.

Respectfully submitted,

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**BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION**

PECO Energy Company Universal Service and Energy Conservation Plan for 2019-2024 Submitted in Compliance with 52 Pa. Code § § 54.74 and 62.4.	:	
	:	Docket No. M-2018-3005795
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	:	Docket No. P-2020-3022154
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**COMMENTS  
OF THE  
OFFICE OF CONSUMER ADVOCATE**

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The Office of Consumer Advocate (OCA) files these Comments pursuant to the Pennsylvania Public Utility Commission's (Commission) directive in the Tentative Order<sup>1</sup> entered May 6, 2021.<sup>2</sup>

## **I. INTRODUCTION**

On November 1, 2018, PECO Energy Company (PECO or Company) filed its proposed electric and natural gas Universal Service and Energy Conservation Plan for 2019-2022 (USECP or Plan) pursuant to 52 Pa. Code Sections 54.74 and 62.4. On November 26, 2018, PECO filed an amended Proposed 2019 USECP to address an error in its original filing. Subsequent to the filing, the Commission extended the duration of the Proposed USECP through 2024.

Pursuant to a November 9, 2019 Order, the Commission's CAP Policy Statement was amended effective March 21, 2020. Tentative Order at 4-6; see also, 2019 Amendments to Policy Statement on Customer Assistance Programs, 52 Pa. Code § 69.261-69.267, Docket No. M-2019-3012599, Final Policy Statement and Order (Order entered November 5, 2019) (Final CAP Policy Statement Order). As the Tentative Order provides, the Final CAP Policy Statement Order details the 17 amendments to the Commission's CAP Policy Statement,<sup>3</sup> and PECO's January 6<sup>th</sup>, 2020 filing proposes to incorporate the proposed changes to the CAP Policy Statement as discussed in the Final CAP Policy Statement Order. Tentative Order at 13-17.

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<sup>1</sup> PECO Energy Company Universal Service and Energy Conservation Plan for 2019-2024 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4, Docket No. M-2018-3005795, Docket No. M-2018-3005795; Petition of PECO Energy Company to Amend its Amended Proposed 2019-2024 Universal Service and Energy Conservation Plan- filed July 8, 2020, Docket No. P-2020-3020727; Petition of PECO Energy Company to Amend its Amended Proposed 2019-2024 Universal Service and Energy Conservation Plan – filed September 25, 2020, Docket No. P-2020-3022154, Tentative Order (Order entered May 6, 2021) (Tentative Order).

<sup>2</sup> The OCA was assisted in the preparation of these Comments by its consultant, Roger D. Colton. Roger Colton is a principal in the firm of Fisher, Sheehan & Colton, Public Finance and General Economics. Mr. Colton provides technical assistance to a variety of public utilities, state agencies, and consumer organizations on rate and customer service issues for telephone, water/sewer, natural gas and electric utilities. Mr. Colton's work focuses on low-income energy issues, and he has testified and published extensively in this area.

<sup>3</sup> See, 52 Pa. Code § 69.261, et seq.

On January 16, 2020, PECO filed a further amended Proposed 2019 USECP with enrollment and budget projections for the universal service programs through 2024. Tentative Order at 9. On July 8, 2020, PECO filed a letter Petition at Docket No. P-2020-3020727 to amend its proposed 2019 USECP to include additional changes identified in the Final CAP Policy Statement and findings identified in the APPRISE Evaluation relating to the transition from a Fixed Credit Option (FCO) program design to a Percent of Income Payment Plan (PIPP). Tentative Order at 9-10. On July 20, 2020 the OCA filed an Answer to PECO's July 8 Petition. Tentative Order at 10. On September 25, 2020, PECO filed a Petition at Docket No. P-2020-3022154 to modify the CAP to adopt the maximum energy burdens in the Final CAP Policy Statement and incorporate them into the CAP FCO until the proposed CAP PIPP is implemented. Tentative Order at 10.<sup>4</sup>

On May 6, 2021, the Commission entered its Tentative Order and requested Supplemental Information. The OCA filed its Notice of Intervention and Public Statement on May 7, 2021. PECO requested an extension to provide the Supplemental Information, and on May 25, 2021, the Commission issued a Secretarial Letter granting the extension until June 10, 2021. On June 10, 2021, PECO provided the requested Supplemental Information.<sup>5</sup>

The OCA addresses the following issues raised by the Tentative Order in its Comments: (1) energy burdens, including the need for additional cost control measures; (2) In-CAP arrears;

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<sup>4</sup> See Tentative Order at 4-12 for complete history of filings.

<sup>5</sup> PECO Energy Company Universal Service and Energy Conservation Plan for 2019-2024 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4, Docket No. M-2018-3005795, Docket No. M-2018-3005795; Petition of PECO Energy Company to Amend its Amended Proposed 2019-2024 Universal Service and Energy Conservation Plan- filed July 8, 2020, Docket No. P-2020-3020727; Petition of PECO Energy Company to Amend its Amended Proposed 2019-2024 Universal Service and Energy Conservation Plan – filed September 25, 2020, Docket No. P-2020-3022154, Responses of PECO Energy Company to the Supplemental Data Requests Contained in the Pennsylvania Public Utility Commission's Tentative USECP Order Entered May 6, 2021 (June 10, 2021) (Supplemental Information).

and (3) CAP Final billing. The OCA also raises the following additional issues: (1) arrearage forgiveness; (2) outreach to customers below 50% of the FPL; (3) CAP exits; and (4) fraud and misrepresentation.

**II. COMMENTS**

A. Tentative Order Identified Issues

1. Energy Burdens

a. Introduction

As discussed in the Tentative Order, PECO’s 2019-2024 USECP proposes to transition from the Fixed Credit Option (FCO) to the Percentage of Income Payment Plan (PIPP). Tentative Order at 19. PECO has proposed to change its energy burdens as follows:

**Table 2  
Maximum Energy Burdens in CAP FCO and Proposed CAP PIPP**

FPIG	Electric Non-Heating		Electric Heating		Gas Heating	
	<i>CAP FCO</i>	<i>Proposed PIPP</i>	<i>CAP FCO</i>	<i>Proposed PIPP</i>	<i>CAP FCO</i>	<i>Proposed PIPP</i>
0-50%	5%	2%	13%	6%	7%	4%
51-100%	6%	4%	16%	10%	10%	6%
101-150%	7%	7%	17%	17%	10%	10%

Tentative Order at 19; Amended Proposed 2019 USECP at 3, 55. The incremental proposed cost changes would increase the total CAP budgets from the \$72,932,621 (under the FCO) to \$93,226,621 (under the PIPP) in 2022. Tentative Order at 23. PECO anticipates a further increase to approximately \$96, 893,031 by 2024 under the PIPP, or an increase of approximately \$20-\$23 million. Tentative Order at 23.

The OCA submits that for the reasons set forth below, the OCA does not support the proposed changes to the energy burdens at this time, particularly in light of the current financial

impact of COVID-19 on residential customers who must bear the increased costs of these changes. Asking residential customers to assume greater costs during this difficult economic time would further strain affordability for the many residential customers who do not qualify for CAP or who do not participate in CAP.

If the Commission determines that the energy burdens should be approved, the Company should be required to implement additional cost control measures as discussed below. One critical measure would be to hold annual cost increases included in the universal service charge rider to no more than those projected by PECO until a full evaluation of the modified program can be conducted.

b. An Examination of the Impact of the Proposed Changes to the Energy Burdens During COVID-19.

The OCA is concerned with the cost impact of lowering the energy burdens at this time and thus, increasing the costs of CAP borne by residential customers. As stated in the Tentative Order, PECO does not project any changes to its anticipated CAP costs until 2022, when the CAP PIPP is projected to be fully implemented. Tentative Order at 23. As a part of its total CAP changes, PECO also proposes to increase the maximum CAP credit and to decrease the minimum payments. The incremental proposed cost changes would increase the total CAP budgets from the \$72,932,621 (under the FCO) to \$93,226,621 (under the PIPP) in 2022. Tentative Order at 23. PECO anticipates a further increase to approximately \$96, 893,031 by 2024 under the PIPP, or an increase of approximately \$20-\$23 million. Tentative Order at 23. The proposed cost increases are projected using the Company's proposed higher energy burdens than those identified in the Final CAP Policy Statement for customers between 101-150% of the FPL.<sup>6</sup> If PECO were to use

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<sup>6</sup> See, 52 Pa. Code § 69.265(2)(i)(A)(III), (B)(III), C(III).

the energy burdens identified in the Final CAP Policy Statement, PECO estimates that the “annual incremental cost would be \$7,853,832 (the monthly amount multiplied by 12). Performing the same calculation to include electric heat customers and the electric charges from dual service customers results in a total annual CAP discount increase averaging \$8,765,172.” Supplemental Information at 6.

The OCA has a concern about the impacts of such an addition to residential customer bills, particularly during this COVID-19 pandemic (and the economic downturn related to the pandemic), and in light of the increases in PECO’s universal service costs that have been occurring over the past several years. Recognizing that the projections are just estimates, the OCA is concerned with unconstrained increases in the cost of CAP. The OCA notes that the proposed increases to CAP costs cannot be viewed in isolation. The proposed CAP cost increases would be on top of the \$29,118,484 distribution revenue increase recently awarded to PECO’s Gas Division by the Commission. Pa. PUC v. PECO Energy Company- Gas Division, Docket No. R-2020-3018929, (Order entered June 22, 2021). PECO’s Electric Division has also filed for a proposed \$246 million increase in distribution base rates at Docket No. R-2021-3024601 that is currently pending before the Commission.

PECO reports that it has an estimated 274,966 customers living with income at or below 150% of the Federal Poverty Level (FPL) and an estimated 371,616 households with income at or below 200% of the FPL. Supplemental Information at 26. As of the 2020 Universal Service Report, PECO has approximately 161,795 confirmed low-income customers. Of these customers, in 2021, only 115,000 were enrolled in CAP. Supplemental Information at 9. The low-income customers who are not CAP participants must bear these costs. These costs will also fall on

customers with incomes above the level qualifying for assistance but still struggling to make a sustainable income.

The economic and financial circumstances of customers remain tenuous and likely will be for some time to come. The OCA appreciates the need for CAP at this critical time and anticipates that enrollment in the program could grow dramatically in the coming months, further increasing the costs borne, automatically, by non-CAP residential customers regardless of income. The decision of whether to allow this change at this critical point in time of the COVID-19 pandemic, and associated economic crisis, is a discretionary decision on the part of the Commission. The OCA recommends that the Commission postpone this change or mitigate the impact by moderating the change in the energy burdens until such time as a full consideration of the necessary balance during this pandemic can be had.

If the Commission determines to go forward with the full change in energy burdens proposed by PECO, the OCA recommends that the cost control measures discussed in Section A(1)(c) below be implemented. Among the cost mitigation and cost control measures to be discussed are limiting the annual increases in CAP costs flowed through the universal service charge; increasing the minimum payment; extending the length of time for arrearage forgiveness; capping the amount of arrearage forgiveness charged to ratepayers; decreasing overall administrative costs; revisiting and adjusting maximum CAP credits; allocating Low Income Usage Reduction Program (LIURP) to reduce high user bills; and re-examining HUD recipient participation. Each will be discussed in turn below.

c. Cost Mitigation and Cost Control Measures.

i. Controlling Annual Increases in the Universal Service Charge.

If the Commission approves a decrease to the energy burdens, the OCA respectfully submits that it will be necessary to examine other aspects of the program to ensure that costs are controlled and the program remains as cost-effective as possible. The Company proposes an increase of approximately \$20 to \$23 million at PECO's proposed energy burden levels. If the energy burdens were reduced for customers between 101-150% of the FPL, the Company projects an additional incremental \$7 to \$8 million cost. The OCA is concerned with these cost increases that are flowed through automatically to residential customers through the universal service charge.

The OCA recommends that at this time, an important cost control measure to consider is to hold PECO's annual costs flowed through its automatic universal service cost recovery mechanism to the levels projected in the filing until such time as a full impact evaluation of the program changes can be completed.<sup>7</sup> Controlling the annual increases in the universal service charge will assist in managing the impact of the changes in the program during these difficult economic times and will allow for more experience to be gained with the program changes.

In its Supplemental Information, PECO proposed that if the Commission reduced the energy burdens for customers between 101-150% of the Federal Poverty Level that PECO would propose a CAP participation limit of 142,000 customers. Supplemental Information at 9. PECO indicates that 142,000 customers is the highest historical levels of CAP participation and would represent a 23.5% increase over the 115,000 CAP customer enrollment levels. Supplemental Information at 9. The Company stated:

Using a weighted average monthly discount of \$54 across all commodities and income tiers (from Table 3 above), at the CAP Policy Statement energy burdens, an additional 27,000 CAP customers is estimated to increase the annual CAP discount by \$17.5 million.

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<sup>7</sup> In the alternative, program costs could be limited to a percentage increase in residential distribution costs each year to ensure that the rates for residential customers remain reasonable.

Supplemental Information at 9.

It will be particularly important in the evaluation of the modified program to analyze the CAP customer payment behavior under PECO's existing program and its revised program. PECO should be directed to collect and retain the necessary information so that its evaluator can complete the proper analysis.<sup>8</sup>

ii. Minimum Payments.

In addition to decreases to the energy burdens, PECO has proposed to decrease the minimum payments. Under PECO's Amended Proposed USECP, the minimum payments would be reduced from \$12 to \$10 for electric non-heating customers; \$30 to \$20 for electric heating customers; and \$25 to \$20 for natural gas heating customers. Tentative Order at 14; Amended Proposed USECP at 4. The OCA submits that minimum payments are an important cost control measure. The proposed decreases to minimum payments should be further reviewed in light of the potential LIHEAP grant that can be used to make the minimum payment. While PECO asserts that it "does not believe that changes to the energy burdens will impact the volume of LIHEAP grants returned to DHS" (OCA-I-4), it does not provide any data to support that belief. In particular, PECO could not provide data on the number of returned LIHEAP grants by Poverty Level. (OCA-I-2). Unspent LIHEAP grants must be returned to DHS after two years. The lowest income customers are most likely to receive the highest LIHEAP benefit and also the most likely to be only paying the CAP minimum payment. LIHEAP recipients who receive the large grants

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<sup>8</sup> Important information to collect (or calculate) for CAP participants both before and after program modification, for example, would include: (1) the payment coverage ratio (percent of billed revenue actually collected); (2) the number of complete and timely payments; (3) the "Bills Behind" (as defined by BCS); (4) the percentage of accounts, along with the corresponding percentage of dollars, in arrears; and (5) the level of in-program arrears. Collecting corresponding data for the twelve months preceding CAP participation should be required as well.

may not exhaust the LIHEAP grant dollars when making only the minimum payments. The OCA submits that the LIHEAP grant money should be fully utilized.

iii. Arrearage Forgiveness.

PECO's proposed USECP includes arrearage forgiveness over a 12-month period. Proposed Amended 2019-2024 USECP at 7. The OCA submits that the arrearage forgiveness is a necessary component to mitigating the annual cost impacts of any changes to the energy burdens. The Commission should consider lengthening the arrearage forgiveness period from 12 months to at least 36 months, if not longer. By lengthening the arrearage forgiveness period, the annual cost of the program charged to ratepayers can be mitigated while customers can continue to earn arrearage forgiveness.

Arrearage forgiveness makes up a significant portion of the total universal service costs for PECO. The 2019 (2019 Universal Service Programs and Collections Performance of the Pennsylvania Electric Distribution Companies and Natural Gas Distribution Companies at 60-61) data on costs as a percentage of total program costs is set forth below.

## 2019 BCS Report on Universal Service Programs and Collections Performance

	CAP Credits	Arrearage Forgiveness	Administrative
Duquesne	72.3%	21.9%	5.8%
Met Ed	81.0%	9.5%	9.5%
PECO Electric	87.1%	7.6%	5.3%
Penelec	82.1%	7.8%	10.1%
Penn Power	81.6%	7.7%	10.8%
PPL	69.0%	26.5%	4.5%
West Penn	78.3%	12.1%	9.6%
Electric average <sup>9</sup>	77.1%	16.8%	6.2%
Columbia	87.5%	8.9%	3.5%
NFG	58.4%	24.5%	17.1%
PECO Gas	70.2%	11.6%	18.2%
Peoples	66.5%	25.7%	7.8%
Peoples Equitable	70.8%	23.1%	6.2%
PGW	71.3%	23.5%	5.2%
UGI South	70.4%	23.1%	6.4%
UGI North	72.1%	20.7%	7.2%
Natural gas average <sup>10</sup>	73.9%	20.3%	5.9%

The OCA submits that given the impact of the level of arrearage forgiveness costs, extending the arrearage forgiveness time period from 12 months to 36 months, or 48 months, in order to mitigate the annual impact to the universal service cost recovery is reasonable. An alternative would be to limit the amount of arrearage forgiveness that can be earned in the program.

<sup>9</sup> Electric data in 2019 BCS Report, at page 60.

<sup>10</sup> Natural gas data in 2019 BCS report, at pages 61 – 62.

iv. Administrative Costs.

The OCA submits that the costs of program administration should be examined. A limit on administrative costs that flow through the automatic recovery mechanism should be part of the cost control measures. The OCA does not believe that an across-the-board metric should be established, but those administrative costs should be one of the components that are controlled.

v. Maximum CAP Credit Ceilings.

As part of its USECP, PECO proposes to increase the maximum CAP credit ceilings set forth in its current USECP as follows:

**Table 3**  
**Maximum CAP Credits in 2016 USECP and**  
**Amended Proposed 2019 USECP**

<b>FPIG</b>	<b>Electric Non-Heating</b>		<b>Electric Heat</b>	
	<i>2016 USECP</i>	<i>Amended Proposed 2019 USECP</i>	<i>2016 USECP</i>	<i>Amended Proposed 2019 USECP</i>
0%-50%	\$2,048	\$2,435	\$2,922	\$3,490
51%-100%	\$1,389	\$1,716	\$1,881	\$2,318
101%-150%	\$1,241	\$1,554	\$1,661	\$2,070

Tentative Order at 26; 2016 USECP at 22; Amended Proposed 2019 USECP at 4, 56. The OCA submits that increasing the maximum CAP credits should be reviewed as a part of the cost control measures. In its Supplemental Information, PECO presented a table which projected the number and percent of customers at the maximum CAP credit limit. PECO estimated that for electric non-heating customers at 0-50% of the FPL, approximately 1,481 customers would reach the maximum CAP credit at the existing CAP FCO burdens, and at the proposed PECO energy burdens, approximately 1,822 CAP participants would reach the maximum CAP credit. Supplemental Information at 4. For electric non-heating customers at 51-100% of the FPL, approximately 2,843

CAP participants would reach the maximum CAP credit at the existing CAP FCO energy burdens, at the proposed PECO energy burdens, approximately 4,135 CAP participants would reach the maximum CAP credit. Supplemental Information at 4.

The OCA notes that the information provided in response to the Supplemental Information does not appear to be consistent with the information provided in response to TURN Set I, No. 14.<sup>11</sup> In response to TURN Set I, No. 14, PECO stated it estimated that 7,205 CAP customers, or 6.2% of all CAP customers, would meet or exceed the CAP credit maximums if PECO implemented the PIPP as proposed in the 2019-2024 USECP. In the same discovery response, PECO also estimated that 8,414 CAP customers, or 7.3% of all CAP customers, would meet or exceed the CAP credit maximums if PECO implemented the PIPP using the energy burdens in the Amended CAP Policy Statement.

PECO should provide what actions could be taken to address high usage that may be causing customers to reach these maximum CAP credit limits. The OCA would also request that PECO clarify the distinction between the information provided in response to TURN Set I, No. 14 and the Supplemental Information. Without this further information, it is not possible to make a firm recommendations.

vi. Allocation of LIURP Resources to Customers with High CAP Credits.

The OCA submits that another method of cost control is the Low Income Usage Reduction Program (LIURP). The Commission should examine whether customers with high CAP credits should be prioritized for LIURP. As mentioned above, there is a concern that customers may be

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<sup>11</sup> The OCA notes that the information presented in response to TURN Set I, No. 14 did not specifically request information about the FCO maximum CAP credit burdens. The OCA submits that appears to be the only difference in the information requested.

reaching the maximum CAP credits. LIURP can be an effective tool to reduce the high costs of CAP and to keep customers from reaching maximum CAP credit limits.

vii. HUD Recipient Participation in CAP.

The OCA submits that the Commission should consider the extent of participation in CAP by HUD recipients. Tenants in public and assisted housing receive utility allowances from the Department of Housing and Urban Development (HUD) that limit total shelter costs, including utilities, to no more than 30% of income. Providing assistance above and beyond the HUD allowances would appear to substitute ratepayer dollars for HUD dollars. In response to the OCA's previous proposal on this issue, the Commission did not adopt the proposal, but stated that "*[a]t this time*, we are not persuaded that these changes would benefit the universal service programs, its participants, or other ratepayers. *Nevertheless, the Commission may further explore the following policies in future utility-specific or other Commission proceedings.*" (Final CAP Policy Statement Order, at 99-100). (emphasis added). The OCA submits that the Commission should require PECO to provide the data necessary for a consideration of whether it would be appropriate to limit HUD recipient participation in CAP.

d. Impact of Unused LIHEAP Grants.

The Tentative Order requested that the Company provide information regarding whether the Company anticipates an increase to the number of Low Income Home Energy Assistance Program (LIHEAP) grants that are returned unused to DHS. Tentative Order at 26. With respect to the current levels of returned LIHEAP grants, the Supplemental Information stated that "PECO does not believe that changes to the energy burdens will impact the volume of LIHEAP grants returned to DHS." Supplemental Information at 10. PECO stated that it has averaged \$128,300 of returned grants per year and states that even with the decreases to the energy burdens, it

anticipates the volume to be “*de minimus*.” The information provided, however, shows no anticipated impact of the reduced energy burdens on the LIHEAP grants. PECO had 403 refunds in 2018, 816 refunds in 2019, and 249 refunds in 2020.

The OCA submits that it is not reasonable to expect that there would be virtually no change in the amount of returned grants, particularly with the proposed decrease to the minimum payments. Unspent LIHEAP grants must be returned to DHS after two years. The lowest income customers are the customers most likely to receive the highest LIHEAP benefit and also most likely to pay the CAP minimum payment. For example, if the maximum cash grant is \$1,000, and the customer only pays the minimum payment as proposed by PECO of \$10 for electric heating customers, the lowest income customer would likely not exhaust the LIHEAP grant after 24 months. The OCA submits that the LIHEAP grant money should be fully utilized, and the full benefit of the LIHEAP grant may not be used.

## 2. In-CAP Arrears.

In the Tentative Order, the Commission identified a concern with PECO’s level of in-program CAP arrears. Tentative Order at 38-41. As the Commission correctly identified, PECO offers an in-program arrearage forgiveness program as a part of its last USECP and forgave approximately \$25 million of accumulated in-program arrears for CAP customers. Tentative Order at 37-38. The Tentative Order requested information relating to the number of payment arrangements for each of the circumstances; total amount of in-program arrears in payment arrangements; average amount of in-program arrears in payment arrangements; number of CAP payment arrangements successfully satisfied, both initial and repeat; number of CAP customers who received two payment arrangements over the three-year period and the average arrear amount and success rate; number of CAP customers who received three payment arrangements in the three-

year period; and number of CAP customers who received more than three payment arrangements. Tentative Order at 39. The Tentative Order also requested updates on the In-Program Arrearage Forgiveness Program (IPAF) included as a part of the 2016-2018 Settlement. Tentative Order at 39-40. PECO provided Supplemental Information in response to the Commission's requests. Supplemental Information at 14-17.

The OCA shares the Commission's concern about the level of in-program arrears that CAP customers continue to have in spite of two programs that have specifically been designed to address in-program arrears. The Commission specifically examined in its questions the number of CAP customers that have had one, two, and three payment arrangements over the course of a three-year period. The Company identified that in 2018, it issued approximately 19,810 payment arrangements to CAP customers; in 2019, approximately 19,757 payment arrangements; and in 2020, approximately 20,444 payment arrangements to CAP customers. In 2020, CAP customers with two payments over three-years owed an average of \$1,084 for customers at 0-50% of the FPL; \$952 for customers at 51-100% of the FPL; and \$1,063 for customers at 101-150% of the FPL. For customers with three payment arrangements over three years, the average balance is approximately \$200 more for each of the income categories. Supplemental Information at 15. The trend is similar for 2018 and 2019. In fact, average balances appear to have decreased from 2019 to 2020. Supplemental Information at 15. The IPAF program, which will close in October 2021, appears to have been more successful in retiring some CAP customers' pre-FCO program arrears. Supplemental Information at 16. With an original balance of \$30,814,533, only \$4,092,117 remains as of March 2020. Supplemental Information at 16.

The OCA submits that the Commission should direct PECO to analyze the reasons that CAP customers are accumulating significant balances while in CAP.

3. CAP Final Billing.

In its Tentative Order, the Commission requested Comments from stakeholders on PECO's final CAP billing practices. Tentative Order at 41. The OCA does not have any recommended modifications to PECO's final CAP billing practices at this time. The OCA reserves the right to file Reply Comments on this issue.

B. OCA Identified Issues.

1. Arrearage Forgiveness.

PECO's USECP identifies that CAP customers are eligible only to receive once-in-a-lifetime arrearage forgiveness for its CAP participants. The OCA submits that CAP customers may exit and enter CAP for a variety of reasons. The OCA submits that low-income customers may experience income fluctuations over their lifetime that may mean that the customer would no longer be income-eligible for CAP for periods of time. PECO's proposal identifies no time limits on the once-in-lifetime arrearage forgiveness and no caps on the level of arrearage forgiveness eligible. For example, Customer A may have enrolled in CAP in 2009 and successfully received arrearage forgiveness for a balance of \$500. That customer may have become income-ineligible for CAP in 2012 and have remained out of CAP for the intervening 8 years. Due to COVID-19, that same Customer A may have lost their job and accumulated a balance owed of \$1,000 due to the economic impact of COVID-19. That customer, though income qualified for CAP to receive a discount, under the Company's program would be ineligible to receive arrearage forgiveness and would potentially have an in-program CAP payment arrangement.

The OCA submits that the Commission should direct the Company to develop a plan to allow some CAP customers the opportunity to earn arrearage forgiveness on a new balance that has accumulated outside of CAP.

2. Outreach to Customers Below 50% of the Federal Poverty Level.

In its USECP, PECO states that it performs targeted outreach to customers between 0 – 50 percent of the FPL including the following efforts:

- Identifies zip codes that have high populations of customers at 50% FPL or below and
  - Target for community outreach events and social media outreach;
  - Partner with social service agencies who serve those communities; and
  - Other special outreach (e.g., posters with tear-offs, mailings, etc.).
- Identifies customers in its Customer Information Management System (“CIMS”) who are 50% FPL and below and do targeted outreach to them such as phone calls and emails.

USECP at 18. While the OCA is supportive of PECO’s efforts to perform targeted outreach to its most vulnerable customers, the OCA submits that PECO should undertake more expansive and broader efforts.

In the Commission’s Final CAP Policy Statement Order, the Commission stated explicitly that:

While utilities have flexibility as to the contents of their plans, the plans should reflect focused consumer education and outreach efforts, tailored to the demographics of their individual service territories, spanning the duration of the universal service plan period. *In particular, these plans should identify efforts to educate and enroll eligible and interested customers at or below 50% of the FPIG.*

Final CAP Policy Statement Order at 79 (emphasis added). Thus, utilities should be under a continuing obligation to ensure that its customer outreach programs adequately identify and solicit those who may need help the most.

While PECO states that it has targeted outreach efforts in place<sup>12</sup>, it historically has a low participation percentage of those in the lowest tier of poverty. For example, PECO's participation rate of customers between 0 -50 percent of FPL was 22.6 percent in 2017, 22.3 percent in 2018, and 22.4 percent in 2019.<sup>13</sup> Moreover, the Company's estimated number of participating customers is low when compared to the number of estimated low-income customers in the Company's service territory. Compare USECP at 2, 9-10 (estimating a low-income population of 269,000 people as compared to an estimated 120,000 CAP participants by 2024). These trends are concerning and more must be done to increase these participation rates.

As the Commission stated in a recent Order, constant attention and development must be provided to these outreach programs:

Upon review, we agree with the recommendation of the ALJ that there is no need to change Columbia's outreach initiatives at this time.

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However, we do want to reconfirm that [Columbia Gas of Pennsylvania, Inc. (Columbia)] is developing and implementing all reasonable strategies to both increase its customer outreach efforts and CAP participation levels in order to reduce arrearage levels as recommended in the [Columbia's] most recent Management Audit. We take notice of Columbia's statements in this matter that it has already put into practice all of the OCA's recommendations to increase outreach and expand CAP enrollment and commend [Columbia] for these efforts. But in acknowledging these efforts, consistent with the Management Audit recommendations, we expect [Columbia] to continue working with its USAC on its Outreach Strategy and Communication Plan going forward. These continuing

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<sup>12</sup> The Company also indicated in response to the Commission's supplemental data requests that since 2019, PECO has on boarded 23 social service agencies, widened its network of community partners, and has been engaging customers through social media. See also Responses of PECO Energy Company to the Supplemental Data Requests at 19-20. In addition, PECO states that it has been conducting virtual outreach through various initiatives. Id., at 22.

<sup>13</sup> See Bureau of Consumer Services, Pa. Pub. Util. Comm'n, Report on 2019 Universal Service Program and Collection Performance of the Pennsylvania Electric Distribution Companies and Natural Gas Distribution Companies at 53 (Sept. 2020), available at: [https://www.puc.pa.gov/General/publications\\_reports/pdf/EDC\\_NGDC\\_UniServ\\_Rpt2019.pdf](https://www.puc.pa.gov/General/publications_reports/pdf/EDC_NGDC_UniServ_Rpt2019.pdf)

efforts should include examining current outreach strategies for effectiveness and developing new outreach efforts to improve CAP participation levels even more, which, in turn, will likely reduce future arrearage levels. Further, [Columbia] needs to determine whether it has exhausted all grassroots community-based avenues to identify new low-income customers. For example, besides the community-based organizations Columbia already is working with, are there other local organizations it can partner with, such as food banks, schools, Head Start or other preschool programs to implement more fully its outreach strategies?<sup>14</sup>

Likewise, PECO needs to re-evaluate its current outreach efforts targeted to those at 50 percent FPL and below to increase the participation rate of this customer group because these customers are most likely to have electricity bills that represent a high percentage of income and, thus, are more likely to have payment troubles.

In previous rate cases, OCA witness, Roger Colton, has recommended that utilities conduct certain outreach efforts to improve its participation rate. For example, Mr. Colton testified in Columbia's recent base rate case that a utility should (1) use the community as a means of identifying such customers rather than rely on call center contacts; (2) focus on relationship-building; (3) go to where the customers, live, work, shop, play, and pray rather than rely on the customers initiating contacts; and (4) rely on grassroots "trusted messengers" from within the community.<sup>15</sup> Mr. Colton, in that same testimony, recommended that outreach could be built into the Company's collections process by offering customers a chance to enroll in CAP when a confirmed low-income customer seeks to enter into a payment arrangement, is about to be terminated for non-payment, is disconnected for non-payment, and/or is contacted by the Company and found to either be using a potentially unsafe heating source or is without service.<sup>16</sup>

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<sup>14</sup> Pa. Pub. Util. Comm'n v. Columbia Gas of Pennsylvania, Inc., et al., Docket Nos. R-2020-3018835, et al., Opinion and Order at 172-73 (entered Feb. 19, 2021) (Columbia).

<sup>15</sup> Columbia, Opinion and Order at 162-63.

<sup>16</sup> Id., at 163.

Similarly, in UGI Utilities Inc. – Electric Division’s (UGI Electric) most recent base rate proceeding, Mr. Colton recommended that the Company develop a Public Partnership Outreach Plan (PPOP) that would consist of the following three steps:

- Identification of public assistance programs which have income-eligibility guidelines at or below the income-eligibility guidelines for being deemed a confirmed low-income customer; being income-eligible for CAP; or being income-eligible for winter shutoff protections.
- Contact by UGI Electric with the administrators of each program requesting that enrollment in each program include a specific and explicit request at the time of program application with respect to which a program applicant shall designate whether they wish UGI Electric to be informed of their income eligibility for various customer service protections propounded by the Pennsylvania PUC. Each household answering in the affirmative shall be identified by UGI Electric as either (or both) a Confirmed Low-Income customer and/or a customer eligible for winter shutoff protections;
- Affirmative outreach shall be directed to each customer identified in this fashion informing the customer of the availability of CAP, and explaining both the reduced bill aspects, and arrearage forgiveness aspects, of the CAP, along with corollary program responsibilities.<sup>17</sup>

Such measures are important because improving participation in CAP can improve payment patterns for participating low-income customers and ensure that fewer are disconnected for non-payment. In other words, improving enrollment in CAP will help decrease utility expenses and improve revenues.

For these reasons, PECO should be directed to provide a detailed plan addressing how it intends to expand its CAP outreach to increase the CAP participation rate for customers with

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<sup>17</sup> Pa. Pub. Util. Comm’n v. UGI Utilities Inc. – Electric Division, Docket No. R-2021-3023618, OCA Statement No. 4: Direct Testimony of Roger D. Colton at 60 (entered Jun. 29, 2021).

annual income less than 50% of FPL. Consistent with the Commission’s decision in Columbia, cited above, such a plan should include not only a discussion of the activities that the Company intends to take, but also include quantitative outcomes by which the success (or lack thereof) can be measured.

3. CAP Exits.

In response to discovery, PECO identified that the Company had 48,431 customers who were removed from CAP in 2018; 34,030 in 2019; and 15,802 in 2020.<sup>18</sup> CAUSE-PA Set No. I-11. PECO identified that the number includes customers who left CAP for failure to recertify or were removed from CAP due to theft of service or refusal to participate in LIURP. PECO also noted that the number includes those customers removed for being over income guidelines. CAUSE-PA Set No. I-11. In response to a discovery request from TURN (TURN No. I-6), PECO, however, stated that the Company does not currently track the reasons for CAP exits.

PECO has identified a significant number of customers that have exited CAP on an annual basis. The OCA submits that PECO should examine why it has such a significant number of annual exits from CAP. At a minimum, the OCA recommends that PECO track the number of CAP exits by reason for the exits and establish a process to address those reasons.

4. Fraud and Misrepresentation.

In its Plan, PECO identifies a process for the removal of CAP customers who commit fraud, theft of service, or “other misappropriations of service.” Proposed Amended 2019-2024 USECP at 9. The Company defines fraud as including, but 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, and tampering with PECO’s equipment or otherwise obtaining

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<sup>18</sup> PECO noted that in its response that it had not removed customers from CAP since March 23, 2020.

electric and/or gas illegally.” Id. The penalty for a determination of fraud is removal from CAP for one full year from the date of removal.

An accusation of fraud is a very serious accusation with financial repercussions for the consumer. The definition of fraud provided in the Plan does not explain how the Company determines between a mistake and fraud. The Company states that the investigation may include a credit check and a probe into how the customer pays the basic living expenses. Id. at 9. PECO states that when it uses the credit report information, the Company will provide the customer with adverse action notification in accordance with the Fair Credit Reporting Act. Id.

The OCA submits that the explanation does not provide sufficient information to determine how the Company distinguishes between fraud and a mistake. The Plan should include an explanation of the “standard revenue protection processes” used to determine whether a customer has committed fraud or has simply made a mistake in the information provided. The Plan should also specifically identify the information that the consumer is provided to dispute the conclusion of fraud. The Plan only identifies the information that is provided when a credit check is performed, but does not identify whether this is the only means by which the Company determines fraud.

### III. CONCLUSION

The OCA appreciates the opportunity to Comment on the PECO Energy Universal Service and Energy Conservation Plan for 2019-2024. The OCA respectfully submits that its Comments and recommendations contained herein should be adopted.

Respectfully Submitted,

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