



Human Services

**FirstEnergy
Universal Service Programs**

**Amended Plan Filing
for
June through December 2008**

and

**Updated Plan Filing
for
Program Years 2009, 2010 and 2011**

Pennsylvania Power Company

February 8, 2008

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Introduction

This plan is being provided for consideration by FirstEnergy Human Services on behalf of Pennsylvania Power Company ("Penn Power") ("Company"), a FirstEnergy Company, to the Pennsylvania Public Utility Commission ("Commission") in accordance with the 52 Pa. Code Chapter 54 Reporting Requirements for Universal Service and Energy Conservation Programs as published in the Pennsylvania Bulletin on August 8, 1998.

The Company is committed to providing customer-focused, quality-driven, results-oriented Universal Service and Energy Conservation Programs¹ in a cost-effective and holistic manner. The goals of the Company's Universal Service and Energy Conservation Programs are to:

- Protect consumer's health and safety by helping low-income customers maintain affordable utility service;
- Provide for affordable utility service by making available payment assistance to low-income customers;
- Help low-income customers conserve energy and reduce residential utility bills; and
- Ensure utilities operate Universal Service and Energy Conservation Programs in a cost-effective and efficient manner.

The Company will continue to work with eligible customers in establishing affordable payment agreements that maintain electric service and move them toward self-sufficiency in paying their electric bill. Retail shopping will not preclude participation in Universal Service and Energy Conservation Programs or the protections afforded to residential customers pursuant to the provisions of 52 Pa. Code Chapter 56, and 66 Pa. C. S. §1401 et seq. (Responsible Utility Customer Protection Act – Chapter 14).

This plan describes the Company's portfolio of Universal Service and Energy Conservation programs for May through December 2008 and Calendar Years 2009, 2010 and 2011, including specific proposed program enhancements or modifications which will be adopted upon Commission approval.

¹ As defined in Section 2803 of the Electricity Generation Customer Choice and Competition Act, 66 Pa. C. S. § 2803, Universal Service and energy conservation refers to those "policies, protections and services that help low-income customers to maintain electric service. The term includes customer assistance programs, termination of service protection and policies and services that help low-income customers to reduce or manage energy consumption in a cost-effective manner, such as the low-income usage reduction programs, application of renewable resources and consumer education."

Settlement Agreement and Amendment Proposal 2008 Universal Service Plan

Pursuant to discussions with the Office of Consumer Advocate (“OCA”) and the Office of Trial Staff (“OTS”), the Company has made the following changes to its Universal Service Plan and Universal Service Cost Rider filed on June 12, 2007:

- The USc component of the Universal Service charge has been revised so that Penn Power’s internal Customer Assistance Program (“CAP”) administrative costs will not exceed \$127,000 for the USC Computational Year (12 months ending December 31st) until addressed as part of the Company’s next retail base rate case proceeding.
- The E Component of the Universal Service Charge has been revised to add “During the last month of each USC Reconciliation Year a credit to actual expenses incurred will be reflected by the Company determined by calculating the sum of the difference between the average month-end CAP customer participants for the USC Reconciliation Year and the number of actual CAP participants at May 31, 2008 multiplied by a rate of \$55.00. This annual credit to the Company’s actual incurred costs for each USC Reconciliation Year will continue until addressed in the Company’s next distribution base rate case proceeding before the Pennsylvania Public Utility Commission.”
- The Company will estimate arrearage forgiveness by multiplying the most recent number of CAP participants with pre-program arrears by the most recent average of those arrears.
- The Company will use an annual bill subsidy amount of \$2,571,423 for its initial estimate of the bill subsidy.

To achieve the Company’s Universal Service and Energy Conservation goals for appropriate numbers of low income customers, the Company is requesting that the Penn Power Universal Service Plan for May through December of Program Year 2008 be amended in order to:

- Institute a Penn Power Universal Service Cost Rider² effective June 1, 2008 (with reconciliation effective May 1, 2008), to provide adequate funding for Universal Service Programs and allowing for:
 1. The immediate implementation of an enhanced Customer Assistance Program (“CAP”)³ which will provide greater assistance through more affordable monthly bills and pre-program debt forgiveness; and
 2. The immediate expansion of the enhanced CAP to a greater number of low income households than originally projected.

² The Company is also submitting an amended tariff filing for approval of a timely cost recovery mechanism for necessary expenditures in excess of restructuring settlement agreement allowances. This proposed Universal Service Cost Rider is included in this report as Attachment “A”, for information purposes.

³ Referenced on Page 5 of this plan.

Updated Universal Service Plan Program Years 2009, 2010 and 2011

Customer Assistance and Referral Evaluation Services (“CARES”)

A. Program Overview and Objectives

The CARES Program provides assistance on a short-term basis to payment-troubled residential customers. Based upon the circumstances, Company CARES representatives make referrals to social service agencies and provide information on appropriate Company and/or external programs. Over the past several years, CARES has evolved into a component of CAP. The majority of CARES referrals are immediately enrolled into CAP and do not continue as part of the casework load of the CARES representative.

B. Eligibility

Any customer experiencing a recent hardship such as:

- Serious illness or injury to a member of a household, or
- Death of a wage earner, or
- Marital or family problems, or
- Handicapped or disabled person, or
- Sudden loss of income to the household, or
- Any customer 60 years of age or over requiring special assistance.

C. Company Organizational Structure

Assistant Business Analysts (i.e., CARES representatives) are strategically located throughout the Penn Power, Met-Ed and Penelec service territories. Dennis Schotsch provides primary coverage within the Penn Power service territory, with the other five representatives providing back-up for Penn Power customers when necessary.

Company Employees	Employee Positions	Employee Location	% of Time
Farabaugh, Paula	Asst. Business Analyst	Altoona	10 %
Gamler, Gary	Supervisor	Reading	Minimal
Keltz, Timothy	Advanced Business Analyst	Reading	Minimal
Kazmaier, Audrey	Asst. Business Analyst	Erie	10 %
Kleppinger, Linda	Asst. Business Analyst	Phillipsburg NJ ⁴	10 %
Ramos-Vega, Stephanie	Asst. Business Analyst	Reading	10 %
Schotsch, Dennis	Advanced Business Analyst	Clark	10 %
Wheeler, Sue	Asst. Business Analyst	Towanda	10 %

⁴ Provides case management for CARES participants located within the Met-Ed service territory along the Delaware River.

Customer Assistance Program ("CAP")

A. Program Overview and Objectives

CAP helps residential customers maintain electric service and eliminate past-due balances. CAP offers a reduced bill to customers, which is based on a percentage of income payment plan ("PIPP") and debt forgiveness. The objectives of CAP are to:

- Improve a customer's payment ability and consistency;
- Reduce a customer's consumption of electricity; and
- Eliminate debt.

B. Eligibility Requirements

- Household income at or below 150 percent of the Federal Poverty Guidelines;
- Residential account with an active account status;
- If eligible, must apply for the Low Income Home Energy Assistance Program ("LIHEAP");
- Applicant/Ratepayer must reside at the service address; and
- Must agree to participate in the WARM Program, if eligible.

C. Intake Processes

A variety of intake processes will be employed, to facilitate effective and efficient program expansion and for purposes of customer convenience.

- 1st Preference
 - FirstEnergy Human Services / Department of Public Welfare Electronic Data Exchanges
 - Used for processing automated participant enrollments and re-certifications.
- 2nd Preference
 - FirstEnergy Revenue Operations Referrals
 - Used for processing automated participant enrollment.
- 3rd Preference
 - CBO Interviews
 - Used for processing participant enrollments and re-certifications.
- 4th Preference
 - Telephone Interviews
 - Used for processing participant enrollments and re-certifications.
- 5th Preference
 - WARM Program Referrals
 - Customers referred to appropriate CBO.
 - Used for processing participant enrollments and re-certifications.

D. Subsidy Calculation and Payment Requirements

CAP participants will pay the difference between their total consumption bill and their monthly CAP subsidy credit, which will be applied at the time of billing.

The monthly CAP subsidy credit will be determined based on gross income, primary heat source and energy burden.

The Consumer Price Index (“CPI”) will be used each June 1, to adjust maximum bill subsidy amounts. From June 1, 2008 thru June 1, 2009, the CAP electric bill burden will be determined as follows:

Non Electric Heat Accounts:

Benefit Calculation Based on 3% Electric Bill Burden

Maximum Bill Subsidy = \$960.00 Annually or \$80 Monthly

Electric Heat Accounts:

Benefit Calculation Based on 6% Electric Bill Burden

Maximum Bill Subsidy = \$2,400.00 Annually or \$200 Monthly

Accounts with electric bill burdens of less than 3% (non-electric heat) and 6% (electric heat) will not qualify for CAP.

(This space intentionally left blank.)

The following is an example of how a CAP benefit will be calculated for a customer with non-electric heat:

- Annual Income, Family of Four = \$ 16,500
- Annual Electric Bill = \$ 1,020
- LIHEAP Benefit = \$ 0

Step #1 – Determine what the household should be paying for electric under CAP

Annual Household Income \$ 16,500
CAP Electric Bill Burden $\times \frac{3\% \text{ of income}}{}$
= \$ 495

Step #2 – Determine the household’s current electric bill burden

Annual Electric Bill \$ 1,020
Minus LIHEAP Benefit $\frac{\$ 0}{}$
Actual Electric Bill Burden = \$ 1,020 (more than 3% of income)

Step #3 – CAP will pay the difference

Actual Electric Bill Burden \$ 1,020
Minus CAP Electric Bill Burden $\frac{\$ 495}{}$
Annual CAP Benefit = \$ 525 $\div 12 = \$ 43.75$ per month

The following is an example of how a CAP benefit will be calculated for a customer with electric heat:

- Annual Income, Family of Four = \$ 16,500
- Annual Electric Bill = \$ 2,200
- LIHEAP Benefit = \$ 800

Step #1 – Determine what the household should be paying for electric under CAP

Annual Household Income \$ 16,500
CAP Electric Bill Burden $\times \frac{6\% \text{ of income}}{}$
= \$ 990

Step #2 – Determine the household's current electric bill burden

Annual Electric Bill \$ 2,200
Minus LIHEAP Benefit $\underline{\$ 800}$
Actual Electric Bill Burden = \$ 1,400 (more than 6% of income)

Step #3 – CAP will pay the difference

Actual Electric Bill Burden \$ 1,400
Minus CAP Electric Bill Burden $\underline{\$ 990}$
Annual CAP Benefit = \$ 410 $\div 12 = \$ 34.16$ per month

E. Debt Forgiveness Guidelines

When entering CAP, all pre-program debt will be deferred and included in the CAP Debt Forgiveness Component.

Debt forgiveness credits (1/36 of pre-program debt) will be awarded in response to customer payments⁵ of in-full monthly CAP bills, whenever those payments occur.

F. Default Provisions

Universal Service imposes a requirement on the electric distribution companies ("EDCs") to offer assistance and a responsibility on customers for wise consumption and prompt payment. The Company agrees with the Commission that the consequences for nonpayment should be loss of service⁶.

Dunning notices, including termination notices, will be issued for any unpaid current bills. Deferred pre-program debt balances will not be included in dunning notices. CAP participants who do not make payments in accordance with the terms of the program will remain in CAP and be subject to CAP Dunning Processes, up to and including service termination. CAP Dunning Processes will include all of the notification and procedural steps required in Chapter 56, Standards and Billing Practices for Residential Utility Service, and Chapter 14, Responsible Utility Customer Protection Act.

- 5 Days After Due Date of 1st Invoice
Payment Counseling Telephone Call Placed to Customer
- 6 Days After Due Date of 1st Invoice
Payment Counseling Follow-Up Letter Mailed to Customer

Note: Following the 1st invoice, payment counseling telephone call and follow-up letter if the overdue bill is \$100 or greater, or greater than 60 days in arrears, the account will fast-track to the 10-day termination notice process.

If the overdue bill is less than 60 days in arrears, the account will proceed to the 2nd invoice payment counseling telephone call and follow-up letter process.

- 5 Days After Due Date of 2nd Invoice
Payment Counseling Telephone Call Placed to Customers that are less than 60 days in arrears.

⁵ LIHEAP, emergency hardship fund grants, or any other non-customer payments will not cause debt forgiveness credits to be awarded.

⁶ Docket No. M-00960890F0010—Final Order Re: Guidelines for Universal Service and Energy Conservation Programs. Under Customer Assistance Programs, Default Provisions: "The Commission believes that the consequences for nonpayment should be loss of service; therefore, we recommend that participants who do not make payments should be returned to the regular collection cycle."

- 6 Days After Due Date of 2nd Invoice
Payment Counseling Follow-Up Letter Mailed to Customers that are less than 60 days in arrears.
- 8 Days After Due Date of 2nd Invoice
If greater than \$25 and 60 Days Past Due, or If \$100 or Greater
10-Day Service Disconnection Notice is Issued to Customer

Payment requirements to avoid termination of service:

- CAP Bills Brought Current

Payment requirements for restoration of service and continuation in CAP following service termination – prior to the account being final billed on the 10th day following service termination:

- CAP Bills Brought Current; and
- Reconnection Fee as per Current Tariff.

Payment requirements for restoration of service and continuation in CAP following service termination – after the account is final billed on the 10th day following service termination:

- CAP Bills Brought Current or 1/24 of Account Balance, Whichever is Greater;
- Reconnection Fee as per Current Tariff; and
- CAP Re-Certification.⁷

Failure of a participant to comply with the WARM Program participation requirement will result in temporary suspension of CAP benefits, while remaining within CAP. CAP benefits would resume when WARM services are completed. Written notification would be provided at least 20 calendar days prior to suspension of benefits.

Participants will be dismissed from CAP for any of the following reasons:

- Refusing to participate in LIURP (if eligible),
- Failing to re-certify annually, or upon request, or
- Fraud.

G. Re-certification Requirements

Participants in CAP will be required to recertify for CAP benefits on an annual basis by submitting the appropriate details of income and household members as requested by the administering agency.

The Company will continue to use electronic file transfers, between the Pennsylvania Department of Public Welfare (“DPW”) and FirstEnergy Human Services, to determine if CAP participants are in fact active or LIHEAP certified with DPW, to avoid in-person recertification.

CAP participants, both electric heat and non-electric heat, who have not been recertified via DPW electronic file transfers by June 30 of each year will be given 60 days to recertify at a community-based organization.

⁷ Reconnection of service will not be delayed pending completion of a scheduled CAP re-certification.

H. Application of Cash Grants to CAP Accounts

LIHEAP

- First applied against delinquent current bills; and
- Then applied against future current bills.

Emergency Hardship Fund Grants

- Applied against delinquent current bills, to avoid service termination for households with significant extenuating circumstances and upon approval of a FirstEnergy CARES representative. Extenuating circumstances include, but are not limited to, death in the family, significant changes in household income, and catastrophic medical expenses.

I. Program Delivery Partners

The Company will approach for purposes of negotiating a vendor contract, or currently has contracts with the following community-based organizations in performing program intake and re-certification activities.

- Beaver Falls Salvation Army
414 16th Street
Beaver Falls, PA 15010
724-846-2330
- Community Action Partnership of Mercer County, Inc.
75 South Dock Street
Sharon, PA 16146
1-888-508-5216
- Greenville Salvation Army
288 East Main Street
Greenville, PA 16125
724-588-5190
- New Castle Salvation Army
240 West Grant Street
New Castle, PA 16103
724-652-7921
- Sharon Salvation Army
660 Fisher Hill Street
Sharon, PA 16146
724-347-5537

J. Company Organizational Structure:

Company Employees	Employee Positions	Employee Location	% of Time
Behary, Linda	Adv. Customer Associate	Clark	56%
Berglund, Scott	Adv. Business Analyst	Reading	5%
Farabaugh, Paula	Asst. Business Analyst	Altoona	Minimal
Frederick, Maria	Adv. Business Analyst	Reading	Minimal
Gamler, Gary	Supervisor	Reading	5%
Honsberger, Joyce	Adv. Customer Associate	Reading	10%
Kazmaier, Audrey	Asst. Business Analyst	Erie	Minimal
Kehm, Deborah	Adv. Customer Associate	Reading	10%
Keltz, Timothy	Adv. Business Analyst	Reading	Minimal
Kleppinger, Linda	Asst. Business Analyst	Phillipsburg NJ	Minimal
Mercado, Nilda	Adv. Customer Associate	Reading	Minimal
Ramos-Vega Stephanie	Asst. Business Analyst	Reading	Minimal
Schotsch, Dennis	Adv. Business Analyst	Clark	47%
Vasquez, Cheryl	Adv. Customer Associate	Reading	4%
Wheeler, Sue	Asst. Business Analyst	Reading	Minimal
(position to be filled)	Customer Associate	Reading	5%

Emergency Hardship Fund

Since 1984, Penn Power has operated Project Reach, an emergency hardship fund designed to help residential customers who have suffered a recent financial hardship and need temporary help in paying their electric bill. Beginning January 1, 2009, Penn Power will become a member of The Dollar Energy Fund, Inc., and operate its emergency hardship fund under that name.

A. Program Overview and Objectives

The Dollar Energy Fund ("fund") is an emergency hardship fund designed to help residential customers who have suffered a recent financial hardship and need temporary help in paying their electric bill. The bulk of program funding is provided by contributions from FirstEnergy stockholders, Company employees and customers. The distribution of funds is administered by community-based organizations throughout the Company's service territories.

B. Dates of Operation and Maximum Grant Amounts

The Dollar Energy Fund accepts applications in accordance with pre-established account status guidelines, or as long as funds remain available. One maximum grant of \$500 may be awarded to a customer during a program year.

C. Contacts and Administering Agencies

The Company contact person is:

Mr. Dennis Schotsch
C/O FirstEnergy
2939 North Hermitage Road
P. O. Box 361
Clark, PA 16113-0361
Telephone: 724-962-1034
Email: schotschd@firstenergycorp.com

The Dollar Energy Fund contact person is:

Ms. Cindy Datig, Executive Director
The Dollar Energy Fund, Inc.
P. O. Box 42329
Pittsburgh, PA 15203-0329
Telephone: 412-390-3863
Email: cindyd@dollarenergy.org

The distribution of funds are currently administered by the following network of community-based organizations which are located throughout the Company's service territory. Additional intake sites may be added with the transition to the Dollar Energy Fund.

- Beaver Falls Salvation Army
414 16th Street
Beaver Falls, PA 15010
- Greenville Salvation Army
288 East Main Street
Greenville, PA 16125
- New Castle Salvation Army
240 West Grant Street
New Castle, PA 16103
- Sharon Salvation Army
660 Fisher Hill Street
Sharon, PA 16146

D. Eligibility Guidelines for the Dollar Energy Fund

- Residential single home or apartment
- Name on account must be an adult resident
- Total household income (gross) must be at or below 200 percent of the Federal Poverty Guidelines (exceptions will be made based on circumstances)
- Must have a reasonable payment(s) on their account within the past 90 days (exceptions will be made for extreme hardships)
- Account balance must be at least \$100 (senior citizens age 60 and over may have a \$0 balance, but not a credit balance) (exceptions will be made based on circumstances)
- Must provide income and expense information

Note: The Dollar Energy Fund is a “fund of last resort.” Customers must first apply for LIHEAP through the Pennsylvania Department of Public Welfare, when available, and must first participate in CAP, when eligible.

E. Company Organizational Structure:

Company Employees	Employee Positions	Employee Location	% of Time
Gamler, Gary	Supervisor	Reading	Minimal
Keltz, Timothy	Adv. Business Analyst	Reading	5 %
Mercado, Nilda	Adv. Customer Associate	Reading	Minimal
Schotsch, Dennis	Adv. Business Analyst	Clark	5 %

Gatekeeper Program

A. Program Overview and Objectives

Gatekeeper is a program designed to recruit Company field personnel to recognize and report customers who may be in "distress" (as described in Section “B” below).

B. Eligibility Guidelines

Situations include, but are not limited to, the following:

- Communication – A person who appears confused or disoriented
- Economic Condition – Someone expresses difficulty with paying bills
- Social Condition – Older persons living alone or socially isolated
- Physical Limitations – Severe difficulty seeing, speaking, hearing, or moving about
- Condition of Home – In need of repair, neglected yard, accumulation of newspapers, offensive odors, or unattended pets

C. Company Organizational Structure

Dennis Schotsch provides primary coverage within the Penn Power service territory, with the other five representatives providing back-up for Penn Power customers when necessary.

Company Employees	Employee Positions	Employee Location	% of Time
Farabaugh, Paula	Asst. Business Analyst	Altoona	Minimal
Kazmaier, Audrey	Asst. Business Analyst	Erie	Minimal
Kleppinger, Linda	Asst. Business Analyst	Phillipsburg NJ	Minimal
Ramos-Vega, Stephanie	Asst. Business Analyst	Reading	Minimal
Schotsch, Dennis	Advanced Business Analyst	Clark	5 %
Wheeler, Sue	Asst. Business Analyst	Towanda	Minimal
Field Personnel	Meter Readers, etc.	Throughout PA	Minimal

WARM Program

A. Program Overview and Objectives

The WARM Program is Penn Power's Low Income Usage Reduction Program ("LIURP"). The program provides free energy conservation and education to low-income customers. The program targets customers whose gross income is less than 150 percent of Federal Poverty Guidelines. The program's primary objectives are to:

1. Reduce the overall energy use, energy bills and arrearages of the Company's low-income customers;
2. Increase participants' health, safety and comfort in their homes; and
3. Make tailored referrals to Company Universal Service Programs and other assistance programs.

WARM achieves these objectives through two approaches. First, energy-saving home improvements are installed in the customer's home. Second, a weatherization contractor provides conservation education to family members and refers them to other potentially beneficial social service programs. All work performed through the WARM program is provided at no cost to program participants.

The Company will continue to encourage contractors to coordinate delivery of WARM benefits with other programs. During 2009 through 2011, the FirstEnergy WARM programs will attempt to better capture the grassroots coordination efforts among various low-income energy conservation programs. FirstEnergy will require contractors/agencies working on the WARM program to document coordination and spending on homes where energy conservation measures and funding were coordinated with other programs, such as the state-run weatherization program and gas utilities' LIURP programs. FirstEnergy will report on the results of this coordination as part of the annual April 30 LIURP Program Evaluation as information becomes available.

B. Eligibility Guidelines

Income Eligibility:

Residential customers are eligible for WARM if their household income is at or below 150 percent of the Federal Poverty Guidelines.

The Company also provides WARM services to "special needs" customers whose household income is between 151 percent to 200 percent of the Federal Poverty Guidelines.

Up to 20 percent of the LIURP budget may be used for households whose incomes are between 151 percent to 200 percent of the Federal Poverty Guidelines.

Electric Use Eligibility:

Customers who qualify under the income guidelines also must have an average usage of approximately 600 kWh per month or 7,200 kWh annually.

Residency Eligibility:

The customer must reside at the service address and have a minimum of 6 months consecutive service. He/she must provide proof of ownership, or secure landlord approval if renting.

C. Company Organizational Structure

Company Employees	Employee Positions	Employee Location	% of Time
Behary, Linda	Adv. Customer Associate	Clark	18 %
Gamler, Gary	Supervisor	Reading	Minimal
Berglund, Scott	Adv. Business Analyst	Reading	10 %
Frederick, Maria	Adv. Business Analyst	Reading	15 %
Kehm, Deborah	Adv. Customer Associate	Reading	10 %
Schotsch, Dennis	Adv. Business Analyst	Clark	Minimal
Seidel, Judy	Associate Business Analyst	Reading	35 %
(position to be filled)	Customer Associate	Reading	20 %

D. Program Delivery Community Partnership

The Company contracts with the following community-based organizations in performing program intake and installation of measures.

Community Action Partnership of Mercer County, Inc.
Sharon, PA

Bill Busters, Inc.
Indiana, PA

Summary of Proposed Enhancements for All Programs

CARES Program

- There are no enhancements or modifications planned.

Customer Assistance Program (“CAP”)

- Calculation of Monthly Benefit:

Old – Reduced Rate Based on Income Level

0-110% of FPIG = 50% Discount

111-150% of FPIG = 40% Discount

New – Fixed Monthly Credit – Customer Pays Difference

Non-Heat = Minimum 3% of Gross Household Income Payment

Heat = Minimum 6% of Gross Household Income Payment

- Bill Subsidy Limits:

Old – Non-Heat = \$ 560 Annually

Heat = \$1,400 Annually

New – Non-Heat = \$ 960 Annually

Heat = \$2,400 Annually

- Debt Forgiveness:

Old – None

New – Credit for 1/36 of Pre-Program Debt Awarded Following Payment of Current Bill

- Default Provisions:

Old – Program Dismissal for Non-Payment

12 Month Stay-Out Provision

New – Dunning Performed Within Program

No Stay-Out Provision

- Program Participation:

Old – 4,796 participants at year end 2008

New – 6,000 participants at year end 2008

Emergency Hardship Funds:

- The Penn Power Dollar Energy Fund will replace the Penn Power Project Reach Program.

Gatekeeper Program:

- There are no enhancements or modifications planned.

WARM Program:

- Track and report on the results of benefit delivery coordination as part of the annual April 30 LIURP Program Evaluation as information becomes available.

Applied Technologies in Support of Universal Service Programs

The Company employs various technologies in the delivery of its Universal Service Programs, which greatly enhance their accessibility and effectiveness. Some of the more significant technologies are described below:

C-Net On-line Help System (Lotus Notes)

Provides the Company Customer Information Center ("CIC"), Outsourcing Solutions, Inc. ("OSI" Collection Center), and the Human Services Department employees with detailed on-line information on Federal, State and Company Universal Service Programs.

Chronicles Case Management Software

An on-line, web-based case management tool that has been provided to a wide network of Community-Based Organizations, the Dollar Energy Fund and the Company CARES Representatives. The software supports a holistic approach in the delivery of Company Universal Service Programs by automatically matching household member demographic and financial information with available Federal, State, utility and local human service programs. Within this process, The Company Universal Service Program application forms are automatically produced by Chronicles.

SAP

The host system containing the customer master file.

Human Services Web Site

Allows community-based organizations administering the Company's low-income programs to easily obtain current customer billing, payment, and other information without Customer Information Center or Human Services involvement. Entry to the site is password protected. Over 700 individuals representing over 100 different organizations currently take advantage of this tool.

WARM3

A web-based system used to assist inspectors, contractors and Company administrators in their management of WARM. Some of WARM3's features include:

- The ability to run in various windows operating systems and browsers;
- User friendly screens that facilitate data entry;
- An invoice tool that allows contractors to invoice FirstEnergy electronically;
- Numerous reports and date fields to assist with job tracking, invoice payment, job inspections, and annual PUC-required program evaluation, etc.;
- A demographics panel where PUC-required demographics are housed;
- An automated post-completion customer survey letter; and
- Liberal text fields for documentation.

Universal Service Needs Assessment

Statistics Based Upon 2000 Census Poverty Data

Estimated Residential Customer <150% of Poverty % to Total = 20.44%

Estimated Eligible Low Income Customers = 28,600

Estimated Number of Potential Program Participants = 14,300

County	Total Households	Households Under 150% Of Poverty	Percent of Households Under 150% Of Poverty	Number of Residential Customers	Estimated Number of Residential Customers <150% of Poverty	Estimated Residential Customers <150% of Poverty % to Total
Allegheny	537,405	106,443	19.81 %	15,788	3,127	
Beaver	72,664	13,626	18.75 %	12,037	2,257	
Butler	65,929	11,159	16.93 %	23,485	3,976	
Crawford	34,695	7,914	22.81 %	6,069	1,384	
Lawrence	37,136	8,630	23.24 %	35,901	8,343	
Mercer	46,755	9,530	20.38 %	46,468	9,470	
Total	794,584	157,302	19.80 %	139,748	28,557	20.44%

2008 Universal Service Participant and Budget Projections:

Original Projections for January through April 2008

As referenced on Page 29 of the June 12, 2007 Filing.

Program Name		Budget Amount
CARES		\$ 15,000
CAP		\$ 1,509,062
Fuel Fund Admin.		\$ 12,567
Gatekeeper		\$ 333
WARM		\$ 215,084
Totals		\$ 1,752,046

Original Projections for May through December 2008

As referenced on Page 29 of the June 12, 2007 Filing.

Program Name		Budget Amount
CARES		\$ 30,000
CAP		\$ 3,018,125
Fuel Fund Admin.		\$ 25,133
Gatekeeper		\$ 667
WARM		\$ 430,166
Totals		\$ 3,504,091

Original Total Projections for January through December 2008

As referenced on Page 29 of the June 12, 2007 Filing.

Program Name	Participants as of December 31	Budget Amount
CARES		\$ 45,000
CAP	4,796	\$ 4,527,187
Fuel Fund Admin.		\$ 37,700
Gatekeeper		\$ 1,000
WARM		\$ 645,250
Totals		\$ 5,256,137

2008 Universal Service Participant and Budget Projections – 6,000 Participants at Year End:

Originally it was projected that there would be 4,796 program participants by year-end 2008. As of December 31, 2007, there were 4,877 customers participating in the Penn Power CAP. The program is experiencing a growth rate of about 20% per year. For this reason, the Company is revising the year-end 2008 participant projection to 6,000 customers. The following budget tables support this level of enrollment, with the FE administrative costs not exceeding \$127,000 for the year, and the bill subsidy based on \$536.15 annually ($\$2,571,423 \div 4,796$ participants). The budget tables do not, however, take into consideration the annual credit to actual expenses agreed upon during Penn Power's settlement discussions with the PaPUC Office of Trial Staff and the Office of Consumer

Advocate applied at the end of the USC Reconciliation Year (12 months ending October 31st). The annual credit adjustment to expenses will be calculated based upon the difference between the month-end average of CAP participants at the end of the USC Reconciliation Year and the number of actual CAP participants at May 31, 2008 multiplied by a rate of \$55.00. We anticipate the May 31, 2008 enrollment level to be between 5,400 and 5,500 customers.

02/08 Settlement Projections for January through May 2008

Program Name	Detail of CAP Components	Total Budget Amount
CARES		\$ 18,750
CAP FE Admin.	\$ 52,917	
CAP CBO Admin.	\$ 91,667	
CAP Bill Subsidy	\$ 1,317,158	
Total CAP	\$ 1,461,742	\$ 1,461,742
Fuel Fund Admin.		\$ 15,705
Gatekeeper		\$ 415
WARM		\$ 319,135
Totals		\$ 1,815,747

02/08 Settlement Projections for June through December 2008

Program Name	Detail of CAP Components	Budget Amount
CARES		\$ 26,250
CAP FE Admin.	\$ 74,083	
CAP CBO Admin.	\$ 128,333	
CAP Bill Subsidy	\$ 1,844,021	
CAP Debt Forgive.	\$ 532,902	
Total CAP	\$ 2,579,339	\$ 2,579,339
Fuel Fund Admin.		\$ 21,995
Gatekeeper		\$ 585
WARM		\$ 446,795
Totals		\$ 3,074,964

02/08 Settlement Projections for January through December 2008

Program Name	Detail of CAP Components	Budget Amount
CARES		\$ 45,000
CAP FE Admin.	\$ 127,000	
CAP CBO Admin.	\$ 220,000	
CAP Bill Subsidy	\$ 3,161,179	
CAP Debt Forgive	\$ 532,902	
Total CAP	\$ 4,041,081	\$ 4,041,081
Fuel Fund Admin.		\$ 37,700
Gatekeeper		\$ 1,000
WARM		\$ 765,930
Totals		\$ 4,890,711

**Universal Service Participant and Budget Projections –
Program Years 2009, 2010 and 2011:**

2009 – Projected 7,200 CAP Participants at Year End

Program Name	Detail of CAP Components	Budget Amount
CARES		\$ 45,000
CAP Admin.	\$ 502,966	
CAP Bill Subsidy	\$ 4,534,200	
CAP Debt Forgive	\$ 1,054,314	\$ 6,091,480
Fuel Fund Admin.		\$ 37,700
Gatekeeper		\$ 1,000
WARM		\$ 837,900
Totals		\$ 7,013,080

2010 – Projected 8,600 CAP Participants at Year End

Program Name	Detail of CAP Components	Budget Amount
CARES		\$ 45,000
CAP Admin.	\$ 602,957	
CAP Bill Subsidy	\$ 5,427,300	
CAP Debt Forgive	\$ 1,272,224	\$ 7,302,481
Fuel Fund Admin.		\$ 37,700
Gatekeeper		\$ 1,000
WARM		\$ 907,175
Totals		\$ 8,293,356

2011 – Projected 10,300 CAP Participants at Year End

Program Name	Detail of CAP Components	Budget Amount
CARES		\$ 45,000
CAP Admin.	\$ 701,622	
CAP Bill Subsidy	\$ 6,492,150	
CAP Debt Forgive	\$ 1,303,653	\$ 8,497,425
Fuel Fund Admin.		\$ 37,700
Gatekeeper		\$ 1,000
WARM		\$ 986,000
Totals		\$ 9,567,125

Note: The WARM Program has served 7,961 homes in the Penn Power service territory since its inception. During 2008 through 2011, an additional 2,570 homes will be completed, bringing the total number of homes completed to 10,531. Some CAP participants don't qualify for WARM because their electricity consumption doesn't meet the PUC recommended 7,200 kWh annual minimum, and some can't participate because their landlords won't provide written consent.

Conclusion

With the approval of this updated plan, the Company will offer its Universal Service and Energy Conservation Programs in compliance with applicable Commission and other requirements, including the following:

- Chapter 56, Standards and Billing Practices for Residential Utility Service
- 52 Pa. Code Chapter 56, and 66 Pa. C. S. §1401 et seq. (Responsible Utility Customer Protection Act – Chapter 14).
- 52 Pa. Code §§54.71-54.78 – Reporting Requirements for Universal Service and Energy Conservation Programs
- 52 Pa. Code §§58.1-18 (regarding LIURP)
- 52 Pa. Code §§69.261 – 267 – CAP Policy Statement
- CAP Policy Statement of July 25, 1992, Docket No. M-00920345
- Electricity Generation Customer Choice and Competition Act of December 3, 1996. 66 Pa. C. S. §§2801 et seq.
- Commission Universal Service and Energy Conservation Programs Guidelines, Docket No. M-00960890F0010 – July 10, 1997
- Commission Universal Service and Energy Conservation Program Reporting Requirements, Docket No. L-00970130 – April 30, 1998
- Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms, Docket No. M-00051923 entered December 18, 2006
- February 2008 settlement agreement with the Office of Consumer Advocate (“OCA”) and the Office of Trial Staff (“OTS”), as referenced on Page 3 of this plan.

The Company has had a long history of leadership in the creation, development and implementation of Universal Service and energy conservation programs. Among the leadership initiatives that have been implemented are:

- Developing a Human Services Web Site;
- Installing the Chronicles Case Management Software;
- Installing WARM3;
- Enhancing both Chronicles and WARM3 to operate as web-based systems;
- Collaborating with the Pennsylvania Department of Public Welfare to make LIHEAP more accessible (via Chronicles);
- Collaborating with the Pennsylvania Department of Public Welfare to make CAP re-certification more efficient through electronic data transfer of information; and
- Initiating a process to automatically enroll LIHEAP Crisis recipients into CAP.

FirstEnergy will continue its commitment toward providing customer-focused, quality-driven and results-oriented Universal Service and energy conservation programs. However, securing adequate and sustained program funding continues to be a critical and unresolved issue.

Inquiries regarding this Report should be directed to:

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PENNSYLVANIA POWER COMPANY

**Schedule of Rates, Rules and Regulations
for
Electric Service
For List of Communities Served,
See Pages 5 and 6**

ISSUED: February 8, 2008

EFFECTIVE: June 1, 2008

**Issued by
Anthony J. Alexander
CEO
233 Frenz Drive
New Castle, PA 16101**

NOTICE

This Supplement Makes Changes to Existing Tariff -- See Thirty-ninth Revised Sheet No. 1

LIST OF MODIFICATIONS

RIDERS

Modifications

The Universal Service Charge Rider has been eliminated and replaced with a Universal Service Cost Rider (See Second Revised Sheet No. 58.1, Second Revised Sheet No. 58.2, and Second Revised Sheet No. 58.3).

The Universal Service Charge Rider (CAP) has been eliminated (See First Revised Sheet No. 63.1).

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(C)

UNIVERSAL SERVICE COST RIDER

A Universal Service Charge (“USC”) shall be applied to each kilowatt-hour delivered during a billing month to all Customers served under residential retail rate schedules under this Tariff, determined to the nearest one-thousandth of a cent per kilowatt-hour (kWh). The USC shall be non-bypassable.

For service rendered June 1, 2008 through December 31, 2008 the USC rate billed to all Customers served under residential retail rate schedules is \$0.00341 per kWh.

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Universal Service Cost Rider (continued)

The USC shall be calculated in accordance with the formula set forth below:

$$USC = [(US_C/S_{Res}) - (E/S_{Res})] \times [1/(1-T)]$$

Where:

USC = The charge in mills per kilowatt-hour to be applied to each kilowatt-hour delivered to all Customers served under residential retail rate schedules under this Tariff.

US_C = Universal Service Program Costs, which are the estimated direct, indirect and administrative costs to be incurred by the Company to provide Universal Service to Customers for the USC Computational Year for the following programs (“Universal Service Programs”):

- Customer Assistance and Referral for Evaluation of Services (“CARES”) Program
- Customer Assistance Program (“CAP”) with the provision that Company internal CAP administrative costs will not exceed \$127,000 for the USC Computational Year until addressed as part of the Company’s next retail distribution base rate case proceeding before the Pennsylvania Public Utility Commission.
- Fuel Fund Administration
- Gatekeeper Program
- WARM (formerly LIURP) Program
- Any other replacement or Commission-mandated Universal Service Programs.

S_{Res} = The Company’s projected retail kilowatt-hour sales for the projected USC billing period for Customers served under residential retail rate schedules under this Tariff.

E = The over or under-collection of Universal Service Program costs that result from the billing of the USC during the USC Reconciliation Year (an over-collection is denoted by a positive E and an under-collection by a negative E), including applicable interest. Interest shall be computed monthly as provided for in 41 P.S. § 202, the legal statutory interest rate, from the month the over or under-collection occurs to the month that the over-collection is refunded to or the under-collection is recovered from Customers. During the last month of each USC Reconciliation Year, a credit to actual expenses incurred will be reflected by the Company determined by calculating sum of the difference between the

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Universal Service Cost Rider (continued)

average month-end CAP customer participants for the USC Reconciliation Year and the number of actual CAP participants at May 31, 2008 multiplied by a rate of \$55.00. This annual credit to the Company's actual incurred costs for each USC Reconciliation Year will continue until addressed in the Company's next distribution base rate case proceeding before the Pennsylvania Public Utility Commission.

T = The Pennsylvania gross receipts rate in effect during the billing month expressed in decimal form as reflected in the Company's base rates.

All capitalized terms not otherwise defined in this Rider shall have the definitions specified in Definition of Terms and Explanation of Abbreviations section of this Tariff. For purposes of this Rider, the following additional definitions shall apply:

1. USC Computational Year - the 12 month period from January 1 through December 31 of each calendar year.
2. USC Reconciliation Year - the period from November 1 through October 31 immediately preceding the USC Computational Year.

The USC shall be filed with the Commission by December 1 of each year. The USC shall become effective the following January 1, unless otherwise ordered by the Commission, and shall remain in effect for a period of one year, unless revised on an interim basis subject to the approval of the Commission. Upon determination that the USC rate, if left unchanged, would result in material over or under-collection of all Universal Service Program Costs incurred or expected to be incurred during the current 12-month period ending December 31, the Company may request the Commission for interim revisions to the USC to become effective thirty (30) days from the date of filing, unless otherwise ordered by the Commission.

The Company shall file a report of collections under the USC within forty-five (45) days following the conclusion of each Computational Year quarter.

The USC shall be subject to review and audit by the Commission.

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Reserved for Future Use

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