**PENNSYLVANIA**

**PUBLIC UTILITY COMMISSION**

Harrisburg, PA 17105-3265

|  |  |
| --- | --- |
|  | Public Meeting held December 18, 2014 |
| Commissioners Present:  Robert F. Powelson, Chairman  John F. Coleman, Jr., ViceChairman  James H. Cawley  Pamela A. Witmer  Gladys M. Brown |  |
| West Penn Power Universal Service Universal Service and Energy Conservation Plan for 2015-2018 | Docket No. M-2014-2407728 |
| Metropolitan Edison Company Universal Service and Energy Conservation Plan for 2015-2018 | Docket No. M-2014-2407729 |
| Pennsylvania Electric Company Universal Service and Energy Conservation Plan for 2015-2018 | Docket No. M-2014-2407730 |
| Pennsylvania Power Company Universal Service and Energy Conservation Plan for 2015-2018 | Docket No. M-2014-2407731 |

**TENTATIVE ORDER**

**BY THE COMMISSION**

On February 28, 2014, Metropolitan Edison Company (Met Ed), Pennsylvania Electric Company (Penelec), Pennsylvania Power Company(PennPower), and West Penn Power (WPP) (collectively, FirstEnergy or the Companies) filed universal service and energy conservation plans (USECPs) for 2015 through 2017 in accordance with the Pennsylvania Public Utility Commission’s (Commission) regulations at 52 Pa. Code §§ 54.71-78. On August 27, 2014, the Companies filed amended USECPs for 2015-2018 (Proposed 2015-2018 Plans). By this Tentative Order, we will tentatively approve FirstEnergy’s amended Plans and solicit comments from interested parties.

## I. BACKGROUND

The Electricity Generation Customer Choice and Competition Act (Electric Competition Act), 66 Pa.C.S. §§ 2801-2812, became effective on January 1, 1997. The primary purpose of this legislation was to introduce competition into the retail electric generation market. The Act established standards and procedures for the restructuring of the electric utility industry. While opening up the electric generation market to competition, the Act also includes several provisions relating to universal service to ensure that electric service remains available to all customers in the Commonwealth.

The universal service provisions of the Competition Act, among other things, tie the affordability of electric service to a customer’s ability to maintain utility service. The Competition Act defines “universal service and energy conservation” as the policies, practices and services that help low-income customers maintain utility service. The term includes customer assistance programs, usage reduction programs, service termination protections and consumer education. 66 Pa.C.S. § 2803. Section 2802(10) of the Act commits the Commission to continuing, at a minimum, the policies, practices and services that were in existence as of the effective date of the law. 66 Pa.C.S. § 2802(10). Finally, the Act requires the Commission to ensure that universal service and energy conservation services are appropriately funded and available in each electric distribution territory. 66 Pa.C.S. § 2804(9).

To help meet the requirements imposed by the Competition Act, the Commission established the Universal Service and Energy Conservation Reporting Requirements (USEC Reporting Requirements) at 52 Pa. Code §§ 54.71-54.78. These reporting requirements require each electric distribution company (EDC) serving more than 60,000 residential accounts to submit an updated USECP every three years to the Commission for approval. 52 Pa. Code § 54.74. Further, the Commission adopted its Customer Assistance Program (CAP) Policy Statement at 52 Pa. Code §§ 69.261-69.267. Although the Competition Act does not define “affordability,” the Commission’s Policy Statement provides guidance on affordable payments. 52 Pa. Code §§ 69.261-69.267. The Commission balances the interests of customers who benefit from the programs with the interests of the customers who pay for the programs. *See Final Investigatory Order on CAPs: Funding Levels and Cost Recovery Mechanisms*, Docket No. M-00051923 (Dec. 18, 2006), (*Final CAP Investigatory Order*), at 6-7.

As reported by FirstEnergy, the number of residential customers served and the number of customers enrolled into CAP by its Companies are as follows:

**Table 1**

**Residential Class Size[[1]](#footnote-1) and CAP Enrollment[[2]](#footnote-2)**

|  |  |  |
| --- | --- | --- |
| **FirstEnergy Companies** | **Residential Customers in 2013** | **CAP Enrollment**  **(as of 9/30/14)** |
| Met Ed | 487,974 | 16,768 |
| Penelec | 500,340 | 22,848 |
| PennPower | 141,060 | 5,059 |
| WPP | 619,510 | 21,920 |
| **Totals** | **1,748,884** | **66,595** |

**II. HISTORY**

The most recent USECPs for Met Ed, Penelec, and PennPower were their 2012-2014 Plans, approved by the Commission at Docket No. M-2011-2231038, by order entered on March 1, 2012. The most recent USECP for WPP is its 2011-2013 Plan, approved by the Commission at Docket No. M-2010-2207924, by order entered on September 27, 2012.

On May 14, 2010, Trans-Allegheny Interstate Line Company (TrAILCo), WPP, d/b/a Allegheny Power, and FirstEnergy Corp filed with the Commission a Joint Application (Joint Application) at Docket Nos. A-2010-2176520 and A-2010-2176732 to obtain approval for a change of control of WPP and TrAILCo under Chapters 11 and 28 of the Public Utility Code (Code), 66 Pa. C.S. §§ 101, *et seq.*, to be effected by the merger of Allegheny Energy, Inc. (Allegheny) with Element Merger Sub., Inc. (Merger Sub), a wholly-owned subsidiary of FirstEnergy Corp.

In the Initial Decision, issued on December 20, 2010, the OALJ recommended that the Joint Application for a change of control of WPP and TrAILCo, through a merger be approved. Initial Decision at 80-81. The Commission approved the merger of WPP and TrAILCo into FirstEnergy in an Order entered on March 8, 2011.[[3]](#footnote-3)

On January 11, 2013, WPP petitioned the Commission at Docket No. P‑2013‑2342756 for a partial waiver of 52 Pa. Code §§54.74 and 57.76 to allow WPP to file its next USECP and Third-Party Impact Evaluation one year later than scheduled in order to parallel the reporting due dates of the other three FirstEnergy Companies. The Commission approved the petition in an Order entered on February 28, 2013.[[4]](#footnote-4)

In compliance with Commission regulations, FirstEnergy submitted its 2015-2017 Plans on February 28, 2014, and served the Office of Consumer Advocate (OCA), Community Legal Services (CLS), the Pennsylvania Utility Law Project (PULP), the Office of Small Business Advocate (OSBA), and the Bureau of Investigation and Enforcement (BIE).

On June 27, 2014, the Commission issued a Secretarial Letter to all utilities providing a revised USECP filing schedule. As part of the new filing schedule, the FirstEnergy USECPs for 2015-2017 were extended to include 2018. On August 27, 2014, FirstEnergy filed and served amended USECPs for 2015 through 2018.

On August 1, 2014, FirstEnergy petitioned the Commission to amend the Companies’ previously approved USECPs to make immediate changes to their Low Income Usage Reduction Programs (LIURPs), also known as WARM. FirstEnergy requested to make the following changes to the current WARM programs:

* Lower the minimum eligibility threshold for average annual usage from 7,200 kWh to 6,500 kWh.
* Remove the minimum usage threshold for customers who receive weatherization services coordinated by the PA Weatherization Program or a Natural Gas Distribution Company.
* Reduce the wait period for customers to receive WARM services again from seven to five years.

On August 18, 2014, OCA filed comments in support of FirstEnergy’s Petitions. No parties filed comments in opposition. The Commission approved FirstEnergy’s Petitions in an Order entered on November 13, 2014 at Docket Nos, M-2010-2207024 for WPP and M-2011-2231038 for Met-Ed, Penelec, and PennPower.

## III. DISCUSSION

The General Assembly has acknowledged the importance of helping low income customers maintain utility service, and the Competition Act requires the Commission to continue, at a minimum, the same level and nature of consumer protection policies and services that were in place at the time the Competition Act became effective. 66 Pa. C.S. § 2802(10). Under the Competition Act, universal service programs are subject to the administrative oversight of the Commission, which must ensure that the utilities run the programs in a cost-effective manner. 66 Pa. C.S. § 2804(9).

As detailed in the following paragraphs, FirstEnergy’s Plans substantially comply with applicable provisions of the Public Utility Code, 66 Pa. C.S. §§ 101, *et seq*., Commission regulations and Commission policy statements. The Plans contain all of the components included in the definition of universal service at 66 Pa. C.S. § 2804(a), which mandates that universal service programs be available in each large EDC service territory and that the programs be appropriately funded. However, these Plans only partially meet the submission and content obligations of the universal service reporting requirements at 52 Pa. Code § 54.74, the Low Income Usage Reduction Program (LIURP) regulations at 52 Pa. Code §§ 58.1-58.18, and the CAP Policy Statement at 52 Pa. Code §§ 69.261-69.267.

**IV. CONTENTS OF UNIVERSAL SERVICE PLANS**

1. **Requirements**

The USEC Reporting Requirements at 52 Pa. Code § 54.74(b) require an EDC to include the following information for each component of its universal service plan:

* Program description
* Eligibility criteria
* Projected needs assessment
* Projected enrollment levels
* Program budget
* Plans to use community-based organizations
* Organization structures
* Explanation of differences between the approved plan and implementation of that plan.

The following sections provide a summary of the information provided by the FirstEnergy Companies regarding the contents of their Plans.

1. **Differences between the Proposed 2015-2018 Plans and the previously approved Plans**

**1. CAP (PCAP & WCAP)[[5]](#footnote-5)**

FirstEnergy listed several changes for its CAP programs in 2015-2018 compared to the prior Plans:

For Met Ed, Penelec, and PennPower’s CAPs:

* Security deposits may be assessed on PCAP accounts.
* PCAP participants are required to recertify annually.

For WPP’s CAP:

* The name of WPP’s CAP is changing from the Low Income Payment and Usage reduction program (LIPURP) to the WPP Customer Assistance Program (WCAP).
* Bill subsidy credits (CAP credits) will be applied monthly at time of billing.
* Customer’s monthly “asked to pay” amount will be calculated as the difference between the actual consumption bill and the bill subsidy credit.
* Continued outreach to community agencies and recipients of Low Income Home Energy Assistance Program (LIHEAP) grants to increase participation.
* The requirement that WCAP applicants must have a delinquent account balance of at least $50 has been eliminated.

**2. LIURP (WARM)**

FirstEnergy listed several changes for LIURP in 2015-2018 compared to the prior three-year Plans:

* Minimum usage threshold for customer participation in WARM will be lowered from 7,200 kWh annually to 6,500 kWh.
* No minimum usage requirement for customer participation in WARM if agency/contractor is coordinating with the PA Weatherization Assistance Program (WAP) or a Natural Gas Distribution Company (NGDC) LIURP.
* Homes can receive weatherization services again after five years with significant electric usage or at the company’s discretion.
* The seasonal allowance is increased to align with contractor price increases.
* Health and safety measure spending increased up to 50% of the seasonal allowance for air sealing and insulation.
* New technologies and services will be implemented as they become cost effective and meet the 7-to-12 year payback in energy savings.
* In compliance with PA Act 129, Home Energy Reports with customized messaging will be sent to identify low income customers, including WARM participants.
* Change the focus of independent third-party inspections to a method based on 35% of total production. This change will result in the majority of inspections completed on homes that have electric heat, supplemental electric heating, or air conditioning.
* Extensive computer system enhancements – including a rewrite of the main WARM tracking system – to make program administrative processes more efficient.

**3. Customer Assistance and Referral Evaluation Services (CARES)**

FirstEnergy reports no major changes to the CARES programs in the Proposed 2015-2018 Plans compared to the prior Plans.

**4. Hardship Fund (Dollar Energy Fund)**

The only proposed change for FirstEnergy’s Dollar Energy Fund (DEF) programs is an increase in income eligibility from 200% to 250% of the Federal Poverty Income Guidelines (FPIGs).

1. **Program Descriptions**

The FirstEnergy Proposed 2015-2018 Plans contain four major components that help low income customers maintain utility service. The four major components of each Proposed Plan are as follows: (1) CAP, which provides discounted rates for low income residential customers; (2) WARM, which is the Companies’ LIURP that provides weatherization and usage reduction services to help low income customers reduce their utility bills; (3) CARES, which provides referral services for payment-troubled customers experiencing a temporary hardship; and (4) DEF, the hardship fund that provides grants to customers who have overdue balances and an inability to pay the full amount of their energy bills. With these four programs in place, the FirstEnergy proposed USECPs meet the requirements of the Competition Act.[[6]](#footnote-6)

In the following sections, we will first summarize the individual components and then discuss our concerns.

1. **CAP (PCAP and WCAP)**

FirstEnergy’s CAPs helps residential low income customers maintain electric service through lower monthly payments and/or the elimination of past-due balances through arrearage forgiveness. In some respects, the PCAPs and WCAP operate identically as detailed below. All FirstEnergy CAP customers can have their pre-program arrearages forgiven after three years of on-time, in-full payments. To qualify for FirstEnergy CAPs, customers must meet the following requirements:

* Gross household income must be at or below 150% of the FPIG.
* Customer must an active residential account.
* To qualify for a CAP credits, a customer must have an annual energy burden greater than the Company’s thresholds.
* Service address must be the primary residence for the customer (exceptions made for active military duty).
* If eligible, the customer must agree to participate in WARM.
* If eligible, the customer must agree to participate in LIHEAP.[[7]](#footnote-7)

In addition to reduced utility bills, for each month the customer pays his or her monthly CAP bill in full and on time, the Companies will forgive 1/36th of the customer’s pre-program arrearage. A customer can still qualify for CAP arrearage forgiveness if the household’s annual energy burden is less than the Company’s thresholds, but there are no monthly CAP credits applied.

Customers must recertify for FirstEnergy CAPs annually. Companies send a recertification letter at least 60 days in advance of the Benefits End Date to inform customers how to recertify. Customers must be current on all CAP obligations for a recertification to be processed. Otherwise, the customer is dismissed from the program.

In other respects, the PCAPs and WCAP operate differently. WPP’s WCAP has different energy burden requirements, intake processes, CAP credit calculations, minimum payment requirements, and recertification procedures than the other FirstEnergy Companies. Therefore, we will first review the remaining PCAP procedures of Met Ed, Penelec, and PennPower and then examine the remaining features of WCAP.

PCAP

PCAP is a combination of a percent of income and a rate discount program. Participants pay the difference between their annual electric bills and their PCAP credits. If the annual energy burden is greater than 3% of household income for customers WITHOUT electric heat, and 9% of household income for customer WITH electric heat, PCAP provides monthly PCAP credits to make up the difference. Examples of PCAP credit calculations for heating and non-heating customers are illustrated in Table 1:

**Table 1**

**Examples of Monthly PCAP Credit Calculation**

|  |  |  |
| --- | --- | --- |
| **Customer** | **Non-Heating** | **Heating Customer** |
| **Annual Income**  **Family of Four** | $16,500 | $16,500 |
| **Applicable % of annual income** | 3% of $16,500 = $495 | 9% of $16,500 = $1,485 |
| **Annual electric bill:** | $1,020 | $2,200 |
| **Annual electric bill compared to % of income** | $1,020 > $495 | $2,200 > $1,485 |
| **PCAP pays the difference** | $1,020 - $495 = $525 | $2,200 - $1,485 = $715 |
| **Annual PCAP Credits** | $525 | $715 |
| **Monthly PCAP Credits**  **(Annual Credits ÷ 12)** | $43.75 | $59.58 |

The PCAPs recalculate CAP credits quarterly to reflect the customer’s most recent 12‑month energy burden history. The maximum annual PCAP credit for a non-electric heat account is $960 or $80 monthly. For an electric heat customer, the maximum credit is $2,400 or $200 monthly.

To control program costs, the PCAPs have minimum payment requirements of $12 for non-heating accounts and $45 for heating accounts.

Met Ed, Penelec, and PennPower offer a variety of intake processes to enroll or recertify for PCAP. Customers may apply for PCAP through a face-to-face interview with a Community Based Organization (CBO), through a telephone interview with DEF, or through a WARM program referral. Customers may recertify for PCAP in person, by telephone, U.S. Mail, or fax, as deemed necessary by the PCAP agency or the Company.

WCAP

Like the PCAPs, participants in WCAP pay the difference between their annual electric usage and their WCAP credits. However, WPP has different energy burden thresholds based on a household’s poverty level and type of electric account. Table 2 identifies the energy burden a household must exceed to qualify for WCAP credits.

**Table 2**

**Energy Burden Thresholds to Qualify for WCAP Credits**

|  |  |  |  |
| --- | --- | --- | --- |
| **% Of Poverty Level** | **Less than 50%** | **51% - 100%** | **101% - 150%** |
| **Heating** | 13% | 16% | 17% |
| **Water Heating** | 8% | 12% | 14% |
| **Base-load** | 5% | 6% | 7% |

WCAP customers with an anticipated electric bill greater than their calculated energy burden will receive a monthly WCAP credit to make up the difference. Table 3 illustrates how a WCAP credit is calculated.

**Table 3**

**Examples of Monthly WCAP Credit Calculation**

|  |  |  |  |
| --- | --- | --- | --- |
| **Customer** | **Baseload** | **Water Heating** | **Heating Customer** |
| **Annual Income**  **Family of Four** | $15,200 | $10,200 | $25,500 |
| **Percent of Poverty\*** | 64% | 43% | 107% |
| **Applicable % of annual income** | 6% of $15,200 = $912 | 8% of $10,200 = $816 | 17% of $25,500 = $4,335 |
| **Annual electric bill:** | $1,420 | $1,200 | $5,000 |
| **Annual electric bill compared to % of income** | $1,420 > $912 | $1,200 > $816 | $5,000 > $4,335 |
| **WCAP pays the difference** | $1,420 - $912 = $508 | $1,200 - $816 = $384 | $5,000 - $4,335 = $665 |
| **Annual WCAP Credits** | $508 | $384 | $665 |
| **Monthly WCAP Credits**  **(Annual Credits ÷ 12)** | $42.33 | $32 | $55.42 |

*\*Based on the 2014 FPIGs*

WCAP recalculates CAP credits quarterly to reflect a customer’s most recent 12‑month energy burden history. The maximum annual WCAP credit for a non-electric heat account is $560 annually or $46.67 monthly. For an electric heat account, the maximum credit is $1400 annually or $116.67 monthly.

To control program costs, WCAP has minimum payment requirements of $25 for baseload accounts, $30 for water heating accounts, and $50 for electric heating accounts.

Customers may apply for WCAP through a telephone interview with DEF or a WARM program referral. Customers recertify for WCAP over the telephone. However, WPP reserves the right to mandate an in-person application or recertification, if deemed necessary. For recertifications, WPP requires in-person verification if one of the following situations exists:

* WCAP arrearage exceeds $1,000;
* Questionable household size;
* Questionable or zero household income reported;
* Participant is not receiving benefits from other eligible programs; or
* Other reasons as determined.

In addition to our analysis of the FirstEnergy CAPs, BCS also reviewed 448 informal complaints opened between January 2013 and January 2014 regarding the FirstEnergy CAPs.[[8]](#footnote-8) From this review, staff identified additional potential areas of concern and potential deficiencies inherent in the FirstEnergy CAPs as detailed below.

*a. Estimated Meter Readings*

Though not discussed in its Proposed 2015-2018 Plans, the Companies use estimated meter readings at least every other month to determine customers’ monthly bills. During those estimated months, the Companies provide customers the opportunity to report actual meter readings to their electric company via an automated telephone system or the Internet at [www.firstenergycorp.com](http://www.firstenergycorp.com).[[9]](#footnote-9) The Companies schedule actual meter readings at households six times per year but may cancel those when problems arise such as non-access, storm restoration, extreme weather conditions, work stoppage, emergencies, etc.[[10]](#footnote-10) It is our understanding that the Companies do not reschedule canceled meter readings.

In our review of 448 informal complaints related to FirstEnergy CAPs, we found 52 cases – approximately 12% of our sample – where customers complained of unaffordable monthly CAP bills resulting from estimated meter readings. Many of these customers received low monthly bills based on estimated usage for multiple consecutive months before receiving one large make-up bill based on actual usage for the current and prior months. These are just a few of the many instances we found of CAP customers who have experienced fluctuating monthly bills due to estimated meter readings:

* One PennPower customer received a monthly electric bill for $3.19 based on estimated usage in January, and the actual reading in February resulted in a bill for $502.
* One Penelec customer had three months of bills based on estimated meter readings and then received a monthly bill for $710 based on an actual meter reading.
* A Met Ed customer had six months of low estimated meter readings and then received a make-up bill for $1,002 based on an actual meter reading.
* A WPP customer received only 2 actual meter readings in a 12-month period (Company cited “staffing issues” for the consecutive estimates). After multiple estimated bills, this customer received a make-up bill for $1,109 based on an actual meter reading.
* A Met Ed customer had four months of low estimated meter readings and then received a make-up bill for $1,112 bill based on an actual meter reading.

In many of these cases – as required by 52 Pa. Code § 56.14 – the Companies offered amortization over several months to assist the CAP customer in paying off a high bill. However, these balances often prove unaffordable to CAP customers, even with additional time to pay and result in more program debt that may lead to termination of service. Most low income customers do not have emergency funds or financial resources to suddenly pay an electric bill for hundreds of dollars to make up for months of estimated billing. Customers enroll in CAP for the purpose of receiving and paying an affordable bill each month. Our review of informal CAP complaints shows that the FirstEnergy Companies’ reliance on the use of estimated meter readings may be resulting in grossly uneven and unaffordable monthly bills for CAP customers throughout the year.

We are aware that the FirstEnergy Companies plan to install “smart” meters throughout its service territories, which will allow the Companies to obtain actual meter readings remotely and to stop using estimated meter readings. However, FirstEnergy anticipates that it may take several more years before it can complete the installation of smart meters.[[11]](#footnote-11) In the interim, we are concerned that many FirstEnergy CAP customers will continue to receive low estimated monthly bills followed by a large unaffordable monthly bill based on actual usage.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain if it offers, or would consider offering, any additional relief (besides an equal payback period) to CAP customers who receive unaffordable make-up bills. To the extent that FirstEnergy has a proposal for additional relief, that proposal, along with a timeline and estimated costs, should be described in its comments to afford other parties the opportunity to reply. In addition the Commission invites interested parties to comment on ways to provide more consistent and accurate monthly bills for FirstEnergy customers enrolled in CAP, pending smart meter installation.[[12]](#footnote-12)

*b. Calculating CAP Credits at a New Residence*

The Companies allow customers who relocate to remain on CAP if they remain within their Company’s service territory. When the customer establishes service at the new residence, the Companies recalculate the CAP credits based on the prior 12-month energy usage of the new residence. Similarly, the CAP credit for a new CAP-eligible customer is also based on the prior 12-month energy usage of the residence. The Companies inform both sets of these CAP customers that they must wait six months before the CAP credits could be recalculated again.

In our review of 448 informal complaints related to FirstEnergy CAPs, we found 13 instances where a Company significantly decreased or eliminated a customer’s monthly CAP credits based on the low energy usage history of a new residence. The informal investigations revealed that most customers who had their CAP credits eliminated had moved into new residences that had apparently been vacant or rarely used during the previous 12-month period. Many of the customers who filed a complaint with BCS reported that their CAP credits increased significantly after the 6-month review. BCS was not informed that any of these customers were offered an adjustment on the previous six months of electric bills after the household’s actual energy burden at the new residence was determined.

In our opinion, it appears that FirstEnergy’s practice can result in low-income customers paying six months of electric bills that far exceed FirstEnergy’s energy burden threshold for CAP participants regardless of whether this is a CAP customer relocating within FirstEnergy service territories or a new CAP-eligible customer moving into FirstEnergy service territories.

The Commission questions FirstEnergy’s policy of relying on the 12-month electric usage history of a residence to determine a customer’s energy burden and CAP credits at that residence when the Company knows that the historical energy usage of that residence is not representative of 12-month occupancy – for example, because the property was vacant, rarely used, etc. It seems unreasonable to extrapolate from this non-representative data to calculate the amount of CAP credits a CAP customer will need to receive affordable monthly energy bills.

For CAP customers moving within FirstEnergy service territories, the Companies would appear to have historic patterns of usage that could be used to calculate affordable bills at the new residence. For new FirstEnergy customers moving into residences without 12 prior months of usage data for that residence, we suggest that an alternative be found to estimate the energy burden. Since FirstEnergy already offers these new or newly-relocated customers a 6-month review, it would not appear to be burdensome to use alternative methods to estimate a household’s energy burden and then conduct a 6‑month review.

In particular, we recommend that FirstEnergy Companies consider using a different methodology to determine the energy burden of CAP participants who have lived in a residence less than 12 months. For relocating CAP customers, Companies should find alternatives to using the previous 12 months of energy usage for a new residence if it is apparent the usage is below average. For new CAP customers, Companies should consider using periods of actual residence (*e.g.*, three months, six months) to more accurately determine a customer’s current energy burden.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain whether the Companies could revise or adjust the methodology to determine a more reasonable energy burden for CAP customers who move to a new residence or new CAP customers who have lived in a residence for less than 12 months. To the extent that FirstEnergy has a proposal for additional relief, that proposal and its costs and timeline should be described in its comments to afford other parties the opportunity to reply.

*c. Requirement for Customers to be Current on CAP to Qualify for Recertification*

As noted previously, the Proposed 2015-2018 Plans state that customers must be current on all CAP obligations for their recertification to be processed. Otherwise, the Company will dismiss the customer from the program. Proposed 2015-2018 Plans at 13. It is not clear whether being “current” on all CAP obligations includes having zero CAP arrears and/or other factors.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain what CAP obligations a customer must meet in order to qualify for a CAP recertification.

*d. Recertification Reminders*

In its Proposed 2015-2018 Plans, FirstEnergy provides the following description of how the Companies notify customers that it is time to recertify for CAP:

The system allows for notification to be placed on the bill, and also for recertification reminder letters to be sent to the customer at least 60 days in advance of the Benefits End Date, providing information on when benefits will expire, and also whom to contact to complete the recertification process.

Proposed 2015-2018 Plans at 13.

It is not clear from this description how many recertification reminder letters are sent to CAP customers within the 60 days of the benefit end date and at what time period(s) (*e.g.*, 60, 30, and 10 days before the benefit end date). Also, it is not clear when and for what length of time a message is placed on the CAP bill reminding the customer to recertify. In our review of 448 informal complaints related to FirstEnergy CAPs, we found 90 instances where the Companies removed a customer from CAP for failure to recertify. Many of these customers had months of unaffordable bills and accrued large arrearages before they could re-enroll in CAP. The Commission is concerned that FirstEnergy customers may not be given sufficient notice of their responsibility to recertify before being removed from CAP.

In its Tentative Order to the 2014-2017 USECP for UGI Utilities, Inc. - Gas Division, UGI Utilities, Inc. - Electric Division, UGI Penn Natural Gas, Inc., and UGI Central Penn Gas, Inc. (UGI), the Commission suggested that utilities consider adopting the following methods of recertification notification:

* Recertification letters sent to CAP customers 30 and 10 days prior to a recertification deadline.
* A CAP agency representative could attempt a telephone contact shortly before and after the recertification deadline to inform the customer that the agency has not received the recertification documentation.

*UGI 2014-2017 USECP Tentative Order*, Docket No. M-2013-2371824 (October 2, 2014), at 16-17.

FirstEnergy Companies may want to consider adopting one or both of these practices to help reduce the number of customers removed from CAP for failing to recertify.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should provide details about its recertification notification process, identifying the number of letters sent to CAP customers, the number of months a reminder message is placed on a customer’s bill, and any other activity taken to encourage customers to recertify. In addition, FirstEnergy should comment on whether it plans any enhancements to this process to help customers recertify and remain in CAP. To the extent that FirstEnergy has a proposal for additional relief, that proposal, along with a timeline and estimated costs, should be described in its comments to afford other parties the opportunity to reply.

*e. Security Deposits*

In its proposed Plans, FirstEnergy proposes to assess security deposits on CAP accounts. Proposed 2015-2018 Plans: Met Ed at 14, Penelec at 14, PennPower at 14, and WPP at 15.

On October 22, 2014, Governor Corbett signed into law House Bill No. 939 (Act No. 155 of 2014), which updates Title 66, Chapter 14 of the Public Utility Code. Effective December 22, 2014, 66 Pa.C.S. § 1404 will be amended to state that “[n]o public utility may require a customer or applicant that is confirmed to be eligible for a Customer Assistance Program to provide a cash deposit.” Accordingly, FirstEnergy Companies may not assess security deposits on its CAP customers.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should acknowledge that it will remove the provision that Companies may assess security deposits for CAP customers from its 2015-2018 USECPs.

*f. Households Reporting No Income*

In its Proposed 2014-2018 Plans, FirstEnergy does not explain its policy and procedures for addressing situations where a CAP applicant or participant reports zero income. WPP reports that it may require a customer to provide in-person verification if they report zero household income, but it does not specify what type(s) of verification is requested. Proposed WPP 2015-2018 Plan at 13. The other three Companies articulate non-specific grounds for requiring in-person recertification.

We note that other utilities allow customers who report no source of income to enroll or remain in CAP if they provide documentation of how they meet monthly expenses. A few examples:

* Duquesne Light’s CAP program requires households reporting no income to complete a zero income form. This form requires the customer to identify all household members, explain how household expenses are met, and gives Duquesne Light permission to verify their income with government agencies. This form must be signed and dated. Duquesne Light’s 2014-2016 USECP at 6-7, Docket No. M-2013-2350946.
* PECO Energy Company’s CAP program requires that a customer must provide a statement demonstrating how they meet monthly expenses if the customer or any household member over the age of 18 claims no income. PECO’s Second Amended 2013-2015 USECP at 13, Docket No. M-201 2-2290911.
* Philadelphia Gas Works’ (PGW) CAP program, entitled the Customer Responsibility Program (CRP), requires customers reporting zero income to complete a form explaining how they meet basic living expenses for housing, food, and utilities. PGW does not require documentation of these living expenses, but will request proof of housing expenses during periodic CAP reviews. The zero income form requires contact information and a signature for any person or persons that provide the household financial support, including the amount of support they provide monthly. *See PGW 2014-2016 USECP Final Order*, Docket No. M-2013-2366301 (August 22, 2014), at 26‑29.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain its policies and procedures when a CAP applicant or participant reports zero income. We also encourage FirstEnergy to review zero income eligibility criteria utilized in other utility CAPs and consider revising its zero income requirements accordingly, if warranted. To the extent that FirstEnergy has a proposal for additional relief, that proposal, along with a timeline and estimated costs, should be described in its comments to afford other parties the opportunity to reply.

*g. Minimum Payment Requirements*

As noted previously, the Proposed 2015-2018 Plans have minimum monthly payment requirements in order to control CAP costs. For Met Ed, Penelec, and PennPower, the minimum monthly payment requirements are $12 for non-heating accounts and $45 for heating accounts. For WPP, the minimum payment requirements are $25 for baseload accounts, $30 for water heating accounts, and $50 for electric heating accounts. Proposed 2015-2018 Plans at 9.

In our review of 448 informal complaints related to FirstEnergy CAPs, we found at least four instances where customers received zero CAP bills for multiple months because their CAP credits exceeded their monthly electric usage costs.

We question FirstEnergy’s policy of allowing monthly CAP credits to decrease a CAP customer’s payment responsibility below the minimum monthly payment requirements. First, this policy is inconsistent with 52 Pa. Code § 69.265(3)(B-C), which states that a CAP non-heating customer should pay at least $12-15 monthly and a CAP electric heating customer should pay at least $30 - $40 monthly. Second, we are concerned that allowing CAP customers to have a zero monthly payment responsibility is detrimental to helping them establish good payment habits. Third, using only the amount of CAP credits needed to reduce a CAP customer’s bill to the minimum monthly payment amount would allow the company to apply the excess CAP credits at a later time.

Requiring CAP customers to make minimum monthly payments and applying unused CAP credits at a later time may especially benefit those customers who receive large monthly bills based on actual usage to make up for any low estimates. CAP customers who pay the minimum amount for electricity usage each month on estimated bills– even if it is below the actual usage for the residence – should experience less fluctuation in their monthly bill when it is adjusted for actual usage. In addition, unused monthly CAP credits could be applied to large/unaffordable bills received in the future.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain whether the Companies will revise application of CAP credits to ensure that CAP customers pay the minimum billing amount each month. In addition, FirstEnergy is asked to explain whether CAP credits that exceed the minimum payment could apply to future bills. To the extent that FirstEnergy has a proposal for additional relief, that proposal, along with a timeline and estimated costs, should be described in its comments to afford other parties the opportunity to reply.

*h. Arrearage Forgiveness*

Regarding the application of the 1/36th monthly forgiveness of pre-program arrearages, the Proposed 2015-2018 Plans explain that:

Debt forgiveness credits (1/36 of pre-program debt) will be awarded in response to customer payments of in-full monthly PCAP bills, whenever those payments occur. [CAP] participants must remain in the Company’s standard residential billing cycle (20-day due date) in order for debt forgiveness credits to be awarded by the host computer system.

Proposed 2015-2018 Plans at 11. Further, a footnote on the same page explains that non-customer payments (*e.g.*, LIHEAP, Dollar Energy Grants, etc.) will not cause monthly arrearage forgiveness to be applied, but the Companies will grant forgiveness retroactively for the impacted month(s) following the receipt of a subsequent customer payment. Proposed 2015-2018 Plans at 11.

We have questions about FirstEnergy’s arrearage forgiveness process. First, it is unclear whether FirstEnergy CAP participants receive arrearage forgiveness for each on-time and in-full monthly payment, regardless of existing CAP arrears. The Commission has previously directed another utility to apply 1/36th arrearage forgiveness for each timely and in-full monthly CAP payment. Thus, if a customer misses one month, but then pays the next CAP monthly payment in full and on time, he/she will receive 1/36th arrearage forgiveness for the one month paid. *See PGW 2014-2016 USECP*, Docket No. M‑2013-2366301 (August 22, 2014), at 20-26.

Second, while it is understood that CAP customers may receive retroactive arrearage forgiveness for months paid through non-customer payments, it is not clear whether CAP customers also receive arrearage forgiveness retroactively for any missed payments once they pay the account in full. Duquesne Light Company and PPL Electric, for example, allow CAP customers to receive arrearage forgiveness for any monthly payments missed once the entire CAP balance is caught up. *See Duquesne Light Company 2014-2016 USECP Final Order*, Docket No. M-2013-2350946 (March 6, 2014), at 19-20; and *PPL Electric 2014-2016 USECP Final Order*, Docket No. M‑2013‑2367021 (September 11, 2014), at 28-30.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain whether its Companies currently apply 1/36th arrearage forgiveness with each on time and in-full current CAP payment, regardless of existing arrears. In addition, FirstEnergy should clarify whether the Companies apply arrearage forgiveness retroactively to any months missed once those missed payments are paid in full. If the Companies are currently not applying arrearage forgiveness in one or both of these ways, FirstEnergy should provide the estimated costs and a timeline related to implementing these methods to arrearage crediting.

*i. Applying overpayments to CAP accounts*

In its Proposed 2015-2018 Plans, the FirstEnergy Companies do not explain how they apply customer payments made in excess of the requested CAP amount due.

We are concerned that applying excess CAP customer payments to anything other than a customer’s payment responsibility may impose additional financial burdens on low-income households who may logically anticipate that paying ahead would reduce the next monthly payment. Applying excess CAP payments to the customer’s next monthly bill reduces the risk of customer default and dismissal from the program. The Commission has previously required another utility to apply any overpayments first to any existing CAP arrears and then to the customer’s next monthly CAP bill. *See PGW 2014-2016 USECP Final Order*, Docket No. M-2013-2366301 (August 22, 2014), at 38-39. Duquesne Light and PPL Electric have also agreed to adopt this procedure in its 2014-2016 USECPs. *See Duquesne Light Company 2014-2016 USECP Final Order*, Docket No. M-2013-2350946 (March 6, 2014), at 10-12; and *PPL Electric 2014-2016 USECP Final Order*, Docket No. M-2013-2367021 (September 11, 2014), at 33-34.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain how its Companies apply payments made in excess of the monthly CAP bill to customer accounts. If different than the manner described above, we recommend FirstEnergy Companies consider adjusting its system to change its method of crediting advance payments to be consistent with the procedures we have approved for PGW, Duquesne Light, and PPL. To the extent that FirstEnergy has a proposal for additional relief, that proposal, along with a timeline and estimated costs, should be described in its comments to afford other parties the opportunity to reply.

*j. WPP Energy Burden and CAP Credits*

As noted above, there are significant differences in the energy burden thresholds and CAP credit limits for PCAP and WCAP customers. Low-income customers of Met Ed, Penelec, and PennPower may receive monthly PCAP credits on their electric bill if their energy burden is more than 3% for non-heating accounts or 9% for electric heating accounts. For low-income WPP customers, the monthly WCAP credit energy burden threshold is as low as 5% for non-heating accounts and as high as 17% for electric heating accounts; with energy thresholds varying based on household income. The amount of the subsidy offered is also significantly different between WPP and the other FirstEnergy Companies. Met Ed, Penelec, and PennPower offers annual CAP credits up to $960 for non-heating customers and up to $2,400 for heating customers; while WPP only offers annual CAP credits up to $560 for non-heating customers (a $400 difference) and up to $1,400 for heating customers (a $1,000 difference).

We are concerned that low-income customers served through WPP receive significantly less benefit from CAP than customers served by other FirstEnergy Companies. WPP customers are less likely to qualify for CAP credits and will receive less of a discount on their monthly bills than CAP customers served by Met Ed, Penelec, and PennPower.

We acknowledge that WPP’s CAP credit limits may be consistent with the CAP Policy Statement at 52 Pa. Code § 69.265(3)(v)(B-C). However, the Commission has permitted EDCs to set higher CAP credit limits[[13]](#footnote-13) in recent USECPs[[14]](#footnote-14). We also offered no objection to the higher CAP credit limits set for Met Ed, Penelec, and PennPower.

We recommend that FirstEnergy consider aligning the CAP policies and procedures of WPP with those of the other FirstEnergy Companies, which should include sharing the same energy burden thresholds and CAP credit limits. This would ensure that all FirstEnergy low-income customers receive the same benefits from CAP.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should address whether it plans, and if so, how, to modify the energy burden threshold and CAP credit limits of WPP’s WCAP to match those of PCAP. To the extent that FirstEnergy has a proposal for additional relief, that proposal, along with a timeline and estimated costs, should be described in its comments to afford other parties the opportunity to reply. To the extent that FirstEnergy proposes to maintain the differences, the justification for such differences should be articulated.

1. **LIURP (WARM)**

FirstEnergy’s LIURP program is called the WARM program and provides energy conservation measures and education to low-income customers. The program targets customers who participate in the CAP program or LIHEAP. The primary objectives of the program are to reduce the overall energy use, energy bills, and arrearages of the eligible low-income customers. The program’s secondary aim is to increase participants’ health and safety and comfort in the home. WARM achieves these objectives by providing energy conservation improvements to the home and/or energy education to family members.

*a. Eligibility*

The WARM program is available to households with incomes at or below 150% of the FPIG. LIURP regulations also allow use of up to 20% of the WARM budget for special needs customers. Special needs customers are defined as those with medical problems or personal crisis situations such as loss of income, and those whose household income is at 151-200% of the FPIG. The Companies do not require these households to carry an account balance in order to qualify. Households must not have received WARM services within the last five years, although the Company can determine if exceptions are warranted.

FirstEnergy also requires an annual minimum usage averaging 6,500 kWh, and a minimum residency of six months at the service address. However, the Companies will waive the minimum usage requirements for customers who are having their weatherization services coordinated by an agency/contractor with an NGDC LIURP program or with the Department of Community and Economic Development’s (DCED) Weatherization Assistance Program (WAP).[[15]](#footnote-15) By waiving usage requirements for those coordinated jobs, the Companies can leverage resources and funding streams to provide more energy efficiency measures, strive for deeper, whole-house savings and remedy many health and safety issues that could not be addressed within the scope and funding of just a single weatherization program.

WARM applications are automatically generated by FirstEnergy’s Chronicles case management system for customers who meet the eligibility criteria. The Chronicles system also generates a report of customers with incomes at 151 to 200% of the FPIG who may meet the special needs criteria to qualify for WARM services. WARM employees will also make referrals for customers to other Universal Service and assistance programs when necessary.

Proposed Resolution: At this point, we are not proposing any changes to the WARM eligibility criteria.

*b. Allowances*

The Companies have reported that more than half of WARM participants are using supplemental electric heat, such as space heaters, in winter, even though electric is not their primary heat source. This situation is often referred to as “*de facto* heating” and occurs when the low-income household is unable to pay for furnace repair or replacement, oil delivery, or the restoration of natural gas service. Instead, these customers rely on the use of cheaper-to-own-but more expensive-to-operate electric space heaters during the winter.[[16]](#footnote-16) Electric space heating can be a significant source of energy inefficiency in the home and is an unsafe alternative to a functioning central heat source. The *de facto* heating issue is compounded for customers enrolled in CAP, especially if the CAP credit level was determined at a lower energy usage level than if the household was designated as a heating customer. Potentially, the CAP customer could deplete the CAP credits faster by using the inefficient space heaters for supplemental heat.

To help reduce the instances of *de facto* heating, the Companies have previously tried to direct these customers to WAP and NGDC LIURP programs to repair gas or oil heating systems. Often these same households are suffering from structural or other situations that disqualify the premises from all of the weatherization programs.

The Companies request in their Proposed 2015-2018 Plans to amend the cost-effective budget calculation for each home, called the seasonal allowance, to absorb recent price increases from contractors and to allow higher budgets to be directed towards homes requiring more extensive work. Proposed 2015-2018 Plans at 18. This procedure follows best practices recommended by FirstEnergy’s third-party LIURP evaluator, Michael Blasnik, and allows the Companies more flexibility to address issues such as *de facto* heating in certain homes. For the homes where the estimate for energy savings is lower, the procedure adjusts the budget downward, ensuring that funds are spent in accordance with energy savings potential.

However, the Companies note that “many times there are barriers to installing energy-saving measures because of serious health or structural issues” in a home.[[17]](#footnote-17) Often, these homes have some of the highest usage but are ineligible for weatherization. In their Proposed 2015-2018 Plans, the Companies request to increase the allowance for health and safety measures to more adequately address minor repairs, code compliance, and installation of measures that do not directly produce energy savings but are nevertheless necessary, such as carbon monoxide detectors. FirstEnergy proposes to raise the allowance from 30% to 50% of the seasonal allowance of a job, “contingent upon positive annual evaluation results.” Proposed 2015-2018 Plans at 18. Combustion safety testing costs would be in addition to health and safety spending. BCS has recently released several LIURP Codebook guidance memos that make minor changes in the way LIURP-participating utilities report health and safety measures, so that it will become easier to identify these measures and to determine impact on overall LIURP budgets.

These two proposed changes will facilitate increased coordination with other weatherization programs and will allow the Companies to begin to address the *de facto* heating problem. By partnering with other programs to remedy some structural and health and safety issues, the Companies can also reach and serve some of those high usage customers who were previously disqualified from WARM.

Proposed Resolution: While we are not proposing any changes to the health and safety allowance provisions, we specifically request comments on the Companies’ proposed changes to the seasonal and health and safety allowances.

*c. New Measures*

FirstEnergy reports that two new energy saving measures – heat pump water heaters and furnace whistles – have been added to the list of energy saving measures offered by WARM. In the Proposed 2015-2018 Plans, FirstEnergy is also proposing to add four new measures or services to the existing measures available for WARM participants. The proposed new measures and services are:

* Ductless mini split heating and cooling systems;
* LED lighting;
* Increasing the maximum attic R-value from R38 to R44; and
* Customized audit and energy educations for CAP customers with the highest electric usage.

The LIURP regulations at Section 58.11(a) have specified since 1998 that an individual measure should meet a simple 7- or 12-year payback period.[[18]](#footnote-18) Program emphasis, however, has shifted significantly since 1998 from prescriptive-based measures to deeper, whole-house energy conservation. Thus, there is an increasing number of situations where contractors perform an energy audit for a LIURP job and identify potential remediations, but the utility has to limit the measures that get installed in order to meet the “appropriate” payback period. The Companies must determine if the proposed measures are feasible and cost-effective to use.

Deteriorating housing stock is not the only reason eligible LIURP customers are becoming more difficult to reach. For example, some households are disqualified because the premises have received previous weatherization services. Even if the household usage is still high, the audit often reveals that there are limited additional, cost-effective energy efficiency measures that can be installed because the cheaper measures have been previously installed. Further, some of the measures that could be installed are excluded because the payback for that particular measure may exceed the 7- to 12-year payback period. Thus, potential savings can be lost if the Companies are prevented from (1) installing all appropriate measures in one comprehensive treatment and (2) are prohibited from returning to a home during a stay-out period if there are still potential savings available.

In our opinion, the Companies should seek to have the flexibility to install all appropriate measures indicated by a comprehensive audit, regardless of payback period, provided that overall job is still cost-effective. Potential energy savings should be maximized on each job, particularly when the job is considered a “heating” job, to reduce the need for multiple treatments to that home.

Proposed Resolution: We seek comments on whether and how the Companies could gain this flexibility. To the extent that FirstEnergy has a proposal for additional relief, that proposal, along with a timeline and estimated costs, should be described in its comments to afford other parties the opportunity to reply.

*d. Education*

Energy education, and the resulting behavior modification, is an often overlooked but critical component of an energy efficiency weatherization program. Education can be extremely beneficial in reducing usage and establishing good conservation habits and practices before a customer becomes payment troubled. As evidenced by the use of home energy reports in several Act 129 portfolios, education can drive or supplement energy savings.[[19]](#footnote-19)

FirstEnergy has a successful energy education component for its WARM programs. All auditors are trained to engage the customer and utilize tools such as their “energy education notebook” and the Act 129 home energy reports to come up with savings strategies designed for that specific household. The Companies have the auditor and the customer sign partnership agreements that detail the savings strategies and the steps the customer agrees to perform.

As part of a proactive approach to identify and limit “non-savers,” the Companies will evaluate the energy usage of a WARM participant at the 5-month point after installation of the energy efficiency measures. If the customer has decreased household energy usage by more than 5% compared to the same 5-month period before receiving WARM services, the customer is sent a congratulatory letter acknowledging this fact. If energy usage has increased by more than 5%, the Companies will have the contractor conduct a follow-up phone call and/or visit to try to identify reasons for the increase. This procedure is a LIURP best practice and takes place early enough during the 12‑month post-measurement period to allow for adjustments when usage increases. The contractor can determine if all measures are functioning properly, if the customer understood and practices the savings strategies as agreed to, and if any lifestyle or structure changes are contributing to the usage increase. The contractor can then provide remedial or additional education, if necessary.

Proposed Resolution: We are not proposing any changes to the education component.

*f. Training and Quality Assurance*

FirstEnergy requires contractor and crew members who perform combustion safety testing or who make decisions involving selection of energy efficiency measures, to be Building Performance Institute (BPI) certified[[20]](#footnote-20). At a minimum, those contractors must hold certification as BPI Building Analyst Professionals. The Companies sponsor and encourage contractor attendance at national and regional conferences for continuing education and hold specific training on WARM procedural issues.

The Companies utilize third-party inspectors as part of their quality assurance process to perform inspections on completed WARM jobs and to provide BPI training/testing for auditors and crew members. In the previous FirstEnergy 2011-2014 USECPs, inspections were performed on homes based upon the type of job classification (heating, water heating, or baseload). Homes receiving heating jobs were inspected at the 50% level and less complex water heating and baseload jobs were inspected 15% of the time. The Companies are requesting to modify the inspection percentages in the Proposed 2015-2018 Plans, and are suggesting basing inspections on 35% of total production. Proposed 2015-2018 Plans at 21.

The Companies explain that they are finding a “substantial increase” in households using supplemental and *de facto* electric heat and that these homes would have been previously inspected at the 15% rate. These homes require more comprehensive energy efficiency measures and combustion safety testing, and therefore, require more oversight and inspection. Proposed 2015-2018 Plans at 21.

In addition to the evolution of technologies and comprehensive measures that are available within the FirstEnergy WARM program, increased coordination with other weatherization programs also warrants increased oversight. Beginning July 1, 2015, the WAP program will have new national Department of Energy Standard Work Specifications (SWSs) that will apply to all jobs. Inspections will also be required on 100% of WAP jobs, including those coordinated with utilities performing LIURP work. In the majority of cases, there is significant overlap among the contractors performing and inspecting this work.[[21]](#footnote-21)

LIURP regulations do not specify work quality standards, nor do they require credentials for contractors, or guidelines for quality control and the number/level of job inspections. Historically, each participating utility develops these LIURP program elements independently.

In our opinion, it would be preferable to defer to the WAP SWS standards on all LIURP-WAP coordinated jobs because it would bring some standardization to those jobs. However, it appears to be appropriate to require that all LIURP-WAP coordinated jobs also be inspected by the utilities’ LIURP quality assurance inspector, if that contractor is a different individual than the WAP inspector.

Currently, quality control procedures for non-coordinated LIURP jobs are subject to *ad hoc* review and approval in the individual USECP proceedings. These reviews vary significantly from utility to utility. This highlights the question of whether stakeholders need to address the development of LIURP work quality standards and/or uniform quality control guidelines regarding inspections and training for all LIURP jobs at a program-wide level.

Proposed Resolution: We request comments on the quality assurance changes proposed by FirstEnergy. To the extent that any of the parties have proposals for additional relief, those proposals should be described in the comments to afford other parties the opportunity to reply.

1. **CARES**

CARES assists payment-troubled residential customers who are experiencing a recent hardship, such as illness, injury, death of a wage earner, family problems, disability, sudden loss of income, or any customer over the age of 60 requiring special assistance. FirstEnergy representatives make referrals to social service agencies, provide information regarding available programs and attempt to help customers enroll into company CAPs when appropriate. CARES has no qualifying income guidelines, and FirstEnergy uses its automated case management system, Chronicles, to track program responses.

Proposed Resolution: We are not proposing any changes to FirstEnergy’s CARES at this time.

1. **Hardship Fund**

FirstEnergy utilizes the DEF as its hardship fund. DEF is designed to provide financial help to residential customers who need temporary help in paying their electric bill. Company shareholders, employees and customers are the primary contributors to the fund. A customer may receive one maximum grant of $500 per program year. To be eligible, the customer must meet the following criteria:

* Have a residential account;
* Name on the account must be of an adult resident (exceptions made for customers assigned to active military duty);
* Total gross household income must be at or below 250% of the FPIG (exceptions made based on circumstance);
* Must have paid a minimum of $150 on electric account within the past 90 days (minimum of $100 if age 62 and over);
* Must have an account balance of $100 or more (account balance of $0 if age 62 and over, but not a credit balance);
* Must provide income and expense information;
* Must first apply for LIHEAP, if available; and
* Must first apply for CAP, if eligible.

Companies may exclude CAP-eligible customers from receiving a grant, depending on DEF funding levels.

Proposed Resolution: We are not proposing any changes to FirstEnergy’s Hardship Fund program at this time.

1. **Eligibility Criteria**

The four components of FirstEnergy’s Proposed 2015-2018 Plans have slightly different eligibility criteria as demonstrated in Table 4 below.

|  |  |  |
| --- | --- | --- |
| Table 4Eligibility Criteria | | |
| **Program** | **Income Criteria** | **Other Criteria** |
| CAP | * 150% FPIG | * Residential customer at primary address (exception made for ratepayers assigned to active military duty) * Energy burden must exceed thresholds to qualify for CAP credits. Otherwise, customer will only qualify for arrearage forgiveness. |
| LIURP | * 150% FPIG or less * 151-200% FPIG for Special Needs customers | * Residential customer at primary address for at least 6 months * Consumption of 6,500 kWh/year for electric |
| Hardship Fund  (Dollar Energy’s criterion) | * 250% FPIG or less | * Residential customer with at least $100 balance, seniors age 62 and over may have $0 balance (but no credit balance). * Customer must have paid at least $150 within 90 days prior to application ($100 for those age 62 and over) * Customer must have an emergency need * Must have first applied for LIHEAP, if available * Must participate in CAP, if eligible |
| CARES | * No income guidelines | * Payment troubled * Experiencing a recent hardship |

Proposed Resolution: We tentatively find that the eligibility requirements of FirstEnergy’s Proposed 2015-2018 Plans continue to comply with the Commission’s CAP Policy Statement.

1. **Projected Needs Assessment**

FirstEnergy submitted a needs assessment in its Proposed 2015-2018 Plans, which is depicted in Table 5.

Table 5

Needs Assessment

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Met Ed | Penelec | PennPower | WPP |
| Total Residential Customers | 487,974 | 500,304 | 141,060 | 619,510 |
| Number of Customers below 150% FPIG\* | 118,468 | 166,438 | 37,607 | 171,584 |
| Percent of residential customers below 150% FPIG | 24.3% | 33.3% | 26.7% | 27.7% |
| Number of low-income customers using at least 7,200 kWh of electricity annually\*\* | 69,236 | 101,911 | 23,026 | 109,901 |
| Estimated number of potential LIURP participants\*\*\* | 53,069 | 78,499 | 17,317 | 85,821 |
| Cost to serve customers needing LIURP | $169,926,938 | $198,083,725 | $50,669,542 | $376,925,832 |

\* Numbers based on 2010-2012 Census Data

\*\*Excludes customers already served by LIURP

\*\*\*Excludes customers expected to be served by Act 129

52 Pa Code Section 54.74 (b) (3) requires utilities to provide a needs assessment for each component of its USECP. By identifying the number of households with incomes below 150% of the FPIG, FirstEnergy has identified the customer population that may be in need of CAP or CARES. FirstEnergy also provides the potential number of LIURP participants, but this count only includes households who use at least 7,200 KWh of electricity annually. Since the Companies have recently changed the minimum usage requirements to 6,500 KWh annually, the total household population eligible for FirstEnergy’s LIURP is undoubtedly much higher.

FirstEnergy also did not provide a needs assessment for its hardship fund program. Potential methods for assessing the need for FirstEnergy’s hardship fund include examining the number and amounts of grants issued in prior years to determine an average amount or identifying the number of income-eligible households in arrears.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should provide a revised needs assessment for LIURP that identifies the number of customers using at least 6,500 kWh of electricity annually, the estimated number of potential LIURP participants based on this usage, and the estimated cost of serving those customers.

FirstEnergy should also provide a needs assessment for its hardship fund program.

1. Projected Enrollment Levels

Table 6 shows the projected enrollment levels for FirstEnergy’s CAP, WARM, Dollar Energy Hardship Fund, and CARES programs.

Table 6

Projected Enrollment Levels

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | 2015 | 2016 | 2017 | 2018 |
| Met Ed | | | | |
| PCAP | 18,000 | 18,200 | 18,500 | 18,800 |
| WARM | 1,475 | 1,490 | 1,505 | 1,520 |
| CARES | TBD | TBD | TBD | TBD |
| Hardship Fund | 750 | 750 | 750 | 750 |
| Penelec | | | | |
| PCAP | 24,850 | 25,200 | 25,600 | 26,000 |
| WARM | 2,255 | 2,270 | 2,285 | 2,300 |
| CARES | TBD | TBD | TBD | TBD |
| Hardship Fund | 465 | 465 | 465 | 465 |
| PennPower | | | | |
| PCAP | 5,700 | 5,800 | 5,900 | 6,000 |
| WARM | 835 | 845 | 855 | 865 |
| CARES | TBD | TBD | TBD | TBD |
| Hardship Fund | 355 | 355 | 355 | 355 |
| WPP | | | | |
| WCAP | 22,500 | 22,500 | 22,500 | 22,500 |
| WARM | 925 | 940 | 955 | 970 |
| CARES | 100 | 100 | 100 | 100 |
| Hardship Fund | 1,000 | 1,000 | 1,000 | 1,000 |

*a. CAP Participants*

BCS has noted that FirstEnergy’s CAP participation levels have declined significantly over the past three years. Since December 2011, Met Ed has seen a 43% drop in PCAP enrollment, Penelec has seen a drop of 42%, and PennPower has seen a drop of 50%. Only WPP has shown relatively stable CAP enrollment levels during this time period, increasing by 1.4% since 2011. Table 7 shows the number of participants in FirstEnergy’s CAP programs during the past three years:

**Table 7  
CRP Participants 2010 -2013**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | **December 2011** | **December 2012** | **December 2013** | **September 2014** |
| **Met Ed** | 29,496 | 28,773 | 17,517 | 16,768 |
| **Penelec** | 39,161 | 36,848 | 24,244 | 22,848 |
| **PennPower** | 10,104 | 9,246 | 5,590 | 5,059 |
| **WPP** | 21,617 | 21,347 | 20,607 | 21,920 |

*Source: FirstEnergy Companies*

Through informal discussions with BCS, FirstEnergy has explained that the decline in PCAP enrollment is a result of switching to annual recertification for all Met Ed, Penelec, and PennPower PCAP participants after the Commission’s approval of its 2012-2014 Plans. FirstEnergy reports that recertification of all PCAP customers took place from mid-2012 through December 2013. During this process, many PCAP participants were removed for not recertifying or for no longer being eligible. During 2014, FirstEnergy states that its PCAP enrollment levels have stabilized month-to-month. WPP had already required annual recertification for its CAP participants, so its enrollment levels have not been affected during the same time period. Still, we note that WPP projects no increase to its annual CAP enrollment levels through 2018.

Further, we are concerned that many eligible households in FirstEnergy’s service territory are not being served through CAPs. FirstEnergy’s needs assessment reports that its Companies provide electricity to a total of 494,097 households with incomes at or below 150% of the FPIG. Proposed 2015-2018 Plans: Met Ed at 23, Penelec at 23, PennPower at 23, and WPP at 24. As of September 2014, the number of customers enrolled in FirstEnergy CAPs is only 66,595. The Proposed 2015-2018 Plans do not project significant increases in CAP enrollments to address this disparity. Table 8 compares the number of income-eligible households and the anticipated CAP enrollment level by 2018 for each company:

**Table 8**

**Current Income-Eligible Households and Projected 2018 CAP Enrollments**

|  |  |  |
| --- | --- | --- |
| **Company** | **CAP Income-Eligible Households\*** | **Projected 2018 CAP Enrollments** |
| **Met Ed** | 118,468 | 18,800 |
| **Penelec** | 166,438 | 26,000 |
| **PennPower** | 37,607 | 6,000 |
| **WPP** | 171,584 | 22,500 |

\* Numbers based on 2010-2012 Census Data

Clearly, there is a large underserved potential CAP population in FirstEnergy’s service territories. In describing the decline of PCAP enrollments resulting from the recertifications conducted in 2012-2013, FirstEnergy did not provide BCS with any details regarding the number of PCAP participants who had failed to recertify or the number determined ineligible. Based on the large number of income-eligible households within FirstEnergy’s service territories, it seems likely that many customers removed from these programs during the recertification process were – and remain – eligible for CAP.

While we acknowledge that customers failing to recertify and the removal of ineligible households may have contributed to the decline of participants in the FirstEnergy CAPs, we are concerned that the enrollment declines and stagnation also suggest a lack of outreach and education about the programs. The Proposed 2015-2018 Plans do not include a description of its outreach efforts to increase CAP enrollments, as requested in the CAP Policy Statement[[22]](#footnote-22). Given the large number of income-eligible FirstEnergy customers who are currently not participating in a CAP, the Companies should be actively outreaching to this population and educating them about the benefits of CAP enrollment.

PGW, for example – which has also experienced decreased CAP enrollments in recent years – is currently in the process of conducting an enhanced outreach effort to increase CAP participation. PGW is attempting to increase CAP enrollment by identifying and targeting customers that would benefit from a payment arrangement via phone calls and direct mail. The targeted low-income customers include prior CAP recipients, low-income customers on payment agreements, and LIHEAP recipients who are in debt. *PGW 2014-2016 USECP Final Order*, Docket No. M-2013-2366301 (August 22, 2014), at 64-69.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain why WPP anticipates no increase to its CAP annual enrollments levels through 2018. FirstEnergy should also describe its current outreach activities to increase CAP enrollment. Additionally, FirstEnergy should comment on whether its Companies will consider adopting an outreach effort similar to PGW’s to target those customers most in need of these programs. To the extent that FirstEnergy has a proposal for such additional relief, that proposal, along with a timeline and estimated costs, should be described in its comments to afford other parties the opportunity to reply.

*b. CARES Enrollments*

The Proposed 2015-2018 Plans for Met Ed, Penelec, and PennPower do not include enrollment projections for CARES. Through informal communication with BCS, FirstEnergy explained that those companies do not project participants in its CARES programs because CARES has become a component of PCAP. In addition, FirstEnergy noted that the Commission had approved the Companies’ combined reporting of CAP and CARES in a prior USECP filing.

We question FirstEnergy’s practice of not estimating participation levels for CARES merely because CARES assists CAP customers. While many CAP customers may benefit from CARES services – receiving information about assistance programs and/or referrals to social service agencies – the number of people served through these two programs cannot be the same. CARES is not limited to CAP customers only and most likely not all CAP customers utilize CARES. The Companies should be tracking the number of customers served through CARES separately from CAP and should be able to project how many customers will participate in CARES annually through 2018 based on the program’s historical enrollment levels.

We also question FirstEnergy’s interpretation that we have previously approved the combined reporting of CAP and CARES enrollment information. In the Final Order for Met Ed, Penelec, and PennPower’s 2012-2014 USECPs, the Commission accepted FirstEnergy’s explanation that the Companies had no methodology to provide enrollment projections for CARES or its Hardship Funds because these programs depend on interaction with customers and donations. *FirstEnergy 2012-2014 USECP Final Order*, Docket No. M-2011-2231038 (March 1, 2012), at 12. This one-time provision was not an approval of combining CAP and CARES enrollment data. Although we acknowledge the difficulty in accurately estimating annual participation rates for referral or emergency services, other EDCs and NGDCs are able to provide enrollment estimates for their CARES programs. We are not persuaded that Met Ed, Penelec, and PennPower cannot provide these separate estimates as well. Indeed, as noted below, FirstEnergy has provided Hardship Fund estimates.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should provide annual enrollment estimates from 2015 through 2018 for CARES for Met Ed, Penelec, and PennPower.

1. **Program Budgets**

Table 9 below shows the proposed budget levels for each universal service component and the calculated average spending per customer for 2012-2014.

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| Table 9Universal Service Program Budgets | | | |  |
| **Universal Service Component** | **2015** | **2016** | **2017** | **2018** |
| Met Ed |  |  |  |  |
| PCAP | $17,820,000 | $18,018,000 | $18,315,000 | $18,612,000 |
| WARM | $4,260,000 | $4,605,000 | $4,996,000 | $5,339,000 |
| CARES | $3,500 | $3,500 | $3,500 | $3,500 |
| Hardship Fund Administration | $75,000 | $75,000 | $75,000 | $75,000 |
| Total | **$22,158,500** | **$22,701,500** | **$23,389,500** | **$24,029,500** |
| Monthly Cost per Non-PCAP Customer | $3.92 | $4.01 | $4.14 | $4.25 |
| Penelec |  |  |  |  |
| PCAP | $20,501,250 | $20,790,000 | $21,120,000 | $21,450,000 |
| WARM | $5,114,000 | $5,536,000 | $5,978,000 | $6,387,000 |
| CARES | $3,500 | $3,500 | $3,500 | $3,500 |
| Hardship Fund Administration | $75,000 | $75,000 | $75,000 | $75,000 |
| Total | **$25,693,750** | **$26,404,500** | **$27,176,500** | **$27,915,500** |
| Monthly Cost per Non-PCAP Customer | $4.48 | $4.61 | $4.74 | $4.87 |
| PennPower |  |  |  |  |
| PCAP | $4,770,990 | $4,854,600 | $4,938,300 | $5,022,000 |
| WARM | $2,167,000 | $2,371,000 | $2,600,000 | $2,822,000 |
| CARES | $1,000 | $1,000 | $1,000 | $1,000 |
| Hardship Fund Administration | $35,000 | $35,000 | $35,000 | $35,000 |
| Total | **$6,973,990** | **$7,261,600** | **$7,574,300** | **$7,880,000** |
| Monthly Cost per Non-PCAP Customer | $4.27 | $4.45 | $4.64 | $4.83 |
| WPP |  |  |  |  |
| WCAP | $11,700,000 | $12,582,000 | $12,582,000 | $12,582,000 |
| WARM | $4,002,000 | $4,002,000 | $4,002,000 | $4,002,000 |
| CARES | $65,000 | $65,000 | $65,000 | $65,000 |
| Hardship Fund Administration | $45,000 | $45,000 | $45,000 | $45,000 |
| **Total** | **$15,812,000** | **$16,694,000** | **$16,694,000** | **$16,694,000** |
| Monthly Cost per Non-WCAP Customer | $2.20 | $2.33 | $2.33 | $2.33 |

*a. WCAP Budget*

As noted above, WPP projects no increase to its WCAP enrollment levels through 2018. However, the WCAP budget increases by $882,000 from 2015 to 2016. In its Proposed WPP 2015-2018 Plan, FirstEnergy does not provide an explanation for this increase in WCAP spending.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain why the WCAP budget increases from $11,700,000 in 2015 to $12,582,000 in 2016 while it projects static enrollment.

*b. WPP CARES Budget*

We note that the budget of WPP’s CARES exceeds the CARES budgets of Met Ed, Penelec, and PennPower by over $60,000. In its Proposed WPP 2015-2018 Plan, FirstEnergy does not provide a justification for the high cost of WPP’s CARES, which is projected to provide referral and information services to approximately 100 customers annually.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain why the budget of WPP’s CARES is so high in total and per customer compared to the CARES budgets of the other FirstEnergy Companies.

1. **Use of Community-Based Organizations (CBOs)**

The Competition Act directs the Commission to encourage utility companies to use CBOs to assist in the operation of universal service programs. 66 Pa. C.S. § 2804(9). In meeting this provision, the FirstEnergy Companies use the following CBOs for weatherization services, income verification, program applications, grant making, and/or referral opportunities:

**Table 10**

**FirstEnergy Community Based Organizations**

|  |  |  |  |
| --- | --- | --- | --- |
| **Met Ed** | **Penelec** | **PennPower** | **WPP\*** |
| Action Committee of the Lehigh Valley | Bill Busters, Inc. | Bill Busters Inc. | ACTION-Housing |
| Boyertown Area Multi-Service | Blair County Community Action | CMC Energy Services | Armstrong County Community Action Agency |
| Community Progress Council Inc.: 3 locations | Catholic Charities | Community Action Partnership of Mercer County | C. Driscoll Positive Energy Consulting |
| Dollar Energy Fund | Central PA Community Action, 4 locations | Dollar Energy Fund | Center for Community Action |
| East Stroudsburg Salvation Army | Community Action Partnership: 2 locations | EIC / Comfort Home | Central PA Community Action, Inc. |
| Easton Area Neighborhood Center | Dollar Energy Fund | Greenville Salvation Army | Dollar Energy Fund |
| EIC/Comfort Home | EIC/Comfort Home | New Castle Salvation Army | EIC/Comfort Home |
| Families First | Erie County Housing Authority | NW PA Weatherization | Housing Authority of the County of Butler |
| Hamburg Salvation Army | Greater Erie Community Action Committee (GECAC) | The Salvation Army – Sharon | Hranec Insulation Corporation |
| Harron’s Insulation & Ceilings, Inc. | Indiana County Community Action Program (ICCAP) | Venango Office of Economic Opportunity | Mincin Insulation |
| Lebanon American Red Cross | New Hope Ministries: 2 locations |  | Northern Tier Community Action Corporation |
| Lewisberry CPC, Red CAP | Northern Tier Community Action Corp. |  | Redevelopment Authority County of Fayette (RACF) |
| New Hope Ministries:  3 locations | Northwest PA Weatherization |  | South Central Community Action, Inc. |
| Pike County Human Development | SEDA-Council of Governments |  | Taylor Construction |
| Reading Salvation Army | Shelter Services, Inc. |  | TEAZ, Inc. |
| South Central Community Action Program – Gettysburg | Solair Energy, Inc. |  | Westmoreland County Weatherization Program |
| Spring Valley Church of God | South Central Community Action Programs |  |  |
| The Caring Company | St Martin’s Center |  |  |
| Weaver Weatherization | Tableland Services, Inc. |  |  |
| York Salvation Army | TREHAB: 6 locations |  |  |
|  | Venango Office of Economic Opportunity: 2 locations |  |  |
|  | Warren Forest Counties Economic Opportunity Council |  |  |
|  | Weatherization, Inc. |  |  |

\*Dollar Energy Fund administers the WCAP program for all counties served by WPP

Proposed Resolution: We are not proposing any adjustments to FirstEnergy’s use of CBOs.

1. **Organizational Structure**

The organizational structure for the FirstEnergy Companies’ Universal Service Programs is as follows:

# Table 11

**Universal Service Staffing**

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
| **Staffing** | **Met Ed** | **Penelec** | **PennPower** | **WPP** |
| Manager – Compliance & Human Services | 1 | 1 | 1 | 1 |
| Senior Administrative Assistant | 1 | 1 | 1 | 1 |
| Supervisor – Energy Conservation Programs | 1 | 1 | 1 | 1 |
| Supervisor – Universal Service Programs | 1 | 1 | 1 | 1 |
| Business Analyst | - | - | - | 1 |
| Senior Business Analyst | 2 | 2 | 2 | 2 |
| Assistant Business Analyst | 1 | 1 | 1 | 1 |
| Associate Business Analyst | 2 | 2 | 2 | 1 |
| Administrative Technician 2 | 1 | 1 | 1 | 1 |
| Senior Customer Accounting Associate | 1 | 1 | 1 | 1 |
| Advanced Customer Accounting Associate | 2 | 2 | 2 | 1 |

At face value, it appears that the FirstEnergy universal service programs may have multiple employees performing the same work for each Company. However, through informal discussions with BCS, FirstEnergy has explained that many of the staff positions listed above perform the same universal service administrative duties for all four companies. For example, there is one Manager of Compliance & Human Services that administers all universal service programs for all FirstEnergy Companies, not one manager for each company. Nevertheless, it is not clear whether some of the other universal service positions listed in the Proposed 2015-2018 Plans are unique to the company or representative of staff serving all four companies.

Proposed Resolution: In its comments to this Tentative Order, FirstEnergy should explain whether the universal service positions described in its Plans are representative of staff serving all four companies or if these are unique positions for each company.

**V. CONCLUSION**

In light of the above analysis, the Commission finds that FirstEnergy’s Proposed USECPs for 2015-2018 partially comply with the universal service requirements of the Electricity Generation Customer Choice and Competition Act at 66 Pa. C.S. §§ 2801-2812. We also tentatively find that the proposed Plans also partially comply with the universal service reporting requirements at 52 Pa. Code §§ 54.74, the Commission’s CAP Policy Statement at 52 Pa. Code §§ 69.261-69.267, and the LIURP regulations at 52 Pa. Code §§ 58.1-58.18. Finally, the Commission’s tentative partial approval of the proposed Plans does not limit the Commission’s authority to order future changes to the Plans based on evaluation findings, universal service data, or rate-making considerations. This Tentative Order sets forth the aspects that FirstEnergy will need to address prior to our approval of the proposed Plans.

In particular, FirstEnergy is directed to address the following points consistent with the discussion and directions herein. To the extent that FirstEnergy has responsive proposals for additional relief, those proposals, along with timelines and cost estimates, should be described in its comments to afford other parties the opportunity to reply.

1. Explain whether the Companies can offer any additional relief to CAP customers who receive unaffordable bills due to estimated meter readings.
2. Explain whether the Companies could revise or adjust the methodology to determine a more reasonable energy burden for (a) CAP customers who move to a new residence or (b) new CAP customers who have lived in a residence for less than 12 months.
3. Explain what CAP obligations the Companies require in order for a CAP customer to qualify for a recertification.
4. Provide details about Companies’ recertification notification process and discuss whether any enhancements to this process are planned.
5. Acknowledge that the Companies may not assess security deposits for CAP customers.
6. Explain its policies and procedures when a CAP applicant or participant reports zero income.
7. Explain whether the Companies will revise application of CAP credits to ensure that CAP customers pay the minimum billing amount each month and, if so, identify whether unused monthly CAP credits could be applied to future bills.
8. Explain whether the Companies apply 1/36th arrearage forgiveness with each on‑time and in-full current CAP payment, regardless of existing arrears, and retroactively to any months missed once those missed payments are paid in full.
9. Explain how the Companies apply payments made in excess of the monthly CAP bill to customer accounts.
10. Explain whether FirstEnergy plans to modify the energy burden threshold and CAP credit limits of WPP’s WCAP to match those of PCAP.
11. Address whether and how the Companies could gain greater flexibility relative to new LIURP measures.
12. Provide a revised needs assessment for LIURP that identifies the number of customers using at least 6,500 kWh of electricity annually, the estimated number of potential LIURP participants based on this usage, and the estimated cost of serving those customers.
13. Provide a needs assessment for the Hardship Fund program.
14. Explain why WPP anticipates no increase to its CAP annual enrollments levels through 2018.
15. Describe the current outreach activities to increase CAP enrollment and comment on whether its Companies will consider adopting an outreach effort similar to PGW’s to target those customers most in need of these programs.
16. Provide annual enrollment estimates from 2015 through 2018 for CARES for Met Ed, Penelec, and PennPower.
17. Explain why the WCAP budget increases from $11,700,000 in 2015 to $12,582,000 in 2016 while it projects static enrollment.
18. Explain why the budget of WPP’s CARES is so different in total and per-customer costs from the CARES budgets of the other FirstEnergy Companies.
19. Explain whether the universal service positions described in the Proposed Plans are representative of FirstEnergy staff serving all four companies or if these are unique positions for each Company.

While we are not proposing any changes to the LIURP health and safety allowance provisions or to the quality assurance provisions of the Proposed Plans, we specifically request comments from the parties on these matters. Further, the parties are invited to comment on any provisions of the Proposed Plans regardless of whether we have identified an issue or commented thereon relative to a particular provision.

Comments are due twenty (20) days after entry of this order, and reply comments are due fifteen (15) days thereafter. If the comments and reply comments raise relevant material factual issues, we may refer this matter, in whole or in part, to the OALJ for hearing and decision; **THEREFORE,**

**IT IS ORDERED:**

1. That the Universal Service and Energy Conservation Plans for 2015-2018 as filed by the Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, and West Penn Poweron February 28, 2014, and amended on August 27, 2014, are approved, in part, tentatively as consistent with Title 66 of the Pennsylvania Consolidated Statutes, Title 52 of the Pennsylvania Code, and Commission practice.

2. That a copy of this Tentative Order be served on the Metropolitan Edison Company, Pennsylvania Electric Company, Pennsylvania Power Company, West Penn Power, the Office of the Consumer Advocate, the Office of Small Business Advocate, Community Legal Services, the Bureau of Investigation and Enforcement, and the Pennsylvania Utility Law Project.

3. That a copy of this Tentative Order be posted on the Commission’s website at <http://www.puc.state.pa.us>.

4. That comments to this Tentative Order shall be filed within 20 days of the entry of this Order, and that reply comments shall be filed within 15 days thereafter.

5. That one original signed copy of comments and reply comments shall be filed with the Commission’s Secretary at P.O. Box 3265, Harrisburg, PA 17105-3265. Comments and reply comments may alternatively be filed electronically through the Commission’s e-filing system, in which case no paper copy needs to be filed with the Secretary. Comments filed electronically must be less than 250 pages.

6. That an electronic copy, in WORD® or WORD®-compatible format, of all filed submissions, comments and reply comments be provided to Joseph Magee, Bureau of Consumer Services, at [jmagee@pa.gov](mailto:jmagee@pa.gov), and to Louise Fink-Smith, Law Bureau, at [finksmith@pa.gov](mailto:finksmith@pa.gov).

7. That the contact person for this Tentative Order is Joseph Magee, Bureau of Consumer Services, 717-772-1204, [jmagee@pa.gov](mailto:jmagee@pa.gov).

 **BY THE COMMISSION,**

Rosemary Chiavetta

Secretary

(SEAL)

ORDER ADOPTED: December 18, 2014

ORDER ENTERED: December 18, 2014

1. Proposed 2015-2018 Plans: Met Ed at 23, Penelec at 23, PennPower at 23, and WPP at 24. [↑](#footnote-ref-1)
2. As reported by FirstEnergy to the Commission’s Bureau of Consumer Services (BCS). [↑](#footnote-ref-2)
3. *See Joint Application of WPP d/b/a Allegheny Power, Trans-Allegheny Interstate Line Company, and FirstEnergy Corp. for approval of change of control of WPP and Trans-Allegheny Interstate Line Company*, Docket Nos. A‑2010-2176520 and A-2010-2176732. [↑](#footnote-ref-3)
4. *See Petition of WPP for Waiver of 52 Pa. Code §§ 54.74 and 54.76 and to Establish New Due Dates for USECP and Third-Party Impact Evaluation*, Docket No. P-2013-2342756. [↑](#footnote-ref-4)
5. The CAPs for Met Ed, Penelec, and PennPower are each called the Pennsylvania Customer Assistance Program (PCAP). The CAP for WPP is called the WPP Customer Assistance Program (WCAP). [↑](#footnote-ref-5)
6. Met Ed, Penelec, and PennPower’s Proposed 2015-2018 Plans contain an additional component, the Gatekeeper Program, which recruits company field personnel to recognize and report “distressed” customers as the employees perform their other job-related duties. This includes reporting those who have communication or isolation issues, difficulty paying bills, physical limitations, or a residence in obvious disrepair or neglect. Because income is not an eligibility criterion, the Gatekeeper Program does not meet the definition of a universal service program. [↑](#footnote-ref-6)
7. CAP customers must direct the LIHEAP grant to their FirstEnergy utility if electric is the main source of heat. Failure to do so can lead to dismissal from the CAP program. Proposed 2014-2018 Plans at 12. [↑](#footnote-ref-7)
8. [↑](#footnote-ref-8)
9. “If a public utility bills on a monthly basis, it may estimate usage of service every other billing month, so long as the public utility provides a customer with the opportunity to read the meter and report the quantity of usage in lieu of the estimated bill.” 52 Pa. Code § 56.12 (2). [↑](#footnote-ref-9)
10. “A public utility may estimate the bill of a customer if extreme weather conditions, emergencies, equipment failure, work stoppages or other circumstances prevent actual meter reading.” 52 Pa. Code § 56.12 (3). [↑](#footnote-ref-10)
11. FirstEnergy projects that it will install 98.5% of all smart meters by mid-2019. One hundred percent installation of all smart meters is projected to be achieved sometime before 2025. *Smart Meter Deployment Plan Annual Progress Report Ending 6/30/2014-Met Ed, Penelec, Penn Power, West Penn Power*, Docket Nos. M-2013-2341990, M-2013-2341991, M-2013-234-1993, M-2013-2341994, <http://www.puc.pa.gov/pcdocs/1302351.pdf> . [↑](#footnote-ref-11)
12. We also note that the billing issues caused by FirstEnergy’s use of estimated meter readings may affect all FirstEnergy customers, not just those enrolled in CAP. Although it is beyond the scope of this Tentative Order, we encourage FirstEnergy to reduce – or eliminate, if possible – the number of monthly bills calculated using estimated meter readings for all of its residential customers. FirstEnergy should aim to ensure that its customers receive six actual meter readings per year. This means that if an actual monthly meter read is canceled due to weather conditions, emergency, work stoppage, or other circumstances (per 52 Pa. Code § 56.12 (3)), the Companies should consider rescheduling an actual meter reading for the following month, if possible, and then resume its regular meter reading schedule. [↑](#footnote-ref-12)
13. The Commission also previously proposed to increase the maximum annual CAP credits from $840 to $1,000 for natural gas heating customers, from $560 to $700 for non-heating customers, and from $1,400 to $1,800 for electric heating customers. Docket M-00072036. [↑](#footnote-ref-13)
14. Duquesne Light was directed to increase maximum CAP credits limits to $700 for non-heating customers and $1,800 for heating customers. *See Duquesne 2014-2016 USECP Final Order*, Docket No. M-2013-2350946 (March 6, 2014), at 10. The Commission also approved PPL’s 2014-2016 USECP, which offered an 18-month CAP credit limit of $1,275 for non-electric heat customers ($852 annually) and $3,240 for electric heat customers ($2160 annually). *See PPL Revised 2014-2016 USECP*, Docket No. M-2013-2367021, at 10-11. [↑](#footnote-ref-14)
15. The Companies recently lowered the usage threshold from an annual average of 7,200 kWh to 6,500 kWh pursuant to Commission approval at Docket Nos. M-2010-2207924 and M-2011-2231038 (November 13, 2014). Additionally, the Companies received approval to waive usage thresholds for jobs that would coordinate with WAP or NGDCs’ LIURP programs. [↑](#footnote-ref-15)
16. *See* , *e.g.*, CAUSE Comments to the March 1, 2012 *Act 129 Phase II Secretarial Letter*, Docket No. M‑2012‑2289411, at 13-14. [↑](#footnote-ref-16)
17. This is often referred to as an issue with “deteriorating housing stock.” [↑](#footnote-ref-17)
18. Over the years, this payback period has been additionally interpreted as a stay-out provision. On November 13, 2014, at Docket Nos. M-2010-2207924 and M‑2011-2231038, the Company received approval to reduce the stay-out period from 7 years to 5 years if usage and potential savings warranted. [↑](#footnote-ref-18)
19. See, for example, the impacts of energy conservation education undertaken pursuant to Act 129, 66 Pa. C.S. § 2806.1, as evidenced by the use of home energy reporting programs in the large EDC’s Act 129 portfolios documented at various dockets. [↑](#footnote-ref-19)
20. BPI is a non-profit organization, recognized for national standards in development, training, and credentialing contractors who perform residential energy efficiency retrofit work. [↑](#footnote-ref-20)
21. This issue was also discussed in *UGI USECP 2014-2017*, Docket No. M-2013-2371824 (October 2, 2014) at 31. [↑](#footnote-ref-21)
22. 52 Pa. Code § 69.265(7)(i) [↑](#footnote-ref-22)