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February 16, 2021

VIA E-Filing and E-Mail ONLY

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

SUBJECT: PECO Energy Company (PECO) Comments in Response to the Commission's October 2020 Order in Docket No. M-2020-3019244 (Emergency Order Re: Establishing Public Utility Service Termination Moratorium)

Dear Secretary Chiavetta:

PECO's Comments in the above-noted docket are attached for e-filing.

Sincerely,

Enclosure

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Emergency Order Re: Establishing Public Utility Service Termination Moratorium	:	M-2020-3019244

COMMENTS OF
PECO ENERGY COMPANY
IN RESPONSE TO
THE COMMISSION'S OCTOBER 8, 2020 ORDER

PECO Energy Company (PECO) provides these comments[1] in response to the October 8, 2020[2] Commission Order in this docket. For the reasons set forth below, the Commission should allow the Phase II procedures to expire, or "sunset," on March 31, 2021.

I. Background

On March 6, 2020, Governor Tom Wolf issued a Proclamation of Disaster Emergency (Proclamation) that identified the COVID-19 pandemic as a disaster emergency affecting the entire Commonwealth.[3] On March 13, 2020, Chairman Gladys Brown Dutrieuille issued an Emergency

[1] PECO also joins in and supports the Comments of the Energy Association of Pennsylvania (EAP) which are being filed contemporaneously.

[2] The Commission's Order was issued on October 8, 2020, entered on October 13, 2020, and published in the Pennsylvania Bulletin on October 24, 2020. *See* 50 Pa. Bull. 5955 (October 24, 2020).

[3] Governor Wolf has signed three Amendments to the Proclamation (on June 3, August 31, and November 24, 2020); each of those Amendments extended the effectiveness of the Proclamation by 90 days. The current (Third) Amendment extends the Proclamation to an effective date of February 22, 2021.

Order (March 13 Emergency Order) establishing a prohibition on the termination of public utility service for the duration of the Proclamation, or until a time otherwise established by the Commission.

On August 10, 2020, Chairman Dutrieuille issued a letter seeking stakeholder comments regarding continuation of the moratorium. The Chairman's August 10 letter requested comments on whether it was time to lift the moratorium, stating (p. 1): "Maintaining a total moratorium for a time period that is too lengthy may only work to accelerate the accrual of arrearages for many utility customers and place them at increased risk of default and termination in the future, when large bills inevitably become due. Also, maintaining a total moratorium may frustrate customer placement in various assistance programs . . . ."

On August 18, 2020 PECO and many other stakeholders provided comments in response to Chairman Dutrieuille's letter. In its August 18 comments, PECO stated (p. 1) that it "recognizes the impact the pandemic has had on our customers, including the newly unemployed, our most vulnerable communities and small businesses, and we have worked to promote relief options to assist customers facing financial hardship. From the beginning of this pandemic, PECO has remained committed to helping customers navigate uncertainty and economic hardship, including suspending service disconnection for all customers." PECO also noted (pp. 2-3) that, by August 2020, past due arrearages had begun to accumulate at a rate much higher than in prior years. PECO further noted (p. 3) that it had voluntarily implemented a program for its customers to address those arrearages – PECO was (and still is) offering payment arrangements on terms more favorable than those normally offered. PECO's August Comments also stated (p. 3) that, in the absence of termination notices, there had been very little customer uptake of those payment arrangements:

> [W]hile it is difficult to generalize about customer motivations, it appears to PECO that when customers believe that their service cannot or will not be terminated, they are less motivated to seek assistance or enter into payment arrangements. Empirically, PECO notes that throughout the moratorium PECO has offered payment arrangements on terms that are more favorable than those normally offered. A large majority of PECO customers with outstanding balances can avoid the threat of service termination by taking advantage of payment arrangements that spread balances over extended periods of time. Even though PECO has conducted substantial outreach regarding this option, the uptake rate for this offer has been quite low – of PECO customers with accumulated arrearages as of August 7, 2020, less than 2% of all such customers, across all customer classes, have availed themselves of this opportunity.

Finally, PECO's August Comments (pp. 3-5) described the robust protections in place to protect customers prior to termination:

> The Commission's regulations, 52 Pa. Code Chapter 56, contain some of the most robust pre-termination customer protections of any state in the nation . . . . PECO would like to underscore that, once normal termination procedures are restored, PECO will follow all existing consumer protections including sending payment reminders (via letter, email, and proactive outbound calls), new 10-day notices, and new 72-hour notices prior to engaging in any terminations. During those interactions, PECO also will provide information to customers with respect to low-income assistance programs and payment arrangement options. There will thus be substantial opportunity for customers to interact with PECO and make arrangements with PECO to maintain their utility service, and thus avoid termination.

PECO therefore concluded (p. 5), in August 2020, that "it is time to lift the moratorium."

After the stakeholder comments were received by the Commission, there was a flurry of activity in the docket, including motions, statements, petitions, and answers, ultimately resulting in the Commission's October 8, 2020 Order. In its October 8, 2020 Order (p. 3) the Commission lifted the absolute utility service termination moratorium – effective November 9, 2020[4] -- and (pp. 3-6) established modified Phase II procedures (still in effect) in which utilities are allowed to conduct some service terminations if those terminations comply with modified customer protections set forth in the October 8 Order. As one of the Phase II modifications, the

[4] The Commission's winter termination procedures, found at 52 Pa. Code §56.100, also went into effect on December 1, 2020 and will remain in effect until March 31, 2021.

Commission's Order (p. 4) created a new class of "protected customers" earning less than 300% of the Federal Poverty Level, and created additional protections and procedures that must be followed prior to termination of customers in the protected group. The October 8 Order (p. 7, Ordering ¶ 2) also provided that the modified protections of the Phase II procedures "shall remain in effect until the earlier of: (1) March 31, 2021; (2) the date on which the Governor's Proclamation of Disaster Emergency is rescinded[5]; or, (3) a time otherwise established by the Commission."

Consequently, the Phase II procedures will sunset no later than March 31, 2021 (unless the Commission extends those modifications by an additional Order). In its October 8 Order (p. 7, Ordering ¶ 3), the Commission foresaw the need to obtain stakeholder input to assist it in making a determination of whether to extend the Phase II procedures beyond March 31, 2021, and requested written stakeholder comments to be filed by February 16, 2021 to assist it in making that determination. PECO is pleased to have the opportunity to provide comments.

II. The Phase II Procedures Should Be Allowed to Sunset on March 31, 2021

The Phase II procedures are scheduled to sunset on March 31, 2021. On that date, the termination moratorium, in one phase or another, will have been in place for more than a full calendar year (March 13, 2020 to March 31, 2021). Arrearages have continued to increase during Phase II. The Commission's regulations provide robust customer protections prior to termination. PECO has offered, and throughout 2021 will continue to offer, extended payment arrangements to assist customers to address their accumulated arrearages. The Commission should allow the March 31, 2021 sunset to take place.

[5] As noted in the Background section, Governor Wolf has signed three Amendments extending the Proclamation. The Third Amendment expires on February 22, 2021 unless Governor Wolf signs an additional extending Amendment.

A. Arrearages have continued to accumulate during Phase II

In Chairman Dutrieuille's August 10 letter seeking comments (p. 1), she expressed concern that past due balances had been accumulating during the total moratorium. In PECO's August comments (pp. 2-3), it provided statewide data supporting that concern. Unfortunately, past due balances have continued to accumulate during Phase II. PECO's accumulated past due arrearages are more than double the level from the prior year:

PECO Total Past Due Arrearages ($MM)

Same-Period Comparison 2019 vs 2020[6]

	2019	2020	Change Year-Over-Year
November	$55.5	$154.8	$99.3
December	$72.6	$176.0	$103.4
January (2020 vs 2021)	$88.0	$195.8	$107.8

In its August comments, PECO stated that it believes that there are two primary drivers behind the accumulation of arrearages. First, the absence of termination notices and activity makes it more difficult for low-income customers to access some assistance programs. The Commission is aware of this unfortunate unintended consequence of the moratorium and EAP's August comments, in which PECO joined, discussed this issue at length.

Second, when customers believe that their service cannot or will not be terminated, they appear to be less motivated to seek assistance or enter into payment arrangements. In August, PECO reported that, with the full moratorium in place, the uptake rate for extended payment

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[6] Amounts are past due arrearages cumulatively for all rate classes. Data for this table are derived from PECO's monthly filings of "at-risk" customers in this docket. Past due amounts, disaggregated for rate class, CAP status, and income level are available in the full at-risk filings.

arrangements was quite low – of PECO customers with accumulated arrearages as of August 7, 2020, less than 2% of all such customers, across all customer classes, had availed themselves of this opportunity. During Phase II, the uptake rate improved, but is still quite low. As of this time, less than 9% of all customers with past due arrearages have availed themselves of the opportunity for an extended payment arrangement. PECO believes that customer participation in these payment arrangements will increase if the Phase II procedures are allowed to sunset.

B. Robust customer protections and assistance are in place

In her August 10 letter, the Chairman requested comments regarding "customer protections for at-risk customers, should the absolute service termination moratorium be lifted."

In PECO's August comments, it stated the Commission's regulations, 52 Pa. Code Chapter 56, contain some of the most robust pre-termination customer protections of any state in the nation. PECO underscored that, once normal termination procedures are restored, PECO will follow all existing consumer protections including sending payment reminders (via letter, email, and proactive outbound calls), new 10-day notices, and new 72-hour notices prior to engaging in any terminations. During those interactions, PECO also will provide information to customers with respect to low-income assistance programs and payment arrangement options. There will thus be substantial opportunity for customers to interact with PECO and make arrangements with PECO to maintain their utility service, and thus avoid termination.

This opportunity for interaction is important because, as noted above, throughout the moratorium PECO has offered payment arrangements on terms that are more favorable than usual. PECO intends to continue to offer favorable payment arrangements once Phase II expires, and to do so throughout 2021. It is PECO's expectation that, once service terminations are allowed to resume, customer uptake of its offered payment arrangements will improve. PECO also expects that customers who enter into such payment arrangements will have lower accrued unpaid balances and thus will be more able to ultimately pay their bills.

The Commission's regulations require that a utility send a notice to customers at least 10 days prior to termination activity. The Commission's October 8 Order (Ordering ¶ 1) required utilities to send an additional communication to past due customers prior to initiating the regulatory notice process. This additional notice was to be sent 10 days prior to the 10-day notice required by the regulations, and it thus became colloquially known as the "20-day letter." After the Commission's October 8 Order was issued, PECO sent a friendly informational letter to past due customers in which it described the resources available to them, including the extended payment arrangements being offered by PECO. PECO believes that this earlier letter was one factor that contributed to the increase in uptake rate for extended payment arrangements during Phase II. Consequently, even if the Commission allows the Phase II protections to sunset on March 31, 2021, PECO intends to send a 20-day letter, materially similar to the required Phase II 20-day letter, to past due customers beginning on or about March 26, 2021. PECO plans to send this letter as part of an overall transition communication effort to make sure that customers are aware of available assistance options as the Phase II protections expire. PECO does not expect to utilize the additional 20-day letter on a permanent basis.[7]

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[7] On May 13, 2020, the Commission issued a Secretarial Letter in this docket regarding COVID-19 Cost Tracking and Creation of Regulatory Asset. In that Secretarial Letter, the Commission directed all jurisdictional utilities to track extraordinary, nonrecurring incremental COVID-19 related expenses and to maintain detailed accounting records of such expenses. PECO will include the expenses associated with any additional 20-day letters in the ordered cost tracking.

III. CONCLUSION

Past due balances continue to increase. PECO stands ready to work with its customers on extended payment arrangements to address those past due balances. However, the uptake rate for customers engaging in those payment arrangements remains quite low. PECO believes that customers will not fully engage in payment arrangements as long as the Phase II procedures remain in place. PECO therefore respectfully requests that the Commission allow the Phase II procedures to expire on March 31, 2021.

Respectfully submitted,

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