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August 8, 2017

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street, 2nd Floor
Harrisburg, PA 17120

Re: Review of Universal Service and Energy Conservation Programs
Docket No. M-2017-2596907

Dear Secretary Chiavetta:

Attached please find the ***Initial Comments of PECO Energy Company*** in the above captioned matter. The comments have been served in accordance with the attached Certificate of Service. Thank you for your attention to this matter.

Very truly yours,

Jennedy S. Johnson

/adz
Attachments

c: Certificate of Service
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BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

REVIEW OF UNIVERSAL SERVICE AND ENERGY CONSERVATION PROGRAMS	: : :	**DOCKET NO. M-2017-2596907**

INITIAL COMMENTS OF PECO ENERGY COMPANY

I. INTRODUCTION

On May 10, 2017, the Pennsylvania Public Utility Commission ("the Commission") issued an Opinion and Order (the "Order") in the above-referenced docket to initiate a comprehensive review of Universal Service and Energy Conservation Programs ("USECPs") in the Commonwealth of Pennsylvania. In this review, the Commission intends to incorporate and build upon its current work regarding existing Low-Income Usage Reduction Program ("LIURP") regulations[1] as well as its on-going investigation of the home energy burdens of Pennsylvania utility customers.[2] The Order established a framework for comments and stakeholder participation to assist the Commission in addressing and balancing the needs of all stakeholders. PECO Energy Company ("PECO" or "the Company") submits these Initial Comments in accordance with the Order.[3]

As the public utility with the largest low-income population in Pennsylvania, PECO welcomes this opportunity to contribute its knowledge and experience to the Commission's consideration of how USECPs can work most effectively for both low-income customers who need assistance with energy costs and for all residential customers who pay USECP costs. These Initial Comments provide an overview of the components of PECO's USECP, including recent

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[1] *Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1-58.18*, Docket No. L-2016-2557886 (Secretarial Letter issued December 16, 2016).

[2] Opinion and Order, *Energy Affordability for Low Income Customers*, Docket No. M-2017-2587711 (Order entered May 5, 2017).

[3] Order, pp. 2 & 5.

actions taken by the Company to further improve the affordability of electric and gas utility service within its service territory.

As the Commission begins this comprehensive review, PECO believes that three practical policy issues should be considered by the Commission and stakeholders participating in these proceedings. First, PECO and other utilities have recently implemented numerous USECP features to enhance cost-effective assistance to low-income customers in accordance with the direction of the Commission and with the significant efforts of a wide range of stakeholders. In the case of PECO, as discussed *infra*, low-income customers only began enrolling in PECO's new Fixed Credit Option ("FCO") customer assistance program ("CAP") ("CAP FCO") in October 2016, and the first program evaluation will not be complete until June 2019 under the terms of an extensive settlement approved by the Commission. The Commission should make clear that PECO's CAP FCO will continue consistent with prior Commission approvals, and any changes in CAP regulations or guidance arising from these proceedings will build on the learnings and data from the CAP FCO and other new programs in the early stages of implementation.

Second, utilities should not be viewed as the "ultimate backstop" for providing support to low-income customers. Service to, and support for, low-income customers involves not only utilities but a number of government agencies, non-government organizations, and others devoting time and resources to trying to solve the societal challenge of providing affordable, cost-effective utility service to those customers. Sometimes, stakeholders argue that Pennsylvania's Electricity Generation Customer Choice and Competition Act and Natural Gas Choice and Competition Act[4] require utilities to step forward and fill the gap if other entities

[4] The Electricity Generation Customer Choice and Competition Act, 66 Pa.C.S. §§ 2801-2812, became effective on January 1, 1997. The Natural Gas Choice and Competition Act, 66 Pa.C.S. §§ 2201-2212, became effective on July 1, 1999, *see* 66 Pa.C.S. §§ 2203(7) and 2802(10).

such as government agencies and non-governmental organizations are unable to achieve their programmatic goals with low-income customers or if non-utility funding is reduced (e.g., if federal funding for Low Income Home Energy Assistance Program ("LIHEAP") is cut). PECO respectfully submits that this is neither the role of utilities in general nor of any specific USECP program. Utilities and their customers are important stakeholders in this issue, but they have a limited, defined role and cannot be the "ultimate backstop" to ensure implementation of the broader goals of federal, state, and local governments or advocacy organizations.

Third, the Commission should ensure flexibility in USECP program design in future USECP initiatives to take into account differences in utility customer populations and service territories. Simply put, there is no "one-size-fits-all" USECP for every utility customer and each utility, and PECO believes that there can be significant benefits in enabling utilities and stakeholders to develop and validate new programs (such as PECO's CAP FCO) for Commission consideration and approval in order to advance the goals of cost-effective universal service.

With these considerations in mind, PECO provides the following overview of its USECP components and looks forward to working with the Commission and all stakeholders as this comprehensive USECP review proceeds.

II. PECO'S UNIVERSAL SERVICE AND ENERGY CONSERVATION PROGRAMS

PECO's USECP contains four major components to help low-income customers maintain utility service:

- PECO's **CAP FCO** program, which provides credits to reduce low-income residential customers' bills;
- PECO's **LIURP**, which provides weatherization and usage reduction services to help low-income customers reduce their utility bills;

- PECO's **Customer Assistance and Referral Evaluation Services ("CARES")** Program, which provides referral services for low-income, special needs customers; and
- PECO's **Hardship Fund, known as the Matching Energy Assistance Fund ("MEAF")**, which provides grants to customers with incomes up to 175% of the Federal Poverty Income Guidelines ("FPIG") who have had their utility service terminated or are threatened with termination.

Together, these programs assist more than 140,000 customers annually, at a total projected annual cost of $110 million for the 2016-2018 period. PECO's USECP costs are recovered from all residential customers through a combination of distribution base rates and PECO's Universal Service Fund Charge ("USFC").[5] For an average residential customer (using 700 kWh or 8 MCF monthly), universal service costs are $5.48 per month for electric and $3.37 per month for gas.

A. CAP

PECO's CAP has evolved and grown significantly since its inception in 1984, when all participants paid a fixed minimum charge each month.[6] In 1996, when PECO served 30,000 CAP customers, PECO implemented a new pilot CAP Rate in which participants would be placed into various rate discount tiers based upon their household income levels. Thereafter, as part of its 1998 Electric Restructuring Settlement,[7] PECO expanded participation on an open enrollment basis with an initial maximum participation level of 100,000 customers. By 2005, CAP Rate participation increased to approximately 103,000 customers, making PECO's program

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[5] CAP costs that are not otherwise recovered through base rates are recovered through the USFC. This amount is referred to as the "CAP shortfall."

[6] *PECO Energy Company Universal Service and Energy Conservation Plan for 2016-2018 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2015-2507139 (Order entered August 11, 2016).

[7] *Application of PECO Energy Company for Approval of Restructuring Plan Under Section 2806 of the Public Utility Code*, Docket No. R-00973953 et al. (Order entered May 14, 1998).

the largest universal services program in Pennsylvania. In 2006, the CAP Rate was opened up to unlimited participation, and PECO's CAP enrollment has remained between approximately 130,000 and 140,000 customers since September 2010.[8] The evolution of PECO's CAP has been guided by the Commission's CAP Policy Statement, at 52 Pa. Code §§ 69.261-69.267 (adopted in 1992 and amended in 1999 and 2010), which addresses affordable payments and arrearages and establishes a process for utilities to work with the Commission's Bureau of Consumer Services ("BCS").

The Commission has recently approved a fundamental change in approach and structure for PECO's CAP that is designed to significantly increase both the breadth and depth of affordability of service to PECO's low-income customers. The process began on April 4, 2013, when the Commission issued a Final Order approving PECO's 2013-2015 USECP and directing PECO to conduct a study of an FCO and other possible CAP design alternatives for potential use by PECO in its next triennial USECP (2016-2018).[9] The Commission instructed PECO to test various models to improve the affordability of its CAP program to participants while not placing additional financial burdens on the non-participants.

On April 25, 2014, the Commission issued a Secretarial Letter directing the parties[10] to attempt to reach agreement on a new CAP design. On March 20, 2015, a Joint Petition for Settlement was filed by PECO, OCA, TURN et al., and CAUSE-PA proposing to change

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[8] A more detailed chronology of PECO's CAP can be found in PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, p. 3.

[9] *See PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911 (Order entered April 4, 2013), pp. 24-25.

[10] In addition to PECO, the following entities were parties to the 2013-2015 USECP proceeding: the Office of Consumer Advocate ("OCA"); the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania ("CAUSE-PA"); and the Tenant Union Representative Network and Action Alliance of Senior Citizens of Greater Philadelphia (collectively referred to as "TURN et al.")

PECO's CAP design from a seven-tier, fixed rate program to a FCO program, beginning October 2016. The Commission approved the Joint Settlement by Order entered on July 8, 2015.[11]

Under the new structure, PECO will review each customer's income and usage characteristics and determine the amount of financial assistance that the customer requires in order to have their overall utility bills reduced to an amount that falls within the Commission-defined range of "affordability."[12] Within certain program limits, PECO will then provide each customer with a fixed credit designed to result in the customer receiving an affordable bill for utility service. PECO's annual CAP budget for the current plan period is approximately $100 million.[13]

PECO has a long history of working collaboratively with the Commission and stakeholders to improve its USECP, and this was again demonstrated in the development of the Joint Settlement and FCO. PECO, along with other parties to the Company's 2013-2015 USECP proceeding, engaged the services of the Commission's mediation office and conducted extensive mediation sessions in order to reach agreement on an appropriate CAP structure.[14] Eight sessions were held over the course of several months with a substantial exchange of data and other information between the parties, resulting in a detailed negotiated agreement supported by the participants. As the OCA explained in its Statement of Support of Settlement:

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[11] Order, *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911 (Order entered July 8, 2015) (adopting Recommend Decision of Administrative Law Judge Cynthia Williams Fordham dated June 11, 2015).

[12] 52 Pa. Code § 69.265 provides the maximum percentage of participating household's income that may be used for heating and non-heating service. The percentage is sometimes referred to as an "energy burden."

[13] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, pp. 11, 25.

[14] *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911.

> The proposed FCO will provide for affordable service that meets the guidelines set forth in the Commission's CAP Policy Statement; will more efficiently utilize ratepayer-supplied funding to direct benefits towards those customers who are most in need; and will provide for a CAP Shopping platform that will balance the interests of CAP customers and non-CAP residential customers who pay the costs of the program.[15]

Following the implementation of the FCO, PECO continues to host quarterly meetings with its Universal Services Advisory Committee[16] to discuss implementation of the USECP, receive stakeholder feedback and discuss potential changes and improvements to the USECP.

PECO understands that the Commission has directed BCS to initiate a study to determine what constitutes an affordable energy burden for Pennsylvania's low-income households and if changes to the Commission's Policy Statement or other USECP guidelines are required.[17] If the Commission-established energy burden is changed, PECO's new CAP structure has a "pass through" clause allowing for automatic implementation. Notably, for every 1% decrease to the energy burden (e.g., if the maximum contribution of a low-income customer is reduced from 5% of his or her income to 4%), PECO estimates that its residential customers will experience a $16 million (20%) increase in CAP costs. If that $16 million were recovered from customers through the USFC as part of the CAP shortfall (i.e., CAP costs not otherwise recovered through base

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[15] Office of Consumer Advocate's Statement in Support of Settlement, *PECO Energy Company Universal Service and Energy Conservation Plan for 2013-2015 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2012-2290911, p. 8; *see also* Statement of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania in Support of Settlement, Docket No. M-2012-2290911, p. 6 (explaining that "the complete package, while not yet achieving full energy burden compliance for all CAP participants, has been arrived at through negotiation and compromise" and CAUSE-PA "believes the FCO design satisfactorily addresses the varied interests and issues in this proceeding while increasing affordability over the existing PECO program.").

[16] The following entities are represented on the committee: BCS, OCA, Community Legal Services, the Pennsylvania Utility Law Project, Philadelphia Corporation for Aging, the Energy Coordinating Agency of Philadelphia, the Energy Association of Pennsylvania, Bucks County Opportunity Council, Community Action Agency of Delaware County, Montgomery County Community Action Development Commission, Utility Emergency Services Fund, and Mason-Dixon Cares of York County.

[17] *See supra* n. 2.

rates), the average non-CAP residential customer would pay an additional $0.91 per month or $10.92 per year.

In addition to detailing the new CAP structure, the Joint Settlement also provided a timetable for evaluation and reporting. Expert external evaluation requires two full calendar years of operational data (through December 2018) plus a six-month period for data analysis and evaluation. The evaluator's report will be provided to the Commission, the parties to the Joint Settlement, and PECO's Universal Services Advisory Committee by June 30, 2019.[18]

Collecting sufficient data for meaningful expert analysis is critical to the success of the program. Given the significant investment in the CAP FCO by PECO, its customers, and participating stakeholders, PECO believes that it is imperative for the CAP FCO to continue without change through the completion and review of the June 2019 evaluator's report as envisioned in the Joint Settlement approved by the Commission.

B. LIURP

LIURP is an electric and gas usage reduction program for low income, residential customers with household gross income at or below 200% of the FPL and high usage. LIURP assistance includes direct weatherization and conservation measures as well as in-home education that promote usage reduction for the customer. High usage CAP customers are required to participate in LIURP, and PECO will also refer LIURP participants to CAP, LIHEAP, MEAF, and other appropriate low-income programs.[19] PECO expects to enroll around 10,000 customers annually, and the program's annual budget is $7,850,000 ($5,600,000 for electric and $2,250,000 for gas).[20]

[18] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, pp. 11, 25.

[19] PECO strives to coordinate its efforts with the Pennsylvania Weatherization Assistance Program ("WAP"), but that coordination is hindered by the fact that WAP frequently has long backlogs.

[20] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, p. 15.

PECO submits a third-party evaluation of its LIURP to the Commission each year. In April of 2017, PECO submitted its 2015 LIURP Evaluation Final Report (the "2015 Report"). The 2015 Report found that PECO's LIURP had a positive impact on both energy affordability and bill payment for program participants, with the percent of the total bill that participating customers paid increasing by seven percent. The 2015 Report also reviewed savings from LIURP projects as compared to previous years. Percentage savings from electric baseload jobs and electric heating projects were about the same as the historical average, but the pre-treatment usage was lower so the overall energy savings were lower. Savings from the gas heating projects also declined as compared to the historical average.[21]

PECO is employing a variety of strategies to comprehensively address the decline in measured LIURP savings. First, PECO and its implementation contractor have made many improvements to LIURP in 2015 and 2016 to improve both savings and participants' satisfaction. Improvements included new and additional subcontractors; use of contractor in-house staff for installations on smaller jobs; improved training, oversight, and quality control for both contractor in-house staff and for their subcontractors; and use of tablets to collect data in the field which allowed for additional verification and more accurate job data. The expectation is that the external evaluation for 2016 program year, which is not yet complete, will demonstrate that these improvements yielded higher savings in 2016.

PECO is taking additional steps to encourage landlords to allow PECO customers who are tenants to participate in LIURP. In partnership with an association of rental property owners in PECO's service territory, PECO has conducted educational forums where a landlord can learn about the Company's USECP and receive a consent form to permit tenant participation in

[21] *See generally,* Applied Public Policy Research Institute for Study and Evaluation (APPRISE) PECO Energy 2015 LIURP Evaluation Final Report, April 2017.

LIURP. These forums have been very successful, with more than half of the landlords who attend subsequently providing an executed consent form to PECO. PECO also continues to assess and identify additional LIURP measures with a goal of providing more comprehensive services to participants and increasing program savings, and recently piloted a program for replacement of inefficient freezers which included freezer delivery, installation, and consumer education about freezer care and maintenance.

Second, as part of the Company's efforts to use a holistic approach when addressing low-income customer issues, PECO has developed an innovative pilot program to address de facto heating in low-income households.[22] De facto heating refers to households with non-heating electric accounts (Rate R) that use electricity for heat because their primary heating source (e.g., oil, gas, propane) is inoperable or unaffordable. Many of these households use potentially unsafe and inefficient electric space heaters when their primary heating source is unavailable, which can increase a customer's electric bill and compound any existing payment trouble.

The Commission has commended PECO for tackling de facto heating issues,[23] and PECO will begin implementing this three-year pilot program in October of 2017.[24] Participants will receive measures such as heater repair or replacement, air sealing and weatherization and be provided with information about the appliance installed, applicable warranty, maintenance and expected usage reduction.[25] The Company has dedicated an additional $700,000, outside of the

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[22] PECO committed to implement a de facto heating pilot as part of the settlement in its 2013-2015 USECP proceeding at Docket No. M-2012-2290911.

[23] *PECO Energy Company Universal Service and Energy Conservation Plan for 2016-2018 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2015-2507139 (Order entered August 11, 2016), p. 45.

[24] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, p. 16.

[25] On June 23, 2017, PECO filed an addendum to its 2016-2018 USECP providing finalized implementation details about the de facto heating pilot. Parties were permitted to file comments regarding these details up until July 21, 2017. *PECO Energy Company Universal Service and Energy Conservation Plan for 2016-2018 Submitted in Compliance with 52 Pa. Code §§ 54.74 and 62.4*, Docket No. M-2015-2507139 (Secretarial Letter dated July 6,

general LIURP budget, to implement the pilot and may spend up to another $1 million. PECO will also host a review of the pilot with members of the Universal Services Advisory Committee prior to implementation.

Third, PECO supports the ability of utilities to use a limited amount of LIURP funds to address relatively minor health and safety issues that can present challenges in implementing LIURP. When PECO encounters major health and safety issues in a home, such as structural concerns or flooding, the issue is referred to the appropriate agency or non-LIURP programs. Other more minor health and safety issues, such as pests, mold or the absence of a carbon monoxide detector, can prevent the LIURP team from safely introducing energy usage reduction measures. PECO believes that the Commission should allow (but not require) utilities to use a limited amount of LIURP funds to remediate minor health and safety issues. Such remediation would allow utilities to reach the next tier of usage reduction opportunities. For example, a carbon monoxide detector must be installed prior to the installation of a gas furnace under LIURP. If PECO can use LIURP funds to install detectors, more customer homes will be available to receive a gas furnace.

A particular challenge on the gas side of LIURP is cost-effectiveness – gas costs are low, measure costs can be significant, and the payback period required by Commission regulations is often shorter than the useful life of the measure. In particular, Section 58.11 of the Commission's regulations[26] provides that the installation of a program measure is considered appropriate if it is not already present and performing effectively and when the energy savings derived from the installation will result in a simple payback period of seven years or less, or twelve years or less for certain insulation and replacements of space heating systems, water

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2017). As of the date of these Comments, the Commission has not directed PECO to revise its pilot implementation plan.

[26] 52 Pa. Code § 58.11.

heaters, and refrigerators. PECO believes that the existing payback requirements, which are often significantly shorter than the actual life of the measure, are placing a constraint on the ability of the utility to deliver meaningful savings opportunities to low-income customers. As the Company has stated in its Comments in the ongoing LIURP regulations proceeding,[27] PECO believes that the life of a measure should be the median number of years that the measure is in place and operable. If LIURP programs are able to utilize the full useful life of the measure in question when determining whether it should be installed, much greater latitude will be given to install measures that, over their full life, are warranted by the energy savings they provide.

C. CARES

PECO's CARES program is a referral and information service designed to assist low-income customers with special needs and/or extenuating circumstances that hinder their ability to pay their utility bill. When appropriate and with the goal of maximizing the ability of customers to pay their energy bills, eligible customers receive temporary protection from termination of service and specific education and referral information for energy and non-energy related assistance.

There are two components to PECO's CARES program. First, PECO maintains an extensive referral network of community organizations, government agencies, and social service agencies that assists low-income customers. The second component is an in-house assistance program that includes Universal Services' CARES administrators. PECO's three dedicated CARES administrators assist customers on a personal basis with the identification of grant assistance and direct referrals. CARES administrators work with individual customers to ensure the customer receives the assistance they are eligible for based upon their income and

[27] *Initiative to Review and Revise the Existing Low-Income Usage Reduction Program (LIURP) Regulations at 52 Pa. Code §§ 58.1-58.18*, Docket No. L-2016-2557886, January 20, 2017 Comments of PECO Energy Company, p. 20.

circumstances and will provide direct follow-up to the customer as appropriate. Follow-up may also be conducted with the agency accepting the CARES referral.

The annual budget for CARES is approximately $315,000, and PECO projects that the program will serve approximately 2,500 customers annually.[28]

D. MEAF

MEAF is PECO's hardship fund program. Customers or interested parties can pledge donations through monthly bill payment, a contribution brochure, special events, or the PECO website, and Company shareholders match those contributions dollar-for-dollar. Residential customers whose income is at or below 175% of the FPIG, who have not received a MEAF grant in the past 24 months, who are in imminent danger of service termination or their services have been terminated, and who can bring their balance to zero are eligible for a MEAF grant. The maximum MEAF grant is five hundred dollars per commodity. MEAF has an annual budget of approximately $830,000. PECO has historically served approximately 1,000 customers per year, but the unpredictability of customer donations makes it difficult to estimate enrollment levels over the current 2016-2018 USECP period.[29]

In an effort to bolster funding for customers in a hardship situation, PECO also leverages a supplemental hardship program that partners with nonprofit agencies (primarily agencies that distribute PECO's MEAF funds) called the Governmental Grant Assistance Program ("GGAP"). Under the program, PECO matches, dollar for dollar, the state or federal funding received by partner agencies for customers in a hardship situation (e.g., where utility service could be terminated for non-payment). Originally targeted as a pilot program to provide additional

[28] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, pp. 19, 25.

[29] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, pp. 17, 25. PECO's MEAF matching contribution, currently $250,000 per year, is not recovered from customers.

resources to the MEAF program, GGAP was approved as an ongoing program in 2011. In recent years, PECO's annual matching contribution has been approximately $200,000.

E. LIHEAP

LIHEAP is a federally-funded program administered by the Commonwealth's Department of Human Services ("DHS") which helps low-income households meet their home heating needs. There are three components to LIHEAP: cash benefits to help eligible households pay for their home-heating fuel; crisis payments to resolve weather-related, supply shortage, and other household energy-related emergencies; and energy conservation and weatherization measures to provide long-term solutions to home-heating challenges for low-income households. Although not a PECO program *per se*, as part of its USECP, PECO supports the administration of LIHEAP cash and crisis grants.[30] PECO's annual budget for LIHEAP administration is $966,000, and includes costs for customer outreach (such as direct mail, application assistance, and advertising), maintenance of a LIHEAP hotline, and contract workers to interface with PECO customers and the local County Assistance Offices that administer the grants.[31] Additionally, PECO supports advocacy at both the state and federal level regarding the funding (federal) and administration (state) of the program.

Customers that direct LIHEAP grants to PECO receive benefits ancillary to the grant itself. For Crisis Grant recipients, in accordance with PECO's vendor agreement with DHS, PECO suspends both accrual of late payment charges and termination of service for duration of the LIHEAP season or until May 1, whichever is longer. PECO also send letters and CAP applications to customers who receive a LIHEAP grant but who are not enrolled in PECO's CAP program. Thus, enrollment in PECO's CAP FCO program can be facilitated by receipt of a

[30] Weatherization is administered by local agencies to provide heater repair/replacement and additional measures.

[31] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, pp. 21, 25.

grant. Customers receiving LIHEAP Crisis grants may also be eligible for a deferred payment agreement if the grant does not satisfy the customer's balance.

Federal funding for LIHEAP grants is subject to change each year. When funding is reduced, low-income customers have less access to financial and weatherization assistance, putting increased pressure on the Company's universal service programs. If the Commission determines that cuts in LIHEAP warrant an offsetting reduction in the energy burden, the increase in CAP costs would be significant. As noted earlier, for every 1% decrease to the energy burden, PECO estimates that its residential customers will experience a $16 million (20%) increase in CAP costs.

F. Costs

As noted above, the total annual cost of PECO's 2016-2018 USECP is approximately $110 million.[32] These costs are recovered from all residential customers through a combination of base rates and the USFC. For an average residential customer (using 700 kWh or 8 MCF monthly), universal service costs are $5.48 per month for electric and $3.37 per month for gas. The annual budget for each of the major USECP components discussed in these Initial Comments is as follows:

[32] PECO's Revised USECP for 2016-2018 submitted January 18, 2017, Docket No. M-2015-2507139, p. 25.

Program	Approximate Annual Budget
CAP	$100 million
LIURP	$7.85 million
CARES	$315,000
MEAF	$830,000[33]
LIHEAP Administration	$966,000

G. Coordination With PECO's Act 129 Energy Efficiency And Conservation Program

Since 2009, PECO has coordinated LIURP with its Act 129 Energy Efficiency and Conservation Program. PECO uses funds from its Act 129 Low-Income Energy Efficiency Program to install additional non-LIURP-eligible energy efficiency measures for LIURP participants. This coordination can reduce program costs, lost wages and inconvenience to participants, and help ensure that low-income households receive the most comprehensive energy efficiency measures.

H. Implementing Changes To USECP Requirements

On July 14, 2017, the Commission issued a Staff Report prepared by the Law Bureau, with the assistance of BCS, which outlines the statutory, regulatory, and policy frameworks of existing universal service and energy conservation programs in Pennsylvania.[34] PECO believes the Staff Report provides a very useful historical overview of USECP developments and the

[33] PECO's MEAF matching contribution, currently $250,000 per year, is not recovered from customers.

[34] *See* Staff Report, *Review of Universal Service and Energy Conservation Programs*, Docket, No. M<-2017-2596907 (July 14, 2017).

current and recurring Commission proceedings that could be affected by decisions made as part of the Commission's comprehensive USECP review.

The Staff Report also summarizes the various processes by which existing USECP frameworks may be changed in the future, including revisions to Commission policy statements, formal Commission rulemaking, and the enactment of new laws at the discretion of the General Assembly and subject to approval by the Governor.[35] In the event the Commission determines to take any action as a result of this proceeding, PECO respectfully recommends that the Commission utilize a formal rulemaking process. A formal rulemaking process would provide an opportunity for the Commission to review existing (and non-binding) policy statements with the goal of establishing comprehensive regulations for utilities. To the extent necessary, the Commission could support legislation to remove any uncertainties regarding the Commission's authority or the scope of universal service obligations.

PECO also believes that changes to the USECP filing cycle would be an appropriate area for consideration by the Commission in these proceedings and in a subsequent formal rulemaking. Currently, PECO files its suite of universal service programs for Commission approval every three years.[36] In addition, PECO (and other utilities) are required to file an external evaluation of their universal service programs on a schedule not to exceed six years.[37] It is sometimes the case that Commission approval of the Plan is delayed, at times until after the Plan is scheduled to take effect. In order to address this concern, the Commission should consider altering the periodicity of both the USECP filing schedule and the filing of the

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[35] *See id.*, pp. 14-17.

[36] See 52 Pa. Code §§ 54.74, 62.4.

[37] See 52 Pa. Code §§ 54.76.

associated external evaluation to five or six years.[38] This schedule would allow PECO (and other utilities) to complete an external evaluation in the year prior to the filing of their next plan so that each USECP Plan would be based upon the findings of the just-completed external evaluation. This schedule would also reduce the Commission's overall workload. On the current three-year filing schedule, each year the Commission must review USECP plans for 1/3 of the utilities in the Commonwealth; under a five- or six-year schedule, the Commission would only need to review USECP plans for 1/5 or 1/6 of the utilities each year.

III. CONCLUSION

PECO appreciates the opportunity the Commission has provided to offer these Comments on universal service programming and looks forward to working with the Commission and interested stakeholders on this important initiative.

Respectfully submitted,

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Dated: August 8, 2017

[38] Similar alterations of Plan filings were made for PECO's Energy Efficiency and Conservation Plan and Default Service Program. *See Petition of PECO for Approval of its Act 129 Phase III Energy Efficiency and Conservation Plan*, Docket No. M-2015-2515691 (Opinion and Order entered March 16, 2016) (expanding EE&C filing from every three years to every five years); *Petition of PECO Energy Company for Approval of its Default Service Program for the Period from June 1, 2017 through May 31, 2021*, Docket No. P-2016-2534980, p. 10 (Opinion and Order entered December 8, 2016) (expanding default service plan filing from every two years to every four years).

BEFORE THE
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Review of Universal Service	:	
And Energy Conservation Programs	:	**Docket No. M-2017-2596907**
	:	

CERTIFICATE OF SERVICE

I hereby certify and affirm that I have this day served a copy of the foregoing Initial Comments of PECO Energy Company in the matter specified in accordance with the requirements of 52 Pa. Code § 1.54:

via first class mail and/via email (where noted)

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Dated: August 8, 2017

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