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# Addressing Affordability for Low-Income Customers

*NEUAC Conference June 2017*

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## PECO Universal Service Programs – Overview

- q PECO manages the largest and most comprehensive suite of Low-Income programs in the Commonwealth of Pennsylvania.
- q PECO helps more than 150,000 low-income customers each year with various programs to ensure electric and gas service is affordable.
- q PECO has 5 distinct programs available to assist low-income customers.
- q PECO moved to a new Customer Assistance Program (CAP) in October 2016.
- q Approximately 130,000 customers are currently benefiting from PECO's CAP.
- q The new CAP program addresses affordability findings in a previous evaluation.
- q On a high level, the new CAP program provides customers with a “**monthly credit**” on their PECO bill instead of the previous “**percent discount**” program.

# Current Universal Service Programs

## PECO Low Income Programs

PECO manages the largest suite of low-income programs in the state of Pennsylvania providing needed assistance to our low-income customers. We help more than 150,000 customers each year with providing affordable bills, energy efficiency and weatherization help, and grants.

PECO offers five (5) assistance programs for low income customers:

- § **LIURP** Low-Income Usage Reduction Program
- § **LIHEAP** Low-Income Home Energy Assistance Program
- § **MEAF** Matching Energy Assistance Fund
- § **CARES** Customer Assistance Referral & Evaluation Services
- § **CAP** Customer Assistance Program

# CAP History – The Beginning

1984

PECO's CAP began. Customers paid one set minimum charge each month.

2000

Participation in the CAP Rate program grew to about 83,000 customers. PECO also entered into the PECO/ Unicom Merger Settlement, continuing the CAP Rate as an “open enrollment program” with a maximum participation level of 125,000 customers.

2003

The PUC approved the addition of 3 new levels to PECO's CAP Rate, (CAP Rates A, B and C) for customers with total household gross income levels at or below 50% of the Federal Poverty Level (FPL), referred to as “Special Needs” customers, or the “poorest of the poor.”

2005

CAP participation increased to approximately 103,000 customers, making PECO's program the largest Universal Services program in Pennsylvania.

## CAP History – Recent Updates

2008

PECO made significant enhancements to Gas CAP. PECO agreed to expand its gas CAP Rate program to apply the CAP discount to the full gas bill instead to just the distribution portion of the bill.

2012

In 2012, the 2<sup>nd</sup> Universal Services' 6-Year Evaluation was conducted on all PECO Universal Services' programs. The evaluation revealed that the current **PECO CAP Rate program failed to meet PUC affordability guidelines**. That same year, PECO filed its 3-Year Plan for calendar years 2013 – 2015. The 2012 3-Year Plan was challenged based on affordability findings in the 2012 6-Year Evaluation.

2014

PECO initiated meeting(s) with interested parties including Low-Income Advocates; **Multiple programs were considered. All parties settled on a new program – CAP FCO – Fixed Credit Option.**

## CAP Current

2015

The Pennsylvania PUC approved a multi-party settlement related to PECO's 2013-2015 Universal Services' 3-Year Plan. In that Order, the PA PUC approved PECO to implement CAP Fixed Credit Option – FCO.

2016

In October 2016, PECO implemented the new CAP FCO Program. The move from PECO's existing CAP Rate to the CAP FCO method represents a fundamental change in the CAP approach and structure. **It is intended to make the cost of utility service more affordable.** The FCO is based on PUC affordability guidelines.

# CAP Changes



## Changes to the Customer Assistance Program (CAP)

- q CAP changes were made to help make electric and natural gas service more affordable for low-income customers.
- q Previously, PECO CAP customers received a **discounted rate** on their electric and/or natural gas services.
- q With the new CAP FCO, instead of a discounted rate, CAP customers receive a **credit** on their monthly PECO bill. The credit is based on the customer's total household income and the amount of energy used. Customers began to see the credit on their November 2016 PECO bill.
- q Even though CAP changed, program eligibility and requirements remained the same.
- q Total cost of the program remain the same as well – there is just a “redistribution” of benefits.

# CAP Program Eligibility & Requirements

## ***CAP Eligibility will not change:***

- ∅ \*Have PECO as your energy supplier.
- ∅ Total gross household income at or below 150 percent of the Federal Poverty Level (FPL).

## ***CAP Requirements will also not change:***

- ∅ Pay your PECO bill in full and on time each month.
- ∅ Recertify and verify total gross household income every two years.
- ∅ Apply for the Low-Income Home Energy Assistance Program (LIHEAP) each year.
- ∅ Participate in the Low-Income Usage Reduction Program (LIURP) if household is considered to be a high energy user.
- ∅ Report any change in your total gross household income to PECO right away.

\* Note: CAP customers are currently not allowed to shop for alternate energy suppliers in PECO service territory

# Program Eligibility and Requirements

<b>Category</b>	<b>Current CAP</b>	<b>New CAP</b>	<b>Difference</b>
<b>Monthly Benefit</b>	% Discount	Monthly Credit	% Discount vs. Credit
<b>How credit determined</b>	FPL only	FPL & Usage	Added Usage
<b>Eligibility</b>	150% FPL	150% FPL	No Change
<b>Arrearage Forgiveness</b>	Yes	Yes	No Change
<b>Program Requirements</b>	<ul style="list-style-type: none"> <li>· Recertify every 2 years</li> <li>· Apply for LIHEAP</li> <li>· Participate in LIURP</li> <li>· Pay bill on time</li> <li>· Report changes to income</li> </ul>	<ul style="list-style-type: none"> <li>· Recertify every 2 years</li> <li>· Apply for LIHEAP</li> <li>· Participate in LIURP</li> <li>· Pay bill on time</li> <li>· Report changes to income</li> </ul>	No Change

# New CAP Credit Calculation Inputs

# CAP Credit Calculation

A customer's CAP credit is determined and applied to the customer's bill using the following three (3) pieces of information:

1. **Federal Poverty Level** (*FPL %*)
2. **Energy Burden** (*determined by customer's FPL & energy type*)
3. **Historic Usage** (*12 months*)

# 1. Federal Poverty Level (FPL) Guidelines

Income eligibility for PECO's programs are based on the Federal Poverty Level (FPL) guidelines. The Federal Government updates these guidelines every year.

## Monthly Federal Poverty Guidelines (FPL)

Size of Family	25% FPL	50% FPL	75% FPL	100% FPL	125% FPL	150% FPL	175% FPL	200% FPL	250% FPL
1	\$252	\$503	\$754	\$1,005	\$1,257	\$1,508	\$1,759	\$2,010	\$2,513
2	\$339	\$677	\$1,015	\$1,354	\$1,692	\$2,030	\$2,369	\$2,707	\$3,384
3	\$426	\$851	\$1,277	\$1,702	\$2,128	\$2,553	\$2,978	\$3,404	\$4,255
4	\$513	\$1,025	\$1,538	\$2,050	\$2,563	\$3,075	\$3,588	\$4,100	\$5,125
5	\$600	\$1,200	\$1,799	\$2,399	\$2,998	\$3,598	\$4,198	\$4,797	\$5,996
6	\$687	\$1,374	\$2,060	\$2,747	\$3,434	\$4,120	\$4,807	\$5,494	\$6,867
7	\$774	\$1,548	\$2,322	\$3,095	\$3,869	\$4,643	\$5,417	\$6,190	\$7,738
8	\$861	\$1,722	\$2,583	\$3,444	\$4,305	\$5,165	\$6,026	\$6,887	\$8,609
For each additional person, add:	\$88	\$175	\$262	\$349	\$436	\$523	\$610	\$697	\$871

## 2. Energy Burden

**Energy Burden** – The percentage of household income that should go towards energy bills  
*(Note: Percentages are determined by the Pennsylvania PUC)*

**Pennsylvania Public Utility Commission (PUC)**  
**Affordability Guidelines** (Note: PUC considering revising guidelines)

<b>CAP Energy Burden Percentages</b>				
<b>FPL Range</b>	<b>Electric</b>	<b>Electric Heating</b>	<b>Gas</b>	<b>Gas Heating</b>
<b>0-50%</b>	5%	13%	8%	8%
<b>51-100%</b>	6%	16%	10%	10%
<b>101-150%</b>	7%	17%	10%	10%

### 3. Historic Usage

- q Historical usage is the final piece of information needed to calculate a customer's CAP FCO annual credit.
  
- q When 12 months of prior usage is not available, PECO uses a “proxy” via the following means (*in order of preference*):
  - § Usage at that residence by the customer for the months available and actual usage by prior customers for the months unavailable.
  - § Usage at that residence by prior customers.
  - § System-wide usage (*CAP usage averages*).



# New CAP Credit Calculation & Assessment

# CAP Credit Calculation

<b>CAP Energy Burden Percentages</b>				
<b>FPL Range</b>	<b>Electric</b>	<b>Electric Heating</b>	<b>Gas</b>	<b>Gas Heating</b>
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Once the customer's **Energy Burden** is determined, the Energy Burden percentage is multiplied by the customer's verified gross household income amount. The resulting calculation is the customer's affordable **Annual Energy Burden**.

# CAP Credit Calculation - Example

An Electric customer with a FPL of 48% would calculate their affordable Annual Energy Burden as follows:

Annual Total Gross income	\$25,968.00
CAP FCO Electric Residential Heating Energy Burden	X 05%
<b>Annual Energy Burden</b>	<b>\$1,298.40</b>

Based on the PUC's determination of what is "affordable," this example shows that the customer can "afford" to pay \$1,298 of their annual income for their electric service over a 12 month period.

- § **If a customer's charges exceed their Affordable Energy Burden Amount, a CAP credit is applied to their bill. This credit method is designed to help keep the customer's utility cost within his/her Annual Energy Burden.**

# CAP Credit Calculation

## Determine the Customer's Annual Credit

PECO will use historical data to determine the difference between what the customer “**can afford to pay**” and what the “**previous year would have cost.**” The customer's Annual credit is calculated by subtracting the customer's Annual Energy Burden amount from the customer's previous year actual spend to arrive at the **Annual CAP Credit**.

Previous years' actual undiscounted billings	\$2,498
Annual Energy Burden – ( <i>i.e. PUC EB</i> )	-\$1,298
<b>Annual CAP Credit</b>	<b>\$1,200</b>

- ü The annual CAP credit is then divided up and applied to the customer's bills using an allocation chart that shows “likely” energy usage during the next 12 month period.

# CAP Credit Assessment Example

- q Using the (1) FPL, the (2) Annual Energy Usage, and the (3) Energy Burden, PECO will calculate a customer's annual credit.
- q This annual credit is divided across 12 months and applied to a CAP customer's bill each month.
- q Because energy usage changes due to the impact of seasonality, a larger credit is applied during months when customers normally use more energy.

## EXAMPLE (Heating)

Customer whose annual CAP credit is calculated to be \$1,200

Month	CAP Credit	Adjusted for Weather
January	\$100	\$200
February	\$100	\$200
March	\$100	\$125
April	\$100	\$100
May	\$100	\$75
June	\$100	\$25
July	\$100	\$25
August	\$100	\$25
September	\$100	\$25
October	\$100	\$75
November	\$100	\$125
December	\$100	\$200
<b>Total</b>	<b>\$1,200</b>	<b>\$1,200</b>

# CAP Credit Assessment

## Determine the Customer's Monthly Credit

Once the customer's annual CAP credit is determined, a monthly allocation is applied to the customer's monthly bill. The monthly allocation is based on the energy type per the table below:

Month	Rate R	Rate RH	Gas
Jan	9.6%	13.9%	20.6%
Feb	8.9%	14.2%	19.5%
Mar	8.9%	12.2%	14.5%
Apr	7.0%	9.0%	9.6%
May	5.8%	5.3%	4.5%
June	7.7%	5.2%	2.6%
July	11.3%	6.4%	2.0%
Aug	10.6%	5.9%	1.8%
Sept	9.3%	5.4%	2.0%
Oct	6.6%	4.5%	2.6%
Nov	6.6%	6.4%	6.9%
Dec	8.7%	11.7%	13.6%
<b>Total</b>	<b>100.0%</b>	<b>100.0%</b>	<b>100.0%</b>

These percentages best reflect “estimated” customer usage during the months in question.

# CAP Credit Maximums

## Maximum Annual CAP Credit Amounts

The PUC has determined Maximum Annual Fixed Credit amounts for each service type in an effort to reduce the number of CAP customers whose bills exceed the PUC's Energy Burden guidelines.

<b>CAP FCO Maximum Annual Fixed Credit Amounts</b>				
<b>FPL Range</b>	<b>Electric Residential Service</b>	<b>Electric Residential Heating Svc</b>	<b>Gas Residential Service</b>	<b>Gas Residential Heating Svc</b>
<b>0-50%</b>	\$2,187	\$2,922	N/A	N/A
<b>51-100%</b>	\$1,483	\$1,881	N/A	N/A
<b>101-150%</b>	\$1,325	\$1,661	N/A	N/A

*There is no maximum credit for gas service under PECO's current gas CAP program policy.*

# CAP Credit – Minimums

## Minimum Monthly CAP Bill Amounts

Minimum monthly bill amounts have been established for each CAP service type. If the PECO bill calculates to be less than the monthly minimum, the customer will pay the minimum.

As with the previous CAP program, the minimum monthly service charges below will apply:

<b>CAP Minimum Monthly Bill Amounts</b>			
CAP FCO Electric Residential Service	CAP FCO Electric Residential Heating Svc	CAP FCO Gas Residential Service	CAP FCO Gas Residential Heating Svc
\$12	\$30	\$10	\$25



# CAP FCO Reassessment

# CAP Reassessment & Recalculation

## CAP Re-Assessment

- q CAP FCO accounts are reassessed quarterly (*i.e. every three (3) months*) incorporating the most recent 3 months of consumption. By reassessing an account every three months, the new Annual Spend will be updated, creating a new baseline for comparison.
- q Unless a new verified financial statement is processed, the customer's energy burden will not change. Once the account is re-calculated, the customer's new, annual, FCO and projected monthly credit amounts for the next 12 months will be applied to the customer's next PECO bill automatically.

# LIHEAP / CAP Enrollment & Recertification

# LIHEAP CAP Enrollment & Recertification

## LIHEAP CAP Enrollment

- q LIHEAP customers are no longer auto-enrolled in CAP with the new CAP FCO program. *This is because PECO needs customer financial information to calculate the FCO benefit.*
- q Instead, a non-CAP customer who receives a LIHEAP grant is mailed a “CAP auto-solicitation” letter and CAP application after the LIHEAP grant is posted to the customer’s account. The letter advises the customer that as a result of being a LIHEAP grant recipient they may be eligible for CAP.

## LIHEAP CAP Re-certification

- q Customers continue to be automatically eligible for CAP recertification when they receive a LIHEAP grant(s) for the current LIHEAP season. Customers will need to complete a CAP application at least every three (3) years.

# CAP PhaseOut

# PhaseOut Accounts

- q Under the new CAP FCO program, eligible CAP customers receive a credit on their bill based on their Energy Burden. Accordingly, some CAP customers may not be eligible for a monthly CAP credit.
- q Phase-out accounts remain enrolled on CAP and continue to receive the benefits of CAP (*i.e. PPA forgiveness, LIURP priority, etc.*).
- q Since the FCO credit is reassessed quarterly, phase-out accounts could be entitled to a monthly CAP credit with future quarterly reassessments. For these reasons, phase-out customers are encouraged to recertify on their anniversary date.
- q Phase out customers continue to remain on CAP unless one or more of the following occurs:
  - Ø Failure to recertify
  - Ø Failure to submit to a LIURP audit
  - Ø Theft of Service
  - Ø Over Income Guidelines (OIG)
  - Ø Customer request to be removed from CAP

# Impact of CAP Conversion to FCO

# Impact of CAP Conversion to FCO

- q Cutover to FCO on the night of October 13, 2016 had a 99% success rate!
- q Since implementation, roughly 1,000 phaseout customers have complained, but transition otherwise seamless
- q A few minor issues with some customer's Budget Bills, but generally a good transition
- q Customer calls and responses to stimuli (*i.e. letters, start of cut season, etc.*) did not materialize as predicted
- q Customer behavior is unpredictable – Forecasted an extra 60K calls in months prior to May 2017, but the bulk of those calls did not materialize in the months predicted. Many of those calls actually came “in” the month of May 2017
- q Still tracking project from various perspectives (*i.e. customer satisfaction, bad debt impacts, affordability analysis, etc.*) – will continue to document impacts



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