



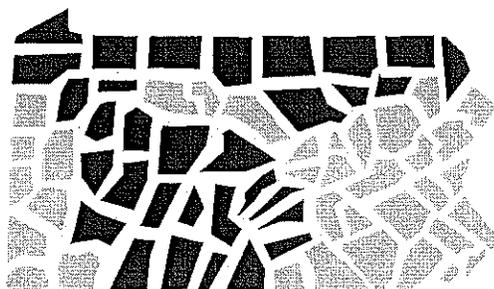
Human Services

Final

Universal Service & Energy Conservation Plan

Program Years 2012, 2013 and 2014

Pennsylvania Electric Company



March 29, 2012

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Introduction

Pennsylvania Electric Company's ("Penelec" or the "Company") amended and updated Universal Service and Energy Conservation Plan filing is being provided to the Pennsylvania Public Utility Commission ("Commission") in accordance with the 52 Pa. Code Chapter 54 Reporting Requirements for Universal Service and Energy Conservation Programs as published in the Pennsylvania Bulletin on August 8, 1998.

This amended Plan contains a summary of program enhancements as found on Pages 31 and 32, and a correction to the Eligibility Requirements on Page 14.

Also in accordance with these reporting requirements, the Company contracted with H. Gil Peach & Associates / Scan America to conduct a Penelec Universal Service Programs Impact Assessment during 2010, in advance of developing this 3-Year Plan. The basic findings of the evaluation were as follows:

1. All programs are operating in full conformance with the policy guidance of BCS, the PA Code, and Program Plans as approved, except for re-certification. There is a basic need to restore the PA Customer Assistance Program ("PCAP") electronic data exchange which has been discontinued by the PA Department of Public Welfare ("DPW");
2. The appropriate population is being served;
3. PCAP retention rates are quite good;
4. PCAP effectively links to other assistance programs;
5. Control features yield effective cost control;
6. PCAP effectively links to LIURP/WARM;
7. Collection on missed PCAP payments is timely;
8. The Commission approved default procedures are being followed;
9. Participation in PCAP decreases terminations;
10. Participation in FirstEnergy Universal Service Programs decreases collection costs;
11. PCAP is cost effective;
12. PCAP is an optimized program, the structure of which is mathematically optimized to control cost and is the best known model;
13. PCAP could benefit from changes such as automatic program enrollment, automatic re-certification, more general data linking, quarterly recalculation of benefits, and moving to five year re-certification; and
14. PCAP is inherently sufficiently funded because it is funded through a rate rider (Universal Service Cost – Rider C).

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

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

To assist with achieving these goals and with developing the Company's portfolio of assistance and energy conservation programs, the Company has enlisted the services of three advisory panels.

Universal Service Programs Advisory Panel Members – Eastern Pennsylvania

- | | |
|--|--------------|
| 1. Caring Company | – York |
| 2. Community Progress Council of Hanover | – Hanover |
| 3. Community Progress Council of York | – York |
| 4. Families First | – Pen Argyl |
| 5. New Hope Ministries | – Dover |
| 6. Pike County Human Development | – Milford |
| 7. Salvation Army | – Reading |
| 8. Salvation Army | – York |
| 9. South Central Community Action | – Gettysburg |

Universal Service Programs Advisory Panel Members – Western Pennsylvania

- | | |
|--|----------------|
| 1. Blair County Community Action | – Altoona |
| 2. Catholic Charities | – Johnstown |
| 3. Central PA Community Action | – Clearfield |
| 4. Community Action | – Punxsutawney |
| 5. Community Action Partnership | – Sharon |
| 6. Dollar Energy Fund | – Pittsburgh |
| 7. Erie County Housing Authority | – Corry |
| 8. Greater Erie Community Action Council | – Erie |
| 9. Saint Martin's Center | – Erie |
| 10. Salvation Army | – Sharon |

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

WARM Advisory Panel Members – Statewide

- | | |
|--|---------------|
| 1. Action Housing, Inc. | – Pittsburgh |
| 2. Central PA Community Action | – Clearfield |
| 3. Community Action Committee of the Lehigh Valley | – Bethlehem |
| 4. Dauphin County Weatherization | – Millersburg |
| 5. EIC/Comfort Home | – Lancaster |
| 6. Harron's Insulation and Ceilings, Inc. | – Reading |
| 7. Pure Energy, Inc. | – Lancaster |
| 8. Solair Energy, Inc. | – Ralston |
| 9. South Central Community Action Program | – Gettysburg |
| 10. Warren Forest Counties EOC | – Warren |

The Company will continue to work with eligible customers in establishing affordable payment agreements that maintain electric service and move them toward self-sufficiency in paying their electric bill.

Retail shopping will not preclude participation in Universal Service and Energy Conservation Programs or the protections afforded to residential customers pursuant to the provisions of 52 Pa. Code Chapter 56, and 66 Pa. C. S. §1401 et seq. (Responsible Utility Customer Protection Act – Chapter 14).

This plan describes the Company's portfolio of Universal Service and Energy Conservation programs for Calendar Years 2012, 2013 and 2014, including program enhancements or modifications which will be adopted upon Commission approval.

Customer Assistance and Referral Evaluation Services (“CARES”)

2010 Impact Assessment recommendations and resolutions for the Penelec CARES Program:

#	Recommendation	Resolution	Rationale
1	Add a “PCAP Vulnerable” category to Chronicles for use by CARES reps.	Rejected by Penelec & the Advisory Panels	CARES is not intended for long-term tracking and intervention, or to supplement curtailed government programs.
2	Add two CARES representatives	Rejected by Penelec & the Advisory Panels	Cost prohibitive. CARES is not intended to supplement curtailed government programs.
3	Develop a CARES tracking system	Accepted by Penelec & the Advisory Panels	Referrals should be tracked for future reference.

There were no additional recommendations from the Universal Service Advisory Panels.

A. Overview and Objectives

The CARES Program provides assistance on a short-term basis to payment-troubled residential customers. Based upon the circumstances, Company CARES representatives make referrals to social service agencies and provide information on appropriate Company and/or external programs. Many CARES referrals are subsequently enrolled into the Pennsylvania Customer Assistance Program (“PCAP”). Over the past several years, CARES has evolved into a component of PCAP, with additional follow-up being performed when necessary in cooperation with the social service agencies whose services are required.

B. Eligibility

Any customer experiencing a recent hardship such as:

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

C. Tracking

The Chronicles automated case management system will be used to track referrals to the CARES Program and the actions taken in response to customers’ situations.

D. CARES Organizational Structure

	Human Service Department Positions PA, NJ, NY & OH Programs	Employee Work Location	Percent of Time Spent On The Penelec CARES Program
1	Manager – Compliance & Human Services	Reading PA	Managerial Oversight
2	Senior Administrative Assistant	Reading PA	0%
3	Supervisor – Energy Conservation Programs	Reading PA	0%
4	Supervisor – Universal Service Programs	Reading PA	Minimal – Supervisory
5	Senior Business Analyst	Reading PA	0%
6	Senior Business Analyst	Reading PA	0%
7	Advanced Business Analyst	Clark PA	1% - Account Maintenance / Billing
8	Advanced Business Analyst	Reading PA	Time Spent on New Jersey Programs Only
9	Advanced Business Analyst	Reading PA	Time Spent on PA Act 129 Programs Only
10	Business Analyst	Reading PA	0%
11	Business Analyst	Reading PA	0%
12	Associate Business Analyst	Akron OH	Time Spent on Ohio Programs Only
13	Associate Business Analyst – CARES Rep	Altoona PA	1% - Case Management
14	Associate Business Analyst – CARES Rep	Easton PA	Case Management Back-Up for Erie & Altoona
15	Associate Business Analyst – CARES Rep	Reading PA	Case Management Back-Up for Erie & Altoona
16	Assistant Business Analyst – CARES Rep	Erie PA	1% - Case Management
17	Assistant Business Analyst – CARES Rep	Towanda PA	1% - Case Management
18	Senior Customer Associate – Phone Group	Reading PA	Minimal Time Spent on Incoming Phone Calls
19	Customer Associate – Phone Group	Reading PA	Minimal Time Spent on Incoming Phone Calls
20	Customer Associate – Phone Group	Reading PA	Minimal Time Spent on Incoming Phone Calls
21	Customer Associate – Phone Group	Reading PA	Minimal Time Spent on Incoming Phone Calls
22	Customer Associate – Phone Group	Reading PA	Minimal Time Spent on Incoming Phone Calls
23	Customer Associate – Phone Group	Reading PA	Minimal Time Spent on Incoming Phone Calls

Dollar Energy Fund

There were no 2010 Impact Assessment recommendations for the Penelec Dollar Energy Fund.

Universal Service Advisory Panels' Recommendations for the Penelec Dollar Energy Fund:

#	Recommendation	Resolution	Rationale
1	Refer to program as "fund of last resort with respect to LIHEAP" rather than "fund of last resort."	Accepted by Penelec	Will help eliminate problems with combining funds from various sources for community-based organizations, because all funding sources want to be the "fund of last resort."
2	Memorialize the Company's policy of making a program eligibility guideline exception for ratepayers assigned to active military duty, and use the residing spouse's Military ID as proof of military assignment.	Accepted by Penelec	The eligibility guideline, "name on account must be an adult resident" does take into consideration a business partner assigned to active military duty.

A. Overview and Objectives

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

B. Dates of Operation

The Fund accepts applications in accordance with pre-established account status guidelines, or as long as funds remain available. Program dates are as follows:

- October 1 through November 30 - Service Terminated or Pending Termination
- December 1 through January 31 - Service Terminated
- February 1 through February 28 - Service Terminated or Pending Termination
- March 1 through September 30 - Open to All Customers*; or
- Service Terminated or Pending Termination; or
- Service Terminated; or
- Closed

* pending availability of funds

C. Maximum Grant Amount

One maximum grant of \$500 may be awarded to a customer during a program year.

D. Contacts and Administering Agencies

The FirstEnergy contact person is:

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

The Dollar Energy Fund contact person is:

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

E. Eligibility Guidelines

- Residential single home or apartment
- Name on account must be an adult resident²
- Total household income (gross) must be at or below 200% of the federal poverty income guidelines (exceptions will be made based on circumstances)
- Must have paid a minimum of \$150 on their account within the past 90 days (minimum of \$100 if over age 62)
- Account balance must be at least \$100 (senior citizens age 62 and over may have a \$0 balance, but not a credit balance) (exceptions will be made based on circumstances)
- Must provide income and expense information

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

²Residency exception will be made for ratepayers assigned to active military duty.

F. Dollar Energy Fund Organizational Structure:

	Human Service Department Positions PA, NJ, NY & OH Programs	Employee Work Location	Percent of Time Spent On The Penelec Dollar Energy Fund
1	Manager – Compliance & Human Services	Reading PA	Managerial Oversight
2	Senior Administrative Assistant	Reading PA	Minimal – Invoice Processing
3	Supervisor – Energy Conservation Programs	Reading PA	0%
4	Supervisor – Universal Service Programs	Reading PA	Minimal – Supervisory
5	Senior Business Analyst	Reading PA	1% - Grant Processing & Account Maintenance
6	Senior Business Analyst	Reading PA	0%
7	Advanced Business Analyst	Clark PA	5% - Fund Administration
8	Advanced Business Analyst	Reading PA	Time Spent on New Jersey Programs Only
9	Advanced Business Analyst	Reading PA	Time Spent on PA Act 129 Programs Only
10	Business Analyst	Reading PA	0%
11	Business Analyst	Reading PA	0%
12	Associate Business Analyst	Akron OH	Time Spent on Ohio Programs Only
13	Associate Business Analyst – CARES Rep	Altoona PA	Minimal Time Spent Making Customer Referrals
14	Associate Business Analyst – CARES Rep	Easton PA	Back-Up for Altoona, Erie and Towanda
15	Associate Business Analyst – CARES Rep	Reading PA	Back-Up for Altoona, Erie and Towanda
16	Assistant Business Analyst – CARES Rep	Erie PA	Minimal Time Spent Making Customer Referrals
17	Assistant Business Analyst – CARES Rep	Towanda PA	Minimal Time Spent Making Customer Referrals
18	Senior Customer Associate – Phone Group	Reading PA	Minimal Time Spent Making Customer Referrals
19	Customer Associate – Phone Group	Reading PA	Minimal Time Spent Making Customer Referrals
20	Customer Associate – Phone Group	Reading PA	Minimal Time Spent Making Customer Referrals
21	Customer Associate – Phone Group	Reading PA	1% - Grant Processing & Account Maintenance
22	Customer Associate – Phone Group	Reading PA	Minimal Time Spent Making Customer Referrals
23	Customer Associate – Phone Group	Reading PA	Minimal Time Spent Making Customer Referrals

Note: The majority of customer referrals are made from the Revenue Operations Contact Center.

Gatekeeper Program

There were no 2010 Impact Assessment or Universal Service Advisory Panel recommendations for Penelec's Gatekeeper Program.

A. Overview and Objectives

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

B. Eligibility Guidelines

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

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

C. Gatekeeper Organizational Structure

	Human Service Department Positions PA, NJ, NY & OH Programs	Employee Work Location	Percent of Time Spent On The Penelec Gatekeeper Program
1	Manager – Compliance & Human Services	Reading PA	Managerial Oversight
2	Senior Administrative Assistant	Reading PA	0%
3	Supervisor – Energy Conservation Programs	Reading PA	0%
4	Supervisor – Universal Service Programs	Reading PA	Minimal – Supervisory
5	Senior Business Analyst	Reading PA	0%
6	Senior Business Analyst	Reading PA	0%
7	Advanced Business Analyst	Clark PA	0%
8	Advanced Business Analyst	Reading PA	Time Spent on New Jersey Programs Only
9	Advanced Business Analyst	Reading PA	Time Spent on PA Act 129 Programs Only
10	Business Analyst	Reading PA	0%
11	Business Analyst	Reading PA	0%
12	Associate Business Analyst	Akron OH	Time Spent on Ohio Programs Only
13	Associate Business Analyst – CARES Rep	Altoona PA	Minimal Time Making Referrals for Assistance
14	Associate Business Analyst – CARES Rep	Easton PA	Back-Up for Altoona, Erie and Towanda
15	Associate Business Analyst – CARES Rep	Reading PA	Back-Up for Altoona, Erie and Towanda
16	Assistant Business Analyst – CARES Rep	Erie PA	Minimal Time Making Referrals for Assistance
17	Assistant Business Analyst – CARES Rep	Towanda PA	Minimal Time Making Referrals for Assistance
18	Senior Customer Associate – Phone Group	Reading PA	0%
19	Customer Associate – Phone Group	Reading PA	0%
20	Customer Associate – Phone Group	Reading PA	0%
21	Customer Associate – Phone Group	Reading PA	0%
22	Customer Associate – Phone Group	Reading PA	0%
23	Customer Associate – Phone Group	Reading PA	0%

PA Customer Assistance Program ("PCAP")

2010 Impact Assessment recommendations and resolutions for the Penelec PCAP:

#	Recommendation	Resolution	Rationale
1	Enlist the PA PUC's Bureau of Consumer Services (BCS) to restore the PA Department of Public Welfare's (DPW) electronic data exchange.	Accepted by Penelec and the Advisory Panels	The DPW data exchange is needed to help maintain PCAP cost-effectiveness and integrity.
2	Match PCAP income eligibility with the LIHEAP income eligibility.	Accepted ³ by Penelec and the Advisory Panels	Allows for automated PCAP enrollment and re-certification.
3	In the longer run, move to income (living wage) insufficiency adjusted by county, rather than the federal poverty criteria.	Rejected by Penelec and the Advisory Panels	This would be cost-prohibitive.
4	Increase PCAP subsidy (shortfall) limits for electric heat accounts, to be responsive to rates – even though the consumer price index (CPI) has not increased.	Rejected by Penelec and the Advisory Panels	The proposed 9% PCAP target payment goal for electric heat accounts is responsive to customers' financial needs. This would be cost-prohibitive.
5	Implement the DPW bill subsidy calculation requirements regarding LIHEAP, and develop a PCAP policy for customers that do not secure LIHEAP.	Accepted by Penelec and the Advisory Panels	The LIHEAP subsidy calculation changes were implemented in 2010. PCAP participants should be still required to apply for LIHEAP.
6	Reduce PCAP re-certifications to 5 years.	Rejected by Penelec and the Advisory Panels	Too long a period of time.
7	Recalculate monthly subsidy benefits quarterly, based on updated energy burden information.	Accepted ⁴ by Penelec and the Advisory Panels	Provides a PCAP benefit which is more reflective of actual electric consumption.
8	Move toward automatic enrollment, re-certification and more general data linking.	Accepted by Penelec and the Advisory Panels	Data exchanges are needed to promote PCAP cost-effectiveness and integrity going forward.
9	For large pre-program debt balances, forgive 50% upon entry into PCAP and the remainder within 1 year.	Rejected by Penelec and the Advisory Panels	This would be cost-prohibitive.
10	Work on policy for easing service restoration and PCAP re-entry following termination for nonpayment of bills.	Rejected by Penelec and the Advisory Panels	New enrollees are reconnected upon entry into PCAP and their pre-program debt is deferred. Existing PCAP participants are not dismissed from PCAP prior to service disconnection and are not charged a security deposit upon service reconnection.

³ While being accepted for incorporation into PCAP, this recommendation will require an SAP table change and transport, and may not be ready for implementation until one year following the integration of Allegheny Energy ("AYE") companies into the FirstEnergy Computer Enterprise System, SAP.

⁴ While being accepted for incorporation into PCAP, this recommendation will require computer programming and may not be ready for implementation until one year following the integration of AYE companies into the FirstEnergy Computer Enterprise System, SAP.

2010 Universal Service Advisory Panels' Recommendations for the Penelec PCAP:

#	Recommendation	Resolution	Rationale
1	Memorialize the Company's policy of making a program eligibility guideline exception for ratepayers assigned to active military duty, and use the residing spouse's Military ID as proof of military assignment.	Accepted by Penelec	This will ensure continuity in program administration.
2	Define "household income" using the same criteria as the Pennsylvania Department of Public Welfare.	Accepted by Penelec	This will ensure continuity in program administration and coordination with PA LIHEAP.
3	Work toward coordinating the date on which DPW's LIHEAP and Company programs switch to updated federal poverty income guidelines.	Accepted by Penelec	Would allow for automated PCAP enrollment and re-certification year round.
4	Establish a maximum income eligibility guideline for PCAP, as it relates to matching the LIHEAP income eligibility guideline.	Accepted by Penelec	Eliminate risk of program becoming too expensive if the LIHEAP eligibility guideline were to use percent of state median income.
5	Designate "PCAP Benefit Calculation" from "PCAP Re-Certification" in Chronicles.	Accepted ⁵ by Penelec	This will be necessary when recalculating monthly PCAP benefits on a quarterly basis.
6	Temporarily suspend monthly PCAP subsidy benefits awarded at billing when current bills are not paid.	Rejected by Penelec	Administratively burdensome – involving extremely complex computer programming and account billing routines.
7	Allow community-based organizations with PCAP administrative contracts to dismiss participants from PCAP when failing to re-certify for PCAP.	Accepted by Penelec	Administratively cost-effective and efficient.
8	Allow community-based organizations with PCAP and WARM administrative contracts to dismiss participants from PCAP when failing to participate in WARM.	Rejected by Penelec	Not administratively possible at this time due to system constraints and process requirements.
9	Allow customers dismissed from PCAP for theft of service or fraud to reapply for re-entry into PCAP only one time.	Accepted by Penelec	Administratively burdensome to do otherwise.

A. Overview and Objectives

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

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

⁵ While being accepted for incorporation into PCAP, this recommendation will require SAP computer programming and may not be ready for implementation until one year following the integration of AYE companies into the FirstEnergy Computer Enterprise System, SAP.

B. Eligibility Requirements

For Both Monthly Subsidy and Debt Forgiveness Benefits:

- Total gross household income at 150% of the federal poverty income guidelines;
- Residential account with an active account status;
- Total energy burden (most recent 12 months) greater than 3% (non electric heat) or 9% (electric heat) of total gross household income to qualify for monthly subsidy and debt forgiveness benefits;
- Applicant/Ratepayer must reside at the service address (primary residence)⁶;
- If eligible, must agree to participate in the WARM Program (a LIURP Program); and
- If eligible, must agree to participate in PA LIHEAP – regardless of heat type.

For Debt Forgiveness Benefits Only⁷:

- Total gross household income at 150% of the federal poverty income guidelines or at the current year's PA Low Income Home Energy Assistance Program (LIHEAP) income eligibility requirements, whichever is higher – with a maximum income guideline of 225% of the federal poverty income guidelines;
- Residential account with an active account status;
- Total energy burden (most recent 12 months) less than 3% (non electric heat) or 9% (electric heat) of total gross household income to qualify for debt forgiveness benefits only;
- Applicant/Ratepayer must reside at the service address (primary residence)⁸;
- If eligible, must agree to participate in the WARM Program (a LIURP Program); and
- If eligible, must agree to participate in PA LIHEAP – regardless of heat type.

Participants may only have one residential account (primary residence) in their name at any given time, and only one account on PCAP at any given time.⁹

C. Intake Processes

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

- 1st Preference
 - FirstEnergy Human Services / Department of Public Welfare Electronic Data Exchanges
 - Used for processing automated participant enrollments and re-certifications.
- 2nd Preference
 - CBO Interviews
 - Used for processing participant enrollments and re-certifications.

⁶ Residency exception will be made for ratepayers assigned to active military duty.

⁷ Computer programming will be required to implement participation expansion to customers who do not have energy burdens greater than 3% or 9%. This program enhancement may not be ready for implementation until one year following the integration of AYE companies into the FirstEnergy Computer Enterprise System, SAP.

⁸ Residency exception will be made for ratepayers assigned to active military duty.

⁹ Multiple account exceptions will be made for ratepayers living at a premise with multiple electric meters when they are occupying the entire premise, and when ratepayers move from one premise to another and have temporary concurrent service – 1 month maximum, and ratepayers with an outdoor light metered separately.

- 3rd Preference
 - Telephone Interviews
 - Used for processing participant enrollments and re-certifications.
- 4th Preference
 - WARM Program Referrals
 - Customers referred to appropriate CBO.
 - Used for processing participant enrollments and re-certifications.

D. Subsidy Calculation and Payment Requirements

PCAP participants will pay the difference between their total consumption bill and their monthly PCAP subsidy credit, which will be applied at the time of billing. PCAP participants must remain in the Company's standard residential billing cycle (20-day due date) in order for subsidy credits to be awarded by the host computer system.

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

PCAP subsidy benefits will be calculated quarterly¹⁰, to allow for participants' most recent 12-month energy burden history to be reflected in monthly bill subsidy benefits.

Non-Electric Heat Accounts:

Benefit Calculation Based on 3% Electric Bill Burden
 Maximum Bill Subsidy = \$960.00 Annually or \$80 Monthly

Electric Heat Accounts:

Benefit Calculation Based on 9% Electric Bill Burden
 Maximum Bill Subsidy = \$2,400.00 Annually or \$200 Monthly

Accounts with electric bill burdens of less than 3% (non-electric heat) and 9% (electric heat) will not qualify for PCAP monthly bill subsidy benefits, but will qualify for PCAP debt forgiveness benefits for unpaid pre-program debt balances.

To control program costs and institute minimum payment requirements the following monthly, minimum gross income amounts will be used for benefit calculation:

- \$400 Assumed Income for Non-Heat Accounts = \$12 Minimum Monthly Payment
- \$500 Assumed Income for Heat Accounts = \$45 Minimum Monthly Payment

The 6% calculation percentage factor used for calculating monthly subsidy benefits for electric heat accounts will expire on December 31, 2011. Beginning January 1, 2012, subsidy benefit calculation percentages for electric heat accounts will increase to 9%, to

¹⁰ While being accepted for incorporation into PCAP, this recommendation will require computer programming and may not be ready for implementation until one year following the integration of AYE companies into the FirstEnergy Computer Enterprise System, SAP.

offset the change in how the benefit is calculated. Prior to October, 2010, net energy burden (total of last 12 bills minus most recent LIHEAP grant amount) was used to calculate monthly subsidy benefits for electric heat customers. Effective November, 2010, gross energy burden (total of last 12 bills) is being used to calculate monthly subsidy benefits for electric heat customers, resulting in a significant increase in monthly subsidy benefit amounts.

The following table illustrates how the increase in the percentage of income factor for electric heat customers will offset the change in how monthly subsidy benefits are calculated. This example is for one individual household:

Annual Household Income		= \$ 16,500	
LIHEAP Grant Amount		= \$ 400	
Gross Energy Burden		= \$ 2,200	
Net Energy Burden		= \$ 1,800 (LIHEAP grant deducted)	
Percentage of Income Factor	Energy Burden Factor	Monthly Subsidy Benefit	% of Income Paid for Electric Bill
6% (effective prior to 10/10)	Net	\$ 67.50	6.00%
6% (effective after 11/10)	Gross	\$ 100.83	3.58%
9% (effective 01/12 forward)	Gross	\$ 59.58	6.58%

Without increasing the electric heat participant payment percentage from 6% to 9%, the Company estimates the average annual net increase in subsidy benefits to be \$260.40 per participant.

- # Electric Heat Participants as of 12/31/10 = 3,666
- Average Annual Increase in Subsidy Benefits = \$ 260.40
- Average Annual Increase in PCAP Costs = \$ 954,626.40

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

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

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

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

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

Annual Electric Bill	$\$ 1,020$ (previous 12 months)
Actual Electric Bill Burden	$= \$ 1,020$ (more than 3% of income)

Step #3 – PCAP will pay the difference

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

The following is an example of how a PCAP benefit will be calculated for a customer with electric heat during Program Year 2012:

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

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

$$\begin{array}{r} \text{Annual Household Income} \quad \$ 16,500 \\ \text{CAP Electric Bill Burden} \quad \times \quad \underline{9\% \text{ of income}} \\ \hline = \$ 1,485 \end{array}$$

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

$$\begin{array}{r} \text{Annual Electric Bill} \quad \underline{\$ 2,200} \text{ (previous 12 months)} \\ \text{Actual Electric Bill Burden} \quad = \$ 2,200 \text{ (more than 9\% of income)} \end{array}$$

Step #3 – CAP will pay the difference

$$\begin{array}{r} \text{Actual Electric Bill Burden} \quad \$ 2,200 \\ \text{Minus CAP Electric Bill Burden} \quad \underline{\$ 1,485} \\ \text{Annual CAP Benefit} \quad = \$ 715 \div 12 = \$ 59.58 \text{ per month} \end{array}$$

E. Debt Forgiveness Guidelines

When entering PCAP for the first time, all pre-program debt will be deferred and included in the PCAP Debt Forgiveness Component.

When re-entering PCAP following the first enrollment, only the remaining (not yet forgiven) pre-program debt from the first PCAP enrollment will be re-deferred and included in the PCAP Debt Forgiveness Component.

Debt forgiveness credits (1/36 of pre-program debt) will be awarded in response to customer payments¹¹ of in-full monthly PCAP bills, whenever those payments occur. PCAP 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.

F. Default Provisions

Universal Service imposes a requirement on the electric distribution companies ("EDCs") to offer assistance and a responsibility on customers for wise consumption and prompt payment. The Company agrees with the Commission that the consequences for nonpayment should be loss of service¹².

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

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

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

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

¹¹ LIHEAP, emergency hardship fund grants, or any other non-customer payments will not cause debt forgiveness credits to be awarded.

¹² Docket No. M-00960890F0010—Final Order Re: Guidelines for Universal Service and Energy Conservation Programs entered July 10, 1997. Under Customer Assistance Programs, Default Provisions: "The Commission believes that the consequences for nonpayment should be loss of service; therefore, we recommend that participants who do not make payments should be returned to the regular collection cycle."

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

Payment requirements to avoid termination of service:

- PCAP Bills Brought Current.

Payment requirements for restoration of service following service termination:

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

G. Dismissal from PCAP and Reentry into PCAP

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

1. Refusing to participate in WARM (LIURP) if eligible
2. Failing to re-certify as scheduled, or upon request
3. Establishing multiple residential electric service accounts

Following PCAP dismissal for refusing to participate in WARM, or failing to re-certify, or establishing multiple accounts, re-entry into PCAP will be prohibited until WARM measures have been completed and/or information for re-certification has been supplied, and/or the customer has only one (primary residence) electric service account with the Company.¹³

4. Theft of service; or
5. Other actions deemed to be intentional and fraudulent.

Following PCAP dismissal for theft of service or fraud, re-entry into PCAP will be prohibited for six (6) months. Reapplication for PCAP may be made after the six months stay-out period. Re-enrollment may only occur when an account balance is paid current, with the exception of the original, remaining pre-program debt amount – which will be re-deferred for future debt forgiveness upon reentry into PCAP. For example, if an account has an unpaid balance of \$800, and \$500 of that \$800 will be re-deferred upon reentry in PCAP, the customer must pay \$300 prior to re-entering PCAP. Re-enrollment in PCAP following dismissal for theft of service or fraud is a one-time opportunity.

¹³ Multiple account exceptions will be made for ratepayers living at a premise with multiple electric meters when they are occupying the entire premise, and when ratepayers move from one premise to another and have temporary concurrent service – 1 month maximum, and ratepayers with an outdoor light metered separately.

H. Re-certification Requirements

The Company will recertify PCAP participants every other year and, based upon available resources, will attempt to recertify on an annual basis.

The Company will pursue the use of electronic file transfers between the Pennsylvania Department of Public Welfare ("DPW") and the Company's Human Services group to determine if PCAP participants are in fact active or LIHEAP certified with DPW, to avoid in-person re-certification whenever possible.

To recertify, PCAP participants will be required to submit the appropriate details of income and household members as requested by the administering agency, either in person, by U.S. Mail or by FAX.

I. Application of Cash Grants

LIHEAP

- First applied against delinquent bills (customer payment obligation); and
- Then applied against future bills (customer payment obligation).

Emergency Hardship Fund Grants

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

J. Program Delivery Partners

The Company currently has contracts with the community-based organizations referenced in Attachment B of this Plan, for the purposes of performing program intake and re-certification activities.

K. Quality Assurance Provisions

During each calendar year a representative of the Company shall audit each of the community-based organizations ("CBOs") referenced in Attachment B of this Plan, for the purpose of verifying that proper administrative processes have been performed in support of Pennsylvania Customer Assistance Program (PCAP) applications and re-certifications. The areas of performance to be audited are:

- Auditor Received Requested Documents

- Pre-Screen Performed
- Application Completed When Applicable
- Re-Certification Completed When Applicable
- Referred Clients to Other Program When Applicable
- Proper Documentation Retained
- Hardcopy Documentation Reflected Accurately in Chronicles
- Successfully Enrolled Clients Into PCAP When Applicable
- PCAP Program Guidelines Followed

A combination of applications and re-certifications shall be reviewed during each audit; a total of 24 for CBOs processing a large number of PCAP applications and re-certifications, and 12 for CBOs processing a small number.

L. PA Customer Assistance Program Organizational Structure:

	Human Service Department Positions PA, NJ, NY & OH Programs	Employee Work Location	Percent of Time Spent On The Penelec PA Customer Assistance Program
1	Manager – Compliance & Human Services	Reading PA	Managerial Oversight
2	Senior Administrative Assistant	Reading PA	2% - CBO Invoice Processing & HS Website Access
3	Supervisor – Energy Conservation Programs	Reading PA	0%
4	Supervisor – Universal Service Programs	Reading PA	25% - Supervisory
5	Senior Business Analyst	Reading PA	25% - Account Maintenance
6	Senior Business Analyst	Reading PA	5% - Budget Development & Maintenance
7	Advanced Business Analyst	Clark PA	30% - Account Maintenance & Billing
8	Advanced Business Analyst	Reading PA	Time Spent on New Jersey Programs Only
9	Advanced Business Analyst	Reading PA	Time Spent on PA Act 129 Programs Only
10	Business Analyst	Reading PA	0%
11	Business Analyst	Reading PA	0%
12	Associate Business Analyst	Akron OH	Time Spent on Ohio Programs Only
13	Associate Business Analyst – CARES Rep	Altoona PA	87% - Program Administration
14	Associate Business Analyst – CARES Rep	Easton PA	Back-Up for Altoona, Erie and Towanda
15	Associate Business Analyst – CARES Rep	Reading PA	Back-Up for Altoona, Erie and Towanda
16	Assistant Business Analyst – CARES Rep	Erie PA	80% - Program Administration
17	Assistant Business Analyst – CARES Rep	Towanda PA	80% - Program Administration
18	Senior Customer Associate – Phone Group	Reading PA	5% - Team Lead for Account Maintenance
19	Customer Associate – Phone Group	Reading PA	5% Account Maintenance
20	Customer Associate – Phone Group	Reading PA	5% Account Maintenance
21	Customer Associate – Phone Group	Reading PA	5% Account Maintenance
22	Customer Associate – Phone Group	Reading PA	0%
23	Customer Associate – Phone Group	Reading PA	10% Account Maintenance

WARM Program

A. Program Overview and Objectives

The WARM Program is Penelec's Low Income Usage Reduction Program ("LIURP"). The program began in 1988 and provides energy conservation and energy education to low-income customers. The program targets income-eligible customers who participate in the Company's Customer Assistance Program or LIHEAP. The program's primary objectives are to:

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

WARM achieves these objectives through two approaches. First, all energy conservation improvements (including electric appliances) are evaluated and installed or replaced in the customer's home. Second, a weatherization contractor provides energy education to family members and refers them to other potentially beneficial social service programs. All work performed through the WARM program is provided at no additional cost to program participants. Costs of Universal Service programs are funded through customer rates.

B. Eligibility Guidelines

Income Eligibility:

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

The Company also provides WARM services to "special needs" customers whose household income is at 151% to 200% of the Federal Poverty Guidelines. PUC regulations allow up to 20 percent of the LIURP budget to be used for these customers. In the 2002 three-year Universal Service Plan, the Company proposed and was given approval to broaden the definition of special needs customers. The definition has always included customers with overdue account balances, and the Company also includes those households with medical problems, personal crisis situations, and loss of income. This allows more customers under 200% of federal poverty income guidelines to participate in the program without requiring or encouraging an account arrearage.

Electric Use Eligibility:

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

Residency Eligibility:

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

The customer also agrees to allow the Company to share his or her electric bill and pre- and post-weatherization electric use records with contractors and evaluators and to allow contractors to have access to his or her home, to perform appropriate program measures.

C. Program Enhancements

WARM program enhancements being considered by the Company during 2012 – 2014 include:

- Exploring the possibility of adding heat pump water heaters as a WARM measure where applicable and cost-effective (meeting the required seven- to twelve-year payback in energy savings).
- Continuing to monitor LED technology and other new technologies, measures and products as they become available and cost-effective for inclusion as a standard program measure.
- Encouraging contractors/agencies to install custom measures that meet the payback criteria on a case-by-case basis (i.e. well pump, pressure tank, dehumidifier and electric clothes dryer replacements, etc.).
- Assessing computer system enhancements to make program administrative processes even more efficient.

D. Marketing

In the Company's efforts to reach this customer segment which is most in need, and sometimes difficult to contact, the Company partners with community-based organizations and contractors who are already working with customers on other programs.

Since 2004, as customers have met with community-based organizations to enroll in the PA Customer Assistance Program (PCAP), WARM applications have been automatically generated by the Chronicles Case Management System for those customers who were eligible for WARM. Chronicles software is used to match household member demographic and financial information with available assistance programs. More than 90 percent of WARM participants also participate in PCAP. The Company plans to continue this cost-effective holistic approach to helping low-income customers who could benefit from these programs.

All letters and applications are available in Spanish, and the WARM program uses a translation service for customers who speak a language other than English. This supports the Company's attempt to reach all eligible customers.

Geographic direct mail campaigns and community presentations are also used to inform customers about the program.

A bill insert about customer assistance programs, including the WARM program, is sent annually to all residential customers. Program information and eligibility requirements are also shared with customers during fall and winter collection activities and distributed in customer winter surveys.

Cross-marketing with Act 129 programs is optimized, and customers can obtain information on the Company's energysavepa.com website.

E. Heating and Cooling Budget Calculation Per Home

The selection of measures designed to reduce electric heating and cooling is guided by a cost-effective budget calculation for each home, based on past electric consumption and also considers the seven- to twelve-year payback. This is a tool for contractors and agencies and is not an absolute or prescriptive target or cap. During the audit, if the site or customer needs are greater than the calculated budget, the contractor or agency will confer with the Company program manager after documenting reasons for proposing to go beyond the budget. The Company will decide to what extent additional work can be performed. This budget process was evaluated by Michael Blasnik and Associates, a third-party evaluation contractor and was recognized as a best practice. This procedure allows higher budgets on higher-energy-use homes and prevents wasting of funds on low-use homes where the potential for energy savings is less.

Many times there are barriers to installing energy-saving measures because of serious health or structural issues. The program allows miscellaneous repairs and health and safety measures (such as carbon monoxide alarms) so that energy saving measures can be installed. These measures cannot exceed 30 percent of the total amount spent on the home.

Baseload electric measures and appliance replacements are based upon on-site auditing and monitoring of energy use of the existing appliances and electronics. The replacement thresholds and procedures are updated periodically to reflect changes in costs and/or efficiencies.

As a result of the downturn in the economy and fluctuating energy prices, the Company is finding that more than 50 percent of WARM participants are using supplemental electric heat in the winter even though the primary source of heat in the home is something other than electric. Since this is a frequent occurrence, the Company tries to reduce the customer's supplemental electric heat use by trying to coordinate services with the State Weatherization Assistance Program and gas LIURP programs to repair gas or oil heating systems. The Company also performs Combustion Safety Testing to ensure safe use of combustion appliances/systems and provides air sealing and insulating when other programs cannot assist.

F. Energy Saving Measures

Following is a list of some of the potential measures that customers may receive through the WARM program. The specific measures received and actions taken are dependent on the customer's heat type, electric use, testing of appliances and diagnostic audit results and

customer choice. Custom measures that meet the seven- to twelve-year payback are also encouraged. Agencies and contractors provide one-year warranties on all measures; manufacturers may provide additional warranties.

- Blower door with pressure diagnostics to guide air sealing and duct sealing
- Attic, duct, basement, crawlspace and perimeter air sealing (caulking, foam insulation & weather-stripping)
- Attic, wall, duct, floor, crawlspace and perimeter insulation
- Sealing and insulating attic hatches
- Boxing and damming of attic heat producing fixtures
- Refrigerator replacement
- Freezer replacement
- Water heater replacement
- Water heater pipe insulation in unheated areas
- Some aerator and showerhead replacement
- Some storm and prime window and door repair or replacement
- Reflective window tint to reduce cooling use
- Reflective roof coat to reduce cooling use
- Gravity Film Exchange -- drain water heat recovery system
- Window/Wall air conditioning unit replacement
- Some heating and air conditioning system replacement
- Electric dryer venting repair or replacement
- Clothes line installation
- Heated waterbed mattress replacement
- Some plumbing and electrical repairs
- Repair and replacement of exhaust fans
- Thermostat replacement/repair
- Air conditioning/heating system filter replacement
- Appliance and water heater timers
- Smart power strips
- Energy education
- Remedial education as needed
- Compact fluorescent light bulbs
- LED night lights
- Carbon monoxide detectors
- Site specific health and safety measures, such as carbon monoxide alarms
- Custom measures, (i.e., dehumidifier replacements, well pump or holding tank replacements, water leaks, etc.)

G. Energy Education

The Company and agency/contractors use a proven partnership approach with the customer. The WARM program provides an energy education notebook to all auditors to engage the customer. The customer is asked to partner with the program agency/contractor in order to develop energy savings strategies designed specifically to address the highest energy use areas of that particular home and its occupants. The auditor and customer sign partnership and savings strategy agreements.

Approximately five months after the completion of WARM services, the Company sends customers congratulatory letters when usage has decreased more than 5 percent when compared to the same months before WARM services. A list of customers whose usage has increased more than 5 percent is provided to contractors/agencies for a follow-up phone call to the customer and visit if necessary. The agency/contractor will check if measures are working properly and whether or not the customer understands how to use them or if lifestyle or structure changes created the increased electric use.

H. Company Organizational Structure

	Human Service Department Positions PA, NJ, NY & OH Programs	Employee Work Location	Percent of Time Spent On The Penelec WARM Program
1	Manager – Compliance & Human Services	Reading PA	Managerial Oversight
2	Senior Administrative Assistant	Reading PA	Minimal - Invoice Processing/HS Website Security
3	Supervisor – Energy Conservation Programs	Reading PA	15% - Reporting/Supervisory
4	Supervisor – Universal Service Programs	Reading PA	0%
5	Senior Business Analyst	Reading PA	2% - Information Technology
6	Senior Business Analyst	Reading PA	22% - Analysis and Reporting
7	Advanced Business Analyst	Clark PA	0%
8	Advanced Business Analyst	Reading PA	Majority of Time Spent on New Jersey Programs
9	Advanced Business Analyst	Reading PA	Majority of Time Spent on PA Act 129 Programs
10	Business Analyst	Reading PA	Minimal - Program Manager Backup
11	Business Analyst	Reading PA	95% - Program Manager
12	Associate Business Analyst	Akron OH	Majority of Time Spent on Ohio Programs
13	Associate Business Analyst	Altoona PA	0%
14	Associate Business Analyst	Easton PA	0%
15	Associate Business Analyst	Reading PA	0%
16	Assistant Business Analyst	Erie PA	0%
17	Assistant Business Analyst	Towanda PA	0%
18	Senior Customer Associate – Phone Group	Reading PA	70% - Applications and Invoice Processing
19	Customer Associate – Phone Group	Reading PA	5% - Incoming Phone Calls
20	Customer Associate – Phone Group	Reading PA	5% - Application Processing & Incoming Phone Calls
21	Customer Associate – Phone Group	Reading PA	5% - Incoming Phone Calls
22	Customer Associate – Phone Group	Reading PA	10% - Application Processing & Incoming Phone Calls
23	Customer Associate – Phone Group	Reading PA	5% - Incoming Phone Calls

I. Program Delivery Community Partnership

The Company contracts with a network of community-based organizations and energy contractors referenced in Attachment C of this plan, to perform program intake and installation of measures. Some of these agencies and contractors subcontract to electrical, plumbing and HVAC companies.

Program auditors or crew members who make decisions about what measures will be installed in the home and who perform the combustion safety testing procedures, must be Building Performance Institute (BPI) certified as Building Analyst Professionals. BPI is a national standards development and credentialing organization for residential energy efficiency retrofit work. They are a non-profit organization that also provides training through a network of training affiliate organizations. FirstEnergy sponsors agency and contractor

attendance at national and regional ACI Home Performance Conferences so they can obtain continuing education credits needed to retain their BPI certification. The Company also holds WARM program training specific to procedural issues or to meet the training needs of auditors and crew members.

J. Quality Assurance Provisions

Independent, third-party quality assurance contractors inspect anywhere from 15 to 50 percent of contractor/agency work depending on quality and longevity of contractor/agency and whether the job is electric heat, electric water heat or electric baseload. These quality assurance contractors also provide or coordinate auditor, crew, and group training as needed, as well as BPI training/testing.

For the past eleven years, the Company has had a WARM Advisory Panel that meets two to three times per year and is on call year round. The panel members consist of agency and contractor auditors, program managers and quality assurance inspectors from across Pennsylvania. The members have direct contact with customers and other assistance programs in other states. They provide suggestions for program improvement, research new technologies and test new measures and products. Their recommendations are part of the suggested enhancements to the WARM program included in Section C of this plan.

Company program managers meet with all agencies and contractors annually to share specific energy saving results, program changes, and solicit feedback. Company program managers also meet with individual agencies and contractors to observe audits and crew work in the field.

In November 2009, the Company conducted a Request For Proposals for the Act 129 low-income program and additional WARM implementation contractor capacity in anticipation of ARRA and PA Act 129 impacting the WARM program. The Company will conduct future Requests for Proposals to meet proposed participant goals.

K. Coordination of Services

As recommended by the PUC, the Company will continue to direct agencies and contractors to coordinate delivery of WARM benefits with other programs. The Company will work with other State Weather Assistance Program ("WAP") and gas company program managers to coordinate delivery. The Company has implemented this directive with contractors/agencies because it makes good business sense. However, coordination might impact the program's overall electric energy savings, because the customers identified by gas companies, ARRA or WAP might not be the highest electric users targeted for participation in the WARM program. As per regulations, when a surplus of low-income customers exists, the Company prioritizes customers by highest energy use first.

The energy savings might be positively impacted because of additional funding sources working to address the entire home. The Company will continue to monitor results of coordination as energy savings studies are conducted.

The Company will continue to provide energy usage data to the Department of Community and Economic Development (DCED) to assist in their Weatherization Assistance Program energy saving studies. The Company will continue to negotiate contracts with DCED to

assist them in the replacement of refrigerators for Weatherization Assistance Program and ARRA participants.

L. Funding and Enrollment Goals

Year	Budget	Participant Goals
2012	\$ 4,116,882	2,185
2013	\$ 4,528,570	2,225
2014	\$ 4,845,570	2,275

The WARM program has served 36,742 homes in the Penelec service area since its inception. During 2012 to 2014, the Company plans to serve an additional 6,685 homes, bringing the total number of homes completed to more than 43,000.

Some PCAP participants do not qualify for WARM because their electricity use does not meet the 7,200 kWh annual minimum energy use recommended by the PUC Bureau of Consumer Services. Some customers cannot participate because their landlords will not agree to program services at their properties.

In addition to the WARM program, the Company has three low-income programs as part of PA Act 129 with funding of approximately \$10 million across the Pennsylvania operating companies. One of the programs addresses low-income customers with low electric use that do not qualify for WARM.

M. Reporting

The Company is required to submit the following reports to the PUC or DPW on an annual basis:

- LIURP production, expenditures, cost of jobs and goals report: March 1
- Universal Service Program (LIURP Section): April 1
- Conservation Economics and Energy Planning Bureau Report: April 30
- LIURP Annual Energy Savings Impact Evaluation: April 30
- LIHEAP Leveraging Report: October 31

Summary of Proposed Program Additions and Modifications

Customer Assistance and Referral Evaluation Services (“CARES”)

The following program addition is included in this Plan for CARES:

1. A CARES Tracking System will be developed to track program referrals and the actions taken in response to customer need.

[Page 5 – C. Tracking]

Dollar Energy Fund

There are no proposed additions or modifications in this Plan for the Dollar Energy Fund.

Gatekeeper Program

There are no proposed additions or modifications in this Plan for the Gatekeeper Program.

PA Customer Assistance Program (“PCAP”)

The following program additions are included in this Plan for PCAP:

1. Allow PCAP participants to receive only debt forgiveness benefits, when their energy burden disqualifies them from receiving monthly subsidy benefits because their electric consumption is less than 3% or 9% of their total household income.
[Page 14 – B. Eligibility Requirements]
[Page 15 – D. Subsidy Calculation and Payment Requirements]
2. PCAP participants may only have one residential account (primary residence) in their name at any given time, and only one account on PCAP at any given time; except when living at a single premise with multiple electric meters when occupying the entire premise, and when moving from one premise to another and have temporary concurrent service – one month maximum, and ratepayers with an outdoor light metered separately.
[Page 14 – B. Eligibility Requirements]
[Page 20 – G. Dismissal from PCAP and Re-entry into PCAP]
3. When re-entering PCAP following a customer’s first PCAP enrollment, only the remaining (net yet forgiven) pre-program debt from the first PCAP enrollment will be re-deferred and included in the PCAP Debt Forgiveness Component. This policy will help reduce the financial burden borne by the residential customers funding the Universal Service Cost Rider.
[Page 19 – E. Debt Forgiveness Guidelines]
4. Allow customers dismissed from PCAP for theft of service or fraud to reapply for re-entry into PCAP following a 6-month stay-out period. This is a 1-time opportunity.
[Page 20 – G. Dismissal from PCAP and Re-entry into PCAP]
5. During each calendar year a representative of the Company shall audit each of the community-based organizations hired to help administer PCAP, for the purpose of verifying that proper administrative processes have been performed in support of PCAP applications and re-certifications.
[Page 22 – K. Quality Assurance Provisions]

6. Recalculate subsidy benefits quarterly, based on updated energy burden information, to provide a PCAP benefit which is more reflective of actual electric consumption.
[Page 15 – D. Subsidy Calculation and Payment Requirements]
7. PCAP 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.
[Page 19 – E. Debt Forgiveness Guidelines]

The following program modifications are included in this Plan for PCAP:

1. Increase electric heat PCAP participants’ target percentage of income payment from 6% to 9%, to more accurately reflect household energy burden.
[Page 14 – B. Eligibility Requirements]
[Page 15 – D. Subsidy Calculation and Payment Requirements]
[Page 18 – Electric Heat Calculation Example]
2. Increase the electric heat account minimum monthly payment amount from \$30 to \$45, to coincide with the target percentage of income payment increase from 6% to 9%.
[Page 15 – D. Subsidy Calculation and Payment Requirements]
3. Use gross energy burden (previous 12 months’ bills) when calculating monthly subsidy benefits for electric heat PCAP participants, rather than net energy burden (previous 12 months’ bills minus most recent LIHEAP grant amount).
[Page 15 – D. Subsidy Calculation and Payment Requirements]
[Page 18 – Electric Heat Calculation Example]
4. Eliminate payment requirements for restoration of service and continuation in PCAP following service termination being defined for both “prior” and “after” the account is final billed on the 10th day following service termination, to the following.
 - Payment requirements for restoration of service following service termination:
 - o PCAP Bills Brought Current; and
 - o Reconnection Fee as per Current Tariff.
 [Page 20 – F. Default Provisions]
5. PCAP participants will be recertified every other year and, based upon available resources, will attempt to recertify on an annual basis.
[Page 21 – H. Re-certification Requirements]

WARM Program

Non-specific WARM enhancements are included in this Plan on Page 25.

Applied Technologies in Support of Universal Service Programs

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

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

C-Net provides the Company Customer Information Center ("CIC"), the Company's Collection Center Vendors, I. C. System of St. Paul Minnesota and NCO Financial Systems, Inc. of Pittsburgh Pennsylvania, and the Human Services Department employees with detailed on-line information on Federal, State and Company Universal Service Programs.

Chronicles Case Management Software

Chronicles is an on-line, web-based case management tool that has been provided to a wide network of Community-Based Organizations, WARM contractors, the Dollar Energy Fund and the Company's Human Services Department employees. The software supports a holistic approach in the delivery of Company Universal Service Programs and Energy Conservation Programs by automatically matching household member demographic and financial information with available Federal, State and utility human service programs. Within this process, the Company's Universal Service and Energy Conservation Program application forms and the LIHEAP application form are automatically produced by Chronicles.

SAP

SAP is the Company's host computer system containing the customer master file.

Human Services Web Site

The Human Services Web Site allows community-based organizations administering the Company's low-income programs to easily obtain current customer billing, payment, energy use and other information without Customer Information Center or Human Services involvement. Entry to the site is password protected. Approximately 1,000 individuals representing almost 200 different organizations across New Jersey, Ohio and Pennsylvania currently take advantage of this tool.

WARM3

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

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

Digital Photo Resource File

Digital Photos of customers' homes taken prior to work performed by some contractors and during inspection are kept by the Digital Photo Resource File. This allows contractors, inspectors and the program managers to see and discuss the work (existing condition, best practices, missed opportunities, etc.) without inconveniencing the customer with future visits.

Pennsylvania Electric Company Universal Service Needs Assessment

Statistics Based Upon 2006-2008 American Community Survey - Census Bureau

Estimated Residential Customers <150% of Poverty % to Total = 30.388%

Estimated Eligible Customers = 153,771

Estimated Number of Potential Program Participants = 53,820¹⁴

County	Total Households	Households Under 150% of Poverty	Percent of Households Under 150% of Poverty	Residential Customers	Estimated Residential Customers <150% of Poverty	Estimated Residential Customers <150% of Poverty % to Total
Armstrong	29,200	7,367	25.23%	101	25	
Bedford	19,916	6,851	34.40%	10,174	3,500	
Blair	51,012	14,919	29.25%	48,850	14,289	
Bradford	24,891	8,339	33.50%	19,992	6,697	
Cambria	58,683	17,256	29.41%	57,325	16,859	
Centre	51,172	15,794	30.86%	4,471	1,380	
Clarion	15,731	4,846	30.81%	5,031	1,550	
Clearfield	33,217	10,638	32.03%	30,345	9,720	
Crawford	34,877	10,841	31.08%	22,616	7,029	
Cumberland	90,417	14,343	15.86%	5,067	804	
Erie	107,075	32,927	30.75%	105,299	32,379	
Forest	1,996	559	28.01%	3,555	996	
Franklin	57,100	11,391	19.95%	5,049	1,007	
Huntington	16,630	4,606	27.70%	11,738	3,251	
Indiana	34,625	12,398	35.81%	23,060	8,258	
Jefferson	18,475	5,567	30.13%	14,422	4,345	
Juniata	8,786	2,265	25.78%	746	192	
Lycoming	47,644	14,208	29.82%	763	228	
McKean	17,514	5,946	33.95%	14,594	4,955	
Mifflin	19,119	5,935	31.04%	19,330	6,000	
Perry	17,331	3,435	19.82%	1,007	200	
Potter	6,988	1,690	24.18%	2,586	625	
Somerset	30,504	9,623	31.55%	27,366	8,634	
Sullivan	2,667	667	25.01%	2,936	734	
Susquehanna	17,167	4,703	27.40%	12,109	3,318	
Tioga	16,629	5,380	32.35%	10,795	3,492	
Venango	22,382	6,872	30.70%	19,100	5,864	
Warren	17,677	5,068	28.67%	15,191	4,355	
Wayne	20,541	5,746	27.97%	3,067	858	
Westmoreland	151,287	33,520	22.16%	2,097	465	
Wyoming	11,066	2,693	24.34%	7,239	1,762	
Total	1,052,319	286,393	27.22%	506,021	153,771	30.388%

¹⁴ Estimation assumes a 35% participant rate.

Universal Service Participant and Budget Projections¹⁵ – Program Years 2012, 2013 and 2014:

2012 - Projected 42,873 PCAP Participants at Year End
- Projected 2,185 WARM Jobs at Year End

Program Name	Detail of PCAP Components	Total Budget Amount	Percent of Budget	Average Cost per Participant
CARES		\$ 3,500		
PCAP Administration	\$ 1,521,134		4%	\$ 35.48
PCAP Bill Subsidy	\$ 29,281,830		77%	\$ 682.99
PCAP Debt Forgiveness	\$ 7,225,387		19%	\$ 168.53
Total PCAP		\$ 38,028,351	100%	\$ 887.00
Dollar Energy Fund Administration		\$ 75,000		
Gatekeeper		\$ 2,000		
WARM (LIURP)		\$ 4,116,882		
Totals		\$ 42,225,733		

2013 - Projected 48,346 PCAP Participants at Year End
- Projected 2,225 WARM Jobs at Year End

Program Name	Detail of PCAP Components	Total Budget Amount	Percent of Budget	Average Cost per Participant
CARES		\$ 3,500		
PCAP Administration	\$ 1,715,316		4%	\$ 35.48
PCAP Bill Subsidy	\$ 33,019,835		77%	\$ 682.99
PCAP Debt Forgiveness	\$ 8,147,751		19%	\$ 168.53
Total PCAP		\$ 42,882,902	100%	\$ 887.00
Dollar Energy Fund Administration		\$ 75,000		
Gatekeeper		\$ 2,000		
WARM (LIURP)		\$ 4,528,570		
Totals		\$ 47,491,972		

2014 - Projected 53,820 PCAP Participants at Year End
- Projected 2,275 WARM Jobs at Year End

Program Name	Detail of PCAP Components	Total Budget Amount	Percent of Budget	Average Cost
CARES		\$ 3,500		
PCAP Administration	\$ 1,909,534		4%	\$ 35.48
PCAP Bill Subsidy	\$ 36,758,522		79%	\$ 682.99
PCAP Debt Forgiveness	\$ 9,070,284		17%	\$ 168.53
Total PCAP		\$ 47,738,340	100%	\$ 887.00
Dollar Energy Fund Administration		\$ 75,000		
Gatekeeper		\$ 2,000		
WARM (LIURP)		\$ 4,845,570		
Totals		\$ 52,664,410		

¹⁵ PCAP participant growth projections are based on a 2010 vs. 2009 year end comparison, and the most recent needs assessment. PCAP Budget projections are based on the November 24, 2010 Universal Service Cost Rider Filing projections for 2011 and do not take commodity market fluctuations into consideration. Annual Universal Service Cost Rider Filings will adjust the projections as necessary.

Conclusion

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

- Chapter 56, Standards and Billing Practices for Residential Utility Service
- 66 Pa. C. S. §1401 et seq. (Responsible Utility Customer Protection Act – Chapter 14).
- 52 Pa. Code §§54.71-54.78 – Reporting Requirements for Universal Service and Energy Conservation Programs
- 52 Pa. Code §§58.1-18 (regarding LIURP)
- CAP Policy Statement of July 25, 1992, Docket No. M-00920345
- Electricity Generation Customer Choice and Competition Act of December 3, 1996, 66 Pa. C. S. §§2801 et seq.
- Commission Universal Service and Energy Conservation Programs Guidelines, Docket No. M-00960890F0010 – July 10, 1997
- Commission Universal Service and Energy Conservation Program Reporting Requirements, Docket No. L-00970130 – April 30, 1998
- Customer Assistance Programs: Funding Levels and Cost Recovery Mechanisms, Docket No. M-00051923 entered December 18, 2006
- FirstEnergy (Metropolitan Edison Company and Pennsylvania Electric Company) Universal Service and Energy Conservation Plan 2006-2008 Submitted in Compliance with 52 Pa. Code §54.74, Docket No. M-00072022, Order entered August 31, 2007.
- Cost recovery of Universal Service Program costs via the Company's tariff Rider E Universal Service Cost Rider as approved by the Commission's Order at Docket No. R-00061366 entered January 11, 2007.

The Company has a long history of leadership in the creation, development and implementation of Universal Service and Energy Conservation Programs. Among the leadership initiatives that have been implemented are:

- Developing a Human Services Web Site;
- Installing the Chronicles Case Management Software;
- Developing the WARM LIURP tracking system;
- Enhancing both Chronicles and WARM3 to operate as web-based systems;
- Collaborating with the Pennsylvania Department of Public Welfare to make LIHEAP more accessible (via Chronicles);
- Collaborating with the Pennsylvania Department of Public Welfare to make PCAP re-certification more efficient through electronic data transfer of information;
- Initiating a process to automatically enroll LIHEAP Crisis recipients into PCAP;
- Requiring WARM implementation contractors to obtain BPI Certifications and having third-party quality assurance contractors obtain BPI Trainer certifications;
- Requiring Combustion Safety Testing for WARM participants' homes to ensure customer safety when the primary heating system is not electric;
- WARM Advisory Panel in place for more than 10 years;
- Creation of Universal Service Advisory Panels; and
- Since 2001, including cooling load reducing measures in WARM.

FirstEnergy will continue its commitment toward providing customer-focused, quality-driven and results-oriented Universal Service and energy conservation programs.

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**Dollar Energy Fund
Community-Based Organizations
Attachment A**

	Community-Based Organization Name	City / Town Location	Number of Walk – In Locations
1	Blair County Community Action	Altoona	1
2	Catholic Charities	Altoona	2
3	Catholic Charities	Johnstown	3
4	Center for Community Action	Everett	4
5	Central PA Community Action	Clearfield	5
		DuBois	6
		Houtzdale	7
		Phillipsburg	8
6	Community Action, Inc.	Clarion	9
		Punxsutawney	10
7	Community Action of Cambria County	Ebensburg	11
		Johnstown	12
8	Dollar Energy Fund, Inc.	Pittsburgh	Toll Free Access
9	Indiana County Community Action Program	Indiana	13
10	Northern Tier Community Action Corporation	Emporium	14
11	Saint Martin's Center	Erie	15
12	Shelter Services, Inc.	Lewistown	16
13	South Central Community Action Program	Chambersburg	17
14	Tableland Services	Hollsopple	18
		Myersdale	19
		Somerset	20
15	Titusville YWCA	Titusville	21
16	Treatment and Rehabilitation Center	Dushore	22
		Honesdale	23
		Montrose	24
		Towanda	25
		Tunkhannock	26
		Wellsboro	27
17	Venango-Crawford Office of Economic Opportunity	Franklin	28
		Meadville	29
		Oil City	30
18	Warren-Forest Counties Economic Opportunity Council	Warren	31
19	Weatherization, Inc.	Huntingdon	32

**Pennsylvania Customer Assistance Program
Community-Based Organizations
Attachment B**

	Community-Based Organization Name	City / Town Location	Number of Walk – In Locations
1	Blair County Community Action	Altoona	1
2	Catholic Charities	Altoona	2
3	Catholic Charities	Johnstown	3
4	Center for Community Action	Everett	4
5	Central PA Community Action	Clearfield	5
		DuBois	6
		Houtzdale	7
		Phillipsburg	8
6	Community Action, Inc.	Clarion	9
		Punxsutawney	10
7	Community Action of Cambria County	Ebensburg	11
		Johnstown	12
8	Dollar Energy Fund, Inc.	Pittsburgh	Toll Free Access
9	Erie Redevelopment Authority	Corry	13
10	Greater Erie Community Action Committee	Erie	14
11	Indiana County Community Action Program	Indiana	15
12	Northern Tier Community Action Corporation	Emporium	16
13	Saint Martin's Center	Erie	17
14	Shelter Services, Inc.	Lewistown	18
15	South Central Community Action Program	Chambersburg	19
16	Tableland Services	Hollsopple	20
		Myersdale	21
		Somerset	22
17	Treatment and Rehabilitation Center	Dushore	23
		Honesdale	24
		Montrose	25
		Towanda	26
		Tunkhannock	27
		Wellsboro	28
18	Venango-Crawford Office of Economic Opportunity	Franklin	29
		Meadville	30
		Oil City	31
19	Warren-Forest Counties Economic Opportunity Council	Warren	32
20	Weatherization, Inc.	Huntingdon	33

**WARM Program
Community-Based Organizations & Weatherization Contractors
Attachment C**

	Community-Based Organization and Weatherization Contractor Names	City / Town Location
1	ACTION Housing, Inc. (quality assurance inspector)	Pittsburgh
2	Bill Busters, Inc.	Indiana
3	Blair County Community Action Program	Altoona
4	Center for Community Action	Everett
5	Central PA Community Action, Inc.	Clearfield
6	Community Action, Inc.	Punxsutawney
7	Community Action Partnership of Cambria County	Johnstown
8	EIC/Comfort Home	Finleyville
9	Erie County Housing Authority	Corry
10	Greater Erie Community Action Committee	Erie
11	Indiana County Community Action Program	Indiana
12	Northern Tier Community Action Corporation	Emporium
13	Northwest PA Weatherization	Meadville
14	SEDA-Council of Governments	Lewisburg
15	Solair Energy, Inc.	Ralston
16	South Central Community Action Program	Gettysburg
17	Tableland Services, Inc.	Somerset
18	TREHAB Center	Montrose
19	Venango Office of Economic Opportunity	Franklin
20	Warren Forest Counties Economic Opportunity Council	Warren
21	Weatherization, Inc.	Huntingdon