



2010

An independent analysis of Universal Service Programs  
Prepared for

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## **UNIVERSAL SERVICE IMPACT EVALUATION**

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## FOREWARD

For purposes of this evaluation it is important to take into consideration the significant challenges experienced by Peoples Gas (the Company) during the four year period (2006-2010) of their potential sale by Dominion, their parent company. In addition to placing many Company requested improvements to its customer relations operations “on hold,” state specific key business functions formerly handled by Dominion were transferred beginning 2006 through mid-year 2009 to the local Peoples Gas Pittsburgh headquarters.

Billing, customer correspondence, back office call center work, and CAP call center functions were inherited without the accompanying experienced resources to effectively run them. The Company suddenly found themselves in the position of recruiting and hiring to fill the required positions. Despite these challenges the Company was very cooperative in providing the evaluator with as much Universal Service program data and information that they were able to obtain with limited resources.

This evaluation provides the evaluator's perspective of the design, management, and implementation improvements viewed as most relevant to the Company's management to assure their continuing efforts toward effective and efficient Universal Service program implementation. With very few exceptions, the Company has adhered to its Universal Service and Conservation Plan as currently filed.

Data sources for the Universal Service evaluation included:

- Departmental reports from Customer Relations, Credit and Collections, Rates, and Call Center
- Ad Hoc IT reports
- 2008 Bureau of Consumer Services Annual Universal Service and Conservation Report
- Interviews of Peoples Gas Supervisory and Management Staff
- Interviews of Advantage Credit Counseling-CAP Administration
- Interviews of Dollar Energy Administrative Staff
- Interviews of Conservation Consultants Administrative Staff
- Interviews of LIURP Sub Contractors
- On site assessments of CAP Call Center group

In addition to responding to the Bureau of Consumer Services questions for third party evaluators, the evaluation included a compliance review of the:

- 2004 Universal Service Impact Evaluation
- 2005 Bureau of Consumer Services Recommendations from 2004 Universal Service Impact Evaluation
- 2009-2011 Universal Service Plan
- 2009 Public Utility Commission Focused Management and Operations Audit
- 2010 Settlement Conditions for the Sale of Peoples Natural Gas

## EVALUATION SCOPE

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As required by the Bureau of Consumer Services (BCS) this evaluation addresses the following questions as relates to effectiveness and efficiency of Peoples Gas Company's (the Company) Universal Service Programs:

1. Is the appropriate population being served?
2. What is the customer distribution by CAP payment plan? Payment plans are defined at 52 PA Code §69.265(2) of the CAP Policy Statement.
3. Generally do participants' energy burdens comply with the CAP Policy Statement? Energy burden is defined as the percentage of household income spent on energy services.
4. What are CAP retention rates? Why do customers leave CAP?
5. Is there an effective link between participation in CAP and participation in energy assistance programs (LIHEAP, Hardship Funds, and other grants)?
6. How effective are CAP control features as defined in 52 PA Code §69.265(3) of the CAP Policy Statement at limiting program costs?
7. How effective is the CAP and LIURP link? Is the Company's procedure for dealing with excessively high usage effective? If not, how can it be improved?
8. Has collection on missed CAP payments been timely? Has the Company followed its own default procedures in its Commission approved Universal Service Plan for CAP customers?

For the most recent 12-month period provide findings for the following data

Requests: Number of CAP accounts that have missed 3 or fewer payments;

4-6 payments, 7-12 payments, more than 12 payments.

9. Does participation in Universal Service Programs decrease service terminations?
10. Does participation in Universal Service programs decrease collection costs?
11. Is the CAP program cost effective?
12. How can Universal Service programs be more cost effective and efficient?

The evaluator also conducted a comprehensive review for compliance of the recommendations contained within the following five (5) documents as they impacted the Company's Universal Service Programs:

**1. November 2004**

Dominion Peoples 2004 Universal Service Impact Evaluation

Melanie K. Popovich Utility Business Consultant

**2. January 2005**

PUC Letter Key Findings and Recommendations of Importance

Peoples Natural Gas Company 2004 Impact Evaluation submitted by:

Janice K. Hummel BCS

**3. May 2008 Docket No. M-00021616**

PUC Dominion Peoples Universal Service and Energy Conservation Plan 2009-2011

**4. November 2009 Docket No. D-08MGT003 Bureau of Audits**

PUC Focused Management and Operations Audit of Peoples Natural Gas

Pages 10-14

**5. January 2010**

The PUC settlement conditions of the sale of Peoples Natural Gas Company to

Steel River Infrastructure Partners of North America specific to Universal

Service Programs and Community Commitment:

Section F Universal Services Pages 9-10

Section G Community Commitment

## SUMMARY INDEX

Item No.	Findings	Recommendations
<b>CAP-1</b>	<p>The current CAP Administrator is staffed with inexperienced reps who are utilizing outdated and cumbersome Company customer information systems to manage CAP customer data and processes.</p> <hr/> <p>The Company is currently in the design phase of an updated billing system scheduled to go into production June 2011.</p>	<p>Design RFP for a CAP Administrator.</p> <p>The successful bidder (a) will substantially increase the number of CAP intake sites (b) is an experienced administrator of utility CAP programs (c) recruits and partners with multi-service agencies and (d) uses an electronic case management system to track and monitor referrals and enrollments into utility programs.</p>
<b>CAP-2</b>	The Company lacks a single point of customer contact for CAP.	Integrate a specialized Universal Service Call group within the new Peoples Gas Call Center. This call group will be sufficiently staffed, held to the newly proposed call center performance indicators and possess exceptional customer service skills in handling low income customers.
<b>CAP-3</b>	Due in part to the limitations of the existing billing system, the CAP bill is poorly defined and adds to customer confusion regarding CAP benefits and CAP amount due.	Redesign the CAP bill to adhere to the standards of Plain English and best practices within the industry.
<b>CAP-4</b>	Although CAP enrollment has grown steadily in the past six years, only 25% of the Company confirmed low income population is being served by CAP.	Increase CAP enrollment from 15,000 to 18,000-20,000 customers

	<p>There is an underserved potential Universal Service population based on the Company's most recent CAP needs assessment and based on a comparison of the PA natural gas industry peer companies CAP participation rate to the number of confirmed low income customers.</p>	
<b>CAP-5</b>	<p>Twenty-six (26%) percent of CAP participants are in the 0-50% income range, are on the CAP 8% of Income Plan with an average CAP payment of \$51.</p> <hr/> <p>Forty-eight (48%) percent of CAP participants are in the 51%-100% income range, are on the CAP 9% of Income Plan with an average CAP payment of \$78.</p> <hr/> <p>Twenty-six (26%) percent of CAP participants are in the 101%-150% income range, are on the CAP 10% of Income Plan with an average CAP payment of \$100.</p>	No Recommendations
<b>CAP-6</b>	<p>In 2009 the CAP retention rate for customers remaining in CAP was 53%. Failure to recertify is a major reason for CAP removal.</p>	<p>Integrate the CAP daily reports as a tool for contacting CAP customers by phone prior to their recertification due date. Maintain daily phone logs. See Recommendation CAP-8</p> <hr/> <p>Provide extensive remedial training to CAP administrators on the criticality of customer recertification.</p>
<b>CAP-7</b>	<p>There has been little termination activity for CAP default customers for non-pay due to the 4 yr sales transition.</p>	<p>Implement collection procedures as originally designed for CAP default for non-pay customers in order to terminate customers in a timely manner.</p>

<b>CAP-8</b>	<p>Customer reminder letters are not adequately addressing CAP delinquency, missed payment, or recertification.</p>	<p>Integrate the CAP daily reports as a tool for contacting customers by phone. Maintain daily phone logs. Provide extensive remedial training to CAP administrators on the criticality of customer recertification.</p> <hr/> <p>At agency sites, consider requiring the customer to complete a self addressed stamped CAP reminder postcard which alerts the customer to their CAP anniversary date, 60 days prior with simple instructions for CAP recertification. The agency would be required to maintain tickler files on each customer's anniversary date and provide the mailing service.</p> <hr/> <p>Enclose a self addressed, stamped envelope with the CAP recertification application 60 days prior to the customer's anniversary date.</p>
<b>CAP-9</b>	<p>The Company follow-up letters sent to CAP customers exceeding usage 10% or more appears to be effective.</p> <hr/> <p>Less than 3% of CAP participants active in 2009 were identified for review of usage in excess of 110% -- of their annual weather normalized usage. Of this group, approximately 10% had a confirmed increase in usage that required customer contact to determine if the usage increase was justified.</p>	<p>Implement consistent and timely outbound calling protocol to CAP customers exceeding usage by 10% or more. Consider engaging the LIURP educator for remedial phone calls and/or site visits on an as needed basis.</p>
<b>CAP-10</b>	<p>CAP customers on average pay on time and consistently at least six out of twelve payments on an annual basis or 50% of the time.</p> <hr/> <p>In 2008, CAP customers' percentage of bill paid was 83%, ranked fifth out of eight peer PA natural gas utilities.</p>	<p>No Recommendations</p>



<b>CAP-11</b>	<p>The Company's CAP helped reduce pre-program arrearages by approximately 18% in '09.</p> <p>Of the total customers enrolled in CAP (15,716) only 12% (1,823) of CAP customers earned arrearage forgiveness benefits (\$198/ customer).</p> <hr/> <p>Company arrearage forgiveness procedures that only allow 25% forgiveness/annually after 12 consecutive months of CAP payments create barriers for success</p>	<p>Revise arrearage forgiveness policy to allow monthly benefits when CAP payments are up to date and paid on time. Shorten the forgiveness period from 25% annually over four years to 1/36 monthly over a three year period.</p>
<b>CAP-12</b>	<p>In a sample of 806 CAP customers with twelve months Pre-CAP and twelve months Post-CAP payment history, customers received an increase of 252 termination notices, an increase of 163 phone attempts, and an increase of 32 actual terminations. Due in part to the limitations of the existing billing system, the Company was unable to provide data on the CAP collection costs.</p> <hr/> <p>CAP collection costs are not tracked.</p>	<p>Enhance system programming to ensure accurate and timely data downloads for CAP collections activities and associated collection costs.</p>
<b>CAP-13</b>	<p>In CAP spending, the Company falls within the industry norm for Administrative costs; slightly higher (\$583 or 92% per CAP customer) than the industry norm for CAP Credits; and second to the lowest in Arrearage</p>	<p>Revisions to the Arrearage Forgiveness program should bring these costs more in line with the industry. See Recommendation CAP-11.</p>

	Forgiveness costs as compared with PA peer natural gas companies.	
<b>CAP-14</b>	<p>The Company is extremely effective in linking CAP customers to other Universal Service and assistance programs.</p> <p>Ninety-nine (99%) of all LIURP weatherization jobs completed in 2009 were high usage CAP customers.</p> <hr/> <p>Seventy percent (70%) of all CAP customers active in 2009 received LIHEAP benefits up from sixty-three percent (63%) receiving benefits in 2008, an increase of 2,390 participants amounting to an additional \$1,670,789.</p>	No Recommendations
<b>CAP-15</b>	The new DPW LIHEAP program for the 2010-2011 heating season would increase the Company's CAP deficiency costs by \$2.8 million.	Modify CAP customer payment plans to take into account the changes to the LIHEAP program. Divide the projected LIHEAP customer grant by 12 months and add in a "plus" amount monthly to the percent of income CAP amount. This would reinforce regular affordable payments rather than allowing customers to "skip" a payment.
<b>CARES-1</b>	The Company continues to significantly improve its LIHEAP and other energy assistance outreach benefits to their low income customers each year.	No Recommendations.
<b>CARES-2</b>	The manual system of applying Dollar Energy Fund grant amounts to customer accounts and processing weekly paper checks is inefficient and creates barriers to timely management of the Company's hardship fund	Replace the manual paper system with an electronic transfer of funds from Dollar Energy to the Company.

	program. This may be due in part to the limitations of the existing billing system.	
<b>CARES-3</b>	The Company continues to realize significant benefits from Dollar Energy grants of an average of \$358 per low income customer.	Continue to develop new signature events such as the "Warm Your Hearth...Warm Your Heart Campaign" for Dollar Energy fundraising to increase customer contributions.
<b>LIURP-1</b>	The Company's 2008 needs assessment concludes that there are approximately 8,000 underserved low income customers who are potential LIURP recipients.	Increase the LIURP budget to \$900,000-\$1,000,000 annually.
<b>LIURP-2</b>	The Company's LIURP plan imposes a maximum allowable LIURP spending cap per household utilizing a usage matrix as a means of controlling LIURP costs.	<p>Remove LIURP spending caps as per the usage matrix and replace with the Company's historical average spending allowance. Review this on an annual basis to adjust for inflation and increased costs for weatherization labor and materials.</p> <hr/> <p>The Company has agreed to this recommendation and is making the procedural change effective August 1, 2010.</p>
<b>LIURP-3</b>	There is no mechanized tracking system that combines DCED funding with LIURP funding to report the total weatherization dollar benefits per customer.	Mechanize and track DCED funding with LIURP combined weatherization jobs to achieve maximum benefits.
<b>LIURP-4</b>	The need for furnace replacement and line repair/replacement is significant in low income households throughout the Company's service territory.	Consider establishing a Company funded Emergency Furnace/Line Repair program separate from LIURP for eligible low income customers.
<b>LIURP-5</b>	There are few jointly funded LIURP projects between the Company and Duquesne Light.	Implement the necessary procedures to revitalize the partnership between Peoples Gas and Duquesne Light for jointly funded LIURP projects in Beaver and Allegheny counties.

### **Peoples Natural Gas Company LLC**

Peoples Gas provides natural gas and related services to more than 358,000 residential, commercial, and industrial customers in southwestern Pennsylvania. Their service territory has a population of approximately 3.2 million people in sixteen counties.

On February 1, 2010, PNG Companies LLC, an indirect subsidiary of Steel River Infrastructure Fund North America, acquired Peoples Natural Gas Company LLC (Peoples) from Dominion Resources Inc. (Dominion). Prior to the acquisition, Peoples operated as a wholly-owned subsidiary of Dominion under the name of Dominion Peoples. In 2008, Dominion offered Peoples for sale and on November 19, 2009, the Pennsylvania Public Utility Commission (PUC) unanimously approved the acquisition of Peoples by PNG Companies, stating that the sale provided substantial public benefits.

Under the terms of a Transition Services Agreement (TSA), Peoples will continue to receive administrative, customer and gas procurement services from Dominion for up to 18 months post-closing. The management team is in the process of creating a standalone administrative full service group while managing the Company under the TSA. Key activities for this goal include determination of staffing levels, selection of headquarters location, accessing outsourcing services vs. in-house, built IT infrastructure and budget optimization.

## COMPANY DESCRIPTION

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### **Universal Service Team**

Peoples Gas Universal Service Team includes internal staff reporting to the Vice President Rates and Regulatory Affairs and external subcontractors as follows:

#### **Internal Staff**

Director Customer Relations (1)

Manager Communications and Community Affairs (1)

Supervisor Customer Relations (1)

Customer Relations Program Specialists (2) (CAP; CARES; LIURP)

Customer Relations Specialists (2) (Complaints; Mediations; Formals)

Customer Relations Representatives (2)

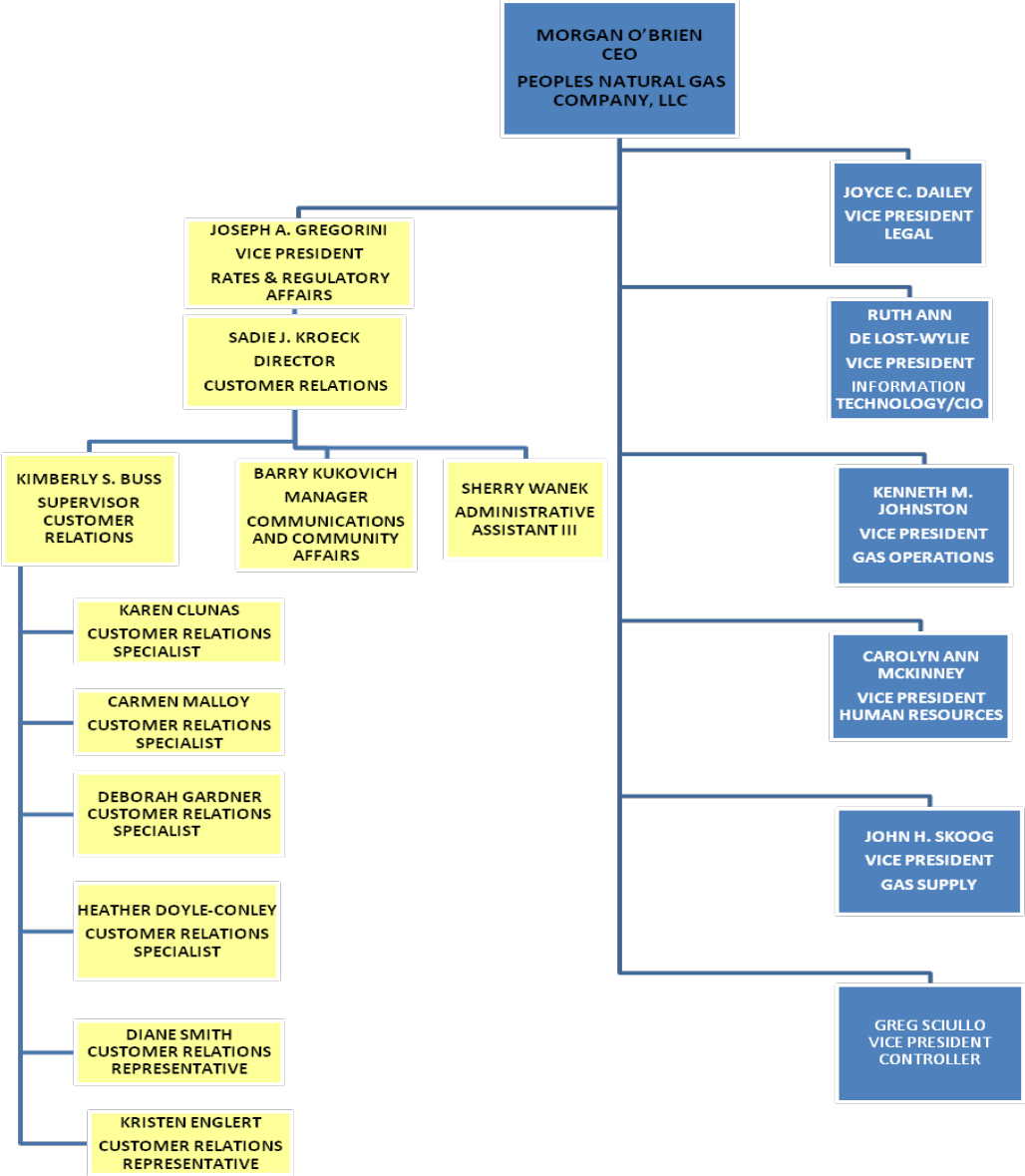
#### **Subcontractors**

Advantage Credit Counseling-CAP Administration

Conservation Consultants, Inc. – LIURP Administration

Dollar Energy Fund, Inc.-Hardship Fund Administration

# Peoples Natural Gas Company, LLC



## CAP PROGRAM DESCRIPTION

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CAP is an affordable payment plan for low-income, payment troubled customers funded by the Company's residential rate payers.

**Eligibility criteria include:**

1. Customers at or below 150% of the Federal Poverty Income Guidelines.
2. Active residential heat customer with one or more failed payment agreements.
3. Low Income Home Energy Assistance Program (LIHEAP) grant in past two years.

**Customer must agree to:**

1. Pay monthly CAP bill on time.
2. Enroll in all eligible weatherization programs to reduce usage.
3. Apply energy assistance grants (LIHEAP, Crisis, and Dollar Energy) to Peoples Gas.
4. Report changes in income or family size.
5. Provide monthly meter reading access.
6. Reapply annually to verify eligibility requirements.

**Customer CAP benefits include:**

1. Affordable monthly payments based on ability to pay.
2. Monthly CAP credits.
3. Annual arrearage forgiveness over a four year period.
4. Exemption of late payment charges.
5. Referrals to other Universal Service programs and assistance programs.

## CAP PROGRAM DESCRIPTION

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### Payment Plan

Customers who qualify agree to pay 8%, 9%, or 10% of their verified gross monthly income for natural gas service. The household income and family size determine which percentage of income the customer is to pay.

If the monthly CAP payment as calculated below exceeds the applicable monthly budget payment amount, the accepted CAP payment becomes the monthly budget payment amount by default.

**Table 1**  
**CAP Payment Plans**

<b>Federal Poverty Income</b>	<b>Percentage of Income</b>
0%-50%	8%
51%-100%	9%
101%-150%	10%

### Arrearage Forgiveness

Pre-program arrearages are also considered the responsibility of the CAP enrollee. In addition to the percentage of income payment amount, CAP customers are expected to pay \$2.00 per month to amortize the balance that existed prior to program enrollment. Currently the plan forgives 25% of the pre-program arrears annually over four years contingent on monthly payments over a 12 month period.

### Low Income Home Energy Assistance Program (LIHEAP) Benefits

Currently, CAP participants are requested to direct payment of any LIHEAP cash benefit grant that they are eligible to receive to the Company in order to reduce CAP credits. The LIHEAP Crisis grants may also be requested contingent upon state developed criteria and be applied accordingly.



## CAP PROGRAM DESCRIPTION

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### **CAP Administration**

Prior to 2006, First Contact in Charlotte, NC handled Peoples credit calls only. Dominion-Richmond's Call Center handled the routine daily call volume for Pennsylvania customers. Dominion's Call Center in Akron, Ohio handled all CAP calls and became the single point of contact for CAP customers. This was a positive experience for Peoples' customers since it afforded them with a one- stop shop.

At the beginning of the interim sales period of Peoples Gas Company in 2006, Dominion began separating out state specific functions. All daily calls were outsourced to First Contact making them a full service call center provider for Pennsylvania. This was a very quick transition for First Contact with little time for recruiting, training, and adaptation time for the newly hired phone representatives. The average training time for reps was two weeks to learn the intricacies of the Company's customer information system along with the regulatory rules and regulations of PA. During this period Peoples Gas experienced a sharp decline in customer service.

On June 1, 2009 Dominion-Akron's Universal Service call group discontinued handling CAP calls. A new outsourced provider, Advantage Credit Counseling, was hired to provide on site CAP call center services for Peoples in their Wilkesburg office. All CAP back office work was sent there as well. Since the newly hired reps had little experience, two Customer Relations Representatives initially assisted in responding to customer emails, letters, and in cleaning up backlogged work queues.

As a result of the Settlement conditions from the sale of Dominion Peoples to Steel River, one of the Universal Service recommendations recommended that the Company design a CAP administration component similar to that in effect at Columbia Gas Company. Pursuant to this, the evaluator compiled a comparative table outlining the staff, responsibilities, and administrative oversight of the two companies' Universal Service Programs.

*See Appendix A: CAP Administration Comparison Peoples Gas Vs. Columbia Gas*

### **Plans for a PA Based Call Center**

As one of the settlement conditions for the sale of Peoples Gas, the Company has agreed to move its call center function from North Carolina to Pennsylvania by August 2011 with the ultimate goal of improving customer service. Presently the Company has named a call center management team and is in the process of locating a site suitable to house the call center operations.

## **CAP PROGRAM DESCRIPTION**

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### **Current CAP Administrators**

CAP referrals and CAP calls are transferred to the Advantage Credit Counseling call group in Wilkinsburg either by First Contact in Charlotte, NC or by community based organizations (CBOs) through the local toll free number 1-800-400-WARM. Customers are also directed to use the toll free number for LIHEAP, Crisis, Dollar Energy Fund and LIURP program referral information.

One Company Customer Relations Specialist acts as temporary coordinator to ten reps comprising the CAP call center group. Four reps handle the back office work which has been best described as an "intensive, time consuming, manual operation".<sup>1</sup> (All IT enhancements for CAP administration were on hold due to the potential sale of the Company).

Back office duties include:

Receiving CAP applications

Verifying customer information

Placing customers on CAP and setting up CAP amounts

Issuance of CAP credits

Applying Dollar Energy and LIHEAP grants to customer accounts

Recertification information

CAP bill adjustments

### **Current CAP Call Center Challenges**

Since the CAP call group is staffed with only six full time phone reps, any employee absence due to illness or vacation significantly impacts the call group's statistics. Scheduling becomes an issue. For example, the CAP call group has been one rep short from November 2009 to April 2010 making it difficult to maintain performance goals should there be additional employee absences.

Outdated technology is a significant concern. The Company contracted representatives are working with an outdated and cumbersome customer information system. There are four customer screens the rep must manually populate and/or check for customer income and demographics making it difficult to efficiently manage CAP prescreening, CAP payment calculation and CAP enrollment. The Company is currently in the design phase of implementing a new billing system with the goal of incorporating many improvements and efficiencies to the overall customer information system.

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<sup>1</sup> Interview: Cap Admin Supervisor-Advantage Credit Counseling February 2010

## CAP PROGRAM DESCRIPTION

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At the time of this evaluation the majority of the contracted representatives averaged six to eight months experience on the job. Most reps also lacked prior customer service experience creating difficulties in learning the complexities of CAP credits, arrearage forgiveness, CAP billing adjustments; and explaining the CAP bill to customers.

The Company has made a genuine effort to establish quality control measures such as tape recordings of customer calls and call calibration sessions to provide necessary feedback to customer rep performance improvement.

Call Center performance is another important indicator for measuring customer service. CAP customer calls have a longer Average Handle Time (AHT) averaging between six and seven minutes per call. Typically in other utilities, the CAP call group is not held to the same standards as the Call Center for AHT.

However, performance goals for % of Calls Answered in 30 Seconds, Average Busy-out Rate, and Average Call Abandonment Rate remain the same for both the Call Center and the CAP call group.

Call Center annual performance standards proposed in the 2010 Settlement Conditions of the sale of the Company are listed in the table below:

**Table 2**  
**Call Center Proposed Performance Indicators**

<b>Performance Indicator</b>	<b>Proposed Annual Performance Standard</b>
Call Center: % of Calls Answered Within 30 Seconds	70% in Year 1; 75% in Year 2; 80% in Year 3
Call Center: Average Busy-out Rate	Below 0.5%
Call Center: Average Call Abandonment Rate	7% in Year 1; 6% in Year 2; 5% in Year 3

## CAP PROGRAM DESCRIPTION

The following table reveals that as of May 2010 the Average Speed of Answer has improved from 82 seconds to 73 seconds and the Percentage of Calls Answered in 30 seconds has improved from 44% to 54% since the transfer of CAP calls to Advantage Credit Counseling. However, the Company still has significant room for improvement.

**Table 3**  
**CAP Call Center Statistics 2009-2010**

2009		CALLS OFFERED	% ABAND	CALLS ANS	% ANS IN 30 SEC	ASA in SEC	AHT
JAN	DOM	5703	5.17	5288	25.04%	82.73	7:19
FEB	DOM	6408	5.66	5955	21.72%	88.84	6:59
MAR	DOM	7406	5.72	6908	24.33%	102.39	6:53
APR	DOM	5919	6.57	5530	21.73%	104.17	6:45
MAY	DOM	5160	6.18	4836	22.91%	90.56	6:14
JUN	ACC	6026	8.96	5375	47.15%	118.31	7:40
JULY	ACC	6084	5.44	5568	53.27%	92.71	7:25
AUG	ACC	5665	3.64	5070	58.62%	64.76	6:47
SEPT	ACC	5649	4.05	5415	63.34%	62.89	6:36
OCT	ACC	6607	4.01	6232	61.07%	55.7	6:21
NOV	ACC	5508	4.77	5153	51.45%	75.89	6:21
DEC	ACC	3932	3.08	3808	70.75%	49.14	6:49
<b>Total</b>		<b>70067</b>		<b>65138</b>			
<b>Average</b>		<b>5839</b>	<b>5.28%</b>	<b>5428</b>	<b>43.45%</b>	<b>82.34</b>	

2010		CALLS OFFERED	% ABAND	CALLS ANS	% ANS IN 30 SEC	ASA in SEC	AHT
JAN	ACC	3823	3.56	3686	66.60%	53.09	6:26
FEB	ACC	5113	4.01	4860	54.18%	75.61	6:55
MAR	ACC	7158	5.63	6521	40.56%	96.84	7:05
APR	ACC	5737	4.86	5428	45.04%	84.38	6:52
MAY	ACC	4772	3.73	4593	62.34%	56.41	7:00
<b>Total</b>		<b>26603</b>		<b>25088</b>			
<b>Average</b>		<b>5321</b>	<b>4.36%</b>	<b>5018</b>	<b>53.74%</b>	<b>73.27</b>	

2009-2010 CAP Call Center Interval Report; 2010 Phone Tracking Report

## CAP PROGRAM DESCRIPTION

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### **Finding-CAP-1**

The current CAP Administrator is staffed with inexperienced reps who are utilizing outdated and cumbersome Company customer information systems to manage CAP customer data and processes.

The Company is currently in the design phase of an updated billing system scheduled to go into production June 2011.

### **Recommendation**

Design RFP for a CAP Administrator. The successful bidder (a) will substantially increase the number of CAP intake sites (b) is an experienced administrator of utility CAP programs (c) recruits and partners with multi-service agencies (d) uses an electronic case management system to track and monitor referrals and enrollments into utility programs.

### **Finding-CAP-2**

The Company lacks a single point of customer contact for CAP.

### **Recommendation**

Integrate a specialized Universal Service Call group within the new Peoples Gas Call Center. This call group will be sufficiently staffed, held to the newly proposed call center performance indicators, and possess exceptional customer service skills in handling low income customers.

### More on the CAP Bill

In the Company's 2004 Universal Service Evaluation Finding 5.7.2 *Customers Frequently Default Due to Confusion with LIHEAP and Energy Grant Credits as Appear on CAP Bill* continues to be a problem today.<sup>2</sup>

There is customer confusion over the LIHEAP grant credit as it currently appears on the CAP bill. Oftentimes CAP customers stop paying their monthly payment for one or two months because they mistakenly view the LIHEAP grant as credit against the required monthly CAP payment.

The following items are additional areas of complexity for the customer:

- CAP Credits
- Arrearage Forgiveness
- Pre-Program Arrears Balance
- Account Balance (the amount due if the customer were not on CAP)
- CAP Missed Payments
- CAP Payment Recalculation for Missed Payments

*See Appendix B-CAP Bills*

A well designed CAP bill written in Plain English serves to reinforce customer CAP benefits and ultimately serves to retain the customer in CAP.

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<sup>2</sup> 2004 Dominion Peoples Universal Service Program Impact Evaluation-Melanie K. Popovich

**Finding-CAP-3**

Due in part to the limitations of the existing billing system, the CAP bill is poorly defined and adds to customer confusion regarding CAP benefits and CAP amount due.

**Recommendation**

Redesign the CAP bill to adhere to the standards of Plain English and best practices within the industry.

## CAP NEEDS ASSESSMENT

### Is the appropriate population being served?

The most recent CAP needs assessment submitted by the Company within their 2009-2011 Universal Service Plan reveals that there is an identified underserved potential CAP population. The CAP participation numbers were 15,716 customers year end 2009. Using a 26% CAP participation percentage to the overall confirmed low income population, the needs assessment shows that an increase in CAP enrollment would be attainable.

A **confirmed low income customer** is a customer whose gross household income has been verified by the Company as meeting the stated Federal Poverty Income Guidelines. Most household incomes are verified through the customer's receipt of a LIHEAP grant or determined during the course of making a payment arrangement. Confirmed low income numbers are updated annually by the Company for inclusion in the BCS Universal Service and Collections Report.<sup>3</sup>

**Table 4**  
**CAP**  
**Needs Assessment 2008**

	<b>Number of Customers</b>	<b>%</b>
<b>Residential Customers</b>	330,807	
<b>Number of Confirmed Low Income &amp; Payment Troubled Customers</b> Customers =<150% of poverty with one or more broken payment agreements	71,359	
<b>Recommended CAP Participant Percentage</b>		<b>26%</b>
<b>Calculated Number of Eligible Customers</b>	<b>18,553</b>	

Peoples Gas Universal Service and Energy Conservation Plan-Appendix- June 1, 2008

In addition to the Company provided CAP needs assessment, the evaluator compared the number and percentage of Company confirmed low income customers already in

<sup>3</sup> Definition as reported in 2008 BCS Universal Service Programs and Collections Performance Report



## CAP NEEDS ASSESSMENT

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CAP as compared with their peer PA natural gas utilities. The Company falls short in comparison to similar sized peer companies.

**Table 5**  
**CAP Participation-PA Natural Gas Utilities**

<b>NGDC</b>	<b>Participants Enrolled as of 12/31/08</b>	<b>CAP Participation Rate</b>	<b>Participants Enrolled As of 12/31/09</b>	<b>CAP Participation Rate</b>
Columbia	24,675	39%		
Equitable	20,733	38%		
NFG	12,312	44%		
PECO	20,667	100%		
PGW	78,490	51%		
<b>Peoples</b>	<b>14,425 out of 71,359 conf low income</b>	<b>20%</b>	<b>15,716 out of 71,359 conf low income</b>	<b>22%</b>
UGI-Gas	8,292	27%		
UGI Penn Natural	3,051	12%		
Total	182,645			
<b>Weighted Avg</b>		<b>43%</b>		

2008 BCS Universal Service Program Performance and Collection Report- page 37

## Targets

In 2005, the BCS strongly recommended that the Company increase CAP enrollment to 15,000 customers consistent with the applicable standards at 66PA C.SF §2203(8) that requires the Company's CAP be appropriately funded and available.<sup>4</sup>

The recommended 15,000 CAP customer enrollment from the 2004 Universal Service Impact Evaluation was effectively met. The ramp-up and increased target enrollment from 9,000 CAP customers to 15,000 CAP took place over a five year period.

**Table 6**  
**Active CAP Participation**

<b>Program Year</b>	<b>Target</b>	<b>Actual</b>	<b>Target Achieved</b>
2009	<b>15,000</b>	<b>15,716</b>	Yes
2008	<b>13,000</b>	<b>13,673</b>	Yes
2007	<b>11,000</b>	<b>11,906</b>	Yes
2006	<b>10,000</b>	<b>11,707</b>	Yes
2005	<b>9,500</b>	<b>9,636</b>	Yes
2004	<b>9,000</b>	<b>9,047</b>	Yes
2003	<b>9,000</b>	<b>9,251</b>	Yes

BCS Universal Service Reports 2003-2009-Section CAP

As a result of the increased numbers of potential eligible CAP participants reported in the 2004 CAP needs assessment, the Company began a good faith effort of accelerating CAP enrollment immediately in 2005 without the benefit of an approved cost recovery mechanism. A revised CAP Cost Recovery mechanism was formally filed with the PA PUC effective January 1, 2007 which allowed certain CAP costs be recovered through a quarterly base rate adjustment made to the delivery charge of non-CAP residential ratepayers.

These costs included incremental CAP application costs, annual CAP credit amounts that exceeded the previously established limit of \$840 for the first currently enrolled 9,000 CAP participants, and annual CAP credit amounts for new participants enrolled beyond the first 9,000. Recoverable CAP credit costs are adjusted to reflect currently effective purchased gas cost rates.

<sup>4</sup> BCS Letter to Dominion-Peoples Janice Hummel , BCS Jan 19,2005

**Finding-CAP-4**

Although CAP enrollment has grown steadily in the past six years, only 25% of the Company confirmed low income population is being served by CAP.

There is an underserved potential Universal Service population based on the Company's most recent CAP needs assessment and based on a comparison of the PA Natural Gas industry peer companies CAP participation rate to the number of confirmed low income customers.

**Recommendation**

Increase CAP enrollment from 15,000 to 18,000-20,000 customers.

## CAP PAYMENT PLANS

What is the customer distribution for CAP by poverty guidelines?

What is the customer distribution by CAP payment plan? Generally, do participants' energy burdens comply with the CAP Policy Statement at §69.265(2) (i)-(B)?

### CAP Plans by Income Level

Enrollment trends over the past three years indicate that the majority of CAP participants fall into the 51%-100% of the Federal Poverty Levels. The average CAP payment over all income levels is \$76, significantly decreased from program year 2008.

**Table 7**  
**CAP Participation and Average Cap Payment**

Year	Income Level Fed Poverty	# CAP	Average CAP Pmt	Pmt Plan
<b>2009</b>	0-50%	4,021	<b>\$51</b>	<b>8%</b>
	51%-100%	7,257	<b>\$78</b>	<b>9%</b>
	101%-150%	4,042	<b>\$100</b>	<b>10%</b>
			<b>\$76 AVG</b>	
<b>2008</b>	0-50%	3,597	<b>\$52</b>	<b>8%</b>
	51%-100%	6,621	<b>\$84</b>	<b>9%</b>
	101%-150%	3,462	<b>\$118</b>	<b>10%</b>
			<b>\$85 AVG</b>	
<b>2007</b>	0-50%	3,340	<b>\$50</b>	<b>8%</b>
	51%-100%	5,851	<b>\$80</b>	<b>9%</b>
	101%-150%	2,664	<b>\$110</b>	<b>10%</b>
			<b>\$80 AVG</b>	

### **Finding-CAP-5**

Twenty-six (26%) percent of CAP participants are in the 0-50% income range, are on the CAP 8% of Income Plan with an average CAP payment of \$51.

Forty-eight (48%) percent of CAP participants are in the 51%-100% income range, are on the CAP 9% of Income Plan with an average CAP payment of \$78.

Twenty-six (26%) percent of CAP participants are in the 101%-150% income range, are on the CAP 10% of Income Plan with an average CAP payment of \$100.

### **What are the barriers to program participation?**

As previously stated in the section Call Center Challenges-pg 18, it is the opinion of the evaluator that the greatest barriers to program participation are:

1. Inexperienced representatives responsible for CAP administration.
2. Outdated cumbersome customer information system utilized to track CAP.
3. Numerous manual back office processes required to operate CAP.
4. A CAP bill that is confusing and complex for customers to understand.

What are the CAP retention rates? Why do customers leave CAP?

### CAP Payment Frequency

The percentage of CAP participants who remain active and who do not get dropped from the program varies from month to month. Despite Peoples efforts to maintain and increase participation, customers are dropped for a variety of reasons which impact the overall number of reported CAP participants.

Customers with missed payments are not dropped from CAP but can have their service terminated for non pay. There was a total 13,227 CAP participants as of February 26, 2010, with missed payments as indicated on the table below.

**Table 8**  
**CAP Default for Non-Pay**  
**With # of Missed Payments**

<b>Income Level</b>	<b># CAP 0-3</b>	<b># CAP 4-6</b>	<b># CAP 7-12</b>	<b># CAP 13+</b>
0-50%	1,317	488	355	1,000
51%-100%	3,754	775	468	1,415
101%-150%	2,234	437	204	780
<b>Total</b>	<b>7,305</b>	<b>1,700</b>	<b>1,027</b>	<b>3,195</b>

Ad Hoc IT Report February 26, 2010

### Reasons for CAP Removal

The largest number of CAP customers (4659) removed are those identified as “Final Bill.” It is difficult to separate and track the number of customers who actually move from the number of customers who merely change the ratepayer name to another member of the same household.

The second largest customer group removed is those who “Did Not Reapply” (1,794); and third largest group is identified as “Other” (481). Other reasons include balance transfer requests; customer removal requests; false information received; income change; and income too high. A total of **7,312 CAP customers were removed from CAP** with a balance of 15,716 customers remaining in the program.

**Table 9**  
**Accounts Removed From CAP 2009**

Top Reasons for Removal	CAP #
Final Bill	4659
Did not reapply	1,794
Other	481

Ad Hoc IT Report-2010

**Finding-CAP-6**

In 2009 the CAP retention rate for customers remaining in CAP was 53%. Failure to recertify is a major reason for CAP removal.

**Recommendation**

Integrate the CAP daily reports as a tool for contacting CAP customers by phone prior to their recertification due date. Maintain daily phone logs .Provide extensive remedial training to CAP administrators on the criticality of customer recertification.

**CAP Default for Non-Pay**

Although customers can default and be removed from CAP due to non compliance with program guidelines and customer responsibilities, customers who default solely for non-payment are not removed from CAP but they can have their service terminated. Default for non-payment is defined as one or more missed payments or partial payments, which includes the \$2 co-pay towards the customers' pre program arrears

TABLE 10  
CAP DEFAULT FOR NON-PAY

<b>Letter of delinquency</b>	<b>Day 5 after missed due date</b>
<b>10 Day Termination notice</b>	<b>Day 15</b>
<b>72 Hour Phone Attempts</b>	<b>Day 22</b>
<b>48 Hr Termination Notice/Premise Visit</b>	<b>Day 23</b>
<b>Shut Off</b>	<b>Day 25</b>
<b>Final Bill (When customer restores service, reinstates as CAP customer)</b>	<b>Day 30</b>

In order to avoid termination, the customer must pay the amount set forth in the termination notice prior to the scheduled termination date. If the service of a CAP account is terminated the customer must pay all missed CAP payments for service restoration.

According to the Company's collection procedures, during the winter heating season (December–March), non-pay defaulted CAP customers remain in CAP however; they are requested to make CAP catch-up payments. If payments due are not paid in full by April 1<sup>st</sup>, the customer will be targeted for termination and service will be shut off. A full payment of the catch-up amount will stop termination at any time.



Initially the Company designed a procedure to terminate CAP customers in a timely manner and made a diligent effort to prioritize termination of CAP customers who defaulted for non-pay. However, due to the four year (2006-2010) sales transition of the Company, these termination procedures which were directed by a centralized credit function in Richmond, VA were not followed resulting in many CAP non-pay customers maintaining their service and accruing more arrearages.

**Finding-CAP-7**

There has been little termination activity for CAP default customers for non-pay over the past four years due to the sales transition period of Peoples Gas 2006-2010.

**Recommendation**

Implement collection procedures as originally designed for CAP default for non-pay customers in order to terminate customers in a timely manner.

**Other CAP Default Conditions**

The Company monitors accounts for changes in family size or income, timely payments and timely meter readings for non-access situations. CAP customers who fail to comply with one or more of the following may result in the Company removing them from CAP:

1. Failure to allow access to or provide customer meter readings in four consecutive months.
2. Failure to report changes in income of family size.
3. Failure to reapply as required and/or meet eligibility requirements.
4. Customer request to discontinue service.

CAP customers who request discontinuance of service and reapply for service within 60 days, will continue to be considered active CAP participants. CAP customers who request to be removed from CAP must undergo a 12 month stay-out period before being readmitted back into CAP.

### What are the barriers to program recertification?

System generated CAP lists are created daily which include customer names subject for termination due to one or more missed CAP payments. Lists are also generated with customer names with recertification of income due dates. Individual customer reminder letters are sent reviewing the requirements of CAP participation which includes timely payments and recertification of income on an annual basis. It appears that customer reminder letters are inadequate in addressing delinquency or recertification issues.

The Company has no specific feedback as to why customers do not recertify. However the evaluator cites a 2005 study which was conducted by Columbia Gas of Pennsylvania, Inc, which seems to suggest the need for alternative and improved communications.

### **2005 Columbia Gas Study on Reasons CAP Customers Do Not Recertify**

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Finding 5.3.2 “CAP Customers Dropped for Failure to Recertify Is Major Issue” as cited in the Columbia Gas of PA Universal Service Program Evaluation July 12, 2004 by Melanie Popovich, Utility Business Consultant, resulted in the Company initiating its own research survey to identify the root causes for this problem. Prior to this, the assumption was that the majority of CAP customers who failed to recertify were either over income or had simply moved at the time of recertification.

During the months of April and May 2005, Marcia Lehmen, Essential Energy conducted 171 phone surveys from a data base of 2000 Columbia Gas of PA customers who failed to recertify for CAP and who were currently inactive/removed from the program. Of those, 130 customers responded, representing 18 of the 26 counties serviced by the Company and representing diverse age, family income and family member size.

#### 1. Information Regarding Customer Recertification Requirements Unclear at CAP Intake

- 64% of customers either were not told at the time of intake or did not remember being told about the recertification process, irrespective of whether they visited an agency or were telephonically enrolled. (103 customers were agency enrolled; 26 customers telephonically enrolled; 1 customer did not remember by what method they were enrolled).
- 70% of customers did not know what happens when they fail to recertify and were surprised to find out they had been dropped from CAP.
- 62% of customers either said they definitely were not given a contract or booklet describing the benefits of the program or said they didn't know or couldn't remember if they received one or not.

### 2. Customer Letter Non Motivator for CAP Recertification

- 53% of customers either did not remember receiving a recertification letter or did not remember how they found out about the need to recertify.
- 49% of customers did not know they had to recertify their income and said they did not get a letter of notification.
- 26% of customers were over income and no longer eligible for CAP.
- 15% of customers received the recertification letter but forgot to fill it out and return it.

#### **Finding-CAP-8**

Customer reminder letters are not adequately addressing CAP delinquency, missed payment, and recertification issues.

#### **Recommendation**

Integrate the CAP daily reports as a tool for contacting customers by phone. Maintain daily phone logs. Provide extensive remedial training to CAP administrators on the criticality of customer recertification.

At agency sites, consider requiring the customer to complete a self addressed, stamped CAP reminder postcard which alerts the customer to their CAP anniversary date, 60 days prior with simple instructions for CAP recertification. The agency would be required to maintain tickler files on each customer's anniversary date and provide the mailing service.

or

Enclose a self addressed, stamped envelope with the CAP recertification application 60 days prior to the customer's anniversary date.

## CAP CONTROL FEATURES

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The Company's CAP control features as listed in their 2009-2011 Universal Service Plan are as follows:

1. To limit program costs, Peoples monitors CAP accounts monthly to ensure customers are complying with the terms of the program and are receiving the proper benefits from CAP and other Universal Service programs.
2. The minimum payment for heating is \$21 per month plus \$2 towards the arrearage for a minimum monthly payment of \$23.
3. CAP customers eligible for weatherization will be prioritized to receive services provided by the Company's Low Income Usage Reduction Program (LIURP).
4. CAP participants are encouraged to apply for energy assistance grants to reduce CAP credits.
5. Upon enrollment in CAP, participants will be advised of the importance of energy conservation and information on conservation tips and weatherization will be provided. If the customer has a history of high usage, referrals to weatherization and energy assistance programs will be made. Energy savings tips will also be provided to the newly enrolled CAP customers. All participants will be advised that their usage will be reviewed on an ongoing basis and unjustified excess gas usage may be billed to them.
6. A daily report will be generated by Peoples billing system that will allow the Company to identify CAP customers whose weather-normalized annual usage has increased by more than 10%. The CAP customers most recent 12-month usage adjusted for normal weather will be compared to weather normalized usage for the preceding 12-month period. For the accounts that indicate a situation of excess gas usage (110%) the company will take the following steps:
  - (a) The account will be reviewed and the customer may be contacted in order to determine if the increase in gas usage is justified. Justified usage may include increase in household size, serious illness of a family member, or usage was beyond the household's ability to control. Special needs customers identified through this process will be referred to the CARES program.
  - (b) Any customer with unjustified excess usage will be contacted and provided with conservation information, tips for lowering usage, and a referral to weatherization programs. The customer will be given an opportunity to adjust his/her usage pattern.
  - (c) Unjustified excess usage may be billed to the CAP customer if the usage pattern is not adjusted.

## CAP CONTROL FEATURES

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### How effective are the CAP control features at limiting program costs?

All of the CAP control features as listed in their most recently filed 2009-2011 Universal Service Plan are in place at Peoples Gas. However, it is the evaluator's opinion that the follow-up action items relating to CAP customers usage increasing by 10% or more are not adequately completed. The control features reflected in the Universal Service Plan were followed accordingly from the time of the CAP Restructuring settlement until the fall of 2009. The daily usage reports were reviewed to identify accounts for further action. Letters were issued to customers with confirmed usage increases and follow up phone calls were made in order to determine if the change in usage was justified. Currently, the Company sends out a letter with energy savings tips to every CAP customer appearing on the CAP normalized usage report with a request to call the Company for further information. No outbound phone calls are made to customers to determine the reasons for their increased usage. However on the occasions when the customer does phone the Company, the phone rep completes an Energy Education and Information Survey which identifies reasons for increased usage. CAP administration procedures state that the Company will contact the customer by phone to gain a better understanding of reasons for the usage. Beginning in late 2009, changes in workflow procedures resulted in follow-up letters being sent but follow-up phone calls (to better understand usage changes) were not being performed in all cases.

#### **Finding-CAP-9**

The Company follow-up letters sent to CAP customers exceeding usage 10% or more appears to be effective. Less than 3% (474) of CAP participants active in 2009 experienced an increase of  $\geq 10\%$  in their annual weather normalized usage. Of this amount approximately 10% (48) had a confirmed increase in usage that required customer contact to determine if the usage increase was justified. Recently the Company has not made all the necessary follow-up phone calls to understand usage changes.

#### **Recommendation**

Implement consistent and timely outbound calling protocol to CAP customers exceeding usage by 10% or more. Consider engaging the LIURP educator for remedial phone calls and/or site visits on an as needed basis.

## CAP PAYMENT BEHAVIOR

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Does CAP participation improve payment behavior? (Number of payments; percentage of bill paid; \$ amt paid).

The CAP billed amount is the annual total of the expected monthly CAP payment, not the actual tariff rate amount. Percentage of CAP bill paid is the total amount of payments made by CAP customers divided by the total dollar amount of CAP billed.

### Percentage of Bill Paid

In the annual 2008 BCS Universal Service and Conservation Report the Company's CAP customers percentage of bill paid was **83%** (ranked fifth out of eight PA natural gas peer companies). The Commission recommends that a percentage of bill paid of no less than 80% can be reasonably achieved with a goal of 90% or better.

### Number of Payments and Dollar Amount

Although there was no data to compare 12 months pre-CAP payment history with 12 months of post-CAP payment history, there was data submitted for the annual BCS Universal Service Cap report for payment behavior post-CAP.

**Table 11**  
**Number of Full On Time CAP Payments**

	2009	2008	2007
<b>Total Cash CAP Payments</b>	\$12,146,190	\$10,307,829	\$8,662,274
<b>Number of Full-on time Payments</b>	94,306	81,330	69,552
<b>Average # of Active Participants</b>	15,716	13,6736	11,906
<b>Average # Full Time Payments Per Active Participant</b>	6	6	5.8

BCS Annual Universal Service and Collections Report 2007-2009

**Finding-CAP-10**

CAP customers on average pay on time and consistently at least six out of twelve payments on an annual basis or 50% of the time.

CAP customers percentage of bill paid was 83%, ranked fifth out of eight peer natural gas utilities in the state.

### Does participation in CAP reduce arrearages?

#### Pre-CAP Arrearages

When a customer is enrolled into CAP the total amount of their pre-CAP arrearage is suspended and put into a hold account. The customer is eligible for forgiveness on an annual basis of 25% on the condition that they remain current with their monthly CAP payment. (Percentage of income payment + \$2 applied on the arrears) for twelve (12) consecutive months. With this arrangement, the customer could potentially pay off their pre-CAP debt over a four year period dependent on consistent payment behavior.

During periods of missed payments no forgiveness occurs until such time as the CAP customer makes catch-up payments and is deemed current. If one month is missed the cycle of the twelve months of consecutive payment requirement starts over again.<sup>5</sup>

In the Company's 2004 Universal Service Program Impact Evaluation<sup>6</sup>, *Finding 6.1.2 Average 2003 Arrearage Forgiveness per CAP Customer is \$262. Strict Adherence to Program Requirement Limits CAP Participation to 30% of Total CAP Active*, the criteria of the twelve months of consecutive payment was reported as a barrier to CAP customers receiving arrearage forgiveness benefits of the program.

The evaluation recommended that the Company revise its arrearage forgiveness design so that customers who miss one or two CAP payments and make up those payments receive arrearage forgiveness benefits. Further it was recommended that the Company consider forgiving a larger percentage of pre-CAP arrearages over a shorter time period (i.e. 50% annually after twelve months of payments).<sup>7</sup>

The BCS agreed and recommended that Peoples revise its arrearage forgiveness design to provide benefits monthly when a customer makes a full CAP payment. "Acceptance of this recommendation will reflect the way the majority of companies handle arrearage forgiveness since, of the 14 major utilities that provide CAP benefits, 11 companies provide arrearage forgiveness benefits monthly upon receipt of a customer's full CAP payment."<sup>8</sup>

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<sup>5</sup> Peoples Gas 2009-2011 Universal Service Plan CAP pg. 6 Arrearage Forgiveness

<sup>6</sup> 2004 Dominion Peoples Universal Service Program Impact Evaluation Melanie K. Popovich pg.43

<sup>7</sup> BCS Letter to Dominion-Peoples Janice Hummel January 19, 2005

<sup>8</sup> Ibid.



**CAP Expansion Settlement Order**

As a result of the PA Public Utility Commission Opinion and Order Docket M-00051880 the Company's plan for CAP expansion and recovery of CAP costs was approved. However, the recovery of all costs associated with arrearage forgiveness going forward was not adopted in this proceeding. The Commission did agree to allow the Company a one-time pre-program arrearage write-off for 8,562 accounts and further allowed the Company to continue with their in- place CAP arrearage forgiveness policy (25% over a four year period contingent on twelve (12) consecutive months of CAP payments).

**Table 12**  
**Pre-CAP Arrearage Forgiveness Write-Off**

	<b>2007*</b>	<b>2008</b>	<b>2009</b>
<b>PRECAP WRITEOFF</b>	\$10,877,245	\$126,582	\$360,760
Number customers Receiving /AVG Per Customer	10,124/ \$1074	653/\$194	1,823/\$198

AD Hoc Rate Department Report-2010

\* Dominion's 2007 average arrearage forgiveness of \$921 is a result of the Commission granted petition "Petition for Expedited Relief" at Docket No. M-00051880 in May 30, 2007 that granted Dominion-Peoples a one-time pre-program arrearage write-off of 8,562 accounts totaling \$10,488,236.75. The financial transaction was completed on June 1, 2007.

**Table 13**  
**Pre-CAP ARR Balance Paid in 12 months.**

	<b>AVG Beginning ARR Balance of all Pre-CAP Customers</b>	<b>Percentage of Pre-CAP Arrearage Paid in 12 Months by those CAP Customers Earning Arrearage Forgiveness Benefits</b>
2009	\$1105	\$198 or 18%
2008	\$1115	\$194 or 18%

Ad Hoc Report Rates Department 2010

As a result of this analysis the evaluator believes that the current methodology of providing arrearage forgiveness benefits is not much of a benefit to the customer. Only 653 out of 13,673 CAP customers enrolled received arrearage forgiveness benefits in 2008 and only 1,823 out of 15,716 customers received benefits for 2009.

**Finding-CAP-11**

The Company's CAP helped reduce pre-program arrearages by approximately 18% in 2009. Of the total customers enrolled in CAP (15,716) only 12% (1,823) of CAP customers earned arrearage forgiveness benefits (\$198/ customer). Company arrearage forgiveness procedures that only allow 25% forgiveness/annually after 12 consecutive months of CAP payments create barriers for success.

**Recommendations**

Revise arrearage forgiveness policy to allow monthly benefits when CAP payments are up to date and paid on time. Shorten the forgiveness period from 25% annually over four years to 1/36 monthly over a three year period.

## CAP TERMINATIONS AND COLLECTIONS

Does participation in Universal Service programs decrease service terminations?

Does participation in Universal Service programs decrease collection costs?

### Collection Activity

A sample size of 806 CAP customers with available 12 month pre-CAP and 12 month post-CAP payment history was analyzed for collection activity. The table below shows a significant increase in the number of termination notices issued post-CAP and a slight increase in number of phone attempts. Unfortunately, for purposes of this evaluation, the Company was not able to provide any data on CAP collections costs in order to arrive at any conclusions on the effect that CAP might have.

**Table 14**  
**CAP Collection Activities Pre-CAP Post-CAP**

	<b>Termination Notices</b>	<b>Phone Attempts</b>	<b>Actual Terminations</b>
<b>Pre-CAP</b>	183	427	13
<b>Post- CAP</b>	475	590	45

Ad Hoc IT Report CAP Sample 806 Accounts January 2008-January 2009

### Finding-CAP-12

In a sample of 806 CAP customers with twelve months Pre-CAP and twelve months Post-CAP payment history, customers received an increase of 252 termination notices , an increase of 163 phone attempts and an increase in 32 actual terminations.

Due in part to the limitations of the existing billing system, the Company was unable to provide data on CAP collection costs.

### Recommendations

Enhance system programming to ensure accurate and timely data downloads for CAP collections activities and associated collection costs.

## CAP PROGRAM COSTS

CAP costs include costs for administration, CAP credits and arrearage forgiveness. Administrative costs include the following cost: contract and utility staffing; account monitoring; intake; outreach; consumer education and conservation; training; maintaining telephone lines; recertification; computer programming; evaluation; and other fixed overhead costs. Account monitoring includes collection expenses, as well as other operation and maintenance expenses.

**Table 15**  
**% of Total CAP Spending 2008**

	<b>Admin Costs</b>	<b>CAP Credits</b>	<b>Arrearage Forgiveness</b>
Columbia	4%	91%	5%
<b>Peoples</b>	<b>6%</b>	<b>92% (\$583)</b>	<b>2%</b>
Equitable	5%	89%	6%
NFG	4%	87%	9%
PECO-Gas	54%	45%	1%
PGW	2%	89%	9%
UGI	6%	74%	20%
UGI-Penn Natural	9%	82%	9%
<b>Weighted Avg.</b>	<b>6%</b>	<b>87%</b>	<b>7%</b>

2008 Universal Service and Collections Report pg.64

### Finding-CAP-13

In CAP spending, the Company falls within the industry norm for Administrative costs; slightly higher (\$583 or 92% per CAP customer) than the industry norm for CAP Credits; and second to the lowest in Arrearage Forgiveness costs as compared with PA peer natural gas companies. Revisions to the Arrearage Forgiveness program should bring these costs more in line with the industry. See Recommendation CAP-11

### Recovery of CAP Costs

#### 2006-2008 Universal Service Plan Settlement Conditions

The Company filed its Universal Service and Energy Conservation Plan in May 2005. As a result of significant time delays and exceptions made by interested parties the resulting Settlement became effective November 30, 2006.<sup>9</sup> Major revisions to CAP cost recovery were as follows:

- The elimination of the 9,000 customer enrollment limit making CAP available to all eligible customers.
- No inclusion of preprogram arrearage forgiveness costs and CAP costs savings items associated with incremental customers added under the terms of the Settlement will not be included in the cost recovery mechanism established.
- Cost recovery will include CAP credit costs associated with new CAP participants and CAP credit amounts that exceed the previous maximum of \$840 for the existing 9,000 participants. CAP credit costs will be determined by calculating the difference between the total residential bill and the then-current CAP payment amounts less the then-current levels of LIHEAP energy assistance. The total average residential bill will be calculated based on the projected weather-normalized usage per customer for existing CAP participants.
- The initial CAP Credit cost recovery amount will be calculated to be effective on January 1, 2006 and recalculated thereafter on a quarterly basis (April 1, July 1, October 1, and January 1). The calculation of the recovery amounts will assume treat new CAP customers will be added ratably over the quarter.
- A base rate adjustment will be made to the delivery charge of non-CAP customers on a quarterly basis. This charge will not be filed as a separate tariff rider. The charge will be calculated based on projected water-normalized residential sales and transportation volumes (MCF). The Company will absorb the 4.25% of recoverable CAP costs that originally were proposed to be assigned to the commercial and industrial customer classes.
- The then current \$840 maximum CAP credit was eliminated and annual CAP credit amounts exceeding this are recoverable through the cost recovery mechanism described above.

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<sup>9</sup> PA Public Utility Commission Opinion and Order Docket M-00051880

## CAP PROGRAM COSTS

**Table 16**  
**Peoples Gas CAP Recovery Mechanism**

<b>Two Parts</b>		2001 Settlement 2006 Settlement
<b>2001 Settlement</b>		Covers 9,000 participants Includes CAP Credit, Arrearage Forgiveness, and Administrative Costs Imbedded in Delivery Charges of Residential, Commercial, & Industrial Customers CAP Credit limited to \$840 per customer per year
<b>2006 Settlement</b>		Includes costs associated with CAP Credits over \$840 for the first 9,000 participants No cost recovery for Arrearage Forgiveness Limited Administrative Costs included Includes total CAP Credit costs for all participants over 9,000 Imbedded in Delivery Charges of Residential Customers
<b>Calculation of Mechanism</b>		
First 9,000 Customers	<ol style="list-style-type: none"> <li>1 Identify the number of customers in the first 9,000 enrolled who are projected to exceed \$840 CAP Credit</li> <li>2 For those customers identified, calculate their average usage and average payment agreement amounts</li> <li>3 Utilizing current rates, calculate the total CAP Credit costs exceeding \$840</li> </ol>	
Customers over 9,000	<ol style="list-style-type: none"> <li>1 Project the number of customers expected to be enrolled over the original 9,000 limit by the end of the current quarter</li> <li>2 Calculate the average annual usage and average payment agreement amounts for the CAP group as a whole</li> <li>3 Utilizing current rates, calculate the Total CAP Credit Costs</li> </ol> <p>For both groups, we assume an average energy assistance grant based on actual grants received by the CAP group. This figure is updated quarterly in order to reflect actual LIHEAP grant levels for the current heating season.</p>	

## CAP PROGRAM LINKAGES

Is there an effective link between participation in CAP and participation in energy assistance programs? (LIHEAP, Hardship Funds, and other grant programs)

How effective is the CAP and LIURP Link?

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**Table 17**  
**CAP and Other Assistance**

<b>2009</b>	<b>CAP + LIURP/ Total LIURP</b>	<b>CAP + CARES</b>	<b>CAP + Dollar Energy</b>	<b>CAP + LIHEAP / Total CAP Participants</b>
<b># of CAP</b>	139/140	186	785	10,934/15,716
<b>\$ Amt</b>				\$3,882,271
<b>2008</b>				
<b># of CAP</b>	124/134	187	321	8,544.00/13,673
<b>\$ Amt</b>				\$2,211,482

2008-2009 BCS Universal Service Report

#### **Finding-CAP-14**

The Company is extremely effective in linking CAP customers to other Universal Service and assistance programs.

Ninety-nine (99%) of all LIURP weatherization jobs completed in 2009 were high usage CAP customers.

Seventy percent (70%) of all CAP customers active in 2009 received LIHEAP benefits up from sixty-three percent (63%) receiving benefits in 2008, an increase of 2,390 participants amounting to an additional \$1,670,789.

## **CAP PROGRAM LINKAGES**

## The Financial Impact of LIHEAP on CAP Deficiency

The Department of Welfare (DPW) recently proposed a major LIHEAP program change for the 2010-2011 heating season which would in effect reduce the monthly CAP payments required by CAP utility customers. In the existing program, LIHEAP funds are used to offset CAP credits or the amount difference between the CAP billed amount and the tariff usage amount. CAP credits are costs borne by the Company's non-CAP residential customers.

Under the new proposal, LIHEAP funds would be used to offset the customer's payment obligation when the grant is received. If the customer is in arrears on their monthly CAP agreement, the LIHEAP funds would be used to:

1. Bring the agreement up to date.
2. Cover the current monthly payment due.
3. Pay upcoming plan amounts in advance.

For example, if a customer's monthly CAP payment is \$50 and they have one missed CAP payment of \$50 in the arrears, their Total CAP Payment Due is \$100. A LIHEAP grant of \$200 under the new plan would be used to pay the existing \$100 CAP payment due and the other \$100 would be used to cover the next two monthly CAP payments of \$50 each in advance.

This change by DPW reduces the payment obligation of the customer below the established affordability guidelines established by utility percent- of -income CAP programs. This creates an increase in CAP costs which are passed on to non-CAP residential customers.

Using the customer group that was the basis for Peoples' January 1, 2010 cost recovery filing, the increase in CAP deficiency of \$2.8 million would eventually be borne by Peoples' non-CAP residential customers. The implementation of this change would also require significant programming changes to Peoples current billing system.<sup>10</sup>

Current CAP Deficiency Calculation:	\$3,461,967
Calculated CAP Deficiency New DPW Plan	\$6,268,057

## CAP PROGRAM LINKAGES

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<sup>10</sup> Rate Department Deficiency Calculation February 25, 2010



**Finding-CAP-15**

The new DPW LIHEAP program for the 2010-2011 heating season would increase the Company's CAP deficiency costs by \$2.8 million.

**Recommendation**

Modify CAP customer payment plans to take into account the changes to the LIHEAP program. Divide the projected customer LIHEAP grant by 12 months and add in a "plus" amount monthly to the percent of income CAP amount. This would reinforce regular affordable payments rather than allowing customers to "skip" a payment.

## Eligibility Requirements

The Customer Assistance Referral and Evaluation Services (CARES) program provides comprehensive services for special needs customers having a true inability to pay their bills. CARES customers are screened for eligibility based on income up to 200% of the Federal Poverty Income Guidelines as well as their inability to pay. While the program does not include special payment arrangements, it does grant payment extensions for 30 days based on circumstances. Situations such as a serious medical or mental health condition, limited learning ability, short-term unemployment, etc. would deem customers eligible for CARES. Designed to assist customers over the short term, the reality is that many customers' circumstances never improve. However, the program is intended to assure that these customers maintain safe and adequate utility service. Many CARES customers transfer into CAP as their income and special needs situations improve.

**Table 18**  
**CARES Transferred to CAP**

<b>Program Year</b>	<b>CARES to CAP</b>
<b>2009</b>	<b>186</b>
<b>2008</b>	<b>184</b>

2008-2009 BCS Universal Service Report-Section CARES

For most utilities CARES representatives provide case management services to a limited number of customers with special needs. According to the BCS, most customers receive the case management services of CARES for no more than six months.<sup>11</sup> If a customer's hardship is not resolved within that time, a utility will transfer a customer from the CARES program to their CAP. However, in the case of the Company, the average length of time a customer is in CARES is 5.3 months due in part to the high percentage of elderly on fixed income and in part to system limitations which do not flag CARES accounts for length of time in the program. CARES accounts must be removed manually.<sup>12</sup>

## CARES PROGRAM DESCRIPTION

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<sup>11</sup> 2008 BCS Universal Service and Collections Report Section CARES pg 43

<sup>12</sup> Interview: Customer Relations Specialist

## **Referrals to the Program**

Referrals to the CARES program are received through the Company's 1-800-400-WARM toll free phone line from a variety of sources including but not limited to:

Call Center Representatives  
Customer Service Representatives  
Community Based Organizations (CBOs)  
Social Service Agencies

## **CARES Representatives**

Currently two Customer Relations Program Specialists provide assessment and referral services to appropriate Company Universal Service programs (LIURP, CAP) as well as to social service (Dollar Energy Fund) and government assistance programs (LIHEAP, Crisis). While each specialist maintains a small ongoing caseload, it is more common that the specialists provide the customers with short-term assistance to assure that they receive all the necessary referrals during the initial contact and are then able to pursue the referrals without further Company assistance. On occasion a home visit is performed if a customer is homebound unable to communicate, illiterate, mentally incompetent or confused.

The Customer Relations Program Specialists network extensively with CBOs and social service agencies throughout Peoples sixteen county service territory. Each year the Company's eligible customers receive substantial financial assistance from these third party social service agencies.

## **Other Responsibilities**

In addition to handling the CARES caseload and providing referral assistance other responsibilities of the Customer Relations Specialists include:

1. Coordinating the Gatekeeper program, designed to identify and aid older adults.
2. Coordinating thermostat installations for the visually impaired.
3. Assisting special needs customers as identified in the Annual Cold Weather survey.
4. Coordinating LIHEAP outreach including customer letter mailings and promotions.
5. Managing the Universal Service 800 line.
6. Coordinating the Dollar Energy Fund grant program.
7. Participation in energy related fairs and workshops.

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## **ENERGY ASSISTANCE BENEFITS**

Outreach for LIHEAP is an important component of the CARES program. The Company identifies income eligible customers and promotes the program through bill inserts, radio and television ads, press releases, press conferences, and letters sent to customers. Customers may call the Universal Service 800-400-WARM number to request LIHEAP applications.

**Table 19**  
**LIHEAP and Direct Benefits**

<b>Nov 2008-Apr 2009</b>	<b>CARES CUSTOMERS</b>	<b>LIHEAP ALL LOW INCOME CUSTOMERS</b>
<b>LIHEAP CASH</b>	\$64,955	\$9,592,222
<b>LIHEAP #</b>	201	29,020
<b>LIHEAP Crisis</b>	\$24,246	\$2,636,270
<b>LIHEAP Crisis #</b>	50	5,248
<b>*DIRECT \$</b>	\$86,056	
<b>*DIRECT #</b>	367	
<b>Nov 2007-Apr 2008</b>	<b>CARES CUSTOMERS</b>	<b>LIHEAP ALL LOW INCOME CUSTOMERS</b>
<b>LIHEAP CASH</b>	\$34,720	\$4,623,428
<b>LIHEAP #</b>	163	18,855
<b>LIHEAP Crisis</b>	\$13,329	\$1,148,136
<b>LIHEAP Crisis #</b>	39	3,175
<b>*DIRECT \$</b>	\$89,600	
<b>*DIRECT #</b>	401	

2008-2009 BCS Universal Service Report-CARES section

\*Direct benefits are defined as the cumulative total dollar amount of all energy assistance sources (LIHEAP, Dollar Energy, and local agency grants cash amounts applied to CARES accounts along with the cumulative number of total recipients.

## **ENERGY ASSISTANCE BENEFITS**

**Finding-CARES-1**

The Company continues to significantly improve its LIHEAP and other energy assistance outreach benefits to their low income customers each year.

**Hardship Fund**

The Peoples Hardship Fund is a partnership with the Dollar Energy Fund (DEF). This organization was founded in 1983 with Peoples Gas being the first utility to form a partnership with them. Currently, DEF partners with thirteen utilities in Pennsylvania. DEF is an independent, non-profit organization that provides utility bill financial assistance to customers who are on a low or fixed income. The organization is funded through donations from utility shareholders, customers, and employees. Currently Peoples' contribute up to \$300,000 annually to match customer donations with the Company contributing an additional \$60,000 for administration.

**Eligibility**

DEF reviews and modifies its eligibility guidelines annually. It is a fund of last resort. Households whose gas service is off and are eligible for LIHEAP and Crisis benefits must first apply for those benefits, when available, before applying for Dollar Energy grants. The program year runs annually from October 1<sup>st</sup> to September 30<sup>th</sup>. Grants are available until funds are exhausted.

Other eligibility criteria include:

- Income must be at or below 200% of Federal Poverty Income Guidelines.
- Customers must have made a sincere effort of payment which is defined as having paid at least \$150 toward their utility bill over a ninety-day time period.
- Applicants under the age of sixty-two must have a balance of at least \$100 on their account to be eligible to apply.
- The customer is classified as a residential heat customer.

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**ENERGY ASSISTANCE BENEFITS**

Dollar Energy Fund currently partners with CBOs. Customers may be referred to any DEF community based screening agency to complete an application. DEF developed an on-line application process “I-Partner” which enables the Company to review grant applications electronically. With this system, the Company or agency can input a customer application and within fifteen minutes receive approval for a Dollar Energy grant.

The Company and Dollar Energy report that the only challenge to this system is internal to Peoples Gas. Grantees names, account numbers, and grant amounts along with a paper check are sent by Dollar Energy through the mail where the Company must have the grant amounts entered manually and the paper check mailed to Payment Processing in Richmond, VA.

#### **Finding-CARES-2**

The manual system of applying Dollar Energy Fund grant amounts to customer accounts and processing weekly paper checks is inefficient and creates barriers to timely management of the Company’s hardship fund program. This may be due in part to the limitations to the existing billing system.

#### **Recommendation**

Replace the manual paper system with an electronic transfer of funds from Dollar Energy to the Company.

#### **Outreach Efforts**

Information about the program is included each year in a bill insert that is mailed to all customers. Customer donations are also solicited annually through bill inserts, press releases and information on the bill. In addition those customers referred to the Universal Service Programs are screened for DEF eligibility and referred to the program. The Company has also sponsored single events to support Dollar Energy fundraising efforts in order to increase customer contributions.

## **ENERGY ASSISTANCE BENEFITS**

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**Table 20**  
**Dollar Energy Cash Benefits**

<b>2008-2009</b>		<b>AVG CASH GRANT</b>
<b>Cash Benefits \$</b>	\$599,616	<b>\$358</b>
<b>Cash Benefits #</b>	1,679	
<b>Dollar Energy &amp; CARES</b>	19	
<b>Dollar Energy &amp; CAP</b>	85	
<b>2007-2008</b>		<b>AVG CASH GRANT</b>
<b>Cash Benefits \$</b>	\$402,194	<b>\$366</b>
<b>Cash Benefits #</b>	1,099	
<b>Dollar Energy &amp; CARES</b>	15	
<b>Dollar Energy &amp; CAP</b>	321	

BCS Universal  
Report-Hardship Fund Section

2008-2009  
Service

### **Finding-CARES-3**

The Company continues to realize significant benefits from Dollar Energy cash grants of an average of \$358 per low income customer.

### **Recommendation**

Continue to develop new signature events such as the “Warm Your Hearth...Warm Your Heart Campaign” for Dollar Energy fundraising to increase customer contributions.

## LIURP PROGRAM DESCRIPTION

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The Company's LIURP is a weatherization and conservation education program targeted to low income, high usage customers within the Company's 16 county service territory. The program was designed in 1987 and has been funded with an annual budget of \$610,000 to assist with customers who have problems coping with high gas bills.

The goals of the program are to:

- Increase the warmth and comfort of the home.
- Control high gas usage.
- Reduce customer energy bills.

Since the program's inception through December 31, 2008, the Company has spent approximately \$11,853,757 and weatherized 4,100 homes.<sup>13</sup>

### Eligibility

- CAP customers with qualifying high usage will be prioritized for LIURP services.
- Customers cannot exceed 150% of Federal Poverty Income Guidelines except in special needs cases where customers can qualify up to 200% of the poverty level guidelines. (Up to 20% of the program budget may be allocated to this customer group).
- Customers must be a residential gas heat customer, have 12 months of residency at their current address, and have no intentions of moving within the next year.
- Customers must use in excess 140 Mcf per year and have an arrearage of \$200 or more.
- Renters must have the gas account in their own name, not the landlord's. Eligible rental units must be metered separately and have individual heating units. Prior to receiving LIURP services, landlord permission must be obtained.

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<sup>13</sup> PNG 2008 Universal Service Plan; Annual BCS Universal Service Report



## LIURP NEEDS ASSESSMENT

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### Needs Assessment and Additional Funding

This analysis incorporates 2000 US Census data by county as well as Company data for those customers who meet the usage and income level requirements for LIURP.

#### In Summary:

Total PNG Residential Customers Meeting the Usage Requirement (>140 Mcf/yr) 38,890

Total PNG Residential Customers Meeting both the Usage and Low Income Requirement as estimated on Census Data 8,331

### Identified LIURP Eligible Customers

PNG also examined the number of existing residential customers, for which income data is available, that are currently at or below 10% of Federal Poverty Level and use in excess of 140 Mcf/year. The following table identifies the level of these customers by county serviced as of May 7, 2008.

County	Customers
Allegheny	2795
Armstrong	224
Beaver	426
Blair	1354
Butler	142
Cambria	1261
Clarion	0
Fayette	50
Green	3
Indiana	209
Lawrence	68
Mercer	118
Somerset	16
Venango	1
Washington	85
Westmoreland	1085
<b>Total</b>	<b>8,331</b>

In reviewing the results of both the Company and census provided information, the evaluator is in agreement that there is an estimated 8,000 customers currently eligible for LIURP services. Additional criteria for eligibility include uninterrupted service for the prior 12 months and sound physical condition of the home. This could potentially reduce the eligible population even further.<sup>14</sup>

Based on the Company's needs assessment and pursuant to agreement for the sale of Peoples Natural Gas to Steel River, Inc., in February 2010 the PUC required the annual LIURP budget be increased from \$610,000 to \$768,000/annually to serve more of the eligible population.

Even with the newly adjusted LIURP spending level increase to \$768,000, the Company's spending level remains second to the lowest in the industry as compared to PA peer natural gas utilities.<sup>15</sup>

### **Finding-LIURP-1**

The Company's 2008 needs assessment concludes that there are approximately 8,000 underserved low income customers who potentially are eligible to receive LIURP services.

### **Recommendation**

Increase the LIURP budget to \$900,000-\$1,000,000 annually.

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<sup>14</sup> Dom-Peoples Universal Service and Energy Conservation Plan June 1, 2008 Appendix-LIURP Needs Assessment.

<sup>15</sup> 2008 BCS Universal Service and Collections Report.

### Administration

As a result of a recommendation of the 2004 Universal Service Impact Evaluation the Company issued a RFP to outsource LIURP administration to a third party.<sup>16</sup> Conservation Consultants Inc. (CCI) located in Pittsburgh, PA. was the successful bidder.

CCI conducts energy audits, contracts with eight non-profit Department of Community Education Development (DCED) state funded community action agencies and one private weatherization company to install weatherization measures, provide consumer education and conduct post installation inspections.

When possible, CCI blends funding for both the state weatherization program and LIURP in order to offer a more comprehensive weatherization package to PNG customers.

CCI utilizes a Company provided LIURP database to capture program information on four screens: customer and demographic information, dwelling information, measures installed, and job status. In the Company's 2004 Universal Service Evaluation Finding 10.2.2 the average lag time between LIURP proceed date to LIURP completion date was six to seven months. DCED agencies simply were not prioritizing LIURP customers. The evaluator recommended that agencies prioritize LIURP customers to expedite weatherization to a 120 day (4 months) turnaround time.<sup>17</sup> As of 2008 the average turnaround time for the nine LIURP providers was 117 days, quite an improvement from the previous evaluation.

CCI coordinates communications between eligible customers and the Company; reviews and approves recommended weatherization measures prior to installation; reviews agency invoices; and maintains information on the LIURP database.

Significant to this process is agency invoice reconciliation post weatherization. To date, CCI performs random checks and balances on invoices submitted comparing costs with agreed upon contracted fees for weatherization measures and services.<sup>18</sup> Invoices are typically routed to bookkeeping as a general practice for automatic payment.

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<sup>16</sup> Dom-Peoples Universal Service Program Impact Evaluation-2004, pg. 71

<sup>17</sup> Ibid,69

<sup>18</sup> Interview: CCI Coordinator LIURP Administration

### **Referrals**

Referrals to LIURP are received by CCI from community and social service agencies and from the Company through customers who are enrolled in CAP, customers with high arrears, and customers who are enrolled in CARES.

Once referred the customer is reviewed for both LIURP and the Department of Community Education Development (DCED) state weatherization program. For agency referrals, CCI verifies usage and income eligibility with the Company. CCI sends out a maximum of three letters plus makes one phone attempt to eligible customers inviting their participation into the program.

### **Program Partners**

Beginning in 2004, Duquesne Light Company and Peoples partnered to begin identifying joint LIURP customers in Allegheny and Beaver counties eligible to receive a 90% efficient replacement gas furnaces. To be eligible customers must be a Duquesne Light and PNG customer, meet CAP eligibility guidelines, and own a disabled or inefficient gas furnace in need of repair or replacement.

**Audit**

The auditor performs a blower door test on eligible customer homes noting air leakage areas inside the home. Job orders detailing recommended installed measures are then submitted to CCI for approval. CCI determines the allowable per house expenditure based on the usage amount to minimize expenditures and maximize consumption savings.<sup>19</sup>

**Table 21**  
**LIURP Allowable Expenditure Per Household**

<b>Usage Amount Mcf</b>	<b>Allowable Expense</b>
140-155	\$2,475
156-170	\$2,550
171-190	\$2,800
191-220	\$2,900
221-250	\$3,000

Measures are installed based on established payback criteria which may include:

- Heating system improvements and/or replacements
- Attic, sidewall and other types of insulation
- Caulking and weather stripping
- Air sealing
- Hot water treatments including tank improvements, wrapping, and replacements
- Incidental minor repairs

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<sup>19</sup> Interview: CCI Coordinator LIURP Admin

**Finding LIURP-2**

The Company's LIURP plan imposes a maximum allowable LIURP spending cap per household utilizing a usage matrix as a means of controlling LIURP costs.

**Recommendation**

Remove LIURP spending caps as per the usage matrix and replace with the Company's historical average spending allowance. Review this on an annual basis to adjust for inflation and increased costs for weatherization labor and materials.

The Company has proceeded with this recommendation and is making the procedural change effective August 1, 2010.

### A Closer Look at Furnace Replacement

Heating equipment is inspected by the DCED auditors trained in furnace and water heater inspections or by private heating dealers subcontracted by the agencies. The furnace or water heater replacement is approved by CCI based on a phone call and a picture of the appliance in question. The damaged part is left behind at the customer's premise to be examined by the Company's post weatherization inspector. The LIURP program is not meant to be solely a furnace replacement program. In the Company's 2004 evaluation LIURP Finding 10.2.3 indicated that 80% of the weatherization jobs reported as completed were "Furnaces Only" jobs.<sup>20</sup>

While the Company has done a good job at reducing the percentage of "Furnace Only" jobs funded through the LIURP program, the need still exists for a low income furnace replacement program for eligible customers. Replacing a faulty furnace with a new energy efficient furnace can make all the difference in customers reducing their gas usage and obtaining more affordable bills.

**Table 22**  
**LIURP Completions**

	2008	2007	2006	2005
<b>Furnace + Full Wx</b>	34	40	30	65
<b>Furnace Only</b>	26	31	49	29
<b>Other-(Audit, Air Seal)</b>	74	85	90	82
<b>Total Jobs Complete</b>	134	156	169	176
<b>Normalized Savings</b>	23.6%	17.5%	17.6%	31.2%
<b>PNG+DCED</b>		69	70	
<b>PNG+ Duquesne Light</b>	0	2	0	0

<sup>20</sup> 2004 Dominion Peoples Universal Service Program Impact Evaluation pg.70

**Finding-LIURP-3**

There is no mechanized tracking system that combines DCED funding with LIURP funding to report the total weatherization dollar benefits per customer.

**Recommendation**

Mechanize and track DCED funding with LIURP combined weatherization jobs to achieve maximum benefits.

**Finding-LIURP-4**

The need for furnace replacement and line repair/replacement is significant in low income households throughout the Company's service territory.

**Recommendation**

Consider establishing a Company funded Emergency Furnace/Line Repair Program separate from LIURP for eligible low income customers.

**Finding-LIURP-5**

There are few jointly funded LIURP projects between the Company and Duquesne Light.

**Recommendation**

Implement the necessary procedures to revitalize the partnership between Peoples Gas and Duquesne Light for jointly funded LIURP projects in Beaver and Allegheny counties.



### **Energy Education and Inspections**

CCI subcontracts with an Education and Inspection Specialist to visit the customers' home post-weatherization to further explain the weatherization program, educate the customer on additional ways to conserve energy through lifestyle changes, and to provide conservation materials. While on site, the educator verifies that the measures listed were actually installed and that the customer is satisfied with the work.

If the customer has an unusually high increase in consumption post-weatherization, a follow-up call or visit may be scheduled.

A retired Peoples employee performs infra-red inspection scans on approximately 25% of homes weatherized under the LIURP program.

## **APPENDIX**





## APPENDIX A

### CAP ADMINISTRATION COMPARISON PEOPLES GAS vs. COLUMBIA GAS

	PEOPLES GAS	COLUMBIA GAS
<b>CAP Customers</b>	15,737	22,000-25,000
<b>Referral Source</b>	Agencies; Customers; Call Center	Agencies; Customers; Call Center
<b>CAP Calls</b>	On site at Peoples Pitt Street office, Pittsburgh, PA Subcontractor-Advantage Consumer Credit Counseling (ACCC) 1 internal acting Supervisor; 6 phone; 4 back office reps (little customer service experience)  2009-70,000 CAP calls total 244 Calls/daily; 41 calls/rep	Universal Services (US) Call Group within Call Center 12 specialty trained reps + 1 team leader  Handles CAP; LIURP; LIHEAP; Crisis ; Dollar Energy calls;  2008- 190,000 US calls total 800 Calls/daily; 65 calls/rep
<b>IVRU Prompt</b>	No	Yes
<b>Call Flow</b>	Customer calls Dominion Call Center in Charlotte, NC Rep recognizes as potential CAP Customer  Transfers call to Pitt Street contractor ACCC Rep explains program; populates income and customer info screen Requests income verification/ customer in 30 day pending status Upon receipt of income verification, customer deemed eligible or ineligible.	When IVRU recognizes acct # as Level #1. Call auto routes to US call group  or  Customer calls 800#/direct to US call group  or  When IVRU does not recognize acct Call routes to regular rep Rep recognizes acct may be CAP eligible Rep gives 3 highlights of CAP/ on Call Aid Routes to US call group US call group populates 1 CAP screen Cuts and pastes customer info onto OSCAR(\$ Energy) \$ Energy receives real time info; customer on 30 day pending
<b>CAP Admin</b>	Outsourced to Advantage Credit Counseling CIS screens capture CAP information; <b>not user friendly</b> Customer letters generated by CIS system Handles recertification; customer defaults Reps phone customers with daily reports on recertification	Outsourced to Dollar Energy OSCAR software manages CAP information; user friendly Receives income verification Customer accept or denied based on income If accepted calculates CAP payment Explains CAP; refers to other energy and weatherization asst programs Handles recertification; customer defaults Letters generated by DIS system

<b>US Staff</b>	<p><b>Director Customer Relations</b> Ext Affairs; Community Affairs; US Programs:CAP;LIURP;CARES Dollar Energy; LIHEAP; Crisis; Complaints and Compliance</p> <p><b>1-Manager Communications and Community Affairs</b></p> <p><b>1-Supervisor Customer Relations</b> Complaints and Compliance; CARES; Fuel Fund LIHEAP; Crisis; LIURP</p> <p><b>4-Customer Relations Specialists</b> 1-CARES; CAP;LIHEAP: Hardship Fund 1-CARES; LIURP 2-PUC Complaints; customer disputes</p> <p>2-Customer Relations Representatives PUC Complaints; customer disputes</p>	<p><b>1-Manager Universal Service</b> CAP; LIURP; Dollar Energy; LIHEAP; Crisis; Emergency Furnace Repair Fund (\$250,000/annually) Energy Efficiency Program</p> <p><b>1-Coordinator - On site at call center</b> CAP billing adjustments; works daily system memos Over budget customers; moved; defaults; removing security deposits Problem accts; monitors \$ Energy daily Acts as go-to person for US call group/updates Call Aid Dormant acct surveys; agency contact person</p> <p><b>1-Coordinator - On site at call center</b> DPW -Brings up all accts with pending grants Provides customer verification; hard copy to DPW Troubleshoots Back-up for Eva</p> <p><b>1-Coordinator-Western PA-Canonsburg Office</b> CARES; Community Relations; LIURP back-up; Energy Asst</p> <p><b>1-Coordinator-Central PA-York Office</b> CARES; Community Relations; LIURP backup: Energy Asst</p> <p><b>1-Manager Customer Relations</b> DSM Programs; US strategy; Written and oral testimony: PUC Relations</p> <p><b>1-Supv Quality Control-Position to be filled</b> Field control on all contractors performing work in LIURP; Energy Efficiency Audits; Conservation Ed programs; and other DSM</p> <hr/> <p><b>1 Manager Regulatory Compliance-York,PA office</b> PUC Complaints; Disputes; Formals Supervises 3- representatives</p>
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Interview: George Dice, Manager Columbia Gas Call Center, Smithfield, PA; Deb Davis, Manager Universal Services, Columbia Gas; Kim Buss, Coordinator Customer Relations, Peoples

## APPENDIX B

## CAP CUSTOMER WITH LIHEAP

<p>Date Prepared April 16, 2010</p>	<p>Next Meter Reading 06/15 - 06/18/2010</p>	<p>For questions about Peoples Natural Gas charges call 1-800-764-0111.</p>
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Summary of Basic Charges		Monthly Usage Comparison																					
<p><b>Credits And Charges Since Your Last Bill</b></p> <p>Balance from last bill \$83.00</p> <p>Liheap Adjustment 300.00 CR</p> <p><b>Balance \$217.00 CR</b></p>		<p>Average Daily Temperature 2009 47°F 2010 52°F</p> <p>For This Billing Period</p> <p style="text-align: center;">Gas Use In MCF</p> <p style="text-align: center;"> <input type="checkbox"/> Actual   <input type="checkbox"/> Estimate   <input type="checkbox"/> Customer Read   <input type="checkbox"/> Adjusted Usage         </p> <p>Average monthly use: <input type="checkbox"/> 5.0 MCF. Total annual use: <input type="checkbox"/> 59.9 MCF.</p>																					
<p><b>Current Charges</b></p> <p>Rate RS Residential \$11.00</p> <p>Customer Charge - 1 Month</p> <p>Delivery Charge 8.31</p> <p>3.4 MCF @ \$2.4441 1.72</p> <p>Capacity Charge \$0.5059 per MCF 19.75</p> <p>Commodity Charge \$5.8088 per MCF .72 CR</p> <p>Gas Cost Adjustment - \$0.2118 per MCF .23 CR</p> <p>State Tax Surcharge Cr @ 2.77%</p> <p><b>Total Current Charges \$39.83</b></p> <p><b>Current CAP Allowance \$177.17 CR</b></p> <p>Peoples Natural Gas current charges include \$.25 in state taxes.</p>		<p><b>Billing Period And Meter Readings</b></p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Meter Number</th> <th>Read Type</th> <th>Reading</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Apr 16, 2010</td> <td>21405508</td> <td>Actual</td> <td>221.7</td> <td></td> </tr> <tr> <td>Mar 18, 2010</td> <td></td> <td>Estimate</td> <td>218.3</td> <td>3.4</td> </tr> <tr> <td colspan="3"><b>MCF Used in 29 Days</b></td> <td></td> <td><b>3.4</b></td> </tr> </tbody> </table>		Date	Meter Number	Read Type	Reading	Difference	Apr 16, 2010	21405508	Actual	221.7		Mar 18, 2010		Estimate	218.3	3.4	<b>MCF Used in 29 Days</b>				<b>3.4</b>
Date	Meter Number	Read Type	Reading	Difference																			
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Mar 18, 2010		Estimate	218.3	3.4																			
<b>MCF Used in 29 Days</b>				<b>3.4</b>																			

**Please Pay CAP Amount of \$180.00 by May 10, 2010**

Your Pre-CAP balance is \$804.31.

**Please continue to pay your CAP Amount by the due date.**

If you have questions about your CAP agreement, call 1-800-400-9276.

You can pay this bill with an electronic check, ATM/debit card with a Pulse, Star, NYCE or Accell logo, or a Visa, MasterCard, or Discover credit card at 1-800-573-1169. BillMatrix provides this service.

A service fee applies.

Please detach and return this coupon with a check made payable to Peoples Natural Gas. Please see reverse side for mailing address change instructions.

DUE DATE	May 10, 2010	Account No.	8 5000 1864 5592
<div style="border: 1px solid black; padding: 5px; display: inline-block;">\$180.00</div>		<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div>	
CAP Amount		Amount Enclosed	

0285000186455920000000003983000000180008

PEOPLES NATURAL GAS  
PO BOX 26784  
RICHMOND VA 23261-6784

## CAP CUSTOMER WITH MISSED PAYMENTS

Page 1 of 2

Date Prepared  
July 8, 2010

Next Meter Reading  
09/01 - 09/07/2010

For questions about Peoples Natural Gas charges call 1-800-764-0111.

Summary of Basic Charges		Monthly Usage Comparison																					
<b>Credits And Charges Since Your Last Bill</b> Balance from last bill \$386.18 Payment on Jun 22, 2010 - Thank You 261.00 CR <b>Balance \$125.18</b>		Average Daily Temperature For This Billing Period 2009 65°F      2010 70°F																					
<b>Current Charges</b> <b>Rate RS Residential</b> Customer Charge - 1 Month \$11.00 Delivery Charge 11.1 MCF @ \$2.4321 27.00 Capacity Charge \$0.4613 per MCF 5.12 Commodity Charge \$5.218 per MCF 57.92 Gas Cost Adjustment \$0.0559 per MCF .62 State Tax Surcharge Cr @ 1.96% .53 CR <b>Total Current Charges \$101.13</b> <b>Current CAP Allowance \$226.31</b>		<b>Gas Use In MCF</b>  Average monthly use: 9.8 MCF. Total annual use: 117.1 MCF.																					
Peoples Natural Gas current charges include \$.87 in state taxes.		<b>Billing Period And Meter Readings</b> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th>Date</th> <th>Read Type</th> <th>Reading</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Meter Number 27573720</td> <td></td> <td></td> <td></td> </tr> <tr> <td>Jul 6, 2010</td> <td>Actual</td> <td>274.9</td> <td></td> </tr> <tr> <td>Jun 4, 2010</td> <td>Estimate</td> <td>263.8</td> <td>11.1</td> </tr> <tr> <td colspan="3"><b>MCF Used in 32 Days</b></td> <td><b>11.1</b></td> </tr> </tbody> </table>		Date	Read Type	Reading	Difference	Meter Number 27573720				Jul 6, 2010	Actual	274.9		Jun 4, 2010	Estimate	263.8	11.1	<b>MCF Used in 32 Days</b>			<b>11.1</b>
Date	Read Type	Reading	Difference																				
Meter Number 27573720																							
Jul 6, 2010	Actual	274.9																					
Jun 4, 2010	Estimate	263.8	11.1																				
<b>MCF Used in 32 Days</b>			<b>11.1</b>																				
<b>Please Pay CAP Amount of \$174.00 by July 30, 2010</b> Your Pre-CAP balance is \$1,003.00. <b>Please continue to pay your CAP Amount by the due date.</b> If you have questions about your CAP agreement, call 1-800-400-9276. You can pay this bill with an electronic check, ATM/debit card with a Pulse, Star, NYCE or Accell logo, or a Visa, MasterCard, or Discover credit card at 1-800-573-1169. BillMatrix provides this service. A service fee applies.																							

Please detach and return this coupon with a check made payable to Peoples Natural Gas. Please see reverse side for mailing address change instructions.

DUE DATE Jul 30, 2010	Account No. 0 5000 2056 6367
<div style="border: 1px solid black; padding: 5px; width: 100px; margin: 0 auto;">\$174.00</div> CAP Amount	<div style="border: 1px solid black; width: 100px; height: 20px; margin: 0 auto;"></div> Amount Enclosed

19

7,463

PEOPLES NATURAL GAS  
PO BOX 26784  
RICHMOND VA 23261-6784

02050002056636700000000010113000000174002

7,523

**APPENDIX B**



# CAP CUSTOMER WITH ARREARAGE FORGIVENESS CREDIT

Date Prepared  
March 26, 2010

Next Meter Reading  
04/21 - 04/26/2010

For questions about Peoples Natural Gas charges call 1-800-764-0111.

Summary of Basic Charges		Monthly Usage Comparison																					
<b>Credits And Charges Since Your Last Bill</b> Balance from last bill \$107.47 CR Payment on Mar 16, 2010 - Thank You 43.00 CR <b>Balance \$150.47 CR</b> <b>Current Charges</b> Rate RS Residential Customer Charge - 1 Month \$11.00 Delivery Charge 16.5 MCF @ \$2.4522 40.46 Capacity Charge \$0.5546 per MCF 9.15 Commodity Charge \$6.4599 per MCF 106.59 Gas Cost Adjustment - \$0.6446 per MCF 10.64 CR State Tax Surcharge Cr @ 2.93% 1.19 CR <b>Total Current Charges \$155.37</b> <b>Current CAP Allowance \$4.90</b> Peoples Natural Gas current charges include \$.87 in state taxes.		Average Daily Temperature 2009 2010 For This Billing Period 40°F 39°F <b>Gas Use In MCF</b>  Average monthly use: 8.0 MCF. Total annual use: 95.7 MCF.																					
<b>Billing Period And Meter Readings</b> <table border="1"> <thead> <tr> <th>Date</th> <th>Read Type</th> <th>Reading</th> <th>Difference</th> </tr> </thead> <tbody> <tr> <td>Meter Number</td> <td>23937158</td> <td></td> <td></td> </tr> <tr> <td>Mar 24, 2010</td> <td>Estimate</td> <td>438.5</td> <td></td> </tr> <tr> <td>Feb 23, 2010</td> <td>Actual</td> <td>422.0</td> <td>16.5</td> </tr> <tr> <td colspan="2"><b>MCF Used in 29 Days</b></td> <td></td> <td><b>16.5</b></td> </tr> </tbody> </table> This is an Estimated Bill.		Date	Read Type	Reading	Difference	Meter Number	23937158			Mar 24, 2010	Estimate	438.5		Feb 23, 2010	Actual	422.0	16.5	<b>MCF Used in 29 Days</b>			<b>16.5</b>		
Date	Read Type	Reading	Difference																				
Meter Number	23937158																						
Mar 24, 2010	Estimate	438.5																					
Feb 23, 2010	Actual	422.0	16.5																				
<b>MCF Used in 29 Days</b>			<b>16.5</b>																				
<b>Please Pay CAP Amount of \$23.00 by April 19, 2010</b> Thank you for your CAP payment. \$9.00 CR has been applied to your Pre-CAP balance. <b>A Pre-CAP Credit of \$234.74 CR has been applied. Your Pre-CAP balance is \$680.21.</b> <b>Please continue to pay your CAP Amount by the due date.</b> If you have questions about your CAP agreement, call 1-800-400-9276.																							

Please detach and return this coupon with a check made payable to Peoples Natural Gas. Please see reverse side for mailing address change instructions.

<b>DUE DATE</b>	Apr 19, 2010	<b>Account No.</b>	2 5000 3544 1850
<div style="border: 1px solid black; padding: 2px; display: inline-block;">\$23.00</div>		<div style="border: 1px solid black; width: 100px; height: 20px;"></div>	
CAP Amount		Amount Enclosed	

10

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PO BOX 26784  
RICHMOND VA 23261-6784



02250003544185000000000155370000000023007