

DOMINION PEOPLES UNIVERSAL SERVICE PROGRAM IMPACT EVALUATION

An Independent Analysis of Universal Service Programs

Prepared for:

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FOREWARD

This evaluation provides a unique perspective to the design, management, and implementation improvements viewed as most relevant to Dominion Peoples' management to assure effective and efficient program implementation.

Data sources for the Universal Service evaluation included reports from Dominion Peoples' Customer Relations, Credit and Collections, Regulatory, Complaint, and Finance sections, as well as numerous company ad hoc IT reports.

The evaluation included a comprehensive review of all former evaluations, program materials, on site assessments of the Customer Assistance Program (CAP) activities performed by Dominion Peoples' Customer Service Center and by Dollar Energy administrative office, and extensive interviews of Dominion and Dominion Peoples' staff.

Dominion Interviews

David Green	Vice-President Customer Service
Bruce Klink	Vice-President Regulatory and Business Development
Keith Kaier	Director Customer Relations
Carrie Fanelly	Director Customer Service
Pam Kemper	Manager Customer Service Center-Richmond
Terry Burcham	Director Credit and Collections
Ruth Holder	Supervisor Customer Service Center-Richmond
Terri Bridges	Trainer Customer Service Center-Richmond
Shawnda Toller	Coordinator Quality Assurance

Dominion Peoples Interviews

Bill McKeown	Director Rates and PNG Pricing
Joe Gregorini	Manager Rates and Pricing
Sadie Kroeck	Manager Customer Relations
Kim Buss	Customer Relations Programs Specialist (CAP, Compliance)
Jeff Hilty	Customer Relations Programs Specialist (LIURP)
Karen Clunas	Customer Relations Programs Specialist (CARES, Dollar Energy, CAB)
Carmen Malloy	Customer Relations Programs Specialist (CARES, Universal Service 800#)
Heather Doyle	Customer Relations Programs Representative
Terry Ritchey	Customer Relations Programs Representative
Debby Gardner	Customer Relations Programs Representative

Dollar Energy Interviews

Cindy Datig	Executive Director Dollar Energy Fund
Nick Meddis	Financial Director Dollar Energy Fund
Jeanne Brown	Coordinator Dominion Peoples' Hardship Grant Program
Nina Carpico	Dollar Energy Representative-Dominion Peoples CAP

Many thanks to Keith Kaier, Director of Customer Relations, Sadie Kroeck, Manager Customer Relations, and Sadie's staff who provided their valuable time and assistance with the efforts of coordinating interviews, meetings, data exchange, and with transforming the data into meaningful information.

Melanie K. Popovich
Utility Business Consultant
November 30, 2004

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Providing balance between the business of operating a gas or electric distribution company and serving the needs of its growing low-income population, cost effectively, is the challenge faced by many Pennsylvania utilities, today.

During the evaluation process of Dominion Peoples' Universal Service Programs, I noted the many proactive processes already in place to further support the company's commitment to improving customer service to all of its customers. In addition, the company displayed a willingness to further analyze and/or implement the recommendations contained in this document, in order to improve the effectiveness and efficiencies of its Universal Service Programs.

In reviewing Dominion Peoples' Universal Service Plan, I found the company to be in compliance with the plan as originally designed and filed.

Recommendations to be incorporated in the company's newly designed 2005 plan include the following major categories:

- Increased CAP enrollment targets
- Implementation of one call resolution for program enrollment
- Elimination of all barriers to program administration
- Increased efficiencies and effectiveness of CAP, CARES, LIURP
- Improved tracking mechanisms to measure program performance and savings

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Item No	Findings	Recommendations
4.1.1	Ramp-Up and Current CAP Target Enrollments Were Effectively Met	<ul style="list-style-type: none"> • Maintain Current Level of CAP Enrollment Until Revised CAP Recovery Mechanism is Designed and Approved for Ramp-Up
4.1.2	Previous Third Party Needs Assessment Utilized Alternative Methodology Understating Confirmed Low Income Customer Group by ~25,000 Customers	<ul style="list-style-type: none"> • Increase CAP Enrollment Targets from 9,000 to 15,000 Customers
5.3.1	Multiple Customer Telephone Transfers Create Barriers to CAP Referral Process and Conflict with First Call Resolution	<ul style="list-style-type: none"> • Analyze Benefits of Creating Single Point of Contact for CAP Referral, Intake & Enrollment. • Redesign IVRU to Include Universal Service Prompt
5.3.2	Maintaining Adequate Levels of Expertise on PA Regulatory Policies, Procedures, and Programs a Training Challenge	<ul style="list-style-type: none"> • Utilize Customer Relations Program Specialist to Conduct CAP, Complaint, and Dispute Training/Coaching for all New Hire and Refresher Classes
5.3.3	Customer Inquiries/Complaints Not Resolved on First Call	<ul style="list-style-type: none"> • Training Department to Prioritize CAP Refresher Training
5.3.4	Customer CAP Billing Information Frequently Inaccurate and Incomplete. Field Operations Partnerships Critical for Accurate Meter Readings and Meter Checks to Resolve Complaints for Timely Turnaround.	<ul style="list-style-type: none"> • IT Department to Prioritize All CAP Related Customer Information System Enhancements • Field Operations to Prioritize Meter Checks and Readings for Inquiries/Disputes
5.4.5	Resources Are Limited to Perform Outbound Collection Calls to CAP Customers At Risk for Termination	<ul style="list-style-type: none"> • Pilot an Outbound Calling Program to Delinquent CAP Customers and CAP At Risk for Termination • Consider predictive dialing
5.5.1	CAP Participation Rate at 16% Below Industry Weighted Average of 31% Year End 2003	<ul style="list-style-type: none"> • See Recommendation 4.1.2
5.6.1	CAP Payment Plan at \$71 Ranks Third in Affordability with Industry Peers	<ul style="list-style-type: none"> • Maintain Current Payment Plan Levels
5.7.1	Overall CAP Default Rate at 40%. More Frequent Default Occurs With CAP Customers 0-110% of Poverty Income Levels	<ul style="list-style-type: none"> • See Recommendation 5.4.5
5.7.2	CAP Customers Frequently Default Due to Confusion With LIHEAP and r Energy Grant Credits as Appears on Cap Bill	<ul style="list-style-type: none"> • Possible Redesign of CAP Bill to Eliminate Customer Confusion and Default • Conduct Best Practice With Industry Peers

Item No	Findings	Recommendations
5.7.3	Less Than 3% of Active Cap Customers Have 5 Years or More of Continuous Participation	<ul style="list-style-type: none"> Track CAP Continuous Participation on Annual Basis Conduct Analysis to Identify Drop-Out Time Periods
5.7.4	Of the 4,706 Customers Removed From CAP in 2003, Half or 2,352 Were Customers Who Moved or Changed Ratepayer Name	<ul style="list-style-type: none"> Further Analyze Reasons for CAP Customers Failing to Reapply and Implement Proactive Actions
5.8.1	LIHEAP 2003-04 Receivables Increased by >20% and Number of Customer Receiving Grants by >9% vs. 2002-03	<ul style="list-style-type: none"> Increase Funding Company LIHEAP Outreach Efforts to Include Level 2 Customers (110-150%)
5.8.2	Crisis 2003-04 Receivables Decreased by >7% and Number of Customers Receiving Grants Increased by >33%	<ul style="list-style-type: none"> Increase LIHEAP Outreach Funding to Include Level 2 Customers (110-150%)
5.8.3	2004 LIHEAP Grants Reduced Customer Shortfall by \$1,055,781	<ul style="list-style-type: none"> Prioritize Efforts to Capture all Available LIHEAP dollars for CAP Customers
5.8.4	Company Customer Contributions to Dollar Energy Increased in 2003-04 by 35% or \$53,313 Compared to Previous Year	<ul style="list-style-type: none"> Dollar Energy to Maintain Fundraising Efforts to Maximize Company Match
5.8.5	Average Dollar Energy Grant at \$260 per Customer Totals \$480,000. Of the 1842 Customers Assisted 563(31%) Were Enrolled in CAP	<ul style="list-style-type: none"> Compare Customer Cost Benefit of Assisting CAP vs. Non-CAP Low Income Customers With Dollar Energy Grants
6.1.1	CAP Credits Recalculated from \$254 to \$440. Average Monthly CAP Gas Bill of \$71 Below Industry Average of \$74	<ul style="list-style-type: none"> Consider Applying CAP Customer Credits Monthly Consistent With Industry Methodology Eliminating Confusing 12 Month Lag Time
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	<ul style="list-style-type: none"> Explore Options to Adjust Program Guidelines to Increase Percentage of Successful CAP Participants in Arrearage Forgiveness Program
6.2.1	Percentage of CAP bill Paid at 79% is Slightly Above Industry Average of 78%.	<ul style="list-style-type: none"> N/A
6.3.1	Active CAP Customers 12 months Post-CAP Had 34% Fewer Missed Payments With Significant Increases in Number of Full Payments	<ul style="list-style-type: none"> N/A

Item No	Findings	Recommendations
7.1.1	CAP Admin Costs at 11.6% Slightly Below Industry Average. CAP Outside Services Costs Represent 41% of Total Admin Costs	<ul style="list-style-type: none"> Analyze Options for Reducing Outside Subcontractor Costs
7.2.1	CAP Credits Account for Majority of Total Program Costs (65.4%). Exceeds Industry Weighted Average of 57.3%	<ul style="list-style-type: none"> Implement Options of Prioritizing LIHEAP Outreach to CAP Customers and Enforce Timely Collections on Defaulted CAP Customers to Control CAP Credits.
7.2.3	Thirty-seven Percent of Total Active 2004 CAP Customers Receive Maximum Allowable CAP Credit of \$840.	<ul style="list-style-type: none"> Request PUC Approval of Tracker Mechanism for Timely and Real Cost Recovery of CAP Credit Overages
7.3.1	Arrearage Forgiveness Costs at 23.1% of Total Program Costs Below Industry Weighted Average of 30.2%. 12 Month Time Lag May Account for Low Reported Costs	<ul style="list-style-type: none"> Increase CAP Participation in Arrearage Forgiveness Program as Cost Benefit to Customer and Company
7.4.1	CAP per Customer Mediation Costs at \$75 Double Non-CAP Per Customer Mediation Costs	<ul style="list-style-type: none"> CAP Customers With Inability to Pay Should be Resolved at Company and Handled as Inquiry
7.5.1	Average Gross Program Costs at \$389 Second Lowest of Industry Peers and Well Below Weighted Average of \$752	<ul style="list-style-type: none"> See Recommendation Section 7.3.1
8.1.1	Termination Rate for CAP Accounts Slightly Less Compared to Non-CAP Accounts Level 1&2	<ul style="list-style-type: none"> N/A
8.1.2	CAP Participation Reduces Number of Termination Notices Sent by More Than 50%	<ul style="list-style-type: none"> Continue to Track Cost Savings Associated With CAP Terminations
8.2.1	Credit and Collection Savings Estimated at \$45,878 for CAP Customers Remaining Active in Program for Two Years of Longer	<ul style="list-style-type: none"> Continue to Track Collections, Bad Debt, and Arrearage Bad Debt Savings Utilizing Most Current Data to Compare With Forecasted Savings in 1999 Restructuring Settlement
8.3.1	Cumulative Impact of Cash Working Capital Based on Arrearage Forgiveness Actuals = \$98,471	<ul style="list-style-type: none"> Continue to Track Impact of Cash Working Capital Based on Actuals

Item	Finding	Recommendation
9.2.1	Customer Relations Specialists Facilitate \$4,743,484 in Direct Net Benefits for CARES and Other Low-Income Customers	<ul style="list-style-type: none"> Quantify Net CARES Benefits by Direct and Indirect Dollars
9.4.1	Only Income Level 1 (0-110%) Customers Receive Annual LIHEAP Outreach Mailings	<ul style="list-style-type: none"> Include Level 2 (110-150%) Customers in Annual LIHEAP Outreach Mailings
9.5.1	Two Thirds of 800 Universal Service Line Calls are CAP Customers Creating Problems for Other Customers Accessing the Line	<ul style="list-style-type: none"> Investigate Options to Minimize 800 Universal Service Line Busy Signals and Customer Call Backs
9.6.1	Over 50% of Customer Relations Program Specialists' Daily Activities Focus on Responding to Customer Complaints.	<ul style="list-style-type: none"> Identify and Prioritize Core Functions of Customer Relations Department to Assure Integrity of Universal Service Programs Analyze, Track, and Resolve Company Related Root Causes of Customer Complaints
10.2.1	LIURP Customer Eligibility Screening Process is Manual and Creates Unnecessary Lag Time for Enrollment	<ul style="list-style-type: none"> Implement Telephone Eligibility Screening and Limit New LIURP Enrollees to CAP High Usage Customers
10.2.2	Average 6-7 Month Lag Time Between Agency LIURP Proceed Date to LIURP Complete Date	<ul style="list-style-type: none"> Agencies to Prioritize LIURP Customers to Expedite Weatherization to 120 Day Turnaround Time
10.2.3	In 2003, Over 80% of LIURP Replaced Furnaces Were "Furnace Only" Jobs vs. "Furnace + Weatherization" Jobs	<ul style="list-style-type: none"> Limit "Furnace Only" Jobs to Less than One Third of Total LIURP Jobs Completed. Increase Installation of Sidewall Insulation Where Appropriate to Achieve Maximum Consumption Reduction
10.2.4	No Effective Checks and Balances by Company to Verify Need of Furnace Replacements	<ul style="list-style-type: none"> Company Retirees to Randomly Inspect 25% of Furnaces Tagged for Replacement
10.2.5	Company Retirees Post Inspect 100% of Weatherization Jobs Completed	<ul style="list-style-type: none"> Reduce Post Inspections to 25% of Weatherization Jobs Completed Consistent With Industry Standard

2.1 Objectives

The objectives of the third party evaluation of CAP was outlined by the Bureau of Consumer Service (BCS) at a BCS/Energy Association of Pennsylvania (EAP) discussion meeting held in May 2001 and further revised in October of the same year.

A utility Universal Service Program must meet the following goals of Universal Service:

To protect consumers' health and safety by helping low-income customers maintain affordable utility service

- To provide for affordable utility service by making available payment assistance to low-income customers
- To help low-income customers conserve energy and reduce residential utility bills
- To ensure utilities operate Universal Service and energy conservation programs in a cost-effective and efficient manner.

This document addresses all Universal Service goals combining both process and impact analysis and suggested recommendations by program component and type.

2.2 BCS Standard Evaluation Questions

1. Is the appropriate population being served?
2. What is the customer distribution for each Universal Service Program component by poverty guidelines, 0-50%, 51-100%, and 101-150%?
3. Identify barriers to program participation

4. What is the customer distribution by CAP payment plan? Generally, do participants' energy burdens comply with the CAP Policy Statement at section 69.265(2) (i) (A)-(B)?
5. Identify barriers to program recertification
6. What are CAP retention rates? Why do customers leave CAP?
7. Is there an effective link between participation in CAP and participation in energy assistance programs? (LIHEAP, Hardship Funds, and other grant programs)
8. How effective is the CAP and LIURP link?
9. Does CAP participation improve payment behavior? (Number of payments, percentage of bill paid, \$ amount paid). Compare CAP payment behavior to pre-CAP enrollment behavior.
10. Does participation in Universal Service programs reduce arrearages?
11. Does participation in Universal Service programs decrease service terminations?
12. Does participation in Universal Service programs decrease collection costs?
13. How can Universal Service programs be more cost-effective and efficient?

3.1 PCAP (Pilot CAP) 1992-May 2000

The Peoples Natural Gas Company d/b/a Dominion Peoples initiated their CAP pilot in August 1992, in collaboration with the Bureau of Consumer Services (BCS). The PCAP offered up to 1,000 customers at or below 150% of Federal poverty guidelines the ability to pay a special rate of 7%, 8%, or 9% of the household income, depending on their poverty level (0-50%, 51-100%, and 101-150% respectively). The customers' CAP payment also included \$5 towards their pre-program arrears.¹

The purpose of the pilot was to establish a better system for the treatment of low-income customers; to encourage more customer responsibility in paying utility bills and to increase revenues while decreasing costs of service to low income customers. The pilot also offered an alternative to traditional credit and collections methods.

During the PCAP years, Dominion Peoples hired a third party evaluator to assist in shaping future program redesign and policy.

February 1996

Wirtshafter Associates, Inc. provided program design and evaluation services for PCAP, after the completion of their first year of operation. The evaluation included the planning, start-up, and first year operation of PCAP.

September 1999

Wirtshafter Associates, Inc. provided an overall program assessment on the process and impact of PCAP on payment behavior and credit and collections, since its inception in 1996.

3.2 CAP 2000-2004

The pilot became a permanent CAP in 2000. The Peoples Natural Gas Company hired a third party evaluator to examine issues related to the April, 2000 rate case filing.

April 2000

Gil Peach, Scan America, focused his evaluation on the CAP level of enrollment, the amount and manner of CAP cost recovery, and use of financial incentives/penalties with respect to enrollment targets.

¹ Although the PCAP required a \$5 co-pay towards the customers' pre program arrearages, the company did not implement an arrearage forgiveness program until May 2002, and subsequently changed the co-payment to \$2

April 2004

Gil Peach, Scan America, provided a special evaluation review of Dominion Peoples' CAP as provided for in its December 9, 2000 Settlement Agreement. This included a review of CAP ramp up targets, additional needs assessment to further study the need for expanding the enrollment target, and a review of both program costs and costs savings

3.3 CAP Permanent Funding Mechanism

In early 1999 Dominion Peoples prepared and submitted a restructuring filing which was initially all inclusive for setting tariffs and program guidelines for CHOICE, gas transportation, and the company's low-income programs.

A CAP pilot of 1000 customers was initiated in 1992 and continued as a pilot until May 2000. A separate filing was made to establish a permanent CAP, expand CAP participation to a ramp-up of 9,000 customers, and to establish a permanent mechanism for recovering CAP costs. A separate base rate adjustment was approved and implemented on a sliding scale by program year until full ramp up was reached in year four.² The base rate included recovery of net CAP administration costs, CAP credits up to \$840/customer, and arrearage forgiveness after subtracting out projected CAP cost savings from reduced credit and collections and cash working capital.

In Dominion Peoples' 1307(f)-2003 proceeding, the Commission approved a settlement wherein Dominion Peoples agreed to freeze its non-gas base rates through December 31, 2008. The settlement however included the following exemptions to the rate freeze:

B. Dominion Peoples' Non-Gas Rates³

Dominion Peoples' customer charges, non-gas delivery charges, and any surcharges that recover non-gas costs of service, other than non-gas transition costs under the Commission's Policy Statement at 52 Pa. Code 69.341, shall be fixed at the levels that exist on the effective date of this Settlement Agreement, through December 31, 2008, with no new rate changes of any kind to go into effect, with the following exceptions:

1. Increases or decreases in Dominion Peoples' State Tax Adjustment Surcharge.
2. If the Commission or BCS directs Dominion Peoples to increase its CAP Program by more than 10% in excess of the current CAP targeted enrollment level of 9,000, the Company may seek to implement a universal service cost recovery mechanism pursuant to Section 2203(6). Such a recovery mechanism shall be limited to recovering incremental costs associated with ramping the program up beyond the current target level of 9,000 participants. All parties reserve their rights to oppose or support implementation of such a cost recovery mechanism and the appropriate level of cost recovery. The Commission may approve such a request if it finds the proposed charges to be just, reasonable and in accordance with the law.

² The company agreed to a four-year ramp-up to 9,000 customers by 2004.

³ Petition For Commission Review and Approval of Settlement Agreement. Dominion Peoples

Summary

The evaluator reviewed the recent document “*Follow-up Evaluation Review: The Dominion Peoples Gas CAP*” prepared by H. Gil Peach & Associates dated April 29, 2004. This document was prepared to meet the terms agreed upon as provided for in the December 9, 2000 Settlement Agreement with Dominion Peoples’ Customer Assistance Program (CAP).

In 2004, there was discussion between BCS and the company regarding the appropriate CAP target enrollment levels set by Dominion Peoples, with BCS suggesting that industry benchmarks and an observed need required higher enrollments. The additional follow up on the company’s “Needs Assessment” was viewed with much interest by both sides.

In May 2004, the company temporarily closed its program to new enrollments due to an unexpected overflow of CAP applicants during the termination season. Dominion Peoples base rate was calculated on a target CAP enrollment of 9000 customers. Exceeding this target would have adversely affected the company recovery of CAP costs. As recommended in Gil Peach’s evaluation and after collaboration with the BCS, the company agreed to slide the target (+) or (–) 250 customers to allow for seasonal over or under enrollment. Currently average CAP enrollment has leveled off within these guidelines without additional outreach required.

Findings**4.1.1 Ramp-Up and Current CAP Target Enrollments Were Effectively Met**

Table 1
Active CAP Participation¹

Date	Target	Actual	Target Achieved
10/01/2001	3000	3175	Yes
10/01/2002	6000	6047	Yes
10/01/2003	9000	9251	Yes
10/01/2004	9000	9047	Yes

¹ CAP Participation Report Kim Buss, Customer Relations Program Specialist

Recommendation**4.1.1 R Maintain Current Level of CAP Enrollment Until Revised CAP Recovery Mechanism is Designed and Approved for Ramp-Up**

- The company CAP cost recovery mechanism formula calculates an enrollment target of 9000 customers. Currently, Dominion Peoples is not performing accelerated outreach for enrollment and, therefore, is not experiencing any significant customer demand to substantiate increasing its enrollment numbers beyond the agreed upon (+) or (-) 250 customer margin. Until such time as enrollment targets are adjusted and the company's cost recovery mechanism is revised to recover additional program costs, it is in the best financial interest of the company to maintain enrollment at the current level.

Finding**4.1.2 Previous Third Party Needs Assessment Utilized Alternative Methodology Understating Confirmed Low-Income Customer Group by ~25,000 Customers⁴****Revised Needs Assessment**

1. Number of Identified Low-Income Customers (CCS Actuals)	57,697⁵
<ul style="list-style-type: none"> • Level 1 & Level 2 customers with payment agreements • All customers receiving LIURP • All CAP customers • All customers receiving LIHEAP and other energy assistance • All customers with financial summaries showing incomes at or below 150% of income, even if they are not on a payment plan 	
2. Estimate of Low-Income Customers	68,188
<ul style="list-style-type: none"> • 1999 Census data " Ratio of Income in 1999 to Poverty Level by Household Type" • Adjusting ratio of income in each of the 16 counties served by the company who are Dominion Peoples customers. • Census 2000 data and 2000 allocations by county 	
3. Identified Payment Troubled Low-Income Customers	10,300
<ul style="list-style-type: none"> • 10,338 (2,838 Current broken agreements; 7,500 Already in CAP) April 2003 	
4. Estimate of Potentially Payment Troubled Low-Income Customers	47,397
<ul style="list-style-type: none"> • 57,697 Number Identified Low- Income Customers (from CCS actuals) • (10,300) Number Identified Payment Troubled Low- Income Customers • 47,397 Estimate of Potentially Payment Troubled Low- Income Customers 	

⁴ Follow-Up Evaluation Review: The Dominion Peoples Gas CAP H.Gil Peach April 2004: Reported number confirmed low-income as 32,275. This was actually a subset of representing number of broken agreements or customers 60 days in arrears past 24 months

⁵ Number of confirmed low income reported by Dominion Peoples 2003 BCS Universal Service Report-pg 7

- BCS performs utility benchmarks by comparing the percentage of CAP participation against the number of company reported confirmed low- income customer group. The previous needs assessment utilized a sub-group of confirmed low income, skewing the perceived need as smaller.

Recommendation

4.1.2 **R** Increase CAP Enrollment Targets From 9,000 to 15,000 Customers.

- Due to the rise in gas costs and growing trend of low income customers becoming payment troubled, Dominion Peoples will need to shift its focus to increased CAP enrollment.
- Columbia Gas of Pennsylvania was selected as the benchmark in this recommendation due to similar size of residential customers and overall low-income population. Columbia Gas reports-2003 CAP participation at 26% of their confirmed low-income group.

Table 2
CAP Enrollment Target

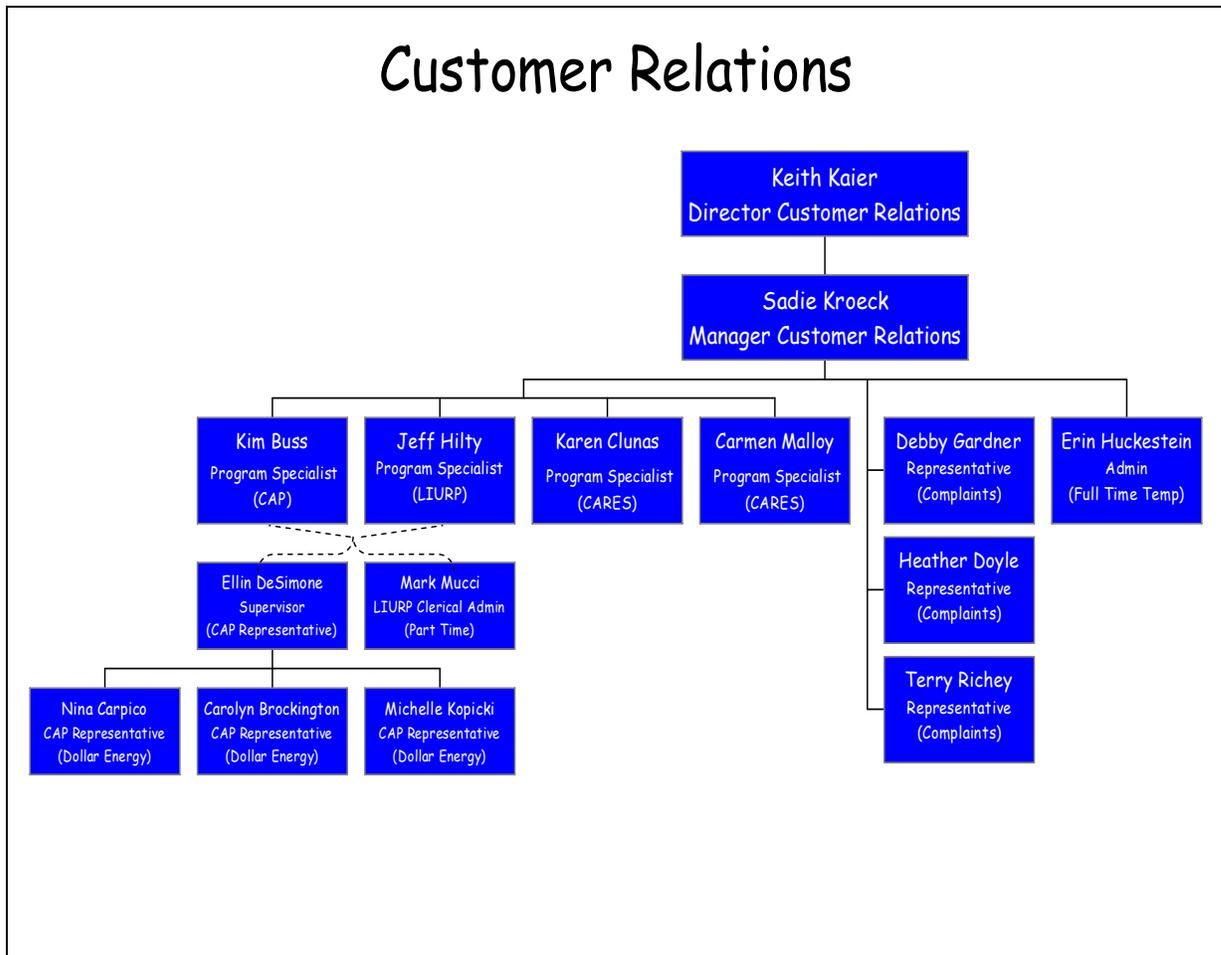
	Percentage of 57,697 Company Confirmed Low-Income	Customer Target
Current	16%	9,000
Recommended	26%	15,000
Industry Wt Average	31%	17,886

- Design CAP enrollment ramp-up plan as part of Universal Program redesign in 2005.
- Any significant increase in CAP enrollment numbers results in incremental program costs. Recovery of these costs creates a major under collection problem within the company's current CAP rate recovery mechanism. The company will need to seek approval for a recovery mechanism to track actual CAP expenses, prior to any enrollment ramp-up.

5.1 CAP Administration
Internal/External Staff**Summary**

Dominion Peoples Universal Service Team includes a mix of internal staff and external subcontractors as follows:

1. Director Customer Relations
2. Manager Customer Relations
3. Customer Relations Program Specialists (4) (1- LIURP; 1- 20% CAP + 80%Complaints; 2- CARES)
4. Customer Relations Representatives (3) (Complaints, Mediations, Formals)
5. Customer Relations Admin (Full time temporary)
6. LIURP Clerical Admin (Part Time Temporary)
7. CAP Representatives (4) (1 Supervisor, 3 Agents: Dollar Energy Contract Employees)



Summary

Dominion Peoples' Customer Assistance Program (CAP) has been in existence for twelve years, originally as a 1,000 customer pilot program in 1992 and currently as a permanent program with 9,000 active customer participants.

CAP offers low-income payment troubled customers an 8%, 9%, or 10% of monthly income special payment plan to eligible Dominion Peoples customers. The household income and family size are the determinants of the actual percentage the customer pays. In addition, CAP customers are expected to pay \$2 per month towards their pre-CAP program arrears balance.

Program Guidelines

- Household income verified at or below 150% of Federal Poverty Guidelines
- Active residential heating service customer
- Low-income, payment troubled customer (i.e., one or more failed payment arrangements)

Table 3
 CAP Payment Plan Percentages

Percentage of Federal Poverty Guidelines	CAP Percentage of Monthly Income
0-50%	8%+\$2 co-pay ¹
51-100%	9%+ \$2 co-pay
101-150%	10%+\$2 co-pay

¹ Minimum customer payment at the 8% percentage of monthly income level is \$23 (\$21+\$2 co-pay)
 Co-pay dollars are credited to customers' pre program arrears

Customer Responsibilities

- Income verification must be sent into Dominion Peoples Pittsburgh office to qualify customer for CAP
- Customer agrees to re-verify income annually unless receiving a LIHEAP grant in the year following enrollment. The re-verification requirement then shifts to every two years.
- The monthly payment amount and the \$2 co-pay towards arrearage balances must be paid by the due date
- The customer must apply for all available energy assistance to be applied to the shortfall balance (CAP credit) on their Dominion Peoples bill
- The customer, if eligible, must agree to receive any free weatherization offered by the state Department of Community and Economic Development and/or by the company's LIURP.

Summary

Dominion operates three Customer Service Centers in Akron, Ohio, Norfolk, Virginia and Richmond, Virginia serving 3.7 million customers for North Carolina, Ohio, Pennsylvania, Virginia, and West Virginia. An outsourced partner, First Contact, employs 55 agents to handle all of Dominion's credit related calls at its Charlotte location in North Carolina.

Approximately 2,310 Pennsylvania calls are handled daily by 85 universal agents who also support Dominion Hope customers. Average handle time for PA calls is 402 seconds. The Norfolk and Richmond centers are considered virtual centers with calls being routed to available agents at either location. To date, PA calls have been routed to Akron only in emergency situations.⁶

First contact resolution is one of the primary goals of Dominion's Customer Service Centers. The CAP referral and intake process as it currently exists is not optimal to provide "start-to-finish" service to the customer.⁷

Customer Service Center CAP Referral Process**Finding****5.3.1 Multiple Customer Telephone Transfers Create Barriers to CAP Referral Process and Conflict with First Call Resolution**

Typically, customers calling the Customer Service Center to make payment arrangements due to inability to pay or due to threat of termination, connect with the interactive voice response unit (IVRU) and select option #5 "Payment Arrangement". This option transfers the call to First Contact in Charlotte. All customers identified as income Level 1 or Level 2 customers are transferred back to the Customer Service Center for an agent to complete a further and more detailed review of eligibility criteria for CAP enrollment. The agent utilizes an on-line reference tool, GAS-SAM that includes a description of CAP, eligibility and income guidelines, and outlines the application process. During this step, the agents are also trained to refer the customer to other appropriate Universal Service Programs.

⁶ Dominion Customer Service Center Statistical Report Data: Pam Kemper, Manager Customer Service Center-Richmond

⁷ Dominion Interviews: Carrie Fanelly, Director Customer Service: Pam Kemper, Manager Customer Service Center-Richmond

5.3 CAP Administration
Customer Service Center

Customers are then asked to call 800-400-WARM, Dominion Peoples' Universal Service Line in Pittsburgh, to commence the CAP application process. Here, customers encounter a voice mailbox with menu selections where they select the appropriate option to connect with a Dollar Energy CAP Representative. Other options include program information on CARES, LIURP, LIHEAP, Crisis, and Dollar Energy Fund.

Agents at the Customer Service Centers do not consistently refer eligible customers eligible to Universal Service Programs. Both the Trainer and Coordinator Quality Assurance in Richmond reported this as a problem when monitoring customer agent calls.⁸ In addition, the Customer Relations Program Specialists in Pittsburgh confirmed that the number of appropriate referrals to the Universal Service Programs was deficient.

Recommendation**5.3.1 R Analyze Benefits of Creating Single Point of Contact for CAP Referral, Intake, and Enrollment
Redesign IVRU to Include Universal Service Program Prompt**

- From a cost savings and efficiency prospective, conduct an analysis for a single point of contact focusing on the utilization of the company's existing Customer Service Center operation performing all CAP program components.

Impacts to consider are as follows:

- Can the Customer Service Center effectively act as a one- stop shop for potential Universal Service Program eligible customers? Who will provide effective training and coaching of existing agents?
- Can the services offered by the Pittsburgh 800 Universal Service Line be maintained by the Customer Service Center?
- What is the overall impact of eliminating local subcontractors currently administrating CAP in Pittsburgh? What is the impact on internal staff? Is there a cost benefit? Is there a process benefit?

⁸ Dominion Interviews: Ruth Holder, Supervisor : Shawnda Toller, Coordinator Quality Assurance Customer Service Center-Richmond

5.3 CAP Administration
Customer Service Center

- Will the level and quality of customer service be maintained by the Customer Service Center to the satisfaction of the Director and Manager of Customer Relations? What quality assurance safeguards would have to be implemented?
- Is the Customer Service Center willing to handle the “paper” trail related to the CAP verification of income, enrollment, recertification, and default process?
- Will the number of customer referrals to Universal Service substantially increase as a result of gaining efficiencies?
- Can the Customer Service Center handle an additional 3,000-6,000 CAP customer enrollment ramp- up with current resources?

Training

There are six “floating” training instructors for the Customer Service Centers. They are responsible for new hire and refresher training for both the gas and electric side of the business. Typically training includes three weeks of formal classroom training and ten days of on the job training (OJT) where Lead Floor Coordinators monitor agents handling live customer calls. For additional quality assurance, the Customer Service Center Supervisors monitor new agents for one to two weeks

Refresher training includes:

- New Construction
- Credit (Spring and Fall reconnects)
- Universal Service Programs (Half day in September to review income guidelines changes, program open and close dates)
- Complaints and Disputes (These are viewed by the trainer as the most difficult and complex procedures to learn for Pennsylvania) ⁹

One of the six supervisors in the Richmond Customer Service Center has responsibility over 19 agents focusing on the gas side of the business. Three of the six supervisors are responsible for both gas and electric customers, while two of the six have responsibility over electric only customers. On a typical day, the supervisors assist agents with escalated customer calls, maintain agent performance statistics and coach agents with routine calls.

⁹ Dominion Interview: Terri Bridges, Trainer Customer Service Center-Richmond

The company is to be complimented on the efforts made by the Manager Customer Relations and the Customer Relations Program Specialist handling CAP administration who routinely offer their coaching expertise at each Customer Service Center location. Here they respond to agent questions concerning Universal Service programs as well as the complaint process. The Customer Relations Program Specialist also conducts quarterly audits with the Akron billing group to further reinforce accurate and timely complaint resolution procedures.¹⁰

Finding

5.3.2 Maintaining Adequate Levels of Expertise on PA Regulatory Policies, Procedures, and Programs a Training Challenge

Training challenges include the following:

- Although Customer Service Representatives titled “Universal Agents” handle both gas and electric customer calls, they are assigned primary calls during peak volume seasons. For example, during the winter season, Universal Service Agents are assigned gas customer calls as their primary calls. This enhances service to the customers most in demand, and minimizes the agent switching between gas and electric customer calls. The customer information systems of the gas (CCS) and electric (CBMS) side of the business are separate and not compatible, creating a challenge for those agents handling both gas and electric customers. A Web based common front end is in the design phase for future application to assure system compatibility.
- Employee turnover is greater in the Richmond Customer Service Center than in Akron and Norfolk, because proximity to the corporate office affords more internal employee job opportunities. As a result, this center frequently loses its more experienced agents and finds itself in a frequent hiring and training mode.
- An online referral panel is provided in CCS for Customer Service Agents to refer appropriate customers to Universal Service programs. It is not being effectively utilized.

¹⁰ Dominion Interview: Keith Kaier, Director Customer Relations, Sadie Kroeck, Manager Customer Relations

5.3 CAP Administration
Customer Service Center

- All customer service representative training is instructor led, with little self-service computer based training. (CBT)
- It is not obvious on CCS that a customer was once a CAP participant. A panel displaying all payment agreements (PUC, CCS, and Budget+) omits listing CAP as a defined “payment agreement” on the panel. A separate search function (which Customer Service Agents frequently miss) is necessary to identify the customer as CAP. As a result, agents do not know the customer was on CAP and do not factor the required catch up amount in the payment required for restoration of service. Work orders to restore service display a customer amount that is either too high or too low.
- Training on Chapter 56 is troublesome due to inconsistent interpretations from the BCS relating to the regulations.
- The Pennsylvania dispute process is especially complex for Dominion Customer Service centers. Most disputes are a result of high bills or lost or misplaced payments. If agents are unsure of whether a complaint should be categorized as a dispute or not, most will categorize it as a dispute” just to be sure” they are complying with Chapter 56 guidelines. As a result, many customer complaints are inappropriately listed as disputes, which negatively impact the work load of the billing group in Cleveland, the dispute group in Norfolk and, if the dispute goes formal, the complaint group in Pittsburgh.

Recommendation**5.3.2 R Utilize Customer Relations Program Specialists to Conduct CAP, Complaint, and Dispute Training/Coaching for all New Hire and Refresher Classes**

- Redesign CCS screens to be more technically intuitive for flagging CAP customers.
- Develop a formal process and training schedule with the Pittsburgh based subject matter experts providing both the training for all new hires, as well as the refresher training for existing agents on Universal Service Program procedures and complaints.

Finding

5.3.3 Customer Inquiries/Complaints Not Resolved on First Call
5.3.4 Customer CAP Billing Information Frequently Inaccurate and Incomplete.
Field Operations Partnerships Critical for Accurate Meter Reading To Resolve Complaints for Timely Turnaround.

If a CAP customer has an inquiry through correspondence or contact with a Customer Service Agent, and the customer is not satisfied with the company's response, the agent has three days in which to resolve the issue. If the issue is not resolved within three days, it is referred to the Billing Department in Cleveland for investigation and response.

The Billing Department reviews and investigates the issue and provides a Utility Report within twenty-seven days. Since the customers' bill is dependent on accurate data from the field, Field Operations plays an integral part in obtaining accurate meter readings critical to timely complaint resolution. Failure for timely follow-up can result in Commission action.

The Customer Service Center and the Billing Department struggle with following the appropriate dispute procedures and with their ability to provide accurate and complete customer information.

The Customer Relations Program Specialist resolves a daily list of complex CAP problems and issues that are referred by Customer Contact Center Agents, the Billing Department and the Dispute Department. Frequently, there are problems inherent to the CAP logic as programmed within the CCS system. Following is a partial table containing daily CAP issues resolved manually.

Table 4
CAP Problems/Issues¹

CAP Issue	Description	Average # Accounts Processed
CAP and PUC Decisions/Agreements	Questions pertaining to a PUC decision and what the company should ask for when reinstating a customer into CAP. These are usually cases where the customer dropped from CAP while the case was still pending at the PUC.	5-6 weekly
CAP Credits/Arrearage Forgiveness	There are still problems (TPR 34715) with CAP Credit/Arrearage Forgiveness logic when manually removing customers from CAP. It does not properly credit the customers account so a manual adjustment may be needed, either a debit or credit.	5-6 weekly
CAP versus Budget Amount	Reps question whether a customer should be enrolled in CAP when the CAP amount is higher than the budget amount.	3-4 weekly
CAP Termination Accounts	Reps question what they should request for restoration of service when a CAP account has been turned off for non-pay	2-3 weekly
CAP Movers/Transfer CAP History	CAP customers that move to new address need their history and receivables transferred. Because they are starting a new CAP "year" at the new address, a CAP credit must be manually credited if the customer complied with the CAP program at the previous address. Sometimes problems arise when transferring receivables. Need to review all accounts involved	2-3 weekly

¹ CAP Problems/Issues Ad Hoc Report 2004 Kim Buss, Customer Relations Program Specialist

Recommendation

5.3.3 R Training Department to Prioritize CAP Refresher Training

**5.3.4 R IT Department to Prioritize All CAP Related Customer Information System Enhancements
Field Operations to Prioritize Meter Readings for Inquiries/Disputes**

- CAP refresher training would eliminate most of the agent questions on CAP procedures, payments, and restoration.
- Currently, there are fifteen Cap Related Customer Information System Enhancements outstanding. 11 Prioritizing the programming critical to fixing the associated problems would eliminate the unnecessary manual adjustment process and the numerous hand-offs to Pittsburgh.

¹¹ Dominion Peoples IT Report: List of Outstanding CAP TPR's 8-31-04

Summary

Three full-time subcontracted Dollar Energy CAP Agents and one full time supervisor are located on site at Dominion Peoples' Pittsburgh office. Referrals from the company's Customer Service Centers, First Contact, community based agencies and field operations are directed to Dominion Peoples 800 Universal Service Line in Pittsburgh. CAP Agents are required to maneuver proficiently through up to 26 General Service CCS screens to complete CAP intake, enrollment, customer correspondence, re-verification, default, and removal.

Table 5
General Service Screens for CAP Transactions

CAP Screens	Transactions
Account Select	The initial screen when account information is entered. Used to retrieve the entire address on account.
Profile	Verify if customer is on CAP. View if account is past due or in termination. View the account balance
Transaction History	Record of every transaction that occurs on the account
Customer Details	Used to verify customer social security number and phone number.
Service Agreement	Verifies heat status. (i.e. Commercial. Residential, Non-Heat)
Meter Detail	Used to verify number of months since meter has been read
Bill History	Lists all customer bills, date bills were issued, usage amounts and payments
Payments	Lists all payments from all sources (i.e. CAP, Energy Asst)
Summary Panel	View numerical customer sequence number to use as a quick analysis of account history and payment history.
CAP Supervisor	Used when CAP payments need to be adjusted
CAP Screen	Used to compare CAP payment vs. budget amounts. Verifies when customers entered CAP and the income reported. Verifies date when customers dropped or exited CAP. Views all balances
Income Expense	Views ages of members in households, household income, and expenses. Income Expense History screen is within this screen to check when income was reported and the amount,
Comments	Used to make notations on accounts
Credit Forecast	Used to place holds on accounts
Payment Plans	Used to confirm if customers has had any other payment arrangements or broken P.U.C. agreements.
Pending Orders	Summary of all work orders
Initiate Details	Used to specify work order and insert comments about that particular work order
Initiate Basic	Used to cancel or hold work orders
Scheduling	Schedules work orders
Completion	Views time the work order are completed and by whom. Used to notify dispatch to contact a service person the same day as the day of the work order.
Premise Detail	Views customer address, county and local office. Used when referring customer to weatherization or when contacting dispatch.
Demographics	To verify if customer has received weatherization.
Access History	Views history of agents who accessed accounts
Communication	Used to issue LIHEAP applications to customers. Views all communication documents sent to company by customer or documents sent or given to customer by the company. View status of P.U.C. decisions
Suppliers Orders	Used to access supplier screen to drop gas supplier before entering CAP
Credit Maintenance	Used to verify customers' previous agreements with the company and to access the RTU report.

These screens must accurately reflect all customer information relevant to both their CAP history and pre-CAP history regarding payments, meter reading, customer demographics, income, and collections activity. The accuracy of the information is critical should a CAP customer have a complaint that results in a dispute or formal complaint and becomes a matter of public record.

Finding

5.4.5 Resources are Limited to Perform Outbound Collection Calls to CAP Customers At Risk for Termination

Dominion Peoples produces an excellent CAP Daily Report that tracks customer 5-30-60 day delinquencies, re-verification due dates, accounts that qualify for dropping CAP agreement accounts due to non pay, accounts that qualify for removal due to no meter read, no re-verification and termination status of those customers subject to removal from CAP. As time and resources permit, the Pittsburgh based CAP Agents perform reminder calls to customers to make their plan current to avoid termination or removal, or to re-verify income to avoid removal from the program. It appears that these phone calls are not made on any type of consistent basis.¹²

“Once in CAP...stay in CAP” is an elusive goal of most Pennsylvania utility companies. It is more cost efficient and cost effective to prevent customers from defaulting and being removed from the program once their enrolled in CAP than for the company to absorb the incremental costs of re-verification and re-enrollment the second or third time around.

Recommendation

5.4.5 R Pilot an Outbound Calling Program to Delinquent CAP Customers and CAP At Risk for Termination

- Investigate implementing the Credit Department’s pilot on predictive dialing for delinquent and at risk for termination CAP customers.
- Investigate utilizing First Contact, the outsourced contractor handling inbound credit calls to perform outbound CAP reminder calls for delinquent customers and at risk for termination.

¹² Dominion Peoples Interview: Nina Carpico, CAP Agent Dollar Energy Subcontractor

Finding**5.5.1 CAP Participation Rate at 16% Below the Industry Weighted Average of 31% Year End 2003**

CAP participation rate is defined as the number of participants (9092) enrolled in CAP by December 31, 2003 divided by the number of confirmed low income customers (57,697 reported in 2003 Universal Service Annual Report – Collections Section)

Table 6
CAP Participation Natural Gas Utilities¹

Company	Participants Enrolled as of 12-31-03	CAP Participation Rate
Columbia	17,736	26%
Dominion Peoples	9,092	16%
Equitable	9,362	n/a
NFG	7,560	33%
PECO	14,585	43%
PG Energy	1,403	6%
UGI	4,053	n/a
Total	63,791	
Weighted Avg		31%

¹ BCS 2003 Universal Service Annual Report (utilizes confirmed low income @ 57,697)

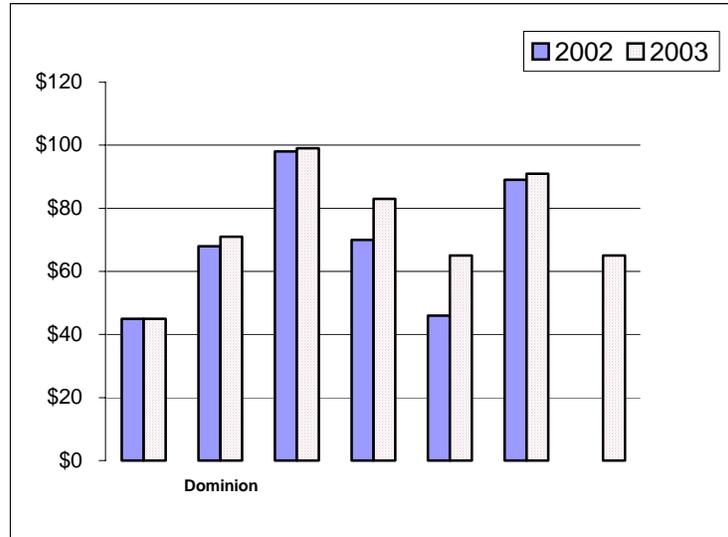
Recommendation**5.5.1 R Increase CAP Enrollment Targets From 9,000 to 15,000 Customers**

- See Recommendation Section 4.1.2 R and bullet points

Finding

5.6.1 CAP Payment Plan at \$71 Ranks Third in Affordability With Industry Peers.

Table 7
2003 CAP Payment Plans by NGDC¹



¹ BCS 2003 Universal Service Report

The company is under the industry average of \$74 by a small margin when compared to their peer companies. In 2004, the company’s average CAP payment is trending at \$75, an increase of \$3. Affordable payment plans are one of many criteria when evaluating customer default rates.

Table 8
2004 CAP Participants by Income¹

Poverty Income Level	Average Active CAP	Percentage	Average Payment
0-50%	2397	28%	\$40
51-100%	4619	54%	\$74
101-150%	1545	18%	\$111

¹ Dominion Peoples Ad hoc Report as of November 1, 2004

Recommendation

5.6.1 R Maintain Current Payment Plan Levels

Finding**5.7.1 Overall CAP Default at 40%. More Frequent Default Occurs With CAP Customers 0-110% of Poverty Income Levels**

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 cannot be removed from CAP but 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 customer's pre program arrears.

Steps in the CAP default for non-payment notification process are as follows:

TABLE 9
CAP DEFAULT FOR NON-PAY¹

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

¹ 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 1st, 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

Recommendation**5.7.1 R Pilot an Outbound Calling Program to Delinquent CAP Customers and Those at Risk for Termination**

- The company should consistently utilize the CAP Daily Report as a tool for contacting delinquent customers and those receiving termination notices.

Finding**5.7.2 Customers Frequently Default Due to Confusion With LIHEAP and Energy Grant Credits as Appears on CAP Bill**

There appears to be 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. They mistakenly view the LIHEAP grant as credit against the required monthly CAP payment.¹³

See Appendix Dominion Peoples CAP Bill

Recommendation**5.7.2 R Possible Redesign of CAP Bill to Eliminate Confusing Language**

- Conduct best practice with industry peers on simple and easy to understand CAP bill

¹³ Dominion Peoples Interview: Nina Carpico, Cap Agent Dollar Energy Subcontractor

Finding**5.7.3 Less than 3% of Active CAP Customers With 5 Years or More of Continuous Participation.**

Since the inception of CAP in 1992, Dominion Peoples anticipated that affordable customer payment plans might reduce the problems associated with numerous broken payment arrangements, credit and collection activities, and number of inherent P.U.C. complaints. The Office of Consumer Advocate (OCA) projected that credit and collection costs would significantly reduce, based on customers' continuous participation in CAP.

The evaluator requested an ad hoc report of the number of customers with continuous participation in CAP since 1994 in order to analyze patterns of active participation. Unfortunately, levels of continuous participation in CAP are extremely low which supports company arguments that CAP collections savings are overstated in their 1999 restructuring agreement.

Table 10
CAP Continuous Participation¹

CAP Start Year	Continuous Participation <2 Years	Continuous Participation 2 Years	Continuous Participation 3-4 Years	Continuous Participation 5 Years	Continuous Participation >5 Years	Total Sum
2004	2612					2621
2003	3114					3114
2002	440	1150				1590
2001		191	702			893
2000			175			175
1999			16	38		54
1998				7	89	96
1997					84	84
1996					4	4
1995					3	3
1994					2	2
Sum	6175	1341	893	45	182	8,636

¹ CAP Continuous Participation Ad Hoc Report 9-21-04 Eugene Ryzner, IT Customer Service
Continuous participation includes a dropped or exited CAP event if reinstated within 60 days.

6175 customers or	70% have less than two years of continuous participation
1344 customers or	16% have two years of continuous participation
893 customers or	11% have three to four years of continuous participation
45 customers or	<01% have five years of continuous participation
182 customers or	02% have more than five years of continuous participation

Recommendation**5.7.3 R Track CAP Continuous Participation on Annual Basis
Conduct Analysis to Determine Drop Out Time Period**

- Since the ramp up of CAP enrollment reached the full targeted level of 9,000 customers only recently (year end 2003) the patterns of customer continuous participation may deviate from the above finding, in the “Active < Two Years” and “Active Two Year” categories.
- It might be beneficial to survey customers to compare the effects of customer behavior with the company provided data on customers “Removed from CAP”.

Finding**5.7.4 Of the 4,706 Customers Removed From CAP in 2003, Half or 2,352 Were Customers Who Moved or Changed Ratepayer Name**

Table 11
2003 CAP Accounts Removed¹

CAP Code	Reinstated	Number of Accounts
Final Bill	98	2352
Did Not Reapply	133	868
Over Income	20	658
Meter Access	29	103
Other	56	760

¹ Dominion Ad hoc Report 10-8-04 Eugene Ryzner, IT Customer Service
The company does not technically remove customers from CAP for non-payment. If two or more CAP payments are missed, a termination notice is issued, service to the customer is terminated if the required catch up amount is not paid, and if reinstated, the customer is reinstated back into CAP.

The largest number of CAP Accounts Removed is in the category of “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 category of CAP Accounts Removed is “Did Not Reapply.” Re-verification of customer income is required annually for all customers at or below 150% of poverty level income unless they received LIHEAP or Dollar Energy grants in which case, re-verification is every two years.

5.7.4 R Further Analyze Reasons for CAP Customers Failing to Reapply and Implement Appropriate Actions

- The company may have an opportunity to improve CAP retention by applying additional priority and resources (i.e. customer surveys, reminder telephone calls) to determine reasons for customers not reapplying. Increased CAP retention serves to ultimately reduce the company's collection costs.

Summary: LIHEAP/Crisis

Carmen Malloy, Customer Relations Program Specialist, acts as the primary coordinator of Dominion Peoples' Universal Service 800 line for LIHEAP. Customers who call this line connect first with an IVRU, which then offers the customer several options...CARES, CAP, LIURP, LIHEAP and all other energy assistance.

During the regular LIHEAP season (October – March), the company conducts a comprehensive mass mailing to all LIHEAP eligible customers, identified as Income Level 1 by the company's customer information system. (Level 2 customers do not receive mailings due to the magnitude and limited resources for follow up). Approximately 9,036 customer mailings were sent in 2003 with an informational letter and attached LIHEAP application. Of those mailings, 3,392 or 38% of the customers received a grant. Of those receiving grants, 2,557 or 75% of customers were new recipients.¹⁴

LIHEAP customer outreach is a Customer Relations activity performed annually which includes:

- Promotions/Press Conferences on opening day of the program
- Customer bill messages reminding customers to sign up for LIHEAP
- Direct mailings to potentially eligible customers
- Website and Referral Guide

In 2004, budgeted dollars for LIHEAP outreach were \$81,000 (advertising, labor, postage for mailings) which realized customer benefits of >\$5.275 million in LIHEAP and Crisis grants.

¹⁴ New recipients defined as any customer not receiving LIHEAP within the past two years

Finding

5.8.1 LIHEAP 2003-04 Receivables Increased by >20% and Number of Customers Receiving Grants by >9% vs. 2002-03

5.8.2 Crisis 2003-04 Receivables Decreased by >7% and Number of Customers Receiving Grants Increased by >33%

TABLE 12
LIHEAP ENERGY ASSISTANCE¹

LIHEAP/CASH	2003-04	2002-03	DIFFERENCE	% INC
# of Grants	18,649	17,083	1,566	09.2%
Grant Dollars	\$4,754,580	\$3,953,396	\$801,184	20.3 %
Average Grant	\$255	\$232	\$23	10.0%

¹ Pennsylvania Energy Association Cash/Crisis Report June 2002-2003; June 2003-2004

TABLE 13
CRISIS ASSISTANCE¹

CRISIS	2003-04	2002-03	DIFFERENCE	% INC
# of Grants	1,983	1,484	499	33.6%
Grant Dollars	\$520,952	\$563,438	(\$42,486)	-07.5%
Average Grant	\$263	\$380	(\$117)	-31.0%

¹ Pennsylvania Energy Association Cash/Crisis Report June 2002-2003; June 2003-2004

It is significant to note that Dominion Peoples customers in 2002-2003 received \$5,275,532 in benefits from the LIHEAP and Crisis programs combined, assisting 20,632 individuals.

Recommendation

5.8.1, 5.8.2 R Increase Funding Levels of Company LIHEAP Outreach To Include Level 2 Customers

Finding**5.8.3 2004 LIHEAP Grants Reduced Customer Shortfall by \$1,055,781**

Table 14
2003 CAP Shortfall W/WO Grants¹

2003 CAP Credits	With LIHEAP	Without LIHEAP
Total Annual Shortfall	\$2,309,368	\$3,365,149
Total Avg Annual Shortfall Per Customer	\$254	\$370

¹ Ad Hoc Report: Kim Buss, Customer Relations Program Specialist

Although the company is below the CAP Credit industry average, controlling shortfall is a major objective for Dominion Peoples.

5.8.3 R Prioritize Efforts to Capture all Available LIHEAP Dollars for CAP Customers

- Approximately 4,142 CAP customers received LIHEAP in 2003, reducing shortfall by \$1,055,781. Customers may be enrolled in both Dominion Peoples CAP and their electric utility CAP, simultaneously.

It is to the company's advantage to aggressively recruit LIHEAP dollars to be applied to customers' gas heat account.

- Maximizing the number of CAP customers receiving LIHEAP will help to offset the effects of colder weather and gas cost increases.

Summary: Dollar Energy

Dominion Peoples contributes up to \$300,000 annually in matching stockholder funds to the Dollar Energy Fund for grant making purposes. Eligible low-income customers up to 200% of poverty income are assisted. The company solicits its customers through bill inserts twice a year to ask for contributions to the Dollar Energy Fund. Customer contributions count towards a dollar for dollar match of the company's stockholder funds.

Administration costs to Dominion Peoples are 10% of the total amount in grants received by the company. (This cost is in addition to the \$300,000). In 2003, customers received \$480,000 in grants and the company donated \$48,000 for administration charges.

If customer contributions are in excess of Dominion Peoples' agreed upon shareholder dollar match, Dollar Energy would request that the company raise its match, in order to take advantage of the customer contributions. If the company declines, their customer contributions may get redirected to customer from other utilities. If company shareholder dollars were in excess of customer-contributed dollars, Dollar Energy would request that the company perform additional fundraising activities. Dominion Peoples in turn, has made requests for Dollar Energy to perform additional fundraising.

One staff person at Dollar Energy, Cynthia Smith, is dedicated to the utility Dollar Energy Grant program. The grant making system is electronic allowing for a two-three hour turnaround time.

Finding

5.8.4 Company Customer Contributions to Dollar Energy Increased in 2003-04 by 35% or \$53,313 Compared With Previous Year.

Table 15
Dominion Peoples Dollar Energy Fund Activity¹

YEAR	DEF GRANTS	DOM MATCH DOLLARS	DOM CUST CONTRIBUTIONS	DEF FUNDRAISING
2003-04	\$480,000	\$240,000	\$205,818	\$ 34,182
2002-03	\$493,680	\$246,840	\$152,505	\$ 94,335
2001-02	\$663,120	\$331,560	\$162,187	\$169,373
2000-01	\$700,000	\$350,000	\$230,108*	\$119,892
1999-00	\$714,000	\$357,000	\$153,352	\$203,648
1998-99	\$686,000	\$343,000	\$193,912	\$149,088

¹ Report: Nick Meddis, Dollar Energy Fund, Inc. Yearly statistics reported as program year October 1 through September 30.

* Represents \$41,000 paid in November and December as catch-up amounts from fiscal year 1999-2000.

Recommendation**5.8.4 R Dollar Energy to Maintain Fundraising Efforts to Maximize Company Match**

Dollar Energy Fund defines its fundraising efforts as following:

- Excess dollars are distributed to utility match dollars from all projects which come in under cost
- Specific funds secured for grant making
- Dollars from other utility programs

Finding**5.8.5 Average Dollar Energy Grant at \$260 per Customer Totals \$480,000. Of the 1842 Customers Assisted 563 (31%) Were Enrolled in CAP.**

CAP customers are eligible to receive Dollar Energy Fund grants when the following conditions occur:

- Customers are at 136-150% of poverty
- LIHEAP and Crisis programs are closed
- CAP payment owed is delinquent
- Threat of termination

Dollar Energy and Crisis grants are posted against the customers' CAP payment amount owed, while all LIHEAP grants are posted against the customers' shortfall.

Recommendation**5.8.5 R Compare Customer Cost Benefit of Assisting CAP vs. Non-CAP Low Income Customers With Dollar Energy Grants.**

- The general population of the company's 2003 confirmed number of low-income customers increased by >5% or approximately 3,000 customers compared with 2002. This trend is expected to continue with the volatility of gas costs. Limiting Dollar Energy grants to non-CAP low income customers may provide the best cost benefits.

Summary

The Universal Service and Energy Conservation Reporting Requirements requires gas and electric utilities to report CAP enrollment numbers on a monthly basis and benefits on an annual basis. Average CAP credits and arrearage forgiveness benefits are calculated on the average monthly number of CAP participants rather than the number of CAP participants enrolled at the end of a program year, due to the monthly fluctuation of participants. CAP benefits and definitions are as follows:

- Average CAP Bill --Total CAP billed amount of the expected monthly CAP payment divided by total number of CAP bills rendered.
- Average CAP Credits --Total amount of the difference between the standard billed amount and the CAP billed amount divided by the average monthly number of CAP participants.
- Arrearage Forgiveness --Total preprogram arrearages forgiven as a result of customers making agreed upon CAP payments divided by the average monthly number of CAP participants.

Finding

**6.1.1 CAP Credits Recalculated From \$254 to \$440.¹⁵
Average Monthly CAP Gas Bill of \$71 Below Industry Average of \$74.**

Although the company reported \$2,198,542 in CAP costs in 2003, the number of active CAP customers used as the denominator was incorrect causing the CAP Credit to be recalculated to \$440. This difference occurred due to the one-year lag time of the company’s application of CAP Credits to customer accounts.

\$709	\$226	\$440	\$350	\$182	Average Annual Cap Credit
\$45	\$65	\$71	\$83	\$91	Average Monthly CAP Bills
Columbia	PECO UGI	Dominion Peoples	NFG	PG Energy	
	\$206				

¹⁵ Universal Service Report-2003 understated company CAP credits. Dominion Peoples requires 12 months of CAP participation before applying CAP Credit, resulting in 12 month lag. New Calculation is as follows: Total 2003 CAP Credit costs=\$2,198,542 divided by 4,989 average CAP enrollment-2002 reaching their One year anniversary in 2003=\$440 Revised CAP Credit

6.1 CAP Benefits
CAP Credits
CAP Bill

The company's methodology for determining CAP credits per average monthly participant is not consistent with the definition from the Universal Service Report. Dominion Peoples applies Cap credits to customers once they reach their one-year anniversary in CAP.

The exact amount of the CAP credit varies depending on the customer's payment history. For example, if the customer made 12 full CAP payments in one year, they are entitled to the maximum CAP credit. If they pay less than the agreed upon CAP payment, the CAP credit will be a lesser amount. If the customer leaves the program, accumulated CAP credits will be applied upon reentering CAP.

Recommendation

6.1.1 R Apply CAP Customer Credits Monthly to Remain Consistent With Industry Methodology Eliminating Confusing 12-Month Lag Time

Applying monthly CAP credits to customer accounts eliminates the confusing 12-month lag time. Customers might be more motivated to stay current on their CAP agreement if they see credits applied monthly vs. annually. In addition, the company benefits by tracking real time costs as they occur.

Summary

As part of Dominion Peoples monthly CAP payment a \$2 co-pay helps to reduce customer pre program arrearages. Customers must pay their monthly CAP payment 12 consecutive months in order to receive retirement of 25% of their total pre program arrearage. If one month is missed, the cycle starts over.

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

Arrearage forgiveness credits will fluctuate depending on the amount of arrearage the customer brings into the program pre-CAP, and the length of time it takes a customer to make 12 consecutive payments. Approximately 2,710 CAP customers of the 9,092 active CAP customers year-end 2003 received an average arrearage forgiveness of \$262.

Table 16
2003 Average Arrears Pre-CAP vs. Post-CAP¹

Average Arrears Pre-CAP (\$775,656)	\$1,165
Average Arrears CAP Active (2,710 Customers)	\$ 903
Average No. Months Active	12
Average % Change	23%

¹ Arrearage Forgiveness Ad Hoc Report: Rita Urbaniak Rates

Recommendation

6.1.2 Explore Options to Adjust Program Guidelines to Increase Percentage of Successful CAP Participants in Arrearage Forgiveness Program

- If CAP customer defaults by one or two missed payments, pays the catch up amount without having service terminated, consider permitting the customer to reach the required arrearage forgiveness twelve month criteria even though it is not consecutive.
- Forgive larger percentages of pre program arrears in shorter period of time. (i.e. 50% forgiveness after first year anniversary) Many customers seriously default after one year and ignore arrearage forgiveness benefits.

Summary

CAP billed 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 by CAP customers divided by the total dollar amount of CAP billed.

Finding

6.2.2 Percentage of CAP Bill Paid at 79% is Slightly Above Industry Average of 78%

Dominion Peoples consistently averaged 79% of CAP bill paid in 2002 and again in 2003. The company cites affordability of payment plans as the primary reason for successful percentage of bill results.

Table 17
CAP Percentage of Bill Paid¹

Company	2003 % Bill Paid	2002 % Bill Paid
Columbia	90%	87%
Dominion Peoples	79%	79%
Equitable	78%	79%
NFG	73%	69%
PECO	80%	76%
PG Energy	83%	83%
UGI	n/a	71%

¹ BCS 2003 Universal Service Report

Finding**6.3.1 Active CAP Customers Twelve Months Post-CAP Had 34% Fewer Missed Payments With Significant Increase in Number of Full Payments**

Table 18
CAP Payments¹

	Missed Payments	Partial Payments	Full Payments
Pre-CAP 12 Months	330	n/a	29
Post-CAP 12 Months	219	51	89

¹ CAP Notices and Payment Ad Hoc Report Eugene Ryzner, IT Customer Service

The sample size for this report was 350 active CAP customers with confirmed 12-month pre and post-CAP payment history. Although the sample was small, the preliminary data results show that for at least 350 CAP customers with one year CAP participation there were 111 fewer missed payments and 60 more full payments made compared to their pre-CAP history. This success is directly linked to the affordability of Dominion Peoples CAP payment plans.

SUMMARY

According to the Universal Service and Energy Conservation Reporting Requirements, CAP spending for administrative costs should not exceed twenty percent of total CAP program costs. The following is a partial list of items included in the administration category:

- Contract and utility staffing
- Account monitoring (includes collection expenses and other O&M)
- Intake
- Outreach
- Consumer Education and Conservation
- Training
- Telephone line maintenance
- Recertification
- Computer programming
- Evaluation
- Other fixed overhead costs

Finding

**7.1.1 CAP Admin Costs at 11.6% Slightly Below the Industry Average
CAP Outside Services Costs Represent 41% of Total Admin Costs**

Dominion Peoples adherence to maintaining reasonable admin costs is to be commended. CAP administration expenses of \$ 389,258 are categorized into Customer Relations staff labor and expenses, outside services, materials and supplies, telephone 800-line maintenance, intake and re-verification, and CAP Mediation and CAP Formal complaint costs. Based upon the company's gross CAP costs of \$3,363,454 in 2003, their administration costs equate to 11.6% of total program costs. However, outside services costs represent 41% of the total.

Table 19
Cap Admin % of Total Costs¹

Company	% of Total CAP Spending Admin Costs
Columbia	3.5%
Dominion Peoples	11.6% (\$389,259)
Equitable	6.7%
NFG	11.4%
PECO-Gas	42.0%
PG Energy	22.1%
UGI	35.8%

¹ BCS 2003 Universal Service Annual Report
Weighted Average= 12.5%

Recommendation

7.1.1 **R** Analyze Options for Reducing Outside Subcontractor Costs

- Renegotiate current contract with Dollar Energy Fund
- Issue RFP for additional CAP contractors
- Analyze cost and process benefit of moving CAP administration component in house.

Finding**7.2.1 CAP Credits Account for Majority of Total Program Costs (65.4%) Exceeds Industry Weighted Average of 57.3%**

As the company reached full enrollment ramp-up of 9,000 customers year-end 2002, CAP credits of 53.8% of total CAP costs increased proportionately and were reflected as an increase in the 2003 statistics. Increases in gas costs will increase CAP credits as referenced on page 41: *Section 6.1 CAP Benefits*.

Table 20
2003 Cap Credits % of Total Costs¹

Company	% of Total CAP Spending CAP Credits
Columbia	50.6%
Dominion Peoples	65.4% (\$2,198,542)
Equitable	85.5%
NFG	75.1%
PECO-Gas	42.8%
PG Energy	62.7%
UGI	43.6%

¹ BCS 2003 Universal Service Annual Report
Weighted Average= 57.35%

Recommendation**7.2.2 R Implement Options of Prioritizing LIHEAP Outreach to CAP Customers and Enforce Timely Collections on Defaulted CAP Customers to Control CAP Costs**

- Prioritize energy assistance outreach to CAP customers. LIHEAP grants effectively help reduce shortfall.
- Timely collections activity discourages customer default and encourages CAP retention

Finding**7.2.3 Thirty-Seven Percent of Total Active 2004 CAP Customers Receive Maximum Allowable CAP Credit of \$840**

Although the CAP Policy Statement allows recovery of a max CAP Credit of \$840 per CAP customer, 2,511 Dominion Peoples' customers exceeded the maximum. The policy further allows a utility to bill CAP customers in an attempt to recover costs for any excess deficiency over the \$840. Considering the company's 40% CAP payment default rate, it is not likely that low income payment troubled CAP customers would be capable to pay any amount in excess of their monthly CAP payment.

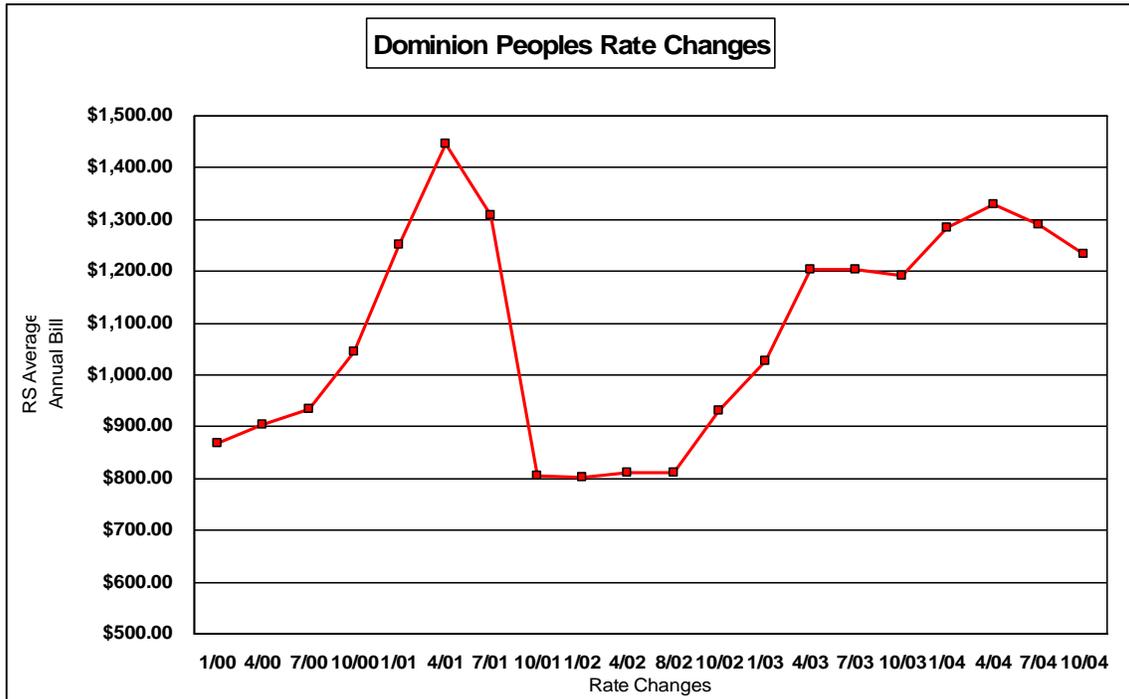
In 1999 the company's regulatory department structured CAP cost recovery based on the allowable \$840 CAP credit per customer. Dominion Peoples now finds itself in the dilemma of either billing CAP customers for the excess deficiency, ask for reconsideration in an amended rate recovery mechanism, or simply to absorb the costs until such time as the rate freeze expires in 2008.

Recommendation

7.2.3 R Request PUC Approval of Tracker Mechanism for Timely And Real Cost Recovery of CAP Credit Overages

- Utility CAP's were designed to be revenue neutral. The company faces an unreasonable financial burden if this trend of increased CAP credit costs increases without approved recovery mechanism. Due to the volatility of gas costs, a CAP tracker would reflect real costs, eliminating both company shortfalls and windfalls

Table 21
2000-2004 Dominion Peoples Rate Change History¹



¹ Rate Change Report Joe Gregorini, Manager Rates

- Request amendment to CAP Policy Statement to:
 1. Increase the maximum allowable CAP credit to \$1000.
 2. Eliminate option for billing customers for increased deficiencies >\$840

Finding

**7.3.1 Arrearage Forgiveness Costs at 23.1% of Total Program Costs Below Industry Weighted Average of 30.2%.
Twelve Month Lag Time May Account for Reported Costs Being Low**

Table 22
2003 Arrearage Forgiveness % of Total Costs¹

Company	% of Total CAP Spending Arrearage Forgiveness
Columbia	45.9%
Dominion Peoples	23.1% (\$775,656)
Equitable	7.8%
NFG	13.4%
PECO-Gas	15.2%
PG Energy	15.2%
UGI	20.6%

¹ BCS 2003 Universal Service Annual Report
Weighted Average= 30.2%

Table 23
2003 Arrearage Forgiveness Write-Off ¹

Program Year	Pre-CAP Write-off	# Customers Receiving	Average Per Customer
2002 ²	\$419,860	1,862	\$225
2003	\$775,656	2,710	\$286
2004 ³	\$442,354	1,611	\$275

¹ Arrearage Forgiveness Ad Hoc Report Rita Urbaniak, Pricing

² Arrearage forgiveness program implemented March 2002. Represents partial year

³ Year to date August 2004

Recommendation

7.3.1 R Increase CAP Participation in Arrearage Forgiveness Program as Cost Benefit to Customer and Company

Summary

The Pennsylvania Bureau of Consumer Services (BCS) is the regulatory body enforcing Chapter 56, a complex set of rules and regulations that governs a utility's ability to conduct business within the state. This governance includes procedures for credit and collection activity of bad debt and termination of service for all classes of customers; residential, commercial, and industrial

The BCS also oversees the following procedures, which if not properly followed, may result in fines imposed on the utility for each violation of Chapter 56.

- Payment Arrangement Requests (PARS)
- Mediations
- Informal Complaints
- Disputes/Formal Complaints

Complaint Type Definitions

Payment Arrangement Requests (PAR's /Mediations)

Customers contact the PUC or BCS regarding requests for payment terms due to pending suspension or termination of service, restoration of service payment terms, or payment arrangements of a final billed owed to the utility."

Consumer (Informal) Complaints

Customers contact the BCS, legislators, or other third parties regarding an escalated issue which could not be resolved by a company representative about a specific utility action including billing, service delivery, repairs, metering, service quality, property damages, service extensions, rates and other payment issues.

Formal Complaints

Customers who request a formal hearing before the PUC Administrative Law Judge to appeal a decision rendered on a consumer complaint or payment arrangement request (PAR/Mediation)

Three Customer Relations Program Representatives located at Dominion Peoples office in Pittsburgh are dedicated, full time, to handling all CAP and non-CAP customer complaints, including mediations, informals, and formals. Their daily activities include:

- Responding to BCS inquiries
- Researching customer and company provided data
- Responding to internal phone calls regarding questions on customer accounts/billing
- Acting as company expert during formal complaint hearings

In addition, four Customer Relations Program Specialists (also in Pittsburgh) assist with research on portions of the complaint process, including escalated complaints to legislators, LIURP related complaints, and more complex CAP account issues.

Customer escalated complaints that are not resolved in three days by the Customer Service Center Agents are directed to five agents in Cleveland, OH. Here the agents work the disputes and complete the Utility Report on each, describing the situation and corrective action. According to the Customer Relations Program Representatives in Pittsburgh, these reports are very vague and difficult to decipher, creating additional workload.¹⁶

The company further reports a lack of consistency with BCS decisions relating to violations and disputes. Depending on which BCS investigator review Dominion Peoples' complaints, interpretations vary accordingly, making it difficult to consistently "train and fix" company errors.¹⁷

Informal complaints tend to increase in September and October when there are numerous complaints of "water in the gas line" and "furnace malfunction." Other categories of complaints include high bills, estimated reads, and budget billing.

First call resolution is the goal of Dominion Peoples' Customer Service Centers. The company's performance in complaint handling certainly underscores the need for intensive training on initial customer inquiries.

¹⁶ Dominion Peoples Interview: Heather Doyle, Deborah Gardner, Terry Richey, Customer Relations Program Representatives

¹⁷ Dominion Interview: Carrie Fanelly, Director Customer Service

Finding**7.4.1 CAP Per Customer Mediation Costs at \$75 Double Non-CAP Per Customer Mediation Costs**

The majority of CAP complaints are related to inability to pay. A CAP PAR requires additional reporting of one-year's credit activity for each customer, which becomes more labor intensive than for non-CAP customers.

Table 24
2003 CAP Complaint Costs¹

Complaint Type	Time Allotment	# CAP Complaints	Total \$ Allocated To CAP Complaints	Cost per Complaint	Credit Related Cost
Mediation ²	.75 Hour	1,600	\$20,000	\$75	
Informal ³	5.0 Hours				
Formal	1.5 Hours	17	\$10,625	\$625	
Totals		1,617	\$30,625		

¹ Complaint Ad Hoc Report 2000-2003 Kim Buss, Customer Relations Program Specialist

² 30% of all 2003 Mediations and Informal Complaints are CAP customers

³ 10% of all 2003 Formal Complaints are CAP customers

Recommendation

7.4.1 R CAP Customers With Inability to Pay Should be Resolved at Company and Handled as Inquiry

Finding

7.5.1 Average Gross Program Costs at \$389 Second Lowest of Industry Peers and Well Below Weighted Average of \$752

Table 25
2003 Natural Gas Gross Costs¹

Company	Total Gross CAP Costs	Average CAP Enrollment	Average Gross Program Costs per CAP Customer
Columbia	\$21,869,084	15,613	\$1,401
Dominion Peoples	\$3,363,454	8,647	\$389
Equitable	\$6,280,965	9,372	\$670
PECO	\$3,236,087	6,947	\$466
NFG	\$7,197,123	13,599	\$529
PG Energy	\$ 430,366	1,482	\$290
UGI	\$ 926,753	1,957	\$474

¹ BCS Universal Service 2003 Report
Weighted Average=\$752

Recommendation

7.5.1 R See Recommendation 7.3.1

Summary

CAP and non-CAP customers are prioritized for service termination based on total arrears as well as age of arrears. The minimum amount due must be at least \$100 for both groups of customers making the selection process for termination orders proportionate for both groups. There is no prioritization of CAP accounts over non-CAP. Collection labor costs per terminated customer are approximately \$28.

Finding

8.1.1 Termination Rate for CAP Accounts Slightly Less Compared to Non- CAP Accounts Level 1 & 2

Table 26
2003 Level 1&2 Accounts Terminated¹

Income Level	CAP	Non-CAP
Level 1&2	571	4,426
Cost @ \$28	\$15,988	\$123,928

¹ Terminated Ad Hoc Report 2003 Eugene Ryzner, IT Customer Service

CAP customers reported as active in the program, year-end 2003 totaled 9092. Approximately 6.3% or 571 customers had their service terminated that year, compared with 7.36% or 4,426 of Dominion Peoples' confirmed low-income group. It appears that due to affordable payments in CAP, the percentage of customers who had their service terminated drops slightly.

Cost savings from a 1% difference in termination rate = ~\$1,500

Finding

8.1.2 CAP Participation Reduces Number of Termination Notices Sent By More Than 50%

A sample population of 359 customer accounts with credit history 12 months pre-CAP and 12 months post-CAP were selected to evaluate customer termination notices and payment patterns.

In all cases, customers twelve months post-CAP significantly improved their payment patterns, which reduced the number of termination notices by 172 fewer notices.

Table 27
CAP Termination Notices¹

	Termination Notices
Pre-CAP 12 Months	323
Post-CAP 12 Months	151

¹ Terminated 2003 Ad Hoc Report Eugene Ryzner, IT Customer Service

Although CAP customers who default for non pay can be prioritized and moved ahead in the collections cycle, off cycle collections is usually not an option for the company. The number of dollars owed, not the number of accounts is the priority. Even though CAP customers might be two payments behind, they may still not meet the \$100 minimum “payment owed” requirement for termination. Their missed catch up payments continue to grow.

Recommendation

8.1.1 R Continue to Track Cost Savings Associated With CAP Termination

Finding

8.2.1 Credit and Collection Savings Estimated at \$45,878 For CAP Customers Who Remain Active in Program For Two Years or Longer

Dominion Peoples' Rates Department calculated estimates for credit and collections savings on 9,000 active CAP participants. The company assumption contained in the 1999 Restructuring Agreement was that 40% of customers would remain in CAP without ever incurring credit and collections expense. The assumption made by OCA was overstated at 100% of customers projected to remain in CAP without incurring collections expense.

Page 33 Section 5.7 CAP Default-Removed reports 2,461 or 28% of customers active in CAP with 2 or more years of continuous participation as current data.

The following table outlines direct and indirect credit and collection costs.

Table 28
Direct Credit & Collection Costs
All Residential Customers¹

Direct Credit & Collection Costs	Total Costs	Direct Costs at 100%
10-Day Termination Notices	\$119,863	\$119,863
72 Hour Notices-Phone	\$114,863	\$114,863
Termination Notice-Print	\$700	\$700
Collection Agency Expenses	\$154,061	\$154,061
Litigation Commission Expenses	\$63,052	\$63,052
Dunning Expenses	\$39,662	\$39,662
Winter Survey Expense	\$4,064	\$4,064
Total Direct	\$496,265	\$496,265

¹ 1999 Credit & Collections Cost Savings Worksheet Joe Gregorini, Manager Rates

Table 29
Indirect Credit & Collection Costs
All Residential Customers¹

Indirect Credit & Collection Costs	Total Costs	Indirect Costs at 50%
72 Hour Notices PNG Labor	\$198,733	\$99,367
48 Hour Notices PNG Labor	\$69,027	\$34,514
Terminations-PNG Labor	\$33,317	\$16,659
Restorations-PNG Labor	\$36,197	\$18,099
Total Indirect	\$337,274	\$168,637

¹ 1999 Credit & Collections Cost Savings Worksheet Joe Gregorini, Manager Rates

The percentage of CAP customers generating a credit and collections saving for those customers active in CAP for two years or more was estimated at 28% or 2,461 customers active in CAP (with no anticipated associated collections activity) divided by 41,053 (the number of total 2003 delinquent residential customers.)

Table 30
CAP Savings as Percentage of All Residential Costs

Direct Costs of \$496,265 x 6.09% = \$34,242
Indirect Costs of \$168,637 x 6.09% = \$11,636
Total Estimated Credit and Collection Savings = \$45,878

Recommendation

8.2.2 R Continue to Track Collections, Bad Debt, and Arrearage Bad Debt Savings Utilizing Most Current Data to Compare With Forecasted Savings in 1999 Restructuring Settlement

- The percentage of customers remaining active in CAP (28%) is much smaller than projected by both the company (40%) and OCA (100%) and significantly reduces the forecasted savings from bad debt, credit and collections, and arrearage bad debt as negotiated in the 1999 Restructuring Settlement. It would be to the company's best interest to track actual data on these savings in order to establish net CAP costs more accurately.

Summary

Dominion Peoples does not routinely calculate or track cash working capital information. However, a calculation was prepared of the estimated cash working capital savings as a result of actual CAP enrollment and arrearage forgiveness through August 2004.

Finding

**8.3.1 Cumulative Impact of Cash Working Capital Based
Arrearage Forgiveness Actuals = \$98,471**

The cash working capital impact attributed to actual arrearage forgiveness experience was calculated on the table as follows:

Table 31
Cash Working Capital Impact
2004 Arrearage Forgiveness¹

Actual Arrearage Forgiveness	\$436,074
CAP Arrearage Factor	0.42
Cash Working Capital Impact	\$183,151
Rate of Return (95 Rate Case)	9.59%
ROR Impact	\$17,564
Associated Income Taxes (14.73%-9.59%)	4.78%
Total Return & Taxes	\$26,319
Cumulative Impact	\$98,471

¹ Cash Working Capital Ad Hoc Report Aug 04 Joe Gregorini Manager Rates

Recommendation

**8.3.1 R Continue to Track Impacts of Cash Working Capital Based on
Actuals**

9.1 Program Description

Summary

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 poverty guidelines. 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. *The largest percentage of CARES customers are elderly on fixed income.* Many CARES customers transfer into CAP as their income and special needs situations improve.

Table 32
CARES Transferred to CAP

Program Year	CARES to CAP
2002	205
2003	200

Twenty customers were formally enrolled in CARES-2003 with an additional 393 customers assisted with referrals. Twelve customers received LIURP and forty-one customers received hardship funds.

Currently two full time Customer Relations Program Specialists, with Master of Science in Social Work degrees provide assessment and referral services to appropriate company Universal Service programs (LIURP, CAP) as well as to social service and government programs (LIHEAP, Crisis, Dollar Energy Fund). While each specialist maintains a small ongoing caseload, it is more common that the specialists provide the customers with minimal handling through "quick fix" short-term referral 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 community based and social service agencies throughout Dominion Peoples' sixteen county service territory. Each year, the company's eligible customers receive substantial financial assistance from these third party social service agencies.

Finding

9.2.1 Customer Relation Specialists Facilitate \$4,743,484 in Direct Net Benefits for CARES and all Other Low Income Customers

Table 33¹
2003 Net CARES Benefit

CARES Costs	Total LIHEAP Grants for Low Income Customers	# Low Income Households Receiving LIHEAP Cash Grants	Other Direct Dollars in Addition to LIHEAP for CARES Participants	Net CARES Benefits
\$193,000	\$4,844,794	18,483	\$91,690	\$4,743,484

¹ Universal Service Program & Collections Performance Report BCS 2003

Recommendation

9.2.1 R Quantify Net CARES Benefits by Direct and Indirect Dollars Resulting From Linkages to Other Programs

- Third party grants are not labeled on CCS. There is no way to track the origin of the payment (i.e. Salvation Army, Red Cross, private customer donation, etc.) By identifying the source of the grant, the Customer Relations Specialist could more effectively target their networking efforts to third party donors and more accurately quantify direct dollars.
- Indirect dollars quantified by the dollar value of LIURP and weatherization services; food stamps; food and/or clothing donations; assistance loans; medical assistance, etc.

Other Customer Relations Specialist Responsibilities

Other responsibilities of the Customer Relations Specialists include:

- Coordinating the Gatekeeper program, designed to aid older adults who may need assistance
- Coordinating thermostat installation for the visually impaired
- Assisting with the Cold Weather Survey
- LIHEAP outreach (mass mailings; 3-Gas Company promotions)
- Managing the Universal Service 800 line
- Coordinating the Dollar Energy Fund grant program (*See Section 5.8 Energy Assistance Grants pgs 37-39*)
- Coordinating the Dominion Peoples Consumer Advisory Board
- Participation in Be Utility Wise Workshop, Energy, Utilities and Aging Consortium, ACCA Heats On Project, and other energy related fairs and workshops

Cold Weather Survey

Each November, the company conducts a Cold Weather Survey of customers who have been terminated to attempt to restore service before the winter heating season. Dominion Peoples' Credit Department refers low income, special needs customers, without gas service to the Customer Relations Specialists handling CARES for follow-up. These include customers whose accounts indicate that children, elderly or low income reside at the given address, or accounts which indicate no alternate source of heat. Each customer is contacted by phone, mail, or by home visit in an attempt to inform the customers of available resources for reconnection. Less than .02% of the total number of heat related residential properties surveyed are CARES related.

Table 34¹
2002-2003 Cold Weather Survey

Program Year	# Residential Customers Surveyed	# Customers Referred to CARES	# Customers Defaulted CAP
2002	2046	42	0
2003	3081	17	2

¹ 2002-2003 Dominion Cold Weather Survey Report BCS

During the LIHEAP season, mass mailings are sent to CARES and to all other low-income LIHEAP eligible customers. In addition, LIHEAP customer outreach is performed annually with promotions on opening day of the program, reminders on the customer gas bills, and mailings to *potentially* eligible customers.

Table 35¹
CARES Linkage to Energy Assistance

Program Year	# Average CARES Participants	CARES with LIHEAP/Crisis	CARES w/Dollar Energy
2002	554	313/18	99
2003	563	270/24	41

¹ Dominion Peoples Interview: Carmen Malloy, Customer Relations Program Specialist

Finding

9.4.1 Only Income Level 1 (0-110%) Customers Receive Annual LIHEAP Outreach Mailings

Income Level 2 customers do not receive company LIHEAP mailings due to the magnitude of numbers (14,806 customers) and limited resources for follow-up. Since the percentage of confirmed low income has increased ~5% in 2003 vs. 2002, and with the trend expecting to continue, it becomes incumbent on the company to aggressively pursue repeat and newly eligible recipients to maximize LIHEAP receivables.

Recommendation

9.4.1 **R** Include Income Level 2 (111-150%) Customers in Annual LIHEAP Outreach Mailings

- Increase resources to facilitate outreach to Level 2 customers (budget dollars for mailings, postage, coordination of 800 line)

Customer Relations Program Specialists located in Pittsburgh manage the Universal Service 800 line. Customers who call the 800 line can request information and apply for CAP, LIHEAP, Dollar Energy, LIURP, and CARES. The specialists screen the customers for eligibility into the Universal Service programs and if eligible, refer the customer to the appropriate representative for follow-up.

Finding

9.5.1 Two -Thirds of 800 Universal Service Line Calls are CAP Customers Creating Problems for Other Customers Accessing the Line

Table 36¹
800 Universal Service Line Statistics for 2002-2003

	CAP		FUEL FUNDS		WEATH/CARES	
	2002	2003	2002	2003	2002	2003
JAN	1,962	3,021	2,027	2,938	105	184
FEB	1,091	956	1,153	443	78	197
MAR	1,539	58	1,529	3,251	104	7
APR	1,698	5,524	1,365	1,599	125	111
MAY	1,614	4,966	1,003	1,176	67	118
JUN	1,618	4,273	892	1,112	46	78
JUL	2,610	5,002	1,311	1,014	67	69
AUG	3,443	5,346	1,812	1,072	95	88
SEP	3,074	5,236	1,670	1,597	105	261
OCT	4,469	6,770	2,830	3,163	223	352
NOV	3,338	4,208	4,213	4,105	190	230
DEC	*	4,290	*	3,172	*	194
Total	26,456	49,650	19,805	24,642	1,205	1,889

¹ Universal Service Line Ad Hoc Report: Telecommunications

*No detailed data for the Dec 2002 time period.

Universal Service Program referral and intake process as it currently exists is not optimal for providing the customer with optimal customer service. Many customers with questions relating to LIURP, Fuel Funds, or CARES cannot access the 800 line due to busy signals and must leave a message for a call back.

Recommendation

9.5.2 R Investigate Options to Minimize 800 Universal Service Line Busy Signals and Customer Call Backs

Dominion Peoples views CARES as a function that should be integrated into the day-to-day operations of the company and not as a separate and distinct specialization.¹⁸ The company does a good job at sensitizing its field personnel to special needs customers who require additional assistance. Numerous referrals are made by Operations to the Customer Relations Program Representatives as a result.

The company has shifted its focus to cross training the Customer Relations Program Specialists with all of the Universal Service programs. Although informal complaints decreased in 2003 vs. 2002, mediations increased by 3,489 creating a significant workload problem with the three Customer Relations Program Representatives who handle customer complaints. *Most are high bill complaints with others related to credit, disconnects and payment arrangements*

Researching and responding to complaints has been added to the job responsibilities of the four Customer Relations Program Specialists handling CAP, CARES, and LIURP.

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Finding

9.6.1 Over 50% of Customer Relations Program Specialists' Activities Focus on Responding to Customer Complaints

Recommendation

9.6.1 **R** Identify and Prioritize Core Functions of Customer Relations Department to Assure Integrity of Universal Service Programs. Analyze, Track, and Resolve Company Related Root Causes of Customer Complaints

¹⁸ Dominion Interview: Keith Kaier, Director Customer Service

Summary

Dominion Peoples' Low Income Usage Reduction Program (LIURP) is a weatherization and conservation education program targeted to low income, high usage customers throughout the company's 16 county service territory. Goals of the program include conservation of energy and reduction of customers' energy bills. The company successfully weatherized 206 homes year-end 2003, spending \$610,000 and realizing a 25% average consumption savings, overall.

Income levels of the customers who received 2003 LIURP services were as follows:

Below 150%	191
150%-200%	15

Eligibility criteria for program participants:

- Customers cannot exceed 150% of federal Poverty Guidelines except in special needs cases where customers can be within 200% of the poverty level.
- Customers must be a residential heat customer, have 12 months of residency at their current address with intent to reside at that address for a minimum of one year, have annual usage of at least 120 Mcf, and be payment troubled with an arrearage of \$200 or more.
- Renters must have the gas service in their name and request landlord approval.

Subcontractors

The company's LIURP program is subcontracted through ten Department of Community and Educational Development (DCED) agencies located throughout Dominion Peoples' service territory. The agencies provide audit, education, and company approved weatherization measure installation to eligible low-income gas heat customers. Where possible, the agencies blend funds provided by Pennsylvania LIHEAP funds, the federal Department of Energy (DOE), and the company to provide a comprehensive weatherization package to the customer.

Inspections are performed by five company retirees post weatherization of all completed homes.

Referrals

Referrals to LIURP are received through the company's Universal Service 800 line, by community and social service agencies, and by CAP. One Customer Relations Program Specialist administers LIURP internally with the assistance of one temporary part time clerical. Once referred, the customer is reviewed for eligibility and receives several forms of company correspondence.

Noteworthy is the design and implementation of the company's state of the art LIURP database developed in 2003. This technology facilitates the generation of management reports and tracks the status of each weatherization program component in progress, from start to completion.

The Customer Relations Program Specialist maintains the database, coordinates communications between eligible customers and the company; reviews and approves recommended weatherization measures prior to installation; reconciles corresponding invoices for completed agency work; and coordinates quality control.

Audit

Each DCED auditor performs a blower door test or conducts a walk-through audit on eligible customer homes, noting air leakage areas inside the home. Job orders detailing recommended installed measures are then submitted to the company for approval. The Customer Relations Specialist determines the allowable per house expenditure based on an internal formula developed to minimize expenditures and maximize consumption savings.

Heating equipment is inspected by DCED auditors trained in furnace and water heater inspections or by heating dealers subcontracted by the agencies.

Partnership

Beginning in 2004, Duquesne Light Company and Dominion Peoples partnered to identify joint LIURP customers in Allegheny and Beaver counties eligible to receive replacement 90+ efficient gas furnaces.¹⁹

To be eligible customers must:

- Be a Duquesne Light and Dominion Peoples customer
- Meet CAP eligibility guidelines
- Own a disabled/inefficient gas furnace in need of repair or replacement

¹⁹ Duquesne Light funds the furnace replacements with their company LIURP dollars. To date, \$30,000 has been spent on replacement furnaces in Dominion Peoples' service territory.

Finding**10.2.1 LIURP Customer Eligibility Screening Process is Manual and Creates Unnecessary Lag Time for Enrollment**

Currently, the company sends two separate mailing to customers who have been referred to LIURP. The initial mailing is an introduction letter describing LIURP and contains a customer survey questionnaire regarding residency, homeownership, income, etc. A second mailing is sent, once the company receives the returned survey and deems the customer LIURP eligible. This mailing refers the customer to the appropriate agency for the completion of a LIURP application and verification of income.

Recommendation**10.2.1 R Implement Telephone Eligibility Screening and/or Limit New LIURP Enrollees to CAP High Usage Customers**

Telephone screening would expedite the enrollment process and eliminate some of the manual correspondence. Even more efficient, is to limit all new LIURP enrollees to CAP high usage customers, whereby the customer's income has already been verified, eliminating the entire agency application process.

Finding**10.2.2 Average 6-7 Month Agency Lag Time Between LIURP Proceed Date to LIURP Complete Date**

Once customers have successfully completed the verification process and are determined eligible for LIURP, the company enters the customer into the Job Status Report weatherization queue for "Proceed Date", "Furnace Inspection Date", "Audit Date", "Work Order Date", "Start Date", "Completion Date", and "Final Inspection Date."

Frequently, the average time from "Proceed " date to "Completion" date exceeds 6 months, creating unnecessary delays in weatherization and wait time for the customer.

Recommendation**10.2.2 R Agencies to Prioritize LIURP Customers to Expedite Weatherization to 120-Day Turnaround Time**

Finding

10.2.3 In 2003, Over 80% of Furnaces Replaced in LIURP are Furnace Only Jobs vs. Furnace + Weatherization
10.2.4 No Effective Checks and Balances by Company to Verify Need of Furnace Replacement

On average, in 2002, 59% of total dollars spent on LIURP installed measures were for the purchase and installation of replacement furnaces. In the early years of LIURP implementation, the company decided to contract with DCED agencies in order to blend jobs funded by state weatherization and the company together, to provide a more complete weatherization package to the customer.

LIURP is a stand-alone weatherization program combining sidewall and attic insulation, air sealing, and furnace/water heater replacement creating an all inclusive, comprehensive package. The company's program dollars seem to be shifting into supporting a furnace replacement program for DCED.

Table 37¹
 2002-2003 LIURP Furnace Replacement

All Agencies	2002	2003
Total # Jobs Completed	218	206
Total # Furnaces Replaced	83	87
Total # Furnace Only Jobs	45	69
Total LIURP & DCED Jobs	178	174

¹ LIURP Furnace Replacement Ad Hoc Report Jeff Hilty, Customer Relations Program Specialist

Furnace contractors leave behind damaged furnace parts for retirees to inspect during their post weatherization audit to verify furnace replacement need.

Recommendation

10.2.3 R Limit “Furnace Only” Jobs to Less Than One Third of Total LIURP Jobs Completed. Increase Installation of Sidewall Insulation Where Appropriate to Achieve Maximum Consumption Reduction
10.2.4 R Company to Randomly Inspect 25% of Furnaces Tagged for Replacement

Finding

10.2.5 Company Retirees Post Inspect 100% of Weatherization Jobs Completed

Recommendation

10.2.5 R Reduce Post Inspections to 25% of Weatherization Jobs Completed Consistent With Industry Standard

Finding

10.2.6 DCED Agencies Provide Varying Degrees of Weatherization Services Along With Varying Proficiencies

Inconsistencies were noted among DCED agencies with respect to ability/willingness to install sidewall insulation; turnaround time for LIURP completions; in house skill sets for furnace inspections; and consumption savings results.

Recommendation

10.2.6 R Develop a RFP for an Agency/Company Project Manager to Provide Administrative Oversight to Multiple Contracts to Increase Efficiencies

Conduct Analysis to Determine Appropriate Number of Subcontractors to Provide LIURP Services

APPENDICES

APPENDIX A

Needs Assessment Worksheet
Prepared 11-15-04

Previous

Revised

Number Confirmed Low Income Customers

All Income Level 1&2 with pay arrangements+
All LIHEAP+ all known financial summaries below
150% of income without payment arrangements

32,275

57,697

Estimate Low- Income Customers-Census

68,188

68,188

Identified Payment Troubled Customers

All CAP+ those customers with broken payment arrangements

10,300

10,300

Estimate Potential Payment Troubled Customers

confirmed low-income - # identified payment troubled

21,975

47,397

Recommended Enrollment as % of Estimated
Potential Payment Troubled

41%
(9,000)

41%
(19,432)

Enrollment as % of Number of Confirmed
Low- Income

28%
(9,000)

16%
(9,000)

Using Columbia Gas %

26%
(15,000)

Using Gil Peach %

28%
(16,155)

Using Gas Utility Peer Wt Average

31%
(17,886)

APPENDIX B

CAP INCOME GUIDELINES
2004-2005

Household Size

Income Group	Federal Poverty Income Level	1	2	3	4	5	6	7	8
A-8%	0% Min	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	50% Max	\$388	\$520	\$653	\$785	\$918	\$1,050	\$1,183	\$1,315
B-9%	51% Min	\$389	\$521	\$654	\$786	\$919	\$1,051	\$1,184	\$1,316
	100% Max	\$776	\$1,041	\$1,306	\$1,571	\$1,836	\$2,101	\$2,366	\$2,631
C-10%	101% Min	\$777	\$1,042	\$1,307	\$1,572	\$1,837	\$2,102	\$2,367	\$2,632
	150% Max	\$1,164	\$1,561	\$1,959	\$2,356	\$2,754	\$3,151	\$3,549	\$3,946

For each additional person, add:
 \$132 for Group A-8%
 \$265 for Group B-9%
 \$397 for Group C-10%

INQUIRES AND DISPUTES

An inquiry is a question or concern of an applicant, customer or occupant regarding the rules in 52 PA Code, Chapter 56 (For example, Billing, Credit, Deposits, Missing Payments, Backdated Turn on's or Turn off's, Termination and Liability). When a customer writes, calls, or visits the Company and asks a question, the company representative is responsible for providing an accurate reply and determination of customer satisfaction. At the end of the discussion, the representative is to ask the customer if he or she is satisfied. An inquiry becomes a dispute when the customer indicates that he or she is not satisfied. A representative is required to document if a customer is satisfied with the company's position/explanation.

Inquiry Procedures

Sometimes the Company cannot respond to a customer inquiry immediately, they may need to obtain additional information or conduct research before responding to the customer. There is a process available for this circumstance. If the Company is not immediately able to answer the question the Company must:

- Obtain consent from the customer to do the research and call them back.
- Contact the customer within three business days and provide the outcome of the investigation. If contact is made and the customer is satisfied with the Company's information then the matter is closed. If the customer is not satisfied, the matter becomes a dispute.
- If unable to contact the customer by telephone, a letter should be sent to the customer summarizing the information and directing the customer to call back within 5 business days with any questions or concerns. If the customer does not return the call, the matter is closed. If the customer does call, the representative must determine satisfaction at the end of the conversation. If the customer is satisfied, the matter is closed. If the customer is not satisfied, then the matter becomes a dispute.

Dispute Procedures

Any time a customer questions a matter contained in Chapter 56 and the customer is not satisfied, the matter becomes a dispute. Once an issue becomes a dispute, we must do the following:

- Place a hold on the account so that no collection action is taken on a disputed bill.

- Hold LPC's so the LPC's are not charged on a disputed bill.
- Investigate and provide a response to a customer within 30 days from the date the matter was disputed. The response can be verbal or in writing and is called a Utility Report. The customer must be provided with a written Utility Report, if it is requested.
- Provide the customer with all the information he/she would need to make an informed decision.
- Provide the customer with the right to file an Informal Complaint with the PUC if he or she is dissatisfied with the report.

Utility Report

A Utility Report is the mechanism used to respond to the customer's dispute. It provides the following:

A statement of the customer's dispute or a copy of the letter the customer sent, For example, the customer's dispute might be "Customer disputes high bill for service from April 15 the May 15 because they were away for one week and the thermostat was lowered to 65 degrees".

The position and findings of the Company after they investigated the dispute: For example, a response might be, "On May 20 the meter was reread and the reading verified the reading obtained on May 15. The usage for the disputed period is lower than it was the same time last year and the degree days for the disputed period are higher than the same period last year".

The Utility Report must tell the customer service will not be terminated while the matter is under dispute. It must tell when the account is overdue and where and how a payment can be made.

The right to file a complaint with the PUC and how to go about filing a complaint with the PUC

The report must include the information that would enable a customer to make an informed decision regarding the disputed matter. For example, attachments might include an account statement, a usage comparison and/or graph.

30 Day Rule

A dispute must be responded to within 30 days from the date the matter was disputed. Even if a customer action or inaction prohibits the Company from fully investigating the dispute, The Company must provide a response within 30 days. For example, if we must obtain access to the meter and the customer does not

respond to our calls and letters we would still need to issue the Utility Report. The report would provide our position based on the available information, detail our efforts to contact the customer and a statement that should the customer provide the necessary information PGW would reopen the dispute.

Summary

The Dispute Process is mandated by Pennsylvania regulations and is a step towards insuring customer satisfaction. The purpose of the process is to give the company the opportunity to investigate a customer's concern and to provide a full report on its findings. A complete report provides the basis for a customer to make an informed decision about his/her concern and should enable the company to research and resolve the issue without regulatory intervention.

AUDIT OF THE PENNSYLVANIA DISPUTE PROCESS: 2003 DRAFT

Background: The Pennsylvania Public Utility Commission regulations, 52 PA Code, Chapter 56, provide customers with the ability to file a dispute with the company prior to contacting the PUC. This process is referred to as the “Dispute Process.” The PA PUC Bureau of Consumer Services enforces compliance with 52 PA Code Chapter 56 by advising companies of violations of relevant portions of the regulation. During 2001 and 2002, Dominion Peoples had a disproportionate share of violations pertaining to the dispute process, 52 PA Code, 56.151-161. Customer Relations initiated procedures to assist in compliance with the regulation; conducted training with other departments; and, completed an audit of the dispute process. There were quarterly audits during 2002 with recommendations made at year-end. Kevin Dobbins developed a Six Sigma Project to further enhance the dispute process.

A total of four audits were completed in 2002 and below is a summary of the recommendations that were submitted:

- Integrate quarterly audit with Six-Sigma project and conduct semi-annual audits.
- Continue to work with all departments to provide an understanding of the process
- Conduct quarterly dispute meetings.
- Provide ongoing feedback from Customer.Inquiry@dom.com
- Issue a monthly compliance report including dispute related concerns.
- Conduct an ongoing review of completed dispute or utility reports.
- Monitor inquiry and dispute process and provide appropriate feedback.
- Develop and implement database for inquiries and disputes.
- Automate inquiry and dispute process where possible to minimize compliance issues and maximize customer satisfaction.

In 2003, a number of activities occurred to follow up on the recommendations. Recommendations implemented include:

- Completion of Six Sigma Project and implementation of recommendations.
 - Review of Six Sigma project with Call Center, Customer Relations and Billing Staff.
 - Implementation of recommendations including development of a three-day review procedure with the Call Center and Billing Staff.
 - Highlights of Project:
 - Objective to resolve 70% of customer contacts within 3 business days.

- Development of recommendations to reduce time lag in response and improvement of response rate including development of standardized letters.
 - Ongoing follow up to supervisors.
 - Monitoring and tracking of user errors/potential violations with detailed report on coaching and training needs.
 - ◇ See attachment for complete report on Six Sigma Project
 - Review and updates to Call Center Staff.
 - Training for Billing Staff.
 - Ongoing meetings with key departments
 - Conference calls for updates.
 - Management of feedback from Customer_Inquiry@dom.com mailbox.
 - Monthly compliance reports to senior management.
 - Review of completed dispute reports. It was found that reports were being done properly. Feedback was provided on a case-by-case basis.
 - Billing staff developed a system to analyze open disputes. The majority of disputes were closed in 30 days or less. Attached is a spreadsheet that summarizes dispute activity.
- Summary and Findings

The process flow charts and procedures as developed by the respective departments were followed during 2003. There was a need for ongoing and refresher training to assure compliance with the regulations and program continuity. Some departments had staff turnover and there was a need to review the dispute process in more detail. In addition, the process flow charts need to be updated as internal processes continue to be refined. Billing and Call Center Staff are working together to assure a smooth transfer from the inquiry to the dispute status and the database assists in locating disputes. For example, the three-day review of customer issues has significantly reduced disputes and has encouraged resolution of customer issues in a timelier manner.

The recommendations from the Six Sigma Project have helped to streamline the dispute process. There is a need for continued review and training to assure that the procedures are followed as designed. Automation of feedback via the Universal Complaint and Information System (UCIS) with further enhance our ability to provide information in an organized manner.

Open Disputes

A concerted effort has been made to reduce the number of disputes that are open for more than thirty days. As a result, we have reduced the number of open disputes by 715 percent. A special training session was held in early October where there was a commitment to complete dispute reports within thirty days. Ongoing training resulted in fulfilling this commitment. Overall, open disputes were reduced

APPENDIX E

significantly in 2003 with a monthly average of 42.8. There are a number of reasons as to why the disputes remain open for more than 30 days including additional research needs to be conducted, a request for a meter test, staffing issues and the complexity of the dispute. Customer Relations continues to work with Billing and the Call Center to support compliance. Further, Customer Relations recommends more active involvement with Credit/Revenue Recovery with respect to the dispute process.

	2002	2003	Difference	Percent Change
Total Disputes	5,477	6,419	942	17% increase
Disputes-more than 30 days	1,806	514	1,292	71.5%
Average open more than 30 days	150.5	42.8	107.7 fewer days	71.5%

Compliance Related Activity	2002	2003	Difference/Change-2002-2003
Total Violations	355	169	-50%
Total Dispute Related	177	72	-57%
Percent Dispute Related	47%	41%	

Recommendation:

During 2004, we will continue to monitor the process and refine procedures. We should try to phase out the Customer Inquiry e-mail box and utilize the Universal Complaint Information System to provide feedback. We are working with the Information Technology Department to complete this recommendation.

A key component for success of the dispute process is to encourage “one-stop” complaint resolution. Call Center and Training Departments are working on this issue.

In addition, an internal team approach provides the best means to resolve issues prior to reaching the PA PUC. We recommend the continuation of meetings and teleconferences to review dispute related issues. Further, we recommend development of a PA Compliance Task to review all areas pertaining to compliance with 52 PA Code, Chapter 56. The team will be comprised of representatives from Billing, Call Center, Credit, Remittance Processing, Customer Service, CCS and Training. It will focus of reviewing policies and procedures prior to implementation to assure compliance as well as reviewing ongoing procedures to provide input and feedback as appropriate. An initial meeting will be held in the first quarter to establish goals and set time lines.

APPENDIX E

In summary, many departments have worked closely together to reduce violations pertaining to disputes and to implement procedures to provide customer satisfaction. One call resolution and a team approach for compliance will help to further our goals of assuring customer satisfaction and regulatory compliance.

Dominion Peoples Universal Service Impact Evaluation Executive Summary-Highlights

Prepared by:
Melanie K. Popovich
Utility Business Consultant

November 29, 2004

Company Commitment To Improved Customer Service

- ❑ Six Sigma Process on Disputes
- ❑ Considerable Investment in Customer Service Center Technology
- ❑ Customer Relations Department Cross Training on Complaint Handling
- ❑ Extensive Customer Relations Department Coaching & Training on Chapter 56
- ❑ Customer Relations Manager Offers Personal Attention to Escalated Customer Complaints

Company Commitment to Universal Service Programs

- ❑ Customer Relations Department Expertise and Oversight Recognized as Primary Driver to Successful Implementation by Dominion Senior Management
- ❑ Customer Service Center Available for Expanded Role in Universal Service Program Turnkey Operations
- ❑ Regulatory Department Willing to Expand CAP Enrollment Target with Cost Recovery Mechanism in Place
- ❑ Willingness to Automate Processes for Increased Effectiveness and Efficiency

Universal Service Programs Facts & Statistics

- ❑ Previous Needs Assessment Understates Confirmed Low Income by ~25,000 Customers
- ❑ CAP Participation Rate at 16% Vs. 31% Industry Peer Average
- ❑ CAP Payment Plan \$71 Average Ranks Third in Affordability
- ❑ CAP Default Rate 40%-Greatest Default with 0-110% Poverty Income
- ❑ Less Than 3% of Active CAP Customers have 5 Years or More of Continuous Participation
- ❑ Of 4,706 CAP Removed in 2003, 50% Were Customers who Moved or Changed Ratepayer Name
- ❑ LIHEAP 2003-04 Receivables Increased by >20% and Number of Recipients by >9%

Universal Service Programs Facts & Statistics

- ❑ Crisis 2003-04 Receivables Decreased by >7% and Recipients Increased by >33%
- ❑ 2004 LIHEAP Grants Reduced CAP Shortfall by \$1,055,781
- ❑ 2003-04 Customer Contributions to Dollar Energy Increased by 35%
- ❑ 31% of Dollar Energy Grants Were CAP Customers
- ❑ 2003 Average CAP Credits per Customer Recalculated From \$254 to \$440 Due to 12 Month Lag.
- ❑ Strict Adherence to 12 Month Criteria Limits Participation to 30% of Total CAP Active in Arrearage Forgiveness Program
- ❑ CAP % Bill Paid is 79%
- ❑ Average Monthly CAP Payment of \$71 Below Industry Average of \$74.
- ❑ Active CAP Customers 12 Months Post CAP Had 34% Fewer Missed Payments With Significant Increases in # of Payments

Universal Service Programs Facts & Statistics

- ❑ Outside Services Costs are 41% of Total CAP Admin
- ❑ CAP Credits= 65% of Total Program Costs
- ❑ 37% of Total CAP Active in 2004 Receive Maximum Allowable CAP Credit of \$840
- ❑ CAP Mediation Costs Double Non-CAP Mediation Costs
- ❑ Credit & Collections Savings Estimated at \$45,878 for Customers Remaining in CAP for Two Years or More
- ❑ Cumulative Impact of Cash Working Capital Based on Arrearage Forgiveness Actuals=\$98,471
- ❑ Over 50% of Customer Relations Program Specialists' Daily Activities Focus on Assisting With Customer Complaint Process
- ❑ Customer Relations Specialists Facilitate \$4,743,484 in Direct Net Benefits for CARES and Other Low-Income Customers
- ❑ Average 6-7 Month Lag Time Between Agency "Proceed" to "Complete" Weatherization

Universal Service Programs Facts & Statistics

- ❑ In 2003, Over 80% of LIURP Replaced Furnaces Were “Furnace Only” Jobs vs. “Furnace + Weatherization” Blended with DCED
- ❑ No Effective Checks & Balances by Company to Verify Need of Furnace Replacement
- ❑ 100% of Weatherization Jobs Completed Are Inspected
- ❑ The 10 Contracted Weatherization Agencies Provide Varying Degrees of Services and Proficiencies

Universal Service Program Recommendation Highlights

- ❑ Increase CAP Enrollments from 9,000-15,000
- ❑ Obtain PUC Approval for Cost Recovery Mechanism (i.e. CAP Tracker)
- ❑ Create Single Point of Contact for CAP Referral, Intake, and Enrollment
- ❑ Prioritize CAP, Complaint, Dispute Training Using Customer Relations Subject Matter Experts
- ❑ IT Department to Prioritize All CAP Related Customer Information System Enhancements
- ❑ Field Operations Prioritization of Meter Checks and Meter Readings Critical to Inquiry/Dispute Resolution.
- ❑ Pilot Outbound Calling Program to Delinquent CAP Customers and CAP At Risk for Termination

Recommendations 'cont

- Possible Redesign of CAP Bill to Eliminate Customer Confusion and Default . Conduct Best Practices with Peer Group.
- Track Continuous CAP Participation. Analyze Drop-Out Periods
- Analyze Reasons for CAP Customers Failing to Reapply and Implement Appropriate Proactive Actions
- Increase LIHEAP Outreach Funding to Include Level 2 (111-150%) Customers
- Increase Efforts to Capture all Available LIHEAP Dollars for CAP Customers
- Dollar Energy to Maintain Fundraising Efforts to Maximize Company Match
- Eliminate Confusing 12 Month CAP Credit Lag by Applying Credits Monthly

Recommendations 'cont

- Increase Percentage of Arrearage Forgiveness Participants-Implement Monthly Forgiveness
- Reduce Outside Contractor Costs for CAP Admin
- Reduce CAP Credits by Increasing CAP LIHEAP Participants and Enforce Timely Collections
- Apply Dollar Energy Grants to CAP Customers who Exceed the \$840 Allowable CAP Credits
- Reduce Number of Complaints and Disputes by First Call Resolution
- Identify and Resolve Root Causes of Company Related Complaints/Disputes
- Identify and Prioritize Core Functions of Customer Relations Department to Assure Integrity of US Programs
- Design Tracking Mechanisms to measure Collections, Bad Debt, Arrearage, and Cash Working Capital Savings

Recommendations 'cont

- ❑ Limit New Weatherization Recipients to CAP High Usage Customers
- ❑ DCED Agencies to Expedite Weatherization to 120 day Turnaround
- ❑ Reduce Weatherization Number of "Furnace Only" Jobs
- ❑ Implement Company Checks and Balances Procedure for Furnace Replacements
- ❑ Reduce Weatherization Post Inspections From 100%-25%
- ❑ Develop RFP For Company Weatherization Program