
Philadelphia Gas Works Universal Service Programs: Pathways to Compliance

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***Philadelphia Gas Works Universal Service
Programs: Pathways to Compliance***

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Short Pathways to Compliance: Philadelphia Gas Works Universal Service

I. EXECUTIVE SUMMARY

This evaluation is limited specifically to the Philadelphia Gas Works (PGW) Universal Services Programs (USPs). Historically, the primary Universal Service Programs at the Philadelphia Gas Works have been referred to as the Customer Responsibility Program (CRP) and the Conservation Works Program (CWP). The evaluation is focused on aligning the Philadelphia Gas Works Universal Services policy and operating program with the policy, program specifications, and reporting requirements of the Pennsylvania Public Utility Commission for Universal Service programs.¹ This report, the second of three, is based on comparison of features of the Customer Responsibility Program² with Commission regulations, policy, and statements and well as a careful assessment of the current direction of development of Universal Service Programs in Pennsylvania.

Program Size: The Needs Assessment section of this report finds that PGW should project a “low-end” program participation of 62,885 customers in its Customer Assistance Program. The “high-end” projection is 90,000 customers. For the next few years, participation will be bracketed by these estimates. Although it is reasonable to project from experience (the “low-end” target), problems in the national economy, from which Philadelphia is not likely to be exempt, suggest the need for contingency planning to move into higher program participation ranges. Whatever the planning target adopted by PGW for its Universal Service program, it should be viewed as flexible. Should the national economy enter into recession or depression, or become subject to additional shocks, the provision of affordable bills will become of increasing importance in insuring economic security of the City.

Program Design: Program design is the key concern for compliance. The premise of a Percentage of Income Payment Program (PIPP) is the presentation of *affordable* bills to customers. If the bill is not affordable, the program is not a PIPP.

¹ The first part of this project, *Current Strengths: Philadelphia Gas Works Universal Service* identified the inherent strengths and other building blocks that PGW can bring to bear on operating a successful Universal services program.

² Analysis of PGW’s Universal Service Programs is based on observation of the program as it currently operates, independent measurements from copy of the CRP database, document reviews, other evaluation and audit material, interviews with Philadelphia Gas Works program staff and executive management, and optimization using Customer Assistance Program simulations.

Thus, the Evaluation Team's treatment of various bill components, each with its own sound rationale, is to first subject the total bill to the affordability criteria of the CAP Design Elements of the Pa. Code, Title 52.³

This analysis yields the following results:

- (1) The minimum bill should be lowered to \$18.00 from \$30.00 per month for customers in the 0-50% of Federal Poverty level range. It may remain at \$30.00 per month for CAP customers above the 50% of Federal Poverty level.
- (2) The rationale for some form of excess usage charge is understandable, however, limit penalties are generally not effective. Also, to bring rates into conformance, the maximum percentage of income payment should be lowered from 12% to 8% for customers in the 0-50% of Federal Poverty range, and to 10% for other CAP customers. This notably lowers the impact of the excess usage charge. It is then reasonable to simply the program to eliminate the excess usage charge entirely.
- (3) The *form* of PGW's current Customer Responsibility Program is consistent with provisions of the Pennsylvania Code. PGW should continue its Percentage of Income Payment Plan (PIPP) approach as the shortest path to compliance. The Budget Plus 2% sector of the current program is not consistent with the Pennsylvania Code, and should be replaced by a combination of a PIPP and the BCS Payment Plan. The BCS Payment Plan would apply for those customers whose BCS Plan payment would be lower than their bill under the PIPP. The effect of this is to remove some very low use customers from the PIPP when the BCS Payment Plan is more advantageous to them.
- (4) PGW should move to a tiered rate within the current program form. The program should be structured according to three program blocks: 0-50% of the Federal Poverty Level, 51-100% of the Federal Poverty Level, and 101-150% of the Federal Poverty Level. The Public Housing Authority (PHA) and special negotiated (CNU) components of the present program would remain unchanged. As noted above, we also recommend that the Excess Usage Charge be discontinued. The LIHEAP Make-Up Charge should also be dropped.

In general, the above recommendations are viewed as incremental steps. The perspective of this study is to value incremental steps over major change. These steps, once implemented, would be evaluated in the next CAP evaluation following the specifications of the Pennsylvania code and of the Bureau of Consumer Services.

³ Pa. Code, Title 52, §69.265(2)(i).

Arrearage Forgiveness: It is generally the case that arrearage is a cost to utilities. It is to the advantage of PGW to forgive arrearage that is not likely to be paid, rather than to carry increased receivables. It is also reasonable to insure that customers who cannot pay arrearage are not burdened by structures of debt. The pragmatic solution is complete arrearage forgiveness once the customer meets expectations for payment of affordable bills in the CAP. The Evaluation Team recommends that PGW develop an arrearage forgiveness model similar to PECO's. It would work like this: Customers who qualify and are placed in the CAP will have their pre-program arrearage forgiven to zero if they remain current on their CAP bill for six months. The development of any new arrearage (program arrearage) during this period will delay forgiveness. When the customer remains current on their CAP bill for six months, pre-program arrearage will be forgiven to zero.

Program Costs: The Evaluation Team has gathered information on PGW Universal Service Programs costs and cost accounting systems. In the area of costs, the Evaluation Team finds that PGW has the capability in its internal accounting systems to produce the kinds of cost reporting required by the Commission.

Compliance & Reporting: The report provides a detailed review of compliance and reporting requirements, and provides recommendations as to how these requirements may be met.

CARES: In the area of CARES, the Evaluation Team recommends a structured CARES program consisting of designated staff. Although actual staff levels are typically small in Pennsylvania CARES programs (given that most CARES responsibilities will be met by referrals to other agencies) it is essential that there be a designated CARES staff for there to be accountability in this compliance area.

Resource: Not one of the compliance concerns makes much sense in the absence of adequate staffing for the Universal Services function. Staff and appropriate skill sets are required to fill out the unit for compliance, and for ongoing operation and maintenance of compliance. To meet these challenges, basic staffing is recommended.

II. THE SHORTEST PATH TO COMPLIANCE

The “shortest path to compliance” is developed by reviewing specific details and carrying out associated analysis necessary to adjust the existing PGW Universal Service Program to the specific requirements and policy orientations of Pennsylvania Public Utility Commission oversight *with the minimum cost, minimum management overhead, and minimum demand on computer requirements and resources* for the Philadelphia Gas Works. Nevertheless, the “shortest path” approach will require specific program, billing, and accounting changes for minimum compliance in the Universal Service Programs area, as PGW shifts from regulation by the City of Philadelphia Gas Commission to regulation by the Pennsylvania Public Utility Commission.

The shortest path to compliance will be presented in a logical five-part sequence as follows:

Needs Assessment: “How big should the Universal Service program be?” For purposes of budgeting and planning, a Needs Assessment identifies the size and nature of the potential service population and develops program targets.

Program Structure: “What should the program look like?” A program structure is developed consistent with the Pennsylvania Public Utility Commission program design guidelines. The goal is to design a structure as close as possible to the existing program structure, suitable to meeting the identified needs of the Needs Assessment, consistent with the Pennsylvania Code and with Commission intent.

Regulatory & Policy Compliance: “What about consistency in the details?” This section provides a tabular review of regulatory expectations, current activity or policy, and recommendations for compliance.

CARES: “What about a CARES capability?” The area of CARES is specifically highlighted for designated staffing in order to insure accountability for this function.

Staffing: “What is the staff resource required to operate and maintain the Universal Service program?”

III. NEEDS ASSESSMENT

A Needs Assessment is a preliminary to examination of the current and candidate Universal Service Program designs later in the report. In addition to the Needs Assessment outlined here, the Philadelphia Gas Works will prepare and file a formal Needs Assessment with the Pennsylvania Public Utility Commission in 2002 as part of the restructuring filing. However, the Needs Assessment of the current study is provided to insure an adequate basis for understanding necessary changes in program design.

Typically, a formal Needs Assessment would contain the six component results specified in the Pennsylvania Code (Figure 1).⁴

Universal Service Needs Assessment
<p>A. The number of identified low-income customers.</p> <p>B. An estimate of low-income customers.</p> <p>C. The number of identified payment troubled, low-income customers.</p> <p>D. An estimate of payment troubled, low-income customers.</p> <p>E. The total number of customers who still need LIURP services and the cost to serve that number.</p> <p>The enrollment size of CAP to serve all eligible customers.</p>

Figure 1: Six Components of a Formal Needs Assessment

A recent communication from the Bureau of Consumer Services provides approaches to develop these results (Figure 2).⁵

⁴ Title 52, Pennsylvania Code §69.4(b)(3) outlines the Needs Assessment in the context of developing Universal Service and Energy Conservation Plans.

⁵ Letter of Janice K. Hummel, Bureau of Consumer Services to David O. Eppler, CAE, Vice-President—Regulatory Affairs, Energy Association of Pennsylvania, May 24, 2001, Attachment 2. The letter is attached to this report as Appendix C.

Needs Assessment: Calculating Results
<p>The number of identified low-income customers. Include the followings accounts: all Level 1 and Level 2 customers who have payment agreements, all accounts who have received LIURP, all CAP customers, all accounts that have received LIHEAP or other energy assistance grants, and all accounts whose financial summaries show incomes below 150% of the poverty guidelines. Include accounts that meet the income criteria even if they are not on payment plans. Use a 12-month average.</p> <p>An estimate of low-income customers. Use the most recent Census data at the most appropriate level (county, zip code).</p> <p>The number of identified payment troubled, low-income customers (Number 3 is a subset of Number 1) Include all customers whose incomes are below 150% of the poverty guidelines who have payment agreements. Payment troubled is defined at \$54.72, \$62.2, and \$ 69.262 as a household that has failed to maintain one or more payment arrangements in a 1-year period. Use a 12-month average.</p> <p>An estimate of potentially payment troubled, low-income customers. Subtract Number 1 (number of identified low-income customers) from Number 2 (estimate of low-income customers).</p> <p>The number of customers who still need LIURP services and the cost to serve that number. Include the number of customers who meet the LIURP eligibility criteria. See Attachment 1 for methodology. Estimate the cost to serve the number who are eligible.</p> <p>The enrollment size of CAP to serve all eligible customers. Consider responses to numbers 1-4 to determine maximum enrollment size.</p>

Figure 2: Calculating Needs Assessment Results

Five Years of Customer Responsibility Program Participation						
Fiscal Year	Month					
	Sep	Oct	Nov	Dec	Jan	Feb
96-97	56,021	55,855	57,629	59,374	60,209	61,126
97-98	54,600	54,066	52,981	52,505	51,324	50,554
99-00	52,048	48,632	46,402	46,960	47,148	46,238
00-01	46,770	47,450	46,286	46,106	46,553	47,021
01-02	54,072	54,542	55,396	55,261	55,764	58,021
Fiscal Year	Month					
	Mar	Apr	May	Jun	Jul	Aug
96-97	62,013	62,854	62,998	60,162	58,838	56,539
97-98	50,667	51,080	51,768	52,125	52,158	52,215
99-00	45,374	46,710	47,490	47,074	46,049	46,456
00-01	48,984	49,894	52,374	53,721	53,576	53,559
01-02	60,278	62,529	63,576	64,501	65,504	65,504
Fiscal Year	Customer Month Total		Average (12 Month)			
96-97	713,618		59,468			
97-98	626,043		52,170			
99-00	566,581		47,215			
00-01	592,294		49,358			
01-02	714,948		59,579			
Note: August 2001 is an estimate.						
Source: Statement of CRP Revenue (Yearly Tables)						

Figure 3: Number of CRP Participant Customers

A. The Number of Identified Low-Income Customers

For the purposes of this report, the Evaluation Team takes the number of customers in CRP (Figure 3) plus the number of customers not in CRP who have received LHEAP (Figure 4). Customers receiving hardship funds (Utility Emergency Services Fund) are shown in Figure 5.⁶ Hardship fund customers are not added to the total of CRP/CAP and LIHEAP customers because hardship fund customers will have already received a LIHEAP grant. Although the number of CRP/CAP customers

⁶ For the formal Needs Assessment filing, PGW will need to also include consideration of all Level 1 and Level 2 customers who have payment agreements, and non-CRP accounts that show incomes at or below 150% of the Federal Poverty Level.

reported for FY 2001-2002 is in part a projection, and although it is based on a time in which recertification was suspended, the 12-month average of 59,579 customers is

Low-Income Home Energy Assistance Pennsylvania LIHEAP				
(Number of PGW Customers Participating)				
Fiscal Year	CASH Grants		CRISIS Grants	
	CRP	Non-CRP	CRP	Non-CRP
96-97	28,780	19,186	4,010	3,590
97-98	28,934	20,171	6,545	5,595
99-00	22,809	20,226	2,572	2,198
00-01	23,622	17,463	12,106	4,680
01-02	32,500	26,202	15,000	13,204
Note: FY2001-FY2002 is a forecast amount.				

Figure 4: PGW Customers who receive LIHEAP.

Utility Emergency Services Fund	
Calendar Year	Number of PGW Customers Participating
1999	624
2000	1,243
2001	876
Note: Calendar 1999 based on 4/99-12/99.	
Note: Calendar 2000 based on 12 months.	
Note: Calendar 2001, based on 1/01-8/01.	

Figure 5: PGW Customers who receive UESF Grants.

more reflective of underlying economic trends that are seen in the earlier 12-month averages. Similarly, the FY 2001-2002 LIHEAP Cash projection will be used, even though it is a forecast figure. The relevant LIHEAP figure is 26,202 because the LIHEAP Crisis grants generally follow the LIHEAP Cash grant. This provides a working estimate of 85,781 *identified* low-income customers.

B. An Estimate of Low-Income Customers

US Census 2000 data is scheduled to become available for counties from early 2002 to mid-summer 2002.⁷ A study of poverty for the United States suggests a slight decline in the period from 1990 to the year 2000, and especially so in the age group 18-24.⁸ However, the Evaluation Team suggests a different interpretation of the early federal data: the federally defined poverty level criteria have become seriously mismatched to the actual situation of poverty as experienced by households. Being outside the 100% of Federal Poverty Level range means little. The 150% of Federal Poverty Level is a criterion that captures a good bit of the slippage in the federal indicator system, but it is more likely that 250% of the Federal Poverty Level begins to indicate the range in which poverty is not actually experienced.

For this study, the information from the 1990 census is used. According to the 1990 federal census, about 30% of Philadelphia County residents lived at or below 150% of the Federal Poverty Level in 1989.⁹ Multiplying this (1990 Census) percentage by the published Census 2000 population of Philadelphia County yields 455,265 persons living at or below 150% of the Federal Poverty Level in 2000. Dividing this estimate by the published Census 2000 estimate of 2.48 persons per household in Philadelphia yields an estimate of 183,575 customers living at or below 150% of the Federal Poverty Level.

Persons at or Below 150% FPL in Philadelphia		
Col. 1	Col. 2	Col. 3
Percentage of Persons at or Below 150% of FPL (1990 Census)	Population of Philadelphia County Year 2000 (2000 Census)	Estimate of Persons at or Below 150% of FPL (Needs Assessment)
30%	1,517,550	455,265

Figure 6: Persons at or below 150% of Federal Poverty Level

⁷ This data is projected to be available on a timeline that will support the Needs Assessment in the Philadelphia Gas Works' Restructuring Filing in 2002.

⁸ Dalaker, Joseph, U.S. Census Bureau, Current Population Reports, Series P60-214, *Poverty in the United States: 2000*. Washington, DC: US Government Printing Office, 2001.

⁹ Bureau of the Census, Internet Site, 1990 Census, Table P121.

Estimate of PGW Gas Heat Customers at or Below 150% of the Federal Poverty Level				
	Col. 1	Col. 2	Col. 3	Col. 4
	Item	Source	Calculation	Result
Row 1	Persons in Philadelphia	Census 2000		1,517,550
Row 2	Persons per Household in City	Census 2000		2.48
Row 3	Households in City		(Row 1)/(Row 2)	611,915
Row 4	Persons at or below 150% Poverty in City	Figure 6		455,265
Row 5	Households at or below 150% Poverty in City		(Row 4)/(Row 2)	183,575
Row 6	PGW Customer Households	PGW		499,101
Row 7	PGW Gas Heat Households	PGW		431,500
Row 8	PGW Gas Heat Households as a Percentage of All PGW Households		(Row 7)/(Row 6)	86.5%
Row 9	PGW Households as a Percentage of City Households		(Row 6)/(Row 3)	81.6%
Row 10	150% Poverty in City		(Row 5)/(Row 3)	30.0%
Row 11	150% Poverty PGW HH		(Row 10)*(Row 6)	149,730
Row 12	150% Poverty PGW Gas Heat		(Row 11)*(Row 8)	129,450

Figure 7: Customers at or below 150% of the Federal Poverty Level.

C. Identified Payment Troubled, Low-Income Customers

The Philadelphia Gas Works Customer Responsibility Program is similar to low-income rate programs approved by the Pennsylvania Public Utility Commission in that it does not operationally rely on a definition of payment-trouble to determine eligibility. It is open to all customers with natural gas heat within the 0-150% of the Federal Poverty Level.

D. Potentially Payment Troubled, Low-Income Customers

This is the difference between the estimated number of 129,450 low-income gas heating customers (Figure 7) and the 85,781 identified low-income customers from Section A. The indicated subtraction yields a result of 43,669 gas heat low-income customers.

E. Customers Who Still Need LIURP Services

This estimate will be required for the formal Needs Assessment to be submitted by the Philadelphia Gas Works in 2002. However, it is not estimated here because it is not required to indicate paths towards compliance.

F. Size of CAP to Serve All Eligible Customers

Figure 3 provides the design program size and composition by income level, assuming little change from the 1998-2000 economic and employment climate for the City. This represents a “low-end” estimate of the level of program participation.¹⁰ It is adjusted downwards somewhat for trimming of program participation with the restart of program recertification. A figure of 62,885 is used for low-end calculations in this report. This figure is used to be consistent with an internal PGW projection.

Low-End Enrollment Projection	
Range of Income, FPL	Program population
0-50%	13,544
50-100%	43,115
100-150%	6,226
Total	62,885

Figure 8: Low-End Projection from Current Program.

There has been a long-term decline in income for the lower-income families in the US. Combined with the current economic recession and recent shocks to the economy, this will require that the program design be considered in the context of increased need

¹⁰ The recent lapse in recertification activity suggests that some of the most recent participation data may be somewhat inflated.

High-End Enrollment Projection	
Range of Income, FPL	Program Population
0-50%	19,384
50-100%	61,705
100-150%	8,911
Total	90,000

Figure 9: High-End Projection based on Economic Indicators.

for program participation. PGW should reasonably be prepared for these effects since economic hardship in the country as a whole will be reflected in the City of Philadelphia.¹¹

Accordingly Figure 9 has been prepared as a planning estimate. Clearly, Figure 9 represents a dramatic increase in program size. However, prudent planning should consider program cost and cost recovery in the light of such an eventuality.

G. Summary: Needs Assessment

The Evaluation Team recommends that the Philadelphia Gas Works prepare for program design based on projection of current program, and that is discussed in this second report. In addition, the Evaluation Team recommends the PGW also be prepared to ramp up program capacity on the basis of current national economic problems. At the low-end, consistent with the current program and current planning estimates, the program would be designed to serve approximately 62,885 customers. At the high-end, an alternative projection should be prepared to serve approximately 90,000 customers.¹²

¹¹ There are currently waves of layoffs affecting many industries in the core economy; there will be an economic impact multiplier for secondary job loss. PGW should consult with the City Controller's office to better define the extent of this problem and to remove uncertainty in developing planning estimates.

¹² Low-end (62,885) and high-end (90,000) results are shown in this report.

IV. PROGRAM DESIGN

In this section, we look at the current program structure, introduce the Sector Maps, critically assess the current Customer Responsibility Program for compliance with §69.265 CAP Design Elements (2)(i), and then provide analysis that yields alternative program designs. The goal in developing alternative designs is compliance, and in this second report, is compliance with minimum change. The analytic strategy in this section is to first develop a “reference case” consistent with the current PGW Residential Tariff, then consider other components of the customer bill, then return to the reference case and suggest moderate changes to the Residential Tariff. The principal tool is the Reichmuth Sector Map©. The individual Sectors Maps permit visual review of how each possible structure (and implied rate design) affects all customers (not just the “average customer”). This tool permits a high degree of complexity associated with the diversity of customers to be taken into account in insuring compliance with the Pennsylvania Code, §69.265, CAP Design Elements.

A. Program Structure

The core of the current Customer Responsibility Program is a Percentage of Income Payment Program (PIPP) set at 7.35% of income, subject to a required minimum payment of \$30.00 per month.¹³ In addition, the PGW Residential Tariff specifies that an excess usage charge may be applied, subject to the condition that the monthly PIPP amount plus the excess usage charge may not exceed 12% of income. Customers may receive bill amounts incurred for costs outside the affordability structure of the Customer Responsibility Program. These bill elements are in addition to the structure of the CRP bill. In particular, these are (a) the Relief charge,¹⁴ (b) the LIHEAP Make-Up charge,¹⁵ and (c) the Repair charge.¹⁶

¹³ Currently, this program structure is offered to customers from 0 to 135% of the Federal Poverty Level. The \$30 minimum is considered a separate CRP payment option. Customers from 136% to and including 150% of the Federal Poverty Level are currently offered an undiscounted Budget Plan plus 2% of arrearage.

¹⁴ The *relief charge* is a special charge to provide relief payment from customers to PGW for natural gas supplied, but not billed, when the PGW billing system was not functioning correctly. PGW, as ordered by the Philadelphia Gas Commission, treats the relief charge as outside the affordability structure of CRP. The rationale for this technical treatment is that since the relief charge is simply a late billing at the CRP rate (and pro-rated over a series of payments to ease payment difficulties) for natural gas received, it is not really an increase in the total amount billed. For a low-income customer, of course, this does represent an affordability problem since they are responsible for paying the total bill presented each month from the income for each month. Customers who contact the Pennsylvania Public Service Commission may have the total relief charge amount assigned to their pre-program (frozen) arrearage. The relief charge problem will

disappear within another year, with amounts either paid or reassigned; assuming the billing system problems have been fully corrected and no new similar billing system problems arise.

¹⁵ The ***LIHEAP Make-Up charge*** is a special charge, permitted under the Pennsylvania Code, for customers eligible for LIHEAP who do not file for LIHEAP. The rationale for excluding bill amounts for LIHEAP Make-Up from the affordability structure of CRP is that, by definition, the customer had the opportunity to secure this amount from the Pennsylvania LIHEAP program. Also, since LIHEAP in aggregate makes an important contribution to payment for PGW's cost of service for CRP customers, the directive to either secure a LIHEAP payment or provide a LIHEAP Make-Up is a key control tool for effectiveness in program administration. For a low-income customer, of course, the LIHEAP Make-Up charge does represent an affordability problem since the customer is responsible for paying the total bill presented each month from income for each month. Nevertheless, the recommendation of this study is to simplify the program by eliminating the LIHEAP Make-Up charge on a trial basis and assess this change in the next Universal Service evaluation. The next evaluation would evaluate actual results, compare with previous years, and recommend whether to reinstate the LIHEAP Make-Up charge.

¹⁶ The ***repair charge*** is a special charge that is considered outside the affordability structure of CRP. A low-income customer in CRP who is not a participant in PGW's repairs insurance program and who maintains current payment within CRP may call PGW for emergency repair services. PGW will waive the standard \$50 service charge for the service call. The bill for furnace repair (or the like) will be deferred until the date of the customer's next recertification, at which time it will be scheduled for payment to PGW in ten monthly installments. The rationale for excluding billed amounts under PGW's repair program is that it is a socially necessary program, essential to maintaining health and safety and to maintaining heating and other natural gas services to low-income customers. It is a municipal service program, the benefits of which could not be alternatively provided by the market. This is due to the profitability criteria of the market (the "free market" only provides full service to people who have sufficient money and credit, and disregards everyone else). Also, if, by chance, a family were to be served by a market vendor and not through PGW, the bill to the family would be higher, and potentially much higher. The family would face substantially higher debt (so as to permit an "add on" for profit to the vendor), higher interest requirements (to include risk premium for the vendor, risk currently assumed by PGW as a social cost) and likely poorer payment terms. If paid, such bills would likely undercut ability to make ongoing CRP payments. Of course, while the repair option is on balance favorable to low-income customers, the repair bill does represent an affordability problem, since total bills presented each month are paid from the current income for each month. According to Pa. Code, Title 52, §58.12, Expenditures may include incidental repairs to the dwelling necessary to permit proper installation of measures, or repair to existing measures to make them operate effectively. According to §58.14, Program measure installation: Based on the energy survey (58.11) measures shall be installed to reduce energy bills, space heating usage, water heating and baseload end uses: (1) Residential space heating

B. Theory of the Program

Two features profoundly shape the Customer Responsibility Program. The first is true of any Percentage of Income Payment Plan (PIPP) program structure: the fundamental assumption of the program theory posits that the payment requested must be *affordable*. A PIPP requires a constant budget-able monthly bill that is *actually within the material ability of the customer to pay from actual monthly income*. This type of program shields participants from abrupt changes in month-to-month natural gas bills due to fluctuations in gas commodity costs and also protects against fluctuations due to weather conditions. Another way to say this is that a properly designed PIPP offers a truly *affordable bill* with no price shocks or other surprises. Second, as an income-based program, the Customer Responsibility Program is essentially *consistent* with provisions of the Pennsylvania Code. Its features can be directly mapped against the CAP Design Elements mandated by the Pennsylvania Code (§69.265). However, on the basis of the analysis in this study, certain modifications will be necessary to insure compliance.

C. Design Guidelines and Customer Diversity

Analysis of the current Customer Responsibility Program modeled as a reference program¹⁷ shows that, for CRP, an *average participant* generally falls within program design guidelines. But the CAP Design Elements of the Pennsylvania Code apply to *all* participants, of whom many happen to be not very similar to the average participant. *One of Philadelphia's strengths is that it is characterized by variation and diversity, and this is also true of customers who fall within low-income communities and aggregates served through the Customer Responsibility Program*. Large aggregations of participants may fall well outside of program design guidelines even though the average customer is served within the guidelines. Clearly, if, for example, some thousands of participants fall

measures may include insulation, furnace replacement or efficiency modifications, clock thermostats, infiltration measures designed to reduce air flow, repair or replacement of chimneys and service lines. Note that PGW does not currently do furnace replacement and efficiency modifications, repair or replacement of chimneys and service lines. However, such repair might be placed under CWP for Universal Service Program CAP customers. PGW does refer to the water heater hotline, and to the BSRP program which provides some furnace repairs. However, these programs are limited to homeowners.

¹⁷ The reference case includes the basic CRP PIPP of 7.35% of income plus the excess usage charge, the sum of which is subject to the maximum 12% of income rule, consistent with the PGW Residential Tariff. The Relief charge and the Repair charge are not included in the reference case. LIHEAP Make-Up is likewise not specifically considered. Public housing tenants billed under PHA provisions and customers with specially negotiated (CNU) billing are also excluded from the reference case. PHA and CNU customers are not included in this report since their bills are set by other criteria.

outside of the guidelines there is basis for further program optimization.¹⁸ Prudent program design requires review and consideration of the whole range of program participants versus the guidelines in contrast to how the program treats the average (mean, median, or modal) customer. Participants in the current CRP program have wide variation in both gas usage and income. The underlying facts of diversity of the population yield a wide range in the individual participant gas energy burden (energy bill as a percentage of income).

D. Sector Maps

To review the program participants over the whole range of population variation, the Evaluation Team has used the Reichmuth Sector Map©, a proprietary HGPA Customer Assistance Program design tool (CAP design tool). The Reichmuth Sector Map© program produces a set of maps and associated summary graphs. Each of individual maps in the set organizes the whole Customer Assistance Program population into a grid. One axis of each map (the horizontal or “x-axis”) represents income level; the vertical (or “y-axis”) of each map represents energy usage.¹⁹ When the program population is organized in this manner, patterns in program indicators, such as energy burden (expressed as energy bill as percent of income) become quite evident.

1. The “Study Set”

The initial Sector Map was prepared by extracting data for all current Customer Responsibility Program customers (Figure 10). After the data cleaning and selection steps, the data available for analysis represents 54,162 CRP participants for the calendar year 2000 for each of whom there are at least 10 months of energy consumption data on record (Figure 11). Figure 12 shows the study set participants by federal poverty categories. Figure 12 may be further subdivided into much finer income and energy use categories. Income, usage, and program design characteristics may then be used to develop a detailed model. The result is the Sector Maps.

All Sector Maps are three-dimensional, with color used to represent the third dimension. The variable expressed as the third dimension differs across the graphs. The horizontal axis of each Sector Map represents the Federal Poverty Level (FPL); the vertical axis represents energy usage as a percentage of the mean usage for the population translation to support the Sector Maps. The Sector Maps are designed to fit within the compliance provisions of the Pennsylvania Code.

¹⁸ And, likely, prudently avoid litigation on the part of community legal advocates.

¹⁹ There are two map displays. On one, the vertical axis shows actual energy use. On the other, relative energy use (actual usage divided by the population mean usage). For both the horizontal axis shows customer income as a percentage of the Federal Poverty Level.

Study Set Data Elements	
1	Monthly or annual household income
2	Pre program arrearage (this is the current balance as of the data extraction)
3	Agreement type (7.35%, \$30 min. etc.)
4	Poverty level
5	Number of people in household
6	Number of persons over 65
7	Number of persons under 5
8	Sex of customer of record
9	Housing descriptors as recorded (number of bedrooms,
10	Property based class ratio with table definitions
11	Usage related data: usage amount and associated date (meter read date), read type (actual or estimated)
12	Customer class
13	LIHEAP grants: cash grants, date, amount
14	LIHEAP CRISIS: grant amount, date (there may be more than one CRISIS)
15	Dates on CRP: Unbroken date and Forgiven date
16	Monthly CRP billed amount including Sum of GS bill and component parts:
A	Agreement amount (CRP Budget amount)
B	Excess usage charges
C	LIHEAP makeup amount
D	Non CRP charges
E	CRP Relief charges

Figure 10: Data Request

Study Set Data Cleaning Steps	
1	Total unique accounts with demographic data = 62,673.
2	Total with usage data in year 2000 = 61,070.
3	Accounts were required to have at least 10 months of usage in 2000, and at least 100 CCF usage during that period. (This is the same screen used in the PY9 CWP evaluations, i.e. 10 ccf/mo.) Total meeting usage data requirement = 55,130.
4	The next screen removed those with more than 15 persons in the house and poverty level over 200% (data entry related errors). Remaining = 55,002.
5	PHA cases (689) and CNU cases (9) were eliminated. Remaining = 54,304.
6	Additional cases removed over 150% poverty and various other reasons. Cases remaining = 54,162.

Figure 11: Cleaning & Selection of Study Set Data

Current Customer Responsibility Program				
Component	Number of Customers within Federal Poverty Level (FPL) Groups			
	0-50% (FPL)	51-100% (FPL)	101-150% (FPL)	Total
\$30 Minimum Payment	10,243	1,846	294	12,383
7.35% payment	9,086	21,773	5,591	36,450
Budget Plus 2%	349	2,143	2,837	5,329
Total Program	19,336	25,762	8,722	54,162

Figure 12: The Study Set

2. Income Diversity

A summary of the current incomes of the program participants is provided in Figures 13. Figure 13 shows the income distribution in the form of a sorted frequency distribution (with customers sorted by increasing level of income).²⁰ In this figure, the proportion of the population with income less than a certain amount is shown on the horizontal axis and incomes are shown on the vertical axis. About 40% of the current Customer Responsibility Program participant population has incomes in the range of \$8,000-\$10,000 per year. About 20% have incomes of \$4,000 per year, or less.

To make sense of current income for comparative and regulatory purposes, income must be expressed in terms of the Federal Poverty Level (FPL). This is calculated and shown in Figures 17 & 18. However, before carrying out that translation, the range of incomes in the study set used to model the CRP population is of interest in itself, and is shown in Figure 13. Incomes range from about \$2,500 per year to about \$18,000 per year.

²⁰ For this type of distribution the frequencies of cases within intervals are successively calculated. The results are then sorted and graphed. Figures 13 & 14 are “less than” cumulative frequency distributions since points on the horizontal axis show the proportion of cases with less than a certain amount of income (Figure 13) or usage (Figure 14). Note that for these two graphs, the axes are opposite those in the standard cumulative frequency distribution, where frequencies are graphed on the vertical axis and class intervals are graphed on the horizontal axis. Croxton, Frederick E., Dudley J. Cowden, and Sidney Klein, *Applied General Statistics*, Third Edition. Englewood Cliffs, New Jersey, 1967.

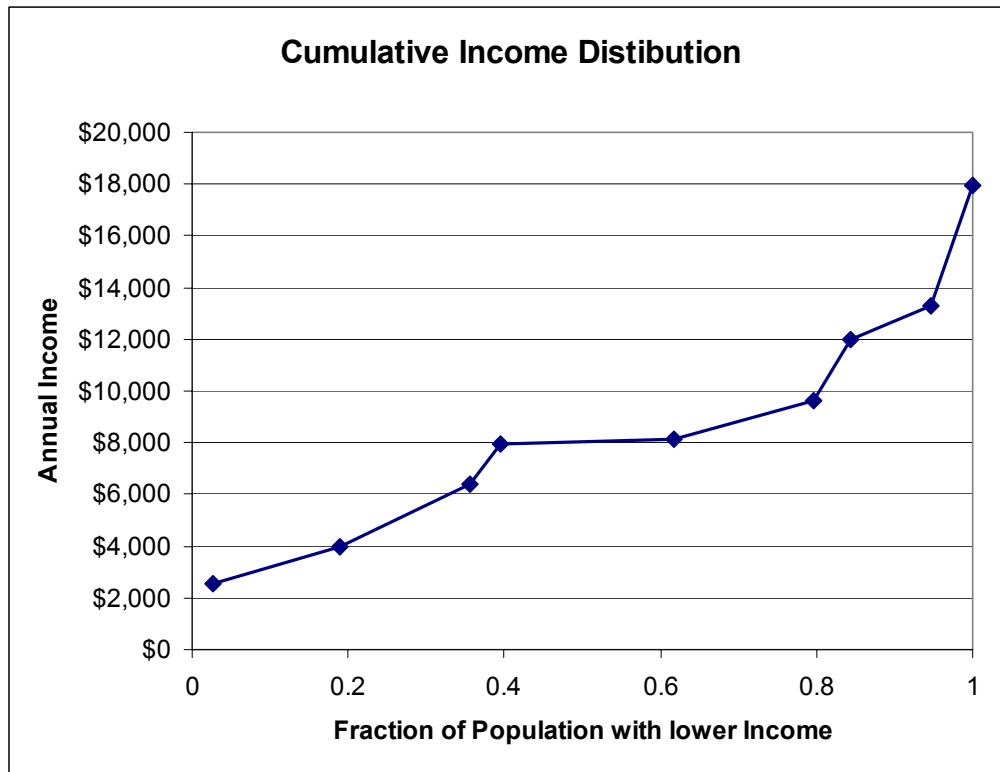


Figure 13: Annual Income of CRP Customers

3. Diversity in Energy Use

A similar graph, in this case for energy use, is shown in Figure 14. Probably the most striking feature of this curve is the nearly vertical jump in the upper right of the graph, and located at the “0.8” mark on the horizontal axis. This “jump” means that consumption of natural gas by the upper 20% of program participants (by use) increases abruptly.

Another feature is evident in inspection of graphs similar to Figure 14 but subset by income.²¹ Figure 14 gives the cumulative distribution for the model of the whole CRP. This cumulative distribution is almost identical to the separate cumulative distributions that may be observed for *each* of the income based subsets of participants. For this each income subset, there is about the same range of annual usage from 500ccf/year to 2500 ccf/year.

²¹ The income subset graphs are not shown in this report.

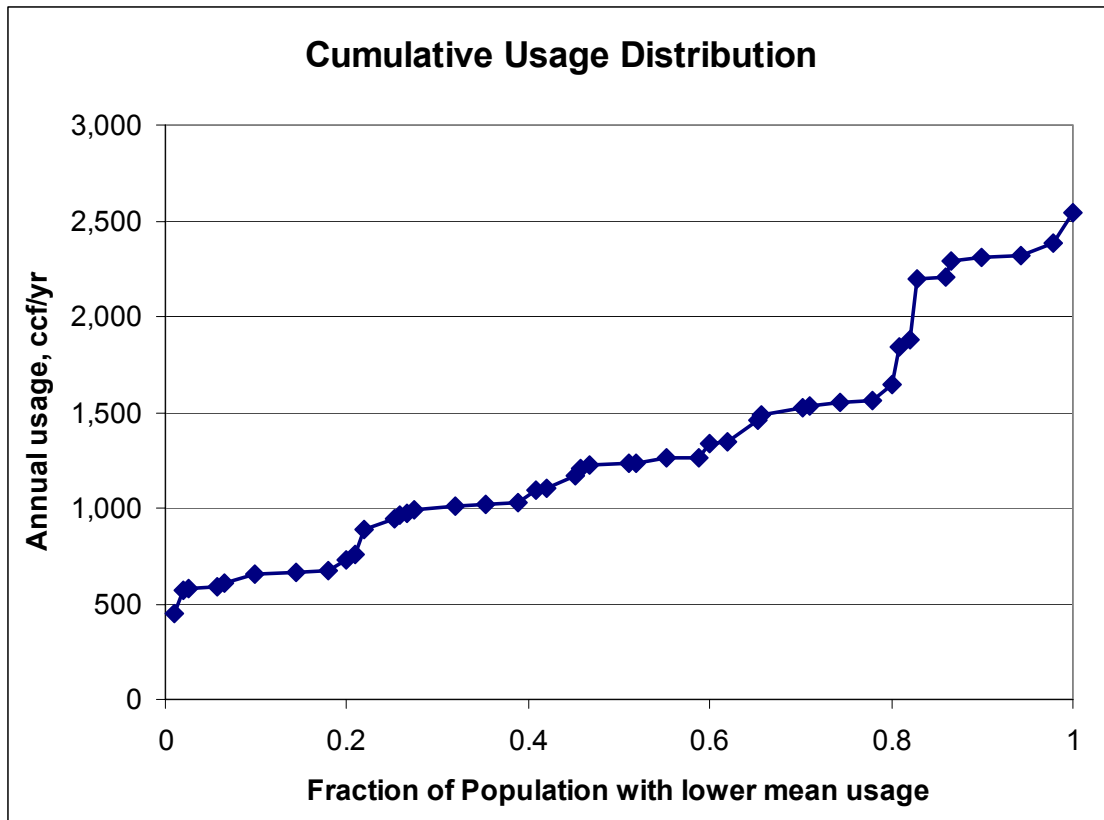


Figure 14: Annual Natural Gas Consumption by CRP Participants.

4. Summary: The Sector Map

The Sector Map combines the information contained within the income and energy consumption distributions into an *accurately proportioned display where equal areas represent equal numbers of participants*. In the set of specialized Sector Maps, *each square of each map grid represents about 100 participants in the Customer Responsibility Program*. Each square *accurately portrays the income and usage of the participants* represented in the square.²² In this way, Sector Maps fully reflect the range of customer income diversity and range of diversity in energy use.

²² Further, the Sector Maps have been designed to take into account month to month variation in the effect of the 12% rule on the combination of the CRP PIPP amount plus the excess usage charge. Although each Sector Map reflects the average month, this usage driven and weather related variation has been taken into account. Because the form of the CRP is percentage of income payment (PIPP), it is possible to use an average month approach. The monthly payment is determined by income. This means that the Sector Map axes for “Fraction of Federal Poverty Level” (horizontal) and “Usage/Mean Usage” (vertical) represent yearly values although the bill amounts are expressed as monthly values.

E. Steps Towards Compliance

The current CRP program principally consists of two payment plans. These are “Plan A,” the 7.35% Percentage of Income Payment Plan (PIPP) and “Plan B,” the Budget plus 2% of Arrearage payment plan. For purposes of the analysis, the minimum required payment of \$30.00 per month is treated as a third plan. Two additional payment modalities are included in CRP, one for public housing and the other for special negotiated agreements. The Public Housing Authority (PHA) Gas Energy Allowance is not included in the model. It may be disregarded because it is expected to continue as presently operated.²³ The specially negotiated CNU plans are also not included.²⁴ Special CNU plans negotiated for exceptions are expected to continue. In this section the CAP is examined with respect to the CAP Design Elements specified in Pa. Code, Title 52, §69.265. This examination relies upon the study set of 54,162 participant records. These records are the basis for establishing the general income and usage characteristics of the participant population.

The study set also contains bill records for year 2000, but the “as billed” data will include the effects of Relief charges proceeding from a major billing disruption, LIHEAP Make-up charges, flux into and out of the program, and immediate arrearage charges. It is expected to show rather high charges relative to the income limits, and it would only be useful in the current discussion after certain charges were factored out.

1. The Reference Case

For the purposes of this study, a reference “steady state” program is synthesized from the participant income and energy consumption data. In the first instance, this reference program is developed to represent a continuation of the current Customer Responsibility Program, sized as in the company’s FY2001-FY2002 program projection.²⁵ The characteristics of the current CRP are summarized in Figure 15.

The reference program has been “trued up” to the FY2001-FY2002 CRP estimate so that the size of the CAP discount in the program estimate is the same as the reference

²³ For certain PHA tenants, the federal government pays the energy bill. There is no need to discount this bill, since payment is already socialized at the federal level and paid as a transfer payment to PGW.

²⁴ Only 10 CNU plans were negotiated out of 62,673 program participants reviewed in sub-setting the data for this study, so the exclusion will have no real effect on the analysis.

²⁵ FY2001-FY2002 projection provided by Cristina Coltro, PGW CRP Manager. More than one projection was provided.

Reference Program		
No.	Program Component	Value
1	Minimum Monthly Payment Required	\$30
2	Percent of Income Payment Plan	7.35%
3	Maximum Bill as a Percentage of Income	12%
4	Excess Usage Charge	On all but Budget
5	\$30 Minimum, Number of Participants	16,755
6	7.35%, Number of Participants	36,374
7	Budget Plus, Number of Participants	5,772

Figure 15: Reference Case Characteristics

program developed here.²⁶ In the subsequent discussion of program alternatives, the reference program is used as the baseline to which the alternatives program designs are compared.

As a first step in program design, the Budget Plus component (customers in the range from 136%-150% of the Federal Poverty Level) of the current CRP is removed. Currently, Budget Plus customers pay the full bill on a budget basis. They are not offered a percentage of income payment, and since they are not on a PIPP the excess usage charge does not apply. However, commission guidelines require a Customer Assistance Program for customers in the full range from 0-150% of the Federal Poverty Level. PGW will be required to offer a full Customer Assistance Program to the current Budget Plus customers in the 136%-150% of poverty range. Fortunately, extending the 7.35% of income program to the CRP participants from 136% to 150% of Federal Poverty Level makes almost no difference in the CAP Discount. This change, referred to as “Step 1,” is introduced next.

2. Step 1: Replace Budget Plus by extending the PIPP

The initial reference case²⁷ is consistent with the PGW Residential Tariff. It models the current Customer Responsibility Program. Relief and Repair charges are not included

²⁶ The data is “trued-up” so that the estimates of the model’s net Discount are the same as the actual projected net Discount (GS rate minus actual received CRP). This is done by altering the assumed collection ratios until the model net Discount is the same as the projected net Discount.

²⁷ FY2001-FY2002 projection provided by Cristina Coltro, PGW CRP Manager. Other projections were also provided.

in the reference case, and to simplify the calculations, the LIHEAP Make-Up charge is not considered.²⁸ However, the excess usage charge is included, as applicable, and subject to the 12% of income limit on the combined bill from the 7.35% PIPP and excess usage charge.²⁹ The 136%-150% Budget Plus group is first included with the reference case, and then it is excluded by extending the PIPP through to 150% of the Federal Poverty Level. The initial reference case (CRP) and the case resulting from the “Step 1” adjustment are discussed in parallel.

a) The Natural Gas Energy Bill

It can be useful to think about the Sector Maps as if they were maps of physical geographies, like landscapes or seascapes.³⁰ These geographies are made up of regions indicated by the different colors. Use of the concept of “scapes” (rather than “colored squares”) is intended to bring to mind the feeling of landscapes, territories, or configurations so that the mind begins to look for patterns and shapes (rather than only colors in grids). These “scapes” are configurations of people that we are not used to thinking about.

As a first representation, monthly bills (actual dollars) are indicated by in the colors of Figure 16 and 17. Figure 16 models the current CRP. Figure 17 is the reference case with the Budget Plus customers having been converted by extension of the PIPP. In these figures, the light blue color indicates a region in which the monthly bill is in the range of \$25-\$50; this is the region of the \$30 minimum bill and is the same in both Figure 16 and Figure 17. The gold color covers the regions in which the

²⁸ These three components of the customer bill are excluded from the model.

²⁹ The current PGW residential tariff includes the basic CRP charge (here based on 7.35 percent of income), the excess usage charge, and the 12% of income maximum payment criterion to which the basic CRP charge and the excess usage charge are subject. The current tariff does not deal with the Repair charge, the LIHEAP Make-Up charge, or the Relief charge. Accordingly, when we search for the lowest possible payment, this is the lowest possible payment consistent with the current tariff and includes the first three cost categories, and does not include the last three.

³⁰ Arjun Appadurai has introduced this use of “scapes”: “...in the contemporary world he sees finescapes, technoscapes, ethnocapes, and so forth.” Quotation from page 151, Hardt, Michael & Antonio Negri, *Empire*. Cambridge, Massachusetts & London, England: Cambridge University Press, 2000. Use of the “scape” concept is a kind of design strategy for developing knowledge. See Cetina, Karin Knorr, *Epistemic Cultures, How the Sciences Make Knowledge*. Cambridge, Massachusetts & London, England: Harvard University Press, 1999.

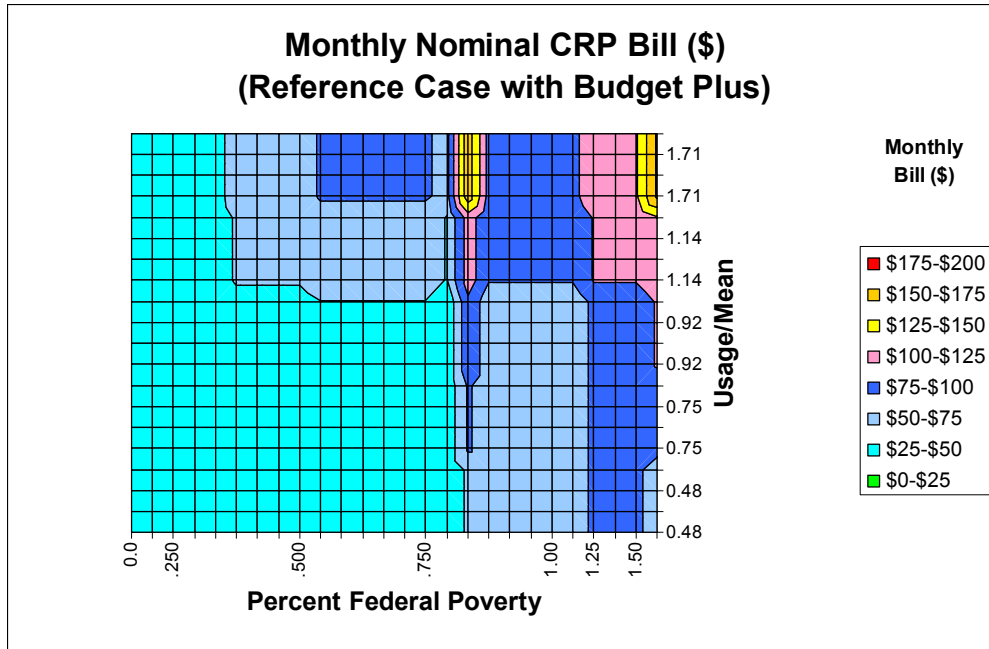


Figure 16: Monthly Bill (CRP Model with Budget Plus).

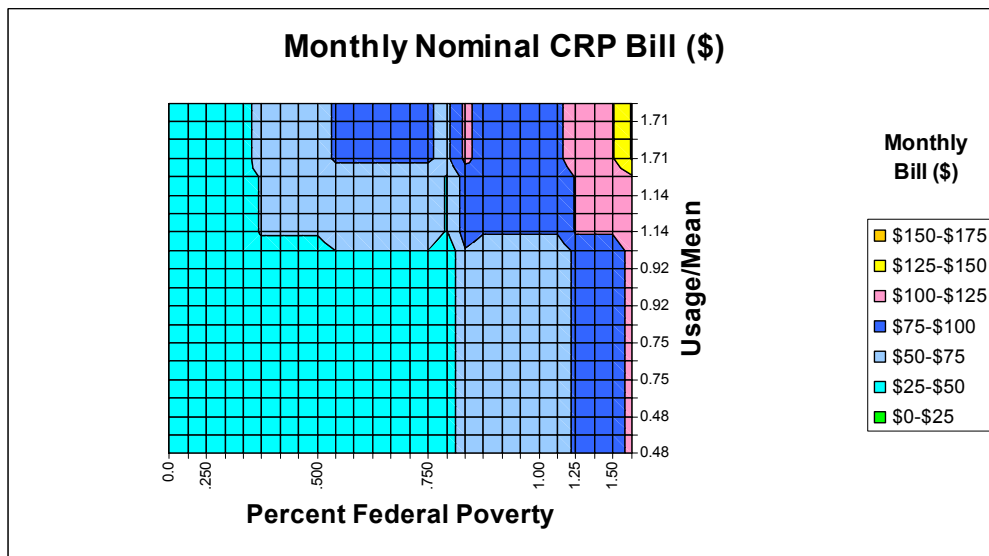


Figure 17: Monthly Bill after Step 1

monthly bill is in the range of \$150-\$175. This colorscape occurs in two places in Figure 16 but not at all in Figure 17. Neither figure shows a red nor a green colorscape, indicating that customers are not presented bills over \$175 per month or under \$25 per month in either case.

Overall, the geographies of the two figures are nearly identical. Moving the 136%-150% of poverty customers into the PIPP tends to lower their bills somewhat, but not

dramatically. The higher bill regions in Figure 17 (without the Budget Plus component) are a bit lower than the corresponding regions of Figure 16 (which includes the Budget Plus component).

b) Gas Energy Burden

The natural gas energy burden (monthly bill as percent of monthly income) is shown in Figure 18 for the model of the current CRP program (with Budget Plus), and in Figure 19 for the result of Step 1 (with Budget Plus replaced by extending the PIPP). A comparison of Figures 18 & 19 reveals the same relationship as the comparison of Figure 16 & 17. There are nearly identical geographies but with a slight lowering of energy burden when the Budget Plus component is replaced by extension of the PIPP. The highest energy burden colorscape in Figure 18 is gold, the highest in Figure 19 is bright yellow. The bright yellow region in Figure 19 corresponds to the maximum billing rate of 12% of income for the basic PIPP rate plus excess usage charge (if any) combined.

c) Combined Energy Burden

Figures 22 & 23 show the distribution of percentage of income for combined monthly gas and electric bills, the combined energy burden. This figure has been derived using the data for Figures 18 & 19 while assuming typical electric usages and participation in the income appropriate PECO CAP Rate.³¹ Again, the geographies of the figures in this set are nearly identical. For most customers, the combined energy burden is below 15%, but for about one-fourth of customers, the burden is higher.

³¹ The graphs incorporate information from the published PECO CAP rates, but are not based on actual PECO customer data. However, the model should produce a quite accurate overall representation.

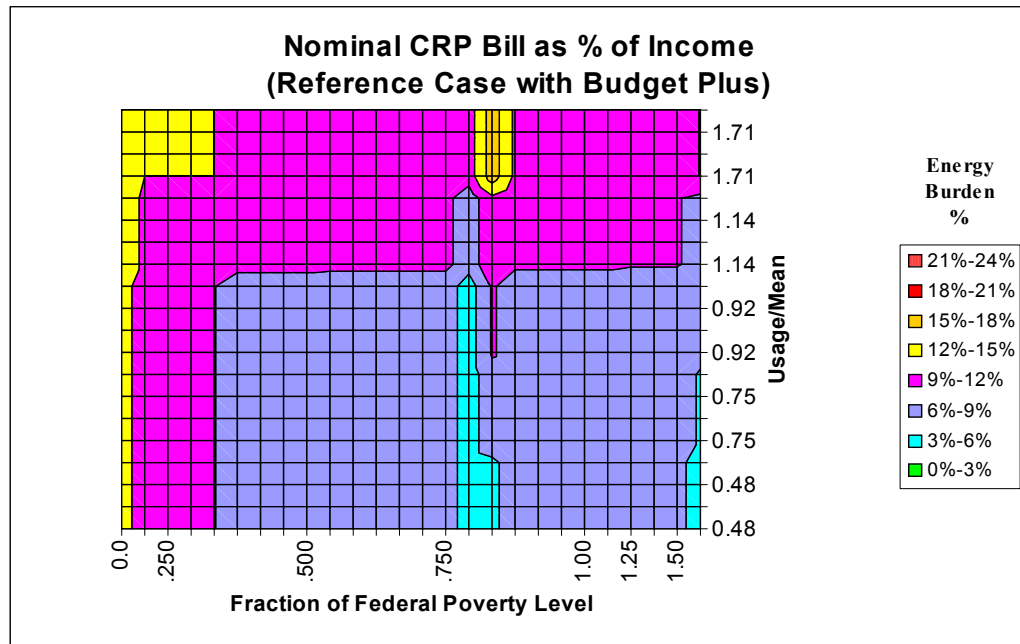


Figure 18: Natural Gas Energy Burden (CRP Model with Budget Plus)

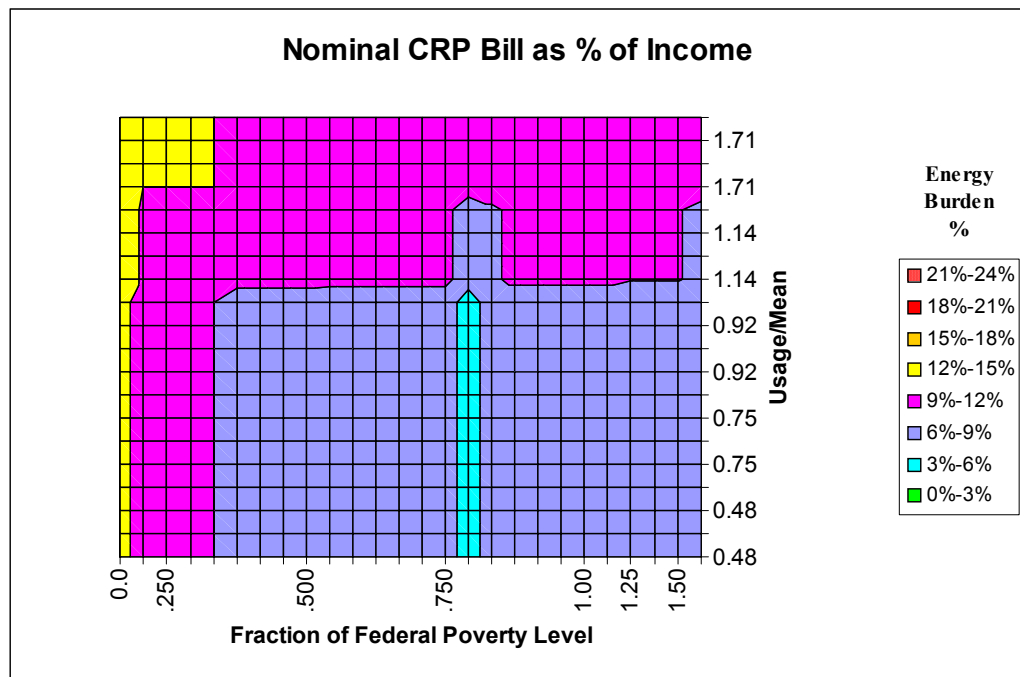


Figure 19: Natural Gas Energy Budget after Step 1

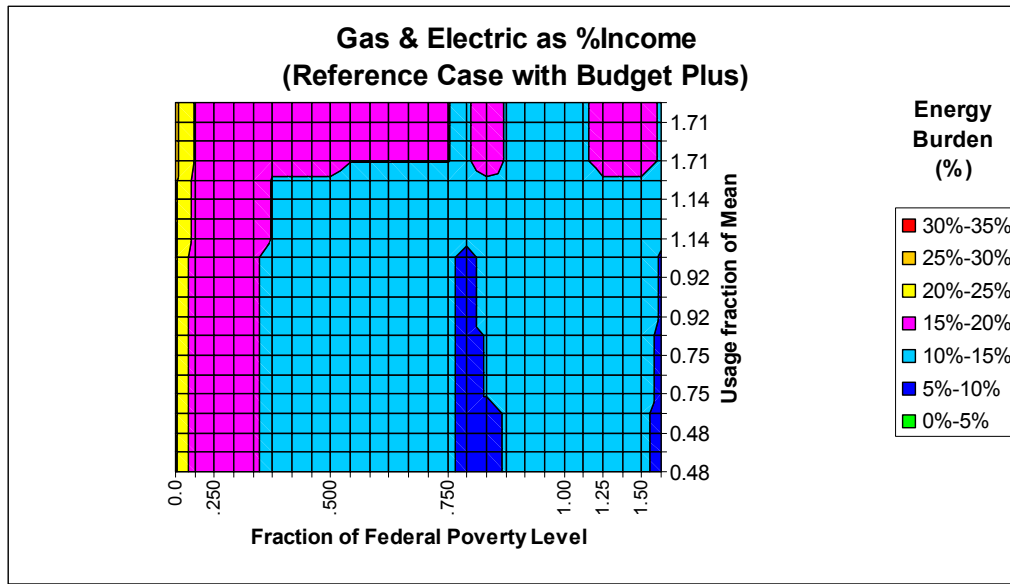


Figure 20: Total Energy Burden (CRP Model with Budget Plus)

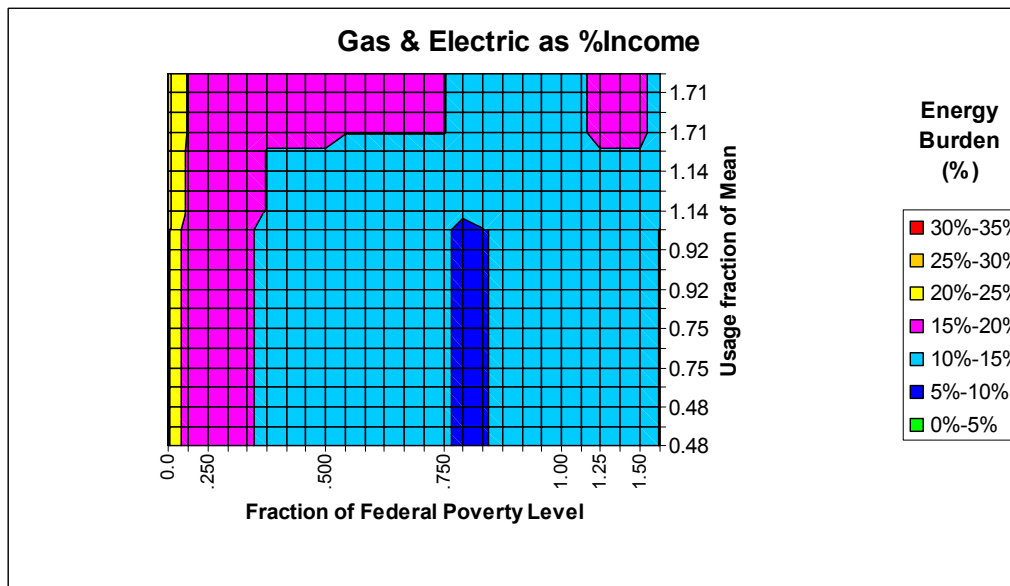


Figure 21: Total Energy Burden after Step 1

Compliance maps for the combined natural gas and electric service have been generated and reviewed, but are not reported since PGW cannot address the electric side

of the problem, and both the natural gas and the electric would have to be coordinated for customers in the 0-150% of poverty range to address full energy burden.³²

d) Seeing Compliance - A Compliance Map

The monthly (dollar) cost maps of Figures 16 & 17 and the energy burden maps of Figures 18 & 19 may be translated and reduced to the simple two-color *compliance maps* of Figures 23 & 24. Figure 20 represents the current CRP program; the reference case plus the Budget Plus component. In Figure 22, the Budget Plus customers have been shifted over to the PIPP. The red area in these figures shows regions containing customers for whom CRP is *out of compliance* with billing guidelines contained in the Pennsylvania Code, CAP design elements.

CRP is currently out of compliance with the income guidelines of the Pennsylvania Code for somewhat over one-third of CRP customers, and in compliance for somewhat under two-thirds of CRP customers.³³

As with the prior comparisons, when the Budget Plus component is converted to an extension of the PIPP and the BCS Payment Plan is implemented (Figure 23), the geography of Figure 23 is nearly identical with Figure 22, but there is a slight shift. Still, CRP remains out of compliance with income guidelines (Pa. Code Title 52, Section 69.265 CAP Design Elements³⁴) for about one-third of customers and in compliance for approximately two-thirds of CRP customers.

³² In fact, some of the adjustment must take place in tailoring the electric side in the 0-50% of Federal Poverty Level range if the combined percentage guidelines of the Pennsylvania Code are to be met.

³³ Note, however, that the LIHEAP Make-Up charge, the Relief charge, and the Repair charge are not considered in this finding.

³⁴ Pa. Code, Title 52, §69.245(2)(i)(B).

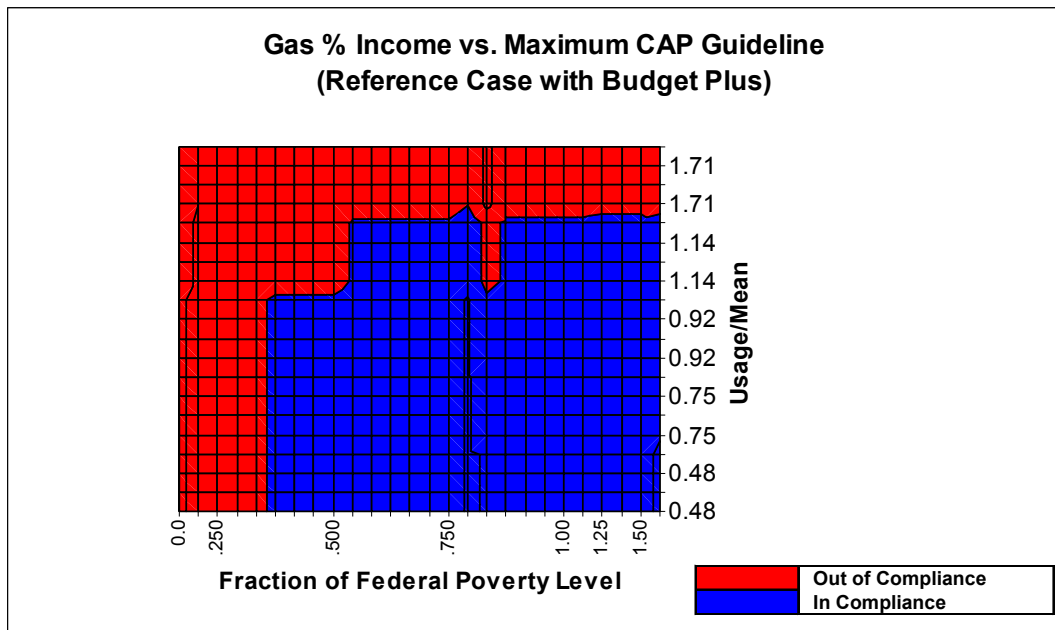


Figure 22: Compliance Map (Step 0 – Current CRP Model with Budget Plus).

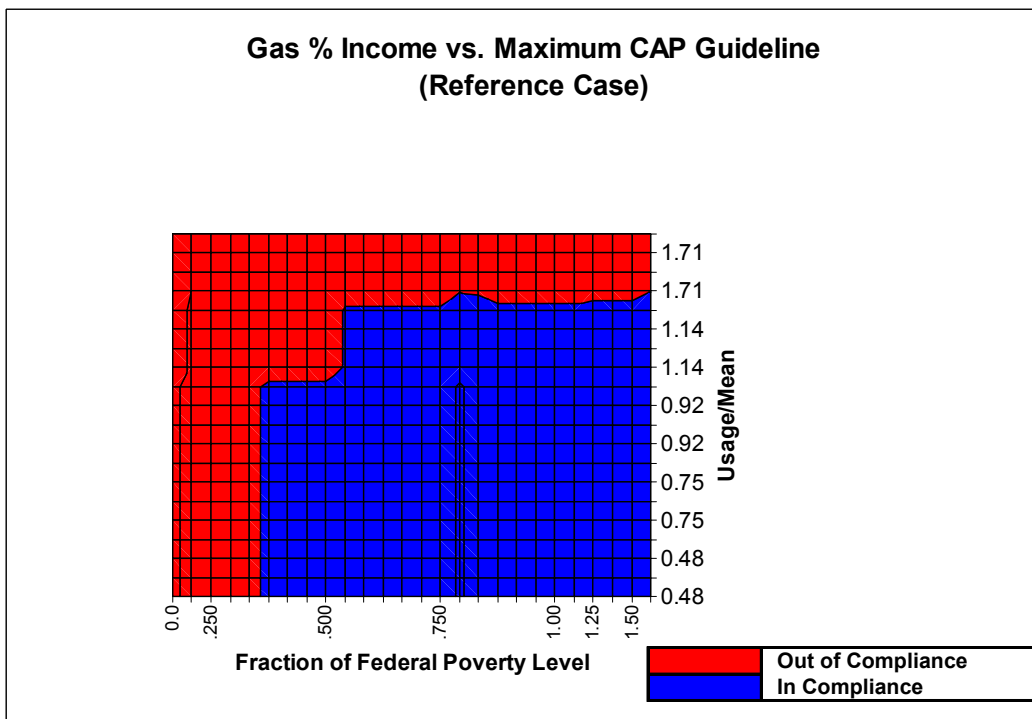


Figure 23: Step 1 – Replace Budget Plus with PIPP; Add BCS Payment Plan.

e) The Cost of Compliance - Measures

To contrast alternative program designs, both a graphical form (a compliance map) and two numerical indicators are used. The numerical indicator for the dollar impact is the *difference* of CAP Discount amounts of two contrasted program designs (the “ΔCAP discount”) *with the GS Rate held constant*.³⁵ In this analysis the CRP CAP Discount is defined as the GS revenue that would have been due minus the CRP revenue actually billed (Figure 24).³⁶ The important point is that the *change* in CAP discount is used to contrast and optimize designs. Note also in this definition of the Discount that no LIHEAP payments are included. This exclusion is for convenience. It allows a focus on the basic components of the program billing design with the LIHEAP collection effort considered equal between the reference case and the alternatives.³⁷

³⁵ A number of different metrics could be used with equivalence. The metric “ΔCAP discount *with constant GS Rate*” is simple and straightforward. The CAP discount level, however, is not useful as a metric since PGW’s GS Rate (and GCR) have fluctuated over the past two years, for reasons not within the scope of the Universal Service Programs. Due to this fluctuation, the CAP discount may appear as \$43 million or \$69 million for the same actual program effort, depending on changes in the GS Rate.

³⁶ The design metric used in this study follows from definitions included in the document, *Universal Service Reporting Requirements, Data Dictionary and Clarifications Offered by BCS*. The CAP Discount, as calculated here, is *modeled on but not identical to* the (Total) CAP Credit. The total CAP Credit is, in the first instance, the sum of the CAP credits for all customers who received CAP credits. As a first approximation, it is the difference between the standard billed amount and the CAP billed amount. For example, if the billed amount under the GS rate were \$100 and the CAP billed amount were \$30, the CAP credit equals \$70. Preprogram arrearage forgiveness is not considered in this total. However, the calculation of the CAP Credit would include third party payments in the calculation, such as LIHEAP grants and hardship fund grants. The CAP Discount used in this report is a simplified CAP Credit. It excludes consideration of third party payments. It also excludes current CAP arrearage (payment rates of less than 100% of bill). Other metrics could be used equally well. However, the essential point regarding the CAP Discount and ΔCAP Discount as developed for this study is that they are based on billing and do not include either CAP program arrearages (that is, payment rates of less than 100%) or LIHEAP and similar payments. These factors do not affect the development of program design. Use of simplified CAP Discount and ΔCAP Discount versions of the CAP Credit facilitate the analysis and presentation.

³⁷ Compliance with the Pennsylvania Code CAP design elements, in any case, is separate from the objective of maximizing LIHEAP grant assignments. Arranging program definitions to maximize grant assignments will be covered in the third report.

Calculation of “Bottom-Up” ΔCAP Discount (Billing Basis)

$$\text{CAP Discount}_1 = \text{GS Revenue Billed}_1 - \text{CAP Revenue Billed}_1$$

$$\text{CAP Discount}_2 = \text{GS Revenue Billed}_2 - \text{CAP Revenue Billed}_2$$

$$\Delta\text{CAP Discount} = (\text{CAP Discount}_1 - \text{CAP Discount}_2)$$

Figure 24: “ΔCAP Discount” as used in Comparisons.

Specifically, the ΔCAP Discount expressed in dollars is the difference in the CAP Discount between the two cases. The ΔCAP Discount percent is the net CAP Discount for the alternative design divided by the CAP discount for the original design.³⁸

f) Summary: Step 1

The contrasts of Figures 16 & 17, 18 & 19, 20 & 21, and 22 & 23 suggest that the impacts of moving the Budget Plus component to a PIPP and extending the PIPP 7.35% of income payment amount to 150% of the Federal Poverty Level are relatively small.³⁹ Step 1 is accomplished by applying the 7.35% of Federal Poverty Level rate, the excess usage charge, and the 12% of income limit on the combination. This results in a ΔCAP Discount of (0.32)%; that is, an increase in the CAP Discount of under one percent. This means that Step 1, the extension of the PIPP throughout the full range from 0-150% of Federal Poverty Level, can be accomplished without much cost impact.

³⁸ The dollar values reported in table in this report should not be taken as absolute, but as indicative numbers for use in planning and projections for the development of program design. The CAP Discount and the ΔCAP Discount do correspond to CRP GCR filings, and specifically do include LIHEAP or other third party payments or the cost of CAP accounts in arrears based on allocation studies by PGW.

³⁹ In addition, as the PIPP is extended, the customers in the 136%-150% of Federal Poverty Level range are subject to the excess usage charge and the 12% of income limit on the combined PIPP plus excess usage charge. Also the BCS Payment Plan is implemented to replace Budget Plus.

Step 1: Cost to Implement		
Change	Δ CAP Discount (%)	Δ CAP Discount (\$)
Step 1 – Replace Budget Plus with 7.35% PIPP and apply excess usage charge, subject to 12% limit. Implement BCS Payment Plan.	(0.40%) (This step actually reduces the size of the current CAP Discount by four-tenths of one percent.)	For 62,885 CAP Customers: \$159,331. For 90,000 CAP Customers: \$228,013.

Figure 25: Step 1 - Cost to Implement

3. Next Steps toward Compliance

The next steps toward compliance are indicated by the colorscape patterns shown in the red area of Figure 21. Figure 21 highlights two problem (red) areas:

- (1) The region in which natural gas use is above approximately 150% of mean energy use. Customers in this region are unable to sustain the excess usage charge (even, as in the Figure, with the basic PIPP payment plus excess usage charge capped at 12% of income). To make the program work for customers in this topmost region, the impact of the excess usage charge must be reduced.
- (2) The region in which income is from 0-50% of the Federal Poverty Level (towards the left boundary of the graph). Customers in this region have severe income problems, so that the minimum billing level of \$30 is too high to permit compliance with the energy as a percentage of income guidelines. To make the program work for customers in this leftward region, the minimum billing level must be reduced.

4. Step 2 – Adjust the Maximum Percent of Income

The maximum percent of income bill for natural gas should be in the range of 5-8% of income for customers in the 0-50% of Federal Poverty Level, from 7-10% for customers in the 51-100% of Federal Poverty Level, and from 9-10% for customers in the 101-150% of Federal Poverty Level.⁴⁰ Adjusting the overall maximum percent of

⁴⁰ Pennsylvania Code §69.265(2)(i)(B).

income bill (over the sum of the PIPP plus the excess usage charge) down from the current 12% is necessary to bring PGW's Universal Services program into compliance. This is also the simplest next step, since it is a direct adjustment that leaves the rest of the billing structure intact, is easy to explain to customers, and requires no change on the customers' part.

As shown in Figure 26, the result of conforming the maximum percent of income bill is very effective in bringing billing for high use customers into compliance, without affecting the educational value of the excess usage charge, while limiting the impact of the charge.

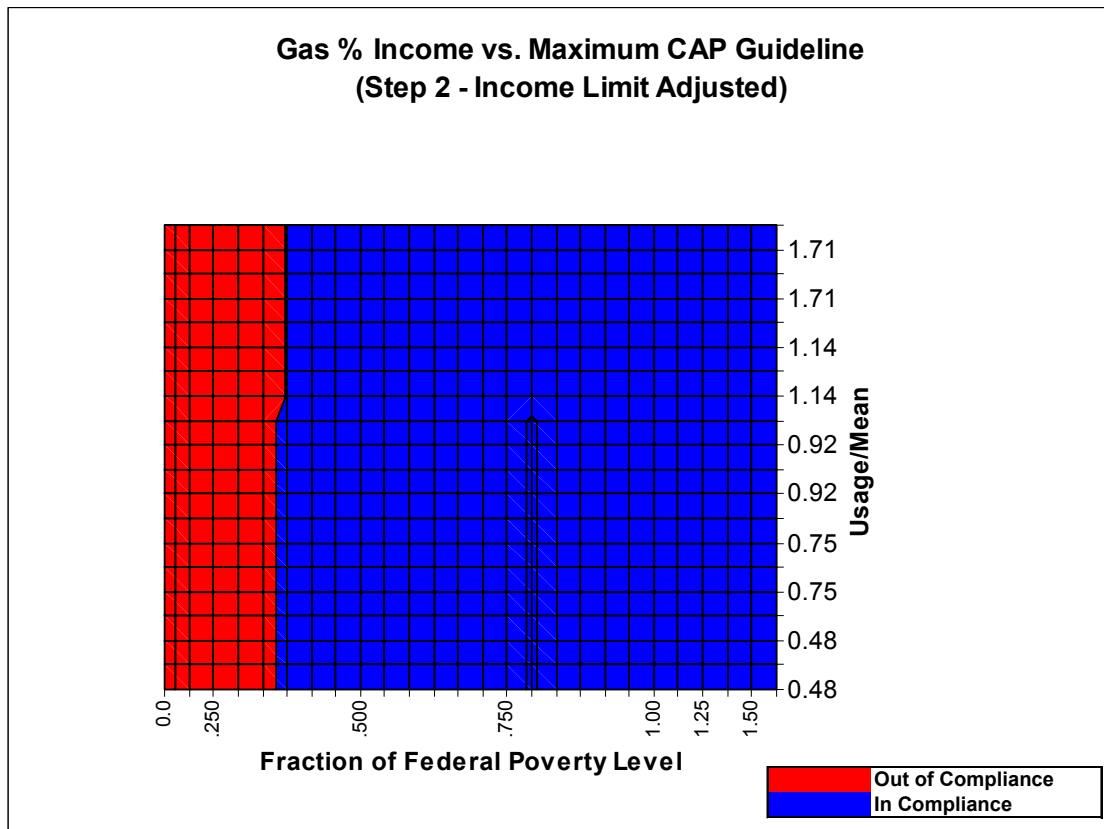


Figure 26: Step 2 - Adjust Maximum Bill to 8% & 10% Percentage of Income Limits.

Step 2: Cumulative Cost to Implement		
Cumulative Change	ΔCAP Discount (%)	ΔCAP Discount (\$)
Step 1, Plus: Step 2 – Adjust maximum percent of income bill to 8% for 0-50% of Federal Poverty Level, and to 10% for 51%-150% of Federal Poverty Level.	(6.97%) (Increase of cost to 106.97% of the current CAP discount.)	For 62,885 CAP Customers: (\$2,803,587) For 90,000 CAP Customers: (\$4,012,457)

Figure 27: Step 2 – Cumulative Cost to Implement

5. Step 3 – Reduce the Minimum Bill

The remaining problem area in Figure 26 is the most leftward part of the graph, which still retains a red colorscape. The basic problem here is that the minimum bill of \$30 per month exceeds the affordability criteria for persons in the range of 0-50% of poverty. In the range from 0-50% of the Federal Poverty Level, the maximum gas-heating bill should be from 5%-8% of income.⁴¹ In this poverty category, *all of the \$30 minimum bill participants exceed the 8% limit.*⁴² This can be remedied for nearly all customers by lowering the monthly minimum bill to \$18 for customers in the 0-50% of Federal Poverty Level range. Even if applied to all customers, the change in minimum bill is generally directed to the 0-50% of Federal Poverty Level group.⁴³ The effect of this change is shown in Figure 28.

⁴¹ Pa. Code, Title 52, §69.265(2)(i)(B)(1).

⁴² In addition, the minimum payment terms for a CAP participant with a gas heating account should be at least \$18-\$25 a month [Pa. Code, Title 52, §69.265((3)(i)(A))].

⁴³ An alternative would be to apply the lower minimum bill all CAP customers to simplify communication. There is only about \$200,000 of aggregate revenue obtained in the difference between a \$30 minimum bill and an \$18 minimum bill for all customers from 51% to 150% of Federal Poverty Level.

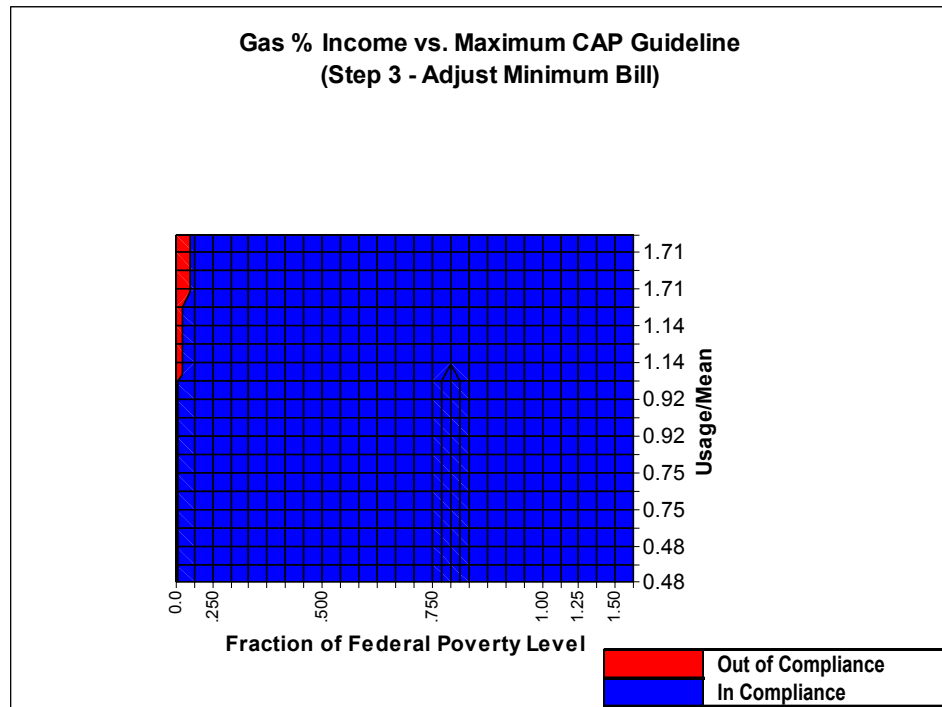


Figure 28: Step 3 - Adjust Minimum Bill

Step 3: Cumulative Cost to Implement		
Cumulative Change	ΔCAP Discount (%)	ΔCAP Discount (\$)
Step1, Plus Step 2, Plus Step 3 – Adjust the minimum bill from \$30/month to \$18/month for customers from 0-50% of Federal Poverty Level.	(8.87%) (Increase cost to 108.87% of the current CAP Discount.)	For 62,885 CAP Customers: (\$3,567,272). For 90,000 CAP Customers: (\$5,105,434).

Figure 29: Step 3 - Cost to Implement

Steps 5 & 6 (Offset Costs & Excess Usage Charges): Cumulative Cost		
Cumulative Change	ΔCAP Discount (%)	ΔCAP Discount (\$)
Step 1, Plus Step 2, Plus Step 3, Plus Step 5 – Move to a 3-Tier rate structure, moving from 7.35% for all CRP customers to 8% for customers from 0-50% of the FPL. Increase the rate to 9% of income for customers from 51-100% of FPL. Increase the rate to 10% of income for customers from 101-100% of FPL.	0.68% With Step 5, the cumulative result of steps 1-3 plus Step 5 is to reduce the cost from the current CAP Discount by about seven-tenths of one percent.	For 62,885 CAP Customers: \$275,409. For 90,000 CAP Customers: \$394,109.
Step 6 – Steps 1-5, plus: Remove the Excess Usage Charge.	(2.45%) Step 6 brings the cumulative cost to 102.45% of the current CAP Discount.	For 562,885 CAP Customers: (\$987,784) For 90,000 CAP Customers (\$1,413,751)

Figure 30: Cumulative Design with Cost Offsets

6. Step 4 – Refer Remaining Customers to CARES

Approximately 500 customers remain in the non-compliant red colorscape of Figure 28. These customers are probably a residual that can be best served through CARES and the CNU.

7. Step 5—Cost Offsets

Generally, it is appropriate to seek allowable cost offsets, when available, to partially offset the cost of the implementation steps. The CAP design elements of the Pennsylvania Code allow a tiered rate system.⁴⁴ Customers in the range from 0-50% of Federal Poverty Level pay 5% to 8% of income. Customers in the range from 51%-100%

⁴⁴ Pa. Code, Title 52, §69.265(2)(i).

of the FPL pay 7% to 10% of income. Customers in the range of 101%-150% of FPL pay 9% to 10% of income. It is possible to develop either a partial or a complete offset in several different ways of setting up the tiers. One that works is to set the 0-50% of Federal Poverty Level tier at 8%, the 51-100% of Federal Poverty Level tier at 9%, and the 101%-150% of Federal Poverty Level to 10%. These levels do not change the compliance graphs and would permit a nearly complete offset. Other adjustments using the three tiers can produce similar results.

8. Step 6 – Remove Excess Usage Charge

The Excess Usage charge should be removed to simplify the program (Figure 30). First, the concept of excess usage, while rigorously defined operationally, is problematic in that some homes do show high usage that while excess in terms of a class average may actually be suited to certain homes for particular physical or social reasons that are not under the control of the customer. Second, usage penalties and conservation rewards are often ineffective – they tend to both penalize and reward for changes in usage that are artifacts of other conditions in the home (adult children move in, death in the family, common space energy use inappropriately placed on apartment bill, and the like). Third, the more common approach to high usage is to investigate high usage and to apply physical measures to support usage reduction (LIURP, CWP). Fourth, the maximum percent of income limits required to place accounts within the provisions of the Pennsylvania Code eliminate the effect of the Excess Usage charge for the 0-50% of poverty tier, and they substantially reduce the effect of the charge on the 51-100% of poverty tier. Removing the Excess Usage charge entirely simplifies the program, and provides an equality of effect across the three income tiers.

F. Summary: Program Design

The Evaluation Team recommends a simple extension of the current PIPP design into a three-tiered design (including elimination of the Budget Plus component and replacing it with a PIPP plus the BCS Payment Plan). The percentage of income payment would be set to 8% for customers from 0-50% of the Federal Poverty Level, subject to a maximum income percent payment of 8%. The percentage of income payment would be set at 9% for households in the 51-100% of FPL range, subject to a maximum in income percent payment of 10%. The percentage of income payment in the range from 101-150% of FPL would be set to 10% with a maximum income percent payment of 10%. Households from 0-50% of FPL would receive a minimum bill of \$18. For other households the minimum bill would be \$30. The Excess Usage Charge and the LIHEAP Make-Up Charge would be eliminated.

The Reichmuth Sector Map©, provided with this report will permit exploration of alternative program designs and cost offsets.

V. REGULATIONS AND POLICY COMPLIANCE

The current program has been examined versus the applicable state regulations for CAP Design Elements⁴⁵, Natural Gas Customer Choice⁴⁶, and the Residential Low Income Usage Reduction Programs⁴⁷. Chapter 56 is not reviewed here because PGW and PUC have signed an MOU that pertains specifically to PGW customer service practices and Chapter 56 regulations. The PUC expects PGW to come into compliance with Chapter 56 “some time in the future”. In the meantime, the MOU offers interim procedural agreements until the Tariff is brought into line with Chapter 56.⁴⁸

A detailed point-by-point summary of applicable state regulations for CAP Design Elements is included in Appendix A. The current CRP elements that are out of compliance with the regulations, requiring changes by PGW, are presented in Figure 31.

§ 69.251 Plain language statement of policy § 69.265 CAP Design Elements		
A. Regulatory Reference	PGW Practice	Recommendation
69.251(c)(1)(ii) The Plain language policy statement recommends the billing format include a bar graph displaying comparative energy use indicating whether the amount shown is actual or estimated.	The PGW bill format does not include a bar graph.	HGPA recommends that a date certain be set to add the bar graph to the bill format. The bar graph is a tool that can be useful to customers in limiting energy use.

⁴⁵ Pennsylvania Code Title 52 §69.265 CAP Design Elements

⁴⁶ Pennsylvania Code Title 52 §62. Natural Gas Customer Choice Subchapter A, Universal Service and Energy Conservation Requirements and Subchapter B, Reporting Requirements for Quality of Service Standards and Benchmarks

⁴⁷ Pennsylvania Code Title 52 §58 Residential Low Income Usage Reduction Programs.

⁴⁸ PUC Memorandum of Understanding with Philadelphia Gas Works, Docket No. A-125042 dated July 20, 2000.

<p>69.265(2)(B) Payment Plan & Proposal</p> <p>This policy suggests a scheduled payment based on three percent of income categories:</p> <p>0-50% = 5-8% of income</p> <p>51-100% = 7-10% of income</p> <p>101-150% = 9-10% of income.</p>	<p>PGW does not offer payment increments based on percent of poverty. PGW offers discounted payment plans from 0-135% of poverty. The most common discounted plan is 7.35% of income. The \$30 minimum is a discounted rate that can be more than 12% of income. A special CNU agreement can also be negotiated.</p>	<p>HGPA recommends that PGW, for the immediate future retain a simple PIPP plan. The PIPP should be modified to correspond to the income levels of 69.265(B). (See this report, Section IV, Program Design)</p>
<p>69.265(3) Control Features</p> <p>An annual maximum CAP credit for gas heating customers should not exceed \$840</p>	<p>PGW does not utilize a limit on the CAP credit.</p>	<p>The energy burden and maximum CAP credit features are contradictory. PGW should request an exemption of the \$840 credit in favor of meeting energy burden.</p>
<p>69.265(4) Eligibility Criteria</p> <p>The applicant is low-income, payment troubled</p>	<p>PGW does not actively use the payment-troubled definition within its eligibility criteria. Most CRP participants are payment troubled.</p>	<p>PGW should note to the commission that the definition of payment troubled is not a criterion for their Universal Service programs and specifically request an exemption.</p>
<p>69.265(5) Appeals Process</p> <p>This section states that when the customer is not satisfied with eligibility determination that procedures 56.151, 56.152, and 56.161-56.165 should be used.</p>	<p>Section 5 describes the procedures for the Inquiry, Review, Dispute and Appeal Process. This section notes definitions used in Code 52, Chapter 56 will be used in that Section. Section 5 does not provide the same degree of detail described in Chapter 56.151 and 56.152 and 56.161-56.165 particularly regarding Utility Reports.</p>	<p>PGW and PUC have signed an MOU that pertains to PGW customer service practices and Chapter 56 regulations §69.265(5). The PUC expects PGW to come into compliance with Chapter 56 “some time in the future.” In the meantime, the MOU offers interim procedural agreements. HGPA recommends PGW work with the PUC toward modification of the Tariff and comply with procedures outlined in the MOU.</p>

<p>69.265(6) (ix) Arrearage forgiveness:</p> <p>Arrearage forgiveness should occur over a 2 to 3 year period contingent upon receipt of regular monthly payments by the CAP participant.</p>	<p>Arrearage forgiveness is described in the Tariff. However, it was not implemented as described.</p> <p>The described procedure would not be in compliance, as it does not occur over a 2 to 3 year period.</p>	<p>HGPA recommends complete forgiveness of pre-program arrearage following six months of full payment in the CAP.</p> <p>This provision would be modeled on PECO's and pre program arrearage would be forgiven to zero.</p>
<p>69.265(7) Default provisions</p>	<p>PGW does not currently dismiss customers from CRP, due in part to problems with the BCCS computer system. Once the system is operational, dismissal will occur for certain default provisions.</p>	<p>PGW will soon have the BCCS credit and collections module on-line. HGPA recommends removing customers from CRP per guidelines (i) <i>failure to make payments</i> and (vi) <i>failure to annually verify eligibility</i>. Guideline (iv) <i>failure to report changes in family size</i> is included in (vi). Guideline (iii) <i>failure to provide meter readings in 4 consecutive months</i> is not an issue in that over 90% of CRP customers have AMR.</p>
<p>69.265(7) Default provisions:</p> <p>(ii) Failure to abide by established consumption limits should result in dismissal from CAP.</p>	<p>PGW does not currently dismiss customers who exceed usage guidelines.</p> <p>However, the CRP imposes an excess usage charge computed monthly.</p> <p>PGW also offers a \$40 Conservation Credit Adjustment at recertification if the customer has met 5 criteria, including no billing for excess usage.</p>	<p>HGPA recommends that PGW specifically request an exemption to §69.265(7) (ii) and continue to target the CWP to high usage customers.</p> <p>HGPA also recommends elimination of the current excess usage charge, as discussed in the text of the report.</p> <p>Also, the conservation credit should be discontinued, since it is unlikely that it works as anticipated.</p>

<p>69.265(7) (iii) Default provisions:</p> <p>Failure to accept budget counseling, weatherization or consumer education.</p>	<p>PGW does not provide budget counseling.</p> <p>PGW does not remove those who refuse weatherization (CWP).</p> <p>Education is included in the CWP measures.</p>	<p>HGPA recommends that the CARES program that PGW develops include a budget-counseling component.</p> <p>HGPA does not recommend removing customers from CRP who default for refusing services in §69.265(7) (iii). HGPA recommends PGW bring its processing policy to the attention of the Commission and request an exemption.</p>
<p>69.265(9) Coordination of energy assistance benefits:</p> <p>(ii) An additional energy assistance grant may be used to reduce a monthly payment if that payment is over 17% of household's income.</p>	<p>PGW does not use grants to reduce monthly payments over 17% of income. However, the PGW Tariff (and BCCS system) limits the bill for the basic CRP amount plus the excess usage charge to 12% of income.</p> <p>Only those paying the \$30 minimum could be paying more than 17% of income. Assistance grants (but not LIHEAP cash) are applied to the current arrearage then the frozen arrearage.</p>	<p>HGPA recommends no change in current practice since the current practice exceeds the guideline.</p>
<p>69.265(9) Coordination of energy assistance benefits:</p> <p>(iv) If a customer applies for a LIHEAP benefit but directs it to another utility or energy provider, the CAP provider should not assess a penalty.</p>	<p>PGW levies a LIHEAP makeup charge in the amount of the average LIHEAP grant when the customer does not direct the LIHEAP grant to PGW. A customer assessed a LIHEAP makeup charge when they (1) were denied LIHEAP, or (2) assigned it to another utility, can inform PGW and the charge will be rescinded.</p>	<p>The LIHEAP Makeup Charge as presently implemented by PGW is consistent with the Pennsylvania Code, and currently outside the affordability structure of CRP.</p> <p>HGPA recommends that the LIHEAP Make-Up charge be eliminated, in favor a full focus on affordability.</p>

No statement on down payments of arrears enrollment	PGW requires a 5% payment of arrearage upon entering CRP.	HGPA recommends elimination of the 5% down payment of the arrearage at enrollment. This area is not specifically dealt with in the CAP design guidelines, but requirement of a payment as a condition for participation in a CAP is not in step with the current philosophy of CAP programs.
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Figure 31. § 69. Areas out of Compliance

Chapter 62, Natural Gas Customer Choice, has also been reviewed versus PGW current practice. Section 62.4 describes the Universal Service and Energy Conservation Plan Requirements including the contents of the plan. The Plan is to include CAP, LIURP, CARES, Hardship Funds, as well as any other programs, policies, and procedures. PGW programs currently include all but the CARES component. PGW representatives do provide referrals to agencies as needed. In the short term, HGPA recommends moving from the ‘Quick Fix Approach’ toward the ‘Intermediate Case Management Approach.’ In the long term, HGPA recommends adding a larger CARES component. CARES is discussed more fully in this report, Section VI. Customer Assistance and Referral Evaluation Services

Within Chapter 62, Natural Gas Customer Choice, Subchapter A, Universal Service and Energy Conservation Requirements and Subchapter B, Reporting Requirements for Quality of Service Standards and Benchmarks, there are five reports and evaluations that PGW will be required to submit to the Commission on a regular basis. The CRP 3-year plan submitted during the restructuring filing mid-2002 should propose a year that reporting can start that is appropriate to each of these requirements. Figure 35 shows the five reports and evaluations and the timeframe in which they will need to be submitted to the Commission.

The Evaluation Team also conducted a cost analysis to review the Customer Responsibility Program (CRP) cost accounting systems that will be used by PGW to comply with the Pennsylvania Utility Commission (PUC) reporting requirements. We have determined that initiating computer programming changes to the data subsystems into the General Ledger system will provide pertinent data for the reporting requirements. The current GAAP and FERC accounting in addition to the planned changes to the General Ledger System (that will provide activity based accounting) are needed to achieve the level of detail necessary for the reporting requirements. The company will need to move toward making changes to the current system to develop the detail needed to track costs in order to come into compliance with reporting requirements. In the third report of this analysis, we will provide a template for §62.5, Annual Residential

Collection and Universal Service and Energy Conservation Program Reporting Requirements that traces the reporting item to the cost account code.

§62 Natural Gas Customer Choice Subchapter A. Universal Service and Energy Conservation Requirements Subchapter B. Reporting Requirements for Quality of Service Standards and Benchmarks			
Chapter & Section	Type of Report	Filing Deadline	Notes
62.4	Universal Service and Energy Conservation Plans	Every 3 years beginning 2/28/02, covering the next 3 calendar years.	PGW's CRP 3-year plan will be submitted and reviewed in PGW's restructuring filing mid 2002. The next plan should be filed 3 years after the final restructuring order.
62.5	Residential collection and universal service and energy conservation program reporting requirements	Beginning April 1, 2003. Annually thereafter due April 1.	The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2 years. BCS would like to begin receiving these reports as soon as possible, however, they should commence by 2005 at the latest. HGPA recommends that the annual reporting commence in 2003.
62.6	Evaluation Reporting Requirements	The first impact evaluation is due 8/1/04 and subsequently at no more than 6 year intervals.	The restructuring filings in mid-2002 will establish the filing schedule for the evaluation at Chapter §62.6. The impact evaluation should not exceed 6 years from the date of the final restructuring order.
62.33	Reporting requirements for quality of service benchmarks and standards	The first due 8/1/01, reporting monthly data for the prior six months and six-month averages. The	The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2

		second report is due 2/1/02 containing monthly data for the prior six months, and the twelve-month cumulative average. Thereafter annual reports are due on or before Feb. 1.	years. HGPA recommends PGW commence submission of the Quality of Service Benchmarks by 2003.
62.34	Telephone transaction customer surveys	The first report is due on or before 10/1/2002 including the first 6 months of the calendar year. The second report is due 4/1/03 and includes the second 6 months of the calendar year and cumulative 12-month results. Thereafter reports are due April 1. Annual reports shall contain results by month and cumulative 12-month reports.	The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2 years. HGPA recommends PGW commence submission of the Telephone Transaction Customer Surveys by 2003.

Figure 32. § 62. Reporting Requirements

The Evaluation Team has also reviewed the requirements in Pa. Code Title 52 §58 Residential Low Income Usage Reduction Programs (LIURP) against the existing practices of the Conservation Works Program, the PGW LIURP. A detailed element-by-element analysis of PGW's current capability of developing these reporting elements is given in Appendix C. The most significant elements requiring changes by PGW are presented in Figure 33 below.

§58 Residential Low Income Usage Reduction Programs		
Regulatory Reference	B. PGW Practice	Recommendation
<p>58.4 Funding</p> <p>(e) Recovery of costs. Program expense shall be allotted among ratepayers, the precise method determined in proceedings.</p>	<p>LIURP (CWP) costs are currently recovered in the GCR mechanism. The Office of Trial Staff (OTS) suggested in August 2001 proceedings that the CWP costs be included in the base rate. The Recommended Decision of ALJ Cynthia Fordham is that CWP costs should not be recovered in the GCR and the issue should be deferred until the restructuring proceeding in mid-2002.</p>	<p>HGPA will make recommendation in Report 3 of this analysis.</p>
<p>58.5 Administrative costs</p> <p>Not more than 15% of the annual LIURP budget may be spent on administrative costs.</p>	<p>The PY7 Evaluation reports CWP spending of \$2.2 million and PGW, ECA, & HDMC administrative costs of \$362,712 or 16.5% of the annual budget. The PY9 Evaluation reports CWP spending of \$1,970,010 and total administrative costs of \$327,096 or 16.6% of the annual budget. PGW administrative costs include evaluation.</p>	<p>Fifteen percent of a \$2 million annual budget limits total administrative costs to \$300,000. HGPA recommends that PGW request reasonable variation of +/- 2% of this guideline (restricting expenditure to 17%).</p>
<p>58.10 Priority of Program Service</p> <p>(a) Priority shall be determined as follows:</p> <p>(3)(c) Up to 10% of the annual program budget may be spent on eligible special</p>	<p>The CWP is designed for CRP participants with high use. CRP only extends programs to 150% of Federal Poverty Level. PGW expends the full CWP budget on CRP participants, and therefore does not provide services</p>	<p>HGPA recommends that PGW continue its current practice operating CWP as a tool to reduce consumption for high users within CRP. HGPA recommends that PGW request a waiver for §58.10(a)(3)(c).</p>

needs customers defined as those with an arrearage at or below 200% of poverty.	to customers between 150-200% FPL.	
58. 14 Program measure installation: (c) Inter-utility coordination. Customers of gas and electric utilities shall have coordinated provision of comprehensive program services.	PGW does not engage in coordinated provision of program services described under (c) (1-6). PGW focuses on providing measures that reduce gas consumption. PGW and PECO are currently exploring a pilot project to collaborate when PECO finds high use customers who are defacto electric heat customers.	HGPA recommends that PGW and PECO continue to explore opportunities and means to coordinate services, particularly for customers paying PECO's CAP Rate and customers in PGW's CRP/CWP.
58.15 Program Evaluation: Evaluation procedures include: (1) Compiling statistical data... (vii) utility bills and account balances, (viii) recipient utility payments.	The evaluations did not include (vii) utility bills and account balances, (viii) recipient utility payments.	HGPA recommends that PGW specify (vii) utility bills and account balances, (viii) recipient utility payments as requirements for the 2002 evaluation.
58.15 Program Evaluation: (2) Evaluating energy savings and load management impacts, changes in customer bills, payment behavior and account balances, overall quality of services, steps taken to improve performance.	The PY7 and PY9 evaluations did not include changes in customer bills, payment behavior and account balances, overall quality of services, steps taken to improve performance.	HGPA recommends that PGW specify adding these analyses to the annual evaluations commencing with the 2002 evaluation.
58.15 Program Evaluation: (3) Report evaluation findings to the Commission annually.	PGW currently evaluates the CWP about every two years.	HGPA recommends that PGW commence annual evaluations in 2001.

Figure 33. §58 Areas Out of Compliance

The following (Figure 34) provides in detail the reports and evaluations that PGW will be required to submit under the policies and regulations in Chapters 58, 62, and 69.

Reports and Evaluations to be Filed by PGW with the Commission			
Chapter & Section	Type of Report	Filing Deadline	Notes ⁴⁹
Chapter 56 Standards & Billing Practices for Residential Utility Service			
56	All regulations	<p>This note pertains not to filing requirements but to overall compliance with Chapter 56.</p> <p>The PGW Tariff customer service and complaint handling procedures for residential customers differs from Chapter 56, Standards & Billing Practices for Residential Utility Service.</p>	<p>PGW and PUC have signed an MOU that pertains specifically to PGW customer service practices and Chapter 56 regulations.</p> <p>The PUC expects PGW to come into compliance with Chapter 56 “some time in the future”. In the meantime, the MOU offers interim procedural agreements until the Tariff is brought into line with Chapter 56.⁵⁰</p>
56.231	Monthly Utility Reporting Requirements	These requirements apply to the EDC. NGDC requirements are listed below in §62.5.	See §62.5 below.

⁴⁹ Reference to BCS preferences from discussions with Janice Hummell and Lou Sauer, BCS, and email exchanges between evaluators and Janice Hummell, BCS.

⁵⁰ PUC Memorandum of Understanding with Philadelphia Gas Works, Docket No. A-125042 dated July 20, 2000.

Chapter 58 Residential Low Income Usage Reduction Programs			
58.4	Program Funding	Annual program budgets shall be submitted to the Commission. No month given in the Regulation.	CRP/CWP Program Manager currently submits operating budgets for annual internal review. The CRP 3-year plan submitted during the restructuring filing should propose a year that budget submission to the Commission can start.
58.18	Program Evaluation monitoring program results and effectiveness.	Annual assessment. No month given in the Regulation. LIURP Codebook states reports are due April.	PGW currently evaluates the CWP about every two years. This schedule will need revision to an annual evaluation.
Codebook	LIURP Codebook	The LIURP Codebook is used by the PUC and utility companies for recording, reporting and analyzing data related to LIURP. Data must be submitted in April. The current codebook issued Jan. 2000 covers homes treated calendar year 2000; report is due 4/2002.	The CRP 3-year plan submitted during the restructuring filing should propose a year that annual Codebook reporting can start. This report should coincide with the annual Evaluation.
Chapter 62 Natural Gas Customer Choice			
2.4	Universal Service and Energy Conservation Plans	Every 3 years beginning 2/28/02, covering the next 3 calendar years.	PGW's CRP 3-year plan will be submitted and reviewed in PGW's restructuring filing mid 2002. The next plan should be filed 3 years after the final restructuring order.

62.5	Residential collection and universal service and energy conservation program reporting requirements	Beginning April 1, 2003. Annually thereafter due April 1.	The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2 years. BCS would like to begin receiving these reports as soon as possible, however, they should commence by 2005 at the latest.
62.6	Evaluation Reporting Requirements	The first impact evaluation is due 8/1/04 and subsequently at no more than 6 year intervals.	The restructuring filings in mid-2002 will establish the filing schedule for the evaluation at Chapter 62.6, that is, the impact evaluation should not exceed 6 years from the date of the final restructuring order.
62.33	Reporting requirements for quality of service benchmarks and standards	The first due 8/1/01, reporting monthly data for the prior six months and six-month averages. The second report is due 2/1/02 containing monthly data for the prior six months, and the twelve-month cumulative average. Thereafter annual reports are due on or before Feb. 1.	The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2 years.
62.34	Telephone transaction customer surveys	The first report is due on or before 10/1/2002 including the first 6 months of the calendar year. The second report is due 4/1/03 and includes the second 6 months of the calendar year and cumulative 12-	The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2 years.

		month results. Thereafter reports are due April 1. Annual reports shall contain results by month and cumulative 12-month reports.	
Chapter 69 General Orders, Policy Statements and Guidelines on Fixed Utilities			
69.6(x)	Routine program management monitoring progress reports	Reports to monitor CAP administration should be prepared at “regular intervals.” The regulation does not state the reports should be submitted to the PUC.	PGW CRP manager receives and prepares regular management and progress reports to monitor the program.
69.10(ii)	Process and Impact evaluation	The first due 8/1/04. Thereafter, the CRP evaluation is due at no more than 6-year intervals.	BCS notes that the restructuring filings in mid-2002 will establish the filing schedule for the evaluation at Chapter 62.6.
69.10(ii)(A)	A one-time process evaluation	Following the expansion of a CAP or subsequent to a substantial revision of an existing CAP or an alternate program design, the evaluation should be undertaken during the middle of the second year.	BCS notes that PGW’s CRP will be approved in PGW’s restructuring filing and it is not likely that the Commission will require a Process evaluation soon after that. This evaluation might serve as the Process evaluation, as it is being completed close to the restructuring filing.

Figure 34. §56, 58, 62, 69 Filing Requirements

VI. CARES

The Evaluation Team recommends that PGW strengthen its Customer Assistance Referral and Evaluation Services (CARES) component of Universal Service to provide clear designation and accountability for these services.

A. History of CARES

Historically, special payment programs for “payment-troubled” customers sprung from a changing economy in Pennsylvania in the mid to late 1980’s. The demise of the manufacturing and steel industry gave rise to the “new poor”, a term used to characterize former middle class working men and women who were thrown into a regional economy which offered little but minimum wage jobs and welfare assistance. In Southwest Pennsylvania, a region that was hit especially hard by mill closures, it has been estimated that for every manufacturing/steel job that was lost in the mid-1980’s, there were seven other jobs lost as a spin-off effect in the local economy. This meant the lay-off and permanent plant/mill closures for tens of thousands of workers in the region. Utility CARES programs are an indication of increased awareness and sensitivity to the needs of the new poor, the under-employed, the low-skilled minimum wage worker, and seniors and disabled persons on fixed incomes. The utility CARES programs have traditionally responded to the needs of a changing community with customers experiencing hardship in difficult economic times.

In the Pittsburgh region coalitions were built between utilities and social service advocates to address the needs of those affected by the depressed economy. It became increasingly clear that the new poor would not quickly find a remedy for the new economic situations in which they found themselves. These were unique situations where persons could no longer be rationalized or profiled as the “dead-beat” customer. Among the symptoms were mounting utility arrearages and terminations, severe income deficits when compared to basic monthly living expenses, mortgage foreclosures, automobile repossession, family disruption and increased emotional stress and depression.

It was out of this great regional, economic need that CARES programs emerged. Utilities understood their commitment to a fair and compassionate approach to address “special needs” customers. This was a unique opportunity to offer services that were traditionally not in the realm of utility services. The Pennsylvania Public Utility Commission took a proactive position in “strong advisement” directives to regulated utilities, particular to CARES and its implementation.

Early CARES programs varied in the way in which utilities designed and implemented this service. Some utilities were in the unique position to hire and use the services of professional social workers, and entire utility “in-house” CARES departments were created. Other utilities contracted with traditional Community Based Organizations (CBO’s) that offered the services of case-managers who made referrals to customers in a

“total case management” approach. But a strong thread that wove itself throughout the program design was that the PA PUC “strongly endorsed” the guidelines that these services “should not be done by company employees who perform responsibilities related to billing, credit or collections.”⁵¹ In other words, the CARES programs are to stand apart from traditional credit and collections and instead be administered by social service personnel within the utility or contracted (out-sourced) to the community advocacy sector.

As communities in Pennsylvania “stabilized” economically, there still existed a large segment of the population that subsisted in an entrenched, low-wage, service sector economy that replaced the higher-paying manufacturing jobs. This situation led to a chronic regional demographic of reduced job structures and lower and pay scales. The CARES programs evolved over time and the service is typically offered to customers who are experiencing the loss of income due to an injury, illness, death of a primary wage earner, those waiting for SSI or disability, customers experiencing marital or family problems, those with high medical bills, and loss of a job or unemployment benefits.

In the early 1990’s, utilities recognized the need to provide long-term remediation and relief for payment-troubled, chronically low-income, delinquent customers with mounting arrearages. Hence, the PUC provided regulatory guidelines for the implementation of Customer Assistance Programs. However, in many life situations, CARES is still the program that provides appropriate short-term assistance to customers with temporary, special needs. Utilities can custom-design the CARES program based on the individual needs of the customer and the company, as well as on the demographic profile of the community. In special cases, for example, utilities may offer temporary CARES services to customers who have a negative ability to pay with incomes over the 200% FPL “special needs” threshold.

The backbone of CARES services are the referrals to community services and assistance that can leverage low monthly income and provide more available income for necessities, even utility bill payment. For example, if a customer can receive a food voucher at a local food pantry worth \$50 per month, that may make an additional \$50 available for utility payment each month. The goal is to find resources that assist customers in order to maximize their ability to pay their utility bill. Energy Assistance, Utility Hardship Grants and Fuel Funds also serve as vital supplements to customer payments. Energy Conservation in the form of energy education and weatherization is a key component in the CARES referral. Weatherization and energy education can give customers increased comfort in their homes while using less energy, thus lowering the utility bills.

Utilities have had the autonomy to structure a CARES program that may or may not decrease monthly payments for customers who cannot pay the full amount of their utility bill. CARES services may include a home visit, although not necessary or

⁵¹ PA PUC Secretarial Letter M-840403, John G. Alford, May 31, 1985.

effective in all cases,⁵² a “customer-friendly walk-thru” energy audit, energy education, budget counseling, energy assistance and fuel hardship fund grants, and referrals to social service agencies that are specific to the customers’ needs or that provide “leverage” sources for bill payment.

B. Pennsylvania’s Policy Advisement on CARES Programs

CARES programs have historically been categorized under the “policy umbrella” of “strong advisement” with much flexibility in design, rather than the stricter interpretation of the Pennsylvania Code, Title 52, which mandates Universal Service Programs. However, the Universal Services Policy Statements since utility restructuring include the implementation of CARES programs. Provisions under Title 52, §62.1(A), Statement of purpose and policy, “mandate that the Commission ensure Universal Service and energy conservation policies, activities and services...”⁵³ of which CARES is included. In the same Subchapter A, the definition of CARES is as follows:⁵⁴

<p>CARES—Customer Assistance and Referral Evaluation Services—A Program that provides a cost-effective service that helps selected, payment-troubled customers maximize their ability to pay utility bills. A CARES program provides a casework approach to help customers secure energy assistance funds and other needed services</p>

Specific Universal Service plans, including CARES, are to be submitted to the Commission for approval by each NGDC every 3 years beginning in February 28, 2002.⁵⁵ As noted in the prior section of this report, PGW will file a restructuring plan in mid-2002.

⁵² Janice Hummel, PA PUC, BCS, paraphrase from quote of August 22, 2001.

⁵³ PA PUC § 52 Code, Chapter 62. Natural Gas Supply Customer Choice, Subchapter A. Universal Service and Energy Conservation Reporting Requirements, §52.62.1, Statement of purpose policy.

⁵⁴ Ibid., §52.62.2. Definitions.

⁵⁵ Ibid., §52.62.4, (b), (1)-(11) Universal service and energy conservation plans, and §52.62.5, Annual residential collection and Universal Service and energy conservation program reporting requirements.

The Commission released four recommendations in a Secretarial Letter dated November 30, 1992 that provide guidelines for a CARES program.

The Commission recommends the following guidelines for a CARES program:

Utilities should continue to operate and develop their CARES programs as recommended.

Utilities should communicate annually with the BCS on the status of their CARES program.

Utilities which currently require senior citizen status to be eligible for CARES should expand eligibility criteria so as to include special needs low-income payment troubled customers who have extenuating circumstances.

Utilities should include, *inter alia*, the following seven elements in a CARES program:

- Staff training in communication skills.
- Staff training regarding the program design of CARES.
- Home visitation, one at a minimum, and preparation of an energy audit in most cases for CARES recipients.
- Intensive tracking and referral services for CARES participants.
- Maintenance of confidential files for CARES participants.
- Expansion and maintenance of the customer service network.
- Inclusion as one of the job description criteria for a CARES representative, a social services background or a combination of experiences and education that includes listening and communication skills and a compassionate and caring attitude towards the needs of the
- low-income utility customers.⁵⁶

⁵⁶ Authority for CARES resides at the level of a Secretarial Letter, rather than (as for other compliance requirements) in the Pennsylvania Code. PA PUC Secretarial Letter, John G. Alford, Secretary, November 30, 1992.

C. Toward an Effective CARES Program for PGW

The following descriptions of CARES programs present three levels of effort. PGW customer services and district office representatives currently provide referrals to various agencies, in a level of effort termed below as “Quick Fix”. This level of effort is given all customers who indicate the need for help during their interactions with PGW. The Evaluation Team recommends that PGW move immediately toward incorporating the “Intermediate Case Management Approach” into the CRP. This includes designating a CARES representative assigned to provide personal case management. The Evaluation Team further recommends designing a CARES program that includes all three levels of effort described below and including it in the CAP Design Plan that will be filed during the restructuring proceedings in mid-2002. All three levels of effort include the “Quick-Fix Approach,” the “Intermediate Case Management Approach,” and the “In-depth Case Management Approach.” A comprehensive CARES program depends on establishing the capability to provide all three levels.

1. The “Quick-Fix” Approach

A “quick-fix” is accomplished by the customer service representative while on the phone or talking with the customer in person at the district offices. The success of this approach depends on adequate training and comprehensive understanding of the available energy assistance programs and social service referrals that exist. It is vital that the PGW representatives have the skills to match the customer’s need with the correct referral. Generally, the “Quick-Fix” requires minimal on-going support of CARES representatives.

2. The Intermediate Case-Manager Approach

The intermediate approach requires initial and follow-up supportive phone calls by a designated CARES representative or case-manager. The customer demonstrates that he/she can clearly and easily follow-through with energy assistance and other recommended social service referrals without the need of a caseworker physically present in the home. Periodic phone contact is maintained to give encouragement and address issues as they are presented. Other agencies and supportive services can be called in to access the home as needed. The CARES representative should actively communicate with and coordinate services with outside agencies, such as Area Office on Aging Services, Home-Health Care, Meals on Wheels, etc., to offer the customer comprehensive referrals and assistance.

3. The In-Depth Case-Manager Approach

The in-depth approach gives homebound, critically ill customers, frail seniors or those with limited mental ability, the support and needed observation required by a home

visit. A CRP CARES representative or case-manager conducts the home visit.⁵⁷ The home visit should include (but not be limited to) providing the following:

- Budget counseling
- Case-management assessment
- Energy education and referral to weatherization
- Referrals to Energy Assistance and Hardship Funds
- Referrals to appropriate social service agencies
- Follow-up education and print materials that clearly explain CRP objectives, expectations and lists contact phone numbers.
- Periodic phone contact and monitoring of payment history and referral follow-through, with additional home visits as needed.
- The continued involvement of other agencies that provide supportive services and home care, such as Office on Aging, Meals on Wheels, Visiting Nurses Assoc., mental health counseling, etc.

D. Coordination and Training

For a CARES program to be effective and successful, it is essential to utilize the coordination efforts of a designated CARES manager or representative. One such person should be identified within PGW's Universal Service structure (currently CRP and CWP). This person may or may not also be the designated CARES case-manager.

It is crucial that thorough training and education regarding the CARES program be provided to all customer service representatives, district office representatives, meter readers, field personnel including repairmen and CWP contractors who access customer's homes, and other out-sourced contractors within CWP and CRP. This training should include communication and sensitivity skills, observational skills and CARES program design, implementation and objectives.

An effective program depends on the sensitivity of trained PGW representatives who can discern the difference between a phone call that involves supportive empathy and a quick referral, and one that requires more comprehensive involvement from a CARES caseworker with on-going personal contact.

PGW should be proactive in forming new partnerships and strengthening existing partnerships with community agencies. This includes on-going communication,

⁵⁷ PGW currently provides some support for homebound visits.

providing basic information about CARES, and promoting CARES (along with CRP) to community-based organizations, social service providers, aging services, government groups and faith-based organizations. In addition to contact with social service agencies, the CARES program can be promoted to customers through outreach in bill inserts, by utility phone “on-hold” messages and within the CRP script that PGW district office and phone representatives use.

The Evaluation Team recommends that PGW strengthen its Customer Assistance Referral and Evaluation Services (CARES) component of Universal Service to provide a staffing assignment with clear designation and accountability for these services.

VII. REDUCING COSTS

There are two areas in which net program costs may be reduced.

A. Reducing Administrative Costs

- Although the Welfare database will not provide information on a household's poverty level, it can be used to certify that the household is on welfare. PGW should consider whether or not it is reasonable to accept this type of information as equivalent to provision of actual household size, income, and expense information when performing recertifications. Although since welfare reform many households in poverty have been removed from the welfare rolls, this semi-automated database check could be used to ease recertifications for perhaps 30% to 60% of households. The use of this system does require explicit management decision to treat knowledge that a family is on welfare as if it provided the Federal Poverty Level of the household. We do not recommend using such a procedure for initial certification. However, if recertifications are carried out each year, we recommend that PGW request approval to do each second recertification using the semi-automated approach for those household to which it would apply.
- Given that poverty is increasing for the extent of the current recession, we recommend that PGW request approval to replace yearly recertification with recertification every two years. If before and after recertification records are kept for household for which the semi-automated welfare system is used, information can be collected and evaluated by PGW to insure that moving recertification to every two years is as reliable as yearly recertification.

B. Tightening the Procedure for Collections

A second area for reducing net costs is the process of collection. We recommend that the collection system be tightened. The current system makes use of the following steps:

Day 1 - Currently, PGW issues a residential customer bill which is due in 20 days from the bill date. The 20 day payment period has become standard in the industry, and we do not recommend a change to the initial payment period.

Day 30 - Suppose, however, that the initial bill is not paid. The subsequent monthly bill is then issued 30 days from the date of the initial bill, and includes the amount of the initial bill as a previous period bill amount. It is due 20 days from its date of issue, or a total of 50 days from the date of issue of the first bill.

Day 57 - Suppose that the bill remains unpaid. If the bill is not paid, an initial notice of termination is sent out on day 57, counting from the date of the initial bill.

Day 64 - If the bill remains unpaid and there is not customer contact, PGW attempts to telephone the customer beginning on day 64 (there are three phone attempts).

Day 71 - If no contact is made, a field visit is attempted at day 71.

Day 92 - If there is still no contact or payment, a final suspension notice is mailed on day 92.

Day 102 – If there is still no contact and payment, the customer is removed from CRP on day 102.

Day 103 – If there is still no contact and payment, the procedures for shut-off will take place.

We recommend the following additions and changes:⁵⁸

- (1) Day 25 – Five days after the initial due date of a missing or a partial payment, the computer should be set to automatically mail a “reminder” letter that a payment is needed.⁵⁹ (Customers not in the Universal Service program would not be sent reminders.) This is an additional letter concerning the initial bill. The next bill will, of course, be send on Day 30,⁶⁰ and will include the past due amount.
- (2) Day 34 – Approximately fourteen days past the initial due date, the computer should be set to automatically generate and sends a “Notice of Termination.” This notice would specify service termination in ten days.
- (3) Day 41 – Attempt telephone contact (three attempts). In these calls, the consequences of default are explained. This step would substitute for the Day 64 telephone contact current made.

⁵⁸ This tightened procedure recommended follows the model of Columbia Gas Universal Services. This model only applies to Universal Service (CRP) customers. It would not apply to other households.

⁵⁹ If charges for utility service not been paid in full by the due date stated on the bill or otherwise agreed upon, the account is a delinquent account (unless a payment or settlement agreement has been entered into prior to the due date, timely notice has been filed that the bill is in dispute, or under specified time limits an informal or formal complaint has been filed and is pending before the Commission. Pa. Code, Title 52, §56.2.

⁶⁰ The normal billing period is a billing month. The billing month is defined in Pa. Code, Chapter 56 Standards and Billing Practices for Residential Utility Service, Title 52, §56.2.

- (4) Day 47 plus – If unable to reach the customer by telephone, PGW would dispatch an employee to make a premise visit. At that time a 72 hour shut off notice must be posted. This would substitute for the Day 71 field visit.
- (5) Day 48 plus – If step 4 does not lead to contact with the customer, a 48-hour notice is delivered to the residence and posted.
- (6) Day 50 (plus)⁶¹ Service is terminated 48-hours later, and a Post-Termination notice is left at the residence. This step substitutes for the Day 103 shut off. (The Day 102 removal from CAP does not have a counterpart step in the Evaluation Team recommendation. This removal step would not be performed.)
- (7) Special Consideration: However, PGW customer service may “delay” the account at any step along the way if it finds that the customer has extenuating circumstance, although this should happen infrequently and only in the case of emergencies. Such customers should temporarily come under the administration of PGW’s CARES program (see the CARES section of this report) and should be considered by the CNU. If the final step is reached, and the gas is turned off, the account is “finaled” from CAP within approximately five days from shutoff.

C. Catching Up after being Finaled

If a customer account has been finaled, but the customer catches up on payment within forty-five days, both gas service and CAP status are restored *without penalty*. *In such a case, all records of a removal from CAP are eliminated, and the customer’s CAP situation is the same as if a payment problem had never occurred.* If more than forty-five days has passed, the customer terminated for non-payment must follow standard procedures for resumption of service through normal procedures.

D. Winter Moratorium

In winter, customers are not removed from CAP for non-payment. Each month, the CAP bill includes the amount owed from the month before, and each month the customer is asked to catch up the payments. In April, the customer is again asked to catch up. If they make a full payment, including the CAP arrearages, they continue in CAP. If they do not, the collections procedures discussed above begin.

⁶¹ According to Pennsylvania Public Utility Commission Policy, a notice of shut-off is valid for 30 days. If gas is not shut off within this period, a new notice is required.

E. Section Summary

There are two very realistic and practical areas for reducing costs. First, some costs can be reduced by requesting approval for small administrative changes such as seeking approval to recertify every two years instead of every year. Second, the collection procedure currently in place could be significantly tightened to approximate other natural gas company collections procedures in place in Pennsylvania.⁶² While it may seem to some inappropriate to bother payment-troubled households with repeated reminders of impending service termination, or to tighten the payment system, we recommend these steps in the context of the other recommendations in this report because they reflect the actual need for payment.⁶³

⁶² Specifically, the Evaluation Team recommends using Columbia Gas as a model, and that PGW should arrange to meet with Columbia Gas to discuss specifics beyond those indicated in Figure 35. The Evaluator's Recommendation column of the table in Figure 35 is based on the Columbia Gas model, which has produced very good collections experience along with high customer regard. Our recommendation is to adopt this existing model. We recommend a strategy of adoption of an already implemented model that is generally regarded as successful as a means to move quickly towards necessary approval. The Evaluation Team has studied the success of the Columbia model and we believe it to be superior and worthy of adoption.

⁶³ Particularly, if PGW moves towards an optimized PIPP approach consistent with the affordability standards of the Pennsylvania Code, staffs up the Universal Service function, and establishes an active CARES program with some staffing, it seems balanced to tighten the collections procedure for Universal Services households at the same time.

Tightening Collections Procedure						
PGW's Current Tariff Procedures				Evaluator's Recommendation		
Day	Type of Notice	Mode	Tariff	Day	Type of Notice	Mode
1	Bill 1	Mail		1	Bill 1	Mail
20	Due Date			20	Due Date	Mail
30	Bill 2			25	Reminder Notice	
				30	Bill 2	Mail
				34	Notice of Termination	
				41	Telephone Attempts (3)	Phone
		Field		47	Field Visit - 72 Hrs Shut-Off Notice	Field
				48	48 Hour Shut-Off Notice	Field
				50	Service Shut-Off	
50	Due Date 2			Note: Special Consideration -- PGW Customer Service may 'delay' the account at any point for extenuating circumstances and refer to CARES and CMU.		
57	Notice of Termination - Initial	Mail	4.50.11(B)(1)			
64	Telephone Attempts	Phone	4.50.11(B)(2)(3)			
71	Field Visits (only necessary if phone attempts fail)	Field	4.50.11(B)(4)			
92	Final Suspension Notice	Mail	4.50.11(B)(5)			
102	Removal from CRP	System				
103	Second Call Shut Off	Field				

Figure 35: Tightening Collections Procedure

VIII. RESOURCE: NECESSARY STAFFING

The Universal Service function is important to the overall functioning of PGW. It is key to significant revenue recovery efforts and to PGW customer service for low-income customers. Currently the staff consists of the program manger, with arrangements to mobilize significant staff resources in other groups for key work efforts within the yearly program cycle.

In Pennsylvania there is wide variation in the staffing of Universal Service, often depending on the size of the utility and of the low-income population. At the same time, some of the smaller gas utilities have large staffs, while a few of the larger utilities have programs at risk due to inadequate provision of staff resource. The recommendation is for a moderately sized staff, with skill sets appropriate to areas assigned.

There are three types of need in the Universal Service function: Management & Direction, Program, and Analysis. Currently, Program and Analysis functions are supported on an “as needed” basis by other resources within PGW. However, it is not likely that credible program operation and regulatory compliance can be maintained on this basis alone.

The following staff positions are recommended:⁶⁴

Manager/Director

Manager/Director (existing position)

Program

Universal Services Customer Assistance Program Supervisor (1)
Customer Assistance & Hardship Program Staff (2)

CARES Supervisor/MSW (1)
CARES Staff/MSW or BSW (2)

Analysis & Reporting

Senior Quantitative Analyst (1)
Program Research Analyst (2)
Statistical Clerk (1)

⁶⁴ A Manager/Director with a staff of ten is recommended as the minimum adequate to staff the Universal Service functions. A larger staff would be required to fully deliver services. The staff size and mix that is recommended is the minimum required to exercise program control and accountability, and to staff services at a minimum level. For perspective, Universal Service customers are currently about one-tenth of overall gas sales and the market sector is potentially one-third of residential load. The low-income market sector is thus a very important market sector from the perspective of services and the perspective of revenue. It is important to staff it accordingly.

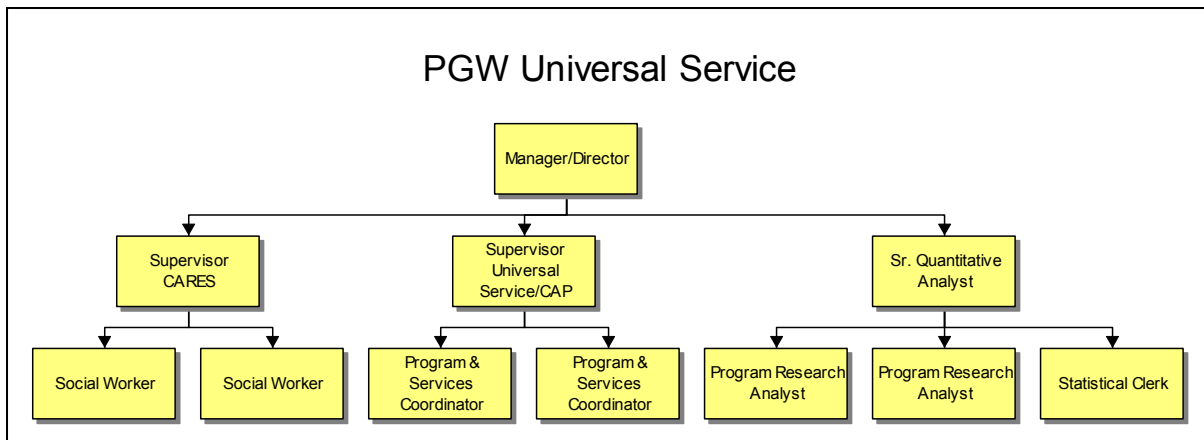


Figure 36: Recommended Staffing Resource

Appendix

IX. APPENDIX A: TITLE 52, CHAPTER 69

Chapter 69 General Orders, Policy Statements and Guidelines on Fixed Utilities

Chapter 69.251 Plain language statement of policy

Chapter 69.264 Scope of CAPS

Chapter 69.265 CAP Design Elements

Chapter Section	Compliance	Comments
Chapter 69.251 Plain language statement of policy		
69.251 Plain language statement of policy	(69.251)	
(a) General. The Commission recommends that public utilities adopt guidelines for written material provided to residential customers. Each utility shall designate appropriately trained staff persons to serve as liaisons to the BCS regarding this policy statement. Companies shall conduct field tests, use consumer advisory panels or focus groups to prepare plain language materials for Commission review. The BCS will selectively review materials prior to final publication and mailing to residential customers. Items (1) (i)-(vii) and (2) (i)-(iv) follow.	(a) yes	(a) PGW normally submits material drafts first to the CRP Advisory Committee, then to PGW's Regulatory Affairs office and finally to the PUC Communications Bureau. That Bureau will review material and submit it to PGW with comments.
(b) Visual guidelines. In addition to written guidelines, the Commission recommends the adoption of visual guidelines. Items (1) – (6) follow.	(b) yes	(b) Visual guidelines are used, such as bold section headings, both upper and lower case letters, and large typeface.

Appendix: PGW's Universal Service Programs

<p>(1) Clear section headings which use bold face, italics, underlining or color to set them apart from the rest of the text.</p> <p>(2) Ink that sharply contrasts with the paper.</p> <p>(3) Spacing and margins which make materials easy to read.</p> <p>(4) The use of both upper and lower case letters.</p> <p>(5) The use of large typeface, at least 8 or 10 point type.</p> <p>(6) Line Length shall contain between 50 and 70 characters.</p> <p>(c) Billing format. Billing formats shall comply with 56.15 and 64.14. The Commission recommends the Company's phone numbers be clearly located on the bill and plain language be used in the billing format.</p> <p>(i) Gas and electric utilities (i) unit price per kWh therm, CCF or MCF used in calculating charges due.</p> <p>(ii) A bar graph displaying comparative energy use indicating whether the amount shown is actual or estimated</p> <p>(iii) Information regarding the average temperature during the periods under comparison.</p> <p>(iv) Technical terms regularly displayed on the bill clearly defined, listed alphabetically and prominently located on the bill.</p>	<p>(c)</p> <p>(i) yes</p> <p>(ii) no</p> <p>(iii) yes</p> <p>(iv) yes</p>	<p>(c) The back of the bills prominently display contact phone numbers.</p> <p>(i) PGW bills do display the unit price per ccf.</p> <p>(ii) PGW bills do not display a bar chart displaying comparative usage.</p> <p>(iii) The average temperature for the current billing period and the same period last year is display.</p> <p>(iv) Technical terms are displayed on the back of the bill, along with.</p>
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Appendix: PGW's Universal Service Programs

69.264 Scope of CAPS		
69.264 Scope of CAPS CAPS should be targeted to low income, payment troubled customers. The participation limit should reflect a needs assessment, consideration of the estimated number of low-income households in the service territory, number currently enrolled, resources available, participation rates for assistance programs.	(69.264) yes	The policy defines low-income as a residential customer at or below 150% of poverty. PGW programs are designed for low-income households by this definition. Discounted payment options are offered to those at or below 135% of poverty. Undiscounted options are offered customers 136%-150% of poverty.
Chapter 69.265 CAP Design Elements		
69.265 (1) Program Funding: (i) Payments from CAP Participants (ii) LIHEAP grants (iii) Operations & maintenance expense reductions (iv) Universal Service funding mechanism for EDC	(1) yes (i) yes (ii) yes (iii) yes (iv) NGDC	Program funding is obtained through CRP participant payments, LIHEAP cash and LIHEAP Crisis payments. In a letter from Janice Hummel, BCS to David Eppel, CAE Energy Association of Pennsylvania, Attachment 3 describes CAP Costs and Potential CAP savings categories ⁶⁵ . While we know the costs & have tools to work with low income program costs, it is difficult to track down the costs. We have shown that similar programs are cost effective ⁶⁶ and assume that

⁶⁵ Letter of Janice Hummel, Bureau of Consumer Services to David O. Eppel, Vice President-Regulatory Affairs, Energy Association of Pennsylvania, with attachments, May 24, 2001.

⁶⁶ See footnote 25, Equitable Gas.

Appendix: PGW's Universal Service Programs

[illegible]

Appendix: PGW's Universal Service Programs

<p>[No corresponding section in Chapter 69]]</p>	<p>(PGW requirement)</p>	<p>option selected or required” (4.50.4(A)) This applies only to the discounted CRP billing options. The exception is the \$30 minimum payment where it can exceed 12% of income. (B)(C) This evaluation is examining the percent of income under item (B) gas heating, and (C) combined gas heating and electric non-heating.</p> <p>HGPA recommends elimination of the 5% down payment of the arrearage at enrollment. This area is not specifically dealt with in the CAP design guidelines, but requirement of a payment as a condition for participation in a CAP is not in step with the current philosophy of CAP programs.</p>
<p>(3) Control Features: (i) Minimum Payments (A) Gas heating account should be at least \$18-\$25/month</p>	<p>(3) partial (A) yes</p>	<p>(A) Minimum monthly is \$30. The regulation states “at least \$18-\$25 per month.” With the wording “at least” PGW is in compliance. However, while in compliance with the minimum payment provision, a minimum bill of \$30 monthly represents 8% of an income of \$375/month. HGPA recommends reducing the minimum monthly payment to \$18/month for customers in the range of 0-50% of the Federal Poverty Level.</p>
<p>(ii) Non-basic services that increase billing and don't reduce bills</p>	<p>(ii) partial</p>	<p>(ii) Non-CRP repair charges are listed</p>

Appendix: PGW's Universal Service Programs

are not allowable.		separately in the billing and do increase the amount due. The amount due is accumulated as a loan and is not due until recertification, when the amount is billed over 10 months. CAP credits are not used to pay for non-basic services. Collection action cannot be taken for non-payment of non-CRP charges.
(iii) Consumption Limits should be set at percentage of participant's historical average usage. A level of 110% is recommended. Adjustments in consumption should be made for extreme weather conditions through the use of weather normalization techniques.	(iii) yes-modified	(iii) Excess Usage Charge is levied based on usage in excess of Property Based Class average, and not individual's historic average usage.
(iv) High Usage treatment. Utilities should target for special treatment those participants who historically use high amounts of energy.	(iv) yes	(iv) Contractors provide treatment through LIURP. High use customers are targeted and selected for LIURP annually from current lists of high users.
(v) Maximum CAP credits: (A) Annual maximum CAP credits per gas heating participant should not exceed \$840	(v) (A) no	(v) (A) PGW does not utilize a maximum CAP credit.
(vi) Exemptions. Utility may exempt household from control feature if one or more following conditions exists: (A) Household experienced addition of family member (B) A member of the household experienced a serious illness (C) Energy consumption was beyond household's ability to control (D) Household is located in housing that is or has been condemned or has housing code violations that negatively affect energy consumption. (E) Energy consumption estimates have been based on	(vi) yes	(vi) PGW procedures allow the customer service representative to exercise "good common sense" when evaluating all requests for exceptions. The CRP Exceptions procedure describes examples of reasons to grant or deny exceptions. These could broadly include items listed under (vi)(A-E) although item (B) is the only item specifically discussed. The procedure provides specific

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consumption of a previous tenant.		direction while allowing the representative the latitude to exercise common sense. Denial of CRP Exception and CRP Exception Granted Forms are used to specifically document actions taken.
<p>(4) Eligibility criteria: The CAP applicant should meet the following criteria for eligibility:</p> <p>(i) Status as a utility ratepayer or new service is verified</p> <p>(ii) Household income is verified at or below 150% of the Federal Poverty income guidelines</p> <p>(iii) The applicant is a low income, payment troubled customer. When determining if a CAP applicant is payment troubled, a utility should select one of the following four options to prioritize the enrollment of eligible, payment troubled customers</p> <p style="padding-left: 40px;">(A) A household whose housing and utility costs exceed 45% of the household's total income. Housing and utility costs are defined as rent or mortgage/taxes and gas, electric, water, oil, telephone and sewage.</p> <p style="padding-left: 40px;">(B) A household who has \$100 or less disposable income after subtracting all household expenses from all household income</p> <p style="padding-left: 40px;">(C) A household who has an arrearage. The utility may define the amount of the arrearage.</p> <p style="padding-left: 40px;">(D) A household who has received a termination notice or who has failed to maintain one payment arrangement.</p>	<p>(4) partial</p> <p>(i) yes</p> <p>(ii) yes</p> <p>(iii) partial</p>	<p>(i) Status is verified upon application.</p> <p>(ii) Income is verified at or below 150% of the Federal Poverty income guidelines during enrollment.</p> <p>(iii) PGW establishes the applicant is low income. PGW doesn't utilize the payment-troubled definition as an additional qualifying criterion. Most CRP customers are payment troubled with an arrearage. Many remain on CRP whose arrears have been paid off by using CRISIS grants. Customers are allowed to stay in CRP with no pre-program arrearage.</p>

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<p>(5) Appeal process: The utility should establish the following appeal process for program denials.</p>	<p>(5) yes, in the sense that this area is currently governed by a MOU which establishes interim procedures, until final procedures are determined; however this area does not currently match specific requirements</p>	<p>(5) PGW and PUC have signed an MOU that pertains specifically to PGW customer service practices and Chapter 56 regulations referenced in §69.265(5). The PUC expects PGW to come into compliance with Chapter 56 “some time in the future.” In the meantime, the MOU offers interim procedural agreements until the Tariff is brought into line with Chapter 56. H GPA recommends PGW work with the PUC toward modification of the Tariff and comply with procedures The Tariff Section 5 describes the procedures for the Inquiry, Review, Dispute and Appeal Process. This section notes definitions used in Code 52, Chapter 56 will be used in that Section. Section 5 does not provide the same degree of detail described in Chapter 56.151 and 56.152 and 56.161-56.165 particularly regarding Utility Reports. The Tariff Section 5.1.D and Chapter 56 are in agreement regarding the requirement to attempt a payment arrangement on the disputed bill. However the Tariff allows the termination process to continue if an agreement cannot be made.</p>
<p>(i) If the CAP applicant is not satisfied with the utility’s initial eligibility determination, the utility should use utility company dispute procedures in 56.151 and 56.152 (general rule; contents of</p>	<p>(i) no</p>	<p>(i) Denial of CRP eligibility is not specifically noted in Tariff Section 5. Tariff Section 5.4.B.2 states Tariff requirements may be</p>

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<p>utility company report)</p> <p>(ii) The CAP applicant may appeal the denial of eligibility to the BCS in accordance with 56.161-56.165 (informal complaint procedures)</p>	<p>(ii) no</p>	<p>waived if the “customer is a participant or a potential participant in the [CRP] and has indication by his/her actions a desire to comply with the Program’s Responsibilities.”</p> <p>(ii) Appeal of the denial of CRP eligibility is not specifically noted in Tariff Section 5. Section 5.2 pertains to Appeal of PGW Decision to BCS.</p>
<p>(6) Administration: If feasible, the utility should include nonprofit community based organization in the operation of the CAP. The utility should incorporate the following components into the CAP administration.</p> <p>(i) Outreach. Outreach may be conducted by nonprofit community based organizations and should be targeted to low income payment troubled customers. The utility should make automatic referrals to CAP when a low-income customer calls to make payment arrangements.</p> <p>(ii) Intake and verification. Income verification may be completed through a certification process that is satisfactory to the utility or certification through a government agency. Intake may also be conducted by those organizations and should include verification</p>	<p>(6) partial</p> <p>(i) yes</p> <p>(ii) yes</p>	<p>PGW does not use community-based organizations for the various aspects of CAP administration. The regulation states “if feasible”. PGW has chosen to utilize company employees in each of its six district offices to administer the program.</p> <p>(i) Outreach: PGW does not have a pro-active outreach (don’t pay an outside vendor for outreach services). Many agencies distribute information about CRP to clients.</p> <p>The following items (ii) through (x) are functions that are handled within PGW six district offices.</p> <p>(ii) Intake & verification takes into account the items (A) – (E).</p>

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<p>of the following</p> <ul style="list-style-type: none"> (A) Identification of CAP Applicant (B) The annual household income (C) The family size (D) The ratepayer status (E) The class of service—heating or non-heating 		
<p>(iii) Calculation of payment. Calculation of the monthly CAP amount should be the responsibility of the utility. The utility may develop a payment chart so that the assisting community based organizations may determine payment amounts during the interview</p>	<p>(iii) yes</p>	<p>(iii) Calculation of payment procedures were developed by PGW and are embedded within the BCCS program representatives use during intake.</p>
<p>(iv) Explanation of CAPS. A complete and thorough explanation of the CAP components should be provided to participants</p>	<p>(iv) yes</p>	<p>(iv) Explanation of CAPS is conducted with visual aids that representatives use.</p>
<p>(v) Application for LIHEAP grants. An application for LIHEAP grants, to the extent that it is available, should be completed during the interview.</p>	<p>(v) yes</p>	<p>(v) Application for LIHEAP is completed at the time of intake if the LIHEAP season is open.</p>
<p>(vi) Consumer education and referral. CAP consumer education programs should include information on benefits and responsibilities of CAP participation and the importance of energy conservation. Referrals to other appropriate support services should also be a part of consumer education</p>	<p>(vi) yes</p>	<p>(vi) Consumer education & referral is offered during intake. Customers receive explanations of CRP, their bill, and are given conservation literature and referrals.</p>
<p>(vii) Account monitoring. Account monitoring should include both payment and energy consumption monitoring.</p>	<p>(vii) yes</p>	<p>(vii) Account monitoring is done on a reactive rather than proactive basis. Accounts of customers who call with questions are reviewed individually. This includes consumption and payment monitoring. Monthly CRP reports of the full population are generated and reviewed.</p>

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<p>(viii) Annual reapplication. An annual process that reestablishes a participant's eligibility for CAP benefits should be required.</p> <p>(ix) Arrearage forgiveness. Arrearage forgiveness should occur over a 2 to 3 year period contingent upon receipt of regular monthly payments by the CAP participant</p> <p>(x) Routine program management progress reports. Progress reports that may be used to monitor CAP administration should be prepared at regular intervals. These reports should include basic information related to the number of participants, payment and account status.</p>	<p>(viii) yes</p> <p>(ix) no</p> <p>(x) yes</p>	<p>(viii) Annual reapplication begins with letters mailed to customers due for recertification. The customer can mail information (if eligible for mail recerts) or come into any of the 8 district offices.</p> <p>(ix) Arrearage forgiveness is described in the Tariff. However, it was not implemented as described. The described procedure would not be in compliance, as it does not occur over a 2 to 3 year period. A one-time arrearage forgiveness procedure has been developed and will be implemented that will ensure PGW applies the already amortized regulatory asses to the customer accounts. The longer-term arrearage forgiveness policy is under review within PGW and within this evaluation.</p> <p>(x) Detailed program management progress reports are generated monthly.</p>
<p>(7) Default provisions: The failure of a participant to comply with one of the following should result in dismissal from CAP participation.</p>	<p>(7) partial</p>	<p>(7) PGW does not currently dismiss participants from their program. The program described in the 11/93 Order & Resolution and the current Tariff includes default</p>

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<p>(i) Failure to make payments will result in the utility returning the participant to the regular collection cycle and may lead to termination of service. By returning the customer to the regular collection cycle, the utility does not need to enter into a new payment arrangement but may begin the termination process. At a minimum, the utility should inform the participant of the consequences of defaulting from CAP. To avoid termination of service, the CAP participant must pay the amount set forth in the termination notice prior to the scheduled termination date. The amount should generally be no more than two CAP bills.</p> <p>(ii) Failure to abide by established consumption limits.</p> <p>(iii) Failure to allow access or to provide customer meter readings in 4 consecutive months.</p>	<p>(i) yes, different definitions</p> <p>(ii) no</p> <p>(iii) yes</p>	<p>provisions. The Tariff describes default in 4.50.9.</p> <p>(i) The participant is in 'default' after falling behind by two <u>full</u> CRP payments. If the participant has made a partial payment, they are not two <u>full</u> payments behind and therefore not in default. Recent computer problems have prevented PGW from removing customers who are in default. The collections procedure can commence when payments are 2 full payments past due. If the payments are not caught up within the 45-day notifications process, the CRP agreement is 'broken'. Any payment, including partial payments, made within the 45 days reinstates the customer to active CRP status.</p> <p>(ii) PGW levies an excess usage charge based on Property Based Class Averages, but does not establish consumption limits per se. If the customer uses more than the Class Average, they are billed an excess usage charge based on the standard gas rate. Customers will not be removed for exceeding consumption 'limits'. PGW also offers a \$40 Conservation Credit Adjustment at recertification if the customer has met 5 criteria, including no billing for excess usage.</p>
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<p>(iv) Failure to report changes in income or family size</p> <p>(v) Failure to accept budget counseling, weatherization/usage reduction, or consumer education services.</p> <p>(vi) Failure to annually verify eligibility.</p>	<p>(iv) yes</p> <p>(v) no</p> <p>(vi) yes</p>	<p>(iii) Participants are required to install AMR devices to enable monthly readings. About 90% of CRP participants currently have AMR devices.</p> <p>(iv) The recertification process requires reporting of changes in income and family size.</p> <p>(v) PGW does not provide budget counseling. Customers are not removed for refusing LIURP. Contractors provide lists of refused and ineligible to PGW.</p> <p>(vi) Participant is required to certify annually by bringing current documentation to one of the 8 district offices and meeting with a Representative. Failure to recertify will place the customer in Suspended status.</p>
<p>(8) Reinstatement policy: A customer may be reinstated into CAP at the utility's discretion.</p>	<p>(8) yes</p>	<p>PGW will reinstate the customer 12 months after dismissal.</p>
<p>(9) Coordination of energy assistance benefits: In a CAP, the utility should include the following to coordinate a participant's energy assistance benefits between it and other utilities.</p> <p>(i) A LIHEAP grant should be designated by the participant to the utility sponsoring the CAP.</p>	<p>(9) partial</p> <p>(i) yes</p>	<p>(i) PGW requires the customer to assign the LIHEAP cash grant to them; otherwise PGW assesses a LIHEAP makeup charge. PGW</p>

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<p>(ii) A LIHEAP or other energy assistance grant may not be substituted for a participant's monthly payment. If the utility determines that a participant's minimum payment exceeds 17% of the household's income, additional energy assistance grants may be used to reduce the amount of the participant's monthly payment. The participant is still responsible for making the remainder of the regular monthly payment.</p> <p>(iii) The LIHEAP grant should be applied to reduce the amount of CAP credit</p> <p>(iv) A utility may impose a penalty on a CAP participant who is eligible for LIHEAP benefits but who fails to apply for those benefits. A utility should use their option carefully and the penalty should not exceed the amount of an average LIHEAP cash benefit. If a customer applies for a LIHEAP benefit but directs it to another utility or energy provider, the CAP provider should not assess a penalty.</p>	<p>(ii) partial</p> <p>(iii) yes</p> <p>(iv) yes</p>	<p>requires the customer to apply for CRISIS if eligible.</p> <p>(ii) PGW does not apply LIHEAP or other assistance grants against the monthly payment. PGW does not use grants to reduce monthly payments over 17% of income. PGW Tariff (and BCCS system) limits payments to 12% of income.</p> <p>(iii) LIHEAP cash grant is applied toward the CAP credit, that is, it is applied to the CRP GCR offsetting the cost of the CRP discount. CRISIS is applied first to current arrears then to frozen arrears if funds are in excess of current arrears.</p> <p>(iv) PGW levies a LIHEAP makeup charge in the amount of the average LIHEAP grant when the customer does not direct the LIHEAP grant to PGW. The customer who is assessed a makeup charge when they (1) were denied LIHEAP, or (2) assigned it to another utility can inform PGW and the makeup charge will be rescinded. Otherwise, PGW assesses the make-up charge.</p>
<p>(10) Evaluation: The utility should thoroughly and objectively evaluate its CAP in accordance with the following unless modified</p>		<p>Chapter 54.76 applies to EDC. Chapter 62.6 is the NGDC equivalent. The evaluation</p>

<p>in 54.76 (evaluation requirements).</p> <p>(i) Content. The evaluation should include both process and impact components. The process evaluation should focus on whether CAP implementation conforms to the program design and should assess the degree to which the program achieves the continuation of output serve the CAP participants at reasonable cost levels. The impact evaluation should include an analysis of the following.</p> <ul style="list-style-type: none"> (A) Customer payment behavior (B) Energy assistance participation. (C) Energy consumption (D) Administrative costs (E) Program costs <p>(ii) Time frame. Unless otherwise modified from 54.76 the time frame for the evaluation should be as follows:</p> <p>(A) Following the expansion of a CAP or subsequent to a substantial revision of an existing CAP or an alternate program design, a one-time process evaluation completed by an independent third party should be undertaken during the middle of the second year.</p> <p>(B) Program impacts should be evaluated by an independent third party at no more than 6-year intervals and submitted to the Commission.</p>	<p>(i) no evaluation required or conducted yet</p> <p>(ii) no evaluation required or conducted yet</p>	<p>requirements are similar.</p> <p>(i) Process evaluation is not mentioned in 62.6. Impact evaluation is required by this regulation.</p> <p>BCS notes that PGW's CRP will be approved in PGW's restructuring filing and it is not likely that the Commission will require a Process evaluation soon after that. This evaluation may serve as the Process evaluation, as it is being completed close to the restructuring filing.</p> <p>(ii) Chapter 62.6 states the first Impact evaluation due 8/1/04, on a staggered schedule. Subsequent reports shall be presented at no more than 6 year intervals.</p> <p>BCS notes that the restructuring filings in mid-2002 will establish the filing schedule for the evaluation at Chapter 62.6.</p>
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(iii) Evaluation plan approval. The utility should submit the impact evaluation plan to the BCS for review and approval.	(iii) no evaluation required or conducted yet	
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Chapter 69

Reports due:

Chapter 69 Section 6(x): Routine program management progress reports used to monitor CAP administration should be prepared at regular intervals. These reports should include basic information related to the number of participants, payment and account status. The regulation does not state the reports should be submitted to the PUC.

Evaluation due:

Chapter 69 Section 10(ii)(A): Following the expansion of a CAP or subsequent to a substantial revision of an existing CAP or an alternate program design, a one-time process evaluation completed by an independent third party should be undertaken during the middle of the second year. PGW's CRP will be approved in PGW's restructuring filing and it is not likely that the Commission will require a Process evaluation soon after that. This should be addressed in the filing however.

Chapter 69 Section 10(ii) and Chapter 62.6: Process and Impact evaluation due 8/1/04. Thereafter, the CRP evaluation is due at no more than 6-year intervals. BCS notes that the restructuring filings in mid-2002 will establish the filing schedule for the evaluation at Chapter 62.6.

Appendix

X. APPENDIX B, TITLE 52, CHAPTER 62

Chapter 62 Natural Gas Customer Choice

Subchapter A. Universal Service and Energy Conservation Requirements

Subchapter B. Reporting Requirements for Quality of Service Standards and Benchmarks

Selected sections pertaining to PGW required actions

Chapter Section	Compliance	Comments
66 Pa. Code 2203(8) mandates that the Commission ensures universal service and energy conservation policies, activities, and services for residential natural gas customers are appropriately funded. Subchapter 62.1 requires uniform reporting requirements for universal service and energy conservation policies, programs and protections.		62.1 This evaluation is reviewing the data that PGW currently collects in order to determine whether all data elements necessary for the reporting requirements are collected and available.
Subchapter A. Universal Service and Energy Conservation Requirements		
62.4 Universal service and energy conservation plan (a) Plan submission (1) submit an updated plan to the Commission for approval every 3 years beginning 2/28/02. (2) the plan should cover the next 3 calendar years (3) the plan should state how it differs from the previously approved plan (4) the plan should include revision based on	62.4 (a) plan not yet submitted	(a) PGW is restructuring and plans to complete the restructuring by July 2002 with implementation by Sept. 2003. The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2 years.

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<p>analysis of program experiences and evaluation (5) Commission will act within 90 days (6) If the Commission rejects a plan, the NGDC shall submit a revised plan within 45 days unless otherwise stated.</p> <p>(b) Plan contents. The components of universal service will be CAP, CARES, LIURP, Hardship funds and other programs, policies and protections. The Plan should include:</p> <ul style="list-style-type: none"> (1) a description of program rules for each component (2) eligibility criteria for each component (3) projected needs assessment for each component & explanation of how the component meets the identified needs. (4) projected enrollment levels for each component. (5) program budget for each component. (6) plans to use CBO (7) organizational structure of universal service staff (8) explanation of differences between the filed plan and the approved plan. (9) a description of outreach and intake efforts for each component. (10) an identification of steps used to identify low income customers with arrears and to enroll them in appropriate programs. (11) an identification of the manner in which universal services and energy conservation programs operate in an integrated fashion. 	<p>(b) current program contains all but one component</p>	<p>(b) PGW does not have a CARES component but does refer customers to agencies that can provide financial and other assistance. PGW does have a CAP, LIURP and other policies and protections.</p> <p>Items (b) 1 through 11 cannot be addressed here as no Plan has been filed to date. We can expect PGW to include these items in the CRP 3-year plan submitted during the restructuring filing.</p>
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<p>62.5 Annual residential collection and universal service and energy conservation reporting requirements</p> <ul style="list-style-type: none">(1) Collection reporting(2) Program reporting	<p>(62.5) the first report has not been filed</p>	<p>This evaluation reviewed the data collected and stored within PGW systems. We have determined that initiating computer programming changes to the data subsystems into the General Ledger system will provide pertinent data for the reporting requirements. The current GAAP and FERC accounting in addition to the planned changes to the General Ledger System (that will provide activity based accounting) are needed to achieve the level of detail necessary for the reporting requirements.</p> <p>The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS would like this to start as soon as possible, and no later than 2005.</p> <p>See the attached template for the specific notations for each item in 62.5.</p>
<p>62.6 Evaluation Reporting Requirements</p> <ul style="list-style-type: none">(a) Each NGDC shall evaluate the universal service and energy conservation programs and report findings and recommendations.(b) The first impact evaluation is due 8/1/04 and subsequently at no more than 6 year intervals.(c) Neither the NGDC nor the Commission shall exercise control over recommendations contained in the evaluation.	<p>(62.6) no evaluation required or conducted yet</p>	<p>The restructuring filings in mid-2002 will establish the filing schedule for the evaluation at Chapter 62.6, that is, the impact evaluation should not exceed 6 years from the date of the final restructuring order.</p>

Appendix: PGW's Universal Service Programs

Subchapter B. Reporting Requirements for Quality of Service Standards and Benchmarks		
<p>62.33 Reporting Requirements for Quality of Service Benchmarks and Standards.</p> <p>(a) Deadlines</p> <p>(1) The first due 8/1/01, reporting monthly data for the prior six months and six-month averages.</p> <p>(2) The second report is due 2/1/02 containing monthly data for the prior six months, and the twelve-month cumulative average.</p> <p>(3) Thereafter annual reports are due on or before Feb. 1.</p> <p>(b) Recordkeeping. Each NGDC shall report the following to the Commission:</p> <p>(1) Telephone access</p> <p>(2) Billing</p> <p>(3) Meter reading</p> <p>(4) Response to disputes</p>	<p>(62.33) no report completed yet</p>	<p>PGW is not required to submit the first round of reports. The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2 years.</p>
<p>62.34 Customer Surveys: each NGDC shall report to the Commission the results of telephone transaction surveys of customers who have had interaction with PGW.</p> <p>(1) Purpose of the transaction surveys are to assess the customer perception regarding the recent transaction.</p> <p>(2) The transaction survey questions shall specifically address the circumstances that generated the recent transactions.</p> <p>(i) credit/collection</p> <p>(ii) billing</p> <p>(iii) reliability and safety</p>	<p>(62.34) no report required yet</p>	<p>PGW currently conducts telephone transaction surveys of customers who have had recent interactions. These are surveys where customers with recent transactions are chosen random, typically including about 400 calls per week. Topics include the range listed in 63.34(2). For example, a recent survey interviewed customers regarding repair services they received.</p> <p>The CRP 3-year plan submitted during the restructuring filing should propose a sampling plan and the year that reporting can start. BCS prefers reporting</p>

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<ul style="list-style-type: none">(iv) service installation and applications(v) service disconnection(vi) other similar interactions(3) Uniform data(4) Timely response(5) Sampling plan(6) Commission approval(7) Timetable(i) the first report is due on or before 10/1/2002 including the first 6 months of the calendar year.(ii) The second report is due 4/1/03 and includes the second 6 months of the calendar year and cumulative 12 month results.(iii) Thereafter reports are due April 1.(iv) Annual reports shall contain results by month as cumulative 12 month reports.		begin within the time frame given other NGDC, about 2 years.
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Chapter 62**Reports due:**

62.4 Universal service and energy conservation plan: an updated plan is to be submitted to the Commission for approval every 3 years. The CRP 3-year plan submitted during the restructuring filing mid-2002 should propose a year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2 years.

62.5 Annual residential collection and universal service and energy conservation reporting requirements including collection reporting and program reporting: The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS would like this to start as soon as possible, and no later than 2005.

62.6 Evaluation Reporting Requirements: The restructuring filings in mid-2002 will establish the filing schedule for the evaluation at Chapter 62.6, that is, the impact evaluation should not exceed 6 years from the date of the final restructuring order.

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62.33 Reporting Requirements for Quality of Service Benchmarks and Standards: The CRP 3-year plan submitted during the restructuring filing should propose a year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2 years.

62.34 Telephone transaction surveys of customers who have had interaction with PGW: The CRP 3-year plan submitted during the restructuring filing should propose a sampling plan and the year that reporting can start. BCS prefers reporting begin within the time frame given other NGDC, about 2 years.

XI. APPENDIX C, TITLE 52, CHAPTER 58

Chapter 58 Residential Low Income Usage Reduction Programs

Chapter Section	Compliance	Comments
<p>58.4 Funding</p> <p>(a) General guidelines for gas utilities. Annual funding shall be at least .2% of jurisdictional revenues. Annual program budgets should be submitted to the Commission. Funding level shall continue until the Commission acts upon a Petition from the Utility. Proposed funding reductions require public notice and comment.</p> <p>(c) Guidelines for revising program funding. A revision to a program funding level is to be computed based upon the following factors:</p> <p>(1) The number of eligible customers that could be provided cost-effective usage reduction services.</p> <p>(2) Expected participation rates based on historical rates when customers were solicited through approved methods.</p> <p>(3) The total expense of providing services, including measure, education and administration.</p> <p>(4) A plan for providing services within a reasonable time period, considering contractor capacity and impact on rates.</p> <p>(e) Recovery of costs.</p>	<p>(a) yes</p> <p>(c) yes</p>	<p>(a) PGW jurisdictional revenues are about 500 million/year. LIURP (CWP) funding was 2.2 million or more than .4% of revenues. PGW is in compliance with funding guidelines. CRP/CWP Program Manager currently submits operating budgets for internal review. PGW will be required to submit annual budgets to the Commission.</p> <p>(c) No revision to program funding levels has been submitted.</p>

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<p>(1) Program expense shall be allotted among ratepayers. The precise method shall be determined in rate proceedings.</p> <p>(2) Recovery of expenses shall be subject to Commission review.</p>	<p>(e) yes, however currently under review</p>	<p>(e) LIURP (CWP) costs are currently recovered in the GCR mechanism. The Office of Trial Staff (OTS) suggested in August 2001 proceedings that the CWP costs be included in the base rate. The Recommended Decision of ALJ Cynthia Fordham is that CWP costs should not be recovered in the GCR and the issue should be deferred until the restructuring proceeding in mid 2002.</p>
<p>58.5 Administrative Costs</p> <p>Not more than 15% of the annual LIURP budget may be spent on administrative costs.</p>	<p>(58.5) no</p>	<p>The PY7 Evaluation reports CWP spending of \$2.2 million and PGW, ECA, & HDMC administrative costs of \$362,712 or 16.5% of the annual budget. The PY9 Evaluation reports CWP spending of \$1,970,010 and total administrative costs of \$327,096 or 16.6% of the annual budget. 15% of a \$2 million annual budget limits total administrative costs to \$300,000.</p>
<p>58.6 Consultation</p> <p>When making major modifications in program design, the utility shall consult with persons or entities with experience in design or administration of usage reduction programs, past recipients of services, social service agencies, community groups, other utilities, conservation contractors etc.</p>	<p>(58.6) yes</p>	<p>PGW utilizes a CRP Advisory Committee. When necessary, a subcommittee called the Conservation Monitoring Committee has convened. This Committee is a cross-section of interested parties. They have been involved with such things as developing cost-effectiveness guidelines for program evaluation, modification of the excess usage procedures, and discussions around adding a second weatherization contractor.</p>
<p>58.7 Integration</p> <p>(a) A utility shall coordinate program service with existing</p>	<p>(58.7)</p> <p>(a) yes</p>	<p>(a) The CWP refers customers to other programs for</p>

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resources in the community.		assistance. Services are not coordinated or offered jointly. However, one of the weatherization contractors also administers other assistance programs and there is some internal coordination of services.
(b) Mandatory programs shall be designed to operate in conjunction with consumer services and collection programs and other relevant programs so that those experiencing problems with ability to pay are made aware of programs. Direct assistance in making LIHEAP application is to be provided.	(b) yes	(b) The CWP is offered to high use customers participating in CRP. CRP is offered to low income customers who cannot pay the GS rate. Those targeted for CWP are high users who are likely but not necessarily experiencing payment problems with their CRP Budget plan. LIHEAP application assistance is given during CRP enrollment.
(c) Mandatory programs shall be designed to provide services through independent agencies with demonstrated experience and effectiveness.	(c) yes	(c) PGW has contracted with two outside contractors, HDMC and ECA, to provide CWP services.
58.8 Tenant eligibility Eligible customers who are tenants shall have equal opportunity to secure services if the landlord gives written permission. The landlord must also agree in writing not to raise the rent or evict the tenant for 12 months after measure installation, if the tenant complies with ongoing obligations as a tenant.	(58.8) yes	Low cost services to tenant's homes that do not change the structure do not require the landlord's prior permission (per local laws). However, installation of roof insulation does require the landlord's permission. The permission form explains the CWP and states the measure is installed free of charge. There are no specifics about rental agreements in the permission form.
58.9 Program announcement (a) The utility shall provide notice as follows: (1) Annually review customer records to identify the eligible population. Provide a targeted mass mailing to each	(58.9) yes, modified	(a)(1) PGW generates a list of high use customers annually (April) and provides the lists to the two weatherization contractors who use the list to further

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<p>customer identified to solicit application. A copy of the notice should also be sent to agencies that assist low income customers. Consider public service announcements.</p> <p>(2) If program resources exceed response, the targeted mass mailing shall be followed by personalized letters to identified non-responders.</p> <p>(3) If program resources exceed response, personal contact shall be made.</p> <p>(b) If funding still remains, the utility shall send notice to all residential customers with eligibility rules etc.</p>		<p>prioritize and recruit participants. The contractors contact eligible participants by mail and phone.</p> <p>(a)(2)—(3)(b) Excess funding has not occurred. Contractors recruit participants to meet their goals and funding levels.</p>
<p>58.10 Priority of Program Service</p> <p>(a) Priority shall be determined as follows:</p> <p>(1) Among eligible, those with the largest usage and greatest opportunity for bill reduction relative to the cost of providing services shall be served first. Prioritization factors based on usage include, dwelling size, occupants, service end-uses. Prioritization factors based on bill reduction include utility rate factors.</p> <p>(2) Among those with same standing in (1) those with the greatest arrearage shall be served first. Priority given to customers with largest arrearage relative to income.</p> <p>(3) Among those with same standing in (2) priority is given to those incomes placing them farthest below the maximum eligibility level.</p> <p>(b) These guidelines shall be used to determine the</p>	<p>(58.10)</p> <p>(a) yes, modified</p> <p>(b) yes</p>	<p>PGW generates a list of high use customers annually (April) and provides the lists to the two weatherization contractors who use the list to further prioritize and recruit participants. The list provided by PGW includes additional data that the contractor uses to prioritize and screen customers. This data include, for example, the amount owed, bills behind, LIHEAP funds applied to PGW, payment status.</p>

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<p>amount of annual funding to be budgeted.</p> <p>(c) Up to 10% of the annual program budget may be spent on eligible special needs customers defined as those with an arrearage at or below 200% of poverty.</p>	<p>(c) no</p>	<p>(c) The CWP is designed for CRP participants with high use. CRP only extends programs to 150% of Federal Poverty Level. PGW expends the full CWP budget on CRP participants, and therefore does not provide services to customers between 150-200% FPL.</p>
<p>58.11 Energy survey</p> <p>An onsite energy survey shall be performed to determine if measure installation is appropriate. It is appropriate if not already present and performing effectively, and savings result in simple 7-year payback. A 12-year simple payback shall be utilized for side wall insulation, attic insulation, space heating system replacement and water heater replacements when expected lifetime is longer than payback.</p>	<p>(58.11) partial</p>	<p>This program installs primarily low cost measures. The installation contractors conduct an onsite energy survey to assess the home and determine which measures should be installed. Usage data and the conditions at the home are factors considered in measure selection. 7-year and 12-year simple payback is not used to choose measures appropriate for installation. No measures are installed that require major repair first. (For example, if the roof leaks, attic insulation will not be installed until the resident fixes the leak. The roof repair is not made within CWP.) Referrals are made to other assistance agencies. Side wall insulation is rarely installed because it is not effective in the predominant housing type found in the service territory (row houses). Space heating system and water heating system replacements are not done under CWP.</p>
<p>58.12 Incidental repairs</p> <p>Expenditures may include incidental repairs to the dwelling necessary to permit proper installation of measures, or repair to existing measures to make them operate effectively.</p>	<p>(58.12) yes</p>	<p>PY7 and PY9 evaluations show a small number of heater repairs and water heater leak repairs.</p>

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58.13 Usage reduction education	(58.13)	(a) PY7 and PY9 evaluations state energy education is provided to all participating homes. LIHEAP applications are taken at enrollment. Education includes discussion of the CRP, excess use charge, measures that will be installed, and actions the customer can take to save energy.
<p>(a) Applicability. Education services shall be provided to maximize energy savings from installed measures and through behavior modification including water conservation. Education should address bill payment behavior and assistance with LIHEAP application.</p> <p>(b) Funding level. Expenditure for education shall be sufficient to provide services to each customer receiving LIURP services. Education programs with average costs > \$150/customer shall be pilot tested for 1 year and measured for cost effectiveness.</p>	(a) yes	
	(b) yes, modified	(b) Education funding is sufficient to provide in-home education at each participant dwelling. PY7 and PY9 evaluations show education costs are not separately tracked. Costs of education were grouped with other low cost measures for an average per house cost of \$224 in PY9 and \$266 in PY7. Education costs and other low cost measures would need separate cost accounting to determine the funding levels allocated to these measures. Separate accounting is not done.
(c) Pilot programs. The Commission encourages pilot tests and evaluation of innovative education approaches.	(c) yes	(c) PGW has conducted a pilot for providing group workshops. This was not effective.
<p>(d) Program services. Education should be designed to produce voluntary conservation. Activities shall include but need not be restricted to:</p> <p>(1) group presentations providing explanation of measures and objectives.</p> <p>(2) workshops teaching installation of measures.</p> <p>(3) in-home presentations between the contractor and customer that involves participation of the customer.</p>	(d) yes	(d) PGW has found in-home presentations to be the most effective means to provide energy education.

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<p>58.14 Program measure installation</p> <p>(a) Installation. Based on the energy survey (58.11) measures shall be installed to reduce energy bills, space heating usage, water heating and baseload end uses:</p> <p>(1) Residential space heating measures may include insulation, furnace replacement or efficiency modifications, clock thermostats, infiltration measures designed to reduce air flow, repair or replacement of chimneys and service lines.</p> <p>(2) Residential water heating measures may include installation of water heater control devices, rewiring to permit off peak or time-of-day billing, water heater & pipe insulation, low flow showerheads, faucet restrictors.</p> <p>(3) Residential baseload – not applicable to PGW</p> <p>(b) Quality Control. A utility shall establish effective quality control guidelines and procedures for the installation of measures. When a contractor is utilized the utility shall schedule post-installation inspections and require a warranty covering workmanship.</p> <p>(c) Inter-utility coordination. Customers of gas and electric utilities shall have coordinated provision of comprehensive program services.</p>	<p>(58.14)</p> <p>(a) yes</p> <p>(1) partial</p> <p>(2) yes</p> <p>(b) yes</p> <p>(c) no</p>	<p>(a) The energy survey is used to determine which measures to install. Low cost measures are installed in this program.</p> <p>(1) PY7 and PY9 evaluations list measures installed including attic insulation, clock thermostats, air sealing, radiator bleeding, and radiator reflectors. No sidewall insulation, space heat system replacements or water heat system replacements are installed.</p> <p>(2) PY7 and PY9 evaluations list measures installed including water heater & pipe insulation, low flow showerheads, faucet restrictors, and hot water leak repairs.</p> <p>(b) The contractors supervise and inspect 100% of the installations as a routine procedure while the job is in progress. Post-inspections are conducted by inspectors and quality assurance contractors at 10% of the sites. PGW has, during two years in the past, independently conducted post installation inspections at 4-5% of the participant homes. A warranty covering workmanship is included within current contractor insurance requirements.</p> <p>(c) PGW does not engage in coordinated provision of program services described under (c) (1-6). PGW</p>

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<p>(1) A gas utility shall address electricity usage through electric use reduction education, efficient lightbulbs, electric water heater and pipe insulation when equipment is in unheated areas, and low flow showerheads and aerators.</p> <p>(2) An electric utility shall address gas usage through gas use reduction education and gas water heater and pipe insulation when equipment is in unheated areas, and low flow showerheads and aerators.</p> <p>(3) Electric utilities should arrange for bulk purchase of efficient lightbulbs at their own expense and distribute them to the gas utility or gas utility contractors for installation.</p> <p>(4) A utility may absorb the cost of the water heating treatments. A utility may choose to bill the other for services. Inter-utility billing shall be stated in a contract between utilities, specifying costs covered and measures installed.</p> <p>(5) Education costs are not to be included in inter-utility billing.</p> <p>(6) Utilities shall provide training for measure installation (gas utility for electric measures and vice versa) at their own expense for their own contractors.</p> <p>(7) Utilities are not required to track education measures installed or track or report associated usage data.</p>		<p>focuses on providing measures that reduce gas consumption.</p> <p>PGW and PECO are currently exploring a pilot project to collaborate when PECO finds high use customers who are defacto electric heat customers.</p>
<p>58.15 Program Evaluation</p> <p>The utility is responsible for ongoing evaluation. It should include procedures for monitoring results and evaluating program effectiveness. Procedures include:</p> <p>(1) Compiling statistical data (i) number of homes</p>	<p>(58.14)</p> <p>(1) partial</p>	<p>(1) Program Year 7 (9/96—9/97) and PY9 (9/98—</p>

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<p>weatherized, (ii) itemized cost of measures installed, (iii) total labor and material cost per home. (iv) housing types weatherized, (v) energy consumption, (vi) recipient demographics, (vii) utility bills and account balances, (viii) recipient utility payments.</p> <p>(2) Evaluating energy savings and load management impacts, changes in customer bills, payment behavior and account balances, overall quality of services, steps taken to improve performance. Annually assess cost-effectiveness of contractors and incorporate into program management decisions.</p> <p>(3) Report evaluation findings to the Commission annually.</p>	<p>(2) partial</p> <p>(3) To be determined</p>	<p>9/99) CWP evaluations compiled statistical data including i) number of homes weatherized, (ii) itemized cost of measures installed, (iii) total labor and material cost per home. (iv) housing types weatherized, (v) energy consumption, (vi) recipient demographics. The evaluations did not include (vii) utility bills and account balances, (viii) recipient utility payments. These items will need to be added to the annual evaluations.</p> <p>(2) The PY7 and PY9 evaluations did not include changes in customer bills, payment behavior and account balances, overall quality of services, steps taken to improve performance.</p> <p>The evaluations did include energy savings and load management impacts, and an assessment of contractor cost-effectiveness. The Philadelphia Gas Commission established the Conservation Monitoring Committee in 1995. The Committee and PGW met to develop cost-effectiveness guidelines. A Sept. 1996 paper issued by the Conservation Monitoring Committee <i>Defining "Cost Effectiveness" for CWP</i>. These guidelines were used to determine cost-effectiveness in the PY7 and PY9 evaluations. These guidelines require review and modification.</p> <p>(3) PGW currently evaluates the CWP about every two years. This schedule will need revision. The CRP 3-year plan submitted during the</p>
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Appendix: PGW's Universal Service Programs

		restructuring filing should propose a year that annual evaluations can start.
<p>58.16 Advisory Panels</p> <p>(a) Creation. Create and maintain a Usage Reduction Program Advisory Panel to provide consultation and advice to the company regarding usage reduction services.</p> <p>(b) Membership. Only one member from any organization can serve on the Board at one time. Members may include:</p> <p>(1) Recipients of measures, representatives from social service agency, community groups, agencies or companies administering or installing measures.</p> <p>(2) Representatives from groups or agencies which may be able to offer reasonable advice.</p> <p>(c) Review. The Advisory Panel shall be provided with plans and changes at least 15 days prior to submission of plans to the utility.</p> <p>(d) Creation of additional Advisory panels. A utility may create one or more Advisory panels.</p> <p>(e) Existing Advisory Panels may be used.</p>	<p>(58.16)</p> <p>(a) yes</p> <p>(b) yes</p>	<p>PGW utilizes a CRP Advisory Committee. The Philadelphia Gas Commission established the Conservation Monitoring Committee in as a subcommittee in 1995. When necessary, the subcommittee is convened. This Conservation Monitoring Committee is a cross-section of interested parties. They have been involved with such things as developing cost-effectiveness guidelines for program evaluation, modification of the excess usage procedures, and discussions around adding a second weatherization contractor. The CRP Advisory Committee is an active committee.</p>
<p>58.17 Regulatory review.</p> <p>A utility may not implement a LIURP program or subsequently significantly modify the program without Commission approval.</p>		
<p>58.18 Exemptions.</p> <p>A utility may petition the Commission to exempt its program, alleging special circumstances.</p>		

Chapter 58
Reports due:

58.4 Program Funding. CRP/CWP Program Manager currently submits operating budgets for annual internal review. The CRP 3-year plan submitted during the restructuring filing should propose a year that budget submission to the Commission can start.

58.18 Program Evaluation monitoring program results and effectiveness. PGW currently evaluates the CWP about every two years. This schedule will need revision.

LIURP Codebook. Data must be submitted in April. The CRP 3-year plan submitted during the restructuring filing should propose a year that annual Codebook reporting can start

Appendix

XII. APPENDIX E: LETTER OF JANICE HUMMELL, BCS TO DAVE EPPLE, ECA

(See following this page.)



**COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265**

May 24, 2001

DAVID O EPPLE, CAE
VICE PRESIDENT – REGULATORY AFFAIRS
ENERGY ASSOCIATION OF PENNSYLVANIA
800 NORTH THIRD STREET
SUITE 301
HARRISBURG PA 17102

Dear Mr. Epple:

Thank you for arranging the meeting with the Bureau of Consumer Services (BCS) and utilities to discuss universal service relating to the following issues: evaluations, needs assessments, and Customer Assistance Program (CAP) costs and savings. BCS appreciates the opportunity to work with the utilities to develop mutually satisfactory guidelines. Based on comments and our discussions at the May 9, 2001, meeting, BCS has finalized and attached the guidelines the for these three universal service issues.

Evaluation Questions. Attachment 1 provides guidelines that utilities should use when developing an evaluation plan. The attachment lists a series of questions that BCS request to be considered in an evaluation. Of course, a utility may always request an evaluator to review additional concerns or issues. However, Attachment 1 shows the core questions that an evaluation should answer.

As a general guideline, BCS recommends that the focus of the evaluation will center on CAPs. We suggest the following ranges for evaluators to focus on the individual program components.

<u>Evaluation Focus</u>	<u>Program Component</u>
50-70%	CAP
5-10%	LIURP (extensive annual reporting already exists)
10-15%	CARES
10-15%	Hardship Funds
5-10%	Integration among program components

As a reminder, the CAP Policy Statement at § 69.265(10)(iii) provides that a utility should submit the evaluation plan to the BCS for review and approval. Finally, the natural gas distribution companies (NGDCs) should confer with BCS before selecting its evaluator as required at § 62.6(a).

Needs Assessment. Attachment 2 provides guidelines for a needs assessment. Based on our discussions at the meeting, we revised Number 4 – An Estimate of Potentially Payment Troubled, Low-Income Customers. Upon further review, we made an additional revision that removed No. 3 from the equation. Number 3 is a subset of Number 1 and is already included in the equation.

CAP Costs and Potential CAP Savings. Attachment 3 provides a list that represents an agreement between BCS and the utilities of the categories that include legitimate CAP costs and potential CAP savings.

Attachment 4 is a list of universal service managers.

As we discussed, you will send the final guidelines to members of EAP's Customer Service Committee and to the Universal Service Managers. Again, thank you for arranging the May 9 meeting so that we could finalize these issues. If you have any questions, please call me at (717) 783-9088 or email me at hummel@puc.state.pa.us.

Sincerely,



Janice K. Hummel
Bureau of Consumer Services

Appendix: PGW's Universal Service Programs

Attachment 1

Universal Service Evaluation Questions

(Revisions Based on Comments to 10/12/00 "Evaluation Questions" Letter and Discussions at the 5/9/00 BCS/ EAP Meeting)

Impact Evaluation Objectives:

- To determine if a utility's universal service programs meet the goals of universal service.
- To develop standard questions so that utilities evaluate the same measures.
- To comply with Commission orders that direct BCS in collaboration with the EDCs and NGDCs to develop guidelines for evaluation

Universal Service Goals:

- 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.

Universal Service Evaluation Questions:

Is the appropriate population being served? Appropriate population is defined as meeting the specific eligibility criteria as defined by the universal service plan for the program in which the household is enrolled.

What is the customer distribution for each universal service program component by poverty guidelines, 0-50%, 51-100%, 101-150-%, and 151-200%?

Identify barriers to program participation? Examples of barriers include enrollment waiting lists, restrictive eligibility criteria, and burdensome enrollment process.

What is the customer distribution by CAP payment plan? Payment plans are defined at § 69.265(2) of the CAP Policy Statement. Generally, do participants' energy burdens comply with the CAP Policy Statement at section 69.265(2)(i)(A)-(B)? Energy burden is defined as the percentage of household income spent on energy services (electric or natural gas). Determine the number and percentage of customers that are billed a minimum payment.

Identify barriers to program recertification? Examples of barriers include burdensome recertification process and unclear instructions.

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

Is there an effective link between participation in CAP and participation in energy assistance programs (LIHEAP, hardship funds, other grants)?

How effective are CAP control features at limiting program costs? CAP control features are defined at § 69.265(3) of the CAP Policy Statement.

How effective is the CAP and LIURP link?

Does CAP participation improve payment behavior? (Number of payments, percentage of bill paid, \$ amount paid) Compare CAP payment behavior to pre-CAP enrollment payment behavior.

Does participation in universal service programs reduce arrearages?

Does participation in universal service programs decrease service terminations?

Does participation in universal service programs decrease collection costs?

How can universal service programs be more cost-effective and efficient?

Appendix: PGW's Universal Service Programs

Attachment 2

Needs Assessment Proposal

(Revisions Based on Comments to 12/6/00 "Net CAP Costs" Letter and Discussions at the BCS/ EAP Meeting held on May 9, 2001)

§ 62.4(b)(3) defines "needs assessment" as including the following:

1. The number of identified low-income customers
2. an estimate of low-income customers,
3. the number of identified payment troubled, low-income customers,
4. an estimate of payment troubled, low-income customers,
5. the number of customers who still need LIURP services and the cost to serve that number, and
6. The enrollment size of CAP to serve all eligible customers.

To complete a needs assessment, determine the following:

1. The number of identified low-income customers
 - Include the followings accounts: all Level 1 and Level 2 customers who have payment agreements, all accounts who have received LIURP, all CAP customers, all accounts that have received LIHEAP or other energy assistance grants, and all accounts whose financial summaries show incomes below 150% of the poverty guidelines. Include accounts that meet the income criteria even if they are not on payment plans. Use a 12-month average.
2. An estimate of low-income customers
 - Use the most recent Census data at the most appropriate level (county, zip code).
3. The number of identified payment troubled, low-income customers (Number 3 is a subset of Number 1)
 - Include all customers whose incomes are below 150% of the poverty guidelines who have payment agreements. Payment troubled is defined at §54.72, §62.2, and § 69.262 as a household that has failed to maintain one or more payment arrangements in a 1-year period. Use a 12-month average.
4. An estimate of potentially payment troubled, low-income customers
 - Subtract Number 1 (number of identified low-income customers) from Number 2 (estimate of low-income customers).

5. The number of customers who still need LIURP services and the cost to serve that number

- Include the number of customers who meet the LIURP eligibility criteria. See Attachment 1 for methodology.
- Estimate the cost to serve the number who are eligible

6. The enrollment size of CAP to serve all eligible customers.

- Consider responses to numbers 1-4 to determine maximum enrollment size

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LIURP Needs Assessment

A needs assessment can be done using both Census data and company data. The percentage of households in the appropriate poverty levels is part of the Census data and can be applied to company population data. You may use the Census data at either the county level, zip code level or any other level that is available and useful.

The use of Census data in this manner generally applies to all Universal Service programs and this is where the similarity between the LIURP needs assessment and the needs assessment for all other Universal Service programs ends.

There are two major differences between LIURP and other Universal Service programs. First, LIURP eligibility includes customers between 150% and 200% of Poverty - up to 20% of the annual program budget. Second, payment-troubled is not a condition of receiving LIURP services. It is simply a sorting tool if a further prioritization is needed in the event of a backlog.

A needs assessment for LIURP requires an additional piece of company data, a sort of the company data by customer usage to determine the percent of customers who meet a prescribed minimum usage level. Electric companies should use annual usage of 6,000 kWhs as the minimum required usage level and gas companies, except PECO, should use annual usage of 120 Mcfs as the minimum required usage level. PECO should use 75 Mcfs.

Finally, for all Universal Service programs, customers who have currently and/or previously received services must be subtracted from the projected need. The electric companies may deduct the number of customers served in the past seven years while the gas companies may deduct for the past twelve years.

The following offers a simple methodology for a needs assessment calculation. A narrative explanation of the formula is as follows: County Census data provides the percentage of customers who are in the applicable poverty (income) levels for Universal Service programs. Multiply the company data for county population by the Census percentage in the income levels. Use company data to generalize the entire company population to determine the percent of customers who qualify based on usage criteria. Multiply the number of low-income households, by county, by the percentage of customers who meet the usage requirement. Last, deduct the customers who have already received program services (over the past 7 or 12 years) from this number and the result represents the need.

Census county data

1 = percentage of households between 0% and 150%

2 = percentage of households between 151% and 200%

Company data – by county

3 = Number of customers

4 = number of customers meeting usage requirement
5 = percentage of customers meeting usage requirement = 4/3

Example (This is not based on real data)

County = Allegheny

	Census data	Company data
0% - 150% =	1 = 18%	3 = 100,000
151% - 200% =	2 = 7%	4 = 50,000
		5 = 50%

Company data

0 – 150% = 100,000 x 18% = 18,000 x 50% = 9,000 - number receiving services
151 – 200% = 100,000 x 7% = 7,000 x 50% = 3,500 - number receiving services

Appendix: PGW's Universal Service Programs

Attachment 3

CAP Costs and Potential CAP Savings Categories

(Revisions Based on Comments to 12/6/00 "Net CAP Costs" Letter and Discussions at the 5/9/00 BCS/ EAP Meeting)

CAP Costs

Administrative

- ☐ Staffing/Salaries (Contract & utility staff)
- ☐ Account monitoring
- ☐ Other Fixed overhead costs associated with offices, equipment, computers, information system, etc.
- ☐ Outreach
- ☐ Intake
- ☐ Consumer Education & Conservation
- ☐ Training
- ☐ Maintaining telephone lines
- ☐ Reevaluation or recertification
- ☐ Programming costs
- ☐ Evaluation costs

CAP credits (difference between the standard billed rate and the CAP billed rate)

Arrearage Forgiveness