

	<b>2011</b>
An independent analysis of Universal Service Programs prepared for Equitable Gas Company, LLC	<b>Universal Service Impact Evaluation</b>

May 1, 2011

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## FOREWORD

The 2011 Equitable Gas, LLC (Equitable or the Company) Universal Service evaluation provides the perspective of the independent evaluator, Melanie K. Popovich of the design, management and improvements viewed as most relevant for program implementation.

The evaluator notes the considerable effort the Company takes to continually improve upon existing program processes as proven by their metrics driven results. The Universal Service Team is well managed, held accountable for program results, and is deemed a strategic partner within all departments of Equitable Gas.

Data sources for this evaluation included:

- Department ad hoc reports from Universal Service, Rates, Call Center, Credit and Collections, and Compliance.
- 2009 Bureau of Consumer Services (BCS) Annual Universal Service and Conservation Report.
- Company responses from Evaluator Data Requests.
- Interviews of Equitable Gas Management and Supervisory staff within Universal Service, Rates, Call Center, Credit and Collection, and Compliance.

A review for Company compliance was also performed from the following documents:

- 2006 Equitable Gas EAP Impact Evaluation recommendations.
- 2008-2010 BCS Universal Service and Conservation data reports as submitted by Equitable.
- 2007-2009 Universal Service and Energy Conservation Plan.
- 2010-2012 Proposed Universal Service and Energy Conservation Plan.

Upon comprehensive review, the evaluator finds Equitable Gas in compliance with its most recently approved Universal Service and Energy Conservation Plan 2007-2009.

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

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

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

Number of CAP accounts that have missed 3 or fewer payments  
Number of CAP accounts that have missed 4-6 payments  
Number of CAP accounts that have missed 7-12 payments  
Number of CAP accounts that have missed more than 12 payments.

9. Does participation in Universal Service Programs decrease service terminations?
10. Does participation in Universal Service programs decrease collection costs?
11. Is the CAP program cost effective?
12. How can Universal Service programs be more cost effective and efficient?
13. Has the Company adhered to its Universal Service and Conservation Plan for 2007-2009?

The evaluator also conducted a compliance review of the information contained within the following three documents:

**1. May 1, 2006 Equitable Gas Company EAP Impact Evaluation**

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Review for compliance of recommendations-pages 3-5.

**2. 2008-2009-2010**

**Universal Service Programs and Collections Performance Reports**

PA Public Utility Commission  
Bureau of Consumer Services

Review for compliance and data accuracy of annual reports as submitted by the Company for Collections; CAP; CARES; LIURP; LIHEAP; and Hardship Funds in years 2008, 2009 and 2010.

**3. September 27, 2007**

**Equitable Gas Company Universal Service and Energy Conservation Plan 2007-2009**

Review for compliance of most recently approved Universal Service Plan.

**4. Equitable Gas Company Universal Service and Energy Conservation Plan 2010-2012**

Not Available-Waiting for PUC approval

See comments which follow.

The Company filed their 2007-2009 Universal Service and Energy Conservation Plan (USP) on June 1, 2006. A Tentative Order at Docket No. M-00061959 was issued on August 17, 2006. Next the USP was consolidated with a petition at Docket No P-00062240 to increase the level of funding for CAP. On September 27, 2007, the Pennsylvania Public Utility Commission (PUC or the Commission) approved a settlement of the consolidated proceedings, fifteen months after the 2007-2009 was submitted. Equitable’s next triennial filing date was June 1, 2009. The Company is still awaiting Commission action on its June 2009 filing.<sup>1</sup>

**Table 1**  
**PUC Regulatory Lag Time**

<b>Filing</b>	<b>Date Filed</b>	<b>PUC Action</b>	<b>Date Approved</b>	<b>Regulatory Lag Time in # Months</b>
2007-2009 Universal Service and Energy Conservation Plan	June 1, 2006	Tentative Order Aug 17, 2006	September 27,2007	<b>15 Months</b>
2010-2012 Universal Service and Energy Conservation Plan	June 1, 2009	<b>No Action</b>	Pending	<b>23 Months</b>

<sup>1</sup> PUC Docket No. L-00070186-Additional Comment Period Proposed Rulemaking Relating to Universal Service and Energy Conservation Reporting Requirements, 52 Pa. Code §§ 54.71-54.78 (electric); §§62.1-62.8 (natural gas) and Customer Assistance Programs § 76.1-76.6.

**What are the impacts of unusually long regulatory lag times for approvals on the Company's Universal Service and Energy Conservation Plans?**

Using the 2011 evaluation as an example, the evaluator would ideally review data from the most currently approved Universal Service Plan. In this case the 2010-2012 USP is not yet approved. In this scenario, program design changes which the Company deemed as improving program effectiveness and efficiency will not be evaluated in this current evaluation. Rather, the evaluator is reviewing older program designs from 2007-2009. In addition, any necessary IT enhancements/changes to the billing system which supports the new program designs are put on hold until PUC approval. Forecast budgeting is also greatly impacted. Potentially, by the time Equitable's 2010-2012 USP is approved, the triennial cycle begins again with new plan and filing requirements due June 2012, hardly time enough to implement and measure the changes initially proposed.

It seems reasonable that if the PUC requires a third party evaluation every six years that evaluation should coincide with a USP approved plan from the same time period. In this case, the evaluation should be from the 2010-2012 approved USP.

**Finding-USP-1**

The use of tentative Commission orders provides an opportunity for comments and reply comments for all interested parties on Utility Universal Service Plans, however this process has unreasonably extended the outcome of these plans well beyond the 90 day required PUC approval time period.

**Recommendation**

The Commission to consider adopting one of the following options:

Option 1

Adopt a triennial filing process that contains an *acceptable timeframe for approvals*. Next triennial filing date should not be earlier than three years following Commission approval of the current USP, providing time for the Company to implement proposed changes.

Option 2

Move to a six year filing process to coincide with the Third Party evaluation. The six year plan would follow the evaluation in order to integrate the evaluator's recommendations.

ITEM	FINDINGS	RECOMMENDATIONS
<b>USP-1</b>	<p>The use of tentative Commission orders provides an opportunity for comments and reply comments for all interested parties on Utility Universal Service Plans; however this process has unreasonably extended the outcome of these plans well beyond the 90 day required PUC approval period.</p>	<p>Commission to consider adopting one of the following options:  <u>Option 1</u>                      A triennial filing process that contains an acceptable timeframe for approvals. Next triennial filing date should not be earlier than three years following Commission approval of the current USP, providing time for the Company to implement proposed changes.  <u>Option 2</u>                      Move to a six year filing process to coincide with the Third Party evaluation. The six year plan would follow the evaluation in order to integrate the evaluator's recommendations.</p>
<b>CAP-1</b>	<p>As of year end 2010 the number of CAP participants was 17,596 or 39% of its identified confirmed low income population. This comes close to the Pennsylvania natural gas industry weighted CAP participation rate of 40% as reported in the 2009 Universal Service and Conservation Report.</p>	<p>Continue to update needs assessment on an annual basis to capture changes in both the estimated and confirmed number of low income and payment troubled customers and adjust CAP enrollment proportionately.</p>
<b>CAP-2</b>	<p>CAP participation has declined by 3,137 customers or 15% from 2008-2010. Gas costs decreases and availability of excess LIHEAP funds are cited as possible financial preventions of customers needing CAP.</p>	<p>Continue to track CAP participation trends and accelerate CAP outreach as needed.</p>
<b>CAP-3</b>	<p>Universal Service has significant and impressive controls over their CAP program. On a daily basis, the CAP Administrator reviews various CAP control reports including enrollments and adjustments processed by the call center.</p>	<p>Implement CAP training and CAP refresher training on a more frequent basis to provide detailed and accurate direction especially to newly hired Customer Service Reps.                      Consider the benefits of implementing a specialized Universal Service Call Group within the call center, staffed with higher specialized representatives to ensure program integrity.</p>

ITEM	FINDINGS	RECOMMENDATIONS
<b>CAP-4</b>	<p>The Company expends considerable time, effort and manpower to monitor CAP high usage as currently exists. The use of Company and contractor resources for this effort is excessive compared to the yielded results. For the 2007-2008 CAP program year, a mere 0.2% of CAP customers were identified as requiring follow-up for review.</p>	<p>Implement the audit process for high bills already in place at the Company. High usage CAP customers are tagged each billing cycle for review and investigation by the Universal Service department.</p>
<b>CAP-5</b>	<p>In 2010 the average monthly CAP bill was \$75, a reduction of \$2 from 2009.</p> <p>27% of CAP participants were in the 0%-50% of FPL with an average monthly CAP payment of \$38.</p> <p>56% of CAP participants were in the 51%-100% of FPL with an average monthly CAP payment of \$72.</p> <p>17% of CAP participants were in the 101%-150% of FPL with an average monthly CAP payment of \$119.</p>	<p>None</p>
<b>CAP-6</b>	<p>In 2010, of those CAP participants with continuous twelve month billing history:</p> <p>30% (4,101) never missed a CAP payment.</p> <p>48% (2,382) missed fewer than three CAP payments.</p> <p>15% (2,028) missed four to six CAP payments.</p> <p>37% (4,997) missed seven to twelve CAP payments.</p>	<p>Capture payment history information 12 months pre-CAP and post-CAP to develop accurate comparisons of numbers of missed payments prior to joining CAP. This should serve to evaluate, "Does CAP participation improve payment behavior?"</p>
<b>CAP-7</b>	<p>34% or 4,394 active CAP customers have remained in CAP for two to five years.</p> <p>21% of 2,164 active CAP customers have remained in CAP for longer than five years.</p>	<p>None</p>

ITEM	FINDINGS	RECOMMENDATIONS
<b>CAP-8</b>	<p>The Company has followed Commission approved default procedures in prioritizing the termination of CAP customers who default for non- pay.</p> <p>In 2010, CAP customers removed for non-pay totaled 5,198 customers. Almost half (49%) were on the 8% CAP payment plan representing 51%-101% of Federal Poverty Level income.</p>	None
<b>CAP-9</b>	<p>The two largest customer segments removed from CAP in 2010 are those identified as Failure to Recertify for CAP (2,353 customers) and Moved (2,233 customers).</p>	<p>Ensure there are controls on the number of customers who actually move from the number of customers who merely change the ratepayer named to another member of the same household. Chapter 14 language allows for the utility to require the payment of any outstanding balance or portion thereof if the "new" applicant resided at the property for which service is requested during the time the outstanding balance accrued and for the time the applicant resided there.</p>
<b>CAP-10</b>	<p>The Company prioritizes CAP recertification by incorporating individual Universal Service performance goals based on successful recertification completions.</p>	None
<b>CAP-11</b>	<p>As of December 2010 month end, the Company's arrearage forgiveness program benefited 13,370 or 78% of CAP customers by reducing their pre program arrearage to zero.</p> <p>On average, 4,616 customers received \$102 in arrearage forgiveness.</p>	None

ITEM	FINDINGS	RECOMMENDATIONS
<b>CAP-12</b>	<p>Comparing CAP Year 2010 to 2009:</p> <p>There has been a significant increase in customer CAP payments (97% of CAP billed paid) which is attributed to more affordable CAP budgets, more aggressive collections activities and increase in supplemental LIHEAP grants.</p> <p>Since LIHEAP grants will no longer be applied to reduce CAP shortfall amounts, CAP credits are expected to increase in future program years.</p>	None
<b>CAP-13</b>	<p>A sample size of 5,819 customers analyzed with 12 months pre and 12 months post CAP collection activity revealed the following:</p> <p>An increase of 3,612 termination notices.</p> <p>An increase of 3,289 personal contacts.</p> <p>A decrease of 206 actual shut-offs.</p> <p>Overall CAP collection costs reduced by a net \$1,694.</p>	None
<b>CAP-14</b>	<p>Overall, the Company's CAP program is cost effective. CAP credits make up the largest percentage (92%) of total CAP program cost in 2010.</p>	Continue to manage CAP credits through energy conservation programs such as LIURP and state weatherization programs.
<b>CAP-15</b>	<p>There are 38 outstanding Universal Service requests for enhancements to the REDI billing system, some dating back to 2006.</p>	In order to increase efficiencies to the programs and reduce numerous manual adjustments, the Company should consider prioritizing those Universal Service enhancements requests which affect customer CAP benefits and PUC reporting requirements.
<b>CAP-16</b>	<p>The Company is extremely effective in linking CAP customers to other Universal Service Programs.</p> <p>In 2010, comparing the average number of CAP participants for the year:</p> <p>65% (11,639) of CAP participants received benefits from multiple programs.</p> <p>91% (138) of LIURP completions were high usage CAP customers.</p> <p>59% (10,809) of CAP participants received LIHEAP grants.</p>	Continue efforts to increase LIHEAP outreach to increase CAP participation.

## SUMMARY INDEX

ITEM	FINDINGS	RECOMMENDATIONS
<b>CARES-1</b>	<p>In 2010, there were 492 customers enrolled into CARES.</p> <p>The Company's CARES program is well managed and exceptional in the services and extensive referrals the Universal Service department delivers to special needs customers. One of the best designed and implemented programs that the evaluator has seen in the Pennsylvania gas Industry.</p>	None
<b>CARES-2</b>	<p>The Company has spent most of the \$725,000 of the Gulf-Tetco settlement funds, in the 1970's, targeted for the Hardship Repair Fund. This fund of last resort assisted 1,247 low income and elderly customers with much needed house service line and heating equipment repairs or replacements.</p>	<p>Conduct a needs assessment for a continued hardship Repair Fund and develop a permanent funding mechanism to support it.</p>
<b>CARES-3</b>	<p>The Universal Service department has implemented numerous innovative and cost saving measures to improve LIHEAP outreach, automate the LIHEAP application process, and ensure customer and DPW accessibility to critical Company and program information.</p>	None
<b>CARES-4</b>	<p>The Company's low income customers realized significant benefits from Dollar Energy Fuel Fund grants of an average of \$419 per customer from 2006-2010.</p>	None
<b>LIURP-1</b>	<p>The Company's LIURP program is well managed and exceptional in its approach to streamlining processes and implementing improvements.</p> <p>Hiring outside contractors to perform administrative work, safety checks and post inspections incorporating infra red technology are a few of the noted improvements.</p>	None
<b>LIURP-2</b>	<p>During the most recent three year period, an average of 15% of the total LIURP jobs completed involved furnace replacement or repair only. This falls well within the BCS guidelines for allowable equipment-only expenditures.</p>	None

## SUMMARY INDEX

ITEM	FINDINGS	RECOMMENDATIONS
<b>LIURP-3</b>	Over the most current three year period, 20,464 Mcf was saved post-LIURP with an average usage reduction of 23%, which is above the Pennsylvania gas industry average of 21.8%.	None
<b>LIURP-4</b>	The Company utilizes an outdated manual process to weather normalize the consumption of its LIURP customers.	Develop a process to automate LIURP weatherization normalization by December 2011.
<b>LIURP-5</b>	<p>The Company has difficulty in spending its LIURP budget in its entirety for two budget years 2009 and 2010 resulting in the carryover of unspent dollars into three consecutive program budget years 2009-2011.</p> <p>For program year 2011, there is \$89,659 in unspent dollars. The Company cites difficulty in recruiting eligible customers who meet the Company's LIURP criteria as the primary reason.</p>	Reduce the annual LIURP usage requirement of 200 Mcf annually to 160 Mcf annually to increase the number of LIURP eligible customers.

Equitable Gas Company LLC approximately 260,000 residential, commercial, and industrial customers in parts of ten counties in western Pennsylvania with headquarters located in Pittsburgh, Pennsylvania.

Of the 242,339 residential customers the Company serves, 18% or 44,657 residential customers were identified on their REDI billing system as confirmed low income customers.<sup>2</sup> By definition all customers who met the 150% or less of the Federal Poverty Level (FPL) guidelines as shown in their financial summaries were included in the low income group.

Additional criteria for the identification of confirmed low income included the following:

- All customers at or below 150% of FPL when these demographics exist on the customer account.
- All customers who have received the Low Income Usage Reduction Program (LIURP); the Customer Assistance Program (CAP); the Low Income Home Energy Assistance Program (LIHEAP) within the last two years; Crisis; or other energy assistance programs with eligibility guidelines requiring the same income guidelines as above.

The Company's CAP has been in existence since February 1991 with an initial maximum enrollment of 7,000 customers. Today the program has evolved into a fully comprehensive program offering affordable percentage of income budget plans, arrearage forgiveness, and CAP Credit benefits for over 17,300 customers.<sup>3</sup>

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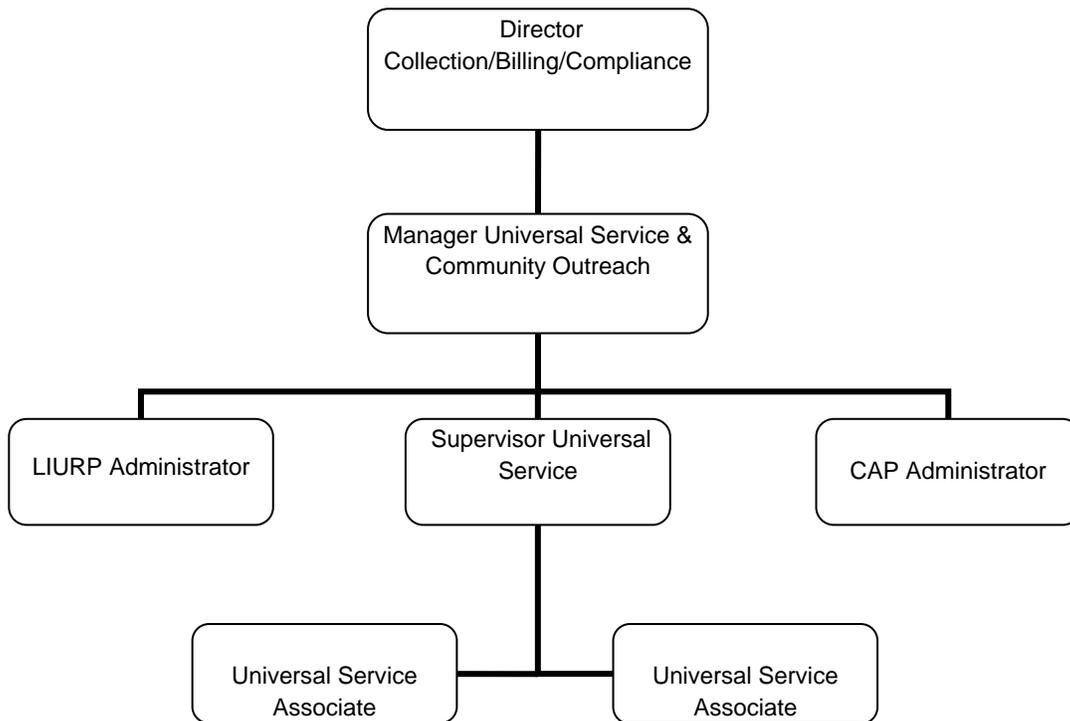
<sup>2</sup> Interview Manager Universal Services 2011 data

<sup>3</sup> Ibid.

**Universal Service Team**

Equitable's Universal Service team includes internal staff reporting to the Director of Collection, Billing and Compliance.

**Figure 1  
Universal Service Staff**



**Table 2**  
**Universal Services Staff**

<b>Position</b>	<b>Responsibility</b>
Director Billing/Collections/Compliance	Oversight of Company's Billing, Collections, and Compliance as well as the Universal Service Programs to ensure regulatory compliance and alignment with revenue requirements.
Manager Universal Service & Community Outreach	Implementation and compliance of all Universal Service Programs, program evaluations, and process improvements.
Supervisor Universal Service	Coordination of outreach and implementation of all programs for special needs customers including CARES; LIHEAP and Dollar Energy Fund.
Universal Service Associate (2)	All aspects of CAP recertification; liaison with LIHEAP and Crisis.
CAP Administrator	Coordinates all administrative functions of CAP enrollment, removals, and recertification.
LIURP Administrator	Coordinates LIURP intake, implementation, analysis, and reporting to BCS.

**Table 3**  
**Universal Services External Contractors**

<b>Contractor</b>	<b>Responsibility</b>
NCO Call Center	CAP enrollment: Universal Service Program referrals
Weatherization Contractors (2)	Mincin Insulation; JD Gales Installed weatherization measures
AGL Enterprises	Gas Line and Gas Appliance Safety Checks for LIURP
Conservation Consultants, Inc.	LIURP Audits; Post Inspections
Dollar Energy Fund, Inc	Outreach and intake administration for Fuel Funds; Performs phone calls for Company's CAP Over Usage.
Tri-Valley Energy	Social service agency for CARES referral follow-up

### **Company Networking**

The Universal Service and Community Outreach staff networks with over 70 community agencies and social service organizations throughout the Company's service territory. These partnerships serve to identify and blend program services to best serve the needs of Equitable's low income customers.

Benefits from networking include the following:

- Enrollment into Universal Services programs.
- LIHEAP applications and approvals.
- Crisis and Fuel Fund assistance.
- Gas furnace and line repair/replacement.
- Housing structure repair.
- Financial assistance.

The Company's Customer Assistance Program (CAP) is an account management program for low-income customers at or below 150 percent of the Federal Poverty Level. Eligible customers are placed on an affordable budget based on a percentage of the customer's gross annual household income. When customers make regular payments, they receive CAP credits to offset the difference between their usage and their CAP budget payments, and also receive arrearage forgiveness credits to eliminate pre-CAP balances over a four year average.

CAP provides an affordable payment plan designed to limit the risk of constant collection activity and the disruption of utility service for eligible low-income customers. Program costs are partially recovered from the Company's residential non-CAP customers.

The goal of CAP is to establish an affordable monthly payment that will:

- Create regular bill payment behavior.
- Remove customers from the traditional collection cycle.
- Promote energy conservation.
- Increase customer participation in seeking available energy assistance funds.

### **Eligibility Criteria**

Customers qualify for CAP under the following guidelines:<sup>4</sup>

- Total gross household income is at or below 150 percent of FPL.
- The customer is designated as a residential gas heating account.
- The customer resides at the service address.
- The account is a single dwelling unit.
- There is only one account in the customer's name.
- The customer is not permitted to contract with a separate gas supplier and agrees to cancel their contract if applicable.

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<sup>4</sup> Equitable Gas Company Universal Service and Energy Conservation Plan 2007-2009

### **What are the Customer's responsibilities after CAP enrollment?**

The customer must agree to certain provisions once enrolled in CAP in order to continue to receive CAP benefits. These provisions include the following:

- Recertify gross annual income upon Company request.
- Notify the Company with any changes to family size and income.
- Pay the agreed upon monthly CAP payment amount by the due date which includes an embedded \$5 dollar co-pay towards the pre-program arrears.
- Apply for all available LIHEAP assistance which is applied towards the customer's monthly CAP payment.<sup>5</sup>
- Apply for any eligible free weatherization services offered through the Department of Community Education Development (DCED) state weatherization agencies and/or the Company's LIURP.

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<sup>5</sup> Department of Welfare 2009-2010 LIHEAP Regulations

LIHEAP grants will be applied to the customers' monthly CAP payment in lieu of being applied to the CAP shortfall amount.

Affordable payment arrangements are offered to potential CAP customers to ensure consistent payment behavior and limit the risk of collection activity. The table below reflects plan options for customers who agree to pay 7%, 8%, or 10% of their gross monthly income using household income and family size as determinants of their payment plan.

**Table 4**  
**CAP Payment Options**

<b>Federal Poverty Level</b>	<b>Income Payment Percentage</b>
0%-50%	7%
51%-100%	8%
101%-150%	10%

### **Arrearage Forgiveness Credits**

Included in the CAP budget payment is a \$5 co-pay that is applied to the customer's Pre-CAP balance. This co-pay is matched on a 3:1 basis on the condition that the customer is current with their monthly CAP payment.

**Example:**

\$ 5 Customer Co-pay <u>\$15 Company Match</u> <b>\$20 Total Monthly Arrearage Forgiveness</b>
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Delinquent CAP customers must bring their account up to date before receiving all accumulated forgiveness credits.

### **CAP Credits**

CAP credits are defined as the difference between the customer "asked to pay" amount and the actual amount of the tariff bill. During program participation customers receive CAP credits as long as they are current with their monthly payment. Delinquent CAP customers must bring their account up to date before receiving all accumulated CAP credits.

**Example**

\$145 Actual Tariff Bill <u>\$ 80 CAP Customer Asked To Pay Amount</u> <b>\$ 65 CAP Credit</b>
--

### **Recertification**

The Company recertifies CAP household income for approximately 1,700, or ten percent, of its currently enrolled CAP participants. Excluded are customers who have received LIHEAP or Crisis grants which comprise approximately 10,809 CAP customers for the current program year.<sup>6</sup>

### **Customers Removed from CAP due to Default Provisions**

CAP customers who fail to comply with one or more of the following may be removed from CAP at the discretion of the Company:

- Failure to make monthly CAP Payments. Termination notices are issued to CAP customers who have missed one payment or more and if not made current by the customer will be scheduled for shut off.
- Failure to report changes in income or family size.
- Failure to comply with energy conservation recommendations or maintain historical weather normalized usage patterns.
- Refusal to accept eligible weatherization services when offered by the Company.

### **Conditions for Customer Reinstatement into CAP**

Customers removed from CAP for reasons other than non-pay are required to resolve the issue prior to being readmitted into CAP. The customer is asked to pay the catch up amount (the equivalent of all their missed CAP payments) while service was maintained. Further, all payments made by the customer while removed from CAP will be considered as a deduction from the required amount for CAP reentry.

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<sup>6</sup> Interview Supervisor Universal Services and data from the BCS Universal Service Report 2010

Is the appropriate population being served?

The most recent CAP needs assessment by the Company was provided within their 2010-2012 Universal Service Plan which is waiting for PUC approval.

This needs assessment, along with the more current census data provided by BCS, reveals that there is an *estimated* low income population of 60,811 customers. Equitable reports a total of 44,657 *confirmed* low income customers.

A confirmed low income customer is a customer whose gross household income has been determined by the Company as meeting the stated FPL income guidelines. Most household incomes are verified through customers' receipt of LIHEAP or Crisis grants or determined during the course of making a payment arrangement. Confirmed low income customer numbers are updated annually by utilities for inclusion in the BCS Universal Service and Collections Report.

**Table 5**  
**CAP Needs Assessment as of December 2010**

Item	Number of Customers	Percentages
Equitable Gas Residential	242,339	
Estimated Low Income Residential Census Data	60,811	25% of all residential customers are estimated low income via Census Data.
Confirmed Low Income	44,657	18% of all residential customers are confirmed low income.
Weighted Average of PA Natural Gas Companies CAP Participation Rate '09		40% of confirmed low income
Dec 2010 CAP Participants	17,596	39% of confirmed low income
Projected No. of CAP Eligible	17,862	40% of confirmed low income

**Finding CAP-1**

As of year end 2010, the number of CAP participants was 17,596 or 39% of its identified confirmed low income population. This comes close to the Pennsylvania natural gas industry weighted CAP participation rate of 40% as reported in the 2009 Universal Service and Conservation Report.

**Recommendation**

Continue to update needs assessment on an annual basis to capture changes in both the estimated and confirmed number of low income and payment troubled customers and adjust CAP outreach as needed.

### One Call Enrollment Process

Upon the approval of the Company's most current Universal Services Plan 2007-2009, the intake and enrollment procedure changed to a one call process as recommended in their 2006 EAP Impact Evaluation. The Company also removed the participation limit on CAP and now offers open and continuous enrollment for eligible customers.<sup>7</sup>

The Company contracts with NCO (a full service call center located in Johnstown, PA) to handle residential, commercial, and industrial customer calls. All 45 Customer Service Representatives (CSRs) carefully follow Company provided scripts<sup>8</sup> enabling them to handle all CAP transactions including:

- Customer Demographics.
- Calculating Gross Monthly Income.
- Income Types.
- CAP Eligibility Guidelines.
- 3-tier CAP Budget System.
- CAP Reinstatements and New Enrollments.
- Processing a CAP Payment Plan.
- CAP Enrollment Script.
- CAP Rules.
- Understanding CAP Credits.
- CAP Arrearage Forgiveness Credits.

Potential CAP customers are enrolled into CAP during their initial contact with the call center representative, where customer income information, family size and other demographics are obtained. If eligible, the representative explains the terms of CAP, places the customer in one of three percentages of income CAP plans, and sends a follow-up CAP enrollment confirmation letter.

If the CAP budget exceeds the amount of the customer's current budget plan and there is no unpaid balance, it would benefit the customer to remain on their budget plan. However, for those customers who carry an unpaid balance, the CAP arrearage forgiveness component is a definite benefit.

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<sup>7</sup> Equitable Gas Company EAP Impact Evaluation May 1, 2006- pg. 3 submitted by  
Melanie K. Popovich  
Utility Business Consultant.

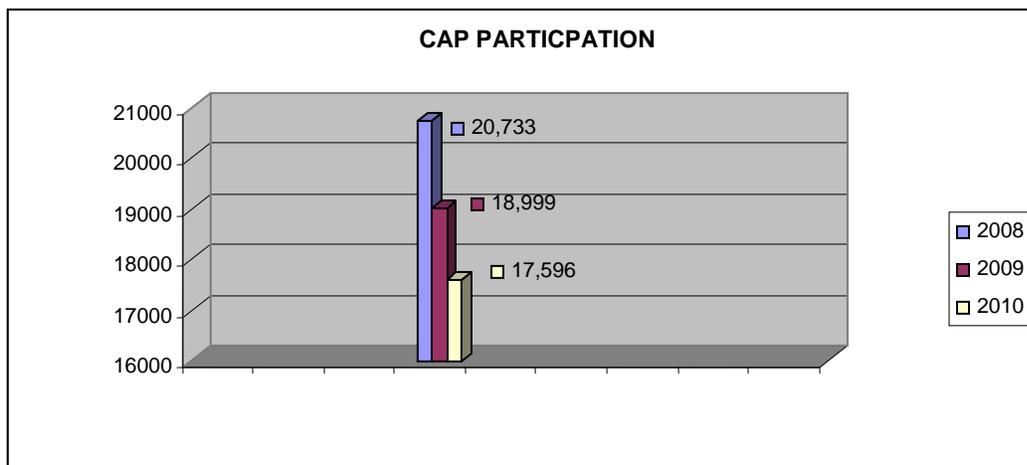
<sup>8</sup> "About CAP Enrollment" EQT training document for Call Center CSRs.

**CAP Enrollment Trends**

Enrollment trends from program years 2008-2010 indicate that 3,137 or 15% fewer customers were enrolled in CAP over the three year period. This is a trend that the evaluator has observed among peer companies within the PA gas distribution industry.<sup>9</sup> Causes for the decline in CAP participation include the following:

- Decreases in Company's rates.<sup>10</sup>
- Increase in the number and amount of LIHEAP and Crisis grants in program year 2008-2009. This excess in availability of funds acted as financial preventions for customers who otherwise might have needed CAP.<sup>11</sup>

**Figure 2**  
**CAP Participants Year End**  
**2008-2009-2010**



BCS Universal Service and Conservation Report 2008-2010

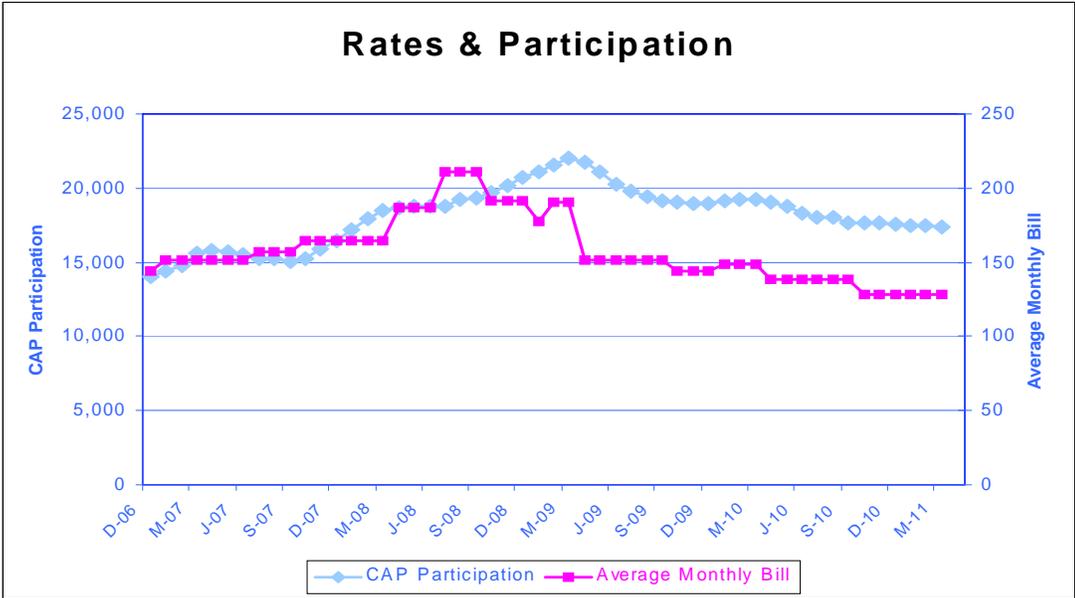
<sup>9</sup> Peoples Gas Company Universal Service Program Impact evaluation May 2009  
 Columbia Gas Company Universal Service Program Impact evaluation Nov 2009  
 Melanie K. Popovich Utility Business Consultant

<sup>10</sup> Equitable Gas Company Pennsylvania Division Residential Rate History  
 10/1/2001 through 1/1/2010.

<sup>11</sup> Interview Manager Universal Service  
 BCS US Report 2008-2009-2010 LIHEAP and Crisis Grants

Using a basis of 10 Mcf, the average annual Company rate change impacted the average annual CAP participation from 2007-2010 as shown in the figure below.

**Figure 3**  
**CAP Participation**



AD Hoc Universal Service Rate Comparison Report 2007-2010

**Finding CAP-2**

CAP participation has declined by 3,137 customers or 15% from 2008 to 2010. Gas costs decreases and availability of excess LIHEAP funds are cited as possible financial preventions of customers needing CAP.

**Recommendation**

Continue to track CAP participation trends and accelerate CAP outreach as needed.

How Effective are CAP control features as defined in 52 Pa Code §69.265(3) of the CAP Policy Statement at limiting program costs?

### CAP Call Center Quality Control

Equally important at maintaining an efficient CAP operation are managing the functions comprising CAP accounting, back office work, and overall quality control of CAP program guidelines. The Readi billing system produces daily and weekly CAP activity reports to the Universal Service Department for their tracking and investigation. These reports are reviewed for accuracy and appropriateness with respect to CAP program guidelines.<sup>12</sup>

**Table 6**  
**System Generated Reports**

Daily Reports	Weekly Reports
CAP Additions	CAP>150% of Income
CAP Plan Budget Change	CAP Removed for No Reason
CAP Shortfall Adjustments	CAP Entry Exceptions
CAP Shortfall Credit Balance	CAP Accounts with Multiple Contracts
CAP Daily Statistics (No.of enrollees)	Accounts Enrolled in CAP but Remain On Budget Plan
CAP Accounts Dropped for Non-Pay	CAP Accounts with No CAP Rate
CAP Accounts Finaled	
Dominion Supplier Report	

### Action Due Reports

Action Due Reports (generated by NCO and as well as other Company departments) flag the Universal Service department to take immediate action on unusual occurrences or unresolved problems relating to CAP accounts. These may include items such as: circumstances requiring customers to show proof of income; investigation as to why customers were not eligible for LIHEAP; need for CAP recertification; and CAP accounts showing zero income.<sup>13</sup>

<sup>12</sup> Interview Universal Service Associate. Daily and Weekly CAP Reports

<sup>13</sup> Interview Universal Service Associate. Action Due Reports

Two Universal Service Associates review these reports for accuracy and appropriateness with respect to CAP program guidelines as well as to identify CSR errors. In 2010, there were 711 errors identified with CAP with the top three issues listed in the table below.

**Table 7**  
**Call Center Error Type**

Reason	Number
Handled as a new enrollment instead of a reinstatement	181
Enrolled ineligible customer into CAP	176
Amounts were calculated incorrectly	159

Ad Hoc Call Center Error Type Report 2010

### How are errors managed by the Company? <sup>14</sup>

An error report for follow-up is issued directly to the Manager Customer Service who ensures immediate remedial training and coaching of the CSRs. In addition approximately 500 calls monthly are monitored for quality control by two Equitable Supervisors. Annually, the Universal Service department conducts training on LIHEAP, Crisis, Dollar Energy, CARES and CAP reviewing updated guidelines, dates of program availability and documentation of demographics. Due to call center turnover, there is a continual influx of newly hired customer service representatives requiring CAP training.

#### **Finding CAP-3**

Universal Service has significant and impressive controls over their CAP program. On a daily basis, the CAP Administrator reviews CAP control reports including enrollments and adjustments processed by the call center.

#### **Recommendation**

Implement CAP training and CAP refresher training on a more frequent basis to provide detailed and accurate direction especially to newly hired Customer Service Reps. Consider the benefits of implementing a specialized Universal Service Call Group within the call center, staffed with higher specialized representatives to ensure program integrity.

<sup>14</sup> Interview Manager Universal Service

## Other Control Features

### Consumption Limits and High Usage Treatment

In March 2009, the Company commenced an extensive CAP Usage Monitoring Program wherein they reviewed all active CAP customers for usage greater than 110% of their historical usage. This captured CAP customers from the 2007-2008 program year with twelve months of post-CAP consumption. Customers who were non-active or removed from CAP were deducted from the original pool of 18,650 customers. In addition, the Company weather normalized the consumption to confirm excess usage.

*See Appendix A: CAP Usage Monitoring Results*

CAP customers were reviewed and identified for removal from the monitoring program for the following reasons:

- Billing was less than 24 months.
- Insufficient meter readings during last 1-12 months.
- Insufficient meter readings during last 13-24 months.
- Meter change or shut off issue.

Criteria for inclusion in the usage monitoring program included:

- Usage > 200 MCF.
- \$1,200 in annual CAP credits.
- >110% usage increase (after weather normalization).

A series of customer contacts were implemented which were segmented into three phases.

#### Phase One

A third party contractor, Dollar Energy, Inc. performed initial telephone campaigns in order to identify possible exemptions,<sup>15</sup> remind the customer of the requirement to conserve energy, provide conservation tips and identify status of CAP customer.

#### Phase Two and Phase Three

Customer letters were sent to remind customer of requirement to conserve energy, provide the customer with conservation tips, and identify possible exemption. Follow up phone calls were also made.

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<sup>15</sup> Policy Statement on Customer Assistance Programs §CAP design elements (vi) Exemptions (A) (B) (C) (D) (E)

## The Results

**Table 8**  
**CAP Usage Monitoring Results**

<b>Nov 09 Review - 702 Original Accounts + 449 Possible LIURP - Total</b>	
<b>1,151</b>	
<b>(Reviewed Conservation Tips, No Response and Potential LIURP)</b>	
Customer identified usage monitoring exemption	369
Not pursuing for LIURP (LL refused, multi-family, solid brick, no response)	316
Annual usage is in line or lower than historical usage	186
Customer moved, non-active, removed from CAP	179
Follow up with LIURP	65
Review further - warned to bring usage in line	<b>36</b>
<b>Total</b>	<b>1,151</b>
<b>Percent of CAP customers requiring follow up review</b>	<b>0.2%</b>
<b>Jan 10 - Conservation Letter Sent, May 10 - Account Review</b>	
Follow-up on the 36 accounts:	
Used less	24
Removed CAP, moved or deceased	9
Usage the same - medical	1
Usage increased 3% - hardship repair - furnace problem	1
Usage increased 1% but by only 2.3 MCF	1
<b>Total</b>	<b>36</b>

CAP Usage Monitoring Report 2011

### Finding CAP-4

The Company expends considerable time, effort and manpower to monitor CAP high usage as currently exists. The use of Company and contractor resources for this effort is excessive compared to the yielded results. For the 2007-2008 CAP program year, a mere 0.2% of CAP customers were identified as requiring follow-up for review.

### Recommendation

Implement the audit process for high bills already in place at the Company. High usage CAP customers are tagged each billing cycle for review and investigation by the Universal Service department.

What is the customer distribution of CAP by Poverty Guidelines?

Generally, do participants energy burdens comply with the CAP Policy Statement at § (i)-(B)?

**Table 9**  
**2010 CAP Participants by Plan Option**

FPL %	CAP Count	Average CAP Payment
0%-50%	4,776	\$38
51%-100%	9,831	\$72
101%-150%	2,989	\$119

2010 Universal Service Report

**What is the Average CAP Bill? What is the Percentage of Bill Paid?**

The BCS defines average monthly CAP bill as the total CAP amount billed (\$16,426,722) divided by the total number of CAP bills rendered (18,363). Percentage of bill paid is the total amount paid by CAP customers (\$15,998,508) divided by the total dollar amount of CAP billed (\$16,426,722).<sup>16</sup>

**Table 10**  
**Equitable Average CAP Payment**

Program Year	Average Monthly CAP Payment	% Bill Paid
2010	\$75	97%
2009	\$77	94%
2008	\$79	91%
2007	\$76	94%

2007-2010 Universal Service Programs and Collection Reports

<sup>16</sup> Definitions Universal Service and Collections Report BCS Data Dictionary.  
2010 Data as submitted in the BCS Universal Service and Collections Report.

Assuming that the affordability test is based on the percentage of bill paid by CAP customers, this evaluation suggests that the Company's 2010 CAP average monthly bill is well within the CAP affordability guidelines with 97% of bill paid. In 2009, Equitable had the third lowest average monthly CAP bill and the highest percentage of bill paid compared with their Pennsylvania natural gas peers.

**Table 11**  
**Average CAP Bill and % of Bill Paid**  
**Pennsylvania Natural Gas Companies**

Company	Average CAP Bill	% of Bill Paid
Columbia	\$49	93%
Equitable	\$77	94%
National Fuel	\$91	74%
PECO-Gas	\$57	88%
Peoples	\$83	82%
PGW	\$88	84%
UGI-Gas	\$86	89%
UGI Penn Natural	\$130	78%

2009 BCS Universal Service Programs and Collections Report

**Finding CAP-5**

In 2010 the average monthly CAP bill was \$75; a reduction of \$2 from 2009. The percentage of bill paid increased from 94% to 97% of bill paid.

27% percent of CAP participants were in the 0%-50% of FPL with an average monthly CAP bill of \$38.

56% percent of CAP participants were in the 51%-100% of FPL with an average monthly CAP bill of \$72.

17% of CAP participants were in the 101%-150% of FPL with an average monthly CAP bill of \$119.

### **Special Payment Plans**

The Company's minimum allowable CAP payment is \$25 based on extremely low income and extenuating circumstances. In 2010, Equitable reported twenty three (23) customers with zero income, and therefore not eligible for CAP, and 1,447 customers with the minimum CAP payment of \$25. Customers whose primary source of income is family help, must provide verifiable income within 90 days or be removed from CAP.<sup>17</sup>

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<sup>17</sup> Ad Hoc report Universal Service 2010

**CAP Customers with Missed Payments**

The Company provided a sample size of 13,508 CAP customers who joined CAP in 2010, with twelve months of billing, and who have never been removed from CAP in order to evaluate their payment behavior while on CAP.<sup>18</sup> The underlying premise of CAP is that affordable budget plans ensures optimal customer success in consistent payment of their CAP budget amount.

**Table 12**  
**Missed CAP Payments**

<b>Delinquent Bills(Missed Payments) over 12 month period</b>	<b>7%</b>	<b>8%</b>	<b>10%</b>	<b>Grand Total</b>
0	596	2,456	1,049	4,101
1-3	534	1,405	443	2,382
4-6	569	1,190	269	2,028
7-12	1667	2,606	724	4,997
<b>Grand Total</b>	<b>3,366</b>	<b>7,657</b>	<b>2,485</b>	<b>13,508</b>

**Finding CAP-6**

In 2010, of those CAP participants with continuous twelve month billing history:

- 30% never missed a CAP payment.
- 48% missed fewer than three CAP payments.
- 15% missed four to six CAP payments.
- 37% missed seven to twelve CAP payments.

**Recommendation**

Capture payment history information 12 months pre-CAP and post-CAP to develop accurate comparisons of numbers of missed payments prior to joining CAP. This should serve to evaluate, “Does CAP participation improve payment behavior?”

<sup>18</sup> Delinquency based on payment not received by the time the next bill was created.

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

**CAP Continuous Participation**

One indicator as to the success of a company’s CAP is the length of continuous participation of its enrollees. A retention history of Equitable’s CAP revealed that 12,831 customers remained in CAP between a time period of less than six months to five years or more.

**Table 13**  
**CAP Retention History**

<b>Continuous Months</b>	<b>Number of CAP Customers</b>
< 6	1,756
6 to 12	1,849
12 to 24	2,162
24 to 60	4,394
60+	2,670
<b>Total</b>	<b>12,831</b>

Ad Hoc Report as of January 2011

**Finding CAP-7**

34% or 4,394 active CAP customers have remained in CAP for 2-5 years.  
21% or 2,164 active CAP customers have remained in CAP for longer than 5 years.

Has collection on missed CAP payments been timely? Has the Company followed its own default procedures in its Commission approved Universal Service Plan for CAP customers?

**When is a CAP Customer in Default?**

A CAP customer is in default after one missed payment or partial payment. The Company requires a catch-up amount be paid to remain eligible for continued CAP participation. Failing this, termination proceedings are initiated prior to removal from CAP. If the customer does not pay the overdue CAP amount, service will be terminated.<sup>19</sup>

**How are Customers Reinstated into CAP?**

First Removal

Customer is required to pay the CAP catch-up amount plus one-half of the required security deposit and a reconnection fee to restore service. The remaining portion of the security deposit will be billed over a two month period.

Two or More Removals

The customer may be required to pay the full balance in addition to one-half of the security deposit and reconnection fee to restore service.

Reinstated Within Twelve Months of Removal

Customer is required to pay the equivalent of all missed CAP payments while service with Equitable was retained. All payments made by the customer after removal from CAP will be deducted from the amount required for reentry into CAP.

**Table 14  
CAP Removed for Non Pay  
2010**

<b>Federal Poverty Level</b>	<b>Number of Defaults</b>	<b>Payment Plan</b>
0%-50%	1,344	7%
51%-100%	2,561	8%
101%-150%	1,293	9%
<b>Total</b>	<b>5,198</b>	

2010 BCS Universal Service CAP Report-Items 36-38

<sup>19</sup> Equitable Gas Company Universal Service and Energy Conservation Plan 2007-2009

**Finding CAP-8**

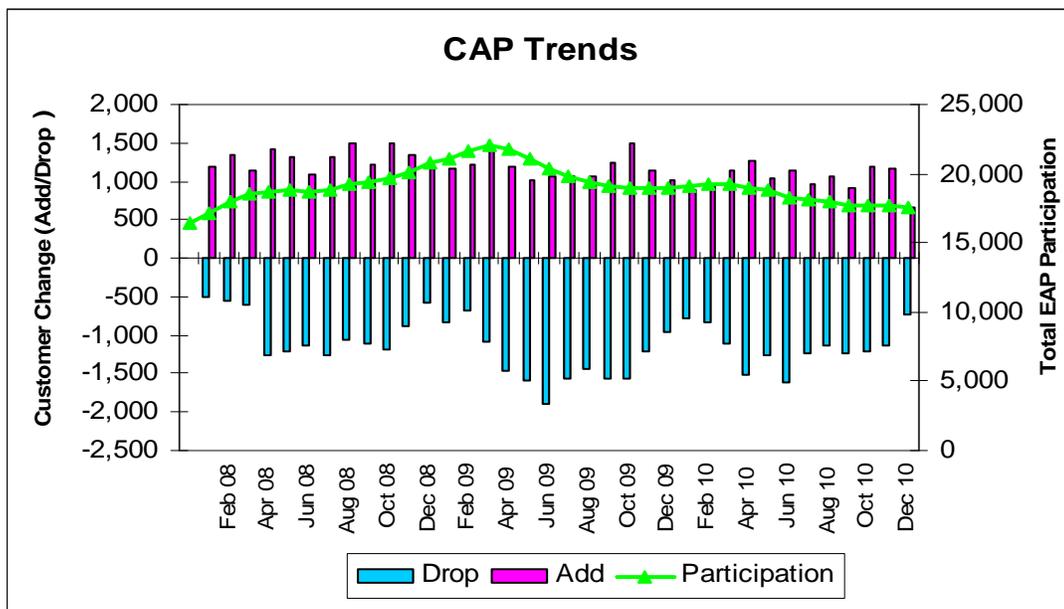
The Company has followed Commission approved default procedures in prioritizing the termination of CAP customers who default for non-pay.

In 2010, CAP customers removed for non-pay totaled 5,198 customers. Almost half (49%) were on the 8% CAP payment plan representing 51%-101% of Federal Poverty Level income.

**Other Reasons for CAP Removal**

The percentage of CAP participants who remain active and who do not get dropped from the program varies from month to month. Despite the Company's efforts to maintain and increase CAP participation, customers are dropped for a variety of reasons other than non-pay. The following chart shows all activity for CAP customers over a three year period.

**Figure 4**  
**Add-Drop Report Years Jan 2008-Feb 2011**



Ad Hoc Report Universal Service 2011

CAP customers who fail to comply with one or more of the following may also result in removal from CAP:

- o Failure to make monthly CAP payments resulting in termination.
- o Failure to report changes in income or family size.
- o Failure to recertify income eligibility when requested by Equitable.
- o Failure to practice energy conservation or maintain historical usage patterns adjusted for weather as outlined in Control Features.
- o Refusal to accept all eligible weatherization services.

**Table 15**  
**Other Reasons for CAP Removal**

Handling	Code	Reason	Count
D	R24	Non-Pay	3,146
D	R04	No Income Re-Evaluation-CAP	2,353
ND	R23	Moved	2,233
ND	R09	Exceeds Budget Level - CAP	1,271
ND	R01	Over-Income - CAP	663
ND	R14	Customer Requested	295
ND	R15	Credit Balance	150
ND	R22	Deceased	89
ND	R05	Bankruptcy Notification	81
ND	R21	Multiple Active Accts	75
D	R17	Failure to Cooperate with LIURP Program	32
D	R29	Excess Usage	3
ND	R19	Change in Income	1

Ad Hoc Report Universal Service 2010 D=Default ND= Non-default

This data represents occurrences not individual CAP customers; one customer may be in one or more categories multiple times.

**Finding CAP-9**

The two largest customer segments removed from CAP in 2010 are those identified as Failure to Recertify for CAP (2,353 customers) and Moved (2,233 customers).

**Recommendation**

Ensure there are controls on the number of customers who actually move from the number of customers who merely change the ratepayer named to another member of the same household. Chapter 14 language allows for the utility to require the payment of any outstanding balance or portion thereof if the “new” applicant resided at the property for which service is requested during the time the outstanding balance accrued and for the time the applicant resided there.<sup>20</sup>

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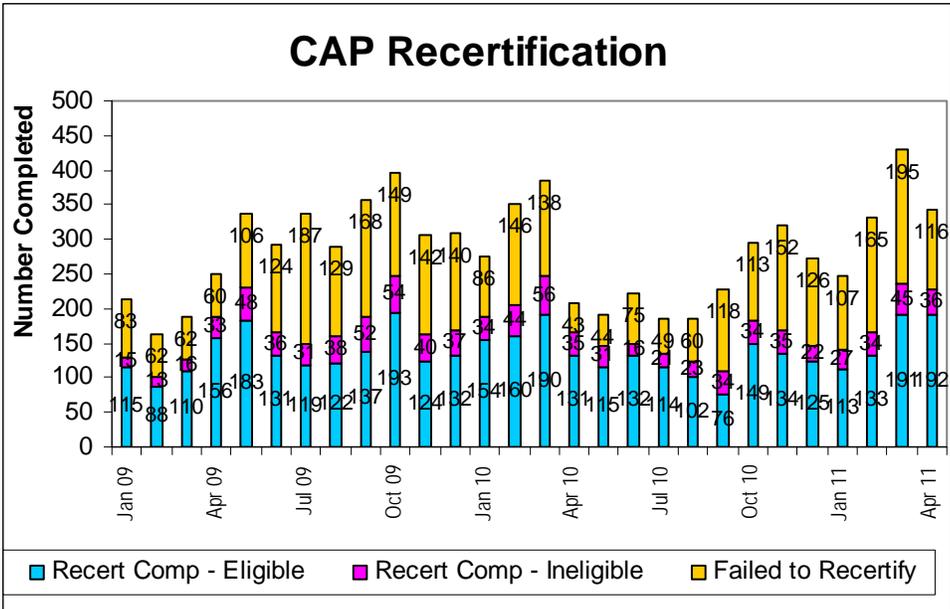
<sup>20</sup> Chapter 14 §1402 (d) Payment of outstanding balance at premises.

The Company recertifies the household income for a minimum of 10% of its active CAP customers to ensure continued eligibility. Recertifications are completed by internal staff and Tri-Valley Energy Center (a community agency) using the Company’s REDI system. Excluded are customers who have received a LIHEAP and or Crisis grant during the current program year from recertification. Selection of other participants will be based on but not limited to the following:

- LIHEAP eligible but did not apply.
- Most recent income update greater than four years old.
- Other randomly selected customers.
- Income Source:
  - Self-employed
  - Unemployment compensation
  - No income
  - Minimum payment participant

Each year the Company drops a significant number of customers from CAP who have been selected for recertification for failure to provide income documentation as shown in Figure 5 below.

**Figure 5**  
**CAP Recertification Jan 2009-February 2011**



Ad Hoc Report Universal Service 2011

## CAP RECERTIFICATION

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The Universal Service Associates are held accountable for CAP recertification goals each year. Contact must be made to all CAP customers due for recertification either by telephone or letter requesting proof of income documentation in order to remain in CAP. Failure to provide this will result in CAP removal.

**Table 16**  
**CAP Recertification 2011**

<b>Recertification Categories</b>	<b>Criteria</b>	<b># of accounts</b>
No LIHEAP	No LIHEAP since 2008	1,803
Other Income-Minimum Payment	Enrolled before 6/2010, No LIHEAP since 2009	225
Other Income \$26-\$40	Enrolled before 6/2010, No LIHEAP since 2009	215
Self Employed	Self employed customers	110

Ad Hoc Report Universal Service 2011

### **Finding CAP-10**

The Company prioritizes CAP recertification by incorporating individual Universal Service performance goals based on successful recertification completions.

## Does participation in CAP reduce arrearages?

### Arrearage Forgiveness

For those CAP customers who remain current with their monthly CAP budgets, the Company provides a 3:1 match of the \$5 co-pay amount embedded in their CAP monthly budget until the initial program balance has been reduced to zero. The Company projects customers' arrearages will be forgiven over a four year period on average. A delinquent CAP customer who brings the account up to date will receive all accumulated arrearage forgiveness credits. As of December 2010 month end, 13,730 out of 17,596 CAP customers have zero pre program balances.<sup>21</sup>

**Table 17**  
**Average Pre- Program Arrearage by CAP Payment Plan**  
**2008-2010**

CAP Plan	2008	2009	2010
<b>7%</b>	\$ 1,022.08	\$ 1,084.17	\$ 1,087.46
<b>8%</b>	\$ 788.41	\$ 996.10	\$ 969.46
<b>10%</b>	\$ 792.63	\$ 984.98	\$ 996.35

**Table 18**  
**Average Annual Arrearage Forgiveness Benefit**  
**2008-2010**

	2008	2009	2010
<b>Number of CAP Customers</b>	8,389	6,909	4,616
<b>Average \$ Received</b>	\$ 111.24	\$ 113.63	\$ 101.93

<sup>21</sup> Ad Hoc report Universal Service 2011

**Finding CAP-11**

As of December 2010 month end, the Company's CAP arrearage forgiveness program benefited 13,370 (78%) of CAP customers by reducing their pre- program arrearage to zero.

On average, 4,616 customers received \$102 in arrearage forgiveness.

**CAP Credits**

CAP customers who remain current with their CAP budget amount receive a monthly CAP credit from the Company. These credits are the difference between the tariff billed amount and the CAP billed amount. If a customer is delinquent the CAP credit is not applied until the account is current. The credits will continue to accumulate but are not applied. LIHEAP grants for the 2010-2011 program year are now applied against the CAP "asked to pay" amount and assist in reducing the monthly customer payment.<sup>22</sup> It is quite possible (depending on the size of the LIHEAP grant), that customers may show a credit and not be required to pay their CAP amount for several months.

Increases in customer payments for 2010 have been attributed to more affordable CAP budgets, more aggressive collection activities and an increase in supplementary LIHEAP grants.<sup>23</sup>

**Table 19**  
**CAP Customer Payments 2008-2010**

	<b>2010</b>	<b>2009</b>	<b>2008</b>
Total CAP Billed Amt	\$16,426,722	\$18,713,309	\$17,969,611
Total Cash Payments by CAP Customers	\$15,998,508	\$17,622,651	\$13,181,332
<b>Difference +/-</b>	<b>\$ 428,214</b>	<b>\$ 1,090,658</b>	<b>\$ 1,634,450</b>

BCS Universal Service Report 2008-2010

<sup>22</sup> May 8, 2010 UC Suspension of §(9)(iii) relating to the application of LIHEAP grants in electric and natural gas distribution company's CAP. Prior to the suspension, LIHEAP grants were applied to CAP shortfall amounts.

<sup>23</sup> Interview Manager Universal Service

The Company has shown \$13,545,799 in CAP credits in 2010 with an average CAP credit of \$738 per customer.

**Table 20**  
**CAP Credits 2008-2010**

<b>Year</b>	<b>CAP Credits</b>	<b>Average Participation</b>	<b>Average per Participant</b>
2010	\$13,545,799	18,363	\$738

Ad Hoc Universal Service Report 2011

### **Finding CAP-12**

Comparing CAP Year 2010 to 2009:

There has been a significant increase in customer CAP payments (97% of CAP billed paid) which is attributed to more affordable CAP budgets, more aggressive collections activities, and increase in supplemental LIHEAP grants.

Since LIHEAP grants will no longer be applied to reduce CAP shortfall amounts, CAP credits are expected to increase in future program years increasing the costs to non-CAP residential customers.

## Does participation in Universal Service Programs decrease service terminations and collection costs?

A sample size of 5,819 CAP customers with available 12 month pre-CAP and 12 month post-CAP payment history was analyzed for collection activity.

**Table 21**  
**CAP collection Activity Pre-CAP Post- CAP**

	<b>Termination Notices</b>	<b>Personal Contacts</b>	<b>Actual Shut-Offs</b>
Pre-CAP Enrolled	4,712	2,681	872
Collection Costs	\$2,450	\$778	\$19,158
Post-CAP Enrolled	8,324	5,970	666
Collection Costs	\$4,329	\$1,731	\$14,632
<b>+/-</b>	<b>+\$1,879</b>	<b>+\$953</b>	<b>-\$4,526</b>

Ad Hoc Report Universal Service Report Sample Size 5,817 as of 3-22-2011  
Equitable Gas Termination Process Costs 2009 Credit and Collections Department

### Finding CAP-13

A sample size of 5,819 CAP customers analyzed with 12 months pre and 12 months post CAP collection history revealed the following:

An increase of 3,612 termination notices.

An increase of 3,289 personal contacts.

A decrease of 206 actual shut offs.

Overall, CAP collection costs reduced by a net \$1,694.

## What are the costs which comprise CAP?

These are the costs that are captured for reporting purposes within each of the three major cost categories comprising CAP:

### 1. Administration

- Internal and contract staffing
- Outreach
- Intake verification: application costs
- Annual training
- Maintenance of telephone lines
- Recertification
- Evaluation
- Account monitoring
- Consumer education
- Conservation
- Other fixed overhead costs
- Computer programming
- CAP Collection
- CAP O&M expenses
- Program evaluation

### 2. CAP Credits

The total amount for all customers who received CAP credits divided by the difference between the standard billed amount and the CAP billed amount. Until 2010 this amount included LIHEAP grants which helped to reduce CAP Credits. All other third party grants are included to reduce CAP Credits.<sup>24</sup>

### 3. Pre-program Arrearage Forgiveness

Total pre-program arrearages forgiven as a result of customers making agreed upon CAP payments.<sup>25</sup>

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<sup>24</sup> Recoverable Costs through Equitable Gas Rider D

<sup>25</sup> Ibid.

Is the CAP Program cost effective?

**Table 22**  
**CAP Program Costs**  
**2010**

<b>Program Costs</b>	<b>2010</b>
Administration	\$ 752,385
CAP Credits	\$13,545,799
Preprogram Arrears	\$ 512,034
<b>Total</b>	<b>\$14,810,218</b>

BCS Universal Service Report 2010

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

Overall, the Company's CAP program is cost effective. CAP credits make up the largest percentage (92%) of total CAP program costs in 2010.

#### **Recommendation**

Continue to manage CAP credits through energy conservation programs such as LIURP and state weatherization programs.

#### **Recovery of CAP Costs**

CAP costs are recovered by the Company through Rider D-Universal Service and Energy Conservation. This Rider is applicable to all residential customers except for those enrolled in CAP and is adjusted quarterly and filed with the Company's quarterly gas cost filings.

Recovered costs in the Rider include projected CAP credits, LIURP costs, and the amortization of pre-CAP customer arrearages.

*See Appendix B-Rider D Universal Service and Energy Conservation*

### **What is Effect of the Department of Welfare (DPW) Changes on CAP?**

In the summer of 2009, DPW proposed changes in the way federal LIHEAP grants are applied to the accounts of CAP customers. Specifically, DPW directed public utilities that operate CAP programs to apply the LIHEAP cash grant to the customer's monthly asked to pay amount, rather than apply it to offset the CAP credit. (Application to the CAP credit benefited CAP customers as well as helping the non-CAP customers by controlling costs with LIHEAP subsidization rather than collecting the entire shortfall from non-CAP customers through Rider D).

In response to this directive, the Company requested approval for a change in the percentage of income CAP budget plans within its pending 2010-2012 Universal Service and Energy Conservation Plan. This change in effect would increase the "asked to pay" amount of all CAP customers and would further serve to prevent overburdening the non-CAP residential customers who otherwise would bear the cost of DPW's change. To date, the Company's plan is yet to be approved by the PUC.

In the interim, for the 2010-2011 program year, the Company applies LIHEAP grants to CAP customer accounts and tags them as "Pre-Pay". Each month, the LIHEAP Pre-Pay amount is credited to the customers "asked to pay" amount until such time as the grant is used in its entirety.

*See Appendix C- CAP Bill with LIHEAP Grant*

How can Universal Service programs be more cost effective and efficient?

### **Enhancements to the Readi Billing System**

Several of the Universal Service interviewees mentioned billing enhancement requests which were outstanding which would serve to remedy system errors and/or improve efficiencies regarding CAP, LIHEAP and LIURP procedures.

These enhancements included such things as:

- Reactivating of CAP accounts upon customer or LIHEAP payments.
- Balance transfers with LIHEAP prepay.
- Automation of customer letters.
- Modification of term selection criteria for CAP accounts.
- Posted credit adjustments not reducing Arrearage Forgiveness balances.
- Demographics screen and Customer Summary Financial screen not matching on adults/children.

Understanding that the Company's IT enhancement and fixes to the billing system includes requests from all business units, it is the evaluator's recommendation that those requests from Universal Service be considered as priority. Some of the Universal Service requests date back to 2006. A significant number of labor hours would be eliminated manually adjusting individual CAP accounts. In addition, many of these enhancements serve to provide required information for BCS and PUC reporting.

#### **Finding CAP-15**

There are 38 outstanding Universal Service requests for enhancement to the Readi billing system, some dating back to 2006.

#### **Recommendation**

In order to increase efficiencies to the programs and reduce numerous manual adjustments, the Company should consider prioritizing those Universal Service enhancement requests which affect customer CAP benefits and PUC reporting requirements.

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

**Table 23**  
**CAP Linkages to Assistance Programs**  
**2010**

	<b>CAP+LIURP</b>	<b>Total LIURP</b>	<b>CAP+CARES</b>	<b>CAP+\$ Energy</b>	<b>CAP+LIHEAP</b>
Number	138	151	130	562	10,809
\$ Amt					\$5,936,076

BCS Universal Service Report 2010

**Finding CAP-16**

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

In 2010, comparing the average number of CAP participants for the year:

64% (11,639) of CAP participants received benefits from multiple programs.

91% (138) of LIURP completions were high usage CAP customers.

59% (10,809) of CAP participants received LIHEAP grants.

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**Recommendation**

Continue efforts to increase LIHEAP outreach to increase CAP participation.

The Customer Assistance Referral and Evaluation Services (CARES) program is designed to provide comprehensive services to low-income, elderly, handicapped and special needs customers with bill-payment and energy-related problems. Equitable, with the assistance of a community agency, helps customers to obtain available energy assistance such as LIHEAP, Crisis and Hardship (Fuel) Fund and makes referrals to other programs or agencies for other services such as the Company's CAP.

### **Service Interruptions**

Customers whose service has been interrupted due to leakage of external or internal gas piping or malfunctioning heating equipment are assisted with obtaining repairs through the Company's Hardship Repair Fund, while funding exists, or referred to other funding agencies, plumbers and heating contractors for repairs.

### **CARES Identification and Referral**

- The Company's customer classification system permits identification of elderly, handicapped and low-income customers through information obtained during customer contact or receipt of energy grants. Customers who are elderly and live alone (no one between the ages of 18 & 60 in the home) are coded Elderly and Alone.
- Referrals to CARES are made by field service personnel, call center representatives, social service agencies and a daily Readi report showing *elderly and alone* customers in the Personal Contact stage of termination.
- When an elderly or special needs customer has service interrupted due to house line or service line leakage or malfunctioning heating equipment, a referral is made to the Universal Service Department. The customer is contacted to determine their understanding of the problem and the level of intervention needed to insure the customer is safe and has an alternate heat source or plan. It is also determined what level of assistance the customer will need to make the necessary repairs.

### **Additional Services**

- A Special Programs email on the Company Web site is available for customers who have questions regarding all Universal Service programs.
- Customers who have a hearing loss and have access to a TDD phone for the hearing impaired can communicate with the Company by calling 412-442-3094. Equitable has a TDD phone located in the dispatch center for emergencies and a second TDD phone located in the Customer Care Center at its main headquarters.

- Upon request, vision impaired customers are provided thermostats with large digital numbers to make it easier for them to control their comfort level and energy usage. These thermostats are installed at the request of customer and upon receipt of a doctor's confirmation of the impairment plus written permission from the landlord if the customer rents.

### **What Happens following CARES Enrollment?**

When the customer is enrolled in the CARES program, there is not a predetermined amount of time in the program. Typically, the customer is facing a temporary hardship or life situation which classifies them as special needs. In 2010, there were a total of 492 customers enrolled in CARES.<sup>26</sup>

### **Elderly Customers Facing Service Termination<sup>27</sup>**

The Universal Service Supervisor reviews a daily report which codes Elderly 60+ and Lives Alone who are in termination. If intervention is needed, a 21 day hold is placed on the account and is referred to Tri Valley community agency for follow-up.

Tri Valley attempts to resolve the issue by connecting the customer to grants, payment plans and other assistance. When necessary, relatives, friends, neighbors and the Area Agency on Aging are contacted for resolution as well. If for some reason these resources are unsuccessful at contacting the customer by phone, letter or personal visit, the service will be terminated. Oftentimes, the health department is contacted as a last resort.

### **Gas Line Leaks and Furnace Malfunctions**

If the customer's service has been interrupted due to a line leak or furnace issue, the customer is enrolled into CARES until the issue is resolved and gas service is restored to the home. During cold weather, Universal Service staff ensures that the customer has temporary heat or has a place to stay until heat is restored.

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<sup>26</sup> BCS Universal Service Report 2010

<sup>27</sup> Interview Universal Services Supervisor

### **Community Networks and Training**

Universal Services does an outstanding job at networking with community groups as well as updating referral information on other assistance to customers. Universal Service staff responds to requests from outside agencies to visit and explain the utility, government and local programs available. Universal Service also meets with legislative staff to discuss customer programs. The department also provides annual training to its partnered agencies and to call center agents with updates on all program guideline changes.

#### **Finding CARES-1**

In 2010, there were 492 customers enrolled into CARES.

The Company's CARES program is well managed and exceptional in the services and extensive referrals the Universal Service department delivers to special needs customers. This is one of the best designed and implemented programs that the evaluator has seen in the Pennsylvania gas industry.

### **Hardship Repair Fund**

With funds remaining from the Gulf-Tetco settlement, in the 1970's, Equitable established a Hardship Repair Fund to assist low income and elderly customers without service due to house or service line leakage of faulty heating equipment. The program assists homeowners and renters with leases making them responsible for repairs, and who have gross household incomes at or below 150% of FPL. Ten (10%) percent of the annual program funds may be spent on households with incomes between 151% and 170% of FPL.

This is a fund of last resort with an annual budget capped at \$75,000. A total of 1,247 customers have been assisted since the inception of the fund in 1995. The remaining Hardship Fund balance as of March 7, 2011 was \$11,901. It is anticipated that these funds will be exhausted before year end.

*See Appendix D: Equitable Gas Hardship Repair Fund Summary Report*

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

The Company has spent most of the \$725,000 of the Gulf -Tetco settlement funds targeted for the Hardship Repair Fund. This fund of last resort assisted 1,247 low income and elderly customers with much needed house service line and heating equipment repairs or replacement.

#### **Recommendation**

Conduct a needs assessment for a continued Hardship Repair Fund and develop a permanent funding mechanism to support it.

### **What is LIHEAP?**

LIHEAP is administered by the Department of Public Welfare and consists of three components:

1. Cash benefits to assist eligible low income households pay their home heating fuel.
2. Crisis payments, if needed, to resolve weather-related supply shortage, termination of service, and other household energy related emergencies.
3. Energy conservation and weatherization measures to address long term solutions to the home heating problems of low income households.

### **Innovative LIHEAP Outreach**

Outreach for LIHEAP and Crisis benefits is an important component of the Universal Service programs. The Company has implemented many innovative measures to promote the program through bill inserts, website, special mailing, sign-up days, personal customer contact telephone calls, news conferences, and TV and radio announcements.

Equitable sends out 10,000 LIHEAP applications annually through Pittsburgh Mailing, a third party contractor. Files are sent electronically to the contractor, who prints the customer name, address, and account number on an 11x17 LIHEAP application prior to mailing. This has proved to be quite a time and cost saving measure for the Company who previously utilized employees and/or temps to manually fold and mail thousands of applications each LIHEAP season. Postcards are also sent to customers who may qualify for LIHEAP through mailing services offered by the United States Post Office.

*See Appendix E: CAP LIHEAP Postcard Non-CAP LIHEAP Postcard*

The Company also has a special toll-free LIHEAP Hot Line that customers can call to determine eligibility, request an application or to obtain the DPW telephone number to check on the status of their application.

Equitable continues to implement a direct customer contact program administer through a third party contractor. The contractor attempts to enroll new LIHEAP customers by phone, completing their application for them. The application is then mailed to the customer for signature and income documentation.

The Company designed an automated phone line designated for DPW workers who are processing LIHEAP applications. By calling this line, the worker can enter a client’s social security number and if that customer has an active residential heat account, the system will read the entire 15 digit account back to the DPW representative. This is a convenient and time saving feature that allows DPW to confirm the account number of the applicant with total accuracy.

**Table 24**  
**LIHEAP, Crisis and Direct Dollar Grants**  
**Program Year 2009-2010**

	<b>CARES</b>	<b>Average Grant</b>	<b>All Low Income</b>	<b>Average Grant</b>
<b>LIHEAP Cash</b>	<b>\$37,074</b>	<b>\$475</b>	\$8,324,434	\$471
LIHEAP Customers	78		17,683	
<b>Crisis</b>	<b>\$7,762</b>	<b>\$338</b>	\$1,142,338	\$308
Crisis Customers	23		3,710	
<b>Direct Dollars*</b>	<b>\$187,672</b>	<b>\$748</b>	n/a	
Direct Customers	251		n/a	
<b>Total</b>	<b>\$232,508</b>		<b>\$9,466,772</b>	

BCS 2010 Universal Service Report

\*Direct dollars defined as dollars in addition to LIHEP benefits not LIHEAP related. These may include third party donations and hardship funds.

**Finding CARES-3**

The Universal Service department has implemented numerous innovative and cost saving measures to improve LIHEAP outreach, automate the LIHEAP application process, and ensure customer and DPW accessibility to critical Company and program information.

### **Hardship Fund**

Equitable's Hardship Fund is a partnership with the Dollar Energy Fund, Inc. (DEF) which acts as the administrator for the outreach and application process in the community. DEF is an independent non-profit organization that provides utility bill financial assistance to low or fixed income customers up to 200% of FPL. The organization is funded through donations from the utility, customers, and employees. The Company contributes one dollar for every dollar contributed by its customers to DEF up to \$200,000.

### **Hardship Grant Customer Eligibility Criteria**

Customers qualify for Hardship Fuel Fund assistance under the following guidelines;

- Total gross income is at or below 200% of FPL.
- The account is designated as residential heat and is a single dwelling unit.
- The customer resides as the service address.
- The balance on the customer account must be at least \$100.
- The customer must exhibit a sincere effort to pay by having paid a minimum of \$150 on their bill within the last 90 days.
- The customer is without utility service or has a termination notice.
- The customer has not illegally restored natural gas service.

### **Company Outreach**

The Company promotes Dollar Energy customer donations through their bill insert, their Web site with online pledges and with its e-billing. Residential and commercial bills have a check off box on the payment coupon.

Equitable has been a major sponsor of the Dollar Energy Warmathon that takes place every February for the past three years. Working with KDKA Radio in Pittsburgh, Equitable donates funds and provides Company volunteers to work at the annual radio-a-thon event. In the past two years, \$73,400 in contributions pledged at the Warmathon benefited Equitable customers.

**Table 25**  
**Dollar Energy Fund**  
**Company and Customer Contributions**

Program Year	2006-07	2007-08	2008-09	2009-10
Equitable Contributions	\$729,815	\$407,233	\$200,000	\$222,500
Equitable Customer Donations	\$139,625	\$102,522	\$91,742	\$102,510

Ad Hoc Universal Service Report 2011

**Table 26**  
**Dollar Energy Fund Disbursements**

Program Year	2006-07	2007-08	2008-09	2009-10
Number of customers receiving a \$ Energy Fund grant in each year.	1,960	1,290	988	1,066
Average grant amount.	\$449	\$423	\$405	\$397

Ad Hoc Universal Service Report 2011

**Finding CARES-4**

The Company's low income customers realized significant benefits from Dollar Energy Fuel Fund grants of an average of \$419 per customer from 2006-2010.

The Company's LIURP assists eligible low income customers in reducing energy bills through the installation of various energy conservation measures such as attic and sidewall insulation, heating equipment repair or replacement and air sealing. Since the inception in 1988 Equitable has weatherized over 3,234 homes and realized an average usage reduction of 24.1%.

### **Goals**

While the goals of LIURP are to assist the customer in conserving energy, achieve bill reduction through reducing usage, and enable customers to pay a greater percentage to balances owed the Company, customers further benefit from overall improvements of health, safety and comfort levels.

### **Eligibility**

The Company's eligibility requirements for LIURP are as follows:

#### **Standard Pennsylvania Gas Industry Criteria**

- Total gross household income is at or below 150% of FPL.
- Up to 20% of the annual program budget may be spent on Special Needs customers with total gross household incomes between 150%-200% of FPL.
- The account is a single dwelling unit and designated as residential heat account.
- The customer resides at the service address.
- There is only one account in the customer's name.
- Customer is homeowner or renter. Landlord permission must be obtained in writing for renters.
- Priority of high usage CAP customers

#### **Company Specific Non Standard Pennsylvania Gas Industry Criteria**

- LIURP priority:
  - CAP customers with usage requirements of 200 Mcf/year or billing deficiencies exceeding \$100/month
  - Non-CAP customer with usage in excess of 200 Mcf per year and balances exceeding \$750.
  - Non-CAP customer with gross household incomes between 150%-200% of FPL with balances exceeding \$750.

### **LIURP Referrals**

Potential LIURP candidates are referred to the program from a variety of internal and external sources:

- Company High Usage CAP Report
- Call Center Representatives
- Universal Service and Collections Representatives
- Inter-Utility (Duquesne Light)
- Web Page
- Community Agencies

### **Phase I –Prescreen and Pre Qualification**

Customer inquiries and referrals are currently answered by Tri-Valley Energy Center which reviews each account for qualification and explains the program requirements to eligible customers. The Company moved the internal inquiry and referral process to this third party contractor in 2010, enabling them to send a higher number of LIURP initiations for review.<sup>28</sup>

### **Phase I-Safety Inspection**

The Company contracts with AGL Enterprises, a plumbing and heating company, who performs gas line and gas appliance safety checks. In the winter months these safety audits may be performed as the first step in the LIURP process.<sup>29</sup> AGL Enterprises tracks their own schedules based on serviceman availability and handle all aspects of appointment scheduling, cancellation and reschedules. Mobile data technology is utilized to enter safety checks completions and red tag information in real time.

If a gas furnace or water heater is red tagged, repairs are completed by a qualified LIURP contractor if the customer is the homeowner. If the customer is a renter, the landlord is advised and weatherization is placed on hold until the line/appliance is repaired or replaced.

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<sup>28</sup> LIURP Process Change Report from Equitable Universal Service Plan 2007-2009 Interview LIURP Administrator

<sup>29</sup> Ibid.

## **Phase II- Energy Audit and Insulation<sup>30</sup>**

Mincin Insulation is one of the LIURP contractors which provides some of the initial energy audits as well as the installed weatherization measures. A second contractor, J.D.Gales, was added in 2010 to provide installed weatherization measures only. Conservation Consultants, Inc. (CCI) performs the inter-utility audits and all the energy audits for J.D. Gales.

At the time of the energy audit, the auditor explains the weatherization program in detail and reviews the customer's consumption. Behavior changes are recommended to improve the customer's awareness of patterns of energy use and reduce bills. Subsequent to the post weatherization period, a customer may be re-contacted for follow up if the post usage has not decreased. The auditor would ascertain reasons for the increased current consumption patterns and recommend possible solutions.

After Mincin Insulation and/or CCI complete their energy audit, they submit an estimated work order for Equitable's review and approval.

Upon approval, weatherization measures are installed based on established payback criteria which may include:

- Attic and sidewall insulation
- Window and door caulking, sealing and weather stripping
- Heating system repairs/replacements
- Minor repairs necessary for air sealing

## **Phase III-Post Weatherization Inspections<sup>31</sup>**

CCI performs inspections on completed weatherization jobs by contractor as follows:

Mincin Insulation-25% of all completions

J.D.Gales-100% of all completions as a new contractor.

An infrared scan is now included as part of the post weatherization process.

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<sup>30</sup> LIURP Process Change Report from Equitable Universal Service Plan 2007-2009 Interview LIURP Administrator

<sup>31</sup> Ibid.

**Finding LIURP-1**

The Company’s LIURP program is well managed and exceptional in its approach to streamlining processes and implementing improvements.

Hiring outside contractors to perform administrative work, safety checks and post inspections incorporating infra red technology are a few of the improvements noted.

**Components of LIURP Jobs Completed**

LIURP is designed to be a full weatherization services program with installed program measures meeting a simple payback recovery basis of seven years or less for most program measures and twelve years for sidewall insulation, attic insulation, and furnace and water heater replacement. During the early years of LIURP, companies were quickly discovering the reality of unsafe heating equipment in low income customer homes and in most cases relied on Crisis funds (when those were available) or the companies’ LIURP fund for repair/replacement. In some instances, the majority of LIURP funding was being spent to replace unsafe and inefficient furnaces. The BCS clearly indicated that LIURP funding was not to be used solely as a furnace subsidy program for replacements or repairs of heating equipment.

Equitable’s program has always been designed to focus on those measures that would ensure maximum usage reduction. The majority of the LIURP budget is spent on attic and sidewall insulation and furnace repairs/replacement only occur when appropriate.

**Table 27**  
**LIURP Weatherization Measures**  
**2007-2009**

	<b>2009</b>	<b>2008</b>	<b>2007</b>
Full Weatherization Services	86	108	124
Furnace Only	17	10	17
Audit Only-No Weatherization	0	1	5

Ad Hoc Universal Service Report

**Finding LIURP-2**

During the most recent three year period, an average of 15% of the total LIURP jobs completed involved furnace replacement or repair only. This falls well within the BCS guidelines for allowable equipment-only expenditures.

**Table 28**  
**LIURP Consumption Reduction**  
**2007-2009**

Year	Average Consumption Pre	Average Consumption Post	Mcf Savings	% Reduction	# of Customers
2007	222.0	165.1	56.9	25%	103
2008	238.3	181.1	57.2	24%	145
2009	235.3	187.5	47.8	20%	132

BCS Annual LIURP Report 2007-2009  
 Weather Normalized

**Finding LIURP-3**

Over the most current three year period, 20,464 Mcf was saved post-LIURP with an average usage reduction of 23%, which is above the Pennsylvania gas industry average of 21.8%.<sup>32</sup>

**Weather Normalization for BCS Reporting**

Key to analyzing results comparing pre-LIURP consumption and post-LIURP consumption is a complex methodology involving normalizing the customer usage for weather. Currently, the LIURP Administrator performs this tedious process manually for every customer weatherized utilizing 24 months of data. This process is intensely time consuming, but necessary for BCS annual LIURP performance reporting. Most companies have already automated this process.

**Finding LIURP-4**

The Company utilizes an outdated manual process to weather normalize the consumption of its LIURP customers.

**Recommendation**

Develop a process to automate LIURP weatherization normalization by December 2011.

<sup>32</sup> Energy Savings Job Excel Worksheet 1988-2008 Dave Mick, BCS

**Who Still Needs LIURP?**

The Company identified the number of customers who meet the eligibility criteria for LIURP, excluding those customers who most recently were already weatherized. See Table 30 below.

**Table 29  
LIURP Needs Assessment  
2007-2009**

<b>Item</b>	<b>Number of Customers</b>	<b>Percentages</b>
Equitable Gas Residential	242,339	
Estimated Low Income Residential Census Data	60,811	25% of all residential customers are estimated low income via Census Data.
Equitable Confirmed Low Income	44,657	18% of all residential customers are confirmed low income.
Equitable Customers meeting Usage Requirements of +> 200 Mcf annual usage	2,781	6% of all confirmed low income customers meet the usage eligibility requirements.
Previously weatherized	254	
<b>Potential LIURP</b>	<b>2,527</b>	

Equitable Universal Service and Energy Conservation Plan 2007-2009

**The LIURP Customer Pool**

The number of LIURP eligible customers varies from year to year. Unsound housing structures, landlord refusals to permit weatherization of their properties, and unsafe heating equipment are all viable reasons for the customers to be placed on hold or to be rejected for LIURP services completely. In addition, the high annual usage requirements of 200 Mcf are the highest the evaluator has seen in the Pennsylvania gas industry relative to LIURP eligibility, reducing the size of the eligibility pool.<sup>33</sup>

**Table 30**  
**LIURP Customer Usage Requirements**

US Impact Evaluation	Company	LIURP Usage Requirements	Usage Reduction %
2011	Equitable Gas	<i>CAP</i> 200 Mcf Annually + \$100 bill deficiency <hr/> <i>Non-CAP</i> 200 MCF Annually + \$750 in arrears	23% three year average: 2007-2009
2010	Peoples Gas	140 Mcf Annually + \$200 in arrears	18% for 2008
2010	Columbia Gas	170 ccf Average Winter Monthly	29% for 2008
2007	UGI	125 Mcf Annually	N/A
2006	National Fuel	120 Mcf Annually	25% for 2005

<sup>33</sup> Universal Service Impact Evaluation Melanie K. Popovich Utility Business Consultant  
National Fuel 2006; UGI 2007; Columbia Gas 2010; Peoples Gas 2010

**Table 31**  
**LIURP Budget vs. Spending<sup>34</sup>**

	<b>Budget</b>	<b>Actual Spending</b>	<b>Balance</b>
<b>2008</b>	\$616,203	\$542,207	\$73,996
Completions			118
<b>2009</b>	\$698,139 + <u>\$ 73,996 carryover</u> \$772,135	\$548,056	\$224,079
Completions			103
<b>2010</b>	\$698,139 + <u>\$224,079 carryover</u> \$922,218	\$832,697	\$89,521
Completions			153

**Finding LIURP-4**

The Company has difficulty in spending its LIURP budget in its entirety for two budget years 2009 and 2010 resulting in the carryover of unspent dollars into three consecutive program budget years 2009-2011. For program year 2011, there is \$89,659 in unspent dollars. The Company cites difficulty in recruiting eligible customers who meet the Company's LIURP criteria as the primary reason.<sup>35</sup>

**Recommendation**

Reduce the annual LIURP usage requirement from 200 Mcf annually to 160 Mcf annually to increase the number of LIURP eligible customers.

<sup>34</sup> Interview LIURP Associate and supporting document

<sup>35</sup> Ibid.

## APPENDIXES

- APPENDIX A:** CAP Usage Monitoring Report
- APPENDIX B:** Equitable Gas Company Rider D
- APPENDIX C:** CAP Bill with LIHEAP Grant Posting
- APPENDIX D:** Hardship Repair Fund Summary Report
- APPENDIX E:** CAP and Non-CAP LIHEAP Outreach Postcard

## APPENDIX A

### CAP Usage Monitoring - Summary

Oct 07 to Mar 09	Develop monitoring process, define analysis criteria, design report, program and test data, develop Request for Proposal for customer contact, submit bid, review proposals and approve successful contractor, develop customer contact scripts and letters, provide training and establish report criteria.	
Mar 09	Account Selection	
	Reviewed active CAP customers and removed accounts with insufficient data, including:	
	In billing <24 months	
	Insufficient meter readings last 1-12 months	
	Insufficient meter readings last 13-24 months	
	Meter change or shut off issue	
	Removed customers that used <110% more gas	
	Removed customers that could be pursued for LIURP	
	Looked at actual usage and eliminated customers with low annual usage (120 or less MCF)	
Mar 09 to Sep 09	Sent the accounts to Dollar Energy for a calling campaign and sent two follow up letters to the non-respondents	
Oct 09	Telephone and Letter campaign results:	
	Customer identified usage monitoring exemption	224
	No usage monitoring exemption identified - reminded of requirement to conserve & conservation tips provided	296
	Customer moved, non-active, removed from CAP	99
	No response	83
	<b>Total</b>	<b>702</b>
Nov 09	<b>Nov 09 Review - 702 Original Accounts + 449 Possible LIURP - Total 1,151</b>	
	Reviewed Conservation Tips, No Response and Potential LIURP and then reclassified as follows:	
	Customer identified usage monitoring exemption	369
	Not pursuing for LIURP	316
	Annual usage is in line or lower than historical usage	186
	Customer moved, non-active, removed from CAP	179
	Follow up with LIURP	65
	Review further - no obvious reason for increase	36
	<b>Total</b>	<b>1,151</b>
Jan 10	Sent letter to 36 accounts reminding of obligation to conserve	
May 10	Reviewed consumption on the 36 accounts	
	Used less	24
	Removed CAP or moved	9
	Used the same - medical	1
	Usage increased 3% - hardship repair - furnace problem	1
	Usage increased 1% but by only 2.3 MCF over prior year	1
Oct 10	Contractor price negotiation	
	Revised script to attempt to better prompt customers to think about potential usage exemptions	
	Completed similar account review/elimination process	
Nov 10	Sent the accounts to Dollar Energy for a calling campaign	
Mar 11	Sent letter to first group of non-respondents	

## CAP Usage Monitoring - Account Selection

	2008	2010
Total CAP Accounts	18,650	17,903
Reviewed and eliminated:		
In billing <24 months	(6,270)	(5,170)
Insufficient meter readings last 1-12 months	(131)	(187)
Insufficient meter readings last 13-24 months	(1,505)	(250)
Meter change or shut off issue	(2,151)	(237)
Remaining accounts	8,593	12,059
Average Normalized Consumption for Remaining Accounts	2008	2010
Months 13-24 (pre period)	134.9	137.6
Months 1 - 12 (post period)	137.7	136.7
Percentage Change	2.1%	-0.7%
Previously Classified as Eligible Exemption		(251)
Based on Normalized Usage:		
>200 MCF, \$1,200 annual CAP credits, >110% usage increase:		
Eliminated customers that met none of the criteria	(3,111)	
Eliminated customers that met only \$1,200 annual CAP credit criteria	(3,358)	
Forwarded customers that used >200 MCF annually for potential LIURP	(449)	
Used the same or less gas last 12 months compared to last 13-24 months		(6,141)
Used 1-10% more gas last 12 months compared to last 13-24 months		(3,790)
Forwarded customers that used >200 MCF annually (no previous weatherization) to LIURP		(218)
Average usage current 12 months was 100 Mcf or less		(45)
Based on Actual Usage:		
Used less MCF current 12 months	(51)	(170)
Usage increased 10% or less - current 12 months	(98)	(24)
Usage increased by 15.0 MCF or less - current 12 months	(487)	(314)
Annual usage 120 MCF or less	(240)	
Before sending for calling campaign eliminated non-active and CAP removals	(97)	(96)
Accounts for CAP Usage Monitoring Program	702	1,010

## CAP Usage Monitoring - Results

	2008	2010
<b>Mar 2009 through Oct 2009 - Based on Usage 2007-08</b>		
Initial telephone campaign:		
No usage monitoring exemption identified - reminded of requirement to conserve & conservation tips provided	222	183
Customer identified usage monitoring exemption	185	313
Customer moved/deceased, CAP non-active	1	17
No response	294	497
Phase 2 Letter Results		
No usage monitoring exemption identified - reminded of requirement to conserve & conservation tips provided	50	Letter sent 3/11
Customer identified usage monitoring exemption	34	
Customer moved	2	
No response	115	
Phase 3 Letter Results		
No usage monitoring exemption identified - conservation tips given	27	
Customer identified usage monitoring exemption	5	
Customer moved	0	
No response	83	
Total Results		
No usage monitoring exemption identified - reminded of requirement to conserve & conservation tips provided	296	
Customer identified usage monitoring exemption	224	
Customer moved, non-active, removed from CAP	99	
No response	83	
Total	702	
<b>Nov 09 Review - 702 Original Accounts + 449 Possible LIURP - Total 1,151</b>		
<b>(Reviewed Conservation Tips, No Response and Potential LIURP)</b>		
Customer identified usage monitoring exemption	369	
Not pursuing for LIURP (LL refused, multi-family, solid brick, no response)	316	
Annual usage is in line or lower than historical usage	186	
Customer moved, non-active, removed from CAP	179	
Follow up with LIURP	65	
Review further - warned to bring usage in line	36	
Total	1,151	
<b>Jan 10 - Conservation Letter Sent, May 10 - Account Review</b>		
Follow-up on the 36 accounts:		
Used less	24	
Removed CAP, moved or deceased	9	
Usage the same - medical	1	
Usage increased 3% - hardship repair - furnace problem	1	
Usage increased 1% but by only 2.3 MCF	1	
Total	36	
Percent of CAP customers requiring follow up review	0.2%	

# Equitable Gas Rider D

## APPENDIX B

EQUITABLE GAS COMPANY, LLC

SUPPLEMENT NO. 71  
GAS - PA. P.U.C. NO. 22  
TWELTH REVISED PAGE NO. 96  
CANCELING ELEVENTH REVISED PAGE NO. 96

### RIDER D

#### UNIVERSAL SERVICE AND ENERGY CONSERVATION

- I. This rider provides a method of recovery of costs associated with the Company's Universal Service and Energy Conservation programs.
- II. This Rider shall be applicable to Rate RS, and residential customers receiving service under rate FDS except customers enrolled in the CAP. The rate will be adjusted quarterly and filed with the Company's quarterly gas cost filings to be effective one (1) day after filing.
- III. Rate: \$0.76 per Mcf (D)
- Each PGC quarter, Rider D shall be calculated to recover projected Customer Assistance Program ("CAP") Credits plus LIURP costs, plus the amortization of pre-CAP customer arrearages. Cost offsets will be applied as a credit to the quarterly calculation as follows: Equitable will recognize universal service cost offsets when the base level of CAP shortfall (\$23,836,467) and CAP arrearages (\$780,397) which is \$24,616,864 in the aggregate, and CAP participation of 20,335 CAP customers are both exceeded. The CAP offset will be determined using 12% of the average CAP credit attributable to CAP customers in excess of 20,335. These offsets will be applied if necessary as a credit to Rider D on a quarterly adjustment basis.
- Total CAP costs will be calculated as follows: The average annual usage of current CAP customers and projected CAP additions will be multiplied by the projected quarterly residential sales rate plus applicable monthly meter charges for current and additional CAP customers, less projected average CAP customer payments and average LIHEAP grants, plus LIURP costs, plus CAP arrearages. Appropriate cost offsets will then be credited if necessary. The net result will be divided by projected non-CAP residential throughput.
- IV. Annual Reconciliation: Each August, actual total CAP costs, less appropriate cost offsets, will be reconciled with actual total CAP recoveries. Any over/under recoveries of CAP costs will be reflected in the determination of the new Rider D rate effective one (1) day after filing on October 1 of each year.

(D) Indicates Decrease.

ISSUED: September 30, 2010

EFFECTIVE: October 1, 2010

WILLIAM R. LUCAS  
EXECUTIVE VICE PRESIDENT

# CAP BILL with LIHEAP Grant Posting

PA Res-Customer Assistance Program

[Redacted]

For Service at: [Redacted]

PO Box 8766  
Pittsburgh, PA 15212  
[www.equitablegas.com](http://www.equitablegas.com)

## APPENDIX C

Account # [Redacted]

Customer # [Redacted]  
Location # [Redacted]

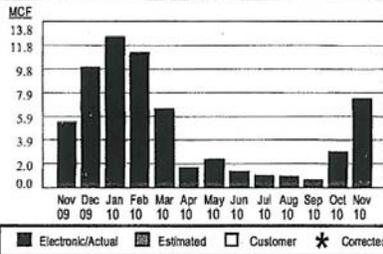
Emergencies (800) 253-3828  
Customer Service (412) 395-3050

Bill # 24662710  
Bill Date 11/23/10

### Current Gas Usage

Meter: 1629764  
This Reading 11/19/10 Electronic/Actual 714.5  
Last Reading 10/19/10 Electronic/Actual -707.1  
Total Usage in 31 days 7.4  
Next actual meter reading on 12/21/10 or 12/22/10

### Gas Usage History



### Equitable Gas Billing

Balance On Last Bill (\$701.95)  
Payments and Other Credits  
Liheap Grant Applied (11/04/10) (\$50.00)  
Payment (11/15/10) (\$25.00)  
Liheap Grant Applied (11/23/10) (\$25.00)  
Total Payments and Other Credits (\$100.00)

### Current Billing and Other Basic Charges

Customer Charge \$13.25  
Commodity 7.4 MCF @ \$7.00/MCF \$52.24  
Gas Cost Adjustment 7.4 MCF @ \$0.290/MCF \$2.15  
Distribution 7.4 MCF @ \$3.362/MCF \$24.88  
Current Bill \$92.52

Account Balance (\$709.43)

### CAP Summary

CAP Overpayment (\$25.00)  
CAP Amount \$25.00  
Amount Due \$0.00

### Usage (MCF) & Temperature Information

Comparing Your Usage		Average Usage		Average Daily Temp	
Nov-09	Nov-10	Monthly	Annual	2009	2010
5.5	7.4	4.9	59.0	50°	46°

### Bill Message

- Your bill includes \$1.57 in state taxes
- A LIHEAP Grant was received on 11/10/2010 for \$100.00.
- A LIHEAP Grant was received on 11/03/2010 for \$764.00.
- Your remaining LIHEAP Grant credit is \$789.00.
- E-bills are reliable, fast, convenient, and good for the environment. Go to [www.equitablegas.com](http://www.equitablegas.com) to enroll today!
- Reducing gas usage is a requirement of CAP. For tips on how to reduce your gas usage, log onto [www.equitablegas.com](http://www.equitablegas.com).

\*\*\* Important information on the back of this bill \*\*\*

PLEASE RETURN LOWER PORTION WITH PAYMENT

Check here for mailing address/phone number changes. Write in new information on back of this coupon.

1N 0 00008 11232010 20101122 EGC-PA-P1



[Redacted]

Check here to donate to the Dollar Energy Fund. Select pledge amount on back of this coupon.

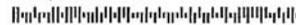
Due Date	12/13/10	Amount Due	\$0.00
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Make checks payable to: EQUITABLE GAS

Amount Due	\$0.00	Amount Paid	
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Payments received after 12/13/10 are subject to a 1.5% late payment charge.

Mail payments to:



EQUITABLE GAS  
Box 371820  
Pittsburgh, PA 15250-7820

01002509420000018 00246627300000000003

# Equitable Gas Hardship Repair Fund Summary Report

## APPENDIX D

When Equitable partitioned the RUC for approval of our proposed Residential Hardship Fund in September 1995, there was \$499,920 remaining in Category B of the Gas Hardship Repair Fund. As of March 7, 2011, there is \$11,307 remaining in the Fund.

Program Year	Total Customers	Total Cost	S/L	Details				Thermostat \$	Total Cost/Year	Customers Assisted
				H/L	FRNCE	Thermostats	Thermostat			
1995-1996	65	\$37,737.00	65	N/A	N/A	N/A		\$37,737.00	65	
1996-1997	87	\$68,354.11	87	N/A	N/A	N/A		\$68,354.11	87	
1997-1998	86	\$54,155.55	27	16	43	0		\$54,155.55	86	
1998-1999	114	\$69,725.13	37	26	51	0		\$69,725.13	114	
1999-2000	80	\$40,977.33	31	13	36	0		\$40,977.33	80	
2000-2001	64	\$39,528.77	9	18	38	14	\$1,076.48	\$40,605.25	78	
2001-2002	86	\$54,406.08	22	18	46	21	\$1,325.00	\$55,731.08	107	
2002-2003	90	\$52,514.74	17	15	58	14	\$1,421.27	\$53,936.01	111	
2003-2004	95	\$60,928.68	24	17	54	14	\$918.50	\$61,647.18	109	
2004-2005	76	\$38,357.54	17	15	44	5	\$515.71	\$39,873.25	81	
2005-2006	62	\$34,036.90	14	16	32	6	\$1,246.90	\$35,283.80	70	
2006-2007	63	\$49,205.94	13	12	41	4	\$348.99	\$49,554.93	67	
2007-2008	53	\$37,674.28	19	4	39	1	\$190.32	\$37,864.58	54	
2008-2009	50	\$31,633.18	17	13	20	2	\$431.20	\$32,064.38	52	
2009-2010	51	\$21,432.80	10	12	29	1	\$385.66	\$22,818.46	52	
2010-2011 (as of 3/7/11)	34	\$22,212.31	8	8	17	1	\$275.00	\$22,487.31	34	
<b>Total</b>	<b>1,156</b>	<b>\$716,899.99</b>	<b>404</b>	<b>203</b>	<b>546</b>	<b>92</b>	<b>\$8,135.03</b>	<b>\$725,035.02</b>	<b>1,247</b>	
							<b>\$88.42/avg</b>			

**Non-CAP LIHEAP Postcard**

**Have you received your LIHEAP application?**  
 To Request a LIHEAP Application:  
**CALL 1-800-644-8090**  
 You may qualify for funds to help pay your gas bill!

Check these income guidelines:

Household Size	Monthly Income	Yearly Income
1	\$1,444	\$17,328
2	\$1,943	\$23,312
3	\$2,441	\$29,296
4	\$2,940	\$35,280
5	\$3,439	\$41,264
6	\$3,937	\$47,248

**Equitable Gas**  
reliable by nature

When your application arrives:

- You will need proof of income for all household members.
- A list of names, birthdates & Social Security numbers of all persons in your home.
- Your most recent gas bill.
- LIHEAP closes March 31, 2011.

**Minimum Grant \$300**

**CAP LIHEAP Postcard**

**LIHEAP Grants Can Pay CAP Bills**  
 To Request a LIHEAP Application:  
**CALL 1-800-644-8090**

You may qualify for funds to help pay your gas bill!

Check these income guidelines:

Household Size	Monthly Income	Yearly Income
1	\$1,444	\$17,328
2	\$1,943	\$23,312
3	\$2,441	\$29,296
4	\$2,940	\$35,280
5	\$3,439	\$41,264
6	\$3,937	\$47,248

If you receive a LIHEAP grant, it will help pay your CAP amount due. If the grant is greater than the amount due, we will apply the remaining credit to your future CAP amounts.

When you mail your LIHEAP application:

- You will need proof of income for all household members.
- A list of names, birthdates & Social Security numbers of all persons in your home.
- Your most recent gas bill.
- LIHEAP closes March 31, 2011.

**Minimum Grant \$300!**

**Equitable Gas**  
reliable by nature

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