# Report on 2004 Universal Service Programs & Collections Performance

## of the Pennsylvania Electric Distribution Companies & Natural Gas Distribution Companies

Pennsylvania Public Utility Commission
Bureau of Consumer Services

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# 1. Introduction

This is the Pennsylvania Public Utility Commission's (Commission) annual *Report on 2004 Universal Service Programs and Collections Performance of the Pennsylvania Electric Distribution Companies and Natural Gas Distribution Companies.* This summary report includes performance assessments for the seven major electric distribution companies (EDCs) and the eight major natural gas distribution companies (NGDCs). For the first time, this report contains performance measures for the Philadelphia Gas Works (PGW).[1] The report presents the data submitted to the Commission pursuant to 52 Pa. Code Sections 54.75 and 62.5, *Universal Service and Energy Conservation Reporting Requirements* (USRR). This data will assist the Commission in monitoring the progress of the EDCs and NGDCs in achieving universal service in their respective service territories.

On December 3, 1996, the Electricity Generation Customer Choice and Competition Act (Act), 66 Pa. C.S. §§ 2801-2812, was enacted. The Natural Gas Choice and Competition Act (Act), 66 Pa. C.S. Chapter 22, was enacted on June 22, 1999. In opening up the electric generation and natural gas supply markets to competition, the General Assembly was also concerned about ensuring that electric and natural gas service remain universally available to all customers in the state. Consequently, both Acts contain provisions relating to universal electric and gas service.

Specifically, both Acts require the Commonwealth to maintain, at a minimum, the protections, policies and services that assist customers who are low income to afford electric and gas service, 66 Pa. C.S. §§ 2803(7), §§ 2802(10). The Acts also require the Commission to ensure that universal service and energy conservation policies are appropriately funded and available in each electric and natural gas distribution territory, 66 Pa. C.S. §§ 2803(8), §§ 2804(9). To assist the Commission in fulfilling its universal service obligations, the Commission established standard reporting requirements for universal service and energy conservation for both the EDCs and the NGDCs, 52 Pa. Code §§ 54.71–54.78, §§ 62.1-62.8. The Commission adopted final rulemakings that established the *Universal Service and Energy Conservation Reporting Requirements* (USRR) for EDCs on April 30, 1998, and for the NGDCs on June 22, 2000. Upon publication in the Pennsylvania Bulletin, the EDC regulations became effective August 8, 1998, and the NGDC regulations became effective December 16, 2000.

This report is based primarily on 52 Pa. Code Sections 54.75 and 62.5 relating to annual residential collection and universal service and energy conservation program reporting requirements. The utilities covered by these reporting requirements are Allegheny Power, Duquesne Light, Metropolitan Edison – a FirstEnergy Company,

[1] The PGW restructuring proceedings concluded in 2003, and PGW began collecting the required universal service data in 2004. PGW falls under the applicable reporting requirements for the first time in 2004 and, as a result, PGW is included among the major NGDCs beginning with the 2004 data.

PECO-Electric, Pennsylvania Electric – a FirstEnergy Company, Penn Power – a FirstEnergy Company, PPL, Columbia, Dominion Peoples, Equitable, NFG, PECO-Gas, PG Energy, PGW, and UGI-Gas.

The EDCs began reporting the required data to the Commission on April 1, 2001, for the reporting year 2000. The NGDCs began reporting the data on April 1, 2003, for the reporting year 2002. Upon receipt of the data for this report, the Commission's Bureau of Consumer Services (BCS) conducted a data-cleaning and error-checking process that continued through July. This process included both written and verbal dialogue between BCS and the companies. Uniformity issues were uncovered in this process and are documented in various tables, charts and appendices. These issues are also discussed in more detail in later chapters.

Some companies filed petitions for waivers in regard to data that is either unavailable or not in compliance with the regulations. Unavailable data is clearly labeled as such in all tables and charts in this report. The data labeled "unavailable" is the result of the Commission granting the companies a waiver from the requirement to submit that data. Variations in the data either appear as a footnote to tables and charts, or are referenced and documented in the appropriate appendix. The BCS will continue to work with the companies to obtain uniform data that fully complies with the regulations.

The report is organized into chapters and sections in the following order: Collection Performance, Universal Service Program Demographics, Low Income Usage Reduction Programs (LIURP), Customer Assistance Programs (CAP), Customer Assistance and Referral Evaluation Services (CARES), Hardship Funds, Small Utilities' Universal Service Programs, and Cold Weather Survey Results. Each chapter includes an introduction, a discussion of the data elements, definitions where necessary, data tables and charts. Multiple years of data are shown in a number of the tables in the collection and programs' chapters where this type of presentation format supports the intended analysis in a meaningful way.

Prior to 2002, the BCS had also been reporting some of the data found in this report in the annual report the BCS prepares entitled *Utility Consumer Activities Report and Evaluation* (UCARE). Beginning with 2002 data, the BCS has eliminated universal service data from UCARE for both electric and natural gas distribution companies. Thus, for the third time, this report includes data for both electric and natural gas companies.

Beginning with the 2004 report, the BCS is including a chapter that provides the results of the annual Cold Weather Survey (Survey). The results of the Survey are an important component of the Commission's responsibility to monitor the progress of achieving universal service in the individual EDC and NGDC service territories.

## Treatment of PECO Data

PECO serves three types of customers: those who receive only electric service (Electric Only), those who receive both electric and gas service (Combination/Electric and Gas), and those who receive only gas service (Gas Only). PECO also reports the electric and gas data separately. In order to split the second group (Combination/Electric and Gas) for some of the data variables, PECO used an allocation factor previously approved by the Commission during PECO's management audit in July 1999. This allocation factor splits the Combination group into 85% electric and 15% gas. However, for other data variables PECO did not apply the allocation method. Instead, PECO chose to include the Combination group in both the electric and gas totals.

## Treatment of the FirstEnergy Companies

Beginning with 2003 data, FirstEnergy has directed BCS to report Metropolitan Edison (Met-Ed) and Pennsylvania Electric (Penelec) as separate companies. Prior to 2003, BCS reported these two companies combined under the company name GPU. The third FirstEnergy Company is Penn Power, which has always been treated as a separate company.

## Treatment of Philadelphia Gas Works (PGW)

The Philadelphia Gas Works (PGW) fell under the Universal Service Reporting Requirements for NGDCs beginning with the year 2004. The reporting date for 2004 data was April 1, 2005. Thus, the Bureau has included PGW's 2004 data in this report.

## Treatment of Confirmed Low Income Data Among the Collections Performance Data

We have included data about Confirmed Low Income customers in the body of the report in Chapter 1 for only a select number of collections performance measures. The majority of the Confirmed Low Income collection data tables appear as a grouping of tables in Appendix 1. Also included in this grouping of tables in Appendix 1 is a presentation of company revenues or billings.

## Responsible Utility Customer Protection Act

On November 30, 2004, the Governor signed into law SB 677, or Act 201. This law went into effect on December 14, 2004. The Act amended Title 66 by adding Chapter 14 (66 Pa.C.S. §§1401-1418), Responsible Utility Customer Protection. The Act is intended to protect responsible bill paying customers from rate increases attributable to the uncollectible accounts of customers that can afford to pay their bills, but choose not to pay. The legislation is applicable to electric distribution companies, water distribution companies and larger natural gas distribution companies (those having an annual operating income in excess of $6,000,000).[1] Steam and waste water utilities are not covered by Chapter 14.

Chapter 14 supersedes a number of Chapter 56 Regulations, all ordinances of the City of Philadelphia and any other regulations that impose inconsistent requirements on the utilities. Chapter 14 changed regulations that apply to cash deposits; reconnection of service; termination of service; payment arrangements, and the filing of termination complaints by consumers for electric, gas and water. Chapter 14 expires on December 31, 2014, unless reenacted. Two years after the effective date and every two years thereafter, the Commission must report to the General Assembly regarding the implementation and effectiveness of the Act. The Commission is directed to amend Chapter 56 and may promulgate regulations to administer and enforce Chapter 14.

[1] Small natural gas companies may voluntarily "opt in" to Chapter 14. 66 Pa. C.S. §1403.

# 2. Collection Performance

The regulations require the EDCs and NGDCs to report various residential collection data, including the number of residential customers, the number of accounts in arrears and on a payment arrangement, the number of accounts in arrears and not on a payment arrangement, the dollars owed by these two groups of overdue customers, the number of terminations, the number of reconnections, gross residential write-offs, total annual billings (revenues), and annual collection operating expenses.

This summary report reviews each of these collection measures by reporting the raw data itself and by using the data to arrive at calculated variables that are more useful in analyzing collection performance. All of the data and statistics used in this chapter are drawn from information submitted to the BCS by the companies.

It is also important to note that we have reflected both the number of confirmed low income customers and the number of estimated low income customers in a utility's given service territory in this chapter. A low income customer is defined as a customer whose household income is at or below 150% of the federal poverty guidelines. See Appendix 4 for the 2004 federal poverty guidelines. A confirmed low income customer is a customer whose gross household has been verified as meeting the stated federal poverty guidelines. Most household incomes are verified through the customer's receipt of a LIHEAP grant or determined during the course of making a payment arrangement. On the other hand, the number of estimated low income customers is the company's approximation of its total universe of low income customers.

### Number of Residential Customers

The number of residential customers reported in the following tables represents an average of the 12 months of month-end data reported by the companies. The data includes all residential customers, including universal service program recipients.

### Number of Residential Electric Customers

| Company | Number of Residential Customers |
|---|---|
| Allegheny | 600,419 |
| Duquesne | 525,858 |
| Met-Ed | 459,171 |
| PECO-Electric | 1,381,514 |
| Penelec | 504,114 |
| Penn Power | 137,514 |
| PPL | 1,161,098 |
| **Total** | **4,769,688** |

## Number of Residential Natural Gas Customers

| Company | Number of Residential Customers |
|---|---|
| Columbia | 357,006 |
| Dominion | 323,513 |
| Equitable | 239,621 |
| NFG | 195,022 |
| PECO-Gas | 421,377 |
| PG Energy | 139,964 |
| PGW | 476,662 |
| UGI-Gas | 270,327 |
| **Total** | **2,423,492** |

## Number of Confirmed Low Income Electric Customers

| Company | Number of Confirmed Low Income Customers | Percent of Customers |
|---|---|---|
| Allegheny | 30,180 | 5.0% |
| Duquesne | 32,458 | 6.2% |
| Met-Ed | 31,231 | 6.8% |
| PECO-Electric | 177,467 | 12.8% |
| Penelec | 49,908 | 9.9% |
| Penn Power | 14,665 | 10.7% |
| PPL | 115,412 | 9.9% |
| **Total** | **451,321** | **9.5%** |

## Number of Confirmed Low Income Natural Gas Customers

| Company | Number of Confirmed Low Income Customers | Percent of Customers |
|---|---|---|
| Columbia | 70,038 | 19.6% |
| Dominion | 59,768 | 18.5% |
| Equitable | 32,360 | 13.5% |
| NFG | 24,491 | 12.6% |
| PECO-Gas | 31,322 | 7.4% |
| PG Energy | 25,148 | 18.0% |
| PGW | 153,707 | 32.2% |
| UGI-Gas | 20,541 | 7.6% |
| **Total** | **417,375** | **17.2%** |

## Number of Estimated Low Income Electric Customers

| Company | Number of Estimated Low income Customers | Percent of Customers |
|---|---|---|
| Allegheny | 132,133 | 22.0% |
| Duquesne | 99,747 | 19.0% |
| Met-Ed | 67,089 | 14.6% |
| PECO-Electric | 202,766 | 14.7% |
| Penelec | 118,352 | 23.5% |
| Penn Power | 28,282 | 20.6% |
| PPL | 200,500 | 17.3% |
| **Total** | **848,869** | **17.8%** |

## Number of Estimated Low Income Natural Gas Customers

| Company | Number of Estimated Low income Customers | Percent of Customers |
|---|---|---|
| Columbia | 72,584 | 20.3% |
| Dominion | 68,188 | 21.1% |
| Equitable | 48,276 | 20.1% |
| NFG | 42,797 | 21.9% |
| PECO-Gas | 34,307 | 8.1% |
| PG Energy | 29,531 | 21.1% |
| PGW | 156,723 | 32.9% |
| UGI-Gas | 39,930 | 14.8% |
| **Total** | **492,336** | **20.3%** |

## Termination and Reconnection of Service

Termination of utility service is the most serious consequence of customer nonpayment. The BCS views termination of utility service as a utility's last resort when customers fail to meet their payment obligations. The termination rate allows the reader to compare the termination activity of utilities with differing numbers of residential customers. The termination rate is calculated by dividing the number of service terminations by the number of residential customers.

Reconnection of service occurs when a customer either pays his/her debt in full or makes an up-front payment and agrees to a payment agreement for the balance owed to the company. The ratio of reconnections to terminations is obtained by dividing the number of reconnections by the number of terminations. The result is generally indicative of how successful a customer, whose service has been terminated, is at getting service reconnected.

## Terminations and Reconnections – Residential Electric Customers

| Company | Number of Residential Customers | Terminations | Reconnections | Termination Rate | Ratio of Reconnections to Terminations |
|---|---|---|---|---|---|
| Allegheny | 600,419 | 12,007 | 6,084 | 2.00% | 51% |
| Duquesne | 525,858 | 10,694 | 6,182 | 2.03% | 58% |
| Met-Ed | 459,171 | 4,506 | 1,953 | 0.98% | 43% |
| PECO-Electric | 1,381,514 | 54,825 | 35,365 | 3.97% | 65% |
| Penelec | 504,114 | 5,881 | 2,558 | 1.17% | 44% |
| Penn Power | 137,514 | 1,446 | 589 | 1.05% | 41% |
| PPL | 1,161,098 | 9,061 | 3,681 | 0.78% | 41% |
| **Total** | **4,769,688** | **98,420** | **56,412** | **2.06%** | **57%** |

## Terminations and Reconnections – Residential Natural Gas Customers

| Company | Number of Residential Customers | Terminations | Reconnections | Termination Rate | Ratio of Reconnections to Terminations |
|---|---|---|---|---|---|
| Columbia | 357,006 | 7,545 | 2,797 | 2.11% | 37% |
| Dominion | 323,513 | 6,054 | 2,320 | 1.87% | 38% |
| Equitable | 239,621 | 7,023 | 1,964 | 2.93% | 28% |
| NFG | 195,022 | 7,422 | 3,304 | 3.81% | 45% |
| PECO-Gas | 421,377 | 13,135 | 8,443 | 3.12% | 64% |
| PG Energy | 139,964 | 5,169 | 3,131 | 3.69% | 61% |
| PGW | 476,662 | 33,016 | 24,937 | 6.93% | 76% |
| UGI-Gas | 270,327 | 8,911 | 2,819 | 3.30% | 32% |
| **Total** | **2,423,492** | **88,275** | **49,715** | **3.64%** | **56%** |

| Company | Number of Confirmed Low Income Customers | Terminations | Reconnections | Termination Rate | Ratio of Reconnections to Terminations |
|---|---|---|---|---|---|
| Allegheny | 30,180 | 2,194 | 1,071 | 7.27% | 49% |
| Duquesne | 32,458 | 4,109 | 3,151 | 12.66% | 77% |
| Met-Ed | 31,231 | 2,129 | 978 | 6.82% | 46% |
| PECO-Electric | 177,467 | 16,619 | 10,983 | 9.36% | 66% |
| Penelec | 49,908 | 3,307 | 1,562 | 6.63% | 47% |
| Penn Power | 14,665 | 857 | 381 | 5.84% | 44% |
| PPL | 115,412 | 5,013 | 2,432 | 4.34% | 49% |
| **Total** | **451,321** | **34,228** | **20,558** | **7.58%** | **60%** |

## Terminations and Reconnections – Confirmed Low Income Natural Gas Customers

| Company | Number of Confirmed Low Income Customers | Terminations | Reconnections | Termination Rate | Ratio of Reconnections to Terminations |
|---|---|---|---|---|---|
| Columbia | 70,038 | 4,461 | 1,503 | 6.37% | 34% |
| Dominion | 59,768 | 3,929 | 1,478 | 6.57% | 38% |
| Equitable | 32,360 | 3,937 | 1,123 | 12.17% | 29% |
| NFG | 24,491 | 4,359 | 2,004 | 17.80% | 46% |
| PECO-Gas | 31,322 | 5,258 | 3,474 | 16.79% | 66% |
| PG Energy | 25,148 | 3,068 | 1,796 | 12.20% | 59% |
| PGW | 153,707 | 19,636 | 13,391 | 12.77% | 68% |
| UGI-Gas | 20,541 | 3,095 | 908 | 15.07% | 29% |
| **Total** | **417,375** | **47,743** | **25,677** | **11.44%** | **54%** |

## Number of Customers in Debt

There are two categories for reporting customers who are overdue or in debt to the companies. The first category includes customers who are on a payment agreement, and the second category includes customers who are not on a payment agreement. The first category includes both the BCS payment arrangements (PAs) and utility payment arrangements. The number of customers in debt is affected by many factors, including customer income level and ability to pay, company collection practices, and the size of customer bills.

The category that a customer in debt falls into depends upon the factors listed above as well as the notable addition of company collection policies. These policies include various treatments for different customer income levels.

It is important to note that one of the stated purposes of the Chapter 56 regulations at 52 Pa. Code § 56.1 is to "provide functional alternatives to termination." In 52 Pa. Code § 56.97, one of the methods of avoiding termination is to enter into a payment agreement. Also, the fact that a customer has entered into a payment agreement means that the customer is aware of the outstanding debt, has acknowledged this to the utility and has agreed to a plan to address the debt.

There are two factors which affect the uniformity of the data reported regarding the number of overdue customers and the dollars in debt that are associated with these customers. First, companies use different methods for determining when an account is overdue. Companies consider either the due date of the bill or the transmittal date of the bill to be day zero. The transmittal date is 20 days before the due date. The BCS requested the companies to consider the due date as day zero and to report debt that is at least 30 days overdue.

Duquesne Light, Metropolitan Edison, Pennsylvania Electric, Columbia, PG Energy and UGI-Gas reported according to the method requested by BCS. The variance among the other EDCs and NGDCs shows a difference of no more than 20 days from the BCS method. Allegheny Power, Penn Power, PECO Electric and Gas, Dominion Peoples, Equitable and NFG report debt that is only 10 days old instead of 30 days old. Thus, each of these companies is overstating its debt compared to companies that reported debt as 30 days overdue. On the other hand, PPL reports debt that is 40 days old instead of 30 days old. PPL is understating its debt relative to the other companies. See Appendix 2 for company specific information on this issue.

The second factor that affects the uniformity of the arrearage data is the determination of when a company moves a terminated account or a discontinued account from active status (included in the reporting) to inactive status (excluded from the reporting). Company collection policies and accounting practices affect the timing. The differences in the amount of time it takes each company to move accounts from active status to inactive status is reported in Appendix 3.

Customer Assistance Program (CAP) recipients are excluded from all data tables that reference the number of customers in debt, the dollars in debt and gross residential write-offs.

## Number of Residential Electric Customers in Debt

| Company | Number of Customers in Debt on an Agreement* | Number of Customers in Debt not on an Agreement* | Total Number of Customers in Debt* |
|---|---|---|---|
| Allegheny | 6,431 | 100,506 | 106,937 |
| Duquesne | 10,754 | 18,109 | 28,863 |
| Met-Ed | 25,472 | 24,196 | 49,668 |
| PECO-Electric | 33,929 | 175,775 | 209,704 |
| Penelec | 31,182 | 30,302 | 61,484 |
| Penn Power | 6,764 | 7,541 | 14,305 |
| PPL | 26,920 | 90,002 | 116,922 |
| **Total** | **141,452** | **446,431** | **587,883** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Number of Residential Natural Gas Customers in Debt

| Company | Number of Customers in Debt on an Agreement* | Number of Customers in Debt not on an Agreement* | Total Number of Customers in Debt* |
|---|---|---|---|
| Columbia | 8,730 | 19,002 | 27,732 |
| Dominion | 13,098 | 27,733 | 40,831 |
| Equitable | 8,357 | 39,673 | 48,030 |
| NFG | 5,528 | 6,706 | 12,234 |
| PECO-Gas | 5,071 | 26,265 | 31,336 |
| PG Energy | 2,932 | 11,250 | 14,182 |
| PGW | 40,967 | 139,941 | 180,908 |
| UGI-Gas | 2,802 | 14,297 | 17,099 |
| **Total** | **87,485** | **284,867** | **372,352** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Percent of Customers in Debt

The percent of customers in debt is a useful statistic that supports the need for EDCs and NGDCs to implement universal service programs. A company with a low percent of its residential customers in debt will experience better cash flow and have a better credit rating than one with a high percent of its residential customers in debt.

The percent of customers in debt is calculated by dividing the number of customers in debt by the total number of residential customers. This calculation is done for both groups of customers in debt; that is, for those on a payment agreement and those not on a payment agreement.

### Percent of Residential Electric Customers in Debt

| Company | Percent of Customers in Debt on an Agreement* | Percent of Customers in Debt not on an Agreement* | Total Percent of Customers in Debt* |
|---|---|---|---|
| Allegheny | 1% | 17% | 18% |
| Duquesne | 2% | 3% | 5% |
| Met-Ed | 6% | 5% | 11% |
| PECO-Electric | 2% | 13% | 15% |
| Penelec | 6% | 6% | 12% |
| Penn Power | 5% | 5% | 10% |
| PPL | 2% | 8% | 10% |
| **Total** | **3%** | **9%** | **12%** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Percent of Residential Natural Gas Customers in Debt

| Company | Percent of Customers in Debt on an Agreement* | Percent of Customers in Debt not on an Agreement* | Total Percent of Customers in Debt* |
|---|---|---|---|
| Columbia | 3% | 5% | 8% |
| Dominion | 4% | 9% | 13% |
| Equitable | 3% | 17% | 20% |
| NFG | 3% | 3% | 6% |
| PECO-Gas | 1% | 6% | 7% |
| PG Energy | 2% | 8% | 10% |
| PGW | 9% | 29% | 38% |
| UGI-Gas | 1% | 5% | 6% |
| **Total** | **3%** | **12%** | **15%** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Residential Customer Debt in Dollars Owed

The amount of money in debt has an impact on company expenses. The specific expense category is called Cash-Working-Capital and is part of a company's distribution charge.

## Dollars in Debt - Residential Electric Customers

| Company | Dollars in Debt on an Agreement* | Dollars in Debt not on an Agreement* | Total Dollars in Debt* |
|---|---|---|---|
| Allegheny | $3,621,157 | $15,644,225 | $19,265,382 |
| Duquesne | $7,609,308 | $5,670,079 | $13,279,387 |
| Met-Ed | $15,308,991 | $4,173,288 | $19,482,279 |
| PECO-Electric | $12,608,335 | $44,983,052 | $57,591,387 |
| Penelec | $15,767,087 | $4,222,202 | $19,989,289 |
| Penn Power | $4,695,396 | $1,334,254 | $6,029,650 |
| PPL | $15,544,833 | $32,977,557 | $48,522,390 |
| **Total** | **$75,155,107** | **$109,004,657** | **$184,159,764** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Dollars in Debt – Residential Natural Gas Customers

| Company | Dollars in Debt on an Agreement* | Dollars in Debt not on an Agreement* | Total Dollars in Debt* |
|---|---|---|---|
| Columbia | $6,735,666 | $3,213,498 | $9,949,164 |
| Dominion | $8,445,217 | $10,441,706 | $18,886,923 |
| Equitable | $7,156,680 | $10,884,448 | $18,041,128 |
| NFG | $2,537,205 | $2,713,259 | $5,250,464 |
| PECO-Gas | $2,225,000 | $6,721,605 | $8,946,605 |
| PG Energy | $1,369,056 | $3,167,132 | $4,536,188 |
| PGW | $37,637,340 | $67,279,763 | $104,917,103 |
| UGI-Gas | $916,571 | $2,289,885 | $3,206,456 |
| **Total** | **$67,022,735** | **$106,711,296** | **$173,734,031** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Dollars in Debt – Confirmed Low Income Electric Customers

| Company | Dollars in Debt on an Agreement* | Dollars in Debt not on an Agreement* | Total Dollars in Debt* |
|---|---|---|---|
| Allegheny | $1,511,085 | $1,032,102 | $2,543,187 |
| Duquesne | $1,399,991 | $2,958,737 | $4,358,728 |
| Met-Ed | $10,369,570 | $872,162 | $11,241,732 |
| PECO-Electric | $7,722,704 | $9,797,832 | $17,520,536 |
| Penelec | $12,590,955 | $1,215,591 | $13,806,546 |
| Penn Power | $3,330,664 | $417,432 | $3,748,096 |
| PPL | $10,610,665 | $16,967,319 | $27,577,984 |
| **Total** | **$47,535,634** | **$33,261,175** | **$80,796,809** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Dollars in Debt – Confirmed Low Income Natural Gas Customers

| Company | Dollars in Debt on an Agreement* | Dollars in Debt not on an Agreement* | Total Dollars in Debt* |
|---|---|---|---|
| Columbia | $1,324,518 | $632,416 | $1,956,934 |
| Dominion | $6,175,284 | $6,521,881 | $12,697,165 |
| Equitable | $3,759,599 | $3,925,331 | $7,684,930 |
| NFG | $1,459,236 | $1,245,989 | $2,705,225 |
| PECO-Gas | $1,343,020 | $1,464,044 | $2,807,064 |
| PG Energy | $766,740 | $1,697,156 | $2,463,896 |
| PGW | $25,763,851 | $35,853,139 | $61,616,990 |
| UGI-Gas | $612,068 | $967,161 | $1,579,229 |
| **Total** | **$41,204,316** | **$52,307,117** | **$93,511,433** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Percent of Total Dollars Owed – on an Agreement Versus Not on an Agreement

The percent of dollars owed in the two reporting categories is calculated by dividing the total dollars owed in a category by the overall total dollars owed.

## Percent of Debt on an Agreement – Residential Electric Customers

| Company | Percent of Dollars Owed – on an Agreement* | Percent of Dollars Owed - not on an Agreement* |
|---|---|---|
| Allegheny | 19% | 81% |
| Duquesne | 57% | 43% |
| Met-Ed | 79% | 21% |
| PECO-Electric | 22% | 78% |
| Penelec | 79% | 21% |
| Penn Power | 78% | 22% |
| PPL | 32% | 68% |
| **Total** | **41%** | **59%** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

### Percent of Debt on an Agreement – Residential Natural Gas Customers

| Company | Percent of Dollars Owed – on an Agreement* | Percent of Dollars Owed - not on an Agreement* |
|---|---|---|
| Columbia | 68% | 32% |
| Dominion | 45% | 55% |
| Equitable | 40% | 60% |
| NFG | 48% | 52% |
| PECO-Gas | 25% | 75% |
| PG Energy | 30% | 70% |
| PGW | 36% | 64% |
| UGI-Gas | 29% | 71% |
| **Total** | **39%** | **61%** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Average Arrearage

Average arrearage is calculated by dividing the total dollars in debt by the number of customers in debt. Larger average arrearages may take more time for customers to pay off and pose more of an uncollectible risk than smaller average arrearages.

### Average Arrearage – Residential Electric Customers

| Company | Average Arrearage on an Agreement* | Average Arrearage not on an Agreement* | Overall Average Arrearage* |
|---|---|---|---|
| Allegheny | $563 | $156 | $180 |
| Duquesne | $708 | $313 | $460 |
| Met-Ed | $601 | $172 | $392 |
| PECO-Electric | $372 | $256 | $275 |
| Penelec | $506 | $139 | $325 |
| Penn Power | $694 | $177 | $421 |
| PPL | $577 | $366 | $415 |
| **Total** | **$531** | **$244** | **$313** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Average Arrearage – Residential Natural Gas Customers

| Company | Average Arrearage on an Agreement* | Average Arrearage not on an Agreement* | Overall Average Arrearage* |
|---|---|---|---|
| Columbia | $772 | $169 | $359 |
| Dominion | $645 | $377 | $463 |
| Equitable | $856 | $274 | $376 |
| NFG | $459 | $405 | $429 |
| PECO-Gas | $439 | $256 | $286 |
| PG Energy | $467 | $282 | $320 |
| PGW | $919 | $481 | $580 |
| UGI-Gas | $327 | $160 | $188 |
| **Total** | **$766** | **$375** | **$467** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Number of Payment Arrangements

A payment arrangement is defined as a mutually satisfactory written or verbal agreement whereby a ratepayer or applicant who admits liability for billed service is permitted to amortize or pay the unpaid balance of the account in one or more payments over a reasonable period of time. In addition to this definition, the method by which utilities determine the total number of payment arrangements for reporting pursuant to § 54.75(1)(i) or § 62.5(a)(1)(i) takes into consideration the limitations of the utility systems used to document and track payment arrangements. This results in treating a broken payment arrangement that is reinstated due to payment by the customer of the "lump sum" amount as a new payment arrangement. The BCS Payment Arrangement Requests (PARs) are included in this category. Customer Assistance Program (CAP) payment plans, however, are not included in the count of payment arrangements.

The following tables include both the All Residential and Confirmed Low Income categories to allow for the presentation of the percent of payment arrangements which are Confirmed Low Income.

## Electric Payment Arrangements

| Company | All Residential | Confirmed Low Income | Percent of Payment Arrangements which are Confirmed Low Income |
|---|---|---|---|
| Allegheny | 26,984 | 18,936 | 70% |
| Duquesne | 142,989 | 52,738 | 37% |
| Met-Ed | 42,183 | 24,811 | 59% |
| PECO-Electric | 82,205 | 49,857 | 61% |
| Penelec | 49,329 | 35,368 | 72% |
| Penn Power | 13,775 | 9,311 | 68% |
| PPL | 409,746 | 187,417 | 46% |
| **Total** | **767,211** | **378,438** | **49%** |

## Natural Gas Payment Arrangements

| Company | All Residential | Confirmed Low Income | Percent of Payment Arrangements which are Confirmed Low Income |
|---|---|---|---|
| Columbia | 31,178 | 19,799 | 64% |
| Dominion | 35,871 | 23,979 | 67% |
| Equitable | 20,178 | 9,549 | 47% |
| NFG | 21,914 | 11,403 | 52% |
| PECO-Gas | 12,283 | 7,450 | 61% |
| PG Energy | 15,773 | 8,336 | 53% |
| PGW | 130,202 | 81,563 | 63% |
| UGI-Gas | 49,997 | 16,717 | 33% |
| **Total** | **317,396** | **178,796** | **56%** |

### Gross Residential Write-Offs in Dollars

The tables below present the gross residential write-offs in dollars for the EDCs and NGDCs in 2004. Write-offs are the final treatment of overdue accounts in the collection process. A residential account is written off after all pre-write-off collection actions are taken and the customer fails to make payment on the balance owed. Generally, a company writes off accounts on either a monthly or annual basis.

### Gross Write-Offs – Residential Electric Customers

| Company | Gross Dollars Written Off* |
|---|---|
| Allegheny | $8,571,821 |
| Duquesne | $9,909,654 |
| Met-Ed | $9,690,456 |
| PECO-Electric | $35,434,984 |
| Penelec | $8,748,857 |
| Penn Power | $2,361,062 |
| PPL | $27,198,387 |
| **Total** | **$101,915,221** |

*Does not include CAP Credits or Arrearage Forgiveness.

### Gross Write-Offs – Residential Natural Gas Customers

| Company | Gross Dollars Written Off* |
|---|---|
| Columbia | $11,524,044 |
| Dominion | $8,691,632 |
| Equitable | $7,922,823 |
| NFG | $6,001,579 |
| PECO-Gas | $6,127,609 |
| PG Energy | $5,157,851 |
| PGW | $65,949,043 |
| UGI-Gas | $6,790,705 |
| **Total** | **$118,165,286** |

*Does not include CAP Credits or Arrearage Forgiveness.

### Gross Write-Offs – Confirmed Low Income Electric Customers

| Company | Gross Dollars Written Off* |
|---|---|
| Allegheny | $4,987,084 |
| Duquesne | $3,654,935 |
| Met-Ed | $5,596,506 |
| PECO-Electric | $7,310,106 |
| Penelec | $6,106,289 |
| Penn Power | $1,631,024 |
| PPL | $12,514,856 |
| **Total** | **$41,800,800** |

*Does not include CAP Credits or Arrearage Forgiveness.

### Gross Write-Offs – Confirmed Low Income Natural Gas Customers

| Company | Gross Dollars Written Off* |
|---|---|
| Columbia | $7,367,637 |
| Dominion | $5,954,949 |
| Equitable | $1,246,195 |
| NFG | $3,637,629 |
| PECO-Gas | $1,264,103 |
| PG Energy | $3,616,103 |
| PGW | $6,926,824 |
| UGI-Gas | $3,340,909 |
| **Total** | **$33,354,349** |

*Does not include CAP Credits or Arrearage Forgiveness.

### Percentage of Gross Residential Billings Written Off as Uncollectible

The percentage of residential billings written off as uncollectible is the most commonly used long-term measure of collection system performance. This measure is calculated by dividing the annual total gross dollars written off for residential accounts by the annual total dollars of residential billings. The measure offers an equitable basis for comparison.

## Gross Write-Offs Ratio – Residential Electric Customers

| Company | Gross Write-Offs Ratio* |
|---|---|
| Allegheny | 1.86% |
| Duquesne | 3.15% |
| Met-Ed | 2.11% |
| PECO-Electric | 2.39% |
| Penelec | 2.33% |
| Penn Power | 1.69% |
| PPL | 2.43% |
| **Total** | **2.34%** |

* Does not include CAP Credits or Arrearage Forgiveness.

## Gross Write-Offs Ratio – Residential Natural Gas Customers

| Company | Gross Write-Offs Ratio* |
|---|---|
| Columbia | 3.45% |
| Dominion | 2.75% |
| Equitable | 2.79% |
| NFG | 2.45% |
| PECO-Gas | 1.30% |
| PG Energy | 2.79% |
| PGW | 11.52% |
| UGI-Gas | 2.60% |
| **Total** | **4.43%** |

* Does not include CAP Credits or Arrearage Forgiveness.

## Gross Write-Offs Ratio – Confirmed Low Income Electric Customers

| Company | Gross Write-Offs Ratio* |
|---|---|
| Allegheny | 34.29% |
| Duquesne | 16.99% |
| Met-Ed | 16.35% |
| PECO-Electric | 3.28% |
| Penelec | 34.08% |
| Penn Power | 9.66% |
| PPL | 8.87% |
| **Total** | **8.91%** |

* Does not include CAP Credits or Arrearage Forgiveness.

## Gross Write-Offs Ratio – Confirmed Low Income Natural Gas Customers

| Company | Gross Write-Offs Ratio* |
|---|---|
| Columbia | 13.83% |
| Dominion | 8.02% |
| Equitable | 2.90% |
| NFG | 20.59% |
| PECO-Gas | 3.82% |
| PG Energy | 10.53% |
| PGW | 12.60% |
| UGI-Gas | 13.98% |
| **Total** | **9.97%** |

* Does not include CAP Credits or Arrearage Forgiveness.

## Annual Collection Operating Expenses

Annual collection operating expenses include administrative expenses associated with termination activity, negotiating payment arrangements, budget counseling, investigation, and resolution of informal and formal complaints associated with payment arrangements, securing and maintaining deposits, tracking delinquent accounts, collection agencies' expenses, litigation expenses other than Commission related, dunning expenses, and winter survey expense. CAP recipient collection expenses are excluded.

The tables below include both the All Residential and Confirmed Low Income categories to allow for the presentation of the percent of annual collection operating expenses which are attributed to Confirmed Low Income.

## Annual Electric Collection Operating Expenses

| Company | All Residential | Confirmed Low Income | Percent of Collection Operating Expenses which are for Confirmed Low Income Customers |
|---|---|---|---|
| Allegheny | $14,313,568 | $9,539,993 | 67% |
| Duquesne | $16,164,612 | $5,961,924 | 37% |
| Met-Ed | $13,567,289 | $7,278,740 | 54% |
| PECO-Electric | $8,164,331 | $1,684,271 | 21% |
| Penelec | $13,526,387 | $8,445,915 | 62% |
| Penn Power | $3,619,639 | $2,223,341 | 61% |
| PPL | $4,878,365 | $2,585,533 | 53% |
| **Total** | **$74,234,191** | **$37,719,717** | **51%** |

## Annual Natural Gas Collection Operating Expenses

| Company | All Residential | Confirmed Low Income | Percent of Collection Operating Expenses which are for Confirmed Low Income Customers |
|---|---|---|---|
| Columbia | $2,463,992 | $1,276,421 | 52% |
| Dominion | $3,224,084 | $943,116 | 29% |
| Equitable | $3,950,187 | $553,026 | 14% |
| NFG | $1,154,535 | $384,771 | 33% |
| PECO-Gas | $1,411,820 | $291,253 | 21% |
| PG Energy | $2,403,614 | $1,311,848 | 55% |
| PGW | $10,102,014 | $1,515,302 | 15% |
| UGI-Gas | $3,349,562 | $1,120,094 | 33% |
| **Total** | **$28,059,808** | **$7,395,831** | **26%** |

## Selected Tables for Multi-Year Data

In the remaining tables of the Collection chapter, the following footnote applies to each of the electric industry tables. Beginning with 2003 data, FirstEnergy has directed BCS to report Metropolitan Edison (Met-Ed) and Pennsylvania Electric (Penelec) as separate operating companies. Prior to 2003, BCS reported these two companies combined under the company name GPU. The third FirstEnergy Company is Penn Power, which has always been treated as a separate operating company.

### Terminations – Residential Electric Customers

| Company | 2003 Terminations | 2004 Terminations | Percent Change in # 2003-04 | 2003 Termination Rate | 2004 Termination Rate |
|---|---|---|---|---|---|
| Allegheny | 9,941 | 12,007 | 20.8% | 1.66% | 2.00% |
| Duquesne | 9,138 | 10,694 | 17.0% | 1.74% | 2.03% |
| Met-Ed | 3,552 | 4,506 | 26.9% | 0.79% | 0.98% |
| PECO-Electric | 42,348 | 54,825 | 29.5% | 3.03% | 3.97% |
| Penelec | 5,247 | 5,881 | 12.1% | 1.04% | 1.17% |
| Penn Power | 1,110 | 1,446 | 30.3% | 0.81% | 1.05% |
| PPL | 8,174 | 9,061 | 10.9% | 0.71% | 0.78% |
| **Total** | **79,510** | **98,420** | **23.8%** | **1.67%** | **2.06%** |

### Terminations – Residential Natural Gas Customers

| Company | 2003 Terminations | 2004 Terminations | Percent Change in # 2003-04 | 2003 Termination Rate | 2004 Termination Rate |
|---|---|---|---|---|---|
| Columbia | 6,153 | 7,545 | 22.6% | 1.74% | 2.11% |
| Dominion | 6,183 | 6,054 | -2.1% | 1.92% | 1.87% |
| Equitable | 11,106 | 7,023 | -36.8% | 4.71% | 2.93% |
| NFG | 6,051 | 7,422 | 22.7% | 3.10% | 3.81% |
| PECO-Gas | 11,087 | 13,135 | 18.5% | 2.65% | 3.12% |
| PG Energy | 4,547 | 5,169 | 13.7% | 3.26% | 3.69% |
| PGW | Not Applicable | 33,016 | Not Applicable | Not Applicable | 6.93% |
| UGI-Gas | 10,409 | 8,911 | -14.4% | 3.96% | 3.30% |
| **Total** | **55,536** | **88,275** | **Not Applicable** | **2.88%** | **3.64%** |

## Number of Residential Electric Customers in Debt

| Company | 2003 Total Number of Customers in Debt* | 2004 Total Number of Customers in Debt* | Percent Change in # 2003-04 |
|---|---|---|---|
| Allegheny | 34,421 | 106,937 | 210.7% |
| Duquesne | 31,013 | 28,863 | -6.9% |
| Met-Ed | 50,645 | 49,668 | -1.9% |
| PECO-Electric | 108,394 | 209,704 | 93.5% |
| Penelec | 60,245 | 61,484 | 2.1% |
| Penn Power | 14,823 | 14,305 | -3.5% |
| PPL | 122,376 | 116,922 | -4.5% |
| **Total** | **421,917** | **587,883** | **39.3%** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Number of Residential Natural Gas Customers in Debt

| Company | 2003 Total Number of Customers in Debt* | 2004 Total Number of Customers in Debt* | Percent Change in # 2003-04 |
|---|---|---|---|
| Columbia | 32,514 | 27,732 | -14.7% |
| Dominion | 41,053 | 40,831 | -0.5% |
| Equitable | 40,629 | 48,030 | 18.2% |
| NFG | 13,036 | 12,234 | -6.2% |
| PECO-Gas | 23,367 | 31,336 | 34.1% |
| PG Energy | 15,063 | 14,182 | -5.8% |
| PGW | Not Applicable | 180,908 | Not Applicable |
| UGI-Gas | 34,551 | 17,099 | -50.5% |
| **Total** | **200,213** | **372,352** | **Not Applicable**** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

**By excluding PGW from the analysis, there was a percent change of -4.4% from 2003 to 2004.

### Dollars in Debt - Residential Electric Customers

| Company | 2003 Total Dollars in Debt* | 2004 Total Dollars in Debt* | Percent Change in # 2003-04 |
|---|---|---|---|
| Allegheny | $12,231,630 | $19,265382 | 57.5% |
| Duquesne | $15,545,253 | $13,279,387 | -14.6% |
| Met-Ed | $20,139,430 | $19,482,279 | -3.3% |
| PECO-Electric | $28,118,057 | $57,591,387 | 104.8% |
| Penelec | $20,401,475 | $19,989,289 | -2.0% |
| Penn Power | $6,356,416 | $6,029,650 | -5.1% |
| PPL | $48,920,464 | $48,522,390 | -0.8% |
| **Total** | **$151,712,725** | **184,159,764** | **21.4%** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

### Dollars in Debt – Residential Natural Gas Customers

| Company | 2003 Total Dollars in Debt* | 2004 Total Dollars in Debt* | Percent Change in # 2003-04 |
|---|---|---|---|
| Columbia | $9,916,594 | $9,949,164 | 0.3% |
| Dominion | $17,418,069 | $18,886,923 | 8.4% |
| Equitable | $16,718,345 | $18,041,128 | 7.9% |
| NFG | $4,772,700 | $5,250,464 | 10.0% |
| PECO-Gas | $7,625,816 | $8,946,605 | 17.3% |
| PG Energy | $4,754,300 | $4,536,188 | -4.6% |
| PGW | Not Applicable | $104,917,103 | Not Applicable |
| UGI-Gas | $5,593,274 | $3,206,456 | -42.7% |
| **Total** | **$66,799,098** | **$173,734,031** | **Not Applicable**** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

**By excluding PGW from the analysis, there was a percent change of 3.0% from 2003 to 2004.

### Gross Write-Offs – Residential Electric Customers

| Company | 2003 Gross Dollars Written Off* | 2004 Gross Dollars Written Off* | Percent Change in # 2003-04 |
|---|---|---|---|
| Allegheny | $8,244,929 | $8,571,821 | 4.0% |
| Duquesne | $11,152,960 | $9,909,654 | -11.1% |
| Met-Ed | $8,003,623 | $9,690,456 | 21.1% |
| PECO-Electric | $33,994,378 | $35,434,984 | 4.2% |
| Penelec | $8,049,454 | $8,748,857 | 8.7% |
| Penn Power | $1,757,606 | $2,361,062 | 34.3% |
| PPL | $22,238,302 | $27,198,387 | 22.3% |
| **Total** | **$93,441,252** | **$101,915,221** | **9.1%** |

*Does not include CAP Credits or Arrearage Forgiveness.

### Gross Write-Offs – Residential Natural Gas Customers

| Company | 2003 Gross Dollars Written Off* | 2004 Gross Dollars Written Off* | Percent Change in # 2003-04 |
|---|---|---|---|
| Columbia | $10,532,382 | $11,524,044 | 9.4% |
| Dominion | $9,400,498 | $8,691,632 | -4.7% |
| Equitable | $10,107,445 | $7,922,823 | -21.6% |
| NFG | $4,409,616 | $6,001,579 | 36.1% |
| PECO-Gas | $4,530,133 | $6,127,609 | 35.3% |
| PG Energy | $3,788,934 | $5,157,851 | 36.1% |
| PGW | Not Applicable | $65,949,043 | Not Applicable |
| UGI-Gas | $6,729,271 | $6,790,705 | 0.9% |
| **Total** | **$49,498,279** | **$118,165,286** | **Not Applicable**** |

*Does not include CAP Credits or Arrearage Forgiveness.

**By excluding PGW from the analysis, there was a percent change of 5.5% from 2003 to 2004.

## Gross Write-Offs Ratio – Residential Electric Customers

| Company | 2003 Gross Write-Offs Ratio* | 2004 Gross Write-Offs Ratio* | Percent Change 2003-04 |
|---|---|---|---|
| Allegheny | 1.82% | 1.86% | 2.2% |
| Duquesne | 3.69% | 3.15% | -14.6% |
| Met-Ed | 1.80% | 2.11% | 17.2% |
| PECO-Electric | 2.24% | 2.39% | 6.7% |
| Penelec | 2.16% | 2.33% | 7.9% |
| Penn Power | 1.28% | 1.69% | 32.0% |
| PPL | 2.00% | 2.43% | 21.5% |
| **Total** | **2.15%** | **2.34%** | **8.8%** |

* Does not include CAP Credits or Arrearage Forgiveness.

## Gross Write-Offs Ratio – Residential Natural Gas Customers

| Company | 2003 Gross Write-Offs Ratio* | 2004 Gross Write-Offs Ratio* | Percent Change 2003-04 |
|---|---|---|---|
| Columbia | 3.02% | 3.45% | 14.2% |
| Dominion | 3.10% | 2.75% | -11.3% |
| Equitable | 3.82% | 2.79% | -27.0% |
| NFG | 1.93% | 2.45% | 26.9% |
| PECO-Gas | 1.11% | 1.30% | 17.1% |
| PG Energy | 2.13% | 2.79% | 31.0% |
| PGW | Not Applicable | 11.52% | Not Applicable |
| UGI-Gas | 2.75% | 2.60% | -5.5% |
| **Total** | **2.54%** | **4.43%** | **Not Applicable**** |

* Does not include CAP Credits or Arrearage Forgiveness.

**By excluding PGW from the analysis, there was a percent change of -2.0% from 2003 to 2004.

## Percent of Revenues (Billings) in Debt

The percent of revenues (billings) in debt is calculated by dividing the total annual revenues (billings) by the total monthly average dollars in debt. This calculated variable provides another way to measure the extent of customer debt. In the two tables that follow immediately below, the higher the percentage, the greater the potential collection risk.

### Percent of Revenues (Billings) in Debt – Residential Electric Customers

| Company | 2003 | 2004 | Percent Change 2003-04 |
|---|---|---|---|
| Allegheny | 2.7% | 4.2% | 55.5% |
| Duquesne | 5.1% | 4.2% | -17.6% |
| Met-Ed | 4.5% | 4.2% | -6.7% |
| PECO-Electric | 1.9% | 3.9% | 105.3% |
| Penelec | 5.5% | 5.3% | -3.6% |
| Penn Power | 4.6% | 4.3% | -6.5% |
| PPL | 4.4% | 4.3% | -2.3% |
| **Total** | **3.5%** | **4.2%** | **20.0%** |

### Percent of Revenues (Billings) in Debt – Residential Natural Gas Customers

| Company | 2003 | 2004 | Percent Change 2003-04 |
|---|---|---|---|
| Columbia | 2.8% | 3.0% | 7.1% |
| Dominion | 5.7% | 6.0% | 5.3% |
| Equitable | 6.3% | 6.4% | 1.6% |
| NFG | 2.1% | 2.2% | 4.8% |
| PECO-Gas | 1.9% | 1.9% | No Change |
| PG Energy | 2.7% | 2.5% | -7.4% |
| PGW | Not Applicable | 18.3% | Not Applicable |
| UGI-Gas | 2.3% | 1.2% | -47.8% |
| **Total** | **3.4%** | **6.5%** | **Not Applicable*** |

*By excluding PGW from the analysis, there was a percent change of -2.9% from 2003 to 2004.

# 3. Universal Service Programs

## Demographics

In conformance with the *Universal Service and Energy Conservation Reporting Requirements*, the EDCs and the NGDCs are to report to the Commission the demographics of their program recipients, including the number of household members under age 18 and over age 62, household size, income and source of income. The regulation defines a low income customer as a residential utility customer whose gross household income is at or below 150% of the federal poverty guidelines. Households that receive public assistance have incomes below 31 percent of the federal poverty guidelines, while households with employment at minimum wage have incomes below 68% of the federal poverty guidelines. Appendix 4 shows poverty levels in relation to household size and income.

### Source of Income, Average Household Size and Income

Generally, both electric and natural gas households that receive CAP, CARES or Hardship Fund benefits have an average household income that is less than $15,000 a year. Natural gas and electric customers who are enrolled in the Low Income Usage Reduction Program (LIURP) have average yearly household incomes below $15,000. Average household incomes for CAP customers are slightly less than those of LIURP customers. Electric CAP customers have average annual household incomes that are less than $12,000 compared with $11,000 for natural gas CAP. These households average three persons, with almost two members under 18 years old.

Average household incomes for universal service and energy conservation program participants are well below 150% of the 2004 federal poverty guidelines of $23,508 for three persons. The most recently published data from the 2003 Census reports that the average household income in Pennsylvania is $53,991.

The majority of electric customers participating in universal service programs have incomes from employment, disability benefits or pension benefits. The majority of natural gas customers participating in universal service programs have incomes from public assistance, employment, and pensions. See Appendix 5 for a summary of the source of income data.

"Working poor" households do not always have incomes that exceed 150% of the federal poverty guidelines. A definition of a "working poor" household begins with a wage-earner who works full time at a minimum wage job. Minimum wage is $5.15 per hour.[3] Annual income for a wage earner who works at minimum wage job is $10,712. A typical CAP customer has an income in the $11,000 to $12,000 range, which places these households' incomes between 70% - 77% of the federal poverty guidelines. These households have incomes that are just slightly above minimum wage. Almost 60% of the 287,000 households enrolled in CAP have incomes between 51% - 100% of the federal poverty guidelines.

Finally, it is important to understand the relationship between household incomes and the percent of that income that a household spends on energy. Energy burden is defined as the percentage of household income that a household spends on total home energy needs.[4] In most instances, CAP programs require households to pay at least 16% of their household incomes for energy compared with an average Pennsylvania household that pays about five percent of their income for home energy needs. Profiles of typical electric and natural gas CAP customers are shown in Appendix 8.

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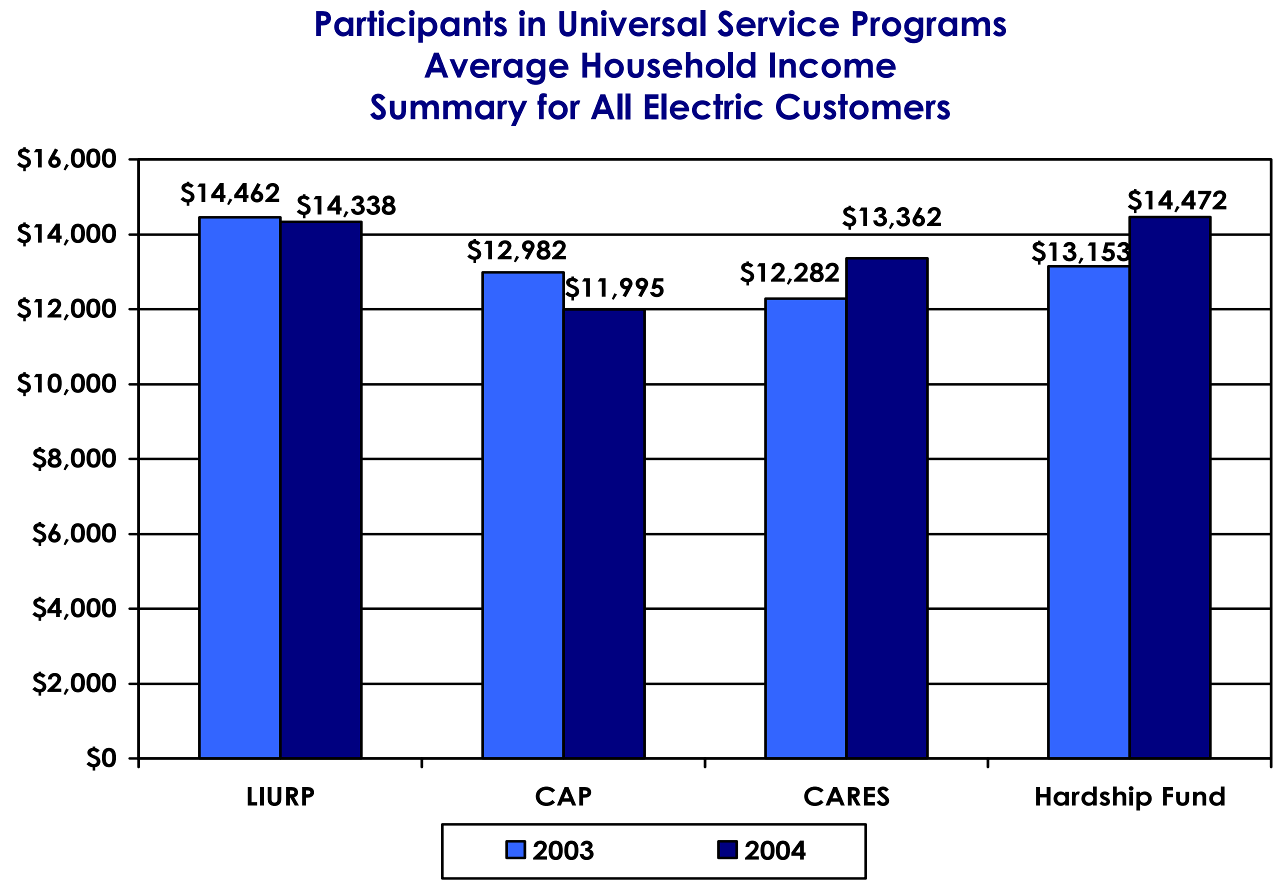
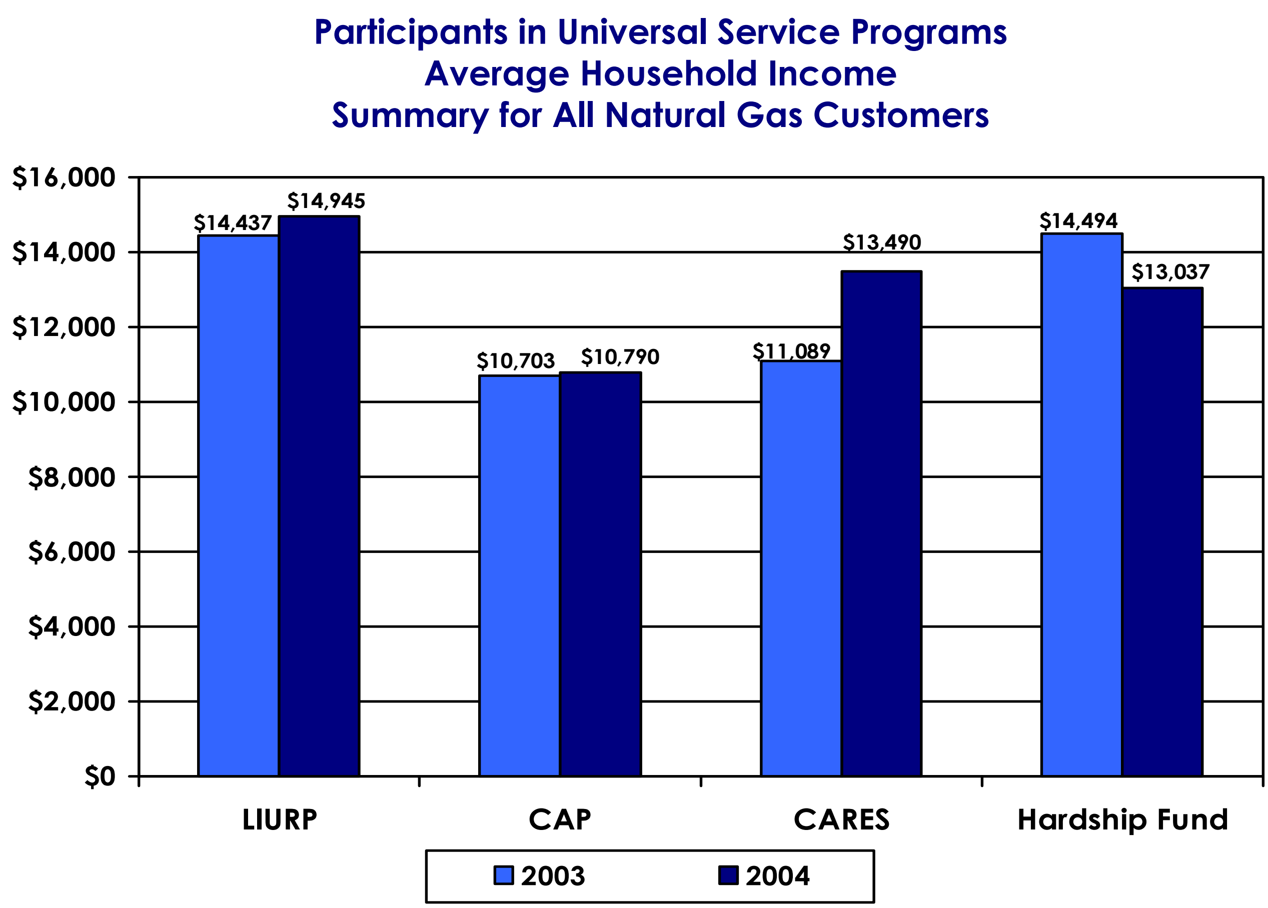
[3] http://www.dol.gov/esa/minwage/chart.htm, The Pennsylvania state minimum wage law adopts the Federal minimum wage rate by reference. http://www.dol.gov/esa/minwage/america.htm#Pennsylvania

[4] US Dept. of Health & Human Services, *LIHEAP Home Energy Notebook for FY 2002*: Appendix A Home energy estimates, p.45, 2004.



Participants in Universal Service Programs
Average Household Income
Summary for All Electric Customers
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
$14,462
$14,338
$12,982
$11,995
$12,282
$13,362
$13,153
$14,472
LIURP
CAP
CARES
Hardship Fund
2003
2004

Participants in Universal Service Programs
Average Household Income
Summary for All Natural Gas Customers
$16,000
$14,000
$12,000
$10,000
$8,000
$6,000
$4,000
$2,000
$0
$14,437
$14,945
$10,703
$10,790
$11,089
$13,490
$14,494
$13,037
LIURP
CAP
CARES
Hardship Fund
2003
2004

## LIURP

The Pennsylvania Low Income Usage Reduction Program (LIURP) is a statewide, utility-sponsored, residential usage reduction program mandated by Pennsylvania Public Utility Commission regulations at 52 Pa. Code, Chapter 58. The primary goal of LIURP is to assist low income residential customers to reduce energy bills through usage reduction (energy conservation) and, as a result, to make bills more affordable.

LIURP is targeted toward customers with annual incomes at or below 150% of the federal poverty level. However, beginning in 1998, the LIURP regulations permit companies to spend up to 20% of their annual LIURP budgets on customers with incomes between 150% and 200% of the federal poverty level. LIURP places priority on the highest energy users who offer the greatest opportunities for bill reductions. Generally, the EDCs target customers with annual usage of at least 6,000 kWhs and the NGDCs target customers with annual usage of at least 120 Mcfs. When feasible, the program targets customers with payment problems (arrearages). The program is available to both homeowners and renters. LIURP services all housing types, including single family homes, mobile homes, and small and large multi-family residences.

The LIURP funds are included in utility rates as part of the distribution cost that is passed on to all residential customers. The current LIURP funding levels for each utility were set for a period of three years in the most recently filed Universal Service Plans. These plans are to be filed every three years. The utility is required to develop a funding level based upon a needs assessment, which, in turn, will likely be based on census and utility data.

The PUC has regulatory oversight of LIURP and the utilities administer the program using both non-profit and for-profit contractors. The LIURP funds are disbursed directly to program contractors, usually on a monthly basis. The various program costs and installed usage reduction measures are agreed to in contracts between the contractors and the utilities.

Program measures are installed on a simple payback recovery basis of seven years or less for most program measures. There are exceptions that must meet a 12-year simple payback recovery and these include sidewall insulation, attic insulation, furnace replacement, water heater replacement and refrigerator replacement. Recovery is the time it takes to recover the cost of the installed program measure through projected energy savings. Examples of the program measures include: air infiltration measures using the blower door air sealing techniques; all types of insulation such as attic and sidewall; heating system treatments and replacements; water heating tank and pipe wraps; water heater replacements; compact fluorescent lighting; refrigerator replacement; water bed replacement with a form-fitted foam mattress; incidental repairs (not home rehabilitation); and conservation education.

The factors that have an impact on energy savings are: the level of pre-weatherization usage; occupant energy behavior; housing type and size; age of the dwelling; condition of the dwelling; end uses such as heating; cooling and water heating; and contractor capabilities.

The list of customer, utility and community benefits includes: bill reduction; improved health, safety and comfort levels; LIHEAP leveraging (Pennsylvania receives additional funds due to the LIURP resources that supplement LIHEAP funds); arrearage reduction; reduced collection activity; improved bill payment behavior; reduced use of supplemental fuels and secondary heating devices; more affordable low income housing; impact on homelessness; and less housing abandonment.

The data presented in the instant report reflect the Universal Service Reporting Requirements (USRR) regulations at § 54.75 and § 62.5. These provisions require the reporting of various LIURP data including: annual program costs for the reporting year; number of family members under 18 years of age; number of family members over 62 years of age; family size, household income; source of income; participation levels for the reporting year; projected annual spending for the current year; projected annual participation levels for the current year; and average job costs. In addition, the report also includes data on completed jobs provided to the Commission by the EDCs in accordance with the LIURP Codebook, which was originally based in the LIURP regulations at 52 Pa. Code § 58.15 and incorporated in the USRR regulations.

## LIURP Spending

As a rule, companies try to spend all of the LIURP funds that are budgeted each year, but this is not always possible. In most cases, unspent funds are carried over from one program year to the next on an ongoing basis. Thus, the actual spending for the program year 2004 and the projected spending for the program year 2005, that are reported in the follwing pages, may contain unspent funds that the EDC or NGDC is obligated to spend.

## LIURP Spending – Electric Utilities

| Company | 2004 Actual Spending | 2005 Projected Spending* |
|---|---|---|
| Allegheny | $2,053,981 | $2,054,753 |
| Duquesne | $1,021,250 | $2,008,917 |
| Met-Ed | $1,720,005 | $2,362,361 |
| PECO-Electric | $5,600,000 | $5,600,000 |
| Penelec | $1,657,765 | $1,962,000 |
| Penn Power | $527,439 | $645,250 |
| PPL | $5,642,380 | $6,267,379 |
| **Total** | **$18,222,820** | **$20,900,660** |

*Includes carryover of unspent funds.

## LIURP Spending – Natural Gas Utilities

| Company | 2004 Actual Spending | 2005 Projected Spending* |
|---|---|---|
| Columbia | $1,399,634 | $1,369,203 |
| Dominion | $610,000 | $610,000 |
| Equitable | $602,699 | $694,347 |
| NFG | $1,199,392 | $1,177,910 |
| PECO-Gas | $875,000 | $875,000 |
| PG Energy | $365,191 | $354,713 |
| PGW | $2,008,697 | $2,060,000 |
| UGI-Gas | $648,025 | $891,112 |
| **Total** | **$7,708,638** | **$8,032,285** |

*Includes carryover of unspent funds.

## LIURP Production

LIURP production levels are influenced by many factors including: the size of the company's LIURP program budget; the heating saturation among the company's customer population; housing characteristics such as the type, size and condition of the housing stock; contractor capability; and, to a lesser extent, customer demographics and behavior.

## LIURP Electric Production

| Company | 2004 Actual Production | | | 2005 Projected Production | | |
|---|---|---|---|---|---|---|
| | Heating Jobs | Water Heating Jobs | Baseload Jobs* | Heating Jobs | Water Heating Jobs | Baseload Jobs* |
| Allegheny | 490 | 1,494 | 175 | 495 | 1,508 | 178 |
| Duquesne | 31 | 4 | 2,085 | 35 | 5 | 2,500 |
| Met-Ed | 344 | 363 | 418 | 400 | 450 | 550 |
| PECO-Electric | 1,321 | 0 | 6,168 | 1,180 | 0 | 5,000 |
| Penelec | 299 | 868 | 385 | 220 | 1,030 | 450 |
| Penn Power | 75 | 233 | 288 | 80 | 250 | 270 |
| PPL | 1,385 | 117 | 854 | 1,800 | 154 | 1,029 |
| **Total** | **3,945** | **3,079** | **10,373** | **4,210** | **3,397** | **9,977** |

* Baseload jobs contain very few or no heating or water heating program measures

## LIURP Natural Gas Production

| Company | 2004 Actual Production Heating Jobs | 2005 Projected Production Heating Jobs |
|---|---|---|
| Columbia | 243 | 220 |
| Dominion | 223 | 225 |
| Equitable | 138 | 200 |
| NFG | 206 | 200 |
| PECO-Gas | 540 | 520 |
| PG Energy | 146 | 142 |
| PGW | 2,916 | 2,500 |
| UGI-Gas | 268 | 340 |
| **Total** | **4,680** | **4,347** |

## LIURP Average Job Costs

Customer usage profiles are typically highest for heating jobs followed by water heating jobs and baseload jobs. Average job costs are based on the total number of completed jobs in the job type category and the total costs associated with those jobs. Specifically, the average job cost is calculated by dividing the total dollars spent on a type of job by the number of jobs completed.

All of the LIURP gas jobs are classified as heating. On the other hand, for electric jobs, the determination of the job type first depends on whether or not the customer heats with electricity. If most of the dollars spent on the completed job are on heating related program measures, then the job is classified as a heating job. Next, if the customer does not heat with electricity but uses electricity for water heating, and most of the dollars spent on the completed job are on water heating measures, then the job is classified as a water heating job. If the customer does not use electricity for either heating or water heating, the completed job is automatically classified as a baseload job. This is a simplistic model for classifying the type of job and this model is easy to apply to the vast majority of electric jobs in LIURP.

**LIURP Electric Job Costs**

| Company | 2004 Heating Jobs | 2004 Water Heating Jobs | 2004 Baseload Jobs |
|---|---|---|---|
| Allegheny | $2,011 | $273 | $99 |
| Duquesne | $1,910 | $870 | $400 |
| Met-Ed | $1,581 | $809 | $823 |
| PECO-Electric | $2,143 | Not Applicable | $368 |
| Penelec | $1,185 | $627 | $562 |
| Penn Power | $1,557 | $694 | $650 |
| PPL | $2,227 | $1,121 | $672 |

**LIURP Natural Gas Job Costs**

| Company | 2004 Heating Jobs |
|---|---|
| Columbia | $4,203 |
| Dominion | $2,384 |
| Equitable | $3,418 |
| NFG | $3,618 |
| PECO-Gas | $1,603 |
| PG Energy | $2,278 |
| PGW | $603 |
| UGI-Gas | $2,038 |

The estimated annual bill reduction is calculated by multiplying the average number of kWhs or Mcfs saved during the post-treatment period by the average price per kWh or Mcf during the post-treatment period. Companies voluntarily report this pricing information to BCS on an annual basis. The estimated annual bill reductions that are presented below are based on the average of the company results.

### LIURP Energy Savings and Bill Reductions

| Job Type | 2002 Energy Savings | 2002 Estimated Annual Bill Reduction* |
|---|---|---|
| Electric Heating | 7.8% | $141 |
| Electric Water Heating | 3.9% | $42 |
| Electric Baseload | 7.0% | $90 |
| Gas Heating | 18.0% | $355 |

## Customer Assistance Programs

Customer Assistance Programs (CAPs) provide an alternative to traditional collection methods for low income, payment troubled utility customers. Customers make regular monthly payments, which may be for an amount that is less than the current bill for utility service. Most payments are based on a percentage of a customer's income. Some payments are based on a rate discount, while others are based on a percentage of the bill or historical payments. However, household size and income generally determine the size of any discount. Besides regular monthly payments, customers need to comply with certain responsibilities and restrictions to remain eligible for continued participation. This section presents a progress report on the implementation of the Commission's CAP Policy Statement and 66 Pa. C.S. § 2802(10), § 2804(9), § 2203(7) and § 2203(8) by the seven largest EDCs and by the NGDCs serving over 100,000 customers. Appendix 7 provides a summary of the universal service design changes by company that the Commission approved in 2004.

### CAP Participation

In conformance with the *Universal Service and Energy Conservation Reporting Requirements* at 52 Pa. Code §54.75(2)(i)(C) for the EDCs and 52 Pa. Code §62. 5(2)(i)(C) for the NGDCs, the companies are to report to the Commission the number of customers enrolled in CAP. The Commission defines participation as those participants enrolled in CAP at the end of the program year. As part of each company's restructuring proceeding, a program phase-in size was established. In conformance with the Reporting Requirements for Universal Service and Energy Conservation at 52 Pa. Code § 54.74 for the EDCs and 52 Pa. Code §62.4 for the NGDCs, each company is to submit to the Commission for approval a three-year universal service plan. The regulations at 52 Pa. Code §§ 54.74(b)(3)&(4) for the EDCs and 52 Pa. Code §§ 62(4)(b)(3)&(4) require the companies to submit a projected needs assessment and projected enrollment level for its universal service programs.

The 2004 results below show a CAP Participation Rate, defined as the number of participants enrolled as of December 31, 2004, divided by the number of confirmed low income customers. The Commission expects utilities to achieve a 50% participation rate. The CAP participation rate would be much lower if the rate reflected estimated rather than confirmed low income customers.

### CAP Participation – Electric Utilities

| EDC | Participants Enrolled as of 12/31/03 | CAP Participation Rate | Participants Enrolled as of 12/31/04 | CAP Participation Rate |
|---|---|---|---|---|
| | 2003 | | 2004 | |
| Allegheny | 19,922 | 72% | 20,741 | 69% |
| Duquesne | 16,809 | 57% | 18,490 | 57% |
| Met-Ed | 6,179 | 24% | 6,288 | 20% |
| PECO | 99,187 | 49% | 98,387 | 55% |
| Penelec | 10,364 | 25% | 11,689 | 23% |
| Penn Power | 3,921 | 36% | 3,198 | 22% |
| PPL | 12,420 | 10% | 15,801 | 14% |
| **Total** | **168,802** | | **174,594** | |
| **Weighted Avg.** | | **36%** | | **39%** |

## CAP Participation – Natural Gas Utilities

| EDC | Participants Enrolled as of 12/31/03 | CAP Participation Rate | Participants Enrolled as of 12/31/04 | CAP Participation Rate |
|---|---|---|---|---|
| | 2003 | | 2004 | |
| Columbia | 17,736 | 26% | 19,259 | 27% |
| Dominion Peoples | 9,092 | 16% | 9,011 | 15% |
| Equitable | 9,362 | Not Available | 11,496 | 36% |
| NFG | 7,560 | 33% | 8,345 | 34% |
| PECO | 14,585 | 43% | 15,757 | 50% |
| PG Energy | 1,403 | 6% | 2,212 | 9% |
| PGW | N/A | N/A | 60,621 | 39% |
| UGI | 4,053 | Not Available | 4,008 | 20% |
| **Total** | **63,791** | | **130,709** | |
| **Weighted Avg.** | | **31%** | | **31%** |

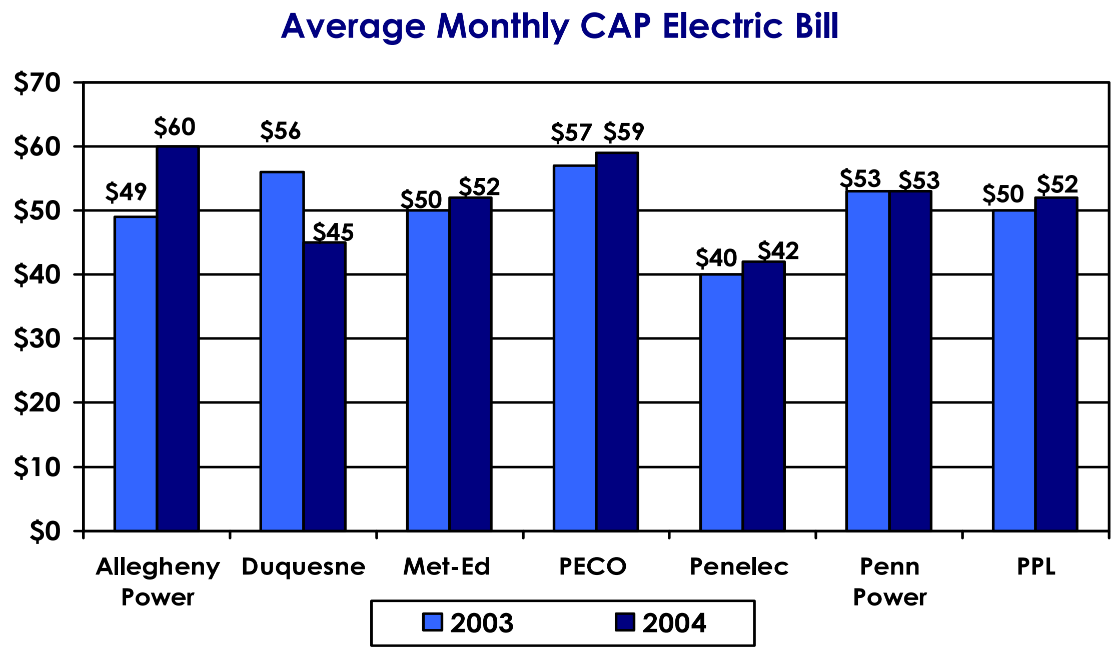
N/A – Not Applicable. PGW was not required to begin reporting universal service data until 2004.

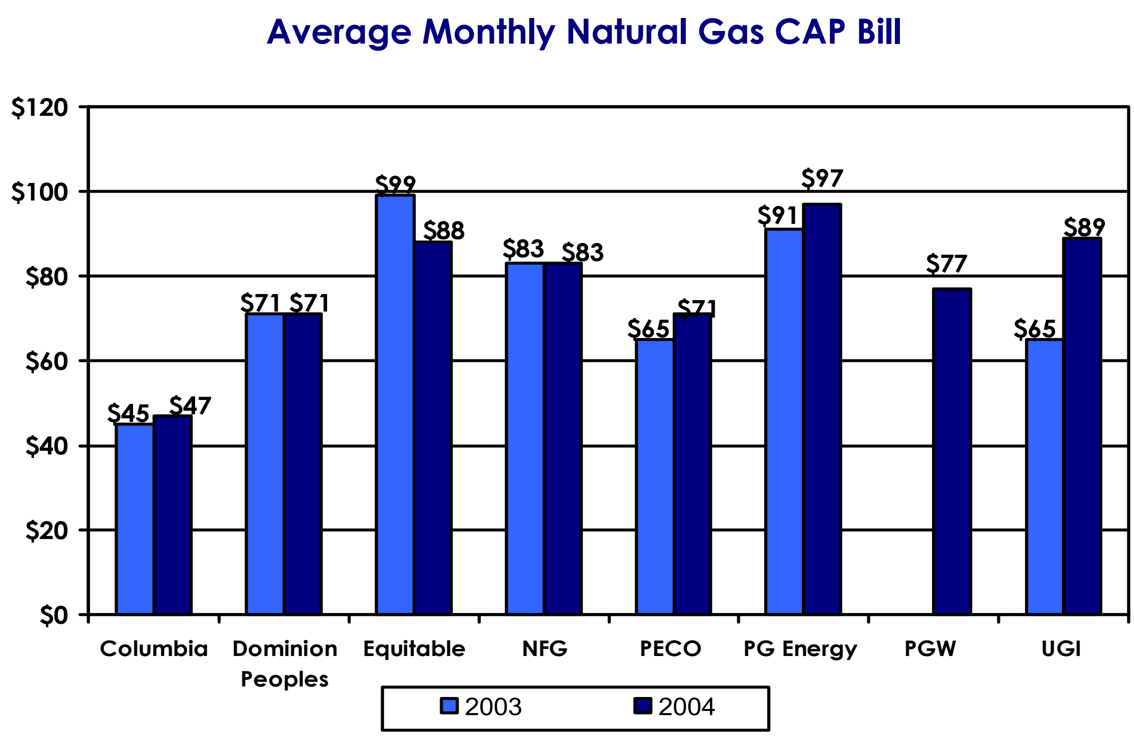
### CAP Benefits – Bills, Credits & Arrearage Forgiveness

In conformance with the *Universal Service and Energy Conservation Reporting Requirements* at 52 Pa. Code § 54.75(2)(ii)(B)(IV) for the EDCs and 52 Pa. Code § 62.5(2)(ii)(B)(IV) for the NGDCs, the companies are to report to the Commission on CAP benefits. The regulation defines CAP benefits as the average CAP bill, average CAP credits, and average arrearage forgiveness. Companies report by month the number of participants enrolled in CAP. Because CAP enrollment fluctuates during the year, the Commission bases average CAP credits and arrearage forgiveness benefits on the average monthly number of CAP participants rather than the number of CAP participants enrolled at the end of the year.

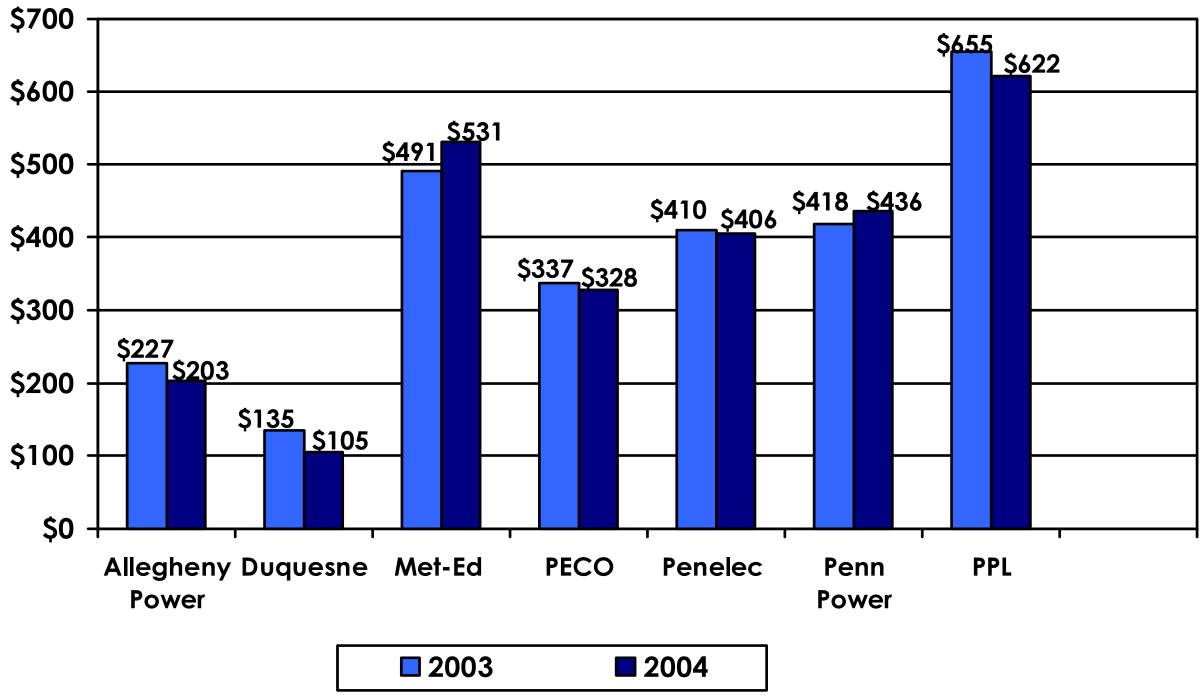
The Commission has further defined the three components of CAP benefits. The Commission defines the average CAP bill as the total CAP amount billed (total of the expected monthly CAP payment) divided by the total number of CAP bills rendered. The Commission defines average CAP credits as the total amount of the difference between the standard billed amount and the CAP billed amount divided by the average monthly number of CAP participants. The Commission defines average arrearage forgiveness as the total preprogram arrearages forgiven as a result of customers making agreed upon CAP payments divided by the average monthly number of CAP participants. The tables below show the average monthly CAP bill and CAP benefits.

Average CAP bills and CAP credits will fluctuate due to several factors: CAP customers may have different payment plans based on their type of usage (heating, water heating or baseload); change in rates; and the distribution of income levels among program participants. Consumption and weather will also affect NFG, PECO and Penn Power's CAP bills and credits because their payment plans are based on rate discounts tied to usage.



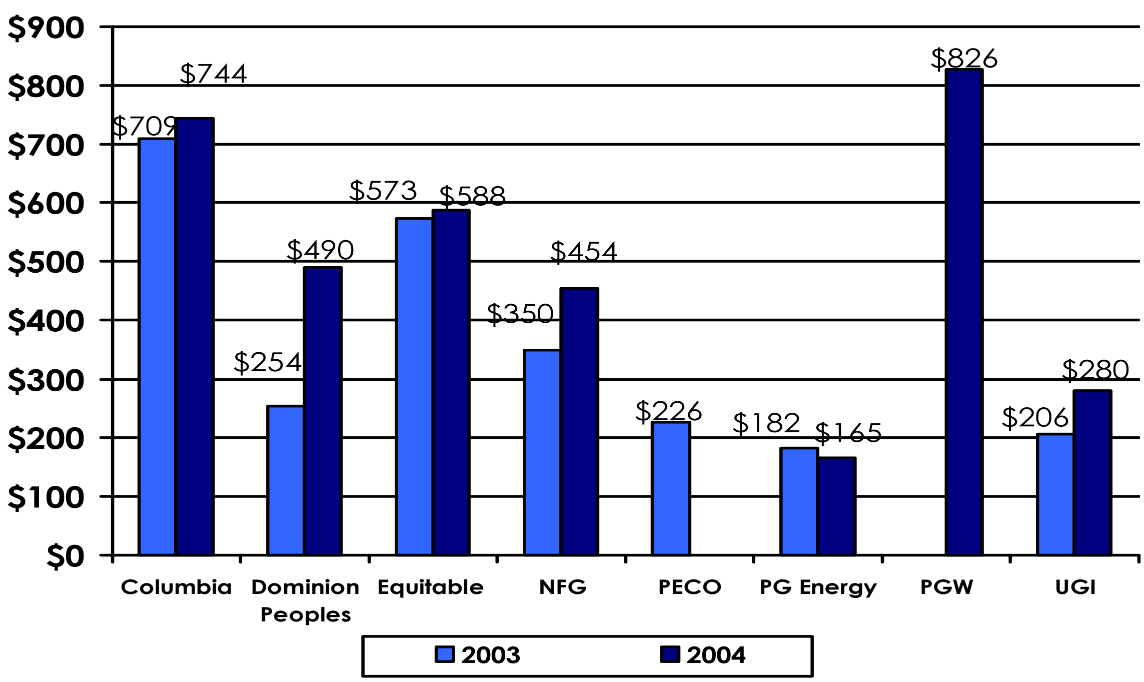
## Average Annual Electric CAP Credits




PPL explains that one reason for its higher than industry average for CAP credits is that 40 percent of CAP participants heat with electricity. Because a high proportion of CAP customers heat with electricity, CAP credits will be higher for PPL.

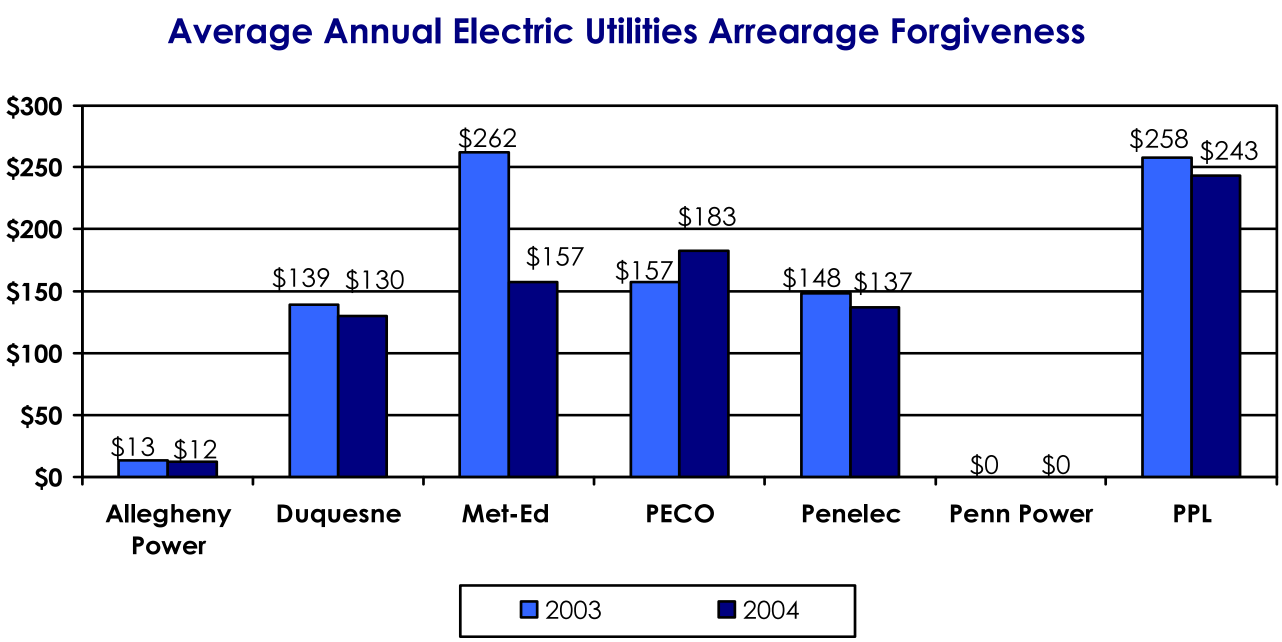
Duquesne explains that its lower than industry average for CAP credits is due to almost a million dollars in energy assistance grants.

## Average Annual Natural Gas CAP Credits



With the exception of PGW, Columbia's CAP credits are higher than the industry average. This can be attributed, in part, to its monthly average CAP bill, which is significantly lower than the industry average. Columbia's average CAP bill, at $47, is the most affordable among the industry, consistent with 66 Pa. C.S. § 2203(8) that universal service programs assist low income retail gas customers afford natural gas service. PGW's higher credits can be attributed to higher natural gas rates.

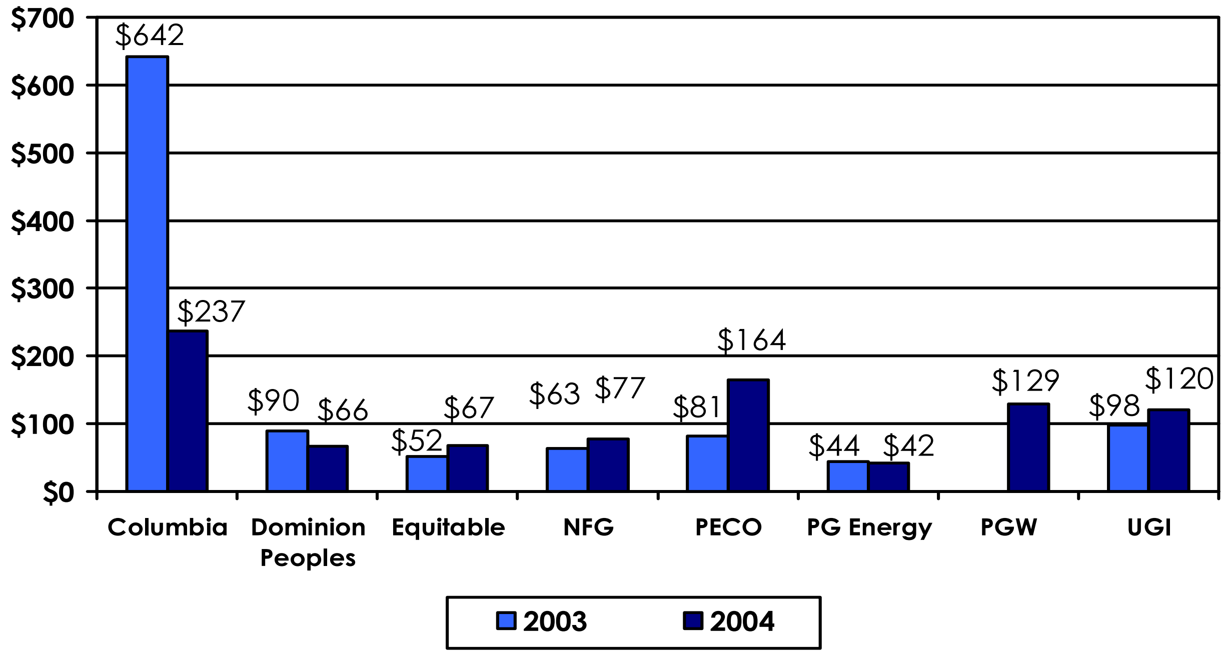
Arrearage forgiveness credits will fluctuate due to the following factors: the length of time over which forgiveness occurs; the length of time a customer is enrolled in CAP; how often forgiveness occurs (monthly or yearly); and the amount of arrearage brought to the CAP program. As programs become established, it should be rare that a customer comes to a program with a large arrearage because a utility should enroll a customer into CAP at the initial signs that a low income customer is payment troubled.




Allegheny Power attributes the low amount of dollars it spent for arrearage forgiveness to the aggressive and successful outreach it conducts to refer CAP customers to their hardship fund program and other agencies that provide cash assistance to pay utility bills. The outreach efforts result in energy assistance grants that reduce the total preprogram arrearages. In addition, a CAP customer must make at least ten full, on-time payments to be eligible for arrearage forgiveness.

At this time, Penn Power's CAP design does not include an arrearage forgiveness component. The company cites funding considerations, computer programming costs and rate caps as reasons to continue to delay the implementation of this component. By order entered May 14, 2002, the Commission apprised Penn Power that it expects Penn Power to implement an arrearage forgiveness component within its SAP system consistent with the CAP Policy Statement, 52 Pa. Code § 69.265(6)(ix).

**Average Annual Natural Gas Utilities Arrearage Forgiveness**



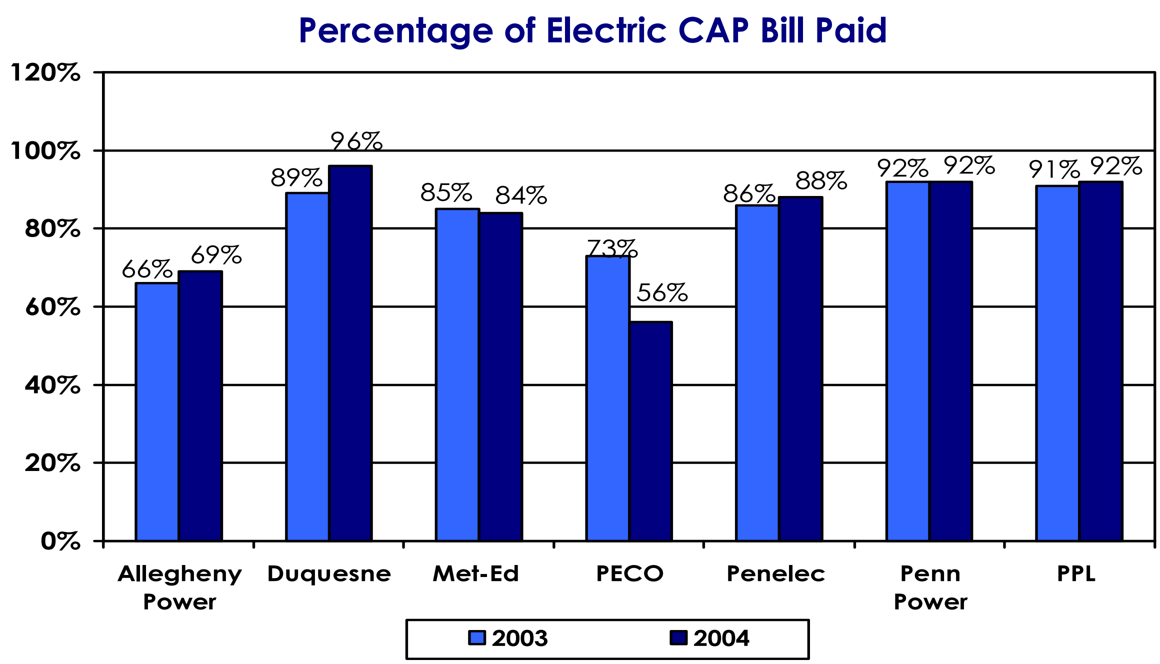

In 2003, Columbia's arrearage write-off was significantly larger than previous years due to a historical asset write-off. Columbia changed the arrearage write-off process and accounts were reconciled to the new process causing a one-time charge to the balance sheet. This one-time charge totaled $7,312,028. Without this reconciliation, Columbia's normal CAP write-offs would have been $2,715,682 in 2003, or an average of $162 per participant.

## Percentage of Bill Paid

In conformance with the *Universal Service and Energy Conservation Reporting Requirements* at 52 Pa. Code § 54.75(2)(ii)(B)(VII) for the EDCs and 52 Pa. Code § 62.5(2)(ii)(B)(VII) for the NGDCs, the companies are to report to the Commission on the percentage of CAP bill paid. "CAP billed paid" is the annual total of the expected monthly CAP payment. This amount includes the amount that companies bill CAP customers rather than the tariffed rate amount. The companies report on the annual total amount of payments by CAP customers. The Commission defines percentage of CAP bill paid as the total amount of payments by CAP customers divided by the total dollar amount of CAP billed. Based on history and successful CAP designs relating to default and payment plans, the Commission recommends that a percentage of bill paid of no less that 80% can be reasonably achieved – with a goal of 90% or better. The table below shows percentage of CAP bill paid by CAP customers.

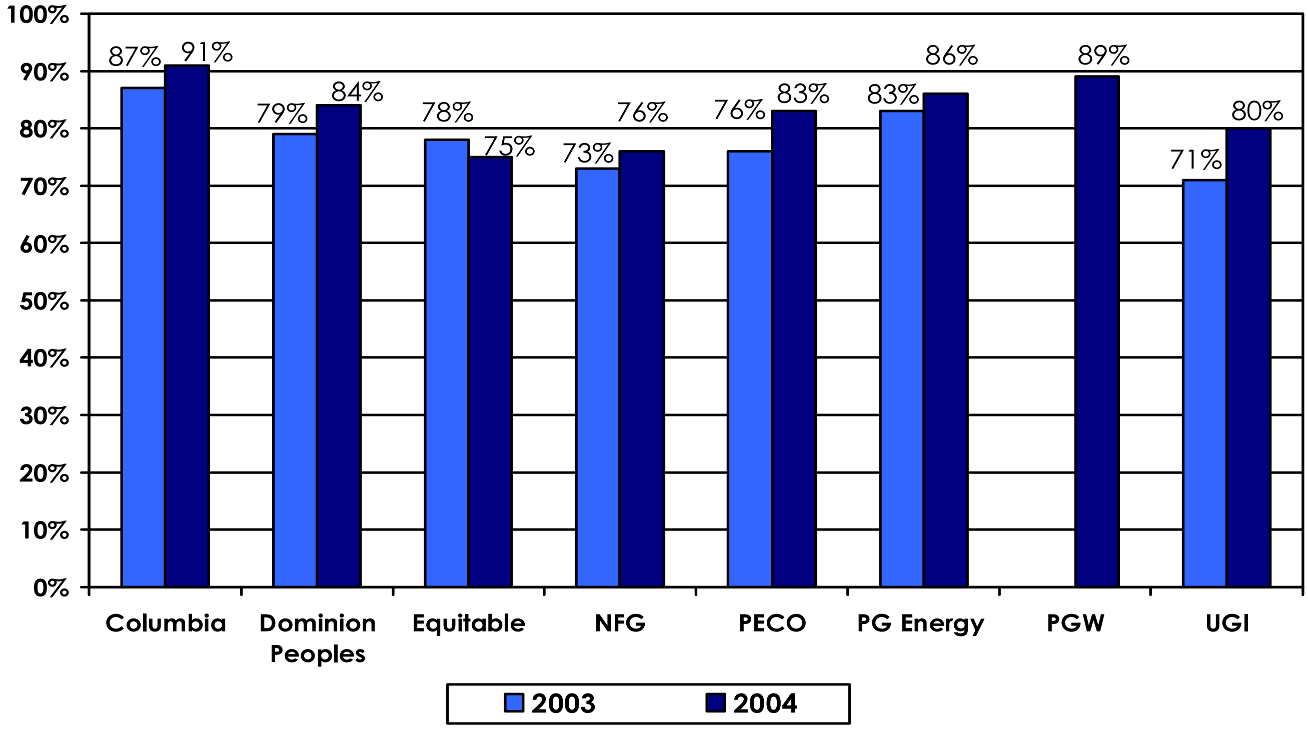
PECO attributes the percentage of bill paid decrease to increased usage. Customers total cash payments increased slightly by about one percent and the number of payments increased by 20%. However, usage also increased. PECO suspects the increase in usage is due to customers who heat with fuel oil or natural gas using more electric to supplement their heat due to the high costs of fuel oil and natural gas.

The affordability of PECO's CAP budgets has been the focus of numerous Commission Orders. Most recently, the Commission found that PECO's universal service plan is not fully consistent with the requirement at 66 Pa. C.S. § 2802(10), § 2804(9), or with the Customer Assistance Program (CAP) Policy Statement at 52 Pa. Code §§ 69.265(2)(i)(A-C).[2] This inconsistency with the requirements just mentioned contributes to the low percentage of bill paid by PECO's CAP customers.




[2] Commission Order at Docket No. M-00041788, entered on April 21, 2004, p.12.

## Percentage of Natural Gas CAP Bill Paid




* Data not available.

## CAP Costs

-

In conformance with the *Universal Service and Energy Conservation Reporting Requirements* at 52 Pa. Code § 54.74(2)(i)(A) for the EDCs and 52 Pa. Code § 62.4(2)(i)(A) for the NGDCs, the companies are to report to the Commission on CAP program costs. The companies and the Bureau developed mutually satisfactory guidelines for reporting CAP costs. CAP costs include costs for administration, CAP credits and arrearage forgiveness. Administrative costs include the following costs: contract and utility staffing; account monitoring; intake; outreach; consumer education and conservation; training; maintaining telephone lines; recertification; computer programming; evaluation; and other fixed overhead costs. Account monitoring includes collection expenses as well as other operation and maintenance expenses. See Appendix 6 for the percentage of CAP spending by program component: administration; CAP credits; and arrearage forgiveness. The data below show a need for improvement in the percentage of CAP spending on administration. In past reports, the Commission has reported that CAP administrative costs should not exceed 20% of total CAP costs. Twenty percent was a reasonable goal when utilities were expanding and implementing new CAP programs. Because CAP programs are established and experience shows that administrative costs of no more than 15% can be realistically achieved, CAP spending for administrative purposes should not exceed 15% – with an ideal goal of no more than ten percent. Costs are gross costs and do not reflect any potential savings to traditional collection expenses, cash working capital expenses, and bad debt expenses that may result from enrolling low income customers in CAP.

## CAP Electric Gross Costs

| EDC | Total Gross CAP Costs | Average CAP Enroll-ment | Average Gross Program Costs per CAP Customer | Total Gross CAP Costs | Average CAP Enroll-ment | Average Gross Program Costs per CAP Customer |
|---|---|---|---|---|---|---|
| | 2003 | | | 2004 | | |
| Allegheny | $4,790,028 | 18,922 | $268 | $4,987,081 | 21,171 | $236 |
| Duquesne | $6,135,000 | 16,057 | $382 | $5,275,000 | 17,343 | $304 |
| Met-Ed | $4,897,055 | 5,478 | $894 | $4,966,221 | 6,174 | $804 |
| PECO* | $70,602,594 | 93,419 | $756 | $70,005,174 | 98,720 | $709 |
| Penelec | $6,102,536 | 9,404 | $649 | $6,914,194 | 11,213 | $617 |
| Penn Power | $1,982,273 | 4,094 | $484 | $1,825,678 | 3,598 | $507 |
| PPL | $12,851,819 | 12,082 | $1,064 | $14,691,811 | 15,035 | $977 |
| **Total** | **$107,361,305** | **156,276** | | **$108,665,159** | **173,262** | |
| **Weighted Avg.** | | | **$675** | | | **$627** |

*PECO's costs include a $13 million uncollectible provision. PECO calculates its Uncollectible Provision Expense in accordance with Generally Accepted Accounting Principles. PECO estimates that the total outstanding balances (preprogram arrearages) for customers who enroll in CAP Rate are potentially uncollectible.

## CAP Natural Gas Gross Costs

| NGDC | Total Gross CAP Costs | Average CAP Enroll-ment | Average Gross Program Costs per CAP Customer | Total Gross CAP Costs | Average CAP Enroll-ment | Average Gross Program Costs per CAP Customer |
|---|---|---|---|---|---|---|
| | 2003 | | | 2004 | | |
| Columbia* | $21,869,084 | 15,613 | $1,401 | $18,419,765 | 18,041 | $1,021 |
| Dominion Peoples | $3,363,454 | 8,647 | $389 | $5,358,196 | 9,142 | $586 |
| Equitable | $6,280,965 | 9,372 | $670 | $7,737,610 | 10,831 | $714 |
| NFG | $3,236,087 | 6,947 | $466 | $4,613,226 | 8,063 | $572 |
| PECO** | $7,197,123 | 13,599 | $529 | $9,083,265 | 15,792 | $575 |
| PG Energy | $430,366 | 1,482 | $290 | $590,454 | 2,270 | $260 |
| PGW | | | | $57,800,000 | 57,977 | $997 |
| UGI | $926,753 | 1,957 | $474 | $1,733,856 | 4,133 | $420 |
| **Total** | **$43,303,832** | **57,617** | | **$105,336,372** | **126,248** | |
| **Weighted Avg.** | | | **$752** | | | **$834** |

*In 2003, Columbia's arrearage write-off was significantly larger than previous years due to a historical asset write-off on balance sheet for arrearage forgiveness.
**PECO calculates its Uncollectible Provision Expense in accordance with Generally Accepted Accounting Principles. PECO estimates that the total outstanding balances (preprogram arrearages) for customers who enroll in CAP Rates are potentially uncollectible.

## CARES

The primary purpose of a CARES program is to provide a cost-effective service that helps payment troubled customers maximize their ability to pay utility bills. A CARES program helps address health and safety concerns relating to utility service by providing important benefits. CARES staff provides three primary services: case management; maintaining a network of service providers; and making referrals to services that provide assistance.

As utilities have expanded their CAP programs, the focus of CARES has changed. For most utilities, CARES has become a component of CAP. The Commission has not objected to some of the functions of CARES changing overtime, because the expansion of CAP has reduced the number of customers who may need case management services.

CARES representatives provide case management services to a limited number of customers with special needs. Most customers receive the case management services of CARES for no more than six months. If a customer's hardship is not resolved within that time, a utility will transfer a customer from the CARES program to their CAP. The number of customers who receive case management services has decreased because these customers now receive the benefits of more affordable payments as part of CAP enrollment.

A utility CARES representative also performs the task of strengthening and maintaining a network of community organizations and government agencies that can provide services to the program clients. By securing these services, including energy assistance funds, customers can maintain safe and adequate utility service. LIHEAP outreach and networking are vital pieces of CARES that should not be neglected. A CARES program continues to address the important health and safety concerns relating to utility service. As Chapter 14 implementation occurs, it is imperative that each utility be able to identify its customers so that it does not jeopardize the health and safety of a household that has special conditions.

Finally, CARES staff conduct outreach and make referrals to programs that provide energy assistance grants. CARES staff also make referrals to LIHEAP (the federal program that provides energy assistance grants), hardship funds, and other agencies that provide cash assistance.

### CARES Benefits

In conformance with the *Universal Service and Energy Conservation Reporting Requirements* at 52 Pa. Code § 54.75(2)(ii)(C)(III) for the EDCs and 52 Pa. Code § 62.5 (2)(ii)(C)(III) for the NGDCs, the companies are to report to the Commission on CARES benefits. The Commission defines CARES benefits as the total number and dollar amount of LIHEAP benefits applied to all low income customers' accounts. LIHEAP benefits include both LIHEAP cash and LIHEAP crisis grants. Typically, households that receive crisis grants also receive cash grants. Therefore, to avoid double counting the number of benefits, the table below shows number of households that received LIHEAP cash grants. The dollar amount of LIHEAP benefits includes *both* cash and crisis LIHEAP benefits. The total amount of LIHEAP dollars that each utility receives is dependant primarily on the amount of the federal LIHEAP appropriation and the number of poor customers in each company's service territory. The regulation defines direct dollars as dollars that are applied to a CARES customer's electric utility account, including all sources of energy assistance applied to utility bills such as LIHEAP, hardship fund grants and local agencies' grants. The column titled Direct Dollars in Addition to LIHEAP Grants for CARES Participants subtracts LIHEAP benefits from total CARES benefits to show the total dollar benefits that are not LIHEAP-related. Net CARES benefits includes LIHEAP cash and crisis grants plus direct dollars in addition to LIHEAP grants. The administrative costs of CARES are deducted from the total CARES benefits to equal net CARES benefits. Because the number of participants who receive the case management services of CARES are small, the direct dollars not related to LIHEAP grants will be a smaller number than the total LIHEAP dollars for all low income customers.

### 2004 Electric CARES Benefits

| EDC | CARES Costs | Total LIHEAP Grants for Low Income Customers** | Low Income Households who Received LIHEAP Cash Grants | Direct Dollars in Addition to LIHEAP Grants for CARES Participants | Net CARES Benefits |
|---|---|---|---|---|---|
| Allegheny Power | $68,683 | $2,144,965 | 6,687 | $6,759 | $2,151,724 |
| Duquesne | $100,000 | $2,012,314 | 5,086 | $187,380 | $2,099,694 |
| Met-Ed* | | $708,677 | 2,895 | | $639,994 |
| PECO | $458,091 | $8,792,006 | 26,113 | $0 | $8,692,006 |
| Penelec* | | $1,985,452 | 6,186 | | $1,985,452 |
| Penn Power* | | $698,887 | 2,178 | | $698,887 |
| PPL | | $3,818,886 | 13,896 | $50,976 | $3,869,862 |
| **Total** | **$626,774** | **$18,016,222** | **56,354** | **$238,356** | **$17,985,895** |

*Met-Ed, Penelec and Penn Power enroll and monitor all CARES participants in its CAP rather than separately monitoring these accounts. PPL includes the costs of CARES in its OnTrack costs. The CARES representatives in both companies perform the functions of both CAP and CARES.

**Total LIHEAP grants include both LIHEAP cash and crisis grants. Typically, customers who receive crisis grants also receive cash grants.

## 2004 Natural Gas CARES Benefits

| NGDC | CARES Costs | Total LIHEAP Grants for Low Income Customers* | Low Income Households who Received LIHEAP Cash Grants | Direct Dollars in Addition to LIHEAP Grants for CARES Participants | Net CARES Benefits |
|---|---|---|---|---|---|
| Columbia | $236,891 | $5,122,197 | 18,880 | $650 | $4,885,956 |
| Dominion Peoples | $193,000 | $5,597,896 | 19,982 | $55,496 | $5,460,392 |
| Equitable | $299,250 | $5,214,835 | 15,478 | $5,388 | $4,915,585 |
| NFG | $21,347 | $5,528,922 | 17,525 | $10,201 | $5,517,776 |
| PECO | $88,839 | $1,318,800 | 3,395 | $0 | $1,237,961 |
| PG Energy | $80,475 | $ 3,646,696 | 11,108 | $300 | $3,566,521 |
| PGW | | $19,677,076 | 66,273 | $0 | $19,677,076 |
| UGI | $69,000 | $2,618,791 | 10,381 | $3,400 | $2,553,191 |
| **Total** | **$980,802** | **$48,725,213** | **163,022** | **$75,435** | **$47,814,458** |

*Total LIHEAP grants include both LIHEAP cash and crisis grants. Typically, customers who receive crisis grants also receive cash grants.

## Utility Hardship Fund Programs

Utility company hardship funds provide cash assistance to utility customers who "fall through the cracks" of other financial assistance programs, or to those who still have a critical need for assistance after other resources have been exhausted. The funds make payments directly to companies on behalf of eligible customers. Contributions from shareholders, utility employees and customers are the primary sources of funding for these programs.

### Ratepayer and Shareholder Contributions

In conformance with the *Universal Service and Energy Conservation Reporting Requirements* at 52 Pa. Code § 54.75(2)(ii)(D)(I)&(III) for the EDCs and 52 Pa. Code § 62.5(2)(ii)(D)(I)&(III) for the NGDCs, the companies are to report to the Commission on the amount of ratepayer and utility contributions to their hardship funds. Utility shareholders contribute the bulk of utility contributions. The Commission defines ratepayer contributions as contributions from utility employees, ratepayers and special contributions. Special contributions include monies from formal complaint settlements, overcharge settlements, off-system sales and special solicitations of business corporations. The Commission defines utility contributions as shareholder or utility grants for program administration, outright grants to the funds and grants that match contributions of ratepayers. Utility and ratepayer contributions are shown in the following tables.

## 2003-04 Electric Hardship Fund Contributions

| EDC | Ratepayer Contributions | Average Ratepayer Contribution per Customer | Utility & Shareholder Contributions |
|---|---|---|---|
| Allegheny | $194,361 | $0.32 | $180,000 |
| Duquesne | $272,188 | $0.52 | $390,000 |
| Met-Ed | $84,493 | $0.18 | $145,360 |
| PECO | $235,009 | $0.16 | $822,871 |
| Penelec | $54,927 | $0.11 | $152,175 |
| Penn Power | $54,565 | $0.40 | $143,667 |
| PPL | $404,969 | $0.35 | $440,000 |
| **Total** | **$1,300,512** | | **$2,274,073** |
| **Weighted Avg.** | | **$0.27** | |

## 2003-04 Natural Gas Hardship Fund Contributions

| NGDC | Ratepayer Contributions | Average Ratepayer Contribution per Customer | Utility & Shareholder Contributions |
|---|---|---|---|
| Columbia* | $456,424 | $0.23 | $144,840 |
| Dominion Peoples | $205,817 | $0.64 | $300,000 |
| Equitable | $88,396 | $0.37 | $240,000 |
| NFG | $47,422 | $0.24 | $33,333 |
| PECO | $38,172 | $0.09 | $29,693 |
| PG Energy | $19,149 | $0.14 | $42,313 |
| PGW ** | $52,071 | $0.11 | $348,759 |
| UGI | $33,867 | $0.13 | $40,000 |
| **Total** | **$941,318** | | **$1,178,938** |
| **Weighted Avg.** | | **$0.44** | |

*Columbia's ratepayer contributions include a $375,000 contribution from Citizens Energy Corp (Citizens). In prior reports, the Commission included this contribution as a shareholder contribution. For the average ratepayer contribution per customer comparison, Columbia's contribution from Citizens is not included. Only residential ratepayer contributions are included in the comparison.
**PGW, a municipally owned utility, does not have shareholders. The amount reported in the shareholder column represents a utility contribution appropriated from rates.

## Hardship Fund Benefits

In conformance with the *Universal Service and Energy Conservation Reporting Requirements* at 52 Pa. Code § 54.75(2)(ii)(D)(V) for the EDCs and 52 Pa. Code § 62.5 (2)(ii)(D)(V) for the NGDCs, the companies are to report to the Commission on hardship fund benefits. The Commission defines hardship fund benefits as the cumulative total number and dollar amount of grants disbursed for the program year as of the end of the program year.

### Electric Utility Hardship Fund Grant Benefits

| EDC | Ratepayers Receiving Grants | | Average Grant | | Total Benefits Disbursed | |
|---|---|---|---|---|---|---|
| | 2002-03 | 2003-04 | 2002-03 | 2003-04 | 2002-03 | 2003-04 |
| Allegheny | 1,474 | 1,362 | $204 | $220 | $300,000 | $300,000 |
| Duquesne | 2,379 | 2,433 | $273 | $267 | $650,000 | $650,000 |
| Met-Ed | 808 | 837 | $244 | $235 | $197,390 | $196,850 |
| PECO | 2,068 | 3,218 | $424 | $346 | $876,248 | $1,114,056 |
| Penelec | 757 | 925 | $221 | $238 | $167,080 | $220,000 |
| Penn Power | 715 | 607 | $336 | $267 | $239,991 | $161,870 |
| PPL | 2,833 | 2,488 | $206 | $227 | $582,432 | $563,574 |
| **EDC Total** | **11,034** | **11,870** | | | **$3,013,141** | **$3,206,350** |
| **Weighted Avg.** | | | **$273** | **$270** | | |

### Natural Gas Utility Hardship Fund Grant Benefits

| NGDC | Ratepayers Receiving Grants | | Average Grant | | Total Benefits Disbursed | |
|---|---|---|---|---|---|---|
| | 2002-03 | 2003-04 | 2002-03 | 2003-04 | 2002-03 | 2003-04 |
| Columbia | 2,187 | 2,063 | $256 | $280 | $560,140 | $577,390 |
| Dominion Peoples | 1,568 | 1,513 | $315 | $317 | $493,680 | $480,000 |
| Equitable | 1,242 | 1,005 | $338 | $378 | $420,000 | $380,000 |
| NFG | 380 | 341 | $213 | $237 | $80,969 | $80,755 |
| PECO-Gas | 311 | 420 | $348 | $468 | $108,300 | $196,598 |
| PG Energy | 664 | 332 | $126 | $131 | $83,870 | $43,552 |
| PGW | N/A | 1,623 | N/A | $479 | N/A | $778,176 |
| UGI-Gas | 444 | 478 | $141 | $189 | $62,419 | $90,435 |
| **NGDC Total** | **6,796** | **7,775** | | | **$1,809,378** | **$2,626,906** |
| **Weighted Avg.** | | | **$266** | **$297** | | |

# 4. Small Utilities' Universal Service Program

The universal service reporting requirements for small utilities have fewer data requirements than for the major utilities. The *Reporting Requirements for Universal Service and Energy Conservation Programs* at 52 Pa. Code, Chapter 62, Section 62.7 define small utilities as those NGDCs serving fewer than 100,000 residential customers. The corresponding reporting requirement at 52 Pa. Code, Chapter 54, Section 54.77 defines small utilities as those EDCs serving fewer than 60,000 residential customers. Two major differences are that these small utilities do not fall under the plan submission and approval process at Section 54.74 for EDCs and Section 62.4 for NGDCs and the submission of collection and program data at Section 54.75 for EDCs and Section 62.5 for NGDCs.

As a result of the *Electricity Generation Customer Choice and Competition Act* and the *Natural Gas Choice and Competition Act* (the Acts), the following seven small utilities now have various universal service programs:

- Citizens Electric Company, (Citizens);
- Pike County Power & Light (Pike);
- UGI Utilities Inc. – (UGI);
- Wellsboro Electric Company (Wellsboro);
- Valley Energy (formerly NUI Valley Cities Gas);
- PPL Gas Utilities Corporation (PPL Gas); and
- TW Phillips Gas and Oil Company (T.W. Phillips)

The universal service programs implemented by these companies vary considerably in size and scope of services. For example, Citizens and Pike participate with the Dollar Energy Fund in a hardship fund program. Pike administers a variation of a CAP program and participates in a hardship fund program. Valley Energy administers a CAP rate discount program. UGI, PPL Gas and T.W. Phillips all administer CAP programs and participate in hardship funds. Both UGI – Electric and T.W. Phillips also administer LIURP programs.

The small utilities also differ significantly in the total number of residential customers each serves. UGI, PPL Gas and T.W. Phillips, for example, each serve between 40,000 – 55,000 customers. Citizens, Pike, Wellsboro and Valley Energy each serve fewer than 5,000 customers.

In addition to the utility-sponsored programs, LIHEAP benefits will be available to all low income households whose incomes are below 135 percent of the federal poverty guidelines.

In 2004, small utilities who administer CAPs enrolled 3,300 customers in their programs. In 2004, the small utilities that participate with hardship fund programs provided a total of $158,640 in hardship fund benefits to 656 customers. Finally, UGI and T.W. Phillips completed 145 LIURP jobs.

# 5. Cold Weather Survey Results

As required by regulation (52 Pa. Code § 56.100), the electric distribution companies (EDCs) and the natural gas distribution companies (NGDCs) submitted the results of their surveys of residential properties where heat-related service was terminated and was not reconnected during 2004. The data highlights the number of households that entered the cold weather season without heat-related service. The primary goal of the survey is to contact customers still residing at properties where service has been terminated and provide them with the opportunity to make payment arrangements to have service reconnected.

## Survey Results

As of December 15, 2004, the major companies reported 15,005 households entered the heating season without heat-related utility service.

The Commission has removed from the attached Cold Weather Survey data any accounts that have been contacted by the utility and report using an alternative heating source or a potentially unsafe heating source. The Commission also does not include accounts that utilities report are now vacant properties.

Following is a summary of the 2004 Cold Weather Survey results:

- 4,496 residential households remain without electric service.
- 10,509 residential households who heat with natural gas are without service;
- Half (51%) of the natural gas properties without service are customers of PGW;
- PGW reported that 5,345 households who heat with natural gas are without service - the highest number of all utilities;
- More than half of households (8,398 households or 56% of the total off accounts) who have no service live in the Philadelphia area;
- Utilities report that 14,595 residences where service was terminated are now vacant; and
- An additional 2,586 households whose natural gas service has been shut off are now using potentially dangerous heating sources such as kerosene and electric space heaters, kitchen stoves or ovens, fireplaces, or connecting extension cords to neighbors' homes.

Occupied homes without essential utility service(s) are hazards to the occupants and to the community at large. The occupants face health dangers such as hypothermia during the winter months. Further, those without service and their neighbors face safety problems such as the possibility of a fire resulting from the use of unsafe alternatives to replace the terminated utility service.[2] There are also

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[2] The National Fire Protection Association finds that during the months of December, January and March smoking and space heating equipment are the two leading causes of fires. http://www.nfpa.org/itemDetail.asp?categoryID=311&itemID=20541&URL=Research%20&%20Reports/Safety%20fact%20sheets/Safety%20statistics/Home%20fire%20statistics

serious concerns for those households who are using alternative or potentially unsafe heating sources. Potentially unsafe sources of heat include kerosene heaters, kitchen stoves or ovens, electric space heaters, fireplaces and connecting extension cords to neighbors' homes. These are all potentially dangerous conditions.

### 2004 Cold Weather Survey Results
### Electric

| Survey Outcome: | Allegheny Power | Duquesne | Met-Ed | PECO | Penelec | Penn Power | PPL | UGI | TOTAL |
|---|---|---|---|---|---|---|---|---|---|
| **Total Vacant Residences** | 1,664 | 1,483 | 251 | 2,910 | 372 | 304 | 1,361 | 78 | 8,423 |
| **Total Households Using Potentially Unsafe Heating Sources*** | 34 | 0 | 2 | 12 | 10 | 3 | 4 | 3 | 68 |
| **Total Households Without Service After Completion of the Survey**** | 116 | 964 | 23 | 3,053 | 33 | 2 | 303 | 2 | 4,496 |

* Potentially Unsafe Heating Sources include: kerosene heaters; electric space heaters; oil-filled space heaters; fireplaces; kitchen stoves or ovens; and the use of extension cords to neighbor's service.

** Excludes Both Vacant Residences and Households Using Potentially Unsafe Heating Sources.

### Natural Gas

| Survey Outcome: | Columbia | Dominion Peoples | Equitable | NFG | PG Energy | PGW | PPL Gas | T.W. Phillips | UGI | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|
| **Total Vacant Residences** | 778 | 726 | 441 | 863 | 581 | 1,921 | 214 | 159 | 489 | 6,172 |
| **Total Households Using Potentially Unsafe Heating Sources*** | 207 | 155 | 389 | 374 | 151 | 896 | 84 | 101 | 229 | 2,586 |
| **Total Households Without Service After Completion of the Survey**** | 908 | 821 | 1,657 | 393 | 3 | 5,345 | 119 | 144 | 1,119 | 10,509 |

* Potentially Unsafe Heating Sources include kerosene heaters, electric space heaters, oil-filled space heaters, fireplaces, kitchen stoves or ovens, and use of extension cords to neighbor's service.

** Excludes Both Vacant Residences and Households Using Potentially Unsafe Heating Sources.

# 6. Appendices

### Appendix 1 – Grouping of Collection Data Tables

### Number of Confirmed Low Income Electric Customers in Debt

| Company | Number of Customers in Debt on an Agreement* | Number of Customers in Debt not on an Agreement* | Total Number of Customers in Debt* |
|---|---|---|---|
| Allegheny | 2,425 | 4,909 | 7,334 |
| Duquesne | 1,533 | 3,072 | 4,605 |
| Met-Ed | 16,593 | 3,196 | 19,789 |
| PECO-Electric | 21,737 | 28,448 | 50,185 |
| Penelec | 24,054 | 5,773 | 29,827 |
| Penn Power | 4,674 | 1,938 | 6,612 |
| PPL | 16,925 | 31,631 | 48,556 |
| **Total** | **87,941** | **78,967** | **166,908** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

### Number of Confirmed Low Income Natural Gas Customers in Debt

| Company | Number of Customers in Debt on an Agreement* | Number of Customers in Debt Not on an Agreement* | Total Number of Customers in Debt* |
|---|---|---|---|
| Columbia | 1,711 | 3,726 | 5,437 |
| Dominion | 9,131 | 10,842 | 19,973 |
| Equitable | 4,077 | 7,641 | 11,718 |
| NFG | 2,913 | 2,156 | 5,069 |
| PECO-Gas | 3,248 | 4,251 | 7,499 |
| PG Energy | 1,495 | 4,883 | 6,378 |
| PGW | 32,626 | 35,446 | 68,072 |
| UGI-Gas | 1,624 | 3,735 | 5,359 |
| **Total** | **56,825** | **72,680** | **129,505** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Percent of Confirmed Low Income Electric Customers in Debt

| Company | Percent of Customers in Debt on an Agreement* | Percent of Customers in Debt not on an Agreement* | Total Percent of Customers in Debt* |
|---|---|---|---|
| Allegheny | 8% | 16% | 24% |
| Duquesne | 5% | 9% | 14% |
| Met-Ed | 53% | 10% | 63% |
| PECO-Electric | 12% | 16% | 28% |
| Penelec | 48% | 12% | 60% |
| Penn Power | 32% | 13% | 45% |
| PPL | 15% | 27% | 42% |
| **Total** | **19%** | **18%** | **37%** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Percent of Confirmed Low Income Natural Gas Customers in Debt

| Company | Percent of Customers in Debt on an Agreement* | Percent of Customers in Debt Not on an Agreement* | Total Percent of Customers in Debt* |
|---|---|---|---|
| Columbia | 3% | 5% | 8% |
| Dominion | 15% | 18% | 33% |
| Equitable | 12% | 24% | 36% |
| NFG | 12% | 9% | 21% |
| PECO-Gas | 10% | 14% | 24% |
| PG Energy | 6% | 19% | 25% |
| PGW | 21% | 23% | 44% |
| UGI-Gas | 8% | 18% | 26% |
| **Total** | **14%** | **17%** | **31%** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Percent of Debt on an Agreement – Confirmed Low Income Electric Customers

| Company | Percent of Dollars Owed – on an Agreement* | Percent of Dollars Owed - not on an Agreement* |
|---|---|---|
| Allegheny | 59% | 41% |
| Duquesne | 32% | 68% |
| Met-Ed | 92% | 8% |
| PECO-Electric | 44% | 56% |
| Penelec | 91% | 9% |
| Penn Power | 89% | 11% |
| PPL | 38% | 62% |
| **Total** | **59%** | **41%** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Percent of Debt on an Agreement – Confirmed Low Income Natural Gas Customers

| Company | Percent of Dollars Owed – on an Agreement* | Percent of Dollars Owed - not on an Agreement* |
|---|---|---|
| Columbia | 68% | 32% |
| Dominion | 49% | 51% |
| Equitable | 49% | 51% |
| NFG | 54% | 46% |
| PECO-Gas | 48% | 52% |
| PG Energy | 31% | 69% |
| PGW | 42% | 58% |
| UGI-Gas | 39% | 61% |
| **Total** | **44%** | **56%** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Average Arrearage – Confirmed Low Income Electric Customers

| Company | Average Arrearage on an Agreement* | Average Arrearage not on an Agreement* | Overall Average Arrearage* |
|---|---|---|---|
| Allegheny | $623 | $210 | $347 |
| Duquesne | $913 | $963 | $947 |
| Met-Ed | $625 | $273 | $568 |
| PECO-Electric | $355 | $344 | $349 |
| Penelec | $523 | $211 | $463 |
| Penn Power | $713 | $215 | $567 |
| PPL | $627 | $536 | $568 |
| **Total** | **$541** | **$421** | **$484** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Average Arrearage – Confirmed Low Income Natural Gas Customers

| Company | Average Arrearage on an Agreement* | Average Arrearage not on an Agreement* | Overall Average Arrearage* |
|---|---|---|---|
| Columbia | $774 | $170 | $360 |
| Dominion | $676 | $602 | $636 |
| Equitable | $922 | $514 | $656 |
| NFG | $501 | $578 | $534 |
| PECO-Gas | $413 | $344 | $374 |
| PG Energy | $513 | $348 | $386 |
| PGW | $790 | $1,011 | $905 |
| UGI-Gas | $377 | $259 | $295 |
| **Total** | **$725** | **$720** | **$722** |

*See Appendix 2 for an explanation of the different methods for determining when an account is overdue and Appendix 3 for the different methods for determining when an account is removed from active status after termination of service or discontinuance of service.

## Residential Revenues (Billings) – Electric Customers

| Company | Annual Residential Billings |
|---|---|
| Allegheny | $461,441,708 |
| Duquesne | $314,096,238 |
| Met-Ed | $459,899,488 |
| PECO-Electric | $1,484,317,204 |
| Penelec | $375,076,999 |
| Penn Power | $139,365,836 |
| PPL | $1,119,311,100 |
| **Total** | **$4,353,508,573** |

## Residential Revenues (Billings) – Natural Gas Customers

| Company | Annual Residential Billings |
|---|---|
| Columbia | $334,443,294 |
| Dominion | $315,651,267 |
| Equitable | $283,893,176 |
| NFG | $244,711,222 |
| PECO-Gas | $472,775,661 |
| PG Energy | $184,696,814 |
| PGW | $572,312,071 |
| UGI-Gas | $260,933,261 |
| **Total** | **$2,669,416,766** |

## Residential Revenues (Billings) – Confirmed Low Income Electric Customers

| Company | Annual Residential Billings |
|---|---|
| Allegheny | $14,544,718 |
| Duquesne | $21,514,853 |
| Met-Ed | $34,228,080 |
| PECO-Electric | $222,647,581 |
| Penelec | $17,919,485 |
| Penn Power | $16,878,264 |
| PPL | $141,158,829 |
| **Total** | **$468,891,810** |

## Residential Revenues (Billings) – Confirmed Low Income Natural Gas Customers

| Company | Annual Residential Billings |
| --- | --- |
| Columbia | $53,286,347 |
| Dominion | $74,284,096 |
| Equitable | $43,001,964 |
| NFG | $17,667,979 |
| PECO-Gas | $33,094,296 |
| PG Energy | $34,346,779 |
| PGW | $54,976,951 |
| UGI-Gas | $23,901,487 |
| **Total** | **$334,559,899** |

## Appendix 2 -When is an Account Considered to be Overdue?

| Company | When is Day Zero (0) | How Many Days Overdue | Days of Variance from BCS Interpretation |
|---|---|---|---|
| Allegheny | Bill Due Date | 10 Days | 20 Days Sooner |
| Duquesne | Bill Due Date | 30 Days | 0 Days |
| Met-Ed and Penelec | Bill Due Date | 30 Days | 0 Days |
| PECO-Electric | Bill Transmittal Date | 30 Days | 20 Days Sooner |
| Penn Power | Bill Due Date | 30 Days | 0 Days |
| PPL | Bill Transmittal Date | 60 Days | 10 Days Later |
| Columbia | Bill Due Date | 30 Days | 0 Days |
| Dominion | Bill Transmittal Date | 30 Days | 20 Days Sooner |
| Equitable | Bill Due Date | 30 Days | 0 Days |
| NFG | Bill Rendition Date* | 60 Days | 9 Days Later |
| PECO-Gas | Bill Transmittal Date | 30 Days | 20 Days Sooner |
| PG Energy | Bill Due Date | 30 Days | 0 Days |
| PGW | Bill Transmittal Date | 30 Days | 20 Days Sooner |
| UGI-Gas | Bill Due Date | 30 Days | 0 Days |

*Bill Rendition Date is one day prior to the Bill Transmittal Date.

## Appendix 3 -When Does an Account Move from Active to Inactive Status?

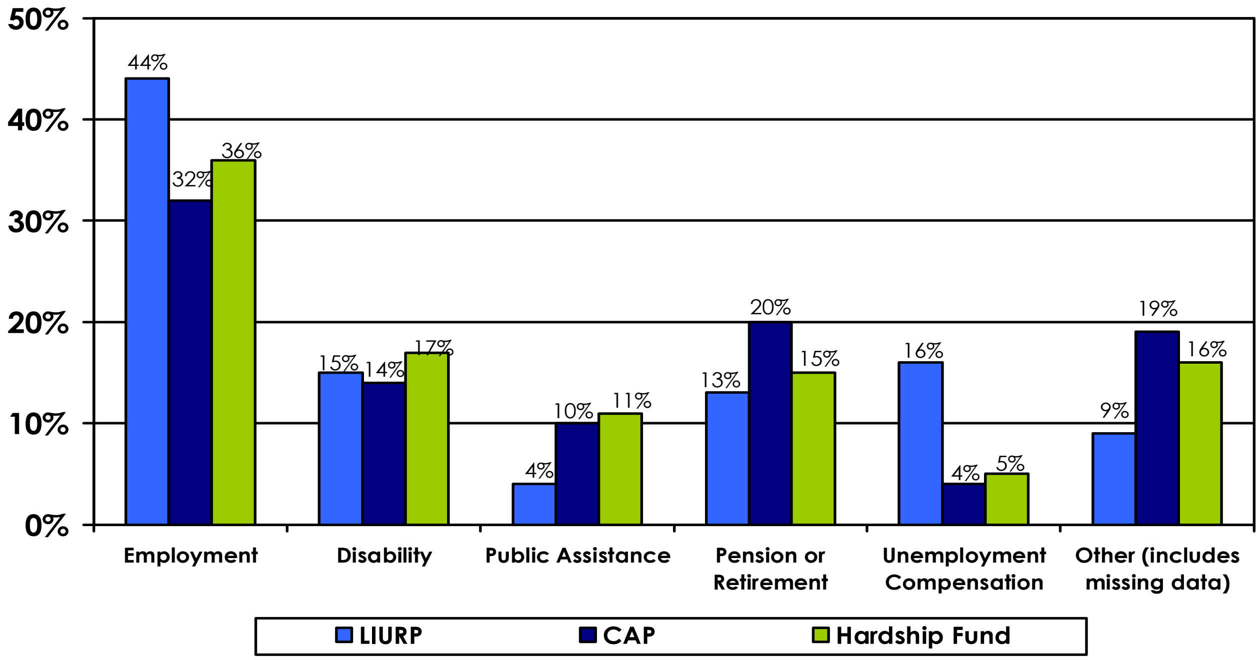
| Company | After an Account is Terminated | After an Account is Discontinued |
|---|---|---|
| Allegheny | 15 Days after Termination Date | 0 to 1 Days after Final Bill Transmittal Date |
| Duquesne | 7 Days after Termination Date | 3 to 5 Days after Discontinuance |
| Met-Ed and Penelec | 10 Days after Termination Date | Same Day as Discontinuance |
| PECO | 5 to 7 Days after Termination Date | 2 to 3 Days after Final Bill Transmittal Date |
| Penn Power | 10 Days after Final Bill Transmittal Date | Same Day as Discontinuance |
| PPL | 5 to 8 Days after Termination Date | Bill Transmittal Date |
| Columbia | 5 to 7 Days after Termination Date | Same Day as Discontinuance |
| Dominion | 10 Days after Termination Date | 10 Days after Discontinuance |
| Equitable | 3 Days after Termination Date | 3 Days after Discontinuance Date |
| NFG | Same Day as Termination Date | Same Day as Discontinuance Date |
| PECO-Gas | 5 to 7 Days after Termination Date | 2 to 3 Days after Final Bill Transmittal Date |
| PG Energy | 0 to 30 Days after Termination Date | 0 to 1 Day after the Final Bill Transmittal Date |
| PGW | 3 to 5 Days after Termination Date | 3 to 5 Days after Discontinuance Date |
| UGI-Gas | Same Day as Termination Date | Same Day as Discontinuance Date |

## Appendix 4 –2004 Federal Poverty Guidelines

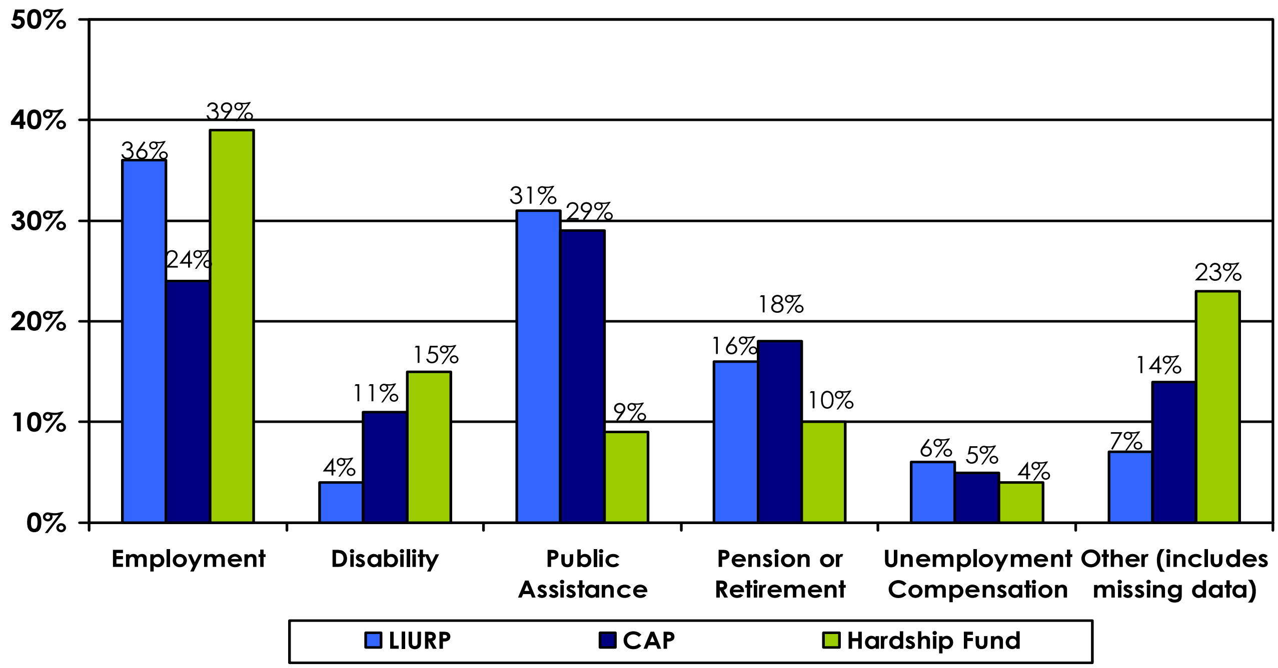
| 2004 Annual Federal Poverty Guidelines | | | | |
|---|---|---|---|---|
| | Income Reflects Upper Limit of the Poverty Guideline for Each Column | | | |
| **Size of Household** | **0-50% of Poverty** | **51-100% of Poverty** | **101-150% of Poverty** | **151-200% of Poverty** |
| 1 | $4,785 | $9,570 | $14,355 | $19,140 |
| 2 | $6,415 | $12,830 | $19,245 | $25,660 |
| 3 | $8,045 | $16,090 | $24,135 | $32,180 |
| 4 | $9,675 | $19,350 | $29,025 | $38,700 |
| 5 | $11,305 | $22,610 | $33,915 | $45,220 |
| 6 | $12,935 | $25,870 | $38,805 | $51,740 |
| 7 | $14,565 | $29,130 | $43,695 | $58,260 |
| 8 | $16,195 | $32,390 | $48,585 | $64,780 |
| For each additional person, add | $1,630 | $3,260 | $4,890 | $6,520 |

## Appendix 5 – Source of Income for Universal Service Participants

### Source of Income for Electric Universal Service Participants




### Source of Income for Natural Gas Universal Service Participants



## Appendix 6 – Percent of Spending by CAP Component

### Percent of EDC Spending by CAP Component

| | % of Total CAP Spending | | | % of Total CAP Spending | | |
|---|---|---|---|---|---|---|
| **EDC** | **Admin Costs** | **CAP Credits** | **Arrearage Forgiveness** | **Admin Costs** | **CAP Credits** | **Arrearage Forgiveness** |
| | **2002** | | | **2004** | | |
| Allegheny | 11.0% | 85.0% | 4.0% | 9% | 86% | 5% |
| Duquesne | 28.3% | 35.4% | 36.3% | 23% | 35% | 43% |
| Met-Ed | 15.7% | 54.9% | 29.3% | 14% | 66% | 20% |
| PECO | 34.6% | 44.6% | 20.7% | 28% | 46% | 26% |
| Penelec | 14.0% | 63.2% | 22.8% | 12% | 66% | 22% |
| Penn Power | 13.7% | 86.3% | 0.0% | 14% | 86% | 0% |
| PPL | 14.2% | 61.5% | 24.2% | 11% | 64% | 25% |
| **Weighted Avg.** | **28.3%** | **50.3%** | **21.4%** | **23%** | **53%** | **25%** |

PECO includes a $12,891,387 uncollectible provision in its administrative costs. Removing the provision reduces administrative costs to $6,573,394, resulting in average administrative costs per CAP customer of $73. Finally, removing the provision results in administrative cost dropping from 28% to 12% of the total CAP costs. Removing the provision results in the following weighted averages by program component: Administration costs – 12%, CAP credits – 57%, Arrearage forgiveness – 32%.

## Percent of NGDC Spending by CAP Component

| NDGC | % of Total CAP Spending | | | % of Total CAP Spending | | |
|---|---|---|---|---|---|---|
| | Admin Costs | CAP Credits | Arrearage Forgiveness | Admin Costs | CAP Credits | Arrearage Forgiveness |
| | 2003 | | | 2004 | | |
| Columbia | 3.5% | 50.6% | 45.9% | 4% | 73% | 23% |
| Dominion Peoples | 11.6% | 65.4% | 23.1% | 5% | 84% | 11% |
| Equitable | 6.7% | 85.5% | 7.8% | 8% | 82% | 9% |
| NFG | 11.4% | 75.1% | 13.4% | 7% | 79% | 14% |
| PECO-Gas | 42.0% | 42.8% | 15.2% | 38% | 34% | 28% |
| PG Energy | 22.1% | 62.7% | 15.2% | 20% | 63% | 16% |
| PGW | | | | 4% | 83% | 13% |
| UGI | 35.8% | 43.6% | 20.6% | 4% | 67% | 29% |
| **Weighted Average** | **12.5%** | **57.3%** | **30.2%** | **8%** | **76%** | **16%** |

PECO includes a $2,274,951 uncollectible provision in its administrative costs. Removing the provision reduces administrative costs to $ 1,160,010, resulting in average administrative costs per CAP customer of $67. Finally, removing the provision results in administrative cost dropping from 38% to 17% of the total CAP costs. Removing the provision results in the following weighted averages by program component: Administration costs – 17%, CAP credits – 45%, Arrearage forgiveness – 38%.

# Appendix 7 - Summary of Commission-Approved Universal Service Changes in 2004

## Allegheny Power, M-00041800, Order entered July 1, 2004.

- Allegheny Power will forgive arrearages monthly upon receipt of a customer's full LIPURP payment.
- Minimum heating payments will increase to $40 from $28.
- LIPURP heating customers *must* apply for LIHEAP or be defaulted from the program for at least 12-months or until the customer applies for LIHEAP.
- Maximum LIPURP credits for heating customers will increase to $1,400 from $1,000.

## Duquesne, M-00041795, Order entered April 21, 2004.

- *Payment plan.* So that CAP budgets are consistent with the CAP Policy Statement, Duquesne revised its CAP budgets as described in Table 1. If a household's circumstance indicates the CAP payment is not affordable, Duquesne may approve a reduced payment. Duquesne proposes to eliminate the $5 per month copayment that previously offset CAP credits.

Table 1

**Payment Plan**

| Income Category: | Current Percentage of CAP Budget Bill for Baseload and Electric Heat | Proposed Revision Baseload Percentage of CAP Budget Bill Payment | Proposed Revision Electric Heat Percentage of CAP Budget Bill Payment |
|---|---|---|---|
| 0 – 50% Poverty | 60% | 35% | 60% |
| 51 – 100% Poverty | 80% | 70% | 80% |
| 101 – 150% Poverty (150 – 200% Poverty for Seniors) | 90% | 90% | 90% |

- *Enrollment Criteria Related To Smart Comfort.* Eliminated residency requirement for homeowners for Smart Comfort for eligible CAP customers. Require a Smart Comfort visit as a condition of CAP enrollment when household usage exceeds 500 kWh.

- *Changes to program measures.*
    - Minimum usage for a refrigerator change-out reduced from 6 kWh per day to 5 kWh.
    - Potential window air conditioner change-out if the life of the unit and the life of the dwelling will exceed 12 years.
    - Implement several pilot usage reduction measures.

**PECO – M-00041788, Order entered March 29, 2004.**

- *Recertification.* Automatically recertify customers who receive energy assistance such as LIHEAP or hardship fund grants. Recertify customers every two years instead of the current one year schedule.

- *Arrearage forgiveness.* PECO will forgive all arrearages rather than holding $500 on the account.

**Pike County Light Company (Pike), M-00041793, Order entered June 1, 2004.**

- The Commission approved Pike requests that the ESP low income pilot program be discontinued effective April 1, 2004. Based on data from the US Census Bureau, Pike has less than 200 low income customers. Pike will continue to participate in the Dollar Energy hardship fund and the federal energy assistance program – LIHEAP.

**UGI Electric, M-00031701, Order entered March 25, 2004.**

- UGI – Electric LISHP design will follow the UGI- Natural Gas LISHP design

**UGI, M-00041806, Order entered August 20, 2004.**

- LISHP customers *must* apply for LIHEAP or be defaulted from the program for at least 12-months or until the customer applies for LIHEAP. A customer is not required to give the grant to UGI. However, they must apply for LIHEAP. If a customer does not apply, UGI will default a customer from the program for at least 12-months or until a customer applies for LIHEAP.
- UGI eliminated any payment agreements for LISHP customers.

# Appendix 8 - Profile of Income, Basic Shelter and Food Costs for a Typical CAP Household in 2004

## Profile of Income, Basic Shelter and Food Costs for a Typical Electric Heat CAP Household

(Income at 77% of federal poverty guidelines)

| | |
|---|---|
| Monthly gross income[4] - | $1000 |
| Household size[5] – 3 | |
| **Basic housing, food and energy utility costs** | |
| Electric heat CAP monthly budget based on 16% of income | -$160 |
| Average monthly housing costs based on CEX Survey 2001-02[5] | -$392 |
| Average monthly foods costs based on CEX Survey 2001-02 [6] | -$281 |
| **Income after housing, food and energy utility costs** | **$ 167** |

**Profile of Income, Basic Shelter and Food Costs for a Typical Gas CAP Household**

(Income at 69% of federal poverty guidelines)

| | |
|---|---|
| Monthly gross income[8] - | $899 |
| Household size[9] - 3 | |
| **Basic housing, food and energy utility costs** | |
| Natural gas CAP monthly budget based on 10% of income | -$90 |
| Electric nonheating CAP monthly budget on 6% of income | -$ 54 |
| Average monthly housing costs based on CEX Survey 2001-02[9] | -$392 |
| Average monthly foods costs based on CEX Survey 2001-02 [10] | -$281 |
| **Income after housing, food and energy utility costs** | **$82** |

[4] 2004 data for monthly gross income and household size from utility data reported pursuant to 52 Pa. Code § 54.75(2)(i)(B).
[5] Ibid.
[6] Consumer Expenditure Survey (CEX) collects information on the buying habits of consumers. The US Census Bureau conducts the survey for the U.S. Dept. of Labor. Survey participants record the dollar amount *spent* on goods and services during the reporting period. The profile uses the Northeastern Region by Income before Taxes (Income = $10,000 - $14,999. Northeastern region includes CT, ME, MA, NH, NJ, NY, PA, RI, and VT.) *See Bureau of Labor Statistics U.S. Department of Labor, Bureau of Labor Statistics, Table 31. Northeastern region by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey – 2001-2002.* This document can be viewed at the following link. ftp://ftp.bls.gov/pub/special.requests/ce/CrossTabs/y0102/REGbyINC/xregnne.TXT
[7] Ibid.
[8] 2004 Data for monthly gross income and household size from utility data reported pursuant to 52 Pa. Code § 62.5(2)(i)(B).
[9] Ibid.
[10] CEX - ftp://ftp.bls.gov/pub/special.requests/ce/CrossTabs/y0102/REGbyINC/xregnne.TXT
[11] Ibid.

#416966 v6 - Profile of Typical CAP Household

## Profile of Typical Expenditures for Other Than Shelter and Food Costs for a CAP Household With Income Between $10,000 to $14,999

| **Average Monthly "Nonbasic" Monthly Expenditures based on CEX Survey 2001-02*** | |
|---|---|
| Apparel | $80 |
| Entertainment | $67 |
| Health care expenditures | $147 |
| Housekeeping supplies | $26 |
| Personal care | $23 |
| Transportation expenditures | $292 |
| **Total** | **$635** |

* US Department of Labor, Bureau of Labor Statistics, Table 31. Northeastern region by income before taxes: Average annual expenditures and characteristics, Consumer Expenditure Survey – 2001- 2002, ftp://ftp.bls.gov/pub/special.requests/ce/CrossTabs/y0102/REGbyINC/xregnne.TXT

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