February 13, 2002

Hon. Gibson E. Armstrong
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Armstrong:

The Natural Gas Universal Service Task Force has completed it's 2001 annual report in accordance with the legislative mandate contained in the National Gas Choice and Competition Act 66 Ps. C.S. §§2201, et seq. (the National Gas Choice Act). Section 2203(10) of this act provides for the task force to review Universal Service Programs and their funding and issue a report to the Commission by December 31st of each year.

The financial burden on low-income households in Pennsylvania for energy increased significantly during 2001. Federal funds (LIHEAP) received by the state reach only 42% of our neediest households, many of whom are elderly. The Task Force in this year's report calls on the General Assembly to take action to address this problem by providing state appropriations as an important first step toward ensuring that all Pennsylvania residents with incomes at or below 150% of the Federal Poverty Level will receive some assistance to meet their energy needs.

An abstract of the report is attached. If you would like a copy of the full report, or have any questions, you may contact Ed McCool at 215-981-3777 or Steve Shull at 717-291-2977.

Sincerely,

Edward A. McCool, Esq.
Community Legal Services, Inc. of Philadelphia

Stephen W. Shull
UGI Utilities

Co-Chairs NGUSTF

cc: Janice Hummel, BCS/PUC

February 13, 2002

Hon. Leonard J. Bodack
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Bodack:

The Natural Gas Universal Service Task Force has completed it's 2001 annual report in accordance with the legislative mandate contained in the National Gas Choice and Competition Act 66 Ps. C.S. §§2201, et seq. (the National Gas Choice Act). Section 2203(10) of this act provides for the task force to review Universal Service Programs and their funding and issue a report to the Commission by December 31st of each year.

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Co-Chairs NGUSTF

cc: Janice Hummel, BCS/PUC

February 13, 2002

Hon. Edwin G. Holl
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Holl:

The Natural Gas Universal Service Task Force has completed it's 2001 annual report in accordance with the legislative mandate contained in the National Gas Choice and Competition Act 66 Ps. C.S. §§2201, et seq. (the National Gas Choice Act). Section 2203(10) of this act provides for the task force to review Universal Service Programs and their funding and issue a report to the Commission by December 31st of each year.

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Stephen W. Shull
UGI Utilities

Co-Chairs NGUSTF

cc: Janice Hummel, BCS/PUC

February 13, 2002

Hon. Charles D. Lemmond
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Lemmond:

The Natural Gas Universal Service Task Force has completed it's 2001 annual report in accordance with the legislative mandate contained in the National Gas Choice and Competition Act 66 Ps. C.S. §§2201, et seq. (the National Gas Choice Act). Section 2203(10) of this act provides for the task force to review Universal Service Programs and their funding and issue a report to the Commission by December 31st of each year.

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Stephen W. Shull
UGI Utilities

Co-Chairs NGUSTF

cc: Janice Hummel, BCS/PUC

February 13, 2002

Hon. Sean F. Logan
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Logan:

The Natural Gas Universal Service Task Force has completed it's 2001 annual report in accordance with the legislative mandate contained in the National Gas Choice and Competition Act 66 Ps. C.S. §§2201, et seq. (the National Gas Choice Act). Section 2203(10) of this act provides for the task force to review Universal Service Programs and their funding and issue a report to the Commission by December 31st of each year.

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Co-Chairs NGUSTF

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February 13, 2002

Hon. Roger A. Madigan
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Madigan:

The Natural Gas Universal Service Task Force has completed it's 2001 annual report in accordance with the legislative mandate contained in the National Gas Choice and Competition Act 66 Ps. C.S. §§2201, et seq. (the National Gas Choice Act). Section 2203(10) of this act provides for the task force to review Universal Service Programs and their funding and issue a report to the Commission by December 31st of each year.

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February 13, 2002

Hon. Terry L. Punt
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Punt:

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February 13, 2002

Hon. Christine M. Tartaglione
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Tartaglione:

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February 13, 2002

Hon. Allen Kukovich
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Kukovich:

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Stephen W. Shull
UGI Utilities

Co-Chairs NGUSTF

cc: Janice Hummel, BCS/PUC

February 13, 2002

Hon. John Wozniak
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Wozniak:

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February 13, 2002

Hon. Clarence Bell
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

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February 13, 2002

Hon. Charles Dent
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Dent:

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Co-Chairs NGUSTF

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February 13, 2002

Hon. Stewart Greenleaf
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

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UGI Utilities

Co-Chairs NGUSTF

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February 13, 2002

Hon. Lisa Boscola
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator Boscola:

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Co-Chairs NGUSTF

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February 13, 2002

Hon. Gerald LaValle
Senate of Pennsylvania
Senate Post Office
Harrisburg, PA 17120

Dear Senator LaValle:

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Stephen W. Shull
UGI Utilities

Co-Chairs NGUSTF

cc: Janice Hummel, BCS/PUC

Thanks to Dave Evrard of the Energy Association for the mailing lists and labels.

Full Report mailed to:

PUC Commissioners:

Glen Thomas	Robert Bloom
Aaron Wilson Jr	Terrance Fitzpatrick

Legislative Leadership – House

Matthew J Ryan	John Perzel	Elinor Taylor	Sam Smith
Roy Cornell	David Argall	Merle Phillips	John Barley
William DeWeese	Jeffrey Coy	Michael Veon	
Victor Lescovitz	Mark Cohen	Fred Belardi	Dwight Evans

Aging and Older Addult Services - House

Jere Schuler	Frank Pistella	Katharine Watson	
Steve Samuelson	Matthew Baker	Richard Grucela	Larry Sather
Tom Scrimenti	Louise Bishop	Tom Armstrong	Todd Eachus
Steven Cappelli	John Pallone	Mary Ann Dailey	Ronald Waters
Jeffrey Habay	Edward Wojnaroski		

Comsuner Affars - House

Chris Wogan	Joseph Preston	John Evans	
William Adolph	Ted Harhai	Ronald Buxton	
Kenneth Jadlowiec	Susan Laughlin	Ellen Bard	Stephen Barrar
Frank LaGrotta	Gene DiGirolamo	David Mayernik	John Fichter
Harry Readshaw	George Kenny	T J Rooney	Dennis Leh
Chris Sainato	Ron Raymond	Edward Staback	Carole Rubley
(Edward Wojnaroski)	Paul Semmel	Frank Tulli	Matthew Wright

Health and Human Services - House

Dennis O'Brien	Frank Oliver	Kerry Benninghoff	Rosita Youngblood
(Mary Ann Dailey)	Linda Bebko-Jones	Beverly Mackereth	(Louise Bishop)
Leo Trich	Jere Strittmater	Michael Diven	Harold James
Jane Baker	Thaddeus Kirkland	Patrick Browne	John Myers
(John Fichter)	Michael Sturla	Patrick Fleagle	(Ronald Waters)
William Gabig	Julie Harhart	Fred McIlhattan	Curt Schroder
Mike Turzai	Patricia Vance		

Environmental Resources and Energy – House

Arthur Hershey	Bud George	Charles McIlhinney	Jim Wansacz
(Carole Rubley)	Robert Freeman	Richard Stevenson	Dan Surra
(Thomas Armstrong)	Dan Frankel	Daniel Clark	David Levdansky
Thomas Creighton	Jennifer Mann	Brett Feese	Sara Steelman
Kate Harper	Curtis Thomas	(Kenneth Jadlowiec)	Greg Vitali
Jim Lynch	Gayle Wright	Eugene McGill	Ronald Miller
Chris Ross	Jerry Stern		

Remaining House received abstract and letter:

Nicholas Colafella	Jeff Coleman	Thomas Corrigan	Paul Costa
Angel Cruz	Lawrence Curry	Peter Daley	Craig Dally
Anthony DeLuca	Frank Dermody	Robert Donatucci	Allan Egolf
Russ Fairchild	Robert Flick	Teresa Forcier	Thomas Gannon
Richard Geist	Robert Godshall	John Gordner	Michael Gruitza
Gary Haluska	Michael Hanna	George Hasay	Timothy Hennessey
Lynn Herman	Dick Hess	Mike Horsey	Scott Hutchinson
Babette Josephs	Ralph Kaiser	William Keller	Edward Krebs
John Lawless	Marie Lederer	Kelly Lewis	Edward Lucyk
John Maher	Stephen Maitland	Sandra Major	Kathy Manderino
Joseph Markosek	Ronald Marsico	Keith McCall	Michael McGeehan
Mark McNaughton	Anthony Melio	Daryl Metcalfe	Thomas Michlovic
Nicholas Micozzie	Shelia Miller	Phyllis Mundy	Herry Nailor
Steven Nickol	Joseph Petrarca	Thomas Petrone	Tina Pickett
John Pippy	Roy Reinard	William Reiger	Lawrence Roberts
Willam Robinson	James Roebuck	Samuel Rohrer	Kenneth Ruffing
Dante Santoni	Stanley Saylor	James Shaner	Bruce Smith
Timothy Solobay	Jess Stairs	David Steil	Stephen Stetler
Thomas Stevenson	Thomas Tangretti	John Taylor	Thomas Tigue
Guy Travaglio	Fred Trello	Mike Turzai	Don Walko
LeAnna Washington	Jewell Williams	Rod Wilt	Thomas Yewcic
John Yudichak	Leroy Zimmerman	Peter Zug	

Full report to Senate

Leadership

Robert Jubelirer	David Brightbill	Robert Robbins	Jeffrey Piccola
Joe Conti	Noah Wenger	Mary Jo White	Robert Thompson
Robert Mellow	Raphael Musto	Michael O'Pake	Richard Kasunic
Jack Wagner	J. Barry Stout	Vincent Fumo	

Public Health and Welfare

Harold Mowery	(Timothy Murphy)	(Edwin Erickson)	Vincent Hughes
Jim Gerlach	Jay Costa	Michael Waugh	Shirley Kitchen
(Mary Jo White)	(Allyson Schwartz)		

Environment Resources and Energy

(Mary Jo White)	Joseph Scarnati	(Edwin Erickson)	(Raphael Musto)
Edward Helfick	(J Stout)	James Rhoades	Anthony Williams
Donald White	John Wozniak		

Consumer Protection and Proffessional Licensure

Clarence Bell	Charles Dent	Stewart Greenleaf	Lisa Boscola
(Jeffrey Piccola)	(Vincent Fumo)	(Robert Tomlinson)	(Allen Kukovich)
(Mary Jo White)	Gerald LaValle		

Aging and Youth

Timothy Murphy	Jake Corman	Jane Earll	Allen Kukovich
Edwin Erickson	Allyson Schwartz	Jane Orie	Michael Stack
Robert Tomlinson	Constance Williams		

The remaining Senate received a coverletter and abstract:

Gibson Armstrong	Leonard Bodack	Edwin Holl	Charles Lemmond
Sean Logan	Roger Madigan	Terry Punt	Christine Tartaglione

ABSTRACT

Natural Gas Universal Service Task Force
Annual Report -- December 2001

Background:

The Natural Gas Choice and Competition Act directs the Public Utility Commission (PUC) to establish a task force to review universal service programs and their funding. A report is due to the PUC by December 31st of each year. Established in 1999, the Task Force has just submitted its third annual report to the Commission. The Task Force is comprised of a broad spectrum of stakeholders from the public and private sectors.

Current Situation:

Although Pennsylvania is a national leader in providing innovative programs for low-income consumers, the 2001 Task Force report clearly shows a significant gap between households served and households eligible for these programs. Consider the following:

- Pennsylvania provides no state funding for energy assistance programs. Surrounding cold-weather states such as New Jersey, Maryland, and New York fund such programs.

- Heating costs for low-income households represent 11 percent of their annual income; median income families pay 2.6 percent.

- Pennsylvania has 800,000 families living at or below 135 percent of poverty ($23,000 for a family of four), but the federally funded Low Income Home Energy Assistance Program assists just over 40 percent (350,000) of these families.

- Overdue utility amounts for natural gas customers have increased by 72 percent from 2000 to 2001. Overdue amounts for customers of electric utilities have increased as well over this same period of time.

- Residential terminations and write-offs are increasing for regulated gas and electric companies. Shut-offs for non-payments are up 20 percent and 12 percent, respectively, for the gas and electric industries. Combined write-offs for both industries are up nearly 20 percent in 2001 to $164 million.

Recommendation:

Given these and other factors, the Natural Gas Universal Service Task Force calls for a meaningful appropriation of state funds as an essential first step toward the long-term objective of protecting the utility service of our most vulnerable citizens.

STATEMENTS OF POLICY

Title 52--PUBLIC UTILITIES

PENNSYLVANIA PUBLIC UTILITY COMMISSION

[52 PA. CODE CH. 69]

[29 Pa.B. 2495]

[M-991232]

Customer Assistance Program

The Pennsylvania Public Utility Commission (Commission) on March 31, 1999, adopted a final policy statement intended to encourage the major gas and electric utilities in this Commonwealth to implement pilot customer assistance programs (CAPs) and to provide guidelines for those utilities who voluntarily implement CAPs. The contact persons are Janice Hummel, Bureau of Consumer Services, (717) 783-9088, and Rhonda Daviston, Law Bureau, (717) 787-6166.

Commissioners Present: John M. Quain, Chairperson; Robert K. Bloom, Vice Chairperson; David W. Rolka; Nora Mead Brownell; Aaron Wilson, Jr.

Public Meeting held
March 31, 1999

Order

By the Commission:

On July 2, 1992, the Commission adopted a policy statement that established guidelines for CAPs. On July 25, 1992, the CAP Policy Statement became final upon publication in the *Pennsylvania Bulletin.* CAPs provide an alternative to traditional collection methods for low income, payment troubled customers. Generally, customers enrolled in a CAP agree to make monthly payments based on household family size and gross income.

The purpose of the policy statement is to encourage the major gas and electric utilities in this Commonwealth to implement pilot CAPs and to provide guidelines for those utilities who voluntarily implement CAPs. The guidelines prescribe a model CAP that is designed to be a more cost-effective approach for dealing with issues of customer inability to pay than are traditional collection methods. In these guidelines, the Commission encourages CAP funding that makes maximum use of existing low-income energy assistance programs, most notably LIHEAP. The guidelines also recommend that utilities incorporate a series of control features into their CAPs to limit program costs.

On December 3, 1996, Governor Tom Ridge signed into law, 66 Pa.C.S. §§ 2801--2812 (relating to the Electricity Generation Customer Choice and Competition Act) (act). The act revised 66 Pa.C.S. (relating to the Public Utility Code) by adding Chapter 28 (relating to restructuring of the electric utility industry). The Commission is the agency charged with implementing the act. The act is clear in its intent that utilities are to continue, at a minimum, the protections, policies and services that now assist customers who are low-income to afford electric service. Section 2803 of the act (relating to definitions) defines universal service and energy conservation policies, as including customer assistance programs. Section 2804(9) (relating to standards for restructuring of electric industry) requires the Commission to ensure that universal service and energy conservation policies, activities and services are appropriately funded and available in each electric distribution territory.

In keeping with these provisions, on July 10, 1997, the Commission established guidelines for universal service and energy conservation programs. These guidelines give direction to electric distribution companies (EDCs) to follow when establishing, expanding or maintaining universal service and energy conservation programs. The universal service and conservation guidelines incorporate sections of the CAP Policy Statement.

Because of the experiences learned from the CAP pilots and the results of evaluations, we are revising the CAP Policy Statement. Also, in order for the Universal Service and Conservation Guidelines and the CAP Policy Statement to be consistent, we are revising 52 Chapter 69.

The intent of this order is to revise the CAP Policy Statement and to publish those revisions in the *Pennsylvania Bulletin.*

I. Background

Since the Commission approved the CAP Policy Statement in July 1992, 12 of 15 utilities have voluntarily implemented CAPs. Approximately 50,000 customers are enrolled in CAPs.

The results of CAP impact evaluations show that participants enrolled in a CAP increase the number of payments they make while maintaining the same level of energy usage. Utilities also submit quarterly reports to the Commission that support the finding that CAP participants make regular payments. Reports from 1995, 1996 and 1997 show that on a quarterly average, 80% of CAP participants made their monthly payments.

More importantly, the results of two impact evaluations show that CAPs support the principles found in the CAP Policy Statement, namely that an appropriately designed and well-implemented CAP, as an integrated part of a company's rate structure, is in the public interest. Further, the results show that CAPs can be a more cost effective approach for dealing with issues of customer inability to pay than traditional collection methods.

II. Revisions to the Design of the CAP Policy Statement

Definitions. The Commission is amending this section to delete definitions that are no longer relevant and to add two definitions as a result of the act. Specifically, we are adding definitions of "alternative program designs" and "low-income payment troubled customers."

Development and scope of CAPs. The Commission is amending the scope of CAPs based on three factors: 1) the need exists to expand CAPs to serve the low-income population; 2) the act requires that universal service programs are appropriately funded and available in each EDC's service territory; and 3) evaluations show that CAPs are a cost-effective alternative to traditional collection policies.

The Commission is amending the development of CAP section to provide for Commission review and approval of revisions to a CAP program design.

EDCs are expanding their CAP programs to ensure that CAPs are available in each service territory. Several gas CAP programs are pilots with limited enrollment. The pilot CAPs currently target CAP enrollment to low-income negative ability to pay customers. At a minimum, the gas pilot CAPs enroll 1,000 participants or 2% of low income negative ability to pay customers. Approximately 50,000 participants are currently enrolled in CAPs.

For the following reasons, the Commission believes that the upper limits of households Statewide who may be eligible to enroll in CAP to be around 338,000. The 1990 Census Data shows that 2,170,979 persons in this Commonwealth have incomes below 150% of the poverty level. Assuming a 2.57 average size household, we can estimate that 844,739 households are below 150% of the poverty level. The Commission's Investigation of Uncollectible Balances, at Docket No. I-900002, found that 40% (338,000) of the Commonwealth's low-income households are payment troubled. However, current participation rates for government programs such as food stamps and LIHEAP are around 50%. We would not expect every payment troubled household who is eligible for CAP to apply for enrollment. Using the 50% participation rate, we can estimate that 169,000 households may apply for CAP.

Section 2802(9) of the act (relating to declaration of policy) requires that electric service is essential to the health and well-being of residents, to public safety and to orderly economic development; and electric service should be available to all customers on reasonable terms and conditions. Section 2804(9) of the act also requires the Commission shall ensure that universal service and energy conservation policies, activities and services are appropriately funded and available in each electric distribution territory. Further, the act defines CAPs as a component of universal service.

CAP program funding. The Commission is amending program funding to include a universal service funding mechanism for EDCs. This revision is consistent with section 2804(8) of the act that requires the Commission establish for each electric utility an appropriate cost recovery mechanism which is designed to fully recover the EDC's universal service and energy conservation costs over the life of these programs.

Payment plan proposal. Because utilities implemented pilots rather than full-scale programs, the Commission allowed utilities to test various design elements to determine the most efficient and cost-effective design for a CAP. Generally, these payment plan experiments have been successful. The Commission is amending payment plans to include plans that utilities have implemented successfully. The revisions also allow utilities to implement an alternative payment formula with Commission approval.

The Commission is also amending the payment plans to allow for an increase in the CAP payment amount. These changes allow for flexible payments that are affordable; but in most cases, CAP payments are not less than these customers have paid historically. As utilities and the Commission have gained experience from the CAP pilots, it seems that some CAP participants' payments have been set too low and could be raised without negatively influencing affordability. The Commission does not believe it is appropriate for customers, as participants of CAP, to make payments that are significantly less than what they have historically been paying. One independent evaluation found that CAP participants could afford to pay 8% of their income for gas energy. The evaluation also recommended that CAP participants whose incomes were between 51%--150% of the Federal poverty guidelines could afford to pay 10% of their income for gas energy. These amounts are considerably higher than the current CAP Policy Statement guidelines. Our goal in establishing payment ranges is to maximize customer payments, maintain affordable payments and limit the CAP credits as much as possible.

Control features. The Commission is amending this section to eliminate conservation incentives. The Commission included conservation incentives to limit program costs due to increases in consumption. While evaluators to date indicate that CAP participants do not abuse energy usage, we will retain usage limits to ensure that these results are maintained. The conservation incentive has been complex and burdensome to administer. Evaluators also had difficulty quantifying benefits directly related to conservation incentives. The conservation credits, when applied properly to a participant's bill, have been small. If eligible, participants received conservation credits yearly. However, participants had difficulty understanding the purpose and timing of the credits. The incentive is confusing to CAP participants who see a reduction in 1 month's bill. Because many utilities' payment plans are tied to usage, participants who conserve see a reduction in their bill.

The Commission is also increasing the minimum payments to reflect the changes in payment plans.

The Commission has added a control feature that disallows a CAP participant from subscribing to nonbasic services that would cause an increase in monthly billing and would not contribute to bill reduction. This addition is consistent with the provisions for participants of telephone universal service programs. Telephone universal service participants may not subscribe to telephone nonbasic services such as call waiting and call forwarding. Nonbasic services that help to reduce bills may be allowable. CAP credits should not be used to pay for nonbasic services.

The Commission is changing the term "billing deficiency limit" to "maximum CAP credits." The term "billing deficiency" suggests that customers are not making their agreed upon payments. Participation in CAP requires that a customer make regular, monthly payments for the full CAP amount billed. The term "CAP credits" is more accurate in describing the difference between the amount that would have been billed at the standard residential rate and the amount billed at the CAP rate.

Eligibility criteria. The Commission is changing eligibility criteria from a negative ability to pay customer to a payment troubled customer. We found that determining negative ability to pay is complex, inefficient and excessively subjective to administer. A utility may choose one of four eligibility priorities for payment troubled.

Administration. The Commission is adding language to the outreach and intake sections that provides additional options for utilities to include in their programs. We have found that automatic referrals to CAP when a customer calls to make a payment arrangement and intake certification by government agencies are simple to administer and cost-effective.

Default provision. The Commission believes that the consequences for nonpayment should be loss of service; therefore, we recommended that utilities return participants who do not make payments to the regular collection cycle. Prior to this revision, a utility would default a customer from the program and issue the next bill at the normal tariffed rate. The utility would not take action until that bill became past due. The changes to this section will allow a utility to immediately start the termination process. The utility will not issue a new bill. We are also adding the steps a utility should follow before defaulting a CAP participant.

We are deleting the provision that failure to apply for LIHEAP should result in dismissal. Because of the changes to LIHEAP eligibility and funding, CAP participants have difficulty meeting this provision.

Reinstatement. The Commission is amending this section to allow the utility the discretion to reinstate a CAP participant. Prior to this change, a utility required that a customer could not reinstate into CAP until 1 year after the dismissal date. The utility may now reinstate the customer at any time. The reinstatement should normally occur when a customer has made its missed CAP payments. If the utility has terminated the customer's service for nonpayment, the utility can reinstate the customer into CAP at the time that the customer makes payment to have service restored. Again, we believe the consequence for failing to comply with CAP payment terms should be loss of service not loss of enrollment in CAP.

Coordination of LIHEAP benefits. The Commission is adding a section to allow the utility flexibility to deal with a participant who fails to apply for a LIHEAP grant. Changes to the LIHEAP eligibility criteria make the provision increasingly difficult to administer. When the Commission approved the CAP Policy Statement, a CAP participant was eligible to receive two LIHEAP benefits in the form of cash and crisis grants. Changes to LIHEAP eligibility restrict CAP participants from receiving LIHEAP crisis benefits. Because of the difficulty a CAP participant has in obtaining LIHEAP benefits, we do not believe that utilities should automatically impose penalties on a CAP participant who does not designate a LIHEAP grant to the CAP sponsoring-utility. However, we do believe that utilities should strongly encourage participants to apply for LIHEAP benefits. This change allows utilities the option of imposing a penalty on a CAP participant who is eligible for LIHEAP benefits but who fails to apply for those benefits.

Evaluations. The Commission is amending this section to allow for routine evaluations of expanded and ongoing CAPs.

Alternative program designs. We are changing this section to include revisions to CAP so that utilities should receive Commission approval before implementing any design changes.

The Commission reviewed and addressed comments relating to the revisions to the CAP Policy Statement as part of its order that issued guidelines for universal service and energy conservation programs. Because many interested parties have been given an opportunity to comment on the substantive revisions in the Commission order at Docket No. M-00960890F0010, we are directing that the revisions to the CAP Policy Statement shall become effective upon publication in the *Pennsylvania Bulletin*, *Therefore,*

It Is Ordered That:

1. The regulations of the Commission, 52 Pa. Code Chapter 69, are amended by amending §§ 69.261--69.265 and 69.267 to read as set forth in Annex A.

2. The Secretary shall submit this order and Annex A to the Governor's Budget Office for fiscal impact analysis.

3. The Secretary shall certify this order and Annex A and deposit them with the Legislative Reference Bureau for publication in the *Pennsylvania Bulletin.*

4. The Secretary shall serve a copy of this order, and Annex A upon all Class A electric utilities and natural gas utilities with gross intrastate annual operation revenue in excess of $40 million, and the Office of Consumer Advocate, and the Office of Small Businesses Advocate.

5. This Policy Statement shall become effective upon publication in the *Pennsylvania Bulletin.*

JAMES J. MCNULTY,
Secretary

Fiscal Note: 57-206. No fiscal impact; (8) recommends adoption.

Annex A

TITLE 52. PUBLIC UTILITIES

PART I. PENNSYLVANIA PUBLIC UTILITY COMMISSION

Subpart C. FIXED SERVICE UTILITIES

CHAPTER 69. GENERAL ORDERS, POLICY STATEMENTS AND GUIDELINES ON FIXED UTILITIES

CUSTOMER ASSISTANCE PROGRAMS

§ 69.261. General.

CAPs are designed as alternatives to traditional collection methods for low income, payment troubled customers. Customers participating in CAPs agree to make monthly payments based on household family size and gross income. Customers make regular monthly payments, which may be for an amount that is less than the current bill for utility service, in exchange for continued provision of the service. Class A electric utilities and natural gas utilities with gross intrastate annual operating revenue in excess of $40 million should adopt the guidelines in §§ 69.263--69.265 (relating to CAP development; scope of CAPs; and CAP design elements) implementing residential CAPs.

§ 69.262. Definitions.

The following words and terms, when used in §§ 69.261, 69.263--69.267 and this section, have the following meanings, unless the context clearly indicates otherwise;

Alternative program designs--Program designs which include traditional utility collection methods, alternative collection approaches that do not include a CAP and CAP designs which substantially deviate from this chapter.

CAP--Customer Assistance Program.

EDC--Electric distribution company--The electric distribution company as defined in 66 Pa.C.S. § 2803 (relating to definitions).

LIHEAP--Low Income Home Energy Assistance Program--A Federally funded program which provides financial assistance grants to needy households for home energy bills.

Low income customers--A residential utility customer whose annual household gross income is at or below 150% of the Federal poverty income guidelines.

Low-income payment troubled customers--Low-income customers who have failed to maintain one or more payment arrangements.

§ 69.263. CAP development.

(a) A utility should develop a CAP consistent with the guidelines provided in §§ 69.261, 69.262, 69.264--69.267 and this section.

(b) The Bureau of Consumer Services will work with the utility in CAP development.

(c) Before implementing, revising or expanding a CAP, a utility should submit its CAP proposal to the Bureau of Consumer Services for review and Commission approval of design elements. This review is not for ratemaking purposes, and the rate consequences of any CAP will be addressed within the context of subsequent Commission rate proceedings as described in § 69.266 (relating to cost recovery).

§ 69.264. Scope of CAPs.

CAPs should be targeted to low-income, payment troubled customers. The participation limit for CAP should reflect a needs assessment, consideration of the estimated number of low-income households in the utility's service territory, the number of participants currently enrolled in the pilot CAP, participation rates for assistance programs and the resources available to meet the needs of the targeted population.

§ 69.265. CAP design elements.

The following design elements should be included in a CAP:

(1) *Program funding.* Program funding should be derived from the following sources:

(i) Payments from CAP participants.

(ii) LIHEAP grants.

(iii) Operations and maintenance expense reductions.

(iv) Universal service funding mechanism for EDCs.

(2) *Payment plan proposal.* Generally, CAP payments for total electric and natural gas home energy should not exceed 17% of the CAP participant's annual income. The minimum payment should not be less than the guidelines in paragraph (3)(v)(A) and (B). Payment plans should be based on one or a combination of the following:

(i) *Percentage of income plan.* Total payment for total electric and natural gas home energy under a percentage of income plan is determined based upon a scheduled percentage of the participant's annual gross income. The participating household's gross income and family size place the family at a particular poverty level based on Federal poverty income guidelines.

(A) Generally, maximum payments for electric nonheating service should be within the following ranges:

(I) Household income between 0--50% of poverty at 2%--5% of income.

(II) Household income between 51--100% of poverty at 4%--6% of income.

(III) Household income between 101--150% of poverty at 6%--7% of income.

(B) Generally, maximum payments for gas heating should be within the following ranges:

(I) Household income between 0--50% of poverty at 5%--8% of income.

(II) Household income between 51--100% of poverty at 7%--10% of income.

(III) Household income between 101--150% of poverty at 9%--10% of income.

(C) Generally, maximum payments for electric heating or gas heating and electric nonheating combined should not exceed the following guidelines:

(I) Household income between 0--50% of poverty at 7%--13% of income.

(II) Household income between 51--100% of poverty at 11%--16% of income.

(III) Household income between 101--150% of poverty at 15%--17% of income.

(ii) *Percentage of bill plan.* The participant's household payment contribution for total electric and natural gas home energy under a percentage of bill plan is determined using variables based on family size and income and the household's energy usage level. A participant's annual payment is calculated as a percentage of income payment and converted to a percentage of the annual bill. When a utility determines subsequent CAP payment amounts, a participant will continue to pay the same percentage of the total bill even if annual usage has changed.

(iii) *Rate discount.* The participant's energy usage is billed at a reduced rate.

(iv) *Minimum monthly payment.* The participant's payment contribution is calculated by taking the participant's estimated monthly budget billing amount and subtracting the maximum, monthly CAP credit (previously called billing deficiency).

(v) *Annualized, average payment.* The participant's payment contribution is calculated by determining the total amount the participant paid over the last 12 months and dividing by 12 months to determine a monthly budget.

(vi) *An alternative payment formula.* An alternative payment formula must be reviewed by the Bureau of Consumer Services and approved by the Commission.

(3) *Control features.* The utility should include the following control features to limit program costs:

(i) *Minimum payment terms*.

(A) A CAP participant payment for a gas heating account should be at least $18--$25 a month.

(B) A CAP participant payment for a nonheating account should be at least $12--$15 a month.

(C) A CAP participant payment for an electric heating account should be at least $30--$40 a month.

(ii) *Nonbasic services*. A CAP participant may not subscribe to nonbasic services that would cause an increase in monthly billing and would not contribute to bill reduction. Nonbasic services that help to reduce bills may be allowable. CAP credits should not be used to pay for nonbasic services.

(iii) *Consumption limits*. Limits on consumption should be set at a percentage of a participant's historical average usage. A level of 110% is recommended. Adjustments in consumption should be made for extreme weather conditions through the use of weather normalization techniques.

(iv) *High usage treatment*. Utilities should target for special treatment those participants who historically use high amounts of energy.

(v) *Maximum CAP credits*. The annual maximum CAP credits should not exceed a total of $1,400 per participant.

(A) The annual maximum CAP credits per gas heating participant should not exceed $840.

(B) The annual maximum CAP credits per nonheating customer should not exceed $560.

(C) The annual maximum CAP credits per electric heating participant should not exceed $1,400.

(vi) *Exemptions*. A utility may exempt a household from a CAP control feature if one or more of the following conditions exist:

(A) The household experienced the addition of a family member.

(B) A member of the household experienced a serious illness.

(C) Energy consumption was beyond the household's ability to control.

(D) The household is located in housing that is or has been condemned or has housing code violations that negatively affect energy consumption.

(E) Energy consumption estimates have been based on consumption of a previous occupant.

(4) *Eligibility criteria.* The CAP applicant should meet the following criteria for eligibility:

(i) Status as a utility ratepayer or new applicant for service is verified.

(ii) Household income is verified at or below 150% of the Federal poverty income guidelines.

(iii) The applicant is a low income, payment troubled customer. When determining if a CAP applicant is payment troubled, a utility should select one of the following four options to prioritize the enrollment of eligible, payment troubled customers:

(A) A household whose housing and utility costs exceed 45% of the household's total income. Housing and utility costs are defined as rent or mortgage/taxes and gas, electric, water, oil, telephone and sewage.

(B) A household who has $100 or less disposable income after subtracting all household expenses from all household income.

(C) A household who has an arrearage. The utility may define the amount of the arrearage.

(D) A household who has received a termination notice or who has failed to maintain one payment arrangement.

(5) *Appeal process.* The utility should establish the following appeal process for program denial:

(i) If the CAP applicant is not satisfied with the utility's initial eligibility determination, the utility should use utility company dispute procedures in §§ 56.151 and 56.152 (relating to general rule; and contents of the utility company report).

(ii) The CAP applicant may appeal the denial of eligibility to the Bureau of Consumer Services in accordance with §§ 56.161--56.165 (relating to informal complaint procedures).

(6) *Administration.* If feasible, the utility should include nonprofit community based organizations in the operation of the CAP. The utility should incorporate the following components into the CAP administration:

(i) *Outreach.* Outreach may be conducted by nonprofit, community-based organizations and should be targeted to low income payment troubled customers. The utility should make automatic referrals to CAP when a low-income customer calls to make payment arrangements.

(ii) *Intake and verification.* Income verification may be completed through a certification process that is satisfactory to the utility or certification through a government agency. Intake may also be conducted by those organizations and should include verification of the following:

(A) Identification of the CAP applicant.

(B) The annual household income.

(C) The family size.

(D) The ratepayer status.

(E) The class of service--heating or nonheating.

(iii) *Calculation of payment.* Calculation of the monthly CAP payment should be the responsibility of the utility. The utility may develop a payment chart so that the assisting community-based organizations may determine payment amounts during the intake interview.

(iv) *Explanation of CAP.* A complete and thorough explanation of the CAP components should be provided to participants.

(v) *Application for LIHEAP grants.* An application for LIHEAP grants, to the extent that is available, should be completed during the intake interview.

(vi) *Consumer education and referral.* CAP consumer education programs should include information on benefits and responsibilities of CAP participation and the importance of energy conservation. Referrals to other appropriate support services should also be a part of consumer education.

(vii) *Account monitoring.* Account monitoring should include both payment and energy consumption monitoring.

(viii) *Annual reapplication.* An annual process that reestablishes a participant's eligibility for CAP benefits should be required.

(ix) *Arrearage forgiveness.* Arrearage forgiveness should occur over a 2- to 3-year period contingent upon receipt of regular monthly payments by the CAP participant.

(x) *Routine management program progress reports.* Progress reports that may be used to monitor CAP administration should be prepared at regular intervals. These reports should include basic information related to the number of participants, payments and account status.

(7) *Default provisions.* The failure of a participant to comply with one of the following should result in dismissal from CAP participation:

(i) Failure to make payments will result in the utility returning the participant to the regular collection cycle and may lead to termination of service. By returning the customer to the regular collection cycle, the utility does not need to enter into a new payment arrangement but may begin the termination process. At a minimum, the utility should inform the participant of the consequences of defaulting from the CAP. To avoid termination of service, the CAP participant must pay the amount set forth in the termination notice prior to the scheduled termination date. This amount should generally be no more than two CAP bills.

(ii) Failure to abide by established consumption limits.

(iii) Failure to allow access or to provide customer meter readings in 4 consecutive months.

(iv) Failure to report changes in income or family size.

(v) Failure to accept budget counseling, weatherization/usage reduction or consumer education services.

(vi) Failure to annually verify eligibility.

(8) *Reinstatement policy.* A customer may be reinstated into CAP at the utility's discretion.

(9) *Coordination of energy assistance benefits.* In a CAP, the utility should include the following to coordinate a participant's energy assistance benefits between it and other utilities:

(i) A LIHEAP grant should be designated by the participant to the utility sponsoring the CAP.

(ii) A LIHEAP or other energy assistance grant may not be substituted for a participant's monthly payment. If the utility determines that a participant's minimum payment exceeds 17% of the household's income, additional energy assistance grants may be used to reduce the amount of the participant's monthly payment. The participant is still responsible for making the remainder of the regular monthly payment.

(iii) The LIHEAP grant should be applied to reduce the amount of CAP credits.

(iv) A utility may impose a penalty on a CAP participant who is eligible for LIHEAP benefits but who fails to apply for those benefits. A utility should use this option carefully and the penalty should not exceed the amount of an average LIHEAP cash benefit. If a customer applies for a LIHEAP benefit but directs it to another utility or energy provider, the CAP provider should not assess a penalty.

(10) *Evaluation.* The utility should thoroughly and objectively evaluate its CAP in accordance with the following unless otherwise modified in § 54.76 (relating to evaluation reporting requirements).

(i) *Content*. The evaluation should include both process and impact components. The process evaluation should focus on whether CAP implementation conforms to the program design and should assess the degree to which the program operates efficiently. The impact evaluation should focus on the degree to which the program achieves the continuation of utility service to CAP participants at reasonable cost levels. The impact evaluation should include an analysis of the following:

(A) Customer payment behavior.

(B) Energy assistance participation.

(C) Energy consumption.

(D) Administrative costs.

(E) Program costs.

(ii) *Time frame.* Unless otherwise modified by § 54.76, the time frame for evaluations should be as follows:

(A) Following the expansion of a CAP or subsequent to substantial revision of an existing CAP or alternate program design, a one-time process evaluation completed by an independent third-party should be undertaken during the middle of the second year.

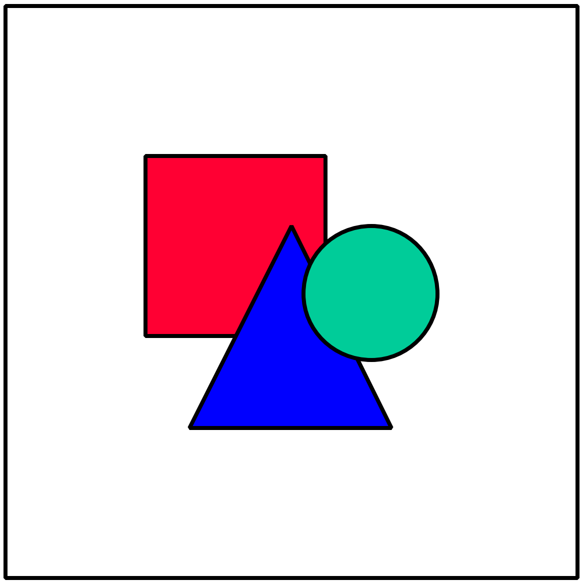
(B) Program impacts should be evaluated by an independent third-party at no more than 6 year intervals and submitted to the Commission.

(iii) *Evaluation plan approval.* The utility should submit the impact evaluation plan to the Bureau of Consumer Services for review and approval.

§ 69.267. Alternative program designs.

Alternative program designs that differ from §§ 69.261--69.266 and this section may reduce uncollectible balances and may provide low income, payment troubled customers with needed assistance. These programs may be acceptable if the utility can provide support for design deviations. Before implementing an alternative program design, the utility should submit its proposal including an evaluation plan as described in § 69.265(10) (relating to CAP design elements) to the Bureau of Consumer Services for review and Commission approval.

[Pa.B. Doc. No. 99-753. Filed for public inspection May 7, 1999, 9:00 a.m.]



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COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17120

May 31, 1985

IN REPLY PLEASE
REFER TO OUR FILE:
M-840403

TO ALL CLASS A ELECTRIC & GAS COMPANIES:

Dear Sir:

In Public Session On May 24, 1985 the Commission reviewed and approved the recommendations of the Bureau of Consumer Services related to waiving late payment charges, budget counseling, and customer "Cares" positions. These are recommendations based on the report "Recommendations for Dealing with Payment Troubled Customers."

I am advising you, via this letter, that the Commission urges you to consider waiving residential late payment charges for customers with a limited ability to pay for utility services. These charges can present an insurmountable barrier to good payment for customers with limited abilities to pay.

I am also advising you that the Commission (strongly) endorses the use of budget counseling for those customers with some ability to pay and a willingness to have their financial affairs managed by a credit counseling agency. The Commission has established the following guidelines for companies in establishing or arranging for budget counseling.

1. These services should not be provided by company employees who perform responsibilities related to billing, credit or collections. Budget counseling involves close and detailed work with customers, add the existence of responsibilities in those areas could conflict with the goals of budget counseling.

2. Companies should view the fee charged by the agencies in question in light of the risk of default. Thus, a customer with a history of nonpayment represents a significant risk of loss. Thus, a fee which results in a great likelihood of good payment is a more cost effective use of resources than avoiding the fee (and the service) and causing a high probability of default.

3. Careful attention must be paid to qualify in order for budget counseling to be productive and legitimate. Thus, companies must insure that budget counseling agencies are producing results and must be able to demonstrate this to the Commission.

I am also advising you that the Commission suggests that you consider the establishment of a customer "Cares" program to assist selected, deserving, payment troubled customers maximize their ability to meet their obligations for the payment of utility bills.

Thank you for your attention to these matters.

Very truly yours,

Jerry Rich
Secretary

CHAPTER 58. RESIDENTIAL LOW INCOME USAGE REDUCTION PROGRAMS

Sec.

Authority

The provisions of this Chapter 58 issued under the Public Utility Code, 66 Pa.C.S. § § 501, 1501 and 1505(b), unless otherwise noted.

Source

The provisions of this Chapter 58 adopted January 15, 1993, effective January 16, 1993, 23 Pa.B. 265, unless otherwise noted.

§ 58.1. Purpose.

This chapter requires covered utilities to establish fair, effective and efficient energy usage reduction programs for their low income customers. The programs are intended to assist low income customers conserve energy and reduce residential energy bills. The reduction in energy bills should decrease the incidence and risk of customer payment delinquencies and the attendant utility costs associated with uncollectible accounts expense, collection costs and arrearage carrying costs. The programs are also intended to reduce the residential demand for electricity and gas and the peak demand for electricity so as to reduce costs related to the purchase of fuel or of power and concomitantly reduce demand which could lead to the need to construct new generating capacity. The programs should also result in improved health, safety and comfort levels for program recipients.

Notes of Decisions

Service

For a discussion of guidelines for universal service and energy conservation programs, *Re Guidelines for Universal Service and Energy Conservation Programs*, 178 P.U.R. 4th 508 (July 11, 1997).

§ 58.2. Definitions.

The following words and terms, when used in this chapter, have the following meanings, unless the context clearly indicates otherwise:

Administrative costs—Expenses not directly related to the provision of program services. The term may include salaries, fringe benefits and related personnel costs for administration, secretarial and clerical support involved in fiscal activities, planning, personnel administration, and the like; office expenses, such as rents, postage, copying and equipment; and other expenses, such as audit and evaluation expenses, advertising and insurance.

Covered utility—A jurisdictional electric or gas local distribution utility having sales of natural gas for purposes other than resale exceeding 10 billion cubic feet or sales of electric energy for purposes other than resale exceeding 750 million kilowatt-hours during the preceding calendar year or both.

Eligible customer—A low income or special needs customer who is a residential space heating customer, or a residential water heating customer, or a residential high use electric baseload customer of a covered utility.

Energy survey—An onsite inspection of a residential building for the purpose of determining the most appropriate usage reduction measures.

Low income customer—A residential utility customer with household income at or below 150% of the Federal poverty guidelines.

Pilot program—A program by a covered utility to develop, implement and evaluate new or innovative methods for achieving usage reduction.

Program measures—Installations which are designed to reduce energy consumption.

Program services—Services offered or performed by a covered utility or its agent under this chapter.

Residential high use electric baseload customer—A residential customer of a covered utility utilizing the electric service provided by the covered utility for nonspace heating or nonwater heating end uses such as lighting and major and minor appliance usage and utilizing greater than 125% of the usage of the covered utility's average residential baseload customer.

Residential space heating customer—A residential customer of the covered utility utilizing the electric or gas service provided by the covered utility as the primary heating source for the customer's residence. The term includes customers with gas furnaces that have historically been used for heating but may not currently be operable.

Residential water heating customer—A residential customer of the covered utility utilizing the electric or gas service provided by the covered utility as the primary water heating source for the customer's residence.

Special needs customer—A customer having an arrearage with the covered utility and whose household income is at or below 200% of the Federal poverty guidelines.

Usage reduction education—A group or individual presentation or workshop in which usage reduction objectives and techniques are explained.

Source

The provisions of this § 58.2 amended January 2, 1998, effective January 3, 1998, 28 Pa.B. 25. Immediately preceding text appears at serial pages (178488) to (178489).

Cross References

This section cited in 52 Pa. Code § 58.5 (relating to administrative costs); and 52 Pa. Code § 58.10 (relating to priority of program services).

§ 58.3. Establishment of residential low income usage reduction program.

A covered utility shall establish a usage reduction program for its low income customers.

Source

The provisions of this § 58.3 amended January 2, 1998, effective January 3, 1998, 28 Pa.B. 25. Immediately preceding text appears at serial page (178489).

§ 58.4. Program funding.

(a) *General guidelines for gas utilities.* Annual funding for a covered natural gas utility's usage reduction program shall be at least .2% of a covered utility's jurisdictional revenues. Covered gas utilities shall submit annual program budgets to the Commission. A covered gas utility will continue to fund its usage reduction program at this level until the Commission acts upon a petition from the utility for a different funding level, or until the Commission reviews the need for program services and revises the funding level through a Commission order that addresses the recovery of program costs in utility rates. Proposed funding revisions that would involve a reduction in program funding shall include public notice found acceptable by the Commission's Bureau of Consumer Services, and the opportunity for public input from affected persons or entities.

(b) *General guidelines for electric utilities.* A target annual funding level for a covered electric utility is computed at the time of the Commission's initial approval of the utility's proposed program. A covered electric utility shall continue funding the program at that level until the Commission acts upon a petition from the utility for a revised funding level, or until the Commission reviews the need for program services and revises the funding level through a Commission order that addresses the recovery of program costs in utility rates. Proposed funding revisions that would involve a reduction in program funding shall include public notice found acceptable by the Commission's Bureau of Consumer Services, and the opportunity for public input from affected persons or entities.

(c) *Guidelines for revising program funding.* A revision to a covered utility's program funding level is to be computed based upon factors listed in this section. These factors are the following:

(1) The number of eligible customers that could be provided cost-effective usage reduction services. The calculation shall take into consideration the number of customer dwellings that have already received, or are not otherwise in need of, usage reduction services.

(2) Expected customer participation rates for eligible customers. Expected participation rates shall be based on historical participation rates when customers have been solicited through approved personal contact methods.

(3) The total expense of providing usage reduction services, including costs of program measures, conservation education expenses and prorated expenses for program administration.

(4) A plan for providing program services within a reasonable period of time, with consideration given to the contractor capacity necessary for provision of services and the impact on utility rates.

(d) *Pilot programs.* Covered utilities are encouraged to propose pilot programs for the development and evaluation of conservation education and other innovative technologies for achieving the purposes of residential low income usage reduction.

(e) *Recovery of costs.*

(1) Program expenses shall be allotted among ratepayers. The precise method of allocation between capital and expense accounts shall be determined in future rate proceedings.

(2) Recovery of program expenses shall be subject to Commission review of the prudence and effectiveness of a utility's administration of its low income residential usage reduction program.

Cross References

This section cited in 52 Pa. Code § 58.5 (relating to administrative costs).

§ 58.5. Administrative costs.

For programs covered by § 58.4 (relating to program funding), not more than 15% of a covered utility's annual budget for its usage reduction program may be spent on administrative costs, as defined in § 58.2 (relating to definitions). The costs associated with approved pilot programs are exempt from the 15% cap.

§ 58.6. Consultation.

A covered utility, when making major modifications in its program design or developing a pilot program, shall consult with persons and entities with experience in the design or administration of usage reduction programs. Consultations may typically be with past recipients of weatherization services, social service agencies, community groups, other utilities with usage reduction programs, and conservation and energy service contractors.

§ 58.7. Integration.

(a) A covered utility shall coordinate program service with existing resources in the community.

(b) Mandatory usage reduction programs shall be designed to operate in conjunction with the covered utility's consumer services and collection programs and relevant public or private programs so that customers experiencing ability-to-pay problems are made aware of the covered utility's usage reduction program and hardship funds. The covered utility shall provide direct assistance to low income usage reduction program participants in making application to the Low Income Home Energy Assistance Program.

(c) Mandatory usage reduction programs shall be designed, whenever possible, to provide program services through independent agencies which have demonstrated experience and effectiveness in the administration and provision of program services. In the absence of qualified independent agencies, a covered utility electing not to provide program services directly shall solicit competitive bids for the provision of services by providers of related services, such as construction, architectural or engineering services.

§ 58.8. Tenant eligibility.

(a) *Program measures*. An eligible customer who is a tenant shall have an equal opportunity to secure program services if the landlord has granted written permission to the tenant for the installation of program measures, and the landlord agrees, in writing, that rents will not be raised unless the increase is related to matters other than the installation of the usage reduction measures, and the tenant not evicted for a stated period of time at least 12 months after the installation of the program measures, if the tenant complies with ongoing obligations and responsibilities owed the landlord.

(b) *Landlord contributions*. A covered utility may seek landlord contributions as long as the contributions do not prevent an eligible customer from receiving program services. Contributions from landlords shall be used by the utility as supplemental to its approved Residential Low Income Usage Program budget.

Source

The provisions of this § 58.8 amended January 2, 1998, effective January 3, 1998, 28 Pa.B. 25. Immediately preceding text appears at serial page (178491).

§ 58.9. Program announcement.

(a) A covered utility shall provide notice of program activities as follows:

(1) The utility shall, at least annually, review its customer records to identify customers who appear to be eligible for low income usage reduction service. The utility shall then provide a targeted mass mailing to each customer identified through this procedure so as to solicit applications for consideration of program services. A copy of this notice shall also be sent to publicly and privately funded agencies which assist low income customers within the covered utility's service territory. A covered utility shall also consider providing public service announcements regarding its low income usage reduction program in local newspapers and on local radio and television.

(2) If available program resources exceed initial customer response, the targeted mass mailing shall be followed by a personalized letter to customers who did not respond to the mass mailing.

(3) If available program resources still exceed customer response, personal contact should be made with customers who have not responded to earlier program announcements.

(b) If, after implementing notice requirements of subsection (a), additional funding resources remain, a covered utility shall send each of its residential customers notice of its usage reduction program along with a description of program services, eligibility rules and how customers may be considered for program services.

§ 58.10. Program announcement.

(a) Priority for receipt of program services shall be determined as follows:

(1) Among eligible customers, those with the largest usage and greatest opportunities for bill reductions relative to the cost of providing program services shall receive services first. When prioritizing eligible customers by usage level, several factors shall be considered when feasible. These factors include: the size of the dwelling, the number of occupants and the end uses of the utility service. When prioritizing eligible customers by opportunities for bill reductions, utility rate factors which may tend to limit (for example, declining block rates) or facilitate, for example, time-of-day rates or heating rates, bill reductions somewhat independently of absolute usage levels should be considered.

(2) Among customers with the same standing with respect to paragraph (1), those with the greatest arrearages shall receive services first. When feasible, priority should be given to customers with the largest arrearage relative to their income; for example, arrearage as a percentage of income.

(3) Among the customers with the same standing with respect to paragraph (2), those with incomes which place them farthest below the maximum eligibility level shall receive services first.

(b) Covered electric utilities shall use the guidelines outlined in this section to determine the amount of annual program funding to be budgeted for usage reduction services available to residential space heating customers, residential water heating customers and residential high-use electric baseload customers.

(c) A covered utility may spend up to 20% of its annual program budget on eligible special needs customers as defined in § 58.2 (relating to definitions).

Source

The provisions of this § 58.10 amended January 2, 1998, effective January 3, 1998, 28 Pa.B. 25. Immediately preceding text appears at serial pages (178492) to (178493).

§ 58.11. Energy survey.

(a) If an applicant is eligible to receive program services, an onsite energy survey shall be performed to determine if the installation of program measures would be appropriate. The installation of a program measure is considered appropriate if it is not already present and performing effectively and when the energy savings derived from the installation will result in a simple payback of 7 years or less. A 12-year simple payback criterion shall be utilized for the installation of side wall insulation, attic insulation, space heating system replacement, water heater replacements and refrigerator replacement when the expected lifetime of the measure exceeds the payback period.

(b) Program funds may not be used for measures that involve fuel switching between Commission regulated utilities. This stipulation does not apply to fuel switching within a dual-fuel utility.

Source

The provisions of this § 58.11 amended January 2, 1998, effective January 3, 1998, 28 Pa.B. 25. Immediately preceding text appears at serial page (178493).

Cross References

This section cited in 52 Pa. Code § 58.14 (relating to program measure installation).

§ 58.12. Incidental repairs.

Expenditures on program measures may include incidental repairs to the dwelling necessary to permit proper installation of the program measures or repairs to existing weatherization measures which are needed to make those measures operate effectively.

§ 58.13. Usage reduction education.

(a) *Applicability.* A covered utility shall provide usage reduction education services to program recipients so that maximum energy savings can be derived from the installation of program measures and through the modification of energy-related behavior including water consumption. Usage reduction education should also address regular utility bill payment behavior and the covered utility shall provide direct assistance to low income usage reduction program recipients in making application to secure available energy assistance funds.

(b) *Funding level.* Expenditures for usage reduction education services shall be sufficient to provide these services to each customer who receives other program services. Usage reduction education programs that have average costs which exceed $150 per program recipient household are to be pilot tested for 1 year during which the program will be measured for the incremental contribution to energy savings that the usage reduction education produces and the cost-effectiveness of that contribution.

(c) *Pilot programs.* The Commission encourages covered utilities to pilot test and evaluate innovative usage reduction education approaches. Pilot programs are also encouraged that evaluate the incremental energy savings of usage reduction programs that incorporate an education component as compared to programs that do not incorporate an education component.

(d) *Program services.* The usage reduction education services described in this chapter include activities designed to produce voluntary conservation of energy on the part of eligible customers. The activities shall include, but need not be restricted to, the following:

(1) *Group presentations.* Meetings involving recipients of program measures and other customers at which conservation objectives are explained and possible conservation measures are described and, when appropriate, demonstrated.

(2) *Workshops.* Group presentations at which, in addition to receiving explanations of conservation objectives, recipients of program measures and other customers are taught to install selected program measures.

(3) *In-home presentations.* Consultations held in the dwelling between a person supplying conservation education services and the occupant or owner of the dwelling. The presentations may include the explanation of conservation objectives, the participation of the owner or occupant in the installation of selected program measures or other activities designed to produce voluntary reductions in energy use by the owner or occupant.

§ 58.14. Program measure installation.

(a) *Installation.* Based on the results of the energy survey conducted under § 58.11 (relating to energy survey), a covered utility shall install or arrange for the installation of the following applicable program measures designed to reduce energy bills, usage or demand for space heating, water heating and baseload end uses:

(1) For residential space heating customers, applicable program measures may include the installation of insulation, furnace replacement or furnace efficiency modifications, clock thermostats, infiltration measures designed to reduce the flow of air through the building envelope or the repair or replacement of chimneys and service lines.

(2) For residential water heating customers, program measures may include the installation of control devices on water heaters or other major appliances, rewiring to permit billing on a time of day or other off-peak rate schedule, the installation of water heater and pipe insulation and devices reducing the flow of hot water in showers, faucets or other equipment.

(3) For residential baseload customers, applicable program measures may include lighting efficiency modifications, refrigeration replacements or efficiency improvements, air conditioner replacements or efficiency improvements and other major appliance replacements, retrofits or efficiency improvements.

(b) *Quality control.* A covered utility shall establish effective quality control guidelines and procedures for the installation of program measures. When a contractor is utilized, the covered utility shall schedule post-installation inspections and require a warranty covering workmanship.

(c) *Inter-utility coordination.* Customers of covered gas utilities and covered electric utilities shall have coordinated provision of comprehensive program services.

(1) When providing program services a covered gas utility shall address usage of electricity provided by a covered utility through the provision of electric usage reduction education, the installation of efficient lightbulbs, where appropriate, the installation of electric water heater and hot water pipe insulation where the equipment is in unheated areas and the installation of devices to reduce the flow of hot water in showers and faucets.

(2) When providing program services, a covered electric utility shall address usage of gas provided by a covered utility through the provision of gas usage reduction education, the installation of gas water heater and hot water pipe insulation where the equipment is in unheated areas and the installation of devices to reduce the flow of hot water in showers and faucets.

(3) Covered electric utilities should arrange for the bulk purchase of efficient lightbulbs at their own expense and the distribution of the lightbulbs to covered gas utilities or the gas utilities' program contractors that are providing program services in the electric utility service territory.

(4) A covered utility may choose to absorb in its program budget the labor and materials cost for the water heating treatments they provide under this section. An electric utility choosing not to absorb the costs may choose to bill the covered gas utility for the electric utility's cost of providing gas water heating treatments. Similarly, a gas utility choosing not to absorb the costs may choose to bill the covered electric utility for the gas utility's cost of providing electric water heater treatments. Inter-utility billing arrangements shall be stated in a contract between the two utilities which specifies costs to be covered and measures to be installed.

(5) Conservation education costs incurred as a result of this section are not to be included in inter-utility billing arrangements.

(6) Covered electric utilities shall provide training at their own expense to covered gas utility contractors and inspectors regarding the installation of electric hot water measures and the determination of appropriate installations for efficient lightbulbs. Covered gas utilities shall provide training at their own expense to covered electric utility contractors and inspectors regarding the installation of gas hot water measures.

(7) Covered utilities are not required to track or report energy usage data associated with conservation education provided or measures installed under this section.

§ 58.15. Program evaluation.

A covered utility shall be responsible for the ongoing evaluation of its program. Evaluation shall include establishing procedures for monitoring program results and evaluating program effectiveness. Procedures shall include the following:

(1) Compiling statistical data concerning:

(i) The number of homes weatherized.

(ii) The itemized cost of conservation measures installed.

(iii) The total cost per home in terms of materials and labor.

(iv) The types of housing structures weatherized.

(v) Energy consumption.

(vi) Program recipient demographics.

(vii) Program recipient utility bills and account balances.

(viii) Program recipient utility payments.

(2) Evaluating the energy savings and load management impacts of program services; changes in customer bills, payment behavior and account balances; and the overall quality of program services and steps being taken to improve program performance. Utilities should at least annually assess the cost-effectiveness of weatherization contractors utilized in providing program services and incorporate this information into program management decisions.

(3) Reporting annually to the Commission regarding the findings of this evaluation.

Cross References

This section cited in 52 Pa. Code § 54.75 (relating to annual residential collection and universal service and energy conservation program reporting requirements); and 52 Pa. Code § 62.5 (relating to annual residential collection and universal service and energy conservation program reporting requirements).

§ 58.16. Advisory panels.

(a) *Creation.* A covered utility shall create and maintain a Usage Reduction Program Advisory Panel to provide consultation and advice to the company regarding usage reduction services.

(b) *Membership.* No more than one representative from an organization or group may serve on a company's advisory panel. Membership of a utility's consumer advisory panel may include:

(1) Recipients of program measures and representatives from social service agencies, from community groups and from agencies or companies which administer or install program measures.

(2) Representatives from other groups or agencies which may be able to offer reasonable advice regarding usage reduction programs and services.

(c) *Review.* The advisory panel shall be provided with usage reduction program plans and proposed changes at least 15 days prior to the submission of plans for approval by the Commission. The panel shall report comments and exceptions to plans to the covered utility which shall provide the reports to the Commission in conjunction with the submission of the proposed plan.

(d) *Creation of additional advisory panels.* A covered utility may create more than one advisory panel when the size of the service territory or other considerations warrant.

(e) *Existing advisory panels.* A covered utility may use an existing customer advisory panel to satisfy this section when the membership of the panel can reasonably be expected to provide effective consultation and advice regarding usage reduction programs.

§ 58.17. Regulatory review.

A covered utility may not implement a required usage reduction program, nor subsequently significantly modify a program approved under this chapter until the utility has received Commission approval for the proposal.

§ 58.18. Exemptions.

A covered utility alleging special circumstances may petition the Commission to exempt its required usage reduction program from this chapter.

COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17120

June 26, 1985

IN REPLY PLEASE
REFER TO OUR FILE:
M-840403

TO ALL CLASS A ELECTRIC AND GASS COMPANIES

Dear Sir:

In Public Session on June 7, 1985, the Commission reviewed and approved the recommendations of the Bureau of Consumer Services related to utility hardship funds and a status report on the implementation of the ability to pay recommendations. These are recommendations based on the report "Recommendations for Dealing with Payment Troubled Customers."

I am advising you, via this letter, that the Commission strongly encourages you to support a hardship or fuel fund to assist needy customers in your service territory. The Commission also encourages you-to seriously consider utilizing matching credits from stockholder contributions to multiply the value of customer and employee contributions, even if your hardship fund is primarily supported from overcharge settlements, off-system sales, sales to the interchange, or special fuel purchase agreements. Dollar check-off provisions for customer contributions and the active seeking of donations from the community and corporate neighbors warrant serious considerations as well.

I am also advising you that the Commission requests that you provide the Bureau of Consumer Services with a report detailing the actions you have taken regarding the following recommendations for dealing with payment troubled customers:

Service Limiters
Monthly Meter Readings
Monthly Collections
Credit Screening
"Soft Core" Dunning
Deposits from Existing Customers
Budget Billing "Plus"
Special Payment Reminders
Waving Late Payment Charges
Budget Counseling
Customer "Cares" Positions
Utility Hardship Funds

For actions which are completed, the report should explain what has been done, when action took place, and the effects of each action taken. For actions which are being planned or in the process of being implemented, the report should explain what is planned and when it will be completed. For recommendations which no action is planned, an explanation of the decision not to act should be attached. The report should be provided to the Bureau of Consumer Services by March 7, 1986.

Thanking you in advance for your continuing cooperation, I remain,

Very truly yours,

Jerry Rich
Secretary

Certified Mail

JEP:bjc

ABSTRACT

Natural Gas Universal Service Task Force
Annual Report -- December 2001

Background:

The Natural Gas Choice and Competition Act directs the Public Utility Commission (PUC) to establish a task force to review universal service programs and their funding. A report is due to the PUC by December 31st of each year. Established in 1999, the Task Force has just submitted its third annual report to the Commission. The Task Force is comprised of a broad spectrum of stakeholders from the public and private sectors.

Current Situation:

Although Pennsylvania is a national leader in providing innovative programs for low-income consumers, the 2001 Task Force report clearly shows a significant gap between households served and households eligible for these programs. Consider the following:

- Pennsylvania provides no state funding for energy assistance programs. Surrounding cold-weather states such as New Jersey, Maryland, and New York fund such programs.

- Heating costs for low-income households represent 11 percent of their annual income; median income families pay 2.6 percent.

- Pennsylvania has 800,000 families living at or below 135 percent of poverty ($23,000 for a family of four), but the federally funded Low Income Home Energy Assistance Program assists just over 40 percent (350,000) of these families.

- Overdue utility amounts for natural gas customers have increased by 72 percent from 2000 to 2001. Overdue amounts for customers of electric utilities have increased as well over this same period of time.

- Residential terminations and write-offs are increasing for regulated gas and electric companies. Shut-offs for non-payments are up 20 percent and 12 percent, respectively, for the gas and electric industries. Combined writeoffs for both industries are up nearly 20 percent in 2001 to $164 million.

Recommendation:

Given these and other factors, the Natural Gas Universal Service Task Force calls for a meaningful appropriation of state funds as an essential first step toward the long-term objective of protecting the utility service of our most vulnerable citizens.