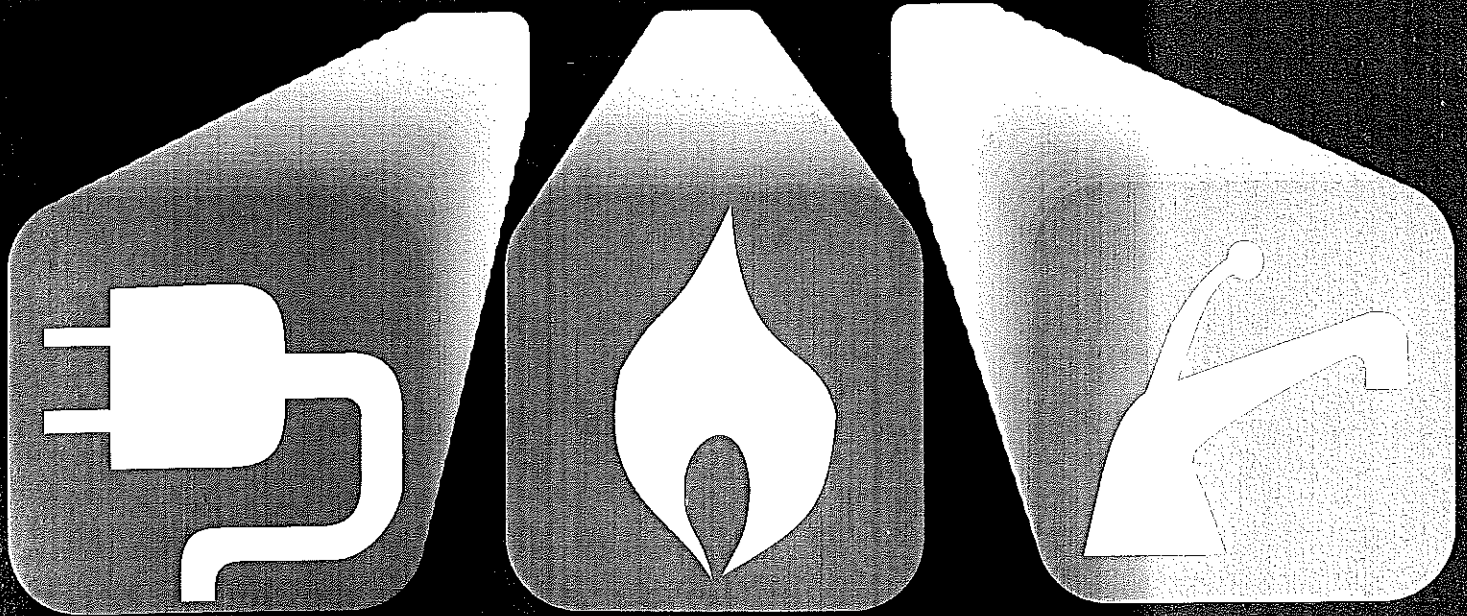
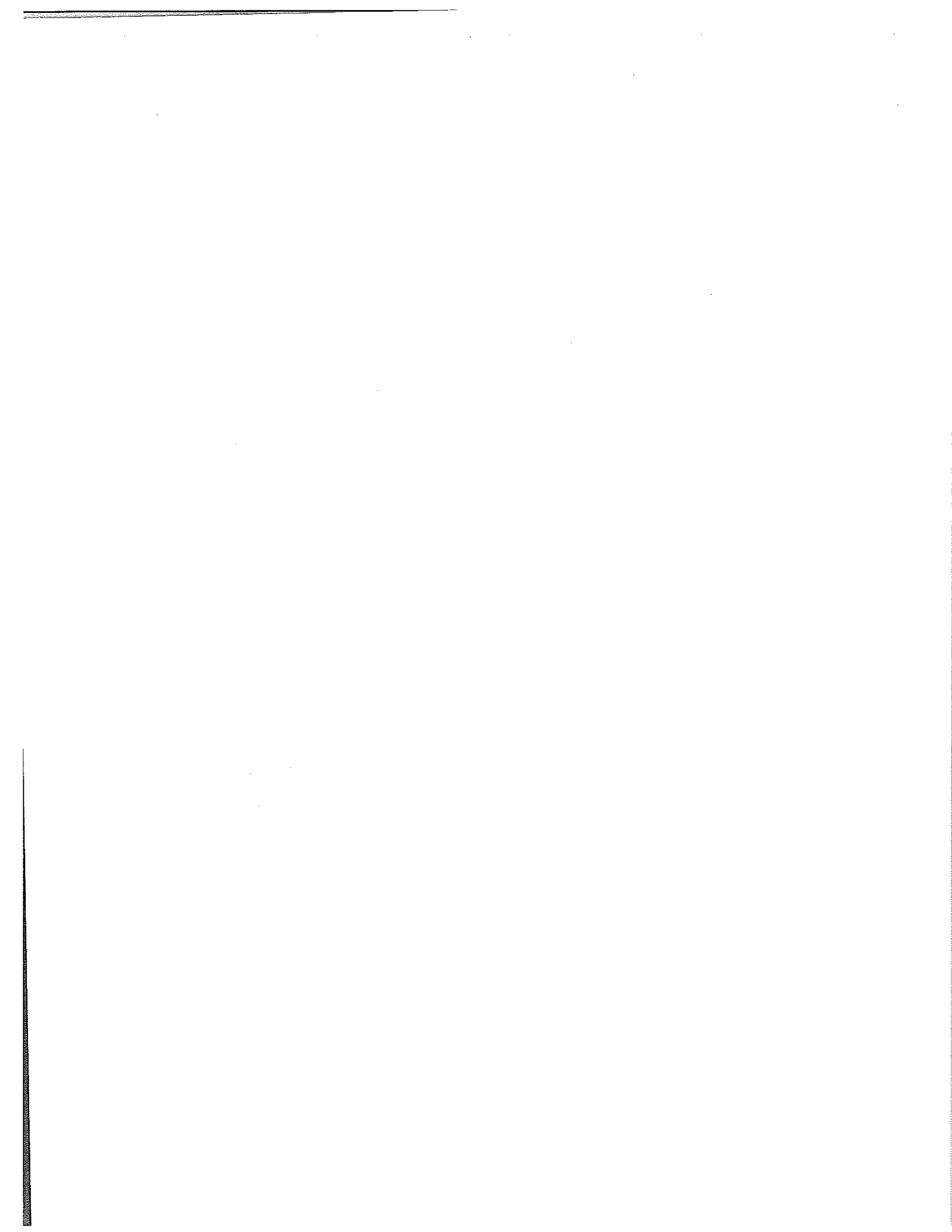


Consumer Services Activity Report

Electric, Gas and Water Utilities 1994



Pennsylvania Public Utility Commission
Bureau of Consumer Services





Activity Report/1994

July 1995

Pennsylvania Public Utility Commission
Bureau of Consumer Services

Mitchell A. Miller, Director

Any opinions or conclusions reached are those of the Bureau of Consumer Services and do not necessarily reflect the opinion of the Pennsylvania Public Utility Commission.

with the assistance of

THE PENNSYLVANIA STATE UNIVERSITY
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The Consumer Services Information System Project (CSIS)
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(July 1995)

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1 • Introduction

This report highlights the activities of the Pennsylvania Public Utility Commission's Bureau of Consumer Services. It is also an annual overview of the customer service performance of the major electric, gas and water companies for the year 1994. This report compares the handling of consumer complaints and payment negotiations, compliance with Chapter 56 Regulations and utility collections in three industries and among individual companies within each industry. For the second year, the activity report includes chapters on Customer Assistance Programs (CAPs) and Utility Hardship Funds in Pennsylvania. The results reported herein provide information that can be used by the Commission to evaluate company activities and to set policies and goals in the area of customer services.

The Bureau of Consumer Services (BCS) was mandated under Act 216 of 1976 to provide responsive, efficient and accountable management of consumer complaints. Its responsibilities were clarified under Act 114 of 1986 in regard to reporting and deciding customer complaints. In order to fulfill its mandates, the Bureau began investigating utility consumer complaints and writing decisions on service termination cases in April 1977. Since then the Bureau has investigated 369,251 cases and has received an additional 277,322 opinions and requests for information. To manage and use this complaint data the Bureau maintains a computer based consumer information system (CSIS) through a contract with the Pennsylvania State University. This system enables the Bureau to aggregate and analyze complaints so that it can address generic as well as individual problems. In the fall of 1993, BCS undertook a review of the CSIS to determine how the Bureau can use the system to its fullest potential. The Bureau completed the first part of the review process and continued this project in 1994 to improve the efficiency and value of its information system. The Bureau expects that the results may impact on future annual reports, including the performance measures that are used to evaluate companies.

A number of studies have found that only a minority, often a small minority, of dissatisfied customers complain about unsatisfactory products or services. The Bureau's experience reflects this fact as it has frequently found that a seemingly small number of individual complaints from utility customers represent management failures or other systemic problems in utility operations. Consider, for example, the following evidence of the "tip of the iceberg" concept reported by BCS in a 1993 informal investigation report of the Bureau:

Bureau staff reviewed BCS files for the number of apparent violations of 52 PA Code §56.151(5). Section 56.151(5) is a straightforward provision that requires utilities to respond to customer disputes filed by residential customers directly with the utility within 30 days of the initiation of the dispute. BCS files indicated that on at least 159 occasions during 1991 and 1992, the company failed to respond to customer disputes within the 30-day time frame. The company, however, acknowledged that these 159 informally verified violations of §56.151(5) were in fact indicative of a more extensive problem within the company regarding its

compliance with this section. The company's own internal dispute tracking records showed that it had failed to respond as required almost 24,000 times between January 1990 and September 1992. Thus, the 159 informally verified violations form the tip of an iceberg of approximately 24,000 violations. To BCS, therefore, the important point is not that BCS found 159 apparent misapplications of §56.151(5); the important point is that these violations were indicative of thousands of violations of this provision.

Data Bases

BCS secures information for evaluating utilities by aggregating data from the thousands of complaints that are reported to the Commission each year. This data base provides information about how effectively utilities meet consumers' needs and whether their activities comply with Commission standards. The results of this analysis are periodically communicated to companies so that they can act independently to resolve problems before a formal Commission action becomes necessary. In many cases, companies that have taken advantage of this information have been able to resolve problems and improve service. However, companies that fail to act responsibly to resolve problems have been subjected to fines and rate case adjustments of expenses and revenues.

The bulk of the data presented in this report is from the Bureau's Consumer Services Information System. In addition, this report includes statistics from the Bureau's Collections Reporting System (CRS) and Compliance Tracking System (CTS). The CRS provides a valuable resource for measuring changes in company collection performance while the CTS maintains data on the number and type of violations attributable to the major utilities.

Distinctions between cases

The data in this report are aggregated in a manner that reflects natural regulatory distinctions. Cases involving requests for payment arrangements from electric, gas and water customers are distinctly different from consumer complaints. For this reason the Bureau routinely analyzes the two groups of cases separately. All cases involving requests for payment arrangements for electric, gas or water service had been classified as "mediation" cases in prior reports. This year these cases are referred to as "requests for payment arrangements" since the term "mediation" does not appropriately describe the process BCS uses to treat these cases. The BCS routinely issues a written decision on these cases that is binding on all parties unless it is appealed. Cases involving electric, gas and water billing, service problems, etc. are classified as "consumer complaints". Complaints from customers of telephone companies, which fall under unique regulations, are analyzed separately and reported in the annual Telephone Utilities Activity Report.

A number of cases were eliminated from the data base for this report because they did not fairly represent company behavior. One treatment of the data involved the purging of complaints that did not involve residential service. The Bureau's regulatory authority is largely confined to residential accounts. Nevertheless, the Bureau handled 1,427 complaints from commercial customers in 1994. Of these complaints, 501 were related to termination. The Bureau investigates complaints from commercial customers and complaints from residential customers in a very similar manner. The commercial investigations, however, may be somewhat less extensive. Due to its limited jurisdiction, the Bureau does not issue decisions regarding commercial disputes. Rather, the Bureau gives the customer information regarding the company's position or attempts to mediate a mutually acceptable agreement regarding the disputed matter. All 1994 cases that involved commercial accounts were deleted from the analysis in this report and from Tables 2 through 13. (Appendix A lists the distribution of commercial cases by company for the electric, gas and water industries. See Appendix B for the industry percentage of BCS cases defined as residential and commercial). Residential customer contacts that did not require investigation were also excluded from the data base used here. These cases included problems over which the Commission has no jurisdiction, information requests that did not require investigation and most cases where the customers indicated that they had not contacted the company prior to complaining to the Commission. See page 8 for an explanation as to how the Bureau classified these cases in 1994.

Report Measures

Although most of the data and performance measures in this report have been in use for a number of years, the Bureau has refined its presentation and use of the measures for 1994. The volume of requests for payment arrangements and consumer complaints, percent of cases justified and company response times are all presented in the chapters that follow. The most important measures of company effectiveness, justified consumer complaint rate and justified payment arrangement request rate, are calculated in a new way this year in order to give a more accurate assessment of company performance. The changes are discussed more thoroughly in the separate chapters on consumer complaints and payment arrangement requests. The Bureau provides feedback on most of these measures in the form of Quarterly Closing Automated Reports Formats (ARFS) to all major electric, gas and water companies. Therefore, all of the companies reviewed in this report are well acquainted with many of the measures used here, with the Bureau's approach to interpreting these measures, and with their performance on these measures in 1994.

A new addition to this year's report is a preliminary measure that the Bureau has introduced to evaluate a utility's conformance with the standards of conduct for residential service established in statute and regulation (compliance performance). The Bureau measures each major utility's compliance performance by comparing the number of verified violations with the number of a company's residential customers. The result is factored into the summary evaluation of each company's overall customer performance evaluation. The Bureau has long viewed compliance as critically impacting customer service, but has been unsure of the appropriate measure. The Bureau plans to test the value and appropriateness of this new measure in the coming year.

Report Organization

This year's report is organized differently than were the reports of prior years. In this report, all information and statistics related to consumer complaints such as volume of complaints, case outcome, justified rate and response time are presented in one chapter (Chapter 3). Another chapter (Chapter 4) focuses exclusively on payment arrangement requests. These cases were referred to as mediation requests in prior reports. Chapter 4 presents information related to the volume of payment arrangement requests, as well as case outcome, justified rate and response time for each of the major electric, gas and water companies.

In Chapter 5, the Bureau analyzes and evaluates the status of collections for each of the major electric and gas utilities. Chapter 6 of this report focuses on company failures at complying with the Commission's regulations. It explains the Bureau's compliance process and discusses the highlights of compliance activity from 1992 to 1994. Chapter 7 discusses the development of the Commission's policy on Customer Assistance Programs (CAPs) and presents a progress report on the implementation of the CAP policy by the major electric and gas utilities in Pennsylvania. Chapter 8 presents the results of the Bureau's 1994 survey of the hardship fund activity of the major electric and gas utilities, as well as that of two participating water utilities. Chapters 7 and 8 are fairly recent additions to the activity report. This is the second year these topics have been presented in the report.

Overall Bureau Activity

Customer contacts with the Bureau fall into three basic categories: consumer complaints, requests for payment arrangements and inquiries. These contacts may pertain to electric, gas, water, sewer or telephone service. The Bureau received 30,240 utility customer contacts that required investigation in 1994. The 10,832 consumer complaints were about utilities' actions related to billing, service delivery, repairs, etc. This was the largest number of consumer complaints that the Bureau received since 1978, an increase of 10% from the number received in 1993. Consumer complaints against the Chapter 56-covered industries (electric, gas and water) made up an aggregate share of 40% of the Bureau's total consumer complaint volume in 1994. Consumer complaints involving the telephone industry accounted for the remaining 60% of all consumer complaints for 1994. Appendix E compares the industries on the number of complaints for the past two years. In 1,224 of these contacts, the Bureau saved customers \$341,555 in billing adjustments. Of this amount, \$137,405 was saved for 499 customers of the Chapter 56-covered companies; the rest of the savings involved customers of various telecommunications companies.

In 1994 the Bureau also received 19,408 payment arrangement requests from customers who needed help in negotiating payment arrangements with electric, gas and water companies. The Bureau classifies telephone cases from customers seeking payment terms as *consumer complaints* rather than as *requests for payment arrangements*. The reason for this difference is

because these telephone cases are not subject to arbitrated payment agreements based on the customers' ability to pay. The monthly volume of payment arrangement requests and consumer complaints for 1992, 1993 and 1994 is reported in Appendix C, Table 1. The Bureau also received 20,315 inquiries in 1994, which include information requests and opinions from consumers, most of which did not require investigation on the part of the Bureau.

The remainder of this report will focus exclusively on the Chapter 56-covered industries: electric, gas and water. The Bureau issues a separate activity report each year devoted to the telephone industry.

Consumer Complaints

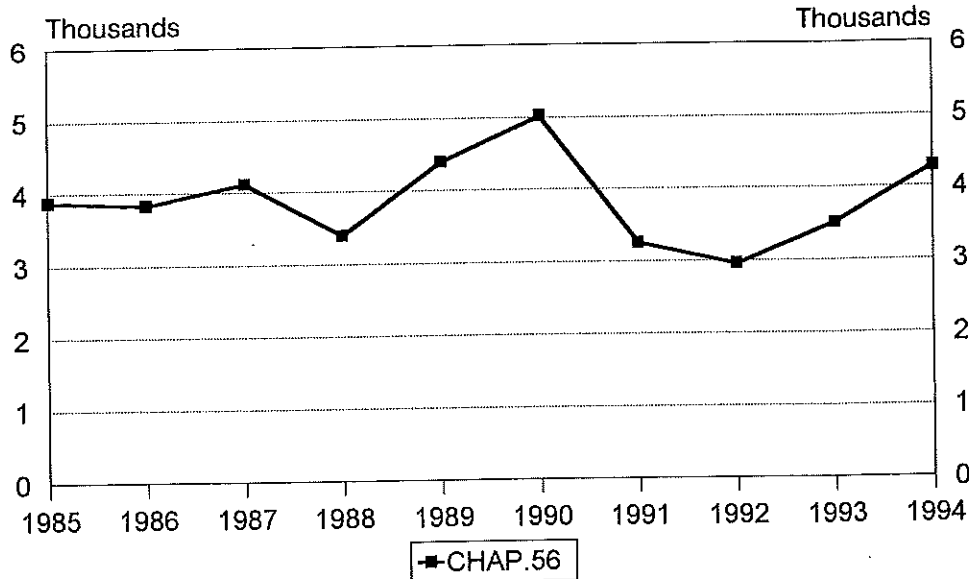
The electric, gas, and water industries all had increases in the number of consumer complaints to the Bureau in 1994. This is the second year that the Bureau has experienced a reversal of a trend from prior years. Consumer complaints against the Chapter 56-covered utilities had previously been declining. However, from 1992 to 1993 the volume of consumer complaints against these companies increased by 25%, and in 1994 the volume increased 22% over the 1993 level. In 1994, electric and gas companies accounted for 19% and 13%, respectively, of all consumer complaints investigated by the Bureau. Water companies accounted for 7% of consumer complaints to the Bureau.

Commission regulations require that customers seek to resolve problems directly with their utilities prior to registering a complaint with the Commission. In view of this, the Bureau seeks to foster improvements in utility complaint handling operations so that complaints will be properly handled and customers will not find it necessary to appeal to the Commission. Since the Bureau receives complaints from only a fraction of dissatisfied customers, this effort has benefits which go far beyond reducing the Bureau's work load.

The Bureau's goal is to decrease the number of justified consumer complaints to the Bureau. This goal can be achieved only if individual companies make significant improvement in handling consumer complaints. The increase in the volume of justified consumer complaints for 1994 seems to indicate that companies need to place greater emphasis on resolving consumer disputes properly before they reach the Commission.

CONSUMER COMPLAINTS

TEN - YEAR TREND



Requests for Payment Arrangements

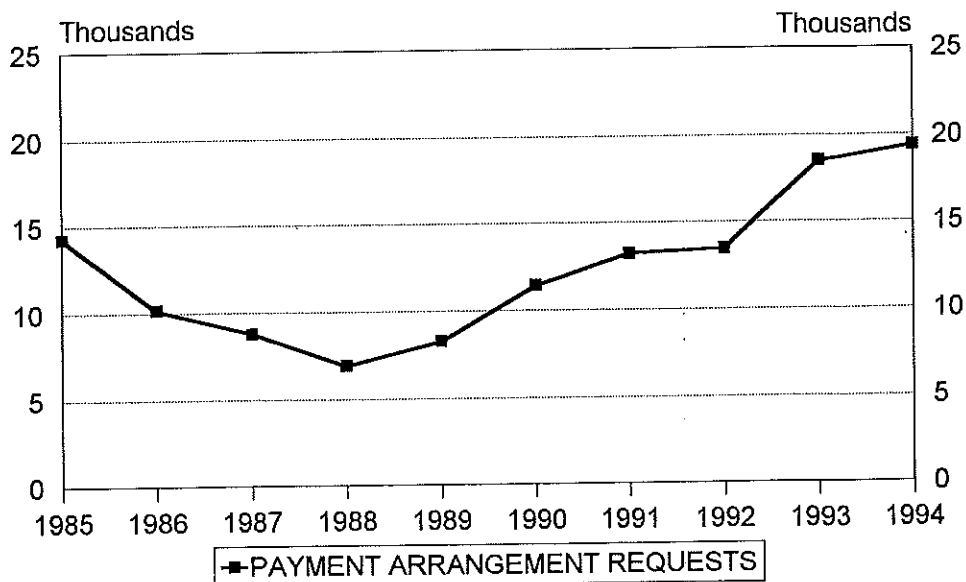
For the past 17 years, the Bureau has labeled contacts from electric, gas, water and sewer customers requesting payment arrangements as *mediation requests*. However, the term *mediation* does not appropriately describe the process the Bureau uses to investigate and make decisions regarding this type of case since BCS does not "mediate" between the customer and the company. (See page 2 for more details). A more fitting label for this type of case is *request for payment arrangements*. Therefore, the Bureau will refer to all customer contacts of this nature as *requests for payment arrangements*.

Requests for payment arrangements increased 5%, from 18,534 in 1993 to 19,408 in 1994. The 1994 increase was the fifth consecutive annual increase in the number of payment arrangement requests. The 1994 volume was just slightly less than the 1982 peak of 19,603 requests (Appendix C, Table 2 presents the annual volume of payment arrangement requests from 1978 to 1994). Beginning in 1993, improved access to the Bureau of Consumer Services clearly impacted the number of consumers who are able to contact the Bureau about payment arrangements. However, other factors such as increased collection activity by utility companies also affect the volume of these requests. As companies become increasingly more aggressive in

seeking to collect outstanding bills, the number of payment arrangement requests may continue to increase.

As in past years, almost all cases involving requests for payment arrangements in 1994 involved electric (63%) or gas companies (32%) (See Appendix E). Meanwhile, 5% of the payment arrangement requests stemmed from customers of various water companies. These results for 1994 represent a change from last year. Requests from gas customers accounted for a slightly greater proportion of the total number of requests for payment arrangements to BCS in 1994 than in 1993, while the proportion of requests from electric customers decreased. The proportion of payment arrangement request cases involving water companies was the same in 1994 as it was in 1993. The following graph depicts a ten-year trend for payment arrangement requests.

PAYMENT ARRANGEMENT REQUESTS TEN - YEAR TREND



Inquiries and Opinions

During 1994, the Bureau received 20,315 customer contacts that, for the most part, required no follow-up investigation beyond the initial contact. This number is a considerable increase over the volume of similar contacts during each of the past several years and may be partially related to the changes BCS made in 1993 to improve access to the Bureau. These cases involved requests for information that were handled at the time of contact, protests or questions

related to rates, referrals to other Commission offices, and to utility companies for initial action. For the third year in a row, the largest referral category was to regulated utilities for initial action (39%). The BCS routinely refers all complaints back to the company if the company has not had the opportunity to respond to the problem. Rate protests were received regarding proposed rate hikes for major companies such as General Waterworks (United Water Pennsylvania), National Fuel Gas, Pennsylvania American Water Company, Peoples Gas, Philadelphia Suburban Water Company, UGI Corporation-Electric and Gas Divisions, Roaring Creek Water Company, Citizens Water Company of Confluence, Blue Mountain Consolidated Water Company, as well as for numerous smaller companies. For 1994, BCS shifted cases that originated as payment arrangement requests or consumer complaints into the "Inquiries" category if the cases were found to be duplicates, untimely filed, verbally dismissed, out of the Bureau's jurisdiction, or originally filed against the wrong company. (See Appendix D for the distribution of inquiries and opinions by major problem categories).

2 • Company Profiles

In this chapter the Bureau of Consumer Services presents a brief synopsis of each major company's performance during 1994. Each utility profile contains company specific information while more detailed descriptions of the performance measures appear later in the report. The Bureau developed the profiles to provide readers with a quick reference to the noteworthy findings of a given utility's customer service performance. Readers are encouraged to review the full report before drawing conclusions regarding utility company performance.

Each profile contains a narrative characterization of the company's overall customer service performance summarized in four standardized measures for the electric and gas utilities and three standardized measures for the water utilities. The standardized measures for the electric and gas utilities reflect 14 separate measures in the report. The three standardized measures for water utilities reflect nine separate measures. The utility profiles also contain narrative characterizations related to consumer complaint, payment arrangement request, collection and compliance performance for electric and gas utilities, and consumer complaint, payment arrangement request and compliance performance for water utilities. These characterizations place a company within an industry norm group based on statistically standardized scores. While the standardized score characterizations are precise, they may not have a direct relationship to the ranks presented in the accompanying tables for consumer complaints, payment arrangement requests and collections. For example, a rank of four among an industry containing eight companies is close to the middle. However, because of the absolute values of the performance scores of the company and the industry, the standardized score characterization may reflect that the company's performance is significantly better than or worse than the industry average. While the standardized score characterizations are a more precise rating, the Bureau will continue to present the ranking of companies within their respective industries because of positive feedback received from utilities regarding the usefulness of this information.

The highlights in the company profiles that appear below the ranking, trend and narrative summary refer to performance measures that are described in detail in ensuing chapters of this report. However, there are two measures that are used in the analysis of both consumer complaint and payment arrangement request performance that warrant a clarification at this time. Specifically, these measures are the justified rate and the response time. In the highlights of this chapter, "effectiveness" refers to the justified rate while "responsiveness" refers to the response time. For more details on these measures, see the analyses of justified rate and response time in Chapter 3 for consumer complaints and in Chapter 4 for requests for payment arrangements.

Measure	Rank	Trend
Consumer complaints	6	Deteriorating
Payment arrangement requests	4	Stable
Collections	7	Stable

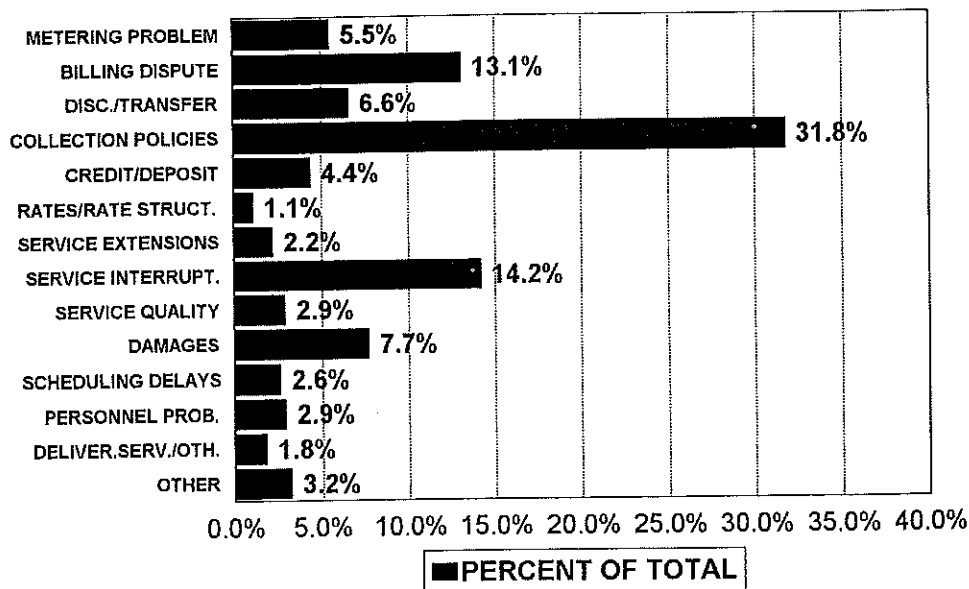
Scale: Rank: 1 = Best 8 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, Duquesne's overall performance was worse than average in the electric industry. In handling consumer complaints, Duquesne's performance was significantly worse than average. In handling payment arrangement requests, Duquesne's performance was better than average. The measure reflecting residential collections shows Duquesne to be significantly worse than average. Finally, in the newest measure, compliance, Duquesne's performance was better than average.

The following are some of the highlights of Duquesne's performance in 1994. These are based on the analysis of complaints the Bureau received from Duquesne customers, on collection data that Duquesne provided to the Bureau and on information from the Bureau's compliance records. The table below provides a breakdown of 1994 consumer complaints into a number of generic problem categories.

DUQUESNE

CONSUMER COMPLAINTS - 1994



Consumer Complaints

Duquesne's effectiveness at handling consumer complaints significantly deteriorated from 1993 to 1994. A combination of an increase in volume of complaints and a higher percentage of justified complaints were responsible for this deterioration. Specifically, Duquesne customers filed a high volume of complaints about billing, collection policies and service interruptions. An analysis of the Bureau's complaint records indicates that Duquesne should improve its handling of complaints about metering problems, billing, collection policies, credit and deposits, and service quality in order to reduce its number of justified consumer complaints.

Payment Arrangement Requests

Duquesne significantly improved its effectiveness at handling requests for payment arrangements from 1993 to 1994. Although Duquesne had the lowest percentage of cases found to be justified in the three industries, Duquesne's volume of requests for payment arrangements was the highest of any company. The Bureau is concerned about Duquesne's dramatically high volume of requests for payment arrangements, which has increased in each of the past several years.

Collections

Duquesne was one of only two major companies to experience a substantial decline in the number of residential customers in debt from 1992 to 1994. Duquesne also wrote off a lower percentage of residential billings in 1994 than in 1992. Nevertheless, Duquesne had the highest percentage of gross residential write-offs in the electric industry in 1994. Duquesne's residential customer debt continued to rise and its weighted arrearage score increased.

Compliance

Based on informally verified violation data, Duquesne's compliance performance has remained stable for the past several years. However, from the informal investigation into the use of contractors to perform sensitive customer service functions, BCS identified several compliance problems. Duquesne Light and BCS, with the PUC's Law Bureau, are presently discussing ways to resolve these issues.

Metropolitan Edison

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	5	Deteriorating
Payment arrangement requests	5	Stable
Collections	3	Deteriorating

Scale: Rank: 1 = Best 8 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, Met-Ed's overall performance was better than average in the electric industry. In handling consumer complaints, Met-Ed's performance was better than average. In handling payment arrangement requests, Met-Ed's performance was average. The measure reflecting residential collections shows Met-Ed to be better than average. Finally, in the newest measure, compliance, Met-Ed's performance was better than average.

The following highlight of Met-Ed's performance in 1994 is based on collection data that Met-Ed provided to the Bureau.

Collections

The number and percentage of Met-Ed's residential accounts in debt has been relatively stable over the past three years.

Pennsylvania Electric

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	3	Stable
Payment arrangement requests	1	Improving
Collections	2	Stable

Scale: Rank: 1 = Best 8 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, Penelec's overall performance was significantly better than average in the electric industry. In handling consumer complaints, Penelec's performance was better than the average. In handling payment arrangement requests, Penelec's performance was the best in the industry. The measure that reflects residential collections shows Penelec to be significantly better than average. In the newest measure, compliance performance, Penelec was significantly better than average.

The following highlights of Penelec's performance in 1994 are based on the analysis of complaints the Bureau received from Penelec customers and on collection data that Penelec provided to the Bureau.

Payment Arrangement Requests

Penelec's effectiveness at negotiating payment arrangements with its customers improved from 1993 to 1994. As a result, Penelec was the second most effective electric company in this area.

Collections

Penelec continues to maintain a relatively stable collection performance according to the Bureau's standards.

Pennsylvania Power

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	1	Stable
Payment arrangement requests	3	Stable
Collections	5	Stable

Scale: Rank: 1 = Best 8 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, Penn Power's overall performance was the best in the electric industry. In handling consumer complaints, Penn Power's performance was the best in the industry. In terms of handling payment arrangement requests, Penn Power's performance was better than average. The measure that reflects residential collections shows Penn Power to be average. Finally, in compliance performance, Penn Power was average.

The following are some of the highlights of Penn Power's performance in 1994. These are based both on the analysis of complaints the Bureau received from Penn Power customers and on collection data that Penn Power provided to the Bureau.

Consumer Complaints

Penn Power was the most effective electric company at handling consumer complaints in 1994. In addition, Penn Power was the most responsive of the electric companies to consumer complaints with an average response time of 4.6 days.

Collections

The percentage of residential accounts at risk for Penn Power is the second highest in the electric industry.

Pennsylvania Power & Light

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	2	Deteriorating
Payment arrangement requests	2	Improving
Collections	6	Stable

Scale: Rank: 1 = Best 8 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, Pennsylvania Power and Light's (PP&L) overall performance was significantly better than average in the electric industry. In handling both consumer complaints and requests for payment arrangements, PP&L's performance was significantly better than average in the industry. The residential collections measure shows PP&L to be average. In the compliance measure, PP&L's performance was better than average.

The following are some of the highlights of PP&L's performance in 1994. These are based on the analysis of complaints the Bureau received from PP&L customers and on information from Bureau compliance records.

Payment Arrangement Requests

PP&L's effectiveness at payment negotiations improved dramatically from 1993 to 1994. PP&L significantly reduced the percentage of cases found to be "justified" in 1994.

Compliance

PP&L experienced a 60% decrease in the number informally verified violations from 1993 to 1994. This is indicative of PP&L's continued attention to this area of its operations. Moreover, PP&L was cooperative in the informal investigation into the use of contracted employees. The investigation helped PP&L identify systemic compliance problems. Therefore, the overall compliance improvement may have been due, in part, to the corrective action taken because of the findings of this investigation.

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	7	Deteriorating
Payment arrangement requests	6	Improving
Collections	8	Improving

Scale: Rank: 1 = Best 8 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, PECO's overall performance was significantly worse than average in the electric industry. However, PECO has shown improvement in three of the four areas that BCS uses to evaluate companies. In handling consumer complaints, PECO's performance was significantly worse than average. In the measure that focuses on payment arrangement requests, PECO's performance was average. The measure reflecting residential collections shows PECO to be the worst in the industry. In the newest measure, compliance, PECO's performance was average.

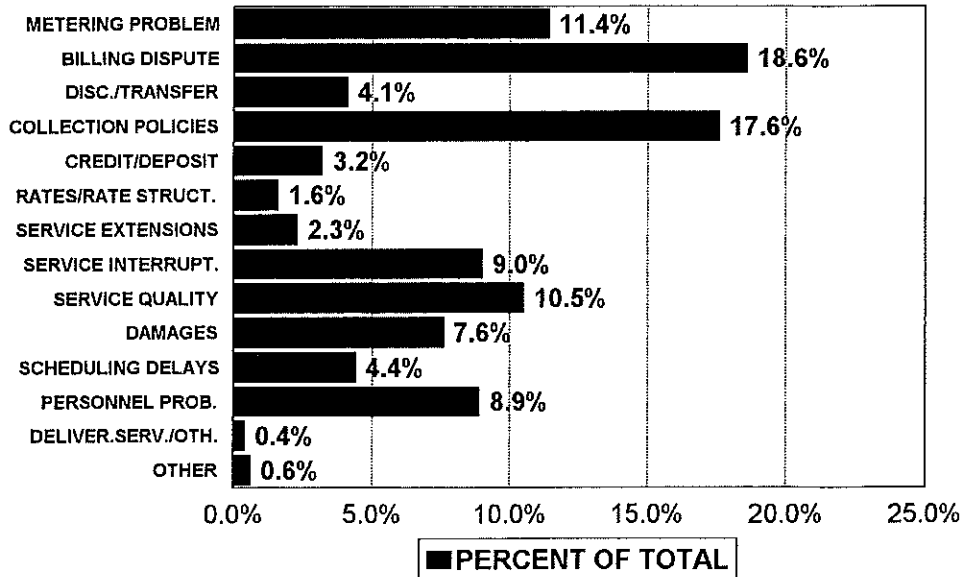
The following are some of the highlights of PECO's performance in 1994. These are based on the analysis of complaints the Bureau received from PECO customers, on Bureau compliance records and on collection data that PECO provided to the Bureau.

Consumer Complaints

PECO's justified consumer complaint rate deteriorated from 1993 to 1994. PECO needs to work on reducing the volume of justified complaints that come to the Bureau. PECO's justified consumer complaint rate was next to the worst in the electric industry. In addition, PECO's response time to consumer complaints was the worst in the electric industry. The table below shows that complaints about metering, billing and collection policies accounted for almost half of the complaints filed against PECO.

PECO ENERGY

CONSUMER COMPLAINTS - 1994



Compliance

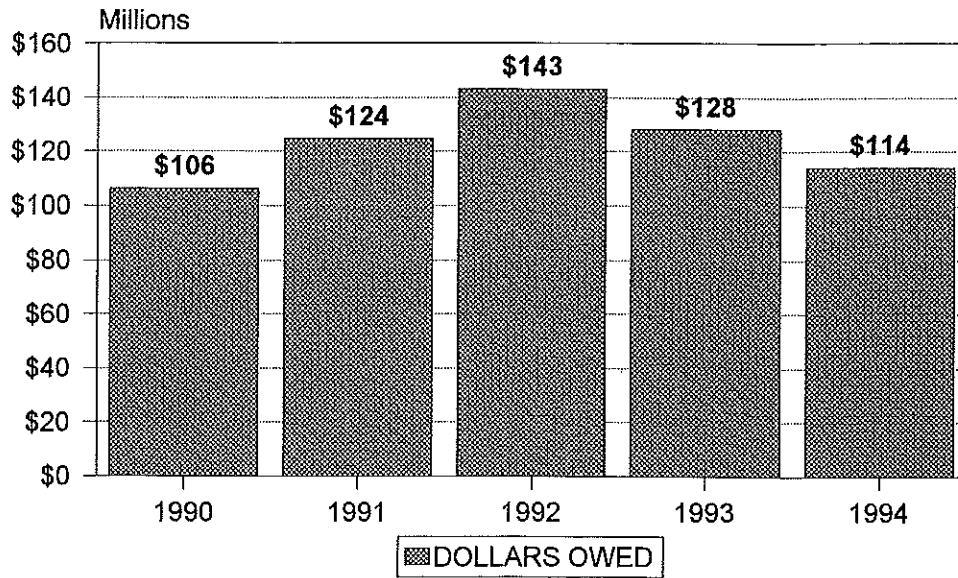
One outcome of the settlement of the 1993 informal investigation of PECO's unacceptable Chapter 56 compliance record has been an increase in management emphasis on compliance and regular meetings between BCS and company staff to discuss Chapter 56 issues. PECO's increased attention to compliance matters appears to have contributed to the significant decrease in the number of informally verified violations. PECO should be commended for this effort. The Bureau notes that although PECO still has significant work ahead, it appears that PECO is on the right track.

Collections

For 1994, PECO had the worst collection record in the electric industry. Despite a reduction in the percentage of customers overdue, PECO still has the highest level of accounts at risk. The Bureau notes that PECO's total debt improved from 1992 to 1994 and hopes PECO can continue this positive trend. The tables below illustrate that PECO's collection problems, though serious, have shown significant improvement over the last two years.

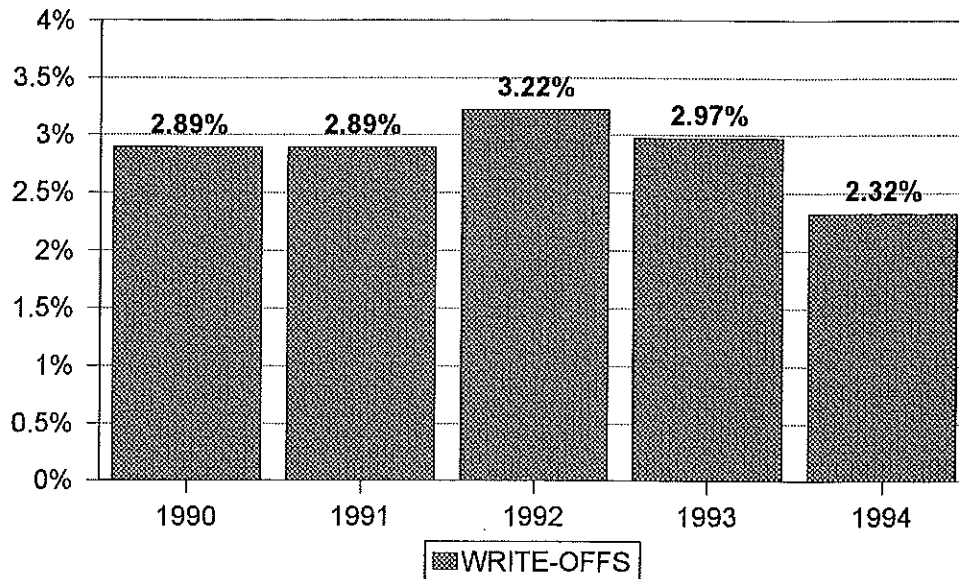
PECO

TOTAL DEBT



PECO

GROSS RESIDENTIAL WRITE-OFFS



UGI - Electric

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	8	Stable
Payment arrangement requests	8	Stable
Collections	1	Deteriorating

Scale: Rank: 1 = Best 8 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, UGI's overall performance was the worst in the electric industry. In the measures that focus on handling consumer complaints and payment arrangement requests, UGI's performance was the worst in the electric industry. The measure reflecting residential collections shows UGI to be the best in the industry. In the newest measure, compliance, UGI's performance was significantly worse than average.

The following are some of the highlights of UGI's performance in 1994. These are based on the analysis of complaints the Bureau received from UGI-Electric customers and on collection data that UGI provided to the Bureau.

Consumer Complaints

UGI-Electric's effectiveness at handling consumer complaints declined significantly from 1993 to 1994. UGI-Electric has the highest percentage of justified consumer complaints in the industry. Although UGI-Electric's 1994 consumer complaint response time improved from 1993 to 1994, it is still longer than the electric industry average. UGI-Electric should focus on improving its effectiveness and responsiveness in 1995.

Payment Arrangement Requests

UGI-Electric's justified payment arrangement request rate is by far the worst in the electric industry. The percentage of payment arrangement requests found to be justified is the highest in the industry.

Collections

UGI-Electric's collection performance continues a long term trend of being among the electric industry's best according to the Bureau's standards.

West Penn Power

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	4	Stable
Payment arrangement requests	7	Improving
Collections	4	Deteriorating

Scale: Rank: 1 = Best 8 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, West Penn's overall performance was better than average in the electric industry. In consumer complaints, West Penn's performance was better than average. In the measure that focuses on payment arrangement requests, West Penn's performance was average. The measure reflecting residential collections also shows West Penn to be average. In the newest measure, compliance, West Penn's performance was better than average.

The following are some of the highlights of West Penn's performance in 1994. These are based both on the analysis of complaints the Bureau received from West Penn customers and on collection data that West Penn provided to the Bureau.

Payment Arrangement Requests

West Penn's justified payment arrangement request rate is the best in the electric industry. West Penn dramatically improved its payment negotiations with customers in 1994 so that it significantly lowered the volume of justified payment arrangement requests that came to the Bureau. However, the extreme slowness of West Penn's response time has drastically affected both the company's ranking and its standardized performance scores, as indicated above. Because West Penn's response time falls so far outside the industry's average range, West Penn's standardized score on this measure lowers its total score on overall payment arrangement requests. Thus, the company's performance can only be characterized as average. An analysis of West Penn's cases shows that West Penn took more than 19 days to respond to basic, non-disputed cases. The Bureau urges West Penn to focus on reducing the time it takes to respond to requests for payment arrangements.

Collections

From 1992 to 1994 West Penn's residential customer debt increased by 37%. This was the largest increase in the electric industry. During that same time, West Penn's residential write-offs increased by 22%.

Columbia Gas

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	1	Deteriorating
Payment arrangement requests	4	Stable
Collections	2	Deteriorating

Scale: Rank: 1 = Best 6 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, Columbia's overall performance was the best in the gas industry. In the consumer complaint measure, Columbia's performance was the best in the industry. In the measure that focuses on payment arrangement requests, Columbia's performance was average. The measure reflecting residential collections shows Columbia to be better than average. The new measure, which focuses on compliance performance, shows Columbia to be significantly better than average.

The following highlights of Columbia's performance in 1994 are based on the analysis of complaints the Bureau received from Columbia customers and on collection data that Columbia provided to the Bureau.

Consumer Complaints

For two years in a row, Columbia was the most effective major gas company at handling consumer complaints.

Collections

Columbia's percentage of overdue accounts was the lowest in the gas industry and has been stable for the past several years. However, the amount of money owed by Columbia's residential customers increase by 28% from 1992 to 1994.

Equitable Gas

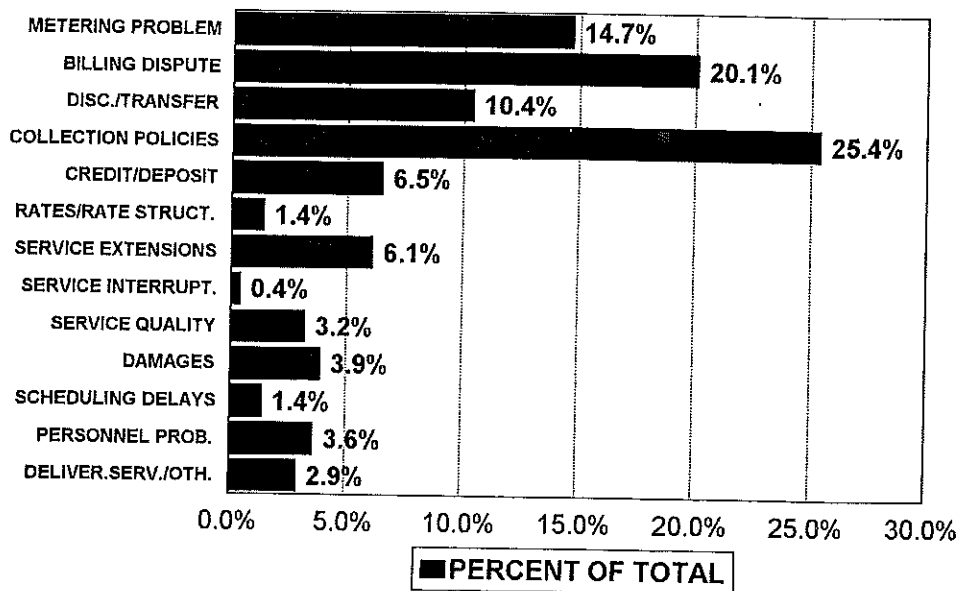
<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	5	Deteriorating
Payment arrangement requests	3	Improving
Collections	6	Deteriorating

Scale: Rank: 1 = Best 6 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, Equitable's overall performance was significantly worse than average in the gas industry. In the consumer complaints measure, Equitable's performance was significantly worse than average. In the measure that focuses on payment arrangement requests, Equitable's performance was better than average. The measure reflecting residential collections shows Equitable to be the worst in the industry. In the compliance measure, Equitable's performance was better than average.

The following are some of the highlights of Equitable's performance in 1994. These are based on the analysis of complaints the Bureau received from Equitable customers, on Bureau compliance records and on collection data that Equitable provided to the Bureau. The first table provides a breakdown of 1994 consumer complaints into a number of generic problem categories.

EQUITABLE CONSUMER COMPLAINTS - 1994



Consumer Complaints

For the second year in a row Equitable's effectiveness at handling consumer complaints deteriorated. A high volume of complaints to the Bureau and a higher percentage of justified complaints were both responsible for the deterioration in 1994. Equitable needs to improve its handling of complaints from its customers, particularly those related to metering problems, billing, and collection policies. Equitable's consumer complaint response time was also the slowest in the gas industry for the second year in a row.

Payment Arrangement Requests

Although Equitable's volume of payment arrangement requests to the Bureau increased by 37% from 1993 to 1994, the volume of justified requests decreased. Thus, Equitable's effectiveness at handling payment negotiations improved from 1993 to 1994.

Compliance

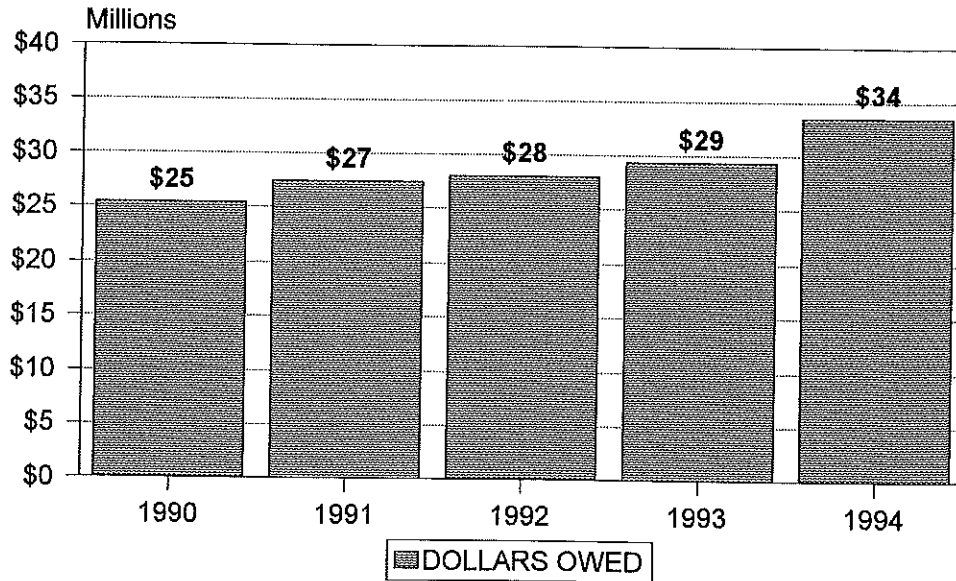
BCS is encouraged by the fact that Equitable's compliance performance has improved from 1993 to 1994. Some of Equitable's compliance activities were reviewed as a part of an informal investigation into the use of contractors to perform sensitive customer service functions. Several compliance issues were raised during the investigation. Equitable and BCS are working on ways to resolve the compliance concerns from the investigation.

Collections

Equitable's severe collection problems became even worse in 1994. This is disappointing to the Bureau since in 1993 it appeared that Equitable's performance was beginning to show some improvement. Equitable's collection information shows that the company must focus attention on determining whether the deterioration in 1994 was associated with the colder than normal winter or with changes in company practices. Equitable should look for innovative approaches to turn around its collection performance. The tables below illustrate the increasing severity of Equitable's collection problem.

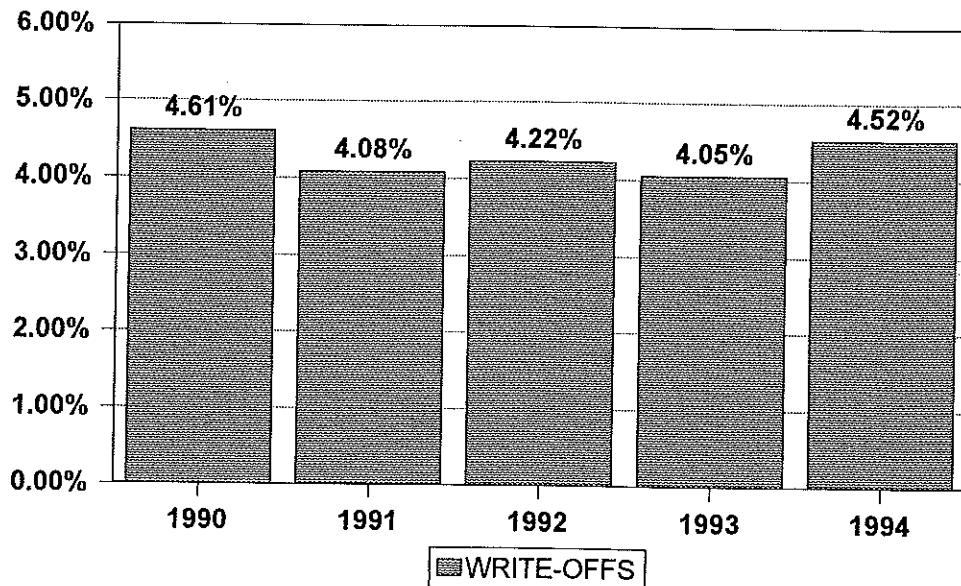
EQUITABLE

TOTAL DEBT



EQUITABLE

GROSS RESIDENTIAL WRITE-OFFS



National Fuel Gas

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	4	Deteriorating
Payment arrangement requests	1	Improving
Collections	3	Stable

Scale: Rank: 1 = Best 6 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, National Fuel Gas' (NFG) overall performance was significantly better than average in the gas industry. In the measure of consumer complaint handling, NFG's performance was better than average. In the measure that focuses on payment arrangement requests, NFG's performance was the best in the industry. The measure reflecting residential collections shows NFG to be better than average. In the new measure of compliance performance, NFG was average.

The following are some of the highlights of NFG's performance in 1994. These are based both on the analysis of complaints the Bureau received from NFG customers and on collection data that NFG provided to the Bureau.

Payment Arrangement Requests

NFG dramatically improved its effectiveness at negotiating payment arrangements from 1993 to 1994. As a result, NFG has the best justified payment arrangement rate in the gas industry for 1994.

Collections

Both the percentage of NFG residential customers in debt and the amount of NFG's residential debt increased substantially from 1993 to 1994. Colder than normal temperatures during the first three months of 1994 may have been at least partially responsible for these increases.

Pennsylvania Gas & Water - Gas

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	3	Deteriorating
Payment arrangement requests	2	Stable
Collections	1	Improving

Scale: Rank: 1 = Best 6 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, Pennsylvania Gas & Water Company's (PG&W) overall performance was better than average in the gas industry. In the measure of consumer complaint handling, PG&W's performance was better than average. In the measure focusing on payment arrangement requests, PG&W's performance was significantly better than average. The measure reflecting residential collections shows PG&W to be the best in the industry. In the new measure, compliance, PG&W's performance was worse than average.

The following highlight of PG&W's performance in 1994 is based on collection data that PG&W supplied to the Bureau.

Collections

PG&W's percent of residential customers in debt and the amount of the residential debt increased from 1993 to 1994. The severe cold weather during the first three months of 1994 may have been at least partially responsible for these increases. On the other hand, PG&W's gross residential write-offs decreased substantially from 1992 to 1994.

Peoples Gas

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	2	Deteriorating
Payment arrangement requests	5	Deteriorating
Collections	5	Deteriorating

Scale: Rank: 1 = Best 6 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, Peoples' overall performance was average in the gas industry. In the measure of consumer complaint handling, Peoples' performance was significantly better than average. In the measure that focuses on payment arrangement requests, Peoples' performance was significantly worse than average. The measure reflecting residential collections shows Peoples Gas to be average. In the new measure of compliance performance, Peoples Gas was better than average.

The following are some of the highlights of Peoples' performance in 1994. These are based both on the analysis of complaints the Bureau received from customers of Peoples Gas, on collection data that Peoples provided to the Bureau, and on the analysis of Bureau compliance records.

Consumer Complaints

Peoples reduced the amount of time it takes to respond to consumer complaints and has become the most responsive major gas company to consumer complaints.

Payment Arrangement Requests

Peoples was the only major gas company to deteriorate in effectiveness at payment negotiations from 1993 to 1994. A large increase in the volume of payment arrangement requests to the Bureau was responsible for this deterioration in performance.

Collections

Peoples' residential customer debt increased by 33% from 1992 to 1994.

Compliance

Peoples experienced a 20% increase in the number of informally verified violations from 1993 to 1994. This increase concerns the Bureau since Peoples had the best compliance performance in the electric and gas industry in 1993. BCS encourages Peoples to identify the reasons for this apparent deterioration in its compliance performance and take appropriate corrective action.

<i>Measure</i>	<i>Rank</i>	<i>Trend</i>
Consumer complaints	6	Deteriorating
Payment arrangement requests	6	Improving
Collections	4	Deteriorating

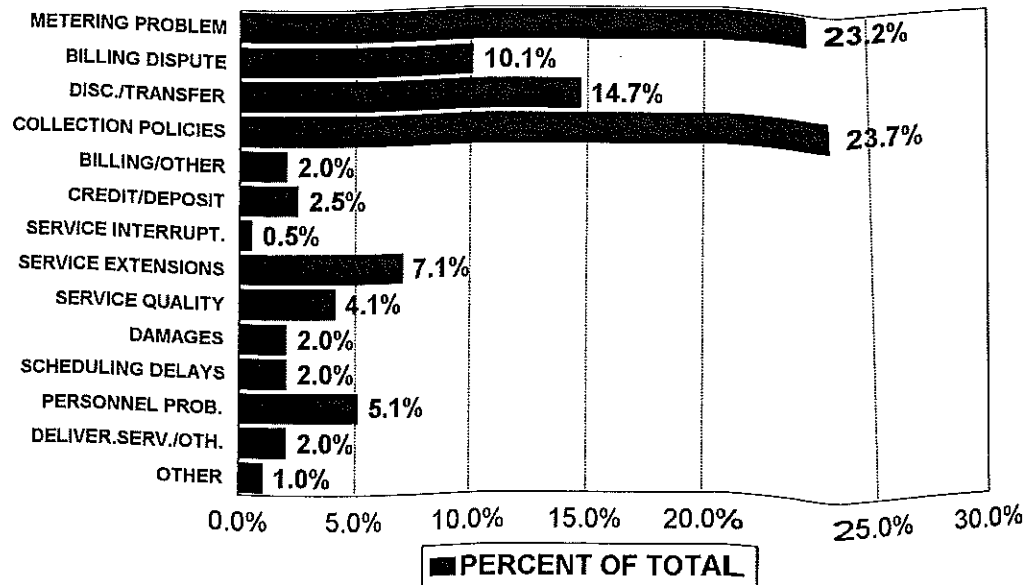
Scale: Rank: 1 = Best 6 = Worst

In terms of the four measures the Bureau uses to evaluate a company's performance, UGI's overall performance was the worst in the gas industry. In both the consumer complaint measure and the payment arrangement request measure, UGI's performance was the industry's worst. The measure reflecting residential collections shows UGI - Gas to be better than average. In the new measure of compliance performance, UGI's performance was significantly worse than average.

The following highlights of UGI's performance in 1994 are based on the analysis of complaints the Bureau received from UGI customers and on collection data that UGI provided to the Bureau. The table below provides a breakdown of 1994 consumer complaints into a number of generic problem categories.

UGI - GAS

CONSUMER COMPLAINTS - 1994



Consumer Complaints

UGI-Gas was again the least effective company in the gas industry at handling consumer complaints. The number of justified complaints to the Bureau from UGI-Gas customers increased substantially from 1993 to 1994. Metering problems, billing disputes, discontinuance/transfer complaints, and complaints about the company's collection policies accounted for the majority of complaints about UGI-Gas. In addition, these were the categories with the largest number of complaints determined to be "justified". UGI should target these areas for improved complaint handling in 1995.

Payment Arrangement Requests

UGI-Gas was the least effective gas company at payment negotiations in 1994. However, UGI improved from 1993 to 1994. UGI should focus its attention on following the Bureau's payment arrangement guidelines in order to reduce the number of justified payment arrangement requests in 1995.

Collections

UGI's residential customer debt dramatically increased from 1993 to 1994. This increase may be partially related to the severe weather in the first quarter of 1994.

Pennsylvania-American Water

<i>Measure</i>	<i>Assessment</i>	<i>Trend</i>
Consumer complaints	Better than Average	Stable
Payment arrangement requests	Better than Average	Improving

In terms of the three measures the Bureau uses to evaluate a water company's performance, PAWC's overall performance was better than average in the water industry. In the first measure, consumer complaints, PAWC's performance was better than average. In the second measure, which focuses on payment arrangement requests, PAWC's performance was also better than average. In the new compliance measure, PAWC's performance was significantly better than average.

The following are some of the highlights of PAWC's performance in 1994. These are based on the analysis of complaints that the Bureau has received from PAWC customers.

Consumer Complaints

Although PAWC lowered its percent of cases found to be justified, the volume of complaints to the Bureau increased significantly, thus reducing PAWC's effectiveness from 1993 to 1994. Disputes about billing, service extensions, service quality, and damages accounted for the majority of consumer complaints about PAWC in 1994.

Payment Arrangement Requests

PAWC's effectiveness at negotiating payment arrangements improved significantly from 1993 to 1994. A decrease in the volume of payment arrangement requests and a lower percentage of justified requests produced this improvement. PAWC has maintained a response time that is better than the Bureau's five-day goal for the past several years.

Pennsylvania Gas & Water - Water

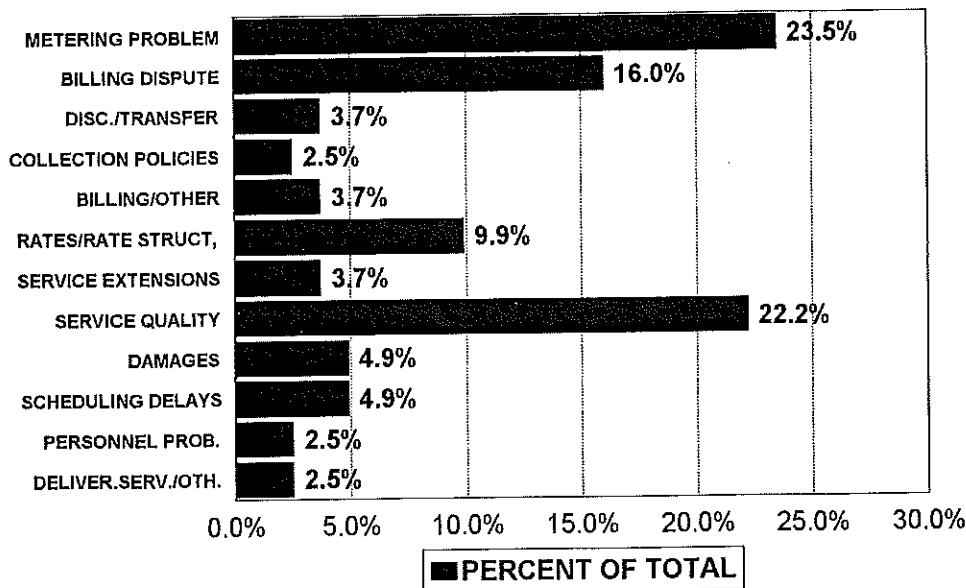
Measure	Assessment	Trend
Consumer complaints	Significantly Worse than Average	Deteriorating
Payment arrangement requests	Significantly Worse than Average	Improving

In terms of the three measures the Bureau uses to evaluate a water company's performance, PG&W's overall performance was significantly worse than average in the water industry. In the measures of consumer complaint handling and payment arrangement request handling, PG&W's performance was significantly worse than average. In the new measure which focuses on compliance, PG&W's performance was also significantly worse than average.

The following are some of the highlights of PG&W's performance in 1994. These are based on the analysis of complaints the Bureau received from PG&W customers. The table below provides a breakdown of 1994 consumer complaints into a number of generic problem categories.

PG&W - WATER

CONSUMER COMPLAINTS - 1994



Consumer Complaints

PG&W-Water has the worst justified consumer complaint rate of the major water companies for 1994. PG&W-Water's complaint handling performance deteriorated significantly from 1993 to 1994. Disputes about metering, billing, and service quality accounted for the vast majority of consumer complaints to the Bureau in 1994. PG&W-Water should improve its handling of these types of complaints as the Bureau frequently classified them as "justified" based on the company's handling of the complaints before they came to the Bureau.

Payment Arrangement Requests

PG&W was the least effective of the major water companies at negotiating payment arrangements with its customers in 1994. However, the Bureau is pleased that PG&W-Water's 1994 performance improved significantly from 1993. The BCS urges the company to continue to improve its effectiveness at working with its customers to establish fair payment arrangements.

Philadelphia Suburban Water

<i>Measure</i>	<i>Assessment</i>	<i>Trend</i>
Consumer complaints	Significantly Better than Average	Deteriorating
Payment arrangement requests	Significantly Better than Average	Improving

In terms of the three measures the Bureau uses to evaluate a water company's performance, Philadelphia Suburban's (PSW) overall performance was significantly better than average in the water industry. In both the consumer complaint measure and the payment arrangement request measure, Philadelphia Suburban's performance was significantly better than average. In the new measure, which focuses on compliance, Philadelphia Suburban's performance was better than average.

The following highlights of Philadelphia Suburban's performance in 1994 are based on the analysis of complaints the Bureau received from Philadelphia Suburban customers.

Consumer Complaints and Payment Arrangement Requests

Philadelphia Suburban was the most effective major water company in handling both consumer complaints and payment arrangement requests. The volume of consumer complaints from Philadelphia Suburban customers increased from 1993 to 1994. However, more than 25% of the 1994 complaints were associated with PSW's innovative, new automatic meter reading requirements and none of these complaints were found to be "justified" in coming to the Commission. Payment arrangement requests associated with these condition of service requirements also contributed to PSW's volume of requests for payment arrangements in 1994.

3 • Consumer Complaints

The remainder of this report focuses on the performance of the major electric, gas and water utilities that are regulated by the Pennsylvania Public Utility Commission. This chapter presents statistics on the consumer complaints brought to the attention of BCS by customers of the various utilities and focuses on individual utility performance regarding the effectiveness and responsiveness of consumer complaint handling. Subsequent chapters will address utilities' performance at handling requests for payment arrangements, collections, and compliance with the Commission's customer service regulations. The final chapters present information on the current status of customer assistance programs (CAPs) among the major utilities and the results of the BCS survey of hardship fund activities.

All of the measures in this chapter are based on assessments of complaints that were presented to the Bureau of Consumer Services by individual customers. In nearly every case, the customer had already contacted the utility about the problem prior to BCS intervention. The Bureau reviews the utility's record as to how the utility handled the case when the customer contacted the company. The review includes several classifications and assessments and these assessments form the basis of the performance measures that are presented in this report.

This year's report differs from past reports in two ways. In this year's report, comparisons of the volume of BCS consumer complaint cases replaces the consumer complaint rate as the quantitative performance measure. The effectiveness of a utility's consumer complaint handling will be measured using the percent of cases that are justified, which is unchanged from prior reports. A third set of measures, the justified consumer complaint rate, is calculated in a new way this year. This measure combines the quantitative measure of consumer complaint volume with the qualitative measure of effectiveness reflected in the justified percent. The new method of calculating this rate will be presented later in the chapter. Finally, the Bureau compares the utilities on response time to consumer complaints; this measure is unchanged from past reports.

A narrative that discusses the meaning of each of these measures precedes the presentation of the statistics. What may not be readily apparent from the discussion of the consumer complaint volume, the percent of justified cases, and the justified rate is their interrelationship and relative importance to the Bureau. The justified consumer complaint rate is a function of two other measures: complaint volume and justified percent. The justified consumer complaint rate is equally affected by proportional changes in either of these two component measures. Therefore, the Bureau views the justified consumer complaint rate as the most comprehensive and most important consumer complaint measure. For this reason, this measure accounts for 75% of a utility's consumer complaint performance score, while response time makes up the remaining 25%. The Bureau's perspective is that a utility's performance will not be viewed as deficient because the Bureau receives a moderate number of consumer complaints from the utility's customers, as long as the vast majority of these cases are not justified. However, a high volume of justified consumer complaints is viewed as problematic by BCS.

Nature of Consumer Complaints

The Bureau classifies all consumer complaints into one of six major problem areas as well as one of nearly 200 specific problem descriptors. However, for the purpose of this report, the Bureau has expanded these six major areas into 14 specific problem categories. Table 1 presents a comparison of these 14 problem categories for 1993 and 1994 for consumer complaints from all of the Chapter 56-covered utilities. The most common complaints in 1994 involved billing disputes, utility collection policies (other than those related to establishing payment agreements), metering problems, service quality and service extensions.

Table 1 - Problem Categories for Consumer Complaints: 1993-1994

	1993	1994
Metering Problems	12%	15%
Billing Dispute	15%	16%
Discontinuance/Transfer	6%	6%
Collection Policies	17%	14%
Billing - Other	1%	2%
Credit and Deposits	4%	4%
Rates/Rate Structure	1%	3%
Service Extensions	9%	7%
Service Interruptions	6%	5%
Service Quality	9%	11%
Damages	8%	6%
Scheduling Delays	3%	3%
Personnel Problems	6%	6%
All Other Problems	3%	2%

Volume of Consumer Complaints

The Commission has established a process in which the companies play the primary role in handling consumer complaints until negotiations between the customer and the company fail. Thus, a high volume of complaints to the Bureau may indicate that a company is unable to effectively resolve consumer problems. Likewise, significant decreases in the frequency of complaints over time may indicate that a company is improving.

The Bureau no longer sees the need to compare and contrast individual company performance with other companies on this measure. Volume does not translate into a stand-alone performance measure. However, volume is an intermediate variable for the "justified consumer complaint rate" and is important because it is one of the two primary influences on that rate. The "justified consumer complaint rate" presented later in this chapter takes into consideration the variation in the number of residential customers for the major electric, gas and water companies and thus can be used to compare companies. Therefore, Table 2 presents only the volume of consumer complaints to the Bureau for each company, rather than adjusting the volume according to the number of residential customers.

An unusually high number of consumer complaints often indicates a problematic situation that requires investigation by both the company and BCS. Thus, information on the volume of consumer complaints is used to reveal patterns and trends for individual companies that help to focus BCS research and compliance activities. Table 2 reports consumer complaint volume for the major companies for 1993 and 1994.

Table 2 - Residential Consumer Complaints

Company	1993 Number	1994 Number	1993-1994 Percent Change in Number
Duquesne	202	328	62%
Met-Ed	70	132	89%
Penelec	192	175	-9%
Penn Power	48	53	10%
PP&L	239	255	7%
PECO	614	686	12%
UGI-Electric	18	31	72%
West Penn	244	246	1%
Major Electric	1,627	1,906	17%
Columbia	150	155	3%
Equitable	273	368	35%
NFG	116	141	22%
PG&W-Gas	62	78	26%
Peoples	173	228	32%
UGI-Gas	161	239	48%
Major Gas	935	1,209	29%
PA-American	109	185	70%
PG&W-Water	93	89	-4%
Phila. Suburban	27	53	96%
Other Class "A"	30	67	123%
Major Water	259	394	52%

Case Outcome

Commission regulations require that electric, gas and water customers contact their utilities to resolve a complaint prior to seeking PUC intervention. Although exceptions are permitted under extenuating circumstances, the Bureau's policy is to accept complaints only from customers who have been unable to work out their problems with companies. One of the Bureau's primary goals is to have utilities handle customer contacts effectively before they are brought to the Bureau's attention. This will have two desirable effects. First, proper case handling minimizes customer dissatisfaction, thereby negating the need for customers to seek complaint resolution with the Bureau. Second, proper case handling guarantees that customer complaints that do reach the Bureau will be resolved in the same manner the company recommended.

Complaints to the Bureau represent customer appeals to the Commission regarding disputes with utilities. These cases are a result of the inability of the utility and the customer to reach a mutually satisfactory resolution to a dispute. Once a customer contacts the Bureau with a complaint, the Bureau notifies the utility that a complaint has been filed. The utility sends the Bureau all records of its contacts with the customer regarding the complaint. BCS reviews the records to determine if the utility took appropriate action when handling the customer's contact and uses these records to determine the outcome of the case. There are three possible case outcome classifications: complaint "justified", "inconclusive" or complaint "unjustified". This approach focuses strictly on the regulatory aspect of the complaint and evaluates companies negatively only where appropriate complaint handling procedures were not followed or where the regulations have been violated. Specifically, a case is considered "justified" in the appeal to BCS if it is found that, prior to BCS intervention, the company did not comply with PUC orders, regulations, reports, Secretarial Letters, tariffs, etc. "Unjustified" complaints are those cases in which the company demonstrates that correct procedures were followed prior to BCS intervention. "Inconclusive" complaints are those in which incomplete records, equivocal findings or uncertain regulatory interpretations make it difficult to determine whether or not the customer was justified in the appeal to the Bureau. It is anticipated that the vast majority of cases will fall into either the "justified" or "unjustified" category.

In 1993, Bureau staff not only met individually with representatives of several of the major electric, gas and water companies, but also held a seminar for representatives of all of the industries to discuss its policies for evaluating company complaint handling performance. Representatives of every major company attended the seminar. As a result of these meetings, the major companies are well aware of the standards the Bureau uses to evaluate complaint handling performance.

Justified cases represent company failures at complying with the Commission regulations and rules or with Commonwealth statutes. When the Bureau encounters company case handling performance that is significantly worse than average, then there is reason to suspect that customers who contact the company are at risk of improper dispute handling by the company. See Table 3 for the percent of consumer complaints found to be "justified" in 1993 and 1994.

Table 3 - Justified Consumer Complaints

Company	1993	1994	Net Change 1993 to 1994
Duquesne	17%	26%	9%
Met-Ed	32%	28%	-4%
Penelec	21%	23%	2%
Penn Power	15%	7%	-8%
PP&L	26%	32%	6%
PECO	26%	31%	5%
UGI-Electric	38%	38%	No Change
West Penn	18%	18%	No Change
Major Electric	24%	25%	1%
Columbia	25%	29%	4%
Equitable	21%	28%	7%
NFG	33%	41%	8%
PG&W-Gas	35%	44%	9%
Peoples	24%	27%	3%
UGI-Gas	40%	43%	3%
Major Gas	30%	35%	5%
PA-American	32%	29%	-3%
PG&W-Water	33%	53%	20%
Philadelphia Suburban	25%	39%	14%
All Other "Class A"	17%	59%	42%
Major Water	27%	45%	18%

Justified Consumer Complaint Rate - A Refined Measure

Changes in company policy can affect both the volume of BCS consumer complaints and the effectiveness of a utility's complaint handling (as measured by the percent of cases that are justified). In the past, it was possible for a company to improve in just one measure and draw praise from the Bureau even though it performed poorly in the other measure. However, the Bureau's research has shown that both of these complaint measures are actually intermediate measures and not "stand-alone" measures of performance.

In response to this problem, the Bureau uses a performance measure called "justified rate", which reflects both the volume and percent of cases justified. In addition, this measure takes into consideration the number of residential customers of the utility so that a company can be compared and contrasted with the other companies within its industry. (See Appendix F for the number of residential customers for the major electric, gas and water companies). The Bureau has been using the "justified rate" as a performance measure for a number of years. In its ongoing effort to improve the complaint evaluation process, the Bureau refined the measurement of justified rate by adjusting the formula to more accurately give equal weight to the quantitative measure of volume and the qualitative measure of justified percent of consumer complaints. In the earlier formula, the justified rate was calculated by multiplying the consumer complaint rate (volume of consumer complaints for each 1000 residential customers) by the percentage of the company's cases found to be justified. In the revised formula, the numerator is the number of "justified" consumer complaints, thus emphasizing the Bureau's concern with customer complaints that have been mishandled by the utility. For comparison to 1994 performance, the 1993 statistics have been recalculated using the revised formula. The results are presented in the tables on the following pages. The new formula for justified consumer complaint rate is shown below:

$$\text{Justified Consumer Complaint Rate} = \frac{\text{Number of Justified Consumer Complaints}}{\text{Number of Residential Customers/1000}}$$

The Bureau perceives this to be a bottom line measure of performance that evaluates the "effectiveness" of company complaint handling as a whole and, as such, allows for general comparisons to be made among companies and across time. See Tables 6, 7 and 8 for justified consumer complaint rates for 1993 and 1994.

**Table 4 - Major Electric Companies (1993-94)
Justified Consumer Complaint Rate**

Company	1993	1994	Net Change 1993 to 1994
Duquesne	.07	.16	.09
Met-Ed	.06	.09	.03
Penelec	.08	.08	No Change
Penn Power	.06	.03	-.03
PP&L	.06	.07	.01
PECO	.12	.16	.04
UGI-Electric	.13	.21	.08
West Penn	.08	.08	No Change
Major Electric	.08	.11	.03

Among the highlights of Table 4:

- The performance of the major electric companies as a whole deteriorated somewhat from 1993 to 1994. Penn Power's effectiveness improved from 1993 to 1994 making it the most effective company in all the industries at consumer complaint handling.
- Duquesne's performance significantly deteriorated from 1993 to 1994. This deterioration was caused by both an increase in the number of consumer complaints and a higher percentage of justified complaints.
- The effectiveness of PECO deteriorated from 1993 to 1994; its rate is the second worst of the electric companies. PECO needs to work on reducing the number of justified consumer complaints to the Bureau.

- UGI-Electric's effectiveness declined from 1993 to 1994 due primarily to an increase in the volume of complaints. However, it should be noted that UGI-Electric has the highest percentage of consumer complaints found to be justified in the electric industry. UGI-Electric is the least effective major electric company at handling consumer complaints.

**Table 5 - Major Gas Companies (1993-94)
Justified Consumer Complaint Rate**

Company	1993	1994	Net Change 1993 to 1994
Columbia	.11	.13	.02
Equitable	.25	.44	.19
NFG	.20	.30	.10
PG&W-Gas	.18	.26	.08
Peoples	.13	.19	.06
UGI-Gas	.31	.47	.16
Major Gas	.20	.30	.10

Among the highlights of Table 5:

- The performance of each major gas company deteriorated from 1993 to 1994. The gas industry's effectiveness at handling consumer complaints is much worse than that of the electric industry. Each major gas company was worse than the electric industry average.
- Despite slight deterioration from 1993 to 1994, Columbia was the most effective major gas company at handling consumer complaints for the second year in a row.
- Equitable was significantly less effective at consumer complaint handling in 1994 than in 1993. Both an increased volume of complaints and a higher percentage of justified consumer complaints were responsible for the deterioration.

- UGI-Gas was the least effective at handling consumer complaints in the gas industry for the second year in a row. Unfortunately, UGI's performance declined from 1993 to 1994. Both an increase in volume of consumer complaints and an increase in the percentage of cases determined to be justified combined to cause significant deterioration in the effectiveness of UGI-Gas.

**Table 6 - Major Water Companies (1993-1994)
Justified Consumer Complaint Rate**

Company	1993	1994	Net Change 1993 to 1994
Pennsylvania-American	.10	.15	.05
PG&W-Water	.25	.38	.13
Philadelphia Suburban	.03	.08	.05
All Other "Class A"	.05	.25	.20
Major Water	.12	.22	.10

Among the highlights of Table 6:

- The consumer complaint handling performance of the water industry deteriorated from 1993 to 1994. In 1994, the water industry was less effective than the electric industry but more effective than the gas industry at handling consumer complaints.
- Philadelphia Suburban was the most effective major water company at consumer complaint handling in 1994 even though its performance declined from 1993 to 1994. Increases in both the volume of complaints and the percentage of justified cases caused this decline. At least part of the increase in volume was due to complaints associated with PSW's new automatic meter reading requirements.
- PG&W-Water's performance deteriorated from 1993 to 1994 as the company remained the least effective in the water industry. PG&W needs to analyze its consumer complaint handling procedures and target this area for improvement in 1995.

Response Time

Response time is the time span in days from the date of the Bureau's first contact with the company regarding a complaint to the date on which the company provides the Bureau with all of the information needed to resolve the complaint. Response time quantifies the speed of a utility's response ("responsiveness") to BCS informal complaints. In this report, response time is presented as the average number of days that each company took to supply BCS with complete complaint information.

Response time is important for two reasons. First, a short response time means that a company has moved quickly to supply BCS with the required information to address the customer's problem. Second, a short response time is a clear indication that a company maintains adequate records. These records are required by Commission regulations and their routine presence indicates that companies generally have the resources on hand that are necessary to resolve a dispute before it becomes necessary for the Bureau to become involved. For these reasons, significant improvements or deteriorations in response time performance, as well as failure to improve on conspicuously bad performance, are the focus of the analysis here.

Slow response to consumer complaints registered with BCS is an indication of inadequate complaint handling procedures. If a company is unresponsive to a BCS complaint, there is an indication that it is also unresponsive in handling the large majority of customer disputes that never reach the Bureau. Detailed investigations have verified the existence of the relationship between poor response time to the Bureau and unresponsiveness to customers. Responsiveness is thus an important index of the quality of utility complaint handling. The Bureau's goal is to have all the major companies bring their average consumer complaint response times to ten days or less. See Table 7 for the consumer complaint response times for the major electric, gas and water companies for 1993 and 1994.

Table 7 - Response Time: Consumer Complaints

Company	Average Time in Days		Change in Days 1993 to 1994
	1993	1994	
Duquesne	14.8	15.6	0.8
Met-Ed	15.5	14.2	-1.3
Penelec	11.4	13.8	2.4
Penn Power	4.9	4.6	-0.3
PP&L	12.3	10.7	-1.6
PECO	17.8	18.3	0.5
UGI-Electric	20.4	15.9	-4.5
West Penn	16.9	15.6	-1.3
Major Electric	14.3	13.6	-0.7
Columbia	7.0	7.9	0.9
Equitable	11.7	12.9	1.2
NFG	6.2	6.2	No Change
PG&W-Gas	5.9	8.5	2.6
Peoples	8.3	5.9	-2.4
UGI-Gas	8.0	11.8	3.8
Major Gas	7.9	8.9	1.0
Pennsylvania-American	3.8	3.8	No Change
PG&W-Water	7.3	8.8	1.5
Philadelphia Suburban	20.7	6.5	-14.2
All Other "Class A"	17.3	16.8	-0.5
Major Water	12.3	9.0	-3.3

Among the highlights of Table 7:

- Consumer complaint response time was relatively stable from 1993 to 1994 for the major electric utilities. However, at 13.6 days, the overall average response time for the electric utilities was longer than the Bureau's ten-day goal. Only one major electric utility was able to attain this informal standard in 1994 -- Penn Power.
- UGI-Electric was able to shorten its response time for the third year in a row. Nevertheless, the company should continue to work toward further improvement in this area since its response time continues to be worse than the industry average. PECO's response time was worse in 1994 than in 1993 and in fact, was the worst response time of any of the major companies in 1994.
- Although the average response time for the gas industry was better than the Bureau's ten-day goal, two of the utilities had average response times that were longer than ten days. Equitable and UGI-Gas should work to reduce the amount of time it takes to respond to consumer complaints. Both utilities' response time deteriorated from 1993 to 1994.
- Each of the three major water companies attained the Bureau's goal in 1994. Philadelphia Suburban had a dramatic reduction in response time from 1993 to 1994. BCS hopes that Philadelphia Suburban will continue to respond as quickly to consumer complaints in future years.
- Penn Power, Peoples and Pennsylvania-American were the most responsive companies in their respective industries to consumer complaints in 1994. Pennsylvania-American was again the most responsive of all the major companies and has maintained a stable response time for a number of years.

Summary

Overall, the effectiveness of consumer complaint handling deteriorated from 1993 to 1994. This is a source of concern to the Bureau in light of the attention it has given to companies regarding how it expects companies to investigate consumer complaints. By properly following procedures, rules and regulations, companies can expect to reduce the number of complaints that consumers bring to the Bureau's attention. Beyond that, if the company has investigated disputes

according to Bureau standards, the complaints that do reach the Bureau will be evaluated as unjustified, and thus will improve the companies' complaint handling scores. This should reduce the workload of the companies' customer service departments and ultimately reduce the companies' customer service expenses.

In Chapter 2 of this report, the Bureau profiles the performance of each individual major electric, gas and water utility. Each "profile" includes the Bureau's assessment of the utility's consumer complaint handling performance. This performance score is derived from two measures: justified consumer complaint rate and response time. The justified consumer complaint rate is based on the number of a company's justified consumer complaints per one thousand residential customers. Because the Bureau sees this measure as the most significant consumer complaint performance indicator, it accounts for 75% of a company's complaint handling score. The company's response time accounts for the remaining 25% of each company's score on consumer complaint handling. Each individual company profile compares the company's performance to the industry average and shows how the company ranks within the industry. The Bureau determines the company's performance trend by comparing its performance over the past two years. The Bureau combines each company's score on consumer service performance equally with its scores for handling payment arrangement requests and collections. The company's compliance score is then factored in with these three scores to produce the overall customer service performance evaluation.

For 1994, the overall consumer complaint handling performance of Penn Power, Columbia Gas, and Philadelphia Suburban ranked as best in their respective industries. UGI-Electric and UGI-Gas had the worst performance in the electric and gas industries while PG&W-Water had the worst consumer complaint handling performance in the water industry.

4 • Payment Arrangement Requests

This chapter focuses on the performance of the major regulated electric, gas and water utilities at handling requests for payment arrangements from their customers. In prior years, these cases were classified as "mediation requests". However, this label does not appropriately describe the process used to handle this type of contact from a utility customer because the Bureau does not mediate between the customer and the company. "Payment arrangement requests" more clearly characterizes these customer contacts and therefore that is how they will be labeled from this point forward. Payment arrangement requests principally include contacts to the Bureau or to utilities involving a request for payment terms in one of the following situations:

- ✓ termination of service is pending,
- ✓ service has been terminated and the customer needs payment terms to have service restored, or
- ✓ the customer wants to retire an arrearage even though no termination notice has been issued.

As in the chapter on consumer complaints, several measures are used to evaluate different aspects of utility performance that relate to the way the utility handled requests for payment arrangements from its customers. All of the measures are based on assessments of complaints that were presented to the Bureau of Consumer Services by individual customers. As with consumer complaints, almost all customers had already contacted the utility prior to their contact to BCS. As part of its investigation into the case, the Bureau reviews the utility's record as to how the utility handled the case when the customer contacted the company. This review includes several classifications and assessments that form the basis of the performance measures that are presented in this chapter.

In this year's report, comparisons of the volume of requests for payment arrangements replaces the "mediation rate" as the quantitative performance measure. The effectiveness of a utility's handling of requests for payment arrangements will be measured using the percent of cases that are justified. A third set of measures, the justified payment arrangement request rate, is calculated differently than the former "justified mediation rate". This measure combines the quantitative measure of volume of requests for payment arrangements with the qualitative measure of effectiveness reflected in the justified percent. The formula for calculating this rate will be presented later in the chapter. Finally, the Bureau compares the utilities on response time to requests for payment arrangements.

The justified payment arrangement request rate (justified PAR rate) is equally affected by proportional changes in the volume of payment arrangement requests to the Bureau and by changes in the percentage of payment arrangement request cases found to be justified. Thus, the Bureau views this measure as the most comprehensive and most important in measuring company performance at handling payment arrangement requests. This measure accounts for 75% of a utility's payment arrangement request score, while response time to these cases accounts for 25% of this score. Again, as with consumer complaints, the Bureau will not view a utility's performance as deficient because the Bureau receives a moderate number of requests for payment arrangements from the utility's customers, as long as the vast majority of these cases are not justified. However, a high volume of justified requests for payment arrangements indicates that the utility needs to improve its performance at handling requests for payment arrangements.

The Bureau of Consumer Services received a very large volume of requests for payment arrangements from customers of major gas, electric and water utilities in 1993 and 1994. The Bureau fulfilled its obligation to record and classify the requests. Responses to utility customers and the utilities involved were routinely processed. However, the Bureau did not have the resources to perform case evaluation on each of the payment arrangement requests. Therefore, the Bureau evaluated a sample of cases for response time and case outcome (justified percent) for the companies that had the largest volume of payment arrangement requests: Duquesne, PECO, PP&L, Equitable and Peoples. The Bureau evaluated half of the cases from customers of these companies. The calculations for case outcome and response time that appear in this report are based on a subset of 50% of the cases that BCS received from customers of these five companies. Because the Bureau believes that the size of these samples gives an adequate indication of the performance of these companies, it will continue to evaluate only a sample of the payment arrangement request cases for these companies unless a company experiences a significant decrease in the volume of payment arrangement requests to the Bureau.

Volume of Payment Arrangement Requests

The Bureau of Consumer Services normally intervenes at the customer's request only after direct negotiations between the customer and the company have failed. Unusually high or low numbers of requests and sizeable changes in numbers from one year to the next may reflect changes in company policies or collection philosophies, or they may be indicative of problems. BCS reviews such variations as potential areas needing investigation.

In prior reports, the Bureau determined a "mediation rate" for each company based on the number of payment arrangement requests (mediations) per 1,000 overdue customers. This year the Bureau is reporting only the raw numbers of requests for payment arrangements for each major utility. The rationale behind this change is that the Bureau does not perceive volume as a stand-alone performance measure. However, volume is an intermediate variable for the "justified payment arrangement request rate" and is important because it is one of the two primary influences on that rate.

Overall, the number of requests for payment arrangements increased from 1993 to 1994. The Bureau had experienced an increase from 1992 to 1993 and attributed at least part of it to steps the Bureau had taken to improve customer access to the Commission. The BCS is unsure as to the reason for the increase in volume in 1994. The number of requests to the Bureau for payment arrangements had been decreasing for several years, but the activity of the past two years indicates a reversal of that trend.

Table 8 shows the volume of requests for payment arrangements for each of the major companies in 1993 and 1994.

Table 8 - Residential Payment Arrangement Requests

Company	1993 Number	1994 Number	1993-1994 Percent Change in Number
Duquesne	2,999	4,105	37%
Met-Ed	583	867	49%
Penelec	682	488	-28%
Penn Power	387	615	59%
PP&L	1,921	1,298	-32%
PECO	4,413	3,776	-14%
UGI-Electric	84	136	62%
West Penn	638	547	-14%
Major Electric	11,707	11,832	1%
Columbia	785	859	9%
Equitable	1,065	1,454	37%
NFG	471	375	-20%
PG&W-Gas	249	311	25%
Peoples	1,559	1,903	22%
UGI-Gas	928	962	4%
Major Gas	5,057	5,864	16%
PA-American	456	394	-14%
PG&W-Water	140	149	6%
Phila. Suburban	182	178	-2%
All Other "Class A"	102	99	-3%
Major Water	880	820	-7%

Case Outcome

Commission regulations require that electric, gas and water customers contact their utilities to negotiate payment arrangements prior to seeking PUC intervention. Although exceptions are permitted under extenuating circumstances, the Bureau's policy is to accept payment arrangement requests only from customers who have been unable to work out arrangements with companies. One of the Bureau's primary goals is to have utilities handle customer contacts effectively before they are brought to the Bureau's attention. This will have two desirable effects. First, proper handling of payment arrangement requests minimizes customer dissatisfaction, thereby negating the need for customers to contact the Bureau. Second, proper case handling guarantees that customer complaints that do reach the Bureau will be resolved in the same manner the company recommended.

Once a customer contacts the Bureau with a payment arrangement request, the Bureau notifies the utility. The utility then sends the Bureau records of its contacts with the customer regarding the most recent payment negotiation. BCS reviews the record to determine if the utility negotiated properly with the customer and uses this record to determine the outcome of the case. There are three possible case outcome classifications: "justified", "inconclusive" and "unjustified". This approach evaluates companies negatively only where appropriate payment negotiations procedures were not followed or where the regulations have been violated. Specifically, a case is considered "justified" in the appeal to BCS if it is found that, prior to BCS intervention, the company did not comply with PUC regulations, reports, Secretarial Letters, tariffs, or guidelines. "Unjustified" complaints are those cases in which the company demonstrates that correct procedures were followed prior to BCS intervention. "Inconclusive" complaints are those in which incomplete records or equivocal accounts make it difficult to determine whether or not the customer was justified in the appeal to the Bureau. It is anticipated that the vast majority of cases will fall into either the "justified" or "unjustified" category.

Company effectiveness at negotiating payment arrangements is a major concern of the Bureau. The Bureau has met many times with representatives of various electric, gas and water utilities to discuss its policies for evaluating cases involving requests for payment arrangements. The Bureau also discussed its policies at a seminar it held in late 1993. Representatives of all the major utilities attended. Therefore, the major companies are aware of the standards BCS uses to evaluate the handling of requests for payment arrangements. Nearly every company improved in handling requests for payment arrangements from customers from 1993 to 1994. The Bureau will continue its focus on promoting fair payment negotiations in the current year and expects that companies will improve further.

In monitoring utility performance, the Bureau uses the percent of mediation cases that are "justified" to measure a company's effectiveness in negotiating with its customers. When a company's negotiations prior to a customer's appeal to BCS are found to have failed to conform to long-standing regulatory requirements and Bureau policies and guidelines, the case is said to be "justified". See Table 9 for the percent of payment arrangement requests found to be "justified" in 1993 and 1994.

Table 9 - Justified Payment Arrangement Requests

Company	1993	1994	Net Change 1993 to 1994
Duquesne	12%	5%*	-7%
Met-Ed	23%	17%	-6%
Penelec	32%	22%	-10%
Penn Power	10%	11%	1%
PP&L	58%	24%*	-34%
PECO	38%	24%*	-14%
UGI-Electric	54%	47%	-7%
West Penn	55%	21%	-34%
Major Electric	35%	21%	-14%
Columbia	37%	20%	-17%
Equitable	25%	14%*	-11%
NFG	48%	14%	-34%
PG&W-Gas	46%	21%	-25%
Peoples	21%	21%*	No Change
UGI-Gas	51%	39%	-12%
Major Gas	38%	22%	-16%
PA-American	36%	19%	-17%
PG&W-Water	41%	22%	-19%
Philadelphia Suburban	37%	26%	-11%
All Other "Class A"	30%	36%	6%
Major Water	36%	26%	-10%

* Based on a probability sample of cases

Justified Payment Arrangement Request Rate

As with consumer complaints, changes in company policy can affect both the volume of requests for payment arrangements and the effectiveness of a utility's payment negotiations (as measured by the percent of cases that are justified). In the past, a company could improve in just one measure and receive praise from the Bureau even though it performed poorly in the other measure. The Bureau's research has shown that both of these measures are actually "intermediate" measures and are not "stand-alone" measures of performance.

In response, the Bureau uses a performance measure called "justified rate", which reflects both the volume and percent of cases justified. The Bureau has been using the "justified rate" as a performance measure for a number of years. In its ongoing effort to improve the case evaluation process, the Bureau refined the justified measurement in this year's report. The revised formula for justified payment arrangement request rate more accurately gives equal weight to the quantitative measure of volume and the qualitative measure of justified percent by making the numerator the number of justified payment arrangement requests. This change emphasizes the Bureau's concern with the volume of payment arrangement requests that have been mishandled by the utility. The formula has also been adjusted to take into consideration a utility's total overdue population by combining customers who are overdue and not on payment agreements with customers who are overdue and maintaining active payment agreements. BCS made this adjustment because it is appropriate that the justified rate be based on all customers who owe the company money since they are the potential pool of callers to BCS. In the past years, the "justified rate" had been based on only the number of customers in arrears with no payment agreements. In order to compare individual company performance over the past two years, the 1993 data has been recalculated using the revised formula. This information is presented in the tables that follow. The new formula for justified consumer complaint rate is shown below:

Justified Payment Arrangement Request (JPAR) Rate

$$\text{JPAR Rate} = \frac{\text{Number of Justified Payment Arrangement Requests}}{\text{Monthly Average No. of Overdue Residential Customers/1000}}$$

**Table 10 - Justified Payment Arrangement Request Rate:
Major Electric Companies (1993-94)**

Company	1993	1994	Net Change 1993 to 1994
Duquesne	4.06	2.26*	-1.80
Met-Ed	2.05	2.45	0.40
Penelec	2.48	1.18	-1.30
Penn Power	1.17	2.05	0.88
PP&L	5.18	1.45*	-3.73
PECO	3.96	2.42*	-1.54
UGI-Electric	5.76	7.97	2.21
West Penn	2.52	0.86	-1.66
Major Electric	3.40	2.58	-0.82

* *Based on a probability sample of cases*

Among the highlights of Table 10:

- In 1994, there was wide range of payment negotiation performance in the electric industry. The performance of the industry as a whole improved from 1993 to 1994.
- The performance of UGI-Electric is far worse than that of the other electric utilities. UGI-Electric showed the most deterioration in the industry from 1993 to 1994.
- PP&L's performance improved dramatically from 1993 to 1994. Fewer PP&L customers contacted BCS with requests for payment arrangements in 1994 than in 1993 and PP&L improved its level of effectiveness.
- Duquesne's significant improvement from 1993 to 1994 resulted in a justified rate that is better than average in the electric industry. Duquesne had the best justified percent score in the industry in 1994.

- West Penn Power had the best justified rate in the electric industry. This is largely due to the relatively low number of requests to the Bureau for payment arrangements.

**Table 11 - Justified Payment Arrangement Request Rate:
Major Gas Companies (1993-94)**

Company	1993	1994	Net Change 1993 to 1994
Columbia	7.37	4.25	-3.12
Equitable	5.06	3.52*	-1.54
NFG	6.77	1.46	-5.31
PG&W-Gas	5.37	2.76	-2.61
Peoples	5.77	7.91*	2.14
UGI-Gas	14.65	9.99	-4.66
Major Gas	7.50	4.98	-2.52

* Based on a probability sample of cases

Among the highlights of Table 11:

- The payment negotiation performance of the gas industry improved significantly from 1993 to 1994. This improvement is primarily due to a lower percentage of justified cases in 1994 than in 1993. The Bureau is pleased with this improvement. However, the performance of the gas industry remains significantly worse than that of the electric industry.
- NFG significantly improved its performance from 1993 to 1994 and now has the best justified rate in the gas industry. The combination of a lower percentage of justified requests for payment arrangements and a decrease in the volume of requests were responsible for this improvement.

- UGI-Gas was the least effective gas company at payment negotiations for two years in a row. Nevertheless, UGI-Gas improved from 1993 to 1994. If UGI continues to reduce its percent of cases found to be justified, it should be able to reduce its justified rate even if the volume of payment arrangement requests remains constant.
- Peoples was the only major gas company to deteriorate from 1993 to 1994. An increase in the volume of payment arrangement requests caused the decline.

**Table 12 - Justified Payment Arrangement Request¹:
Major Water Companies (1993-94)**

Company	1993	1994	Net Change 1993 to 1994
Pennsylvania-American	.43	.19	-.24
PG&W-Water	.44	.24	-.20
Philadelphia Suburban	.25	.18	-.07
All Other "Class A"	.25	.21	-.04
Major Water	.34	.21	-.13

Among the highlights of Table 12:

- As a whole, the water industry's effectiveness at payment negotiations improved from 1993 to 1994. In addition, the performance of each of the major companies within the water industry improved.

¹Water companies are not required to provide the Commission with the number of overdue customers. As a result, the justified payment arrangement request rates for water companies are calculated in the same manner as the justified consumer complaint rates. Consequently, the water companies' justified rates are calculated differently from electric and gas companies and cannot be compared to those industries.

- Pennsylvania American's significant improvement was due to both a decrease in the volume of payment arrangement requests and a lower justified percent.
- Philadelphia Suburban was the most effective major water company at negotiating payment arrangements in 1994.
- Even though PG&W-Water's performance was the worst in the water industry in 1994, it improved from 1993 to 1994. The Bureau urges PG&W-Water to continue to work toward more effective payment negotiations with its customers.

Response Time

For every day that a case involving a request for payment arrangements remains open and unresolved the customer may continue to accumulate a larger debt to the company. As a result, there is a strong, inherent economic incentive for a company to process these requests expeditiously so that a final disposition of the complaint can be determined. The statistics in Table 13 seem to reflect this logic. The Bureau's goal is to have all the major companies bring their average response times to five days or less. Most of the major companies have been able to successfully achieve this goal.

Table 13 - Response Time: Payment Arrangement Requests

Company	Average Time in Days		Change in Days 1993 to 1994
	1993	1994	
Duquesne	0.9	2.0*	1.1
Met-Ed	2.5	5.7	3.2
Penelec	2.7	2.7	No Change
Penn Power	1.1	.5	-0.6
PP&L	4.3	4.0*	-0.3
PECO	6.0	7.1*	1.1
UGI-Electric	8.1	7.2	-0.9
West Penn	13.6	18.1	4.5
Major Electric	4.9	5.9	1.0
Columbia	3.0	3.1	0.1
Equitable	2.3	3.7*	1.4
NFG	4.7	2.6	-2.1
PG&W-Gas	2.5	2.8	0.3
Peoples	2.2	2.1*	-0.1
UGI-Gas	3.0	3.4	0.4
Major Gas	3.0	3.0	No Change
Pennsylvania-American	2.3	2.3	No Change
PG&W-Water	3.6	4.2	0.6
Philadelphia Suburban	9.1	3.5	-5.6
All Other "Class A"	12.5	16.7	4.2
Major Water	6.9	6.7	-0.2

* Based on a probability sample of cases

Among the highlights of Table 13:

- The response time for handling payment arrangements requests was relatively stable for each of the three industries from 1994 to 1995. However, the 1994 average response time for the electric industry was worse than the Bureau's goal of five days or less. This was primarily due to the poor response time of West Penn Power. Met-Ed, PECO and UGI-Electric also exceeded the Bureau's goal for response time.
- West Penn Power was the least responsive major company to payment arrangement requests in 1994. West Penn's response time was poor in 1993 and became even worse in 1994. West Penn should take immediate steps to decrease the time it takes to respond to routine BCS requests for payment arrangements.
- All of the major gas companies had response times that were well below the Bureau's five-day goal in 1994. Many of these companies have responded well within this standard for the past several years.
- Philadelphia Suburban decreased its response time dramatically from 1993 to 1994. BCS is pleased that the three largest water companies now have average response times that are five days or less.

Summary

Generally, the payment negotiation performance of the major utilities, as measured by the justified payment arrangement request rate, improved from 1993 to 1994. If the Bureau were to set the 1993 "justified rate" as a standard by which to judge future company performance, the Bureau would expect to see at least a small improvement in performance each year. From the 1994 data, it appears that many of these companies have taken steps to begin to ensure that their representatives are properly following Bureau policies and procedures, and Commission rules and regulations. The Bureau is encouraged by this improvement and hopes it will continue as utilities focus more attention on managing residential consumer debt. The Bureau will continue to collaborate with companies to resolve issues regarding how utilities can best gain control over the money owed to them by residential consumers.

In Chapter 2 of this report, the Bureau profiles the performance of each individual major electric, gas and water utility. Each "profile" includes the Bureau's assessment of the utility's payment negotiation performance. This score is derived from two measures: the company's justified payment arrangement request rate and the company's average response time to payment

arrangement request cases. The justified payment arrangement request rate is based on the number of a company's justified payment arrangement requests for each 1,000 of the company's overdue residential customers. Because the Bureau sees this measure as the most significant payment negotiation performance indicator, it accounts for 75% of a company's score on handling payment arrangement requests. The company's response time accounts for the remaining 25% of each company's score on payment negotiation performance. Each individual company profile compares the company's performance to the industry average and shows how the company ranks within the industry. The Bureau combines each company's score on payment negotiation performance equally with its scores for consumer complaint handling and collection performance. The company's compliance score is then factored in with these three scores to produce the overall customer service performance rating.

For 1994, the overall payment negotiation performance of Penelec, NFG and Philadelphia Suburban ranked as best in their respective industries. In contrast, UGI-Electric, UGI-Gas and PG&W-Water ranked worst in their respective industries in handling payment negotiations. In addition, these companies also had the worst performance at handling consumer complaints in 1994.

5 • Collections

The Bureau analyzes and evaluates the status of utility collections through statistics on the number and percentage of customers who owe utilities money, the amounts owed, how long the money has been owed, and finally, the amounts owed that have been written off by the companies. In its assessment of a utility's collection performance, the Bureau combines and equally assigns equal weights to three collection measures:

- The percent of residential customers who are overdue
- The weighted arrearage statistics for arrearages (aging of the debt)
- Gross residential write-offs

The Bureau tracks money that residential customers owe to electric and gas utilities by combining the amounts in two distinctly separate categories of residential debt. The first category, the arrearage category, consists of unpaid dollars that are not covered by payment agreements. The second category consists of money that is owed to the utility by customers who have made payment arrangements to repay what they owe. When a customer makes a payment agreement with a company, and as long as the customer makes the scheduled payments, the company removes the amount owed from the "arrearage" category and places it into a payment agreement category. The Bureau combines the debt associated with these two distinct categories to obtain an accurate picture of a utility's total outstanding residential debt.

Overview

The significant variations among companies in the amount of debt in arrearages and agreements appear to be indicative, in part, of different collection policies. The Bureau is aware of these variations and in its Final Report on the Investigation of Uncollectible Balances, the Bureau recommended standard collection policies to be implemented by the major gas and electric utilities.

From the Commission's perspective, one of the keys to implementing an effective collection system is identifying whether the customers who owe the utility money are low income. The debt owed by middle and upper income customers may be less at risk than that owed by low income customers because middle and upper income customers are more likely to have the incomes and/or assets to pay off their utility debts. Additionally, the cost to the utility for carrying this debt should be offset by the assessment and collection of late payment charges. On the other hand, the debt owed by low income customers may be more at risk because of income levels or assets that are grossly inadequate to address the debt. In these cases, the

assessment of late payment charges may further threaten the utility's ability to recover billings from these customers.

If a utility is in a position of knowing which customers who owe money are low income (through application information, the receipt of energy assistance and/or income reporting related to payment agreements), the utility can pursue collections and make referrals to assistance programs before the debt reaches an unmanageable level. The earlier the utility identifies low income accounts and the sooner it makes referrals to assistance programs, the better are the chances that the low income customer will be able to keep debt at a manageable level.

Percent of residential customers who owe money

In reporting the statistic "Percent of Customers Overdue" in Table 14, the Bureau presents a percentage figure that combines customers who are overdue and not on payment agreements with customers who are overdue and maintaining active payment agreements with the utility. Appendix I reports the number of residential customers in debt for each of the major electric and gas companies.

Table 14 - Percent of Customers in Debt

Company	1992	1993	1994	Percent Change From 1992 to 1994
Duquesne	19.4%	15.1%	16.1%	-17%
Met-Ed	14.5%	14.4%	14.5%	No Change
Penelec	16.7%	16.2%	16.7%	No Change
Penn Power	24.5%	24.2%	24.5%	No Change
PP&L	18.2%	18.3%	17.7%	-3%
PECO	29.0%	29.2%	25.2%	-13%
UGI-Electric	13.6%	14.0%	13.7%	1%
West Penn	21.3%	22.6%	22.1%	4%
Electric - Avg.	19.7%	19.3%	18.8%	-5%
Columbia	11.9%	11.2%	11.8%	-1%
Equitable	21.4%	21.6%	22.6%	6%
NFG	16.0%	15.8%	17.8%	11%
PG&W-Gas	15.2%	15.4%	16.4%	8%
Peoples	13.4%	16.3%	14.4%	7%
UGI-Gas	14.1%	14.5%	15.9%	13%
Gas - Average	15.3%	15.8%	16.5%	8%

Among the highlights from Table 14:

- Once again, PECO, Penn Power, West Penn and Equitable have the highest levels of customer accounts at risk and, as such, have a larger collection task than the other major electric and gas companies.
- PECO and Duquesne were the only major companies to experience substantial declines in the number of customers in debt from 1992 to 1994.

Amount of money at risk

The percent of customers in debt reflects the general state of collections. However, the risk of loss is better determined through a review of the amount and aging of the money involved. Table 15 shows the combined total amount of money that is owed by customers in arrears and by those with agreements. The total residential customer debt is important because it is used in the calculation of the weighted arrearage statistic. In addition, total residential debt defines the extent of the risk of lost revenues for a utility.

Table 15 - Residential Customer Debt

Company	1992 Total Debt	1993 Total Debt	1994 Total Debt	Percent Change in Total 1992-1994
Duquesne	\$ 45,297,109	\$ 44,859,592	\$46,899,474	4%
Met-Ed	13,247,679	14,761,126	15,411,402	16%
Penelec	12,557,816	12,907,524	15,396,253	23%
Penn Power	4,956,473	4,848,474	5,653,666	14%
PP&L	46,931,104	48,815,407	53,345,089	14%
PECO	143,030,544	127,975,944	113,802,793	-20%
UGI-Electric	945,653	1,132,848	1,097,177	16%
West Penn	15,805,107	17,771,234	21,712,478	37%
Electric-Total	\$282,411,485	\$273,072,149	\$273,318,332	-3%
Columbia	9,687,419	9,258,323	12,357,865	28%
Equitable#	28,003,825	29,350,814	33,508,038	20%
NFG	5,056,892	5,255,680	9,140,950	81%
PG&W - Gas	2,723,717	2,742,420	3,727,211	37%
Peoples	9,556,231	9,660,133	12,687,044	33%
UGI - Gas	3,574,287	4,178,766	6,486,657	81%
Gas - Total	\$58,602,371	\$60,446,136	\$77,907,765	33%
Total	\$341,013,856	\$333,518,285	\$351,226,097	3%

Includes arrearages of customers enrolled in Equitable's customer assistance program.

Among the highlights from Table 15:

- PECO was the only major company to show a reduction in residential customer debt from 1992 to 1994.
- Total residential customer debt increased by 3% from 1992-1994. The harsh winter of 1994 may be at least partially responsible for this increase. Nevertheless, the Bureau is concerned with the substantial increases in residential debt in the gas industry, particularly those of NFG and UGI-Gas.

Weighted measures - a tool for comparison

Notwithstanding the divergent collection performance as presented above, some comparisons between companies based on total residential debt can be misleading because of differences in the average size of bills. For this reason, the Bureau calculates a weighted statistic so that the effect of these differences is taken into consideration.

The "Weighted Total Score" in Table 16 represents the total aging of all residential customer debt. It is calculated by dividing the average monthly customer bill into the average monthly customer arrearage. (See Appendix G, Table 1 and Table 2, for monthly average bills for heating and non-heating customers for the major companies).

Table 16 - Weighted Statistics for Arrearages

Company	1992 Weighted Total Score	1993 Weighted Total Score	1994 Weighted Total Score
Duquesne	6.6	8.2	8.7
Met-Ed	3.6	3.9	3.9
Penelec	3.1	3.1	3.5
Penn Power	2.0	2.2	2.5
PP&L	3.5	3.5	3.9
PECO	5.0	4.3	4.3
UGI-Electric	2.4	2.8	2.7
West Penn	2.8	2.6	3.1
Electric-Average	3.6	3.8	4.1
Columbia	4.3	4.2	4.7
Equitable	7.1	7.4	7.2
NFG	2.8	2.6	3.4
PG&W-Gas	2.6	2.4	2.5
Peoples	3.5	3.4	4.7
UGI-Gas	2.5	2.7	3.4
Gas-Average	3.8	3.8	4.3

Among the highlights of Table 16:

- The high scores of companies such as Duquesne and Equitable raise concerns about the long term ability of these companies to keep collection costs under control. These companies have had the highest weighted arrearage scores for the past several years.

Termination of Service

Service termination is expensive in many regards. It costs utilities a great deal to make pre-termination contacts, to terminate service, and to then attempt to collect the final bill. On the other hand, the cost of not terminating customers who are delinquent in their payments can also be very significant to utilities. The non-economic costs of termination are difficult to quantify, but are obviously important. The threat to health and safety posed by the lack of utility service is not something to be overlooked. Each year in Pennsylvania, tragic deaths occur as consumers try to compensate for terminated electric or gas service by using alternative, less safe, sources of heat and light.

Nevertheless, given the rise in the amount of debt owed by residential customers and the possible relationship of these costs to collection strategies, including termination, the Commission and utilities have been reexamining the value of termination as a collection tool. This assessment must include consideration of the appropriateness and value of termination for willful nonpayment, as well as provisions for maintaining utility service for those customers who, despite their best efforts at paying their bills, fall short in the ability to cover the entire cost of their utility service.

The Bureau has recommended that utilities take a more aggressive collection strategy for non-low income, delinquent customers and will regard termination as an acceptable outcome for customers who do not negotiate in good faith with the companies. However, the Bureau does not see merit in utilities relying on termination solely as a collection device. The Bureau notes that several utilities have attempted such a strategy in the past with unsuccessful results. Further, there is no evidence to demonstrate a positive correlation between large numbers of terminations and successful collection performance.

In addition, the Bureau does not believe it is economically wise for companies to pursue termination when customers miss paying just one month's bill. Companies who expend valuable resources threatening termination on accounts with arrearages under \$100 or less than 60 days overdue are wasting money and aggravating their customers. In addition, these terminations present potential threats to the health and safety of the affected ratepayers and their families for undue justification. Accordingly, in 1993 the Commission asked the major electric and gas utilities to voluntarily refrain from pursuing termination on these overdue accounts.

Table 17 presents the number of residential terminations from 1992 to 1994. The table indicates that some utilities maintain a fairly consistent pattern of termination behavior. Others fluctuate from year to year in the number of service terminations they perform, depending on the utility's current collection strategy. The Bureau's position is that a consistent termination policy over the years is most effective in yielding long term, positive collection results.

Table 17 - Number of Residential Service Terminations

Company	1992	1993	1994	Percent Change 1992-1994
Duquesne	8,507	9,251	7,621	-10%
Met-Ed	2,288	2,418	2,659	16%
Penelec	4,477	4,367	3,158	-29%
Penn Power	1,251	1,124	1,205	-4%
PP&L	5,453	8,210	6,154	13%
PECO#	27,723	64,603	39,380	42%
UGI-Electric	635	746	746	17%
West Penn	4,288	4,432	5,136	20%
Electric - Total	54,622	95,151	66,059	21%
Columbia	3,539	4,201	4,201	19%
Equitable	3,646	3,513	2,066	-43%
NFG	3,358	3,183	2,883	-14%
PG&W - Gas	1,847	2,137	2,241	21%
Peoples	4,514	5,660	4,616	2%
UGI - Gas	4,795	4,595	3,418	-29%
Gas - Total	21,699	23,289	19,425	-10%
Total	76,321	118,440	85,484	12%

Combined electric and gas

Among the highlights from Table 17:

- Although the overall number service terminations increased from 1992-1994, the number decreased from the dramatically high level of 1993.
- The extensive variation in numbers of terminations across time for some of the major companies seems to indicate similar variations in collection strategies from year to year.

Uncollectible Accounts

The most commonly used long-term measure of collection system performance is the proportion of revenues written off as uncollectible, the "write-offs ratio". In order to report a statistic that is easier to comprehend and compare, BCS changes the ratio of write-offs to revenues to the percentage of residential billings written off as uncollectible. The statistics in Table 18 use residential gross write-offs. Write-offs and revenues can be traced to both residential and non-residential service. With the focus of this report being residential accounts, a percentage of residential billings written off as uncollectible is used as the most appropriate measure of performance in collecting bills. (Appendix H provides a listing of net total write-offs as a percentage of total revenues from 1992 to 1994. This listing includes write-offs for all rate classes).

Table 18 - Percentage of Gross Residential Billings Written Off as Uncollectible

Company	1992	1993	1994	Percent Change 1992-1994
Duquesne	3.39%	2.72%	2.74%	-19%
Met-Ed	1.69%	1.86%	1.91%	13%
Penelec	1.32%	1.26%	1.37%	4%
Penn Power	1.18%	1.03%	1.12%	-5%
PP&L	1.90%	2.05%	2.00%	5%
PECO	3.22%#	2.97%#	2.32%#	-28%
UGI-Electric	0.88%	1.00%	1.05%	19%
West Penn	1.00%	1.05%	1.22%	22%
Electric-Total	1.82%	1.74%	1.72%	-5%
Columbia	2.45%	2.70%	2.59%	6%
Equitable	4.22%	4.05%	4.52%	7%
NFG	2.58%	1.89%	1.60%	-38%
PG&W - Gas	1.85%	1.29%	1.23%	-34%
Peoples	1.33%	1.57%	1.56%	17%
UGI - Gas	2.06%	1.94%	2.26%	10%
Gas - Total	2.42%	2.24%	2.29%	-5%

Excludes CAP (Customer Assistance Program) write-offs.

Among the highlights of Table 18:

- Both the electric industry and the gas industry wrote off a lower percentage of residential billings in 1994 than in 1992.
- NFG and PG&W-Gas decreased their levels of write-offs substantially from 1992-1994.
- PECO also decreased its level of gross residential write-offs from 1992 to 1994. However, it should be noted that if the Bureau did not exclude PECO's CAP write-offs from these statistics, PECO's percentage of write-offs would be higher than the figure reported here.
- The companies with the worst gross residential write-offs in 1994 were Duquesne, PECO, Columbia, Equitable and UGI-Gas. On a positive note, Duquesne and PECO reported decreases in their levels of write-offs from 1992 to 1994; unfortunately, the levels of write-offs for Columbia, Equitable and UGI-Gas climbed during this period.

Summary

Once again there was wide variation in the collection performance of the various major utilities in Pennsylvania. Overall, the Bureau's review of the state of collections from 1992 to 1994 yields a somewhat contradictory picture. The aging of the residential debt deteriorated for both the electric and gas industries. The size of the debt and the number of customers owing money decreased in the electric industry but increased in the gas industry. Several gas companies reported that the severe winter of 1994 may be partially responsible for these increases. However, the gross residential write-offs of both the electric and gas industries showed slight improvement from 1992 to 1994.

In its *Final Report* to the Commission on the investigation into uncollectible accounts, the Bureau recommended a variety of measures to improve collection performance. Unfortunately, none of the companies have fully adopted these recommendations or the collection recommendations made by the Commission almost since the promulgation of Chapter 56. From the Bureau's perspective, the key to an effective collection system is the early identification of the income status of a company's delinquent customers. Until all utilities acquire this very basic information, they will be unable to successfully implement the other recommended collection strategies.

The overall goals reflected in the Bureau's collection recommendations are to achieve a balance between protecting health and safety and limiting utility collection costs. The recommendations seek to enable low income households to maintain utility service through affordable payments and cost-effective customer assistance programs. For those customers who have the resources to pay their bills, the Bureau recommends minimizing utility expenses through aggressive collection activities. The Bureau will take a more stringent approach than it has in the past when it deals with customers with upper incomes. Similarly, the Bureau has encouraged utilities to collect outstanding balances from these customers more quickly.

The Bureau's assessment of a utility's collection performance is derived from three separate measures: the percent of customers overdue (Table 14), the weighted score (Table 16), and gross residential write-offs (Table 18). Each company receives a separate score on each of these measures. Next, the Bureau combines the scores, giving equal weight to each measure, to produce an overall collection score. For 1994, the overall collection performance of UGI-Electric in the industry and PG&W-Gas in the gas industry ranked as the best. On the other hand, PECO and Equitable had the worst performance in their respective industries. As the Bureau focuses more attention on collection issues, it will enhance its analysis of statistics and measures that evaluate the performance of utilities in this area. Future reports will be designed to consider more of the factors that reflect the details of a utility's collection operations.

In Chapter 2 of this report, the Bureau profiles the performance of each of the major electric and gas utilities. Each individual company profile compares the company's collection performance to the industry average and shows how the company ranks within the industry. The Bureau determines the company's performance trend by comparing its 1994 collection performance with its 1992 performance. To produce the overall customer service performance rating, the Bureau combines each company's score on collection performance equally with its scores for consumer complaints and for payment arrangement requests. The Bureau then factors in the utility's compliance score and compares the result with the other utilities within the industry. The resulting comparative rating (best, worst, better than average, etc.) appears in the narrative section of each company's profile.

6 • Compliance

The activities of the Bureau of Consumer Services include efforts to ensure that public utilities' customer services conform with the standards of conduct for residential service established in statute and regulation, particularly 52 PA Code, Chapter 56. The purpose of Chapter 56, as stated in §56.1, is to ". . . establish and enforce uniform, fair, and equitable residential utility service standards governing eligibility criteria, credit and deposit practices, and account billing, termination, and customer complaint procedures." BCS engaged in the following activities in 1994 to improve utilities' treatment of residential accounts: (1) the Bureau pursued revisions of three sections of Chapter 56; (2) BCS staff disseminated clarifications to ensure utilities properly implement Act 1993-54 amending the landlord-tenant provisions of the Public Utility Code; (3) BCS conducted several informal investigations with the assistance of the Commission's Law Bureau, and (4) BCS continued its informal compliance notification process.

Revisions of Chapter 56

BCS initiated revisions to three provisions of Chapter 56 in 1993. On November 29, 1994, BCS staff, along with Law Bureau Counsel, appeared before the Independent Regulatory Review Commission (IRRC). On that date, IRRC approved amendments to §§56.17, 56.57, and 56.98. Final publication of these Chapter 56 revisions appeared in the Pennsylvania Bulletin on January 14, 1995.

The revision of §56.17 permits companies to develop pilot programs to offer prepaid metering as an alternative to termination of non-low income, delinquent customers. This allows advance payments for electric service rendered through prepayment meters.

The revision of §56.57 reduces the interest rate paid on security deposits. A reduction in the interest rate gives utilities greater incentive to secure deposits from delinquent, non-low income ratepayers to encourage timely payments and reduce write-offs. The yearly rate decreases from 11% to 5.77% beginning April 14, 1995. Utilities must review the interest rate each year and adjust the percentage, if warranted.

Finally, §56.98 was revised to require that terminations without prior notice be confined to instances that the utility honestly believes endanger health and safety. Deciding on a case-by-case basis whether termination without prior notice is warranted is always necessary, even in instances of unauthorized use of utility service. If health and safety are not endangered, utilities must apply the standard termination notifications (§§56.91-56.96) for grounds established at §56.81(4) (relating to unauthorized use of utility service delivered on or about the affected dwelling).

Act 1993-54

On July 2, 1993, the Governor signed Act 1993-54, amending the landlord-tenant provisions of the Public Utility Code. Throughout 1994, BCS continued its efforts to help utilities implement the new law. For example, BCS worked with the Pennsylvania Electric Association, the Pennsylvania Gas Association, and the National Association of Water Companies to develop a uniform explanation of all rights and responsibilities of tenants according to these provisions. The Commission approved the tenant rights information at Public Meeting on February 24, 1994.

Additionally, BCS received numerous phone calls from public utilities asking many questions regarding the revised law. BCS issued a letter on January 25, 1994 in response to the questions. The Bureau provided this letter to the electric, gas and water associations for distribution to their members.

BCS will continue to enforce utilities' compliance with the amended law through complaint handling. In the upcoming year, the Bureau will continue to work with utilities toward proper interpretation and application of the amended law.

Informal Investigations

During 1994 BCS completed the informal investigations of the use of contractors to do sensitive customer service functions for public utilities (M-00930487). BCS staff made visits to Duquesne Light Company, Equitable Gas Company, Peoples Natural Gas and Pennsylvania Power & Light Company and interviewed utility personnel concerning the use of contractors. In addition, BCS conducted interviews with employees of three vendor services. BCS presented its findings from the informal investigation in a report issued October 27, 1994. To their credit, the utilities involved are working with BCS and taking appropriate corrective action to ensure future compliance.

BCS also routinely met with PECO in 1994 to address the concerns raised in a prior informal investigation. The meetings are a result of the informal investigation into PECO's poor performance relating to the application of Chapter 56. This investigation was closed when a settlement agreement between The Pennsylvania Public Utility Commission and Philadelphia Electric Company was adopted by the Commission on January 20, 1994 (M-00930423).

Informal Compliance Process

The Bureau's primary compliance effort remains its informal compliance process. This process gives utilities specific examples of apparent violations of Chapter 56. They can use the information to pinpoint and voluntarily correct deficiencies in their customer service operations. The informal compliance process uses consumer complaints to identify, document, and notify

utilities of apparent violations. A utility that receives notification of an apparent violation has an opportunity to refute the allegation of a violation. Failing to disprove the allegation satisfactorily, the utility is to take appropriate corrective action to prevent further occurrences. Corrective actions may entail modifying a computer program; revising the text of a notice, bill, letter or company procedures; or providing additional staff training to ensure the proper use of a procedure. The notification process also allows utilities to receive written clarifications of Chapter 56 provisions and Commission and Bureau policies.

During 1992, 1993, and 1994 the Bureau determined that there were 2,728 informally verified violations of Chapter 56 by the fixed utilities under the PUC's jurisdiction. The significance of these informally verified violations is frequently underscored by the fact that many informally verified violations represent systematic errors that are widespread and affect many utility customers. However, because the Bureau receives only a small fraction of the complaints customers have with their utility companies, the Bureau has only limited opportunities to identify such errors. Therefore, the informal compliance process is specifically designed to identify systematic errors. Utilities must then investigate the scope of the problem and take corrective action.

Utilities can develop their own information system to identify compliance problems by reviewing complaints before they come to the Commission's attention. Companies that analyze their mistakes and take appropriate corrective action can prevent the ill will generated when customers are denied their rights. Additionally, by tracking violations and treating them as potential error signals, utilities can find problematic procedures and employee errors that cause violations and complaints. Company operations can then be improved to the satisfaction of the PUC, utility customers, and the utility management.

The following data and analysis come from the informal complaints filed with the PUC by residential customers during 1992, 1993, and 1994. Informally verified violation statistics for the major electric, gas and water companies are presented by company and year in Tables 19-21.

The Bureau of Consumer Services views each informally verified violation as an error signal. A single infraction can suggest a system-wide misapplication of a particular section of the regulations. There is sufficient reason to believe that there are many violations occurring which will go undetected by the PUC. One reason is that consumers are reluctant to complain. Another reason is that the PUC gets involved with only a small fraction of the total number of complaints to utilities. Therefore, the apparent violations that come to the attention of the Bureau warrant careful analysis. The informal compliance process is intended to help utilities in their identification of deficiencies and consideration of corrective action.

Several considerations are important to keep in mind when viewing the aggregate informally verified violation figures. First, the data on the number of violations do not consider the causes of the individual violations. Some violations may be more serious because of their

systematic nature, and therefore may show ongoing or repetitive violations. Other violations may be more serious because they involve threats to the health and safety of utility customers.

Another consideration to keep in mind when viewing aggregate violation measures is that, as a performance measure, they are most important because they show infractions of PUC regulations. Therefore, while a utility may show a significant decrease in an aggregate figure, it should be kept in mind that the criterion for good performance is still zero violations. Overall, the number of informally verified violations for major electric, gas, and water utilities reported by BCS has decreased 26% from 1993 to 1994. Although any drop is encouraging, utilities have had ample time to adjust their operations to comply with Chapter 56 service standards.

For these reasons, the figures presented in Tables 19-21 are considered by BCS along with other information that is case-specific. The value of the aggregate figures is to depict apparent trends over time and point out extreme deviations.

In Tables 19-21, the total number of apparent violations for 1994 (column 4) consists of informally verified violations (column 5) and pending violations (column 6). The total number of violations for 1994 may increase as new violations are discovered and cited from customer complaints that originated in 1994 but are still under investigation by the Bureau. Often, the actual total number of apparent violations for 1994 will be equal to or greater than the number reported in column three. The data used for this chapter was retrieved from BCS' Compliance Tracking System as of April 3, 1995.

Table 19 - Informal Violations: Major Electric Companies

Company	1992	1993	1994 Total	1994 Total Verified	1994 Total Pending
Duquesne	27	28	29	25	4
Met-Ed	15	17	36	26	10
Penelec	16	21	24	16	8
Penn Power	11	4	12	11	1
PP&L	68	155	81	62	19
PECO	360	296	210	143	67
UGI-Electric	17	11	25	18	7
West Penn	27	25	26	23	3
Total	541	557	443	324	119

The electric industry from 1993 to 1994 has shown a substantial improvement in the number of informally verified violations.

- Met-Ed experienced a setback in its compliance record with a 53% increase in the number of informally verified violations from 1993 to 1994. This substantial increase causes great concern. Met-Ed should use these violations to pinpoint root causes and take appropriate corrective measures to reduce the number of violations.
- UGI-Electric also experienced a large increase in the number of verified violations. The number of informally verified violations has more than doubled from 1993 to 1994. UGI-Electric should take the necessary steps to improve its compliance performance.
- PECO reduced its number of informally verified violations by 52% from 1993 to 1994. BCS is encouraged by this decrease and attributes the improvement, in part, to the attention given to this area of operations since the conclusion of the aforementioned informal investigation. Despite this improvement, it is important to note that PECO's number of violations still represents 44% of the total violations reported for the major electric utilities.
- PP&L decreased its number of informally verified violations by 60% from the previous year. This improvement in compliance is noteworthy since from 1992 to 1993 PP&L's verified violations had increased by 128%. BCS believes that PP&L's improvement in 1994 is a result of the increased attention given to this area of operations as a result of the BCS informal investigation.

Table 20 - Informal Violations: Major Gas Companies

Company	1992	1993	1994 Total	1994 Total Verified	1994 Total Pending
Columbia	30	44	34	32	2
Equitable	32	35	38	26	12
NFG	14	27	31	30	1
PG&W-Gas	14	25	32	28	4
Peoples	17	35	49	42	7
UGI - Gas	33	36	72	63	9
Total	140	202	256	221	35

The gas utilities as an industry have shown a slight deterioration in Chapter 56 compliance from 1993 to 1994.

- Columbia and Equitable were the only major gas companies to reduce the number of informally verified violations for 1994.
- UGI-Gas experienced a significant increase in the number of informally verified violations from 1993 to 1994. This increase of 75% causes extreme concern considering the number of customers served by UGI.
- The increase in the number of informally verified violations for PG&W-Gas indicates that the company needs to review this area of its operations. From 1993 to 1994, PG&W experienced a 12% increase in the number of informally verified violations. BCS encourages PG&W to take corrective action to improve their compliance with the regulations.

Table 21 - Informal Violations: Major Water Companies

Company	1992	1993	1994 Total	1994 Total Verified	1994 Total Pending
PA-American (PAWC)	49	23	23	18	5
PG&W-Water	22	35	46	36	10
Philadelphia Suburban	42	31	29	17	12
All Other "Class A" Companies	20	16	28	20	8
Total	133	105	126	91	35

Water utilities as an industry have continued to show improved compliance activity. Again there has been a decrease in the total number of informally verified violations in 1994 for all "Class A" water companies.

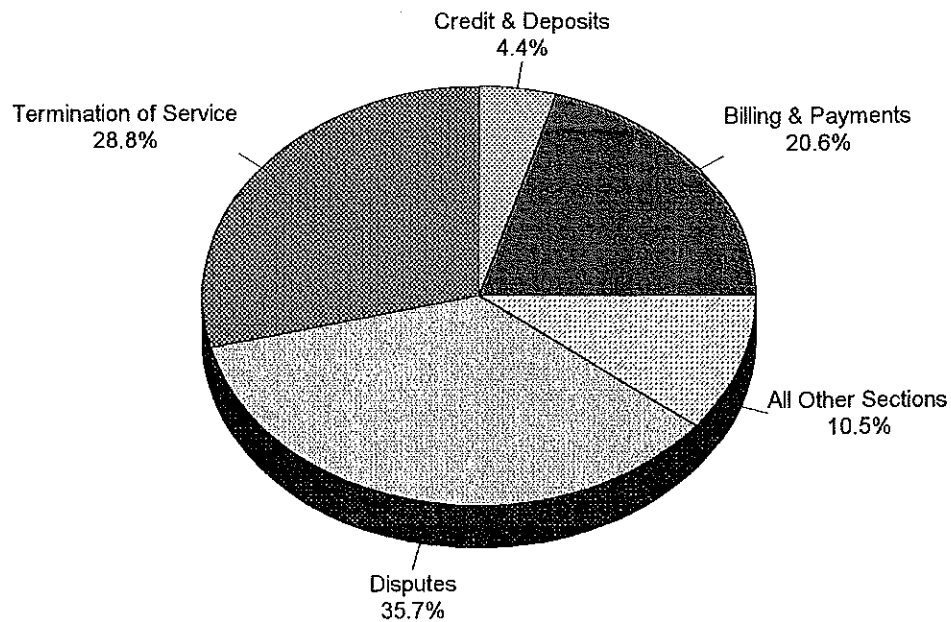
- PAWC and Philadelphia Suburban again had significant decreases (22% and 45% respectively) in the number of informally verified violations from 1993 to 1994. BCS commends these companies and encourages them to continue their efforts to improve.
- PG&W experienced a slight increase (3%) in the number of informally verified violations. However, PG&W's violations represent more than one-third of the total violations reported for all "Class A" water companies.

The data in the following figure show the sections of Chapter 56 that are most commonly violated by the fixed utilities based on compliance findings for 1994. A common compliance problem continues to be failure by utilities to handle customer complaints in full accord with the Chapter 56 dispute handling provisions (§56.141 - §56.181). This remains troubling since these provisions are intended to ensure basic due process rights to consumers.

Obtaining meter readings through automatic meter reading devices and the installation of remote meters continue to aid in the reduction of violations of §56.12, billing and payments. Informally verified violations of the Chapter 56 provisions relating to termination of service (§56.81 - §56.131) account for approximately 29% of the apparent violations by the major utilities in 1994. This suggests that utilities have not established and/or properly carried out procedures that ensure day-to-day compliance with these important Chapter 56 standards.

Most Commonly Violated Areas of Chapter 56 in 1994

Major Electric, Gas and Water Companies



Billing and Payments	§§56.11 - 56.24
Credit and Deposits	§§56.31 - 56.65
Termination of Service	§§56.81 - 56.131
Disputes	§§56.141 - 56.181

Conclusion

For the first time, the Bureau has introduced a measure of a company's compliance performance into the summary evaluation of each company's overall customer service performance in Chapter 2, Company Profiles. The profile of each major company also contains a narrative description of the company's compliance performance for 1994. Although the Bureau has always clearly acknowledged the value of compliance and the need to incorporate compliance into a utility's overall customer service evaluation, the Bureau has long deliberated over the most appropriate measure of compliance performance. After careful consideration, the Bureau has decided to introduce a preliminary compliance performance measure.

In this year's report, the Bureau measures a company's compliance performance by comparing the number of verified violations with the number of a company's residential customers. Because this measure is new and untested, the Bureau has assigned it a relatively low value when it calculates the company's overall score. (The other measures in the overall score are those for consumer complaint handling, payment negotiations, and collection performance). The Bureau anticipates that as it tests and possibly refines this measure, its weight in the overall evaluation of a company may also change. Despite the relatively low value that it has currently assigned to compliance performance, the Bureau views compliance with standards of conduct for residential service as a critical factor in good customer service performance. The Bureau encourages the electric, gas and water utilities to similarly regard this aspect of customer service as a critical component of their customer service programs.

7 • Customer Assistance Programs

This chapter is divided into two sections. The first section presents a brief history of the development of the Commission's policy regarding customer assistance programs (CAPs). The second section presents a progress report on the implementation of the Commission's CAP policy by the major electric and gas utilities in Pennsylvania and includes a summary of the results of process evaluations for three utilities' CAPs.

Development of Policy Statement

On October 11, 1990, the Commission initiated an investigation at Docket No. I-900002 into the problems of uncollectible balances and payment troubled customers. The purpose of the investigation was to assist the Commission in developing policy to address these problems. The October order made all major electric and gas utilities with gross annual intrastate operating revenues of \$40,000,000 respondents to the investigation. As a result of this investigation, the Bureau of Consumer Services submitted a *Final Report* to the Commission proposing a total of 83 recommendations. Twelve of the recommendations in the report related to customer assistance programs.

As a result of the BCS investigation and *Final Report*, the Commission endorsed the idea that an appropriately designed and well-implemented CAP, as an integrated part of a company's rate structure, is in the public interest. On July 25, 1992, the Commission adopted a Policy Statement on CAPs. CAPs provide alternatives to traditional collection methods for low income, payment troubled utility customers. Generally, customers enrolled in a CAP agree to make monthly payments to the utility based on household size and gross income. These regular monthly payments, which may be for an amount that is less than the current bill for utility service, are made in exchange for continued provision of the service. Besides regular monthly payments, customers need to comply with certain responsibilities and restrictions to remain eligible for continued participation.

The purpose of the Commission's Policy Statement is to encourage the major gas and electric utilities in Pennsylvania to implement pilot CAPs and to provide guidelines for those utilities that voluntarily implement CAPs. These 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.

Because design modifications to improve the cost-effectiveness of CAPs may be necessary, the CAP Policy Statement recommends that utilities implement pilot programs. The Policy Statement recommends that pilot CAPs enroll two percent of eligible customers or one

thousand participants, whichever is greater. This allows pilots to be small enough that changes can be made to the program without incurring major costs and, also, large enough to provide some relief to the low income, payment troubled customer population. Implementing pilots rather than full-scale programs allows utilities to test various design elements to determine the most efficient and cost-effective design for a CAP. Utilities are testing a variety of design elements that include: solicitation methods, eligibility criteria, payment plans, conservation incentives, arrearage forgiveness and default measures. Based on evaluation results, changes to the design of pilots can be made to improve design elements in a more cost-effective manner. Preliminary information shows that certain design elements may need to be revised to improve the cost-effectiveness of these pilots; and it will be easier and less costly to change a small pilot rather than a large program.

CAP Progress Report

Twelve of the 15 major electric and gas utilities have operational CAPs or CAPs that are in some phase of implementation. Only Penn Power, UGI-Electric, and T.W. Phillips have not submitted a CAP proposal to the Commission for review and approval. During the last twelve months, Duquesne, PG&W, and UGI-Gas received Commission approval for their pilot CAP designs. Duquesne and PG&W expect to begin enrolling participants by the summer of 1995. UGI - Gas conditions CAP enrollment on an approved funding mechanism for the pilot. This issue will be decided in UGI's current rate case before the Commission.

Enrollment and Solicitation

As of March 31, 1995, approximately 67,105 participants were enrolled in utility-sponsored CAPs. Generally, CAP pilots range in size from 1,000 to 2,000 participants. However, two utilities, PECO Energy and Equitable, have much larger programs that have been operating for some time. In 1984, PECO Energy established a pilot CAP that served several thousand customers. In 1990, PECO Energy requested and received Commission approval for recovery of costs for its CAP as it began to increase the number of participants enrolled in CAP. Currently, PECO has the largest CAP in Pennsylvania with an enrollment of approximately 55,000 participants. This number represents 81% of the total number of participants enrolled in CAPs. In 1990, the Commission approved Equitable's Energy Assistance Program (EAP), the second largest program. Equitable's EAP has a program size limit of 7,000 participants.

Several utilities, Penelec, PP&L, West Penn Power and Peoples, expect to reach their program participation limit by early this summer. These utilities focused their solicitation efforts on referrals from collection staff and community agencies rather than through written solicitation efforts. The Bureau has strongly encouraged utilities to solicit customers for enrollment into CAPs whenever they have actual contact with their customers. The relatively brief time it took these utilities to reach participation limits seems to indicate that this method of solicitation is effective. The following tables provide summaries of the participation limits and program time lines for impact evaluations for the electric and gas industries.

**SUMMARY OF STATUS OF UTILITY SPONSORED
CUSTOMER ASSISTANCE PROGRAMS (CAPs)
Electric Industry**

<i>Utility</i>	<i>Customer Assistance Program Name</i>	<i>Pilot Size/ Current Enrollment as of 3/95</i>	<i>Impact Evaluation Due Date</i>
DUQUESNE	Customer Assistance Program (CAP)	1,600/Enrollment to begin approx. 7/95	Spring 1998
MET-ED	Pilot Customer Assistance Program (CAP)	1,200/853	June 1996
PENELEC	Pilot Customer Assistance Program (CAP)	1,300/1,138	Spring 1997
PENN POWER	No Program. Delaying CAP development until financial situation improves.		
PP&L	On Track Payment Program	2,000/1,348	Interim impact - July 1996; Final impact - July 1997
PECO	Customer Assistance Program (CAP)	29,000/54,339	PECO committed to conduct a second impact evaluation.
UGI-ELECTRIC	No Program. No plans to implement a CAP.		
WEST PENN POWER	Low Income Payment and Usage Reduction Pilot (LIPURP)	2,000/1,382	Draft impact - April 1996; Final impact - June 1996

**SUMMARY OF STATUS OF UTILITY SPONSORED
CUSTOMER ASSISTANCE PROGRAMS (CAPs)
Gas Industry**

<i>Utility</i>	<i>Customer Assistance Program Name</i>	<i>Pilot Size/ Current Enrollment as of 3/95</i>	<i>Impact Evaluation Due Date</i>
COLUMBIA	Customer Assistance Program (CAP)	1,000/906	December 1996
EQUITABLE	Energy Assistance Program (EAP)	7,000/5,707	August 1995
NFG	Low Income Residential Assistance Rate (LIRAR)	1,000/918	June 1996
PG&W	Customer Assistance Program (Petition filed 11/94 pending Commission approval).	1,000/Enrollment to begin 8/95	Spring 1998
PEOPLES	Pilot Customer Assistance Program (PCAP)	1,000/514	Initial impact - July 1996; Final impact - December 1997
TW PHILLIPS	No program. CAP plan to be submitted in next rate case. Will continue to operate an alternative design (Energy Help Fund) until CAP is implemented.		
UGI GAS	Low Income Self Help Program (LISHP)	1,000/Enrollment to begin when rates issue is resolved.	

Among the enrollment highlights:

- Penelec relied only on referrals from its collection staff to solicit CAP participants. An automated, pre-screening eligibility process, complete with scripts for collection staff and letters for potential participants, makes the solicitation efficient. Penelec expects to reach the pilot limit in less than nine months.

- West Penn Power will have enrolled almost 2000 participants in slightly more than one year.
- Peoples began to enroll participants the end of November 1994 and expects to enroll 1000 participants by the end of April 1995.

Payment plans

The Bureau endorses payment plans that maximize customer payment amounts while maintaining affordability. At the Bureau's request, utilities analyzed the payment records of potential program participants for the 1993 and 1994 years. The analyses show that some low income customers as a group have actually been making payments that are higher than the payments recommended in the policy statement guidelines. Particularly for those utilities who implemented CAPs before the Bureau requested utilities to analyze past payment records, the Bureau believes that the CAP payment amounts may have been set too low. At least one preliminary impact evaluation shows that participants made higher total payments before enrollment in CAP. While there may be many possible explanations for this, the Bureau believes one reason may be that the required CAP payments were too low when the program first began. The Bureau 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. Based on the Bureau's recommendation, the Commission has approved payment plans that are one to two percent higher than the guidelines in the CAP Policy Statement. However, it is the Bureau's position that this adjustment may not adequately resolve the issue of appropriate payment amounts for CAP participants.

One possible solution may be to revise the CAP Policy Statement to include a payment plan similar to the one PP&L devised. PP&L requested and received approval to implement a revised payment plan that deviates from the CAP Policy Statement. Under this plan, three payment options are calculated: minimum payment, percent of bill and percent of income. Each payment calculation includes an annualized average payment amount that shows what the customer had paid over the past twelve months. A computer program automatically calculates the three payment options, and it shows the annual average payment amount as a reference point. The computer program recommends a payment that is closest to the annual average payment. However, PP&L allows agency staff discretion to choose another payment amount based on the household's needs and circumstances.

The Bureau believes this approach may be an improvement to the payment plan options in the CAP Policy Statement because of the flexibility it allows agencies to decide payments. By using this approach, customers generally have affordable payments; and under most circumstances, CAP payments are not less than these customers have paid historically.

Summary Status of CAP Evaluations

The CAP Policy Statement recommends that a utility thoroughly and objectively evaluate its CAP. Each evaluation is to include both process and impact components. The process component focuses on whether the CAP implementation conforms to the program design and determines if the program operates efficiently. The process evaluation should be undertaken during the middle of the first year that the program is in operation. Utilities have contracted with independent third parties to conduct process evaluations of the design and administration of pilot CAPs.

The impact component should be evaluated at least by the end of the second year that the program is in operation. Impact evaluations should focus on the degree to which the program achieves the continuation of utility service to CAP participants at reasonable cost levels. The evaluation should include an analysis of the costs and benefits of traditional collection methods versus the costs and benefits of handling low income, negative ability to pay customers through a CAP. The comparative analysis will include: 1) payment behavior; 2) energy assistance participation; 3) energy consumption; 4) administrative cost; and, 5) actual collection costs. Utilities have also contracted with third parties to conduct impact evaluations to determine the cost-effectiveness of CAPs.

In 1994, three utilities, Met-Ed, Equitable and NFG, submitted the results of their process evaluations to the Bureau. See Appendix J for a summary of these evaluations. Third-party evaluators judged these CAP pilots to be well managed and implemented according to their approved designs. The evaluators made minor recommendations to improve the efficiency of these programs. The evaluators also made recommendations to improve data collection so that valid and reliable data is available for the future impact evaluations. PECO Energy submitted the results of its impact evaluation to the Bureau in 1994. Appendix J also includes highlights of this evaluation study.

Evaluators have been consistent in their praise of the quality of utility and contract staff who are responsible for administering these programs. The Bureau will continue to review the process evaluations and make recommendations to the remaining utilities who are completing this step of the pilot CAP process.

There are two perspectives on the cost-effectiveness of CAPs. The first compares current collection costs to new program costs. Traditional collection costs include credit and allocation expenses, cash working capital and bad debt. CAP costs include administrative costs and billing deficiency costs. If new program costs are the same or less than current collection costs and bad debt is reduced, then CAPs become a more rational and cost-effective approach to collections. The second perspective argues that if the variable costs of providing service are covered, plus some contributions to fixed costs are made, other ratepayers are not harmed. According to this view, any contributions from CAP participants to fixed costs provide benefits to all ratepayers, as

opposed to these customers being disconnected from the system for nonpayment and making no contribution.

The Bureau expects to receive impact evaluations this year from Equitable and NFG. The impact evaluations will begin to address the question, "Are CAPs a cost-effective alternative to traditional collection methods?" Because this is the first time a non-traditional collection method is being evaluated for cost-effectiveness, it is difficult to compare costs. Specific CAP costs are identified for each step of the administrative process; however, this level of specific costs is not generally available for traditional collection methods. For example, Columbia submitted a preliminary impact assessment of its pilot CAP that could not compare collection costs. A&C Enercom, Columbia's evaluator, was unable to conduct a quantitative study of the credit and collection costs because the cost of key activities, such as premise visits and terminations, are not identified in any reliable manner. Columbia has agreed to hire an auditor to determine the costs of these traditional collection activities so that a fair comparison of traditional collection costs can be made to CAP costs.

The CAP costs together with general customer expense accounting systems and CAP impact evaluations should enable comparative studies between net costs for handling customers through CAPs versus traditional collection methods.

Summary

Since the Commission's approval of the CAP Policy Statement in 1992, most of the major electric and gas utilities have implemented pilot CAPs. Twelve of the fifteen major utilities have operational CAPs or CAPs that are in some phase of implementation. As of March 31, 1995, approximately 67,105 participants were enrolled in utility-sponsored CAPs. When these pilots have reached their participation limits, approximately 75,000 low income households will be enrolled in CAPs.

Utilities who have been successful at soliciting participants into CAP focused their solicitation efforts on referrals from collection staff and community agencies rather than using written solicitation efforts. The Bureau continues to strongly encourage utilities to solicit customers for enrollment into CAP whenever they have actual contact with their customers.

PP&L has developed a payment plan that appears to be an improvement to the payment guidelines recommended in the CAP Policy Statement because of the flexibility it allows agencies to decide payments. By using this approach, customers generally have affordable payments; and under most circumstances, CAP payments are not less than these customers have paid historically.

In 1994, several utilities, Met-Ed, Equitable & NFG, submitted the results of their process evaluations. Columbia submitted these results in 1992. Without exception, evaluators found CAPs to be implemented and administered according to the plans approved by the Commission.

Evaluators praised the quality of the staff responsible for the administration of these programs. PECO Energy submitted an impact evaluation to the Commission in 1994 that found improvements from a 1991 evaluation study.

In 1995, the Bureau will receive most of the remaining process evaluations for the utilities that have not yet completed this evaluation. Utilities will start to submit the results of impact evaluations during 1996. The impact evaluations will begin to address the question, "Are CAPs a cost-effective alternative to traditional collection methods?"

8 • Utility Hardship Funds

Utility company hardship funds were created to provide cash assistance to utility customers to help them pay their utility bills. 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. In recent years, monies from formal complaint settlements, overcharge settlements, off-system sales, special solicitations of business corporations, and natural gas purchase arrangements with Citizens Energy Corporation have expanded the funding for these assistance programs. Hardship funds provide assistance grants to customers who "fall through the cracks" of other financial programs or to those who still have a critical need for assistance after other resources have been exhausted. These funds often make the difference between households being able to maintain necessary utility service and the potentially life-threatening termination of service.

The Pennsylvania Electric Company and Metropolitan Edison Company began hardship fund programs in the late 1970's. With encouragement from the Pennsylvania Public Utility Commission, many other major companies began supporting hardship funds in the mid-1980's. In 1985, the Pennsylvania Public Utility Commission issued a Secretarial letter to all major utilities urging them to develop and support a utility company hardship fund. The utilities were responsive and by 1986 each major electric and gas company sponsored a utility hardship fund in its service territory. (Appendix K lists the name of the hardship fund(s) each major utility supports).

As part of its *Final Report*, the Bureau of Consumer Services included two recommendations specifically related to utility company hardship funds and subsequently, the Commission issued a Secretarial letter in November 1992 based on those recommendations. The Secretarial letter recommended the following guidelines for utility hardship funds:

- Utilities should continue to support and expand company hardship fund programs that provide cash grants to needy utility customers. Companies should advocate shareholder increases in contributions through offering a shareholder and/or employee matching contribution provision, or outright grants.
- All major electric and gas companies should consider adopting the "dollar check-off provision", or a similar provision, on utility bills to enable customers to make contributions with minimal effort.
- Each company should join with a highly visible charitable organization to increase the effectiveness of its hardship fund program.

- Utilities should continue to seek donations from community and corporate neighbors and increase visibility in the community through fund raising events and use of mass media.

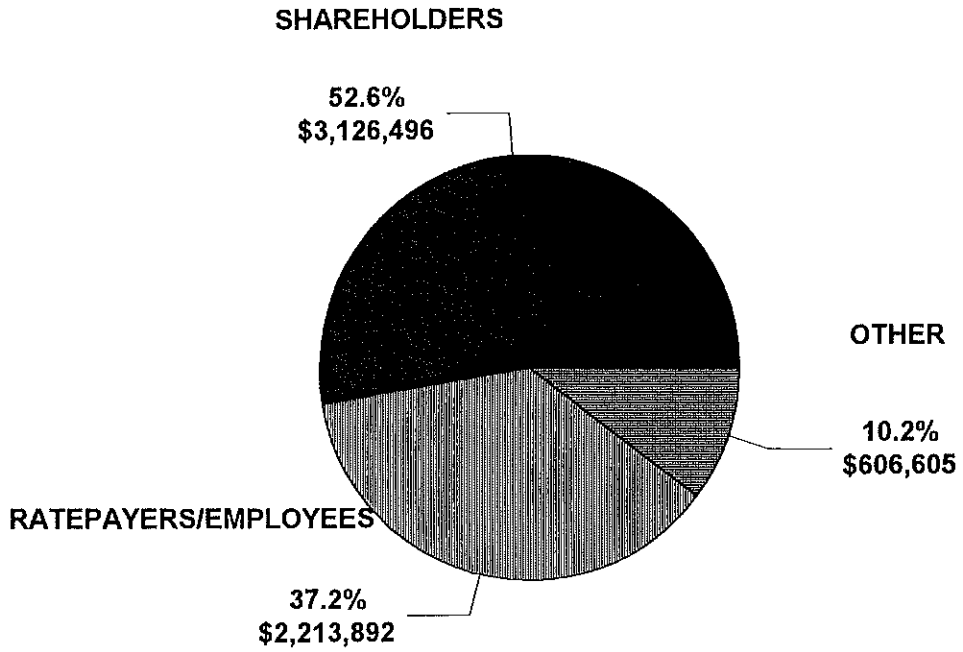
1994 Survey Results

The Bureau of Consumer Services has traditionally conducted an annual survey of the major electric and gas utilities to gather information about their hardship funds. In 1993, the survey moved beyond electric and gas companies by including Pennsylvania-American Water Company (PAWC). In 1994, the survey included two hardship fund reports from Pennsylvania Gas & Water Company (PG&W) - one for its gas customers and one for its water customers. For the 1993-94 program year, total contributions to the hardship funds equaled \$5,946,993.

Sources of Contributions

As stated earlier, contributions from shareholders, employees, ratepayers and business corporations all provide funding for the various utility hardship funds in Pennsylvania. In addition, formal complaint settlements, overcharge settlements, off-system sales and natural gas purchase arrangements increase the amount of money available to these programs. The figure below shows the sources of hardship fund contributions for the 1993-94 program year. The "other" category in the figure encompasses contributions from a variety of sources. For 1993-94 the "other" contributions to the utility hardship funds totaled \$606,605. A significant portion of this amount comes from a one-time payment by PECO Energy of \$217,000 pursuant to a settlement agreement approved by the Commission during the 1993-94 program year.

Sources of Hardship Fund Contributions 1993-1994



Ratepayer/Employee Contributions

Since not all companies keep separate records of the amounts their employees contribute to the company's hardship fund, BCS has historically combined the contributions from ratepayers with contributions from employees when reporting the results of its annual survey. Table 22 reports the combined contributions from employees and ratepayers for each company for the past two program years. The table also shows the average ratepayer/employee contribution rate for each residential customer.

Table 22- Ratepayer/Employee Contributions

Company	1993-94		
	1992-93	1993-94	Average Ratepayer/Employee Contribution Per Customer
Duquesne	\$294,621	\$311,26	\$0.61
Met. Ed.	69,469	87,929	0.22
Penelec	52,903	64,585	0.13
Penn Power	61,786	66,883	0.55
PP&L	304,691	308,999	0.29
PECO*	521,779	558,991	0.43
West Penn	181,560	202,274	0.36
Columbia	106,616	107,910	0.34
Equitable	106,081	104,637	0.46
NFG	37,834	37,525	0.20
PG&W-Gas	10,762**	17,695	0.14
Peoples	241,319	245,319	0.78
T.W. Phillips	19,779	19,535	0.38
UGI*	25,562	26,171	0.13
PAWC	32,139	49,298	0.14
PG&W-Water	N/A	4,874	0.04
TOTAL	\$2,066,901	\$2,213,892	\$0.35

* Includes electric and gas

**PG&W-Gas and Water Combined Contributions

Highlights of Table 22 include the following:

- With the exception of Equitable, NFG and T.W. Phillips, ratepayers and employees of the major electric and gas companies (including PAWC) either maintained or increased their level of contributions to the hardship funds.
- The ratepayers and employees of Peoples and Duquesne were the most generous with their contributions in 1993-94, which is consistent with their past two years' performance.
- When combining the amounts for both gas and water, PG&W's ratepayer/employee contributions have more than doubled from the previous year, increasing from a total of \$10,762 for the previous program year to a total of \$22,569 for the 1993-94 program year.

Shareholder Contributions

Shareholders contribute to utility hardship funds in three ways: grants for administration of the programs, outright grants to the funds, and grants that match the contributions of ratepayers. In past years, the Bureau has recommended that shareholders demonstrate their commitment to their company's hardship fund either by establishing a minimum ratio of 1:1 for matching contributions or, if necessary, by approving outright grants.

BCS discovered in its review of this past year's survey that Penelec has been reporting its administrative shareholder contributions to the Bureau based on a calendar year rather than a program year. Next year, Penelec will report this information for the program year. Through further discussion with Penelec, BCS determined that if the total shareholder contribution amount had been reported for the 1992-93 and 1993-94 program years, the company would show a shareholder contribution increase of approximately 39%.

Table 23 presents information regarding shareholder contributions to hardship funds for the past two program years.

Table 23 - Shareholder Contributions

Company	Amount Contributed		% Change	1993-94 Contribution/ Residential Revenues
	1992-93	1993-94		
Duquesne	\$348,000	\$390,000	12%	.089%
Met. Ed.	122,000	188,500	55%	.059%
Penelec*	114,000	158,000	39%	.052%
Penn Power	40,000	47,000	18%	.043%
PP&L	309,000	321,750	4%	.035%
PECO**	550,553	848,863	54%	.055%
West Penn Power	120,000	180,000	50%	.050%
Electric Cos.	1,603,553	2,134,113	33%	.054%
Columbia	100,000	104,428	4%	.044%
Equitable	240,000	240,000	No Change	.102%
NFG	33,333	33,333	No Change	.021%
PG&W-Gas	47,394***	38,209	N/A	.041%
Peoples	360,000	420,000	17%	.156%
T.W. Phillips	30,000	36,000	20%	.118%
UGI**	62,781	63,086	No Change	.050%
Gas Cos.	873,508	935,056	7%	.081%
Total Gas/Electric	2,477,061	3,069,169	24%	.060%
PAWC	42,000	42,000	No Change	.041%
PG&W-Water	N/A	15,327	N/A	.045%
TOTAL	\$2,519,061	\$3,126,496	24%	.059%

* Penelec - approximate program year contributions

** Includes electric and gas

*** PG&W-Gas and Water - Contributions Combined

Highlights of Table 23 include the following:

- The shareholders of the major electric and gas companies (including PAWC) increased contributions to hardship funds by 24% for the 1993-94 program year.
- Based on contributions compared to residential revenues, the shareholders of Peoples Gas have once again proven to be the most generous of all utilities. T.W. Phillips' shareholders were the second most generous, with the shareholders of Equitable Gas coming in third.

Benefits

As reported in last year's analysis, BCS was somewhat concerned by the decrease in both the number of grants and the amount of money disbursed during the 1992-93 program year, despite increased contributions to the fund. A reduction in the number of applicants was determined to be one of a variety of factors responsible for the decrease. BCS did not believe that there had been a decrease in the number of households who needed assistance funding and was prepared to monitor the 1993-94 program year closely. BCS is pleased to report that the 1993-94 program year has seen an increase in both the number of grants and the amount of money disbursed. Table 24 presents information regarding the number of ratepayers receiving grants and the number of total benefits disbursed.

Table 24 - Utility Hardship Fund Grants

Company	Ratepayers Receiving Grants		Average Grant		Total Benefits Disbursed	
	1992-93	1993-94	1992-93	1993-94	1992-93	1993-94
Duquesne	2,052	2,646	\$283	\$246	\$580,000	\$650,000
Met Ed	1,753	2,279	91	97	159,957	222,163
Penelec	1,740	2,037	97	93	169,605	190,300
Penn Power	357	475	170	177	60,680	83,970
PP&L	2,856	2,517	192	205	549,728	517,052
PECO*	2,915	3,212	259	384	756,220	1,232,790
West Penn	926	1,444	229	208	212,420	300,000
Columbia	2,477	2,714	198	176	489,984	476,722
Equitable	1,618	1,780	247	225	400,000	400,000
NFG	327	440	190	186	62,109	81,763
PG&W-Gas	792**	714	79**	87	62,412**	62,446
Peoples	2,445	3,026	245	231	600,000	700,000
T.W. Phillips	312	379	169	187	52,670	71,059
UGI*	1,078	867	91	98	98,526	84,928
PA American	505	594	139	121	70,000	71,800
PG&W-Water	N/A	391	N/A	61	N/A	23,982
TOTAL	22,153	25,515	\$195	\$203	\$4,324,311	\$5,168,975

* Includes electric and gas

** PG&W-Gas and Water Combined

Highlights of Table 24 include the following:

- A total of 25,515 households received grants from utility hardship funds during the 1993-94 program year. This is a 15% increase in the total number of customers receiving grants over the previous program year.
- The average grant increased from \$195 in 1992-93 to \$203 for the 1993-94 program year.
- The total benefits disbursed during the 1993-94 program year is 20% greater than the amount disbursed during the 1992-93 program year.

Summary

The utility companies, the Dollar Energy Fund and the Utility Emergency Services Fund have once again cooperated with BCS in providing and verifying the information about the hardship funds. Shareholders, employees and ratepayers have also shown increasing commitment to utility hardship fund programs since their inception. The Bureau believes that the current efforts are commendable. However, due to the number of Pennsylvania households still living below the federal poverty standard and the uncertainty of LIHEAP funding each year, the importance of hardship funds continues to increase since they may be the only source of assistance with paying utility bills for many low income households.

Finally, as the cost of water service increases, more and more low income households will most likely be faced with water bills they cannot afford. The Bureau encourages the other water companies to establish hardship funds to aid their payment troubled, low income customers.

9 • Conclusion

The discussion on the preceding pages has fulfilled the Bureau's responsibility to make assessments of utility customer service performance generally available. This report provides an overview and a general analysis of complaints that consumers presented to BCS about electric, gas and water companies during 1994. In addition, the analysis of collection statistics provides a basis for comparing company performance at managing unpaid accounts. The review of compliance statistics shows how successful companies are at operating in conformity with Commission regulations. One of the newest chapters in this report, Customer Assistance Programs, presents the progress of the major electric and gas utilities as they implement the Commission's policy on these important programs. Finally, the other recent addition, the chapter on utility hardship funds, summarizes the results of the Bureau's annual survey of utility-sponsored cash assistance programs.

Consumer Complaints and Payment Arrangement Requests

In Chapter 3, the Bureau measures utility effectiveness in consumer complaint handling through justified rates. This evaluative measure combines the quantitative measure of volume of consumer complaints with the qualitative measure justified percent. The justified consumer complaint rate is the ratio of a company's justified consumer complaints to the number of the company's residential customers. The Bureau perceives this to be a bottom line measure of performance that evaluates the effectiveness of company complaint handling as a whole and, as such, allows for general comparisons to be made among companies and across time. The Bureau measures a utility's responsiveness through the average time in days the company takes to respond to the Bureau regarding consumer complaints.

Overall, the electric, gas and water companies deteriorated at consumer complaint handling from 1993 to 1994. Not only did the volume of consumer complaints increase from 1993 to 1994, the percentage of cases found justified also increased. Thus, the overall effectiveness of the industries deteriorated. In responsiveness, some utilities took far longer than others to respond to consumer complaints. Some utilities have maintained a relatively quick response time for several years, while other utilities have been able to significantly reduce their average response times. Therefore, the companies with the slowest response times should be able to successfully reduce the length of time it takes to respond to the consumer complaints. In 1995, the Bureau will closely monitor the worst companies in each industry for both effectiveness and responsiveness.

Utility effectiveness at payment negotiations (justified payment arrangement request rate) is measured through the ratio of a company's justified payment arrangement requests to the number of the company's overdue residential customers. As with justified consumer complaint rate, the Bureau perceives this measure to be a bottom line measure of payment negotiation

performance. The Bureau uses this measure to make comparisons among companies and across time. Responsiveness to payment arrangement requests is measured through the average time in days a company takes to respond to the Bureau regarding these requests.

Chapter 4 reviews the effectiveness of the electric, gas and water industries at payment negotiations and shows that each industry improved from 1993 to 1994. Although the volume of payment arrangement requests increased during that time, the percentage of cases found to be justified decreased significantly. Thus, the overall effectiveness of the three industries improved. However, since not all companies within each industry improved, BCS will target those that continue to show evidence of poor negotiations for close scrutiny in 1995. Overall, the responsiveness of the major companies to requests for payment arrangements was stable from 1993 to 1994. However, individually, several of the major companies had slow response times in 1994. The Bureau encourages these companies to improve in 1995. The majority of the major companies have demonstrated that it is possible to respond quickly to these cases.

As access to the Bureau continues to improve, it appears obvious that more consumer complaints and more requests for payment arrangements will be generated. Therefore, utilities face a continuing challenge to improve their handling of complaints and payment negotiations so that their effectiveness rates will not deteriorate. There is ample evidence to show that companies that make a sincere effort to improve complaint handling have been successful. To foster these efforts, the Bureau attempts to assist companies at self-monitoring. In addition to periodic reviews of company procedures, the Bureau provides most of the data used in the preparation of this report to companies on a quarterly basis. Companies that seek to improve performance and confront problems can determine causes for problems and respond appropriately long before BCS becomes involved. The Bureau will continue to target for improvement those companies that show deterioration in the measures of customer services performance that are presented in this report. The objective of the Bureau efforts is to encourage companies to undertake efforts to insure that customers who voice their problems to companies receive the best possible response.

Collections

Chapter 5 reports that from 1992 to 1994 the overall collection performance of the electric and gas industries was stable, but the performance of individual companies varied widely. For the electric industry, the size of residential debt, the number of residential customers owing money and the gross residential write-offs improved over the past two years. The 1994 collection results show the continuation of a slightly improving trend since 1991 for the electric industry.

A review of the collection data from the gas industry indicates increases in both the amount of residential debt and the number of residential customers in debt from 1992 to 1994. On the positive side, the gas industry reported a decrease in the amount of its gross residential write-offs during this same period. Similar to that of the electric industry, the 1994 statistics

generally show an overall continuing trend of stability in the collection performance of the gas industry since 1991, noting a slight deterioration in 1994.

BCS continues to emphasize the importance of maintaining, at a minimum, stable collection performance. This report finds a wide disparity in the performance among companies. The Bureau is particularly concerned with the large increases in residential customer debt reported by the gas utilities. In addition, several of the companies with the worst collection records seem unable to substantially reverse their poor performance. As BCS refines its gathering of statistics and measurements regarding utilities' collection performance, it expects to be able to provide more details and better diagnostics of the collection operations of the electric and gas utilities.

Some utilities have demonstrated that they can strike a balance between good customer service performance and stable collection performance. Penelec, for example, illustrates this by its satisfactory scores in consumer complaint handling, payment negotiations, and compliance, as well as in collections. Other companies appear unable to perform well on all measures. Some companies seem to have chosen to overlook proper complaint handling in order to maximize collection efforts. Others seem to be unable to gain control over their collection problems while they focus on compliance and handling consumer complaints and payment negotiations. The Bureau believes that the successful companies prove that it is possible to perform well in one area without jeopardizing success in the other. The Bureau encourages companies to continue to study their collection policies in order to improve or maintain good collection performance while providing effective customer service to all customers.

In 1995, the Bureau plans to continue to collaborate with companies to help them improve their collection of outstanding debt. The Bureau continues to recommend that utilities implement tailored, aggressive collection systems. For seriously delinquent, non-low income accounts, utilities should aggressively pursue payment. If these customers do not pay, termination may be the only recourse. Low income accounts should also be pursued in a timely manner. For low income customers who have an ability to pay their utility bills, good faith payment negotiations should be pursued. If these efforts fail to produce customer payments, then termination may be a reasonable recourse. For low income customers with a negative ability to pay, Customer Assistance Programs (CAPs) are the option of choice for maximizing customer payments and minimizing collection-related expenses. However, CAP customers who fail to pay according to these special agreements must also face the consequences of nonpayment.

Compliance

Chapter 6 shows that overall utility compliance with the Commission's regulations continued to improve in 1994. The electric and water industries performed better in 1994 while the gas industry deteriorated slightly from 1993 to 1994. Some major companies are taking corrective compliance action not only from feedback provided through the informal compliance process of BCS, but also as a result of their own internal systems designed to track compliance activity.

For the first time, this report has integrated a preliminary compliance performance measure into its evaluation of the overall performance of the electric, gas and water companies. The Bureau has always regarded compliance with the customer service regulations to be an integral part of a utility's customer services performance, yet has long debated how to appropriately measure individual utility compliance performance. The Bureau plans to study and evaluate this preliminary measure as it continues to investigate its use as the most appropriate measure of this important utility customer service behavior.

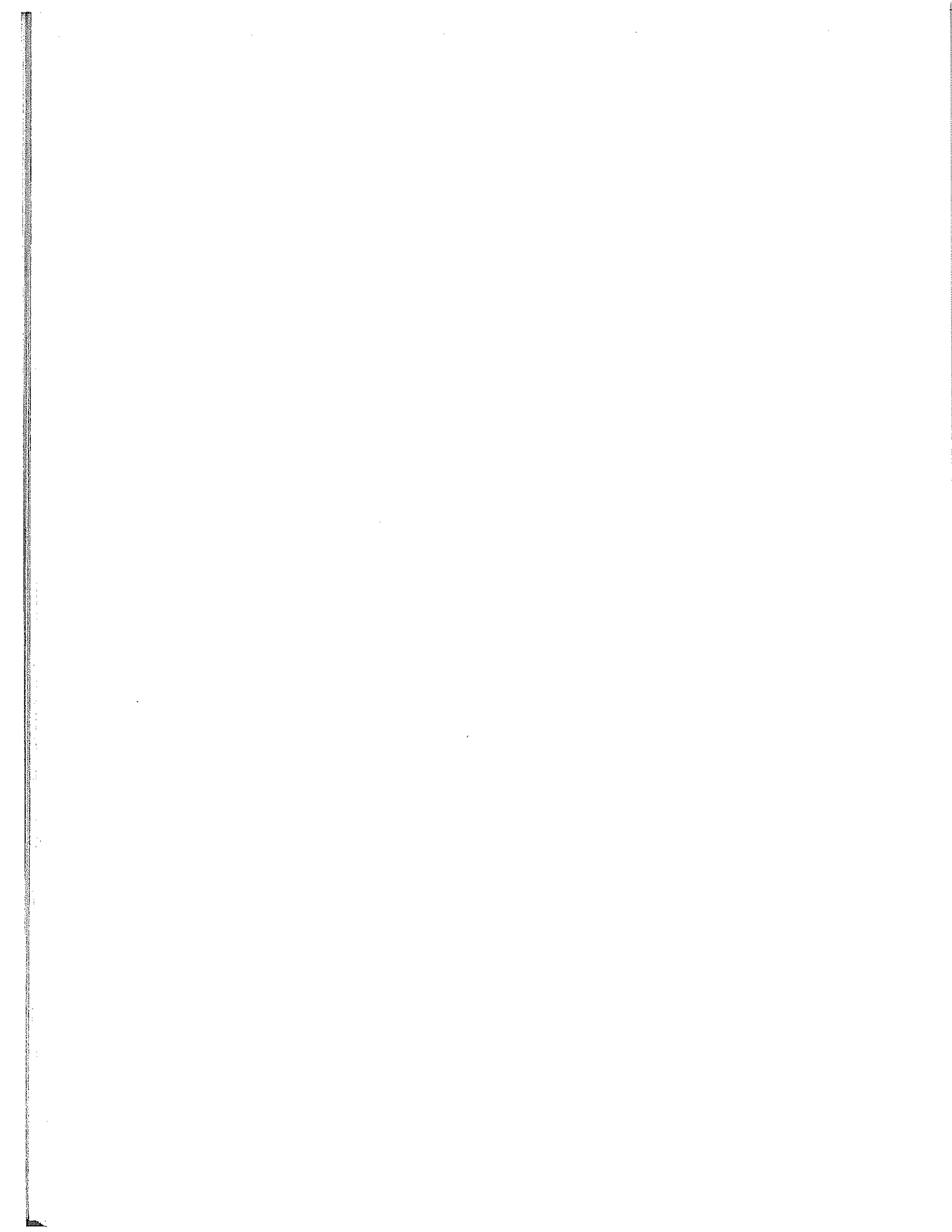
Customer Assistance Programs

The review of the customer assistance programs in Chapter 7 gives some evidence of the level at which utilities are adopting the policies and recommendations of the Commission regarding low income, payment troubled customers. It is apparent from the review in this report that some companies have put a great deal of effort into the programs that have been recommended by the Commission. Others appear to be only minimally interested in successfully implementing and operating them. The Bureau will continue to carefully scrutinize utility efforts at carrying out the Commission's recommendations and policy and will report its findings to the Commission for its consideration.

Summary

Throughout this report there are numerous examples of results that point to opportunities for companies to make significant improvements in their customer service programs. Individual company performance varied greatly in 1994. Some companies have done a better job of effectively managing and running their customer service operations than others. These companies include Penelec, PP&L, Penn Power, NFG, Columbia Gas, PAWC and Philadelphia Suburban Water. The efforts of the better companies warrant careful study by those companies that did not perform well. At the same time, no company came close to being the best in all areas. Thus, even the better companies can resolve to improve their performance with a reasonable expectation of success. Those companies that the statistics in this report show have generally ineffective customer services are a source of concern to the Bureau. These companies are UGI-Gas, UGI-Electric and PG&W-Water. Once again, the Bureau will be closely monitoring these companies in the current year and requests that these companies target their own individual problem areas for improvement in 1995.

Appendices



Appendix A - Distribution of Commercial Cases

Company	1993		1994	
	Payment Arrangement Requests	Consumer Complaints	Payment Arrangement Requests	Consumer Complaints
Duquesne	41	21	35	19
Met-Ed	61	17	56	19
Penelec	10	23	15	24
Penn Power	14	9	8	4
PP&L	84	29	102	26
PECO	250	67	158	63
UGI - Electric	2	1	0	1
West Penn	18	21	26	20
Columbia	4	9	7	13
Equitable	18	21	41	21
NFG	4	10	4	14
PG&W-Gas	1	2	3	4
Peoples	17	8	13	16
UGI-Gas	12	14	23	11
PA American	4	9	3	13
PG&W-Water	4	3	3	10
Phila. Suburban	3	4	1	3

Appendix B - 1994 BCS Complaints - Residential/Commercial

PAYMENT ARRANGEMENT REQUESTS (PARs)

Industry	Total PARs	Residential PARs	Percent Residential PARs	Commercial PARs	Percent Commercial PARs
Electric	12,253	11,853	97%	400	3%
Gas	6,278	6,186	99%	92	1%
Water	871	862	99%	9	1%
Other	6	6	100%	0	0%
TOTAL	19,408	18,907	97%	501	3%

CONSUMER COMPLAINTS

Industry	Total C.C.	Residential C.C.	Percent Residential	Commercial C.C.	Percent Commercial
Electric	2,095	1,916	91%	179	9%
Gas	1,419	1,334	94%	85	6%
Telephone	6,549	5,925	90%	624	10%
Water	732	695	95%	37	5%
Other	37	36	97%	1	3%
TOTAL	10,832	9,906	91%	926	9%

Appendix C - Table 1 - Monthly Volume

Month	Payment Arrangement Requests			Consumer Complaints		
	1992	1993	1994	1992	1993	1994
January	348	404	622	689	973	609
February	374	558	657	689	826	776
March	750	902	1,110	642	835	994
April	1,419	1,873	2,044	482	725	797
May	1,383	1,751	1,947	570	747	898
June	1,495	2,215	1,769	646	908	771
July	1,418	2,128	1,650	701	893	865
August	1,375	2,201	2,225	654	971	1,139
September	1,514	1,977	2,127	681	887	999
October	1,608	1,860	2,168	705	644	959
November	1,303	1,690	1,940	745	673	893
December	495	975	1,149	948	792	1,132
TOTAL	13,482	18,534	19,408	8,152	9,874	10,832

Appendix C - Table 2 - BCS Activity

Year	Payment Arrangement Requests	Consumer Complaints*	Inquiries	Total
1978	11,749	11,441	7,095	30,285
1979	14,976	10,207	42,000**	67,183
1980	15,006	7,454	15,229	37,689
1981	16,599	6,762	20,636	43,997
1982	19,603	7,084	23,553	50,240
1983	15,896	6,563	20,128	42,587
1984	16,014	6,603	18,808	41,425
1985	14,272	6,738	26,144	47,154
1986	10,181	5,896	14,663	30,740
1987	8,782	6,433	11,187	26,402
1988	6,913	7,478	10,581	24,972
1989	8,290	7,978	9,784	26,052
1990	10,416	8,892	8,820	28,128
1991	13,221	7,522	5,198	25,941
1992	13,482	8,152	6,528	28,162
1993	18,534	9,874	16,653	45,061
1994	19,408	10,832	20,315	50,555
TOTAL	233,342	135,909	277,322	646,573
Average	13,726	7,995	16,313	38,034

* Includes telephone complaints

** Includes 27,000 TMI protests

Appendix D -1994 Major Problem Categories for Inquiries and Opinions*

Category	Number	Percent
Referral to Company	7,941	39.1
Referral to Other BCS/Other Bureau	2,248	11.1
Referral to Other Agency	4,394	21.6
Specific Information Request	3,980	19.6
Rate Protest and Opinion	554	2.7
Opinion - General	222	1.1
Company Changed	143	0.7
Duplicate	102	0.5
Verbally Dismissed	102	0.5
No Jurisdiction	87	0.4
Other	542	2.7
TOTAL	20,315	100

** Includes telephone inquiries and opinions*

Appendix E - Type of Industry

Industry	Payment Arrangement Requests		Consumer Complaints	
	1993	1994	1993	1994
Electric	66%	63%	19%	19%
Gas	29%	32%	11%	13%
Telephone	N/A	N/A	64%	60%
Water	5%	5%	6%	7%
Other	0%	0%	0%	1%

N/A = Not Applicable

Appendix F - 1994 Monthly Average Number of Residential Customers

Company	Residential Customers
Duquesne	514,254
Met-Ed	400,756
Penelec	487,569
Penn Power	123,390
PP&L	1,062,859
PECO	1,321,390
UGI - Electric	53,087
West Penn	566,884
Major Electric - Total	4,530,189
Columbia	325,697
Equitable	228,912
NFG	192,385
PG&W-Gas	125,870
Peoples	314,460
UGI-Gas	214,131
Major Gas - Total	1,401,455
Pennsylvania-American	346,200
PG&W - Water	121,337
Philadelphia Suburban	234,624
All Other "Class A" Companies	145,650
"Class A" Water - Total	847,811

Appendix G - Table 1 - Residential Heating Bills* in 1994

Company	Monthly Averages		Cost Per Unit (\$/KWH or MCF)
	Usage	Bills	
Duquesne	1,076 KWH	\$94.39	\$.0877
Met-Ed	1,416 KWH	111.21	.0785
Penelec	1,300 KWH	100.36	.0772
Penn Power	1,699 KWH	116.63	.0686
PP&L	1,501 KWH	115.53	.0770
PECO-Electric	1,588 KWH	146.29	.0921
UGI - Electric	1,649 KWH	104.91	.0636
West Penn	1,567 KWH	98.38	.0628
Columbia	10.1 MCF	69.60	6.89
Equitable	10.2 MCF	91.02	8.92
NFG	11.0 MCF	79.03	7.18
PG&W-Gas	12.8 MCF	81.67	6.38
Peoples	10.6 MCF	60.28	5.69
PECO - Gas	10.2 MCF	70.09	6.87
UGI - Gas	9.1 MCF	69.72	7.66

***Source:** *Data reported by companies - Figures used are for average bills and usage for each company.*

Appendix G - Table 2 - Residential Non-Heating Bills* in 1994

Company	Monthly Averages		Cost Per Unit (\$/KWH or MCF)
	Usage	Bills	
Duquesne	491 KWH	\$63.99	\$.1303
Met-Ed	651 KWH	56.59	.0869
Penelec	561 KWH	49.00	.0873
Penn Power	732 KWH	72.77	.0994
PP&L	630 KWH	54.25	.0861
PECO-Electric	584 KWH	75.98	.1301
UGI-Electric	510 KWH	43.40	.0851
West Penn	716 KWH	47.80	.0668
Columbia	1.9 MCF	21.80	11.47
Equitable	1.8 MCF	22.37	12.43
NFG	4.9 MCF	42.03	8.58
PG&W-Gas	1.7 MCF	15.05	8.85
Peoples	2.2 MCF	19.65	8.93
PECO - Gas	2.4 MCF	23.09	9.62
UGI - Gas	1.6 MCF	18.05	11.28

**Source: Data reported by companies - Figures used are for average bills and usage for each company.*

Appendix H - Net Total Write-Offs as a Percentage of Total Revenues*

Company	1992	1993	1994	Percent Change 1992-1994
Duquesne	1.33%	0.93%	1.05%	-21%
Met-Ed	0.66%	0.69%	0.72%	9%
Penelec	0.41%	0.39%	0.39%	-5%
Penn Power	3.18%x	0.42%	0.41%	-87%
PP&L	0.75%	0.76%	0.74%	-1%
PECO#	1.54%	1.98%	1.98%	29%
UGI - Electric	0.52%	0.53%	0.52%	No Change
West Penn	0.37%	0.36%	0.41%	11%
Electric-Average	1.09%	0.76%	0.78%	-28%
Columbia	1.63%	1.60%	1.70%	4%
Equitable	2.78%	2.69%	2.77%	No Change
NFG	1.79%	1.41%	1.00%	-44%
PG&W - Gas	1.14%	0.97%	0.87%	-24%
Peoples	1.06%	1.35%	1.26%	19%
UGI - Gas	1.03%	0.84%	1.07%	4%
Gas-Average	1.57%	1.48%	1.44%	-8%

* *Source: Company reported data*

Electric and gas combined

x *Includes industrial write-offs of \$7,251,444. This amount is unusually high.*

Appendix I - Number of Residential Customers in Debt

Company	1992	1993	1994
Duquesne	99,296	77,590	82,683
Met-Ed	56,574	57,110	57,990
Penelec	80,455	78,779	81,565
Penn Power	29,538	29,518	30,208
PP&L	189,504	191,991	188,509
PECO	378,319	384,072	332,626
UGI - Electric	7,131	7,433	7,278
West Penn	118,468	126,831	125,130
Electric - Total	959,285	953,318	905,989
Columbia	37,982	36,157	38,372
Equitable	48,584	49,196	51,703
NFG	30,541	30,263	34,170
PG&W - Gas	18,517	19,075	20,659
Peoples	41,779	51,282	45,357
UGI - Gas	29,115	30,406	34,130
Gas - Total	206,518	216,379	224,391
TOTAL	1,165,803	1,169,697	1,130,380

Appendix J - Utility Summaries of CAP Evaluations

Met-Ed CAP Process Evaluation Highlights

In June 1994, Xenergy, Inc. (Xenergy) completed a process evaluation for Met-Ed. Xenergy found Met-Ed's CAP to be well managed by the staff who implemented and now administer CAP. Met-Ed hired no additional staff for the start-up demands needed to implement a CAP. Although the evaluator determined that Met-Ed's CAP is well managed, they did find some problems with the fact that staff were responsible for the administration of CAP as well as their normal job duties. Because of staffing constraints, written procedures were not fully documented and several components of CAP were not implemented in the start-up phase. These components included education, energy conservation and budget counseling. In addition, because early start-up and implementation of a program are time consuming, other human services programs (CARES and the hardship fund) did not receive adequate attention. The evaluator recommended that Met-Ed reassess the responsibilities assigned to staff. The evaluator also made recommendations regarding solicitation and eligibility for a larger target population than the CAP Policy Statement recommends.

Met-Ed implemented most of the recommendations from the process evaluation including the addition of one full-time staff member. Written procedures are now fully documented, and Met-Ed provides the education, energy conservation and budget counseling components of CAP during the reevaluation interviews.

Columbia Process Evaluation Highlights

In October 1992, Xenergy, Inc. completed a process evaluation for Columbia. Xenergy found that the CAP pilot is administratively sound and well managed. Xenergy made recommendations to Columbia directed at improving communication between utility staff and contract staff. Other recommendations included: methods to make the application process more efficient and suggestions to improve the quality control process. Columbia implemented these recommendations.

Equitable Process Evaluation Highlights

In July 1994, H. Gil Peach & Associates (Peach) completed a process evaluation for Equitable. Peach found that Equitable's Energy Assistance Program (EAP) operates consistently and according to the approved design. Peach also concluded that limitations of the data management systems are the most serious weakness in the current EAP operation. Other findings include superior skill levels of staff who administer EAP; quality control mechanisms built into the program that could be expanded to include summary reports, periodic on-site visits and observations of staff and contractors; and consistent program functions that are fair for the eligible customers who participate in EAP.

Equitable accepted most of the fifty-nine recommendations in the process evaluation and submitted an implementation plan to the Bureau. The process evaluation also addressed four outstanding issues from the Commission's February 9, 1993 letter that requested Equitable to modify certain design elements of its EAP to more closely reflect the CAP Policy Statement guidelines. The four outstanding issues involved the following design elements and are explained below:

1. **Payment plans.** Two payment plan issues remain outstanding: sliding payment scale and method of payment calculations.

2. **Control features.** Two control features, conservation incentives and billing deficiency limits, differed from the policy statement. Now, however, both issues have been resolved to the Bureau's satisfaction. Equitable plans to implement a conservation incentive in 1995 when the new Customer Management System begins. The Bureau granted Equitable's request to increase the billing deficiency limits for EAP. Equitable successfully argued that its billing deficiency limits should be raised because its rates are 20% higher than the average gas bill for regulated gas utilities in Pennsylvania.

3. **Administration.** The administration of Equitable's EAP differs from the guidelines in the CAP Policy Statement. Equitable's EAP is administered by National Accounts System (PAYCO), a for-profit organization. The policy statement recommends that, if feasible, a utility should include nonprofit, community-based organizations (CBOs) in the operation of a CAP. Peach found that the combination of company personnel, PAYCO, a for-profit organization and CBOs works well for EAP and should be continued. Company personnel are responsible for program oversight and certain administrative functions. PAYCO administers the monitoring portion of the program and the CBOs perform the intake interview and verification.

4. **Coordination of benefits.** Equitable changed its energy assistance requirements for EAP participants to reflect those in the CAP Policy Statement. Participants are required to give only one energy assistance grant (rather than both) to Equitable.

National Fuel Gas Distribution Low Income Residential Assistance (LIRA) Rate Program Process Evaluation Highlights

Temple University Institute for Public Policy Studies (IPPS) has provided a series of interim evaluations to National Fuel Gas Distribution (NFG). The first evaluation focused on program implementation. The IPPS found that NFG's Low Income Residential Assistance (LIRA) rate program is implemented as designed; however, some small data issues needed to be resolved. The second evaluation reiterated the findings from the first evaluation. In addition, IPPS emphasized that outreach continues to be effective and the technical expertise of LIRA staff is impressive. IPPS reported that the data issues (from the earlier evaluation) had been resolved.

The third evaluation repeats the findings from the first two evaluations. This evaluation covered the time period from February 1, 1993 through June 30, 1993 when LIRA had been operating fifteen months. The IPPS began to explore the preliminary impact of the LIRA program in this evaluation. In order to analyze the impact, the IPPS developed a series of comparison groups:

- LIRA eligible but refused to participate
- LIHEAP recipients
- Neighbors of LIRA participants
- Average NFG residential customer

Preliminary data show that LIRA participants have higher consumption, on average, than any of the comparison groups; however, consumption declines the longer the participant remains in the program. Account balances also decrease the longer a participant is in LIRA. Both arrearages and current account balances show decreases over time for LIRA participants.

In the fourth process evaluation, the IPPS reports that more than 80% of the original enrollers are still participating in LIRA. The Bureau believes this is somewhat misleading because unlike the other operating CAPS, NFG does not default participants who do not meet their responsibilities in LIRA. The only way a participant leaves the LIRA program is to move out of NFG's service territory or be removed at reevaluation because the household is no longer income eligible. Even if NFG does terminate a participant's gas service for non payment, the participant remains in the LIRA program.

Demographic data shows that more than two-thirds of the program's participants have incomes between \$4,400 and \$15,000. Seventy-five percent of these participants are female heads of household and five of six participating households have children.

Payment data shows the average overdue amount for LIRA participants has dropped. However, the IPPS cautions that until further analysis is completed, no conclusions can be made because it is unclear whether this decrease is due to changes in payment behavior or due to a reduction in NFG's rates.

PECO Energy CAP Impact Evaluation Highlights

In 1991 and September 1994, RPM Systems, Inc. (RPM) completed two separate impact evaluations for PECO Energy. In the 1994 evaluation, RPM compared results to the 1991 evaluation and found that CAP has improved in three critical areas compared to findings in 1991: 1) more customers are enrolled in CAP; 2) administrative costs have decreased and; 3) the amount of the CAP billing shortfall has decreased. RPM also found that PECO's overall collection system improved between the two evaluations. Although RPM found that CAP fails a narrow test of cost-effectiveness for utility costs calculated for individual accounts, RPM suggests that when societal costs and the whole collection system effects are considered, CAP may be a

cost-effective addition to the mix. It is difficult to rely completely on the results of this cost-effectiveness test because PECO has not administered its CAP according to the most recent design that the Commission approved in April 1993. The evaluation shows that the changes PECO made between 1991 and 1994 in the administration of the program resulted in a more cost-effective program. The Bureau believes that if PECO had administered the CAP as it was approved, administrative costs and the amount of the billing deficiency may have decreased even more. In part because of these concerns, PECO made a firm commitment to the Bureau in February 1995 to administer CAP as it was approved. The company has also volunteered to complete a third evaluation after it brings CAP in line with the approved design. Finally, the next evaluation should consider the second cost-effective perspective: if variable costs are covered plus some contributions to fixed costs are made, other ratepayers are not harmed and the entire collection system is more effective.

Appendix K - Utility Hardship Funds

Company	Hardship Fund Name
Duquesne Light	Dollar Energy Fund
Met-Ed	Project Good Neighbor
Penelec	Project Good Neighbor
Penn Power	Project Reach
PP&L	Operation Help
PECO*	Matching Energy Assistance Fund (Project Heat, Chester County Cares, DELCO Shares Its Warmth, Project REACH, Utility Emergency Services Fund, and Mason-Dixon Cares)
West Penn	Dollar Energy Fund
Columbia	Dollar Energy Fund (Western Pennsylvania) Project Warm-Up (Central Pennsylvania)
Equitable	Dollar Energy Fund
NFG	Neighbor for Neighbor
PG&W-Gas	Project Outreach
Peoples	Dollar Energy Fund
UGI*	Operation Share
PA American	Dollar Energy Fund
PG&W-Water	Project Outreach

** Includes electric and gas*