

**PG Energy**

**Universal Service and Energy Conservation Plan**

**2004-2006**

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## **PG Energy Universal Service and Energy Conservation Plan**

### *Overview*

PG Energy, headquartered in Wilkes-Barre, Pennsylvania, is a natural gas operating division of Southern Union Company (NYSE: SUG), a natural gas distribution company serving one million customers through its operating divisions in Missouri, Pennsylvania, Rhode Island, and Massachusetts.

PG Energy serves approximately 156,000 customers in 13 counties in northeastern and central Pennsylvania, making it the largest natural gas utility in its service area.

PG Energy offers home weatherization programs for qualified customers, a convenient budget payment plan, and Universal Service Programs for low-income, payment troubled customers. The Company also intensively promotes the federally funded LIHEAP—Low Income Home Energy Assistance Program.

Dedicated to the communities in which it serves and operates, PG Energy also supports several philanthropic initiatives, including local United Way campaigns to which employees contribute. Company employees also participate on a number of area Boards and Advisory Councils and participate in fund raising projects to assist low-income families.

### *Plan submission*

On November 30, 1994, PG Energy filed pursuant to 52 Pa. Code § 5.41 and § 69.261, a Petition for Approval of a Customer Assistance Program. At Public Meeting of April 13, 1995, the Commission adopted an order that granted PG Energy's Petition at Docket No. P-00940895. PG Energy had not proposed substantial changes to its Customer Assistance Program (CAP) or other universal services programs until its restructuring filing in 1999.

On August 2, 1999, PG Energy, Inc. (PG Energy or Company) filed its Restructuring Plan pursuant to Chapter 22 of the Public Utility Code. On November 23, 1999, the parties filed a Joint Petition for Settlement of Restructuring Filing (Petition). By Order of January 18, 2000, the Commission adopted the ALJ's Recommended Decision to approve the Petition at Docket No. R-00994783. The Petition provided that PG Energy shall make several design changes to its Customer Assistance Program called PG Energy's Partners Program (PGEPP). On March 16, 2000, PG Energy provided a draft of its revised PGEPP to the Commission's Bureau of Consumer Services (BCS) pursuant to the CAP Policy Statement at section 69.263(c). PG Energy and BCS met on March 24, 2000 to discuss the revisions. Based on those discussions, PG Energy submitted its revised PGEPP to the Commission on June 14, 2000.

The Commission found that the Company's revisions to PGEPP complied with the Commission's Final Order approving the Company's restructuring settlement agreement at Docket No. R-00994783 and the CAP Policy Statement at 52 Pa. Code §§69.261-267.

Pursuant to 52 Pa. Code § 62.4 - Universal Services and Energy Conservation Plan, PG Energy submits for the approval of the Pennsylvania Public Utility Commission its proposed plan for years 2004-2006.

### *Differences from the previous plan*

PG Energy voluntarily increased income eligibility guidelines for its hardship fund, Project Outreach. Project Outreach is one component of the Universal Service Programs offered by the Company. Due to extraordinary circumstances surrounding higher national energy prices and colder weather, which ultimately led to higher heating bills for consumers, the Company increased the guidelines and amount of grant available through this program. Income guidelines changed from 150% of poverty to 200% and the maximum grant per program year increased from \$150 to \$200. This change was an important factor in providing assistance to customers above the federal poverty guidelines who need financial assistance. This change was communicated to the Bureau of Consumer Services and the Company has maintained this change since program year 2001. This plan formally recognizes this change as it is a difference from the original plan and requests that the Commission approve this change as a permanent part of the plan.

### *Recommendations from previous plan*

Based on program experiences, PG Energy recommends several modifications to the original plan that was approved as part of the restructuring filing. Specific recommendations pertain to PG Energy's CAP program in an effort to reach specified enrollment targets and simplify calculation of the monthly payment. PG Energy requests that these modifications be approved as permanent features of the plan.

- Current CAP program is a percentage of income program set at 8-9 or 10% of income. Change to 7-8-9% to assist enrollment targets of this plan.
- Eliminate the \$7 pre-program arrearage payment for customers in subsidized housing and have them pay as every other CAP customer does the designated \$5, \$7, or \$9.
- With our current program, if the CAP participant fails to make one full payment on time, they are considered in default. If the payment is not received after a series of notifications, the customer is removed from PGEPP. The customer is no longer identified as a CAP customer and has lost the benefits of the program. This 2004-2006 plan will change this process so that the customer will remain in CAP through the termination process. The customer will only lose CAP benefits if their service is terminated due to non-payment provisions outlined in this plan. Program dismissal and loss of CAP benefits will also be executed for violation of other default provisions as outlined in the plan. This change is included in the Customer Assistance Program section of the plan.
- Modify the referral process for customers who do not follow through with the agency referral process for enrollment. With our current program, if a customer is reviewed for PGEPP and referred to a community-based organization they are sent a letter explaining what agency to call for an appointment. A referral code is noted on the customer's account. If a customer contacts the Company stating they could not make their appointment and asks for another referral, this plan will change the referral process and affect a tighter referral timeline. The change to expedite this process is included in the Customer Assistance Program section of the plan.

### *Integration*

In order to avoid duplication, there are several areas where one response was provided. Those areas include integration, outreach, and staffing.

An integral part of PG Energy's plan is the coordination of all Universal Service Programs both within the Company and through external agencies. Company employees receive training on referral and outreach to encourage customers to apply for assistance. In addition, area agencies are encouraged to refer customers to these programs.

Including universal service information with existing Company processes such as the Cold Weather Survey and collection activities provides an opportunity to increase awareness of these programs. Working closely with the Company internal compliance department for Chapter 56 regulations is also beneficial.

PG Energy staffs a department and a dedicated 800 number for Universal Service Programs. Low Income Usage Reduction Program (LIURP) responsibilities were a function of the Company's Marketing Department and the hardship fund was a function of the internal compliance department. PG Energy merged the LIURP program and hardship fund into the department responsible for the administration of Universal Service Programs to better coordinate the services for low-income customers.

All referrals through the dedicated 800 number are screened to determine eligibility for all available internal and external assistance programs including, but not limited to, CAP, LIURP, LIHEAP, CARES, and Hardship Funds.

PG Energy maintains an in-house "Directory of Agencies" pamphlet which lists the most commonly used social agencies broken down by county within the Company's service territory. It includes information such as address, telephone number, and services provided by each agency. It serves as a useful tool in referring customers to non-utility assistance programs such as food banks, legal services, and credit counseling. An in-house brochure summarizing PG Energy's Universal Service Programs is also prepared which is distributed to agencies and Company employees. Having one department that handles these referrals makes it easy for employees to know who to call when a customer needs help. It also helps when agencies call with referrals.

LIHEAP plays a critical role in all of PG Energy's universal services programs. Integration of LIHEAP with all of these programs is necessary due to the funding source this federal program provides for low-income customers. For example, LIHEAP is vital for the Customer Assistance Program as it helps reduce shortfall costs. LIHEAP dollars help maximize the benefits of the Company's Universal Service Programs.

### *Outreach*

In addition to the program integration in order to promote awareness and increase enrollment, PG Energy sponsors and participates in a variety of outreach activities to support all of its Universal Service Programs. Such activities include:

- Attendance and participation in senior fairs throughout PG Energy service territory.
- Representation on local community assistance boards.
- Participation and coordination in PUC sponsored Be WinterWise events throughout PG Energy's service territory.
- Information available on PG Energy Internet site.
- Informative messages placed on the Company's telephone Automated Call Distribution System (ACD) for when a customer is on hold waiting to speak with a Company representative.
- PG Energy hosts five (5) annual information exchange meetings and roundtable discussions with social agency representatives from counties within the Company's service territory. Over 125 agency representatives are invited annually to these meetings, including contracted agencies that assist in administering the Company's Universal Service Programs. At these meetings, the Company's Universal Service Programs are reviewed in detail and PG Energy outreach employees are made aware of agency changes such as new programs, etc.

- Company-wide participation in United Way sponsored projects, such as Day of Caring and the Christmas in July food drive.
- Sponsor events to recognize Older Americans Month throughout PG Energy's service territory. The number of customers over the age of 65 represents a significant size customer group. Presentations are made at various events which allow Company representatives to promote its Universal Service Programs.
- CARES representatives, along with other customer service personnel, volunteer at three soup kitchens within the Company's service territory. This project serves as a worthwhile effort to raise employee awareness of the less fortunate and homeless in our service area. Being a sponsor for the day also allows the Company to promote the assistance programs we offer.
- Outreach Department employees participate as volunteer business consultants for Junior Achievement. Junior Achievement encourages volunteers to incorporate business experiences with classroom lesson plans. By explaining to students that the Company has a responsibility to help less fortunate customers and offers assistance programs to do just that we are exposing students at various grade levels to a sense of social responsibility.
- Outreach Department employees serve on the Company's Community Actions Committee.
- Outreach Department employees initiate holiday projects such as Victim Resource Center holiday wish list or other agency appeals to fulfill unmet holiday needs.

PG Energy communication and enhancement of activities supporting individual Universal Service Programs include:

#### CAP

- Bill inserts
- Bill messages
- Messages on 10-day notices
- Quarterly newsletter prepared for the five (5) agencies that assist with administering the program
- Phone solicitations of targeted groups
  - Removed CAP customers
  - Previous LIHEAP grant customers
- Mail solicitation of targeted groups
  - Cold weather survey packet
  - Customers with no phone numbers
  - Customers with no income indicator that owe money
- Training/Enrollment Campaigns
  - Coordinate training of Universal Service Programs with compliance training
  - Conduct training of Universal Service Programs with newly hired employees that have contact with customers
  - Throughout the year conduct enrollment campaigns for CAP referrals

#### EIC

- Annual bill insert
- Information is made available at outreach sites that take place during tax season
- Packet prepared that can be mailed to customers upon request

#### CARES

- Quarterly newsletter is prepared for customers. In addition, the social agencies that are invited to attend our information exchange meetings also receive a copy of the quarterly CARES newsletter

## HARDSHIP FUNDS

- Bill insert to solicit customer contributions for monthly bill check-off or one-time contribution
- Annual vendor appeal to solicit contributions
- Conduct employee fund raising initiatives which help increase donations and awareness of this beneficial Company program

## LIHEAP

- Bill inserts
- Bill messages
- Application link and program information on PG Energy Internet website
- News releases
- Community outreach locations. Presentations are made at senior centers and sites are scheduled at discount stores, municipal buildings, public libraries, etc.
- Message lines on termination notices
- Postcard mailing
- Targeted letters
- Employee awareness includes targeted training, paycheck messages, bulletin board posters
- Targeted outbound calls
- Newspaper ads
- Internal communication bulletins
- Media events such as interviews or coordinated press conferences with administering agencies
- Public Service Announcements

The following list identifies involvement by PG Energy's universal service staff on various task forces, committees, and boards within the communities we serve. Industry: Pennsylvania Energy, Utilities & Aging Consortium, Pennsylvania Energy Assistance & Weatherization Coalition, Energy Association of Pennsylvania – Consumer Services Committee and Universal Service Taskforce. Disability agencies: United Rehabilitation Services of Luzerne and Wyoming Counties. Community: United Way, Columbia County Human Services Coalition, aging council, Consumer Credit Counseling of Northeast PA, Lackawanna County Inter-Agency council as well as several education-related boards.

The preceding is a representative sampling of the community services and support efforts provided by PG Energy. PG Energy has and will continue to support employee volunteerism as well as provide financial support to various organizations and community projects. This participation will produce an increase in the Company's knowledge of the objectives of these organizations and groups in addition to serving as an effective means of disseminating information on the Company's programs and services. Furthermore, active participation of Company personnel will help ensure cooperation between the Company, CBO's and customers. These outreach efforts raise employee awareness to the needs in our communities. At the same time, CBO's in our service territory recognize the Company's commitment to assist low-income customers and assist each CBO in achieving this objective through efforts that can also include manpower, i.e., LIHEAP applications. Most importantly, our customers see us making an effort in our participation in events as we communicate the messages of our Universal Service Programs.

### **Staffing**

PG Energy's programs are administered by company employees and community agencies.

- Vice President – Consumer Services
  - Manager – Universal and Outreach Services
  - Coordinator – Outreach Services
  - Outreach Specialists (2 full-time and 2 part-time)
    - Contracted agencies to assist in the administration of the CAP program (5)
    - Contracted agencies to assist in the administration of the Hardship Fund (7)
    - Contracted agencies to assist in the administration of the LIURP program (3)

Listed below are the community-based organizations PG Energy utilizes in the administration of its Universal Service Programs.

### **LIURP**

Commission on Economic Opportunity  
165 Amber Lane  
Wilkes-Barre, PA 18702

SEDA-COG  
RR#1, Box 372  
Timberhaven RD1  
Lewisburg, PA 17837

Scranton/Lackawanna Human Development Agency  
200 Adams Avenue  
Scranton, PA 18503

### **CAP**

Commission on Economic Opportunity  
165 Amber Lane  
Wilkes-Barre, PA 18702

Scranton/Lackawanna Human Development Agency  
200 Adams Avenue  
Scranton, PA 18503

Human Services of Columbia County  
702 Sawmill Road.  
Bloomsburg, PA 17815

Social Service Assistance Program – S.T.E.P., Inc.  
2138 Lincoln Avenue  
Williamsport, PA 17701

Union-Snyder Office of Human Resources  
315 North Water Street  
PO Box 396  
Selinsgrove, PA 17870

### **Hardship Fund – Project Outreach**

Commission on Economic Opportunity  
165 Amber Lane  
Wilkes-Barre, PA 18702

Columbia County Human Services  
702 Sawmill Road, Suite 101  
Bloomsburg, PA 17815

Salvation Army  
500 South Washington Avenue  
Scranton, PA 18505

Northumberland County Adult Services  
370 Market Street  
Sunbury, PA 17801

Lycoming/Clinton Counties Commission for  
Community Action (STEP)  
2138 Lincoln Street  
Williamsport, PA 17701

Union/Snyder Office of Human Resources  
Suite 10  
713 Bridge Street  
Selinsgrove, PA 17870

Danville Area Chapter American Red Cross  
410 West Mahoning Street  
Danville, PA 17821

## Needs Assessment

The number of identified low-income customers reflects census data currently available and information obtained from the Company's Customer Information System. PG Energy's Universal Service Reporting Requirements report which was submitted April 1, 2003 provided much of the data for this needs assessment.

1. The number of identified low-income customers (use a 12 month average):

The average number of identified low-income customers is 28,996 and takes into consideration the categories identified in the Bureau of Consumer Services' document dated May 9, 2001.

2. An estimate of low-income customers based on census data

<i>County</i>	<i>Total Households</i>	<i>Households @ 150%</i>	<i>Percent of PG Energy customers</i>	<i>PG Energy customers by county</i>	<i>Census estimate of low-income customers</i>
Clinton	14,804	3,879	0.26202378	5	1
Columbia	24,982	5,753	0.23028581	6,655	1,533
Lackawanna	86,204	19,002	0.22043061	50,029	11,028
Luzerne	130,703	29,855	0.22841863	49,172	11,232
Lycoming	47,040	10,598	0.22529762	12,421	2,798
Montour	7,107	1,192	0.16772196	1,688	283
Northumberland	38,894	9,465	0.24335373	7,126	1,734
Pike	17,447	2,603	0.14919470	703	105
Susquehanna	16,543	3,886	0.23490298	151	35
Snyder	13,643	2,807	0.20574654	1,554	320
Union	13,191	2,284	0.17314836	350	61
Wayne	18,300	4,121	0.22519125	1,918	432
Wyoming	10,822	2,301	0.21262244	272	58
<b>Total/Avg.</b>	<b>439,680</b>	<b>97,746</b>	<b>22.2311681%</b>	<b>132,044</b>	<b>29,620</b>

3. The number of identified payment troubled low-income customers  
(Number 3 is a subset of Number 1)

Reporting all customers whose incomes are below 150% of the poverty guidelines who have payment agreements, the 12 month average of residential accounts past due 30 days on agreements for confirmed low-income customers as reported in the Universal Services Reporting Requirements report for 2002 was 1,466 customers. Including the 12 month average of customers who have failed to maintain one or more payment agreement in a one-year period based on this report was an additional 520. A total of 1,986 customers were identified as low-income and payment troubled.

4. An estimate of potentially payment troubled, low-income customers  
(Subtract Number 1 from Number 2)

PG Energy compared the data obtained from its customer information system to census data. The number of identified low-income customers is based on data from the Company's customer information system and was previously reported as 28,996. The number of customers estimated by census data to be low-income is 29,620. The census figures suggest that PG Energy's service territory has 624 more low-income, payment troubled customers than Company data indicates.

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

PG Energy identified the number of customers that meet the LIURP eligibility criteria, excluding those customers who have already received weatherization services. According to data from PG Energy’s customer information system, 6,987 customers meet the LIURP eligibility criteria. Of these customers, 2,376 have already received weatherization services. Therefore, 4,611 customers could be weatherized if their circumstances do not change. That is, they do not move or they continue to have high energy usage, etc.

Based on PG Energy’s experience, the average cost per job since 2000 has been \$2,539. We estimate it would cost \$11,707,329 to weatherize all potentially eligible households identified at this point in time. PG Energy annually funds LIURP at \$360,000.

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

Through the Company’s settlement agreement, PG Energy agreed to participation levels of 5,500 enrolled customers in its CAP by April 1, 2004. Despite Company efforts to reach these targeted enrollments as noted in the outreach and integration section on pages 3 through 6, the highest enrollment level achieved was 1,592 customers in May 2003. Based on further analysis of Company data compiled for completion of the recently submitted Universal Service Reporting Requirements, PG Energy believes the appropriate size of the CAP to be within an estimated range of 2,000-3,000 customers.

The census data relative to the counties PG Energy services include an average percentage of households at 150% of poverty which is slightly higher than the state average. In addition, a higher estimated percentage shows the population over the age of 65 is above the state average. It is PG Energy’s experience to find this customer base proud and unwilling to apply for assistance programs for various reasons. Although many of these customers may be on a fixed income which would allow them to meet the income guidelines for Company and state programs, many choose to make every effort to pay their bills and live within their means.

This is a summary of PG Energy’s projected budget and enrollment for the Company’s Universal Service Programs. Additional explanations for some of these projections are noted in each specific program section.

*Projected Budgets*

	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>LIURP</b>	\$360,000	\$360,000	\$360,000
<b>CARES</b>	\$82,395	\$84,867	\$87,413
<b>Hardship Funds</b>	\$40,000	\$40,000	\$40,000
<b>CAP</b>			
<b>Administration</b>	\$193,995	\$232,148	\$265,624
<b>Shortfall</b>	\$262,868	\$319,822	\$366,481
<b>Arrearage forgiveness</b>	\$86,153	\$100,511	\$114,870

*Projected Enrollments*

	<b>2004</b>	<b>2005</b>	<b>2006</b>
<b>LIURP</b>	143	143	143
<b>CARES</b>	51	51	51
<b>Hardship Funds</b>	665	665	665
<b>CAP</b>	2250	2625	3000

*Plan contents for Universal Service Programs.*

Following are program descriptions, including eligibility criteria, project enrollment levels, budget, plans to use community-based organizations, and steps to identify and refer low-income customers for the programs.

## **CARES**

### Program description

The PG Energy CARES program was developed as part of the Company's efforts to achieve the objective of offering assistance to customers with special needs. Assistance is obtained through Company programs and the established network of social agencies throughout the Company's service territory. It is a personalized program that is designed to help a select group of customers whose special circumstances are primarily temporary. The circumstance may be the customer needs help paying their bill or requires assistance from a social agency. For non-payment troubled CARES customers, our goal is to refer the customer to agencies that could help assist them. For payment-troubled CARES customers, our goal is to secure energy assistance in order to maintain utility service and other human needs or social assistance. The intent of the program is to assist customers facing a temporary crisis situation.

Each participating customer is assigned a CARES representative. This representative is the customer's personal and confidential contact with the Company. The Representative acquaints the participant with the various social services available, assists the customer in filling out applications for these services, and makes arrangements for agency personnel to visit homebound clients. The referred services consist of Company programs and those offered by government or private agencies. In addition to social service referrals, the customer's account is coded to eliminate late payment charges and termination notices. The customer's bill paying ability is reviewed. If necessary, the CARES representative establishes affordable payment arrangements for the PG Energy account(s) or refers the customer to PG Energy's Partners Program (PGEPP).

CARES representatives monitor their accounts monthly or more frequently as the need exists. Every account is checked to make sure payments are made. If a payment was missed, a follow-up contact is made. Quarterly newsletters are issued to customers and a network of agencies. CARES accounts are included in special mailings, such as LIHEAP letters.

### Eligibility criteria

Eligibility criterion for the PG Energy CARES Program is classified as special needs of a temporary nature. Customer participation is not limited to specified income limits. The classification of special needs encompasses many categories. Examples of special needs include the following:

- Residential gas heating customer
- Senior citizens who express a need for assistance with their heating bills or other problems
- Customers with physical or mental disabilities, temporary or permanent
- A customer going through a temporary personal or financial crisis that causes an unexpected decrease in income and financial/personal difficulty

### Projected enrollment levels

For 2002, an average of 51 customers per month participated in the CARES program. It is expected that the number of customers who are accepted into CARES will continue to decline as customers are accepted into the CAP program. Due to the growth of the CAP program and the payment benefits the program offers, the primary focus of the CARES program remains on temporary crisis situations. Although the eligibility criteria focuses on short-term circumstances, there are instances where customers are enrolled in the program and may never experience an improvement in circumstances.

### Program budget

The program budget for the CARES program as reported for 2002 in the Universal Service Reporting Requirements report was \$79,995. LIHEAP outreach costs are a component of this funding amount. This budget is forecasted to increase slightly each year 2004-2006.

### Plans to use community-based organizations

The CARES program at PG Energy is administered internally. CARES representatives' network with a variety of agencies throughout the Company's service territory in order to stay informed of available programs and better serve low-income customer needs.

### Outreach and intake efforts

CARES representatives' promote Universal Service Programs by maintaining contact with a variety of community service organizations throughout the Company service territory. Refer to integration and outreach on pages 3 through 6.

### Identification & referral of low-income customers

Referral sources include PUC call center, PG Energy employees, social agencies, and the customer themselves. Customers who file a medical certificate are also reviewed for this program. Referrals to the CARES program can be made at any time throughout the year. Upon receiving the CARES referral, the CARES representative uses an evaluation form to assess the participant's circumstances. Home visits are completed on accounts as determined by the judgment of the CARES representative.

## **HARDSHIP FUND – PROJECT OUTREACH**

### Program description

Project Outreach is PG Energy's response to a community-wide need to assist those who require help in paying their utility bills. Project Outreach is designed to assist PG Energy customers and customers of other energy service vendors who are on fixed or low-income, unemployed, disabled, elderly, or faced with some financial hardship.

### Eligibility criteria

To qualify for Project Outreach Fund assistance, applicants must meet the following criteria:

- The applicants must reside in PG Energy's service territory.
- The applicants must have an outstanding balance on their energy and/or PG Energy bill.
- Applicants must provide adequate information to demonstrate inability to pay their energy bill. Necessary information includes evidence of income and expenses of all members of the household.
- Income guidelines for the program are set at 200% of poverty. These guidelines are updated annually.
- In addition to the income guidelines, extenuating circumstances are considered. These circumstances include, but are not limited to, serious injury or illness to the head of a household, death of the head of a household, or any other significant catastrophic event.

- The customer can only receive one grant per program year – the maximum grant per program year is \$200.

#### Projected enrollment levels

For the 2001-2002 program year, 549 PG Energy customers received Project Outreach grants. Since 2000, an average of 665 customers received a grant through the Project Outreach fund. This average is the projected enrollment levels for 2004-2006.

#### Program budget

Annually, PG Energy makes an initial contribution of \$20,000 to the program and matches up to an additional \$20,000 through contributions received from employee fund raisers, vendors, and concerned citizens. Fund raising efforts and customer generosity play a significant role in this budget and, therefore, the Company makes a genuine effort to increase contributions from all funding sources. Since 2000, an average of \$78,366 was disbursed per program year. The Company expects to maintain the same funding level for 2004-2006.

#### Plans to use community-based organizations

PG Energy contracts with seven (7) community-based organizations to assist in the administration of this program and plans to continue to use these organizations. These agencies work closely with the Company and are encouraged to refer eligible customers to CAP, CARES and LIURP as well. Refer to page 7 for the list of CBOs.

#### Outreach and intake effort.

Refer to integration and outreach on pages 3 through 6.

#### Identification & referral of low-income customers

Customers who call the dedicated 800 number for Universal Service Programs are reviewed for this program if eligible. In addition, customer contact representatives in the Collections Department refer income-eligible customers to Project Outreach when reviewing accounts for payment agreements.

### **LOW INCOME USAGE REDUCTION PROGRAM - LIURP**

#### Program description

PG Energy's Weatherization Program is offered for qualified customers who use natural gas for heating their homes. Program services are provided free of charge. Energy saving measures for eligible customers may include window and baseboard caulking, door and window weather-stripping, door sweeps and thresholds, replacement of broken windows, attic and sidewall insulation, storm windows, duct and pipe insulation, ventilation, water conservation devices, furnace replacements if certain conditions exist, and energy education.

The primary goals of LIURP are to assist low-income residential customers to conserve energy and reduce their energy bills. LIURP places priority on the highest energy users who offer the greatest opportunities for bill reductions. When feasible, the program targets customers with payment problems.

### Eligibility criteria

To qualify for LIURP assistance, applicants must meet the following criteria:

- Be a residential customer of PG Energy for one year.
- Have natural gas heating and meet specified consumption levels currently set at a minimum of 1500 ccfs for customers in the Company's northern and central operating divisions, which includes the Wilkes-Barre and Scranton areas, and 1300 ccfs for customers in the Company's southern operating division, which includes the Williamsport area.
- The program is available to both homeowners and renters. Renters can qualify with written permission from landlords.
- Meet income guidelines at 150% of poverty. Guidelines are updated annually.
- Special needs customers can receive services up to 200% of poverty. In 1998, the regulations were modified to permit companies to spend up to 20% of their annual LIURP budgets on customers with incomes between 150% and 200% of the federal poverty level.
- Program measures follow applicable payback periods.

### Projected enrollment levels

Since 2000, the average number of completed jobs annually is 143. Since the program's inception in 1988 a total of 2,376 homes have received LIURP services with program costs of \$4,613,788. Based on program funding, this average is the projected enrollment levels for 2004-2006.

### Program budget

Annual funding levels have been established through a rate case filing. The Company agreed to fund this program at \$360,000 a year and expects to continue the same funding level from 2004-2006, unless a rate case filing is submitted within this time frame and affects program funding.

### Plans to use community-based organizations

PG Energy contracts with three (3) community-based organizations to assist in the administration of this program and plans to continue to use these organizations. These agencies work closely with the Company and are encouraged to refer eligible customers to CAP, CARES and Project Outreach as well. Refer to page 7 for the list of CBOs.

### Outreach and intake efforts

Customers who call the dedicated 800 number for Universal Service Programs are reviewed for this program. In addition, referrals are also accepted from Company representatives, as well as from community-based organizations. As outlined in the CAP section of this plan, CAP participants who historically use high amounts of energy will be targeted for special treatment. This special treatment will include counseling, evaluation, recommended lifestyle adjustments, weatherizing, etc. If the CAP customer has a shortfall greater than the \$840 annual limit, PG Energy will refer customers for LIURP services even if they do not meet the LIURP consumption threshold. High-usage CAP customers, who fail to abide by established consumption limits during any two months after receiving program counseling, energy education counseling, and energy education evaluation will be subject to removal from CAP. These customers will be given LIURP review first. Refer to integration and outreach on pages 3 through 6.

### Identification & referral of low-income customers

Customers who call the dedicated 800 number for Universal Service Programs are reviewed for this program if eligible. Telephone answering personnel refer income eligible customers to LIURP when reviewing accounts for payment agreements that have high monthly bills and customers who may call with a high bill complaint. CAP referrals are prioritized for LIURP review in an attempt to reduce future consumption and shortfall. This coordination is cost-effective for LIURP as it produces some cost savings relative to income verification. Based on the number of referrals in process, from time to time customer mailings are requested to solicit potentially eligible customers. Customer mailings are based on program eligibility criteria and generally target a specific level of arrears in an attempt to prioritize referrals.

## **CUSTOMER ASSISTANCE PROGRAM – PG ENERGY PARTNERS PROGRAM (PGEPP)**

### Program Description

PG Energy has developed a CAP called PG Energy's Partners Program (PGEPP) targeted to low-income, payment-troubled customers. Potentially eligible customers will be identified by PG Energy through the Company's tracking system, employee referrals, and government and social agency referrals. Potential participants will receive an explanation of the program outlining the goals and benefits of program compliance, along with their responsibilities as program participants. If a potential participant agrees to the program conditions, PG Energy or the Community Based Organization (CBO) will initiate the enrollment process. If accepted in PGEPP, each participant will be required to pay a set monthly payment for gas service. The set payment is based upon a percentage of the participant's income as it relates to the Federal Poverty Guidelines. In addition to the set monthly payment, an additional amount each month (depending upon income level) will be required to be paid against any pre-program arrearage. While the customer is actively enrolled in PGEPP, PG Energy will waive all late payment charges for active participants and reduce any pre-program arrearage by the set monthly amount of arrearage payments received. The Company will supplement the required arrearage reduction payments with a bonus forgiveness of up to \$60 per year and match dollar-for-dollar any additional payment the participant makes toward pre-program arrearage reduction, not to exceed \$250 annually. Participant's consumption, conservation efforts and payment habits will be closely monitored. Compliance with the program's conditions should result in development of good payment habits as well as significant or complete reduction in the participant's pre-program arrearages. Conversely, lack of conservation efforts may result in excess use charges or poor payment habits may result in dismissal from the program. In addition, an annual or bi-annual process that reestablishes a participant's eligibility for PGEPP will be performed to ensure proper participation.

### Eligibility criteria

The following eligibility criteria will be used by PG Energy to identify potential CAP participants:

- The applicant is a residential low-income, payment-troubled customer who uses natural gas for heat. Low-income, payment troubled is defined as a customer who has failed to maintain one or more payment agreements.
- Household income is verified at or below 150% of the federal poverty income guidelines.
- PG Energy will accept automatic enrollment of any low-income, payment troubled customer who has defaulted on a Budget Plus agreement and who has received a LIHEAP payment within the past year, subject to income verification and the receipt of CAP education within ninety days of enrollment.

- PG Energy will accept a low-income, payment troubled customer's current participation in an electric CAP program as verification of income, if PG Energy is satisfied that the electric distribution company (EDC) verifies income. PG Energy will work with EDCs in its service territory to identify PG Energy customers that have been enrolled in EDC CAP programs.

**Monthly Payment**

The participant's required monthly payment will be comprised of two components: percentage of income payment and the mandatory pre-program arrearage reduction payment.

**Percentage of Income Payment**

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

The percentage of income (portion) of the payment to be paid for service will be determined on a sliding scale basis broken down into three categories:

Level 1	0-50% poverty guidelines	7% gross monthly income
Level 2	51-100% poverty guidelines	8% gross monthly income
Level 3	101-150% poverty guidelines	9% gross monthly income

The minimum CAP participant payment for a gas heating account will be \$25 a month, which is an acceptable range, outlined in the CAP Policy Statement. A minimum payment term is one of several control features outlined in the CAP Policy Statement, which limit program costs. PG Energy will follow the CAP Policy Statement regarding exemptions of a household from a CAP control feature.

**Pre-Program Arrearage Reduction Payment**

In addition to the percentage of income payment for service, the participant must agree to pay an additional amount per month, which will be applied to the customer's pre-program arrearage. This amount will be determined on a sliding scale basis broken down into three categories:

Level	poverty guidelines	
Level 1	0-50% poverty guidelines	\$5.00 per month
Level 2	51-100% poverty guidelines	\$7.00 per month
Level 3	101-150% poverty guidelines	\$9.00 per month

This required payment to reduce pre-program arrears will be supplemented by PG Energy with an additional bonus, \$5.00 arrearage forgiveness, each month when the customer's payment is received in full and on time.

## **CAP Credit**

CAP credit, previously called billing deficiency or shortfall, is the difference between the normal billed amount for service and the amount paid for service under the CAP. The annual maximum CAP credits per gas heating participant should not exceed \$840. For customers who will exceed a maximum credit of \$840 annually, minimum percentage of income payments will be increased in order to prevent such a credit. All LIHEAP grants or other available energy assistance funds will be applied to the billing shortfall incurred during participation in PGEPP. LIHEAP or other energy assistance grants may not be substituted for monthly payment unless warranted by extenuating circumstances, which must be verified.

### Projected enrollment levels

As outlined in the plan submission section on page 2, PG Energy agreed to participation levels of 5,500 enrolled customers in its CAP by April 1, 2004. Despite Company efforts to reach these targeted enrollments as noted in the outreach and integration section on pages 3 through 6, the highest enrollment level achieved was 1,592 customers in May 2003. Based on further analysis of Company data compiled for completion of the recently submitted Universal Service Reporting Requirements, PG Energy believes the appropriate size of the CAP to be within an estimated range of 2,000-3,000 customers.

### Program budget

Program funding will be derived from:

- Payments from CAP participants
- LIHEAP grants and other energy assistance grants
- Operations and maintenance expense reductions
- Potential recovery of excess costs from other ratepayers

### Identification and referral

Identifying potentially eligible customers will be PG Energy's responsibility through contact as well as targeted program announcements. Referrals may also be made from other sources, such as Company personnel (e.g., collectors, servicemen, etc.) from their contacts in the field. Potential referrals may also be made from social service agencies, appropriate government agencies, or other sources from within the community. Refer to integration and outreach on pages 3 through 6.

### Plans to use community-based organizations

PG Energy or CBO will serve as an administering agency for the program. PG Energy currently contracts with five community-based organizations to assist in the administration of this program. PG Energy will continue to utilize the services of locally based CBO's to administer and/or assist in programs such as Project Outreach, LIHEAP, LIURP, and other outreach efforts to the extent that these programs are outsourced by PG Energy today, except where a CBO is unable or unwilling to provide the programs and services or where a CBO's performance is not acceptable to PG Energy after a review process with an opportunity to remediate the program deficiencies. Refer to page 7 for the list of CBOs.

### Outreach and intake efforts

All referrals must come through PG Energy for screening either as a Company-approved participant or to be forwarded for processing by the CBO.

PG Energy or the CBO will schedule appointments with potential participants to complete program acceptance.

Company-approved participants will be processed through PG Energy. This category includes customers on fixed income such as Social Security (SS) only or Supplemental Social Security Income (SSI) only. Participants will receive a program explanation outlining the goals and benefits of program compliance, along with their responsibilities as program participants. If a potential participant agrees to the program conditions, the Company will initiate the application process. The category of non-Company-approved participants includes customers with wages. This category of participants will be processed through a CBO. Participants will receive a program explanation outlining the goals and benefits of program compliance, along with their responsibilities as program participants. If a potential participant agrees to the program conditions, the CBO will initiate the application process with a formal application.

For potential participants that are referred to the CBO for the enrollment process, a referral code is noted on the customer's account and a letter is sent explaining what agency in their area to call for an appointment. This referral letter will allow the customer ten days to call the community-based organization to make an appointment. If the Company does not receive verification from the agency that an appointment has been scheduled within the ten days, a second letter will be issued. The second referral letter will allow the customer an additional five days to make their appointment and indicate another referral may not be issued if the customer does not follow through with the initial referral. If the pending CAP customer does not comply with this fifteen day referral process the referral code will be removed and the customer will be returned to the collection process.

Refer to integration and outreach on pages 3 through 6.

### **Application**

After the eligibility screening by PG Energy, either PG Energy or the CBO will complete program acceptance. Income verification will be completed at the time of application and intake will comply with the CAP Policy Statement regarding verification.

If the customer agrees to participate, a CAP agreement will be completed to include the customer's monthly payment amount, based on percentage of income.

During the application process, PG Energy or the CBO will provide a complete and thorough explanation of PGEPP components to the program participants stressing the benefits of compliance and consequences of non-compliance. The bill information format and importance of energy conservation will be explained in order for the customer to fully understand the billing material and key concepts from the beginning of their participation in the program. As defined by the CAP Policy Statement, limits on consumption should be set at a percentage of a participant's historical average usage. The recommended level of 110% will be followed and adjustments in consumption shall be made for extreme weather conditions through the use of weather-normalization techniques. In addition, participants who historically use high amounts of energy will be targeted for special treatment. This special treatment will include counseling, evaluation, recommended lifestyle adjustments, weatherizing, etc. If the CAP customer has a shortfall greater than the \$840 annual limit, PG Energy will refer customers for LIURP services even if they do not meet the LIURP consumption threshold.

To participate in PGEPP, the customer agrees to several conditions including the following:

1. Make a monthly payment to the utility based on percentage of income. If income changes before the time of recertification or during program participation then the monthly payment may change based on new verified reported income.
2. Apply for Low Income Home Energy Assistance (LIHEAP) and any other energy assistance program available and designate at least one of these payments to PG Energy.

3. Fully cooperate with the CBO and Company including active participation in consumption and bill payment counseling.
4. Make a commitment to maintain or reduce energy consumption wherever practical.
5. Apply for and accept available weatherization and energy usage reduction services.
6. Acknowledge that making partial or late payments or failure to follow all stipulations of the agreement will result in collection actions in accordance with PPUC regulations, removal from PGEPP, and loss of program benefits if service termination occurs.
7. Acknowledge that program compliance can result in specific arrearage forgiveness.
8. Acknowledge that high-usage customers, who fail to abide by established consumption limits during any two months after receiving program counseling, energy education counseling and energy education evaluation, will be subject to removal from PGEPP. These customers will be given LIURP review first.
9. Pay shortfall greater than \$840 annually.
10. Acknowledge that they must apply for annual or bi-annual recertification prior to the anniversary date of their entry in PGEPP.
11. Agree to participate in other requirements resulting from program modifications made by the Company and approved by the PPUC.

### **Acceptance**

PG Energy will notify qualified applicants of their acceptance into PGEPP through a letter. New participants will be considered for LIURP. A PGEPP participant, if already a recipient of weatherization under PG Energy's program, will be re-evaluated.

### **Denial of Eligibility**

An applicant determined ineligible would receive written notification from PG Energy specifying the reason(s) for ineligibility. If the applicant is not satisfied with the determination of eligibility, PG Energy will use utility company dispute procedures in accordance with Chapter 56.151 and 56.152. The applicant may also appeal the denial of eligibility to the Bureau of Consumer Services in accordance with Chapter 56.161-56.165, relating to informal complaint procedures. Notice of right to appeal will be provided with the written notification of ineligibility.

### **Recertification**

Recertification of participants' income eligibility will be performed to ensure proper participation.

PG Energy will perform the recertification process for Company-approved participants. If a Company-approved participant receives LIHEAP then current proof of the grant will serve as verification at the time of recertification. Income verification will take place every two years for Company-approved participants that receive SS only or SSI only. Those customers who fail to recertify will be dismissed from the program.

PG Energy will perform the annual recertification process for non-Company-approved participants if they receive LIHEAP. If no current proof of receipt of a LIHEAP grant is provided then income eligibility will be performed by the CBO. The CBO will recertify the participant as eligible under the income guidelines by submitting current income documentation to the Company. Those customers who fail to recertify will be dismissed from the program.

Appropriate changes in the percentage of income payment will be made in accordance with income guidelines and payment percentages effective at the time of recertification. If income at the time of recertification dictates a change in the monthly payment, the new amount will be used for future monthly payments. Participants, who after recertification are deemed ineligible, will be notified of the reason they are no longer eligible for PGEPP.

## **Incentives**

PGEPP provides an arrearage forgiveness provision to help eliminate pre-program arrearages in four ways:

- First, the customer must pay a mandatory \$5.00, \$7.00, or \$9.00 amount as a portion of the total monthly bill toward reducing the pre-program arrearages.
- Second, the Company will supplement the required pre-program arrearage payments with a bonus forgiveness of another \$5.00 each month when the payment is received in full and on time up to a total of \$60.00 per year.
- Third, if a participant's annual CAP payment for current service exceeds the dollar value of their actual energy use for the year, the excess payment will be applied to their pre-program arrearage and PG Energy will match these payments by forgiving an equal amount of the pre-program arrearage. Annually, PG Energy will match a maximum of \$150. In the event, that the pre-program arrearage is paid in full, excess payments will be refunded to the participant less any LIHEAP amount paid for that season. All excess payment adjustments will be made annually.
- Fourth, the participant may pay an additional amount, over and above their required monthly payment, toward reducing their pre-program arrearage and PG Energy will match this additional payment by forgiving an equal amount of the pre-program arrearage, not to exceed \$250 annually. In effect, for every extra dollar that a participant pays toward reducing their pre-program arrearage, PG Energy will match it by forgiving another dollar. This method encourages participants to apply any extra household funds against their pre-program arrearage since it allows a faster and easier reduction in their arrearage.

## **Default Provisions**

Noncompliance with any of the following PGEPP requirements will result in dismissal from the program. Each PGEPP participant must:

### *1. Make scheduled payments.*

If the CAP participant fails to make one full payment on time, they will be considered in default. Five days after a missed full payment, PG Energy will issue the potential dismissal warning letter stating payment is overdue and the amount needed to remain in compliance. The potential dismissal letter will inform the participant of the consequences of defaulting from PGEPP. The letter will clearly state if the participant does not comply with program guidelines then collection activities will be initiated which may lead to termination of service for the account. The consequences for non payment will be loss of service. If payment is not received within five days from the date of the letter, a 10-day termination notice will be issued and collection activities will ensue according to Chapter 56 regulations. If a customer's service is terminated, the customer is removed from PGEPP resulting in a loss of program benefits. If the customer is terminated and makes up the necessary missed payments based on collection payment guidelines, the Company will re-enroll the customer in PGEPP after the service is restored as long as the customer still meets the eligibility criteria. An active customer enrolled as of December 1 will remain in PGEPP during the winter moratorium period (December-March). The customer will be required to catch up on missed CAP payments. If payments due are not paid in full by April 1st, the customer will be targeted for termination which can result in removal from PGEPP and loss of program benefits. A full payment of the missed CAP payments will stop the termination process at any time while customer is enrolled in PGEPP.

### *2. Abide by consumption limits.*

High-usage customers who fail to abide by established consumption limits during any two months after receiving program counseling, energy education counseling, and energy education evaluation will be subject to removal from PGEPP. These customers will be given LIURP review first.

### *3. Allow meter readings.*

PGEPP participants must allow the Company access for meter readings or provide a customer read at least once every two months. If a participant fails to allow the meter to be read for four consecutive months, the Company will attempt to install an encoder receiver transmitter (ERT), a device used to obtain the actual meter readings. If the customer does not allow access to install the ERT, they will be dismissed from PGEPP.

*4. Provide accurate and household size information.*

All income or household size information must be accurate. The customer must notify the Company or CBO of any changes in household income or size within 30 days or risk being automatically dismissed from the program. If income changes before the time of recertification or during program participation the monthly payment may change based on new verified reported income.

*5. Participate in consumption and bill payment counseling activities including consumer education.*

PGEPP participants must agree to apply for and actively participate in training and services designed to reduce energy consumption and promote good bill payment habits and which are offered by the CBO.

*6. Recertify before the anniversary date of the CAP enrollment.*

The PGEPP participant must provide appropriate information to recertify his/her eligibility before the anniversary date of enrollment.

*7. Agree to program modifications.*

Since modifications and additions to the program may be necessary, any participant unwilling to agree to these changes will return to normal billing and collection procedures.

### **Energy Assistance**

If eligible, the CAP participant must apply for LIHEAP (and other available assistance) and designate one LIHEAP grant to PG Energy. Customers between 135% to 150% will also be reviewed for other assistance grants. All other PG Energy assistance can be applied to the participant's account; however, as outlined in the CAP Policy Statement, LIHEAP or other energy assistance grants may not be substituted for a participant's monthly payment unless warranted by extenuating circumstances which must be verified. If customers fail to apply, they will be subject to pay a LIHEAP penalty, which will be administered as outlined in the CAP Policy Statement.

### **Program Dismissal**

Participants in danger of removal from PGEPP shall be contacted indicating:

- The program requirement for which the participant is in non compliance and corrective action that must be taken
- The date by which corrective action must be taken
- The total account balance due at time of default
- The statement of consequences which will result from removal from the program. (Return to collection process, resumption of late payment charges, possible service termination, etc.)
- The participant should contact the CBO or PG Energy

If corrective action is not taken by the specified date, PG Energy will send a letter to the participant indicating that they have been removed from PGEPP. The notice of removal will clearly indicate the reason for the action and the right to appeal the decision. These participants will not be required to pay late fees for bills incurred during participation and all arrearages forgiven will stand.

**Reinstatement**

Customers who default and are subsequently removed from PGEPP will be referred to PG Energy's Collections Department which will apply the same collection practices to CAP customers applied to non-CAP customers. If the reason for dismissal from the program was a result of termination of service, the customer will be required to make payments as outlined in the BCS payment guidelines.

If the reason for dismissal was not missed payments, the customer may apply for reinstatement and will be required to meet all general eligibility criteria (income eligibility, etc.).

Any arrearage forgiveness that the customer was eligible for will remain forgiven by the Company.

**Conclusion**

PG Energy's Universal Service Programs are designed to address customer needs and meet the requirements of 66 Pa. C.S.A §2203(8) and 52 Pa Code Chapter 62.

PG Energy respectfully requests that the Commission approve the previously described changes to the CAP and also approve this updated Universal Service and Energy Conservation Plan.