



**2013**

An independent analysis of Universal Service Programs prepared for:

Sadie J. Kroeck, Director Customer Relations  
Peoples TWP

**Universal Service  
Impact Evaluation**

**Melanie K. Popovich**  
**Utility Business Consultant**  
**November 1, 2013.**

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The 2013 Peoples TWP Universal Service evaluation provides the perspective of the independent evaluator, Melanie K. Popovich, of the design, management and improvements viewed as most relevant for continued effective program implementation.

Data sources for this evaluation included:

- Department ad hoc reports from Universal Service, Rates and Customer Service,
- 2009-2012 LIURP and CARES Statistical Reports as submitted to the PUC Bureau of Consumer Services.
- Company responses from evaluator data requests.
- Peoples TWP Universal Services management and supervisory staff interviews.

Data sources for Program Compliance included:

- 2004 T.W.Phillips Energy Help Fund Program Evaluation- Apprise, November 2004.
- 2012 Triennial Report on Universal Service and Energy Conservation Plan.

The collection and payment plan impacts of Peoples PTWP's EHF program are inconclusive, at this time, and are, therefore, not included with this evaluation. This is in due in part to the limited availability of Company data. The February 2012 conversion of the EHF program from a rate discount plan to a percentage of income plans yielded only 18 months of payment and collection activity. Ideally, a minimum of 36 months of payment data is reviewed to provide meaningful analysis. Impact data notwithstanding, the evaluator performed a thorough procedural and process review resulting in program efficiency recommendations.

Upon review, the evaluator finds Peoples TWP in compliance with its most recently approved 2012 Universal Service and Energy Conservation Plan.

### Scope

As recommended by the Bureau of Consumer Services (BCS) this evaluation addresses the following questions in relation the effectiveness and efficiency of Peoples PTWP's Universal Service Programs:

1. Is the appropriate population being served?
2. What is the customer distribution by CAP payment plan? Payment plans are defined at 52 Pa Code §69.265(2) of the CAP Policy Statement.
3. Generally do participants' energy burdens comply with the CAP Policy Statement? Energy burden is defined as the percentage of household income spent on energy services.
4. What are CAP retention rates? Why do customers leave CAP?
5. Is there an effective link between participation in CAP and participation in energy assistance programs?
6. How effective are CAP control features as defined in 52 Pa Code §69.265(3) of the CAP Policy Statement at limiting program costs?
7. How effective is the CAP and LIURP link? Is the Company's procedure for dealing with excessively high usage effective? If not, how can it be improved?
8. Is the CAP program cost effective?
9. How can Universal Service programs be more cost effective and efficient?
10. Has the Company adhered to its Universal Service and Conservation Plan for 2012?

## EXECUTIVE SUMMARY

	<b>FINDINGS</b>	<b>RECOMMENDATION</b>
<b>CAP-01</b>	Zero income EHF customers pay minimum payments for a period of eight months on average with no requirement to recertify prior to the three year EHF enrollment term.	Require zero income, minimum payment customers to recertify after six months for continued EHF enrollment and every three months thereafter.
<b>CAP-02</b>	According to PTWP's 2013 needs assessment, the Company has enrolled 13% (1,138 customers) of their confirmed low income customer population into EHF year-end 2012.	Increase annual enrollment to 35% (3,165) customers) of PTWP's confirmed low income customer population over a three year period.
<b>CAP-03</b>	The Company Universal Service education focus is currently on Butler county social service agencies. There is a gap in coverage for the social service agencies in the remaining PTWP service territory.	Consider sponsoring informational energy summits that would include social service agencies in the eight remaining counties served by PTWP. This effort could also serve to generate additional CAP participants.
<b>CAP-04</b>	The EHF intake, enrollment, and recertification process is manual and extremely time intensive. The Customer Relations Specialist handles the EHF administration, intake, enrollment, recertification, and removal due to default.	Consider a third party administrator to perform all EHF administration including intake, income verification, enrollment, and recertification.

## EXECUTIVE SUMMARY

	<b>FINDINGS</b>	<b>RECOMMENDATION</b>
<b>CAP-05</b>	<p>In 2013, the average EHF bill was \$60 per month, the second lowest monthly CAP bill as compared with peer PA gas utilities.</p> <p>20% of EHF participants were in the 0%-50% of FPL: average monthly EHF bill of \$31.</p> <p>42% of EHF participants were in the 51%-100% of FPL: average monthly EHF bill of \$61.</p> <p>38% of EHF participants were in the 101%-150% of FPL: average monthly EHF bill of \$86.</p>	
<b>CAP-06</b>	<p>Customers recertify once every 36 months in order to remain in EHF.</p>	<p>Require EHF customers to recertify every 24 months unless they received LIHEAP benefits in the current heating season, which will waive proof of income.</p>
<b>CAP-07</b>	<p>Of the 1,138 customers enrolled in EHF, 223 customers (20%) were removed from the program due to non-pay and 212 (19%) customers were removed due to failure to recertify. Many customers miss their three year recertification due date.</p>	<p>Each time EHF customers contact the call center, confirm their understanding of their required recertification due date.</p> <p>Consider a separate recertification telephone campaign 30 days prior to their recertification date, administered by a third party.</p>
<b>CAP-08</b>	<p>The Company employs adequate controls and effective communications for monitoring and controlling costs of their EHF program.</p>	

	<b>FINDINGS</b>	<b>RECOMMENDATION</b>
<b>CAP-09</b>	Overall, the Company's EHF program is cost effective. EHF credits make up the largest percentage (72%) of the total EHF program costs for 2012.	Continue to manage EHF credits through energy conservation programs such as LIURP and other state weatherization programs.
<b>CAP-10</b>	<p>The Company is extremely effective in linking EHF customers to other Universal Service and energy assistance programs. Especially noteworthy is the high percentage of LIHEAP grants received by EHF customers. This is one of the highest percentages for CAP customers that the evaluator has seen within the PA gas utility industry.</p> <p>Compared against the 1,138 active EHF customers year end 2012: 91% (1033) of EHF customers received LIHEAP grants.</p> <p>90% (18) of LIURP completions were high usage EHF customers.</p>	
<b>CARES-01</b>	While the Company's CARES program is well managed and provides essential services to its vulnerable population, case management is manual and extremely time intensive.	Consider a one stop shop for CARES program administration including utilizing local community agencies.
<b>LIHEAP-01</b>	Overall the LIHEAP grants were significantly lower for the 2011-2012 program year as compared to the previous year. The Company cited warmer weather lower natural gas costs, less federal funding, and modification of income eligibility. In 2010-2011, eligible customers received two supplemental grants.	

## EXECUTIVE SUMMARY

	<b>FINDINGS</b>	<b>RECOMMENDATION</b>
<b>DEF-01</b>	The Company's low income customers realized significant benefits from Dollar Energy Fuel Fund grants of an average of \$404 per grant over the most recent three year program period.	The Company should maintain its level of fundraising outreach for Dollar Energy through event sponsorships, bill inserts, and other advertising efforts to promote customer contributions.
<b>LIURP-01</b>	The current LIURP program is offered to customers at or below 300% FPL. There are a sufficient number of customers (1,900) eligible under industry standard FPL guidelines.	Limit the Wise Choice Program offering to customers at or below 150% of FPL, with 20% of the annual LIURP budget available to customers between 150%-200% FPL.
<b>LIURP-02</b>	In program year 2012, twenty eight homes were weatherized with the average cost at \$7,759. Currently there is no cap on spending per home for full weatherization services.	Establish spending caps on weatherization expenditures per job @ \$4,500 per home. Individual exceptions would need approval by the PTWP Customer Relations Specialist. Reducing spending caps would also serve to serve more households per year.
<b>LIURP-03</b>	On average, PTWP customers realize approximately 31% reduction in usage twelve months post LIURP over the most recent program years 2009-2011. This is significantly above the PA Natural Gas Utility average of 15.8% as reported in the 2011 BCS Universal Service and Energy Conservation Report.	

### Historical Overview

On May, 2011, LDC Holdings II LLC, an indirect subsidiary of SteelRiver Infrastructure Fund North America LP (SteelRiver) acquired Butler based T.W. Phillips Gas and Oil Company subsequently renamed Peoples TWP (the Company or PTWP). At the time of the acquisition, Pittsburgh based Peoples Natural Gas Company (also an affiliate of SteelRiver) assumed operations of PTWP.

Peoples TWP is engaged in the purchase, transmission, and distribution of natural gas to the public in various communities within Allegheny, Armstrong, Beaver, Butler, Cambria, Clarion, Clearfield, Indiana, Jefferson, and Westmoreland Counties, Pennsylvania.

### Universal Service Program Changes

#### December 2011-February 2012

Implementation of a new Energy Help Fund program (EHF) which changed from a rate discount program to a percentage of income plan for eligible low income customers.

#### Customer Demographics and Low Income Population

At year-end 2011, Peoples TWP (PTWP or The Company) served approximately 62,800 customers, of which 58,350 were residential, 4,400 were small commercial and industrial, 20 were large industrial, and 5 were other natural gas utilities.

Of the 58,350 residential customers served, 16% or 9,540 customers were identified on the Company's READi customer information system as confirmed low income.<sup>1</sup> By definition all customers who met the 150% or less of the Federal Poverty Level (FPL) guidelines as shown in their financial summaries were included in the low income group.

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

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

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<sup>1</sup> Ad Hoc Report-2013 data

Peoples TWP's Universal Service Department administers the Energy Help Fund more universally known as the Customer Assistance Program (CAP) within the Pennsylvania utility industry.

The Universal Service team reports to the Vice President of Rates and Regulatory and is comprised of one Director and three Customer Relations Specialists.

Director Customer Relations

Sadie J. Kroeck

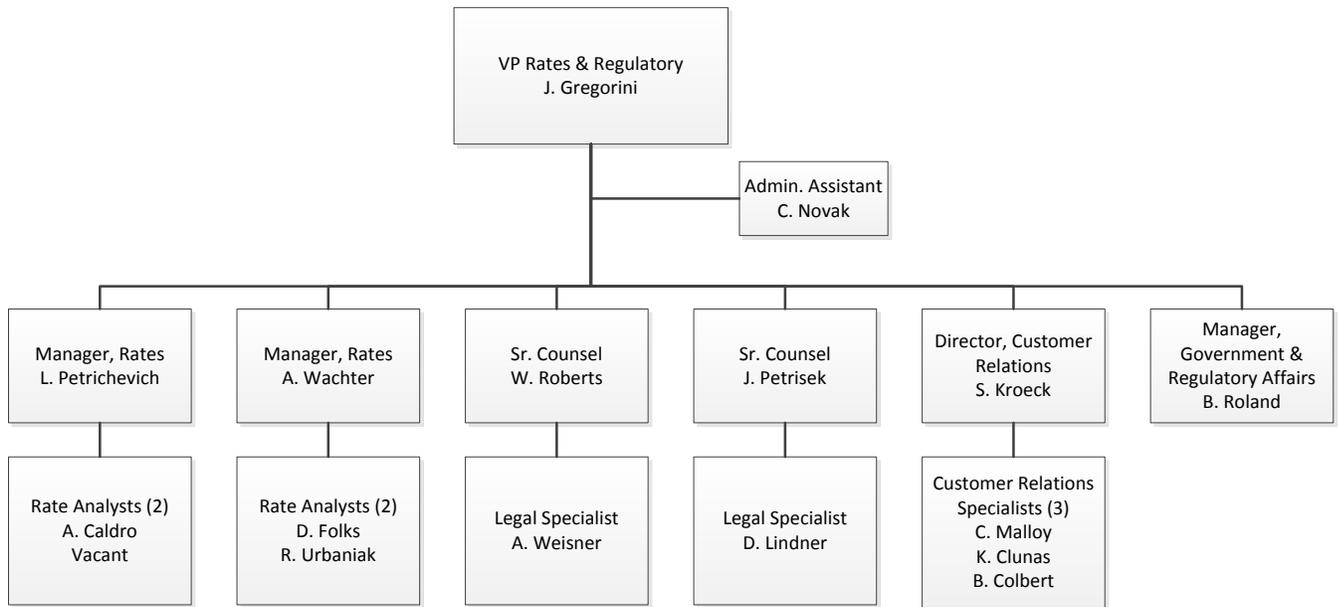
Customer Relations Specialists (3)

Bryan Colbert (PTWP)

Karen Clunas (PNG)

Carmen Malloy (PNG)

**Figure 1**  
**Universal Service Reporting <sup>2</sup>**



<sup>2</sup> Ad Hoc Report-Universal Service Organization and Reporting as of September 2013

**Table 1  
Universal Service Staff<sup>3</sup>**

<b>Position</b>	<b>Responsibility</b>
Director Customer Relations	Implementation and compliance of all Universal Service Programs, process improvements, and new program development.
Customer Relation Specialists PNG	Coordination of outreach and implementation of CAP, CARES, LIHEAP, and Dollar Energy Fund (DEF) programs. Compiles data for annual Universal Service report.
Customer Relations Specialist PNG	Coordination of outreach and implementation of LIURP, CARES, LIHEAP, and DEF. Compiles data for annual Universal Service report.
Customer Relations Specialist-PTWP	Coordination of outreach and implementation of all Universal Service programs including EHF, LIURP, CARES, and DEF. Compiles statistics for annual EHF, LIURP, and CARES report.

**Table 2  
PTWP Universal Service Contractors<sup>4</sup>**

<b>Contractor</b>	<b>Responsibility</b>
Conservation Consultants, Inc.	LIURP energy audits and conservation education.
Mincin Insulation	LIURP Installed weatherization measures
Bob Hilliard Plumbing and Heating	All safety inspections of gas heating and water heating appliances
Essential Energy	LIURP post Inspections, CARES home visitations
Dollar Energy Fund, Inc.	Outreach and intake administration for fuel funds.

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<sup>3</sup> PNG Interview: Universal Service Organization and roles as of September 2013

<sup>4</sup> Ibid.

### Payment Plans

The Company's EHF program is an account management program for low income customers at or below 150 percent of the Federal Poverty Level (FPL). Eligible customers are placed on an affordable payment plan based on a percentage of the customer's gross annual household income.

Three levels or tiers calculated at 7%-8%-or 9% are offered to eligible customers. When customers make regular and on time payments, they receive EHF credits to offset the difference between their usage and their EHF budget payments.<sup>5</sup> Customers remain in EHF for a three year period (unless they default for non-pay) at which time they are eligible to reapply for an additional three year years. Customers who miss a monthly payment will not receive the EHF credit until such time that the payments are made current.

For customers who have declared zero income, a minimum \$25 EHF payment is required for program eligibility. As of year-end 2012, the Company reported 97 customers were paying the EHF minimum payment with 52 reporting zero income. Zero income customers remained at zero income for an average of eight months.<sup>6</sup> The Company takes no additional steps to recertify these customers other than placing them in the normal three year cycle for recertification.

#### **Finding CAP-01**

Zero income EHF customers pay minimum payments for a period of eight months on average with no requirement to recertify prior to the three year EHF enrollment term.

#### **Recommendation**

Require zero income, minimum payment customers to recertify after six months for continued EHF enrollment and every three months thereafter.

### Arrearage Forgiveness

When customers enroll in the program with a pre-program arrearage, an additional \$5 monthly payment is required in order to benefit from arrearage forgiveness. The Company contributes \$15 to the customer's \$5 to create arrearage forgiveness credits. These credits help to pay down customer pre-EHF balances. If an EHF payment is missed (which includes the \$5 copay) the customer forfeits the opportunity to have that month's amount forgiven, until such time that all missed EHF payments are made.

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<sup>5</sup> PTWP 2012 Triennial Report on Universal Service and Energy Conservation Plan

<sup>6</sup> Interview Customer Relations Specialist

*At the time of this evaluation, Peoples TWP has requested Public Utility Commission (PUC) approval to modify the Company's arrearage forgiveness program by paying down 1/36<sup>th</sup> of the preprogram arrearage in lieu of the \$15 monthly Company forgiveness amount.<sup>7</sup> This change benefits the customers who have very large preprogram arrears. If a customer has a significantly high balance, it can take several years to pay off the entire pre-program balance under the current plan. With this proposed change, customers continue to pay \$5 towards their pre-program balance each month in addition to their percentage of income payment for current charges. When their payment is received on time and in full, 1/36 of their pre-program balance is 'forgiven.' If a customer makes all of the required payments the entire pre-program balance could be eliminated within three years.*

The evaluator supports this change as it should serve to improve payment behavior and improve customer compliance with the program.

### **Other Benefits from EHF**

Eligible customers also benefit from energy education, audits, and installed weatherization measures as described in the section on the Company's Wise Choice program.

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

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

- Encourage EHF customers to pay consistently and on time.
- Remove EHF customers from the traditional collection cycles.
- Promote energy conservation.
- Increase customer participation in all available energy assistance funds.

### **Eligibility Criteria**

Customers qualify for EHF under the following guidelines:

- Total gross household income is at or below 150% of FPL.
- The customer is designated as residential heating.
- The customer resides at the service address.
- The customer is not permitted to contract with a separate gas supplier and agrees to cancel their contract if applicable.

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<sup>7</sup> PTWP Rate Case Docket R-2013-2364471 Testimony Sadie J. Kroeck, Director Customer Relations

**Customer Responsibilities to Remain in EHF**

The customer must agree to certain provisions once enrolled in EHF in order to continue receiving program benefits. These include the following:

- Pay the agreed upon monthly EHF payment amount by the due date which includes an embedded \$5 co-pay towards the pre-program arrearage.
- Apply for all available LIHEAP assistance which is applied towards the customer’s monthly EHF payment.<sup>8</sup>
- Notify the Company with any changes to family size and income within 15 days of any changes.
- Recertify their gross annual income every three years.
- Apply for any eligible free weatherization services offered through the Company’s Wise Choice Program or through the state weatherization program offered by the Department of Community Education Development (DCED).

**EHF Payment Determinants**

The two factors that determine customers’ EHF payments are gross annual income and family size. The Company also reviews the monthly budget amount and offers the customer the lower of the two payments. In cases where the EHF payment might be higher than the budget amount and the customer has a substantial arrearage, the customer would be offered the EHF plan due to the added benefit of arrearage forgiveness.

**Table 3**  
**EHF Payment Options<sup>9</sup>**

<b>Federal Poverty Level</b>	<b>Income Payment %</b>
0%-50%	7%
51%-100%	8%
101%-150%	9%

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<sup>8</sup> PA Department of Welfare LIHEAP provisions for CAP customers 2012-2013

<sup>9</sup> Terms set forth in PTWP Rate Schedule RUS-Residential Universal Service

**Is the appropriate population being served?**

As a result of a needs assessment performed by the evaluator for PTWP's 2013 EHF program, the number of confirmed low income customers reported from the READi customer information system was 9,045 customers. Of those, 13% or 1,138 customers were enrolled in EHF year-end 2012, leaving a remaining balance of 7,907 confirmed low income customers. Using the average of the CAP participation rate among the three western PA natural gas utilities of 35%<sup>10</sup>, the Company falls below the expected enrollment rate by 1,629 customers.

A confirmed low income customer is a customer whose gross household income has been determined by the Company as meeting the stated Federal Poverty Level (FPL) income guidelines. Most household incomes are verified through customers' receipt of a LIHEAP or Crisis grant or determined during the course of making a payment arrangement.

**Table 4  
2013 EHF Needs Assessment**

	<b>Number of Customers</b>	<b>Percentage</b>
Total Residential Population in Counties Served by PTWP <sup>11</sup>	1,650,398	
Estimated Low Income Population from 2010 Census <sup>12</sup>	163,885	10% of Total Population are Low Income
PTWP Residential Customer Count <sup>13</sup>	58,350	
Confirmed Low Income from PTWP READi system <sup>14</sup>	9,045	16% of Total PTWP Residential Customers are Confirmed Low Income
Customers enrolled into EHF 2012	<b>1,138</b>	13% of Total Confirmed Low income are enrolled in EHF
<i>Sub Total</i>	<i>7,907</i>	
Recommended annual CAP Participation Rate of Confirmed Low Income	3,165	35% <sup>15</sup>

<sup>10</sup> 2011 BCS Universal Service Report-Pg. 40- CAP Participation Rate

<sup>11</sup> US Department of Commerce 2010 Census Data for total residential population in Allegheny, Armstrong, Butler, Clarion, Indiana, Jefferson, and Westmoreland counties.

<sup>12</sup> US Department of Commerce 2010 Census Data for residents at or below 150% of Federal Poverty Guidelines in Allegheny, Armstrong, Butler, Clarion, Indiana, Jefferson, and Westmoreland counties.

<sup>13</sup> Ad Hoc Report PTWP Customer Information System

<sup>14</sup> Ibid.

<sup>15</sup> 2011 BCS Report on Universal Service Programs & Collections Performance, Pg.40. Weighted average CAP Participation- PA Natural Gas Utilities

**Finding CAP-02**

According to PTWP's 2013 needs assessment, the Company has enrolled 13% (1,138 customers) of their confirmed low income customer population into EHF year-end 2012.

**Recommendation**

Increase annual enrollment up to 35% (3,165 customers) of PTWP's confirmed low income customer population over a three year period.

## Program Outreach

PTWP provides outreach for EHF through its Customer Relations Specialist, Customer Service representatives, and field representatives; through bill inserts; and through local agencies. The largest sources of referrals originate from the Customer Service Representatives and bill inserts. EHF Bill inserts are included in all residential customer bills, regardless of income, annually, in November. This includes a Universal Service Program brochure that offers program descriptions, eligibility, and contact information for all energy assistance programs, both internal and external.<sup>16</sup>

According to results obtained from the 2004 EHF evaluation, local agency interviews revealed that agency staff were not very knowledgeable about EHF and, therefore, did not provide many referrals to the program, despite Company efforts to provide education.<sup>17</sup> The Company confirms this statement to be accurate even today and cites frequent agency staff turnover as the reason.<sup>18</sup>

PTWP annually supports two informational energy summits for the Center of Community Resources, a clearing house for social service issues for Butler County. However, there is infrequent Company contact with the remaining agencies in Allegheny, Armstrong, Beaver, Clarion, Indiana, Jefferson, and Westmoreland counties.<sup>19</sup>

### **Finding CAP-03**

The Company Universal Service education focus is currently on Butler county social service agencies. There is a gap in coverage for the social service agencies in the remaining PTWP service territory.

#### **Recommendation**

Consider sponsoring informational energy summits that would include social service agencies in the eight remaining counties served by PTWP. This effort could also serve to generate additional CAP participants.

<sup>16</sup> Interview PTWP EHF Coordinator

<sup>17</sup> 2004 T.W. Phillips EHF Program Evaluation APPRISE, Inc. Pgs. 5-6

<sup>18</sup> Interview PTWP EHF Coordinator

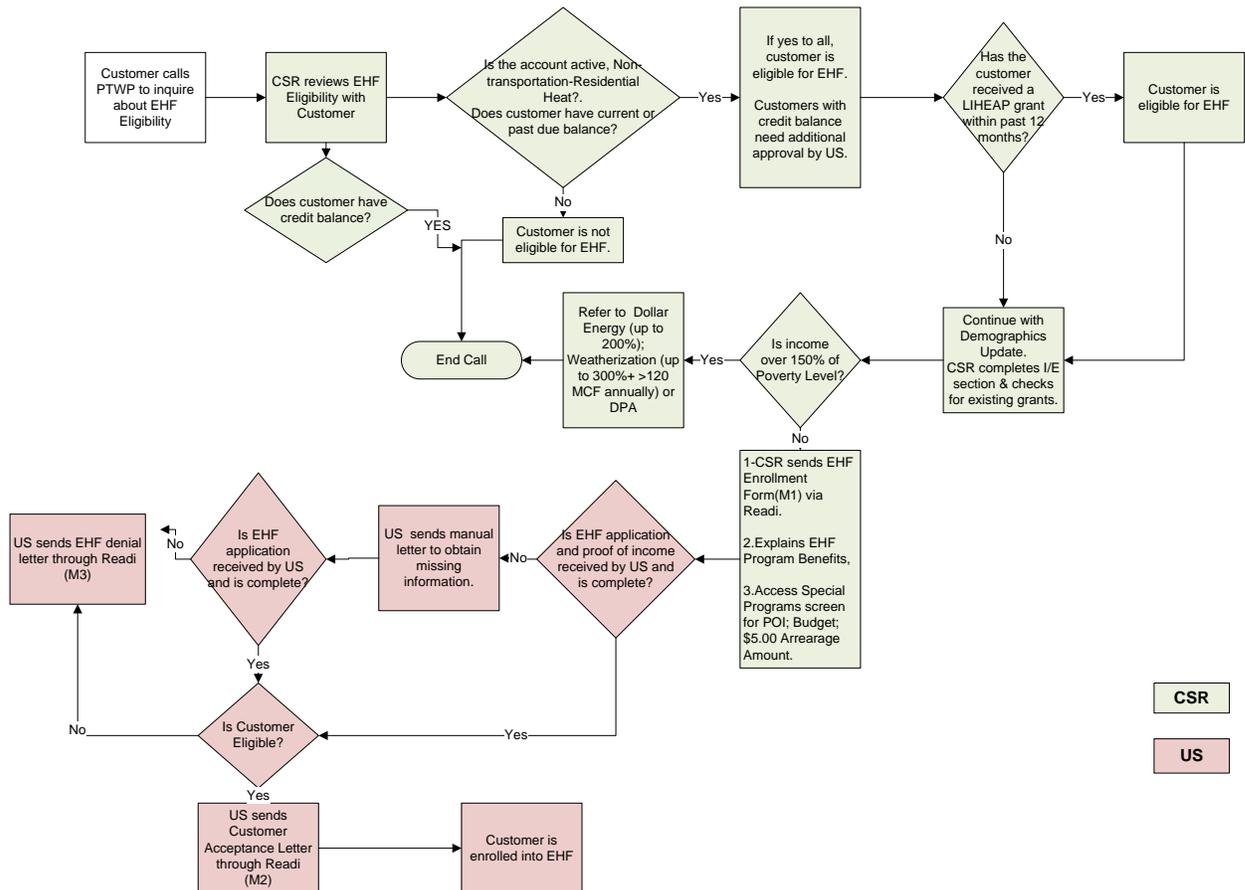
<sup>19</sup> Ibid.

Program Intake

Customer Service representatives who deem that a customer is potentially eligible for EHF, will send them to the Customer Relations Specialist for pre-screening. Information obtained in the pre-screening process is utilized for both the EHF and Wise Choice programs. Customers who have received LIHEAP grants in the immediately preceding 12 months are automatically enrolled in the both programs.

After telephonic pre-screening, the Customer Relations Specialist sends a letter and EHF application requesting the required proof of income be returned to the Company. Upon receipt, the specialist reviews the application for completeness and makes a determination if the customer is eligible.

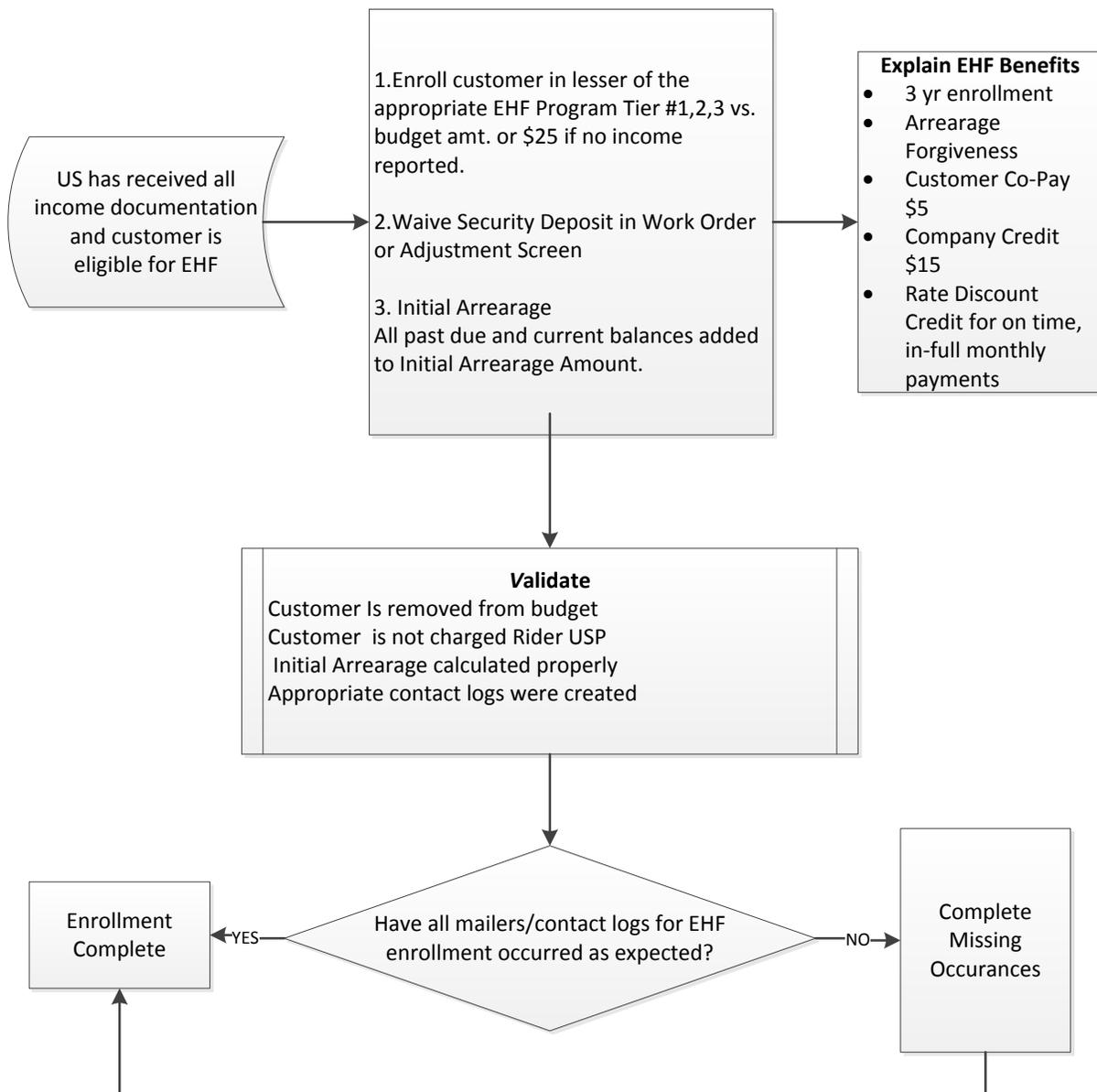
Figure 2  
EHF Eligibility Workflow<sup>20</sup>



<sup>20</sup> PTWP Interview-Customer Relations Specialist

The Customer Relations Specialist reviews the completed customer application to determine EHF eligibility and percentage of income tier. Letters of rejection or acceptance are sent. Income gathered for purposes of determining customer eligibility in EHF is also used to determine eligibility in other assistance programs including the Company’s Wise Choice weatherization program.

**Figure 3**  
**EHF Enrollment Workflow**



**Enrollment Trends**

Although EHF enrollments as of mid -year 2013 have surpassed total enrollments made in 2012, the needs assessment indicates that there is an even greater potential of customers eligible for EHF within the Company’s low income customer pool.

*See CAP-02 Finding and Recommendation*

**Table 5  
EHF Enrollment by Tier**

<b>Tier</b>	<b>2013<sup>21</sup></b>	<b>2012</b>
Tier 1 7%	240	216
Tier 2 8%	508	489
Tier 3 9%	448	433
<b>Totals</b>	<b>1196</b>	<b>1138</b>

**Finding CAP-04**

The EHF intake, enrollment, and recertification process is manual and extremely time intensive. The Customer Relations Specialist handles the EHF administration, intake, enrollment, recertification, and removal due to default.

**Recommendation**

Consider a third party administrator to perform all EHF administration including intake, income verification, enrollment, and recertification.

<sup>21</sup> PTWP CAP enrollment as of June 18, 2013

**What is the customer distribution of CAP by Poverty Guidelines?**

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

Average CAP bills and CAP credits for percentage of income CAP customers will fluctuate due to a change in rates, usage, and the distribution of income levels among program participants. In 2013, the average EHF monthly bill was \$60; the second lowest monthly CAP bill as compared with peer Pennsylvania gas utilities.<sup>22</sup>

**Table 6  
2013 EHF Participants by Plan Tier<sup>23</sup>**

<b>FPL%</b>	<b>EHF Count</b>	<b>Average EHF Payment</b>
0%-50%	232	\$31
51%-100%	495	\$61
101%-150%	448	\$86

**Finding CAP-05**

In 2013, the average EHF bill was \$60 per month, the second lowest monthly CAP bill as compared with peer PA gas utilities.

20% of EHF participants were in the 0%-50% of FPL: average monthly EHF bill of \$31.

42% of EHF participants were in the 51%-100% of FPL: average monthly EHF bill of \$61.

38% of EHF participants were in the 101%-150% of FPL: average monthly EHF bill of \$86.

<sup>22</sup> 2011 Report on Universal Service Programs & Collections Performance pg. 42

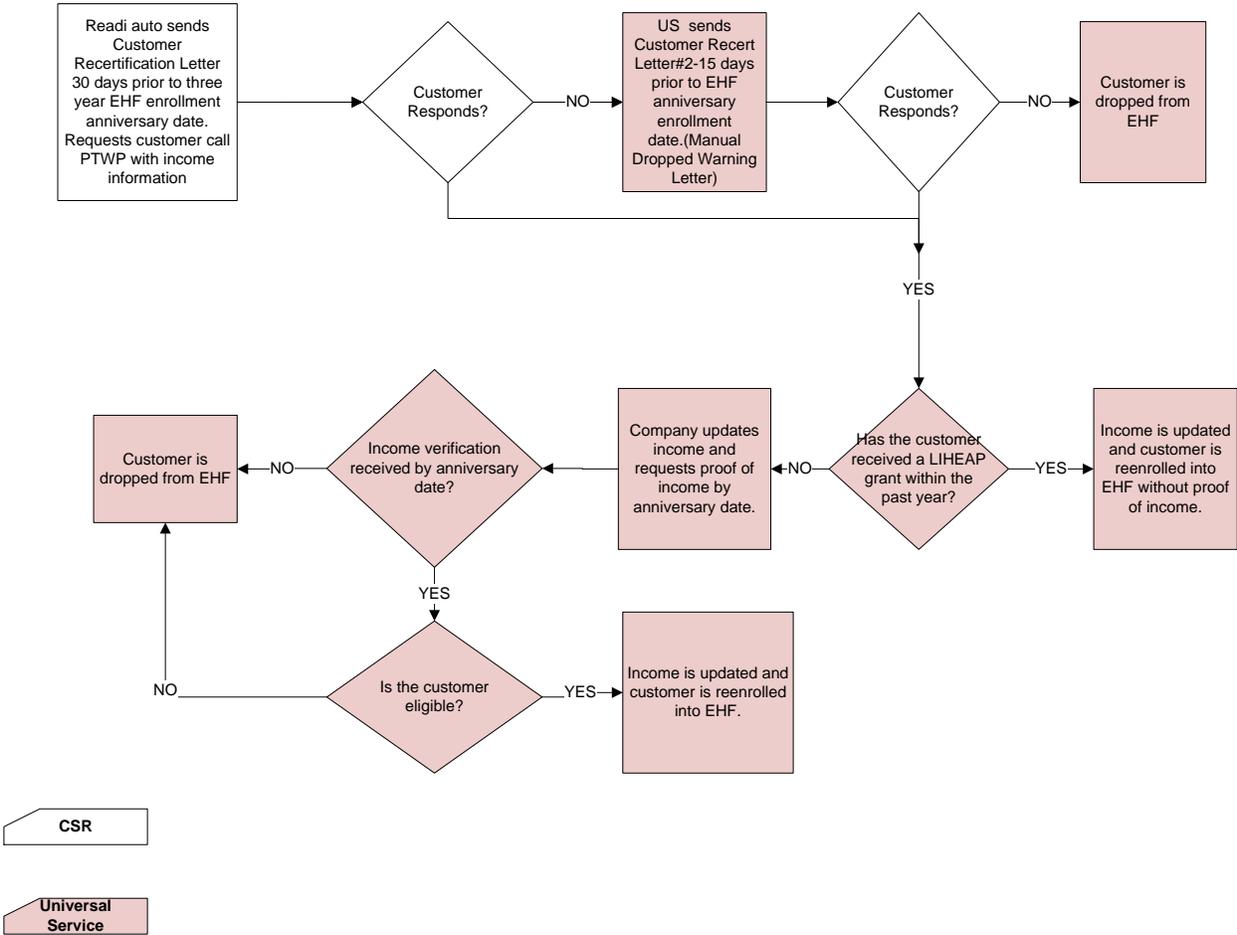
<sup>23</sup> Ad Hoc Report- Customer count as of June 2013

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

**Recertification**

Currently EHF customers only recertify once every 36 months. A report is generated listing customers due for recertification. READi automatically sends a customer letter 30 days prior to the three year EHF enrollment anniversary date requesting the customer to recertify and provide the Company with current proof of income in order to remain in EHF. A second letter is sent 15 days prior to the due date warning the customer of being removed from the program.<sup>24</sup>

**Figure 4  
EHF Recertification Workflow**



<sup>24</sup> Interview PTWP Customer Relations Specialist

### Customers who do not recertify

Of the 1,138 customers reported as being enrolled in EHF as of year- end 2012, there were 212 customers or 19% who failed to recertify on their three year anniversary date. These customers under the current program rules are removed from EHF. Of the 212 customers removed, 175 customers were reinstated in EHF once they completed a new EHF application and provided proof of current income.<sup>25</sup>

If the EHF customer received LIHEAP benefits in the current heating season, then proof of income is waived. This is applicable only when LIHEAP income eligibility is set at 150% of FPL.<sup>26</sup>

#### **Finding CAP-06**

Customers recertify once every 36 months in order to remain in EHF.

#### **Recommendation**

Require EHF customers to recertify every 24 months unless they received LIHEAP benefits in the current heating season, which will waive proof of income.

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<sup>25</sup> Ad Hoc Report-Customer Relations Specialist

<sup>26</sup> 2012 Triennial Report on Universal Service and Energy Conservation Plan June 1, 2012

### Customer Removals from EHF

Typically, EHF customers who no longer remain in the program are removed for a variety of reasons. The percentage of EHF participants who remain active and do not get dropped varies from month to month.

#### When a customer requests removal from EHF<sup>27</sup>

- ✓ A customer may request removal from EHF. As a control measure the customers must sign a waiver acknowledging that they are not eligible to re-enroll into EHF within one year after the time of the requested removal.

#### When a customer defaults from EHF<sup>28</sup>

- ✓ When a customer misses one EHF payment, a bill message is included on the bill warning the customer that they are in default and may be removed from the program. With two missed payments, a bill message notifies the customer that they are in default and will be removed from EHF unless missed payments are made current. Next, a letter is generated to the customer requesting that the office be called to make payment arrangements. The customer could be eligible for termination of service in accordance with the applicable laws and regulations. Once defaulted and removed from EHF, the customer can be reinstated only once annually upon making the current and any missed EHF payments.
  - *At the time of this evaluation, Peoples TWP is waiting for PUC approval on a modification to their current default provisions in order to be consistent with the BCS guidelines. These guidelines allow customers to remain active in EHF even if they become delinquent. If the customer does not bring the account up to date, the account will still be in active collection and termination can occur. Permitting the customer to remain on the EHF payment plan encourages the customer to bring their payment plan up to date in order to continue to receive the benefits.<sup>29</sup>*

The evaluator agrees with this proposed modification.

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<sup>27</sup> 2012 Triennial Report on Universal Service and Energy Conservation Plan June 1, 2012

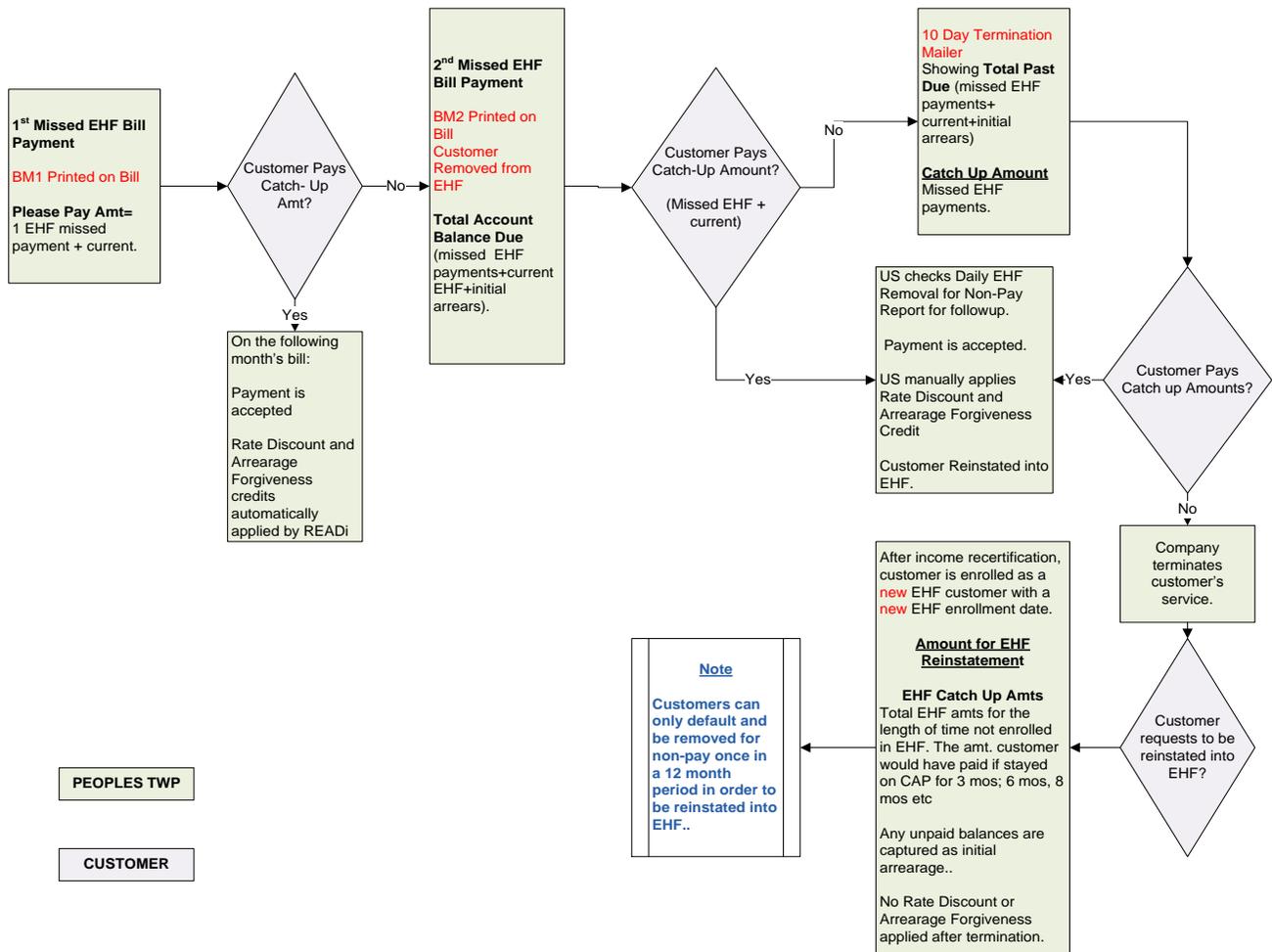
<sup>28</sup> Ibid.

<sup>29</sup> PTWP Rate Case Docket R-2013-2364471-Testimony Sadie J. Kroeck, Director Customer Relations

When the customer defaults and the gas service is terminated<sup>30</sup>

- ✓ A customer who is removed from EHF due to non-payment and the gas service is subsequently terminated, the customer will be required to remit all missed payments and recertify the household income. In addition, a reconnect fee is charged. *Under the proposed modification to default, the customer will never be removed from EHF and will be permitted to continue in the program pending make up of all delinquent payments.*

Figure 5  
EHF Removal Workflow<sup>31</sup>



<sup>30</sup> 2012 Triennial Report on Universal Service and Energy conservation Plan June 1, 2013

<sup>31</sup> Interview PTWP Customer Relations Specialist

**Table 7**  
**2012 EHF Customer Removal Reasons<sup>32</sup>**

<b>Removal Reason</b>	<b>Customer Count</b>
Default for non- payment	223
Failure to recertify	212*
Customer Request	154
Over Income	27
Other	59

\*175 of the 212 customers removed, reenrolled post recertification due date.

**Finding CAP-07**

Of the 1,138 customers enrolled in EHF, 223 customers (20%) were removed from the program due to non- pay and 212 (19%) customers were removed due to failure to recertify. Many customers miss their three year recertification due date.

**Recommendations**

Each time EHF customers contact the call center, confirm their understanding of the required recertification due date.

Consider a separate recertification telephone campaign 30 days prior to their recertification due date, administered by a third party.

<sup>32</sup> Ad Hoc Report as of June 2013-PTWP Customer Relations Specialist

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

Equally important at maintaining an efficient EHF operation is managing the functions of EHF accounting, back office work, and quality control of the customer responsibility guidelines. The READi billing system produces daily, weekly and monthly EHF activity reports to the Customer Relations Specialist for overall tracking and necessary follow-up.

These include the following reports:

- EHF Application Pending
- EHF Approved/Enrolled
- EHF Denied
- One Missed EHF Payment by Due Date
- Two Missed EHF Payments by Due Date
- EHF Removal Reason
- EHF Scheduled for Termination
- EHF Due for Recertification
- EHF Receiving LIHEAP

In addition to internal generated reports, the Company effectively communicates with EHF customers through bill messages and direct mailers. The Company redesigned their EHF bill in 2012 to accommodate the new percentage of income program.

**Table 4**  
**Bill Messages and Mailers<sup>33</sup>**

<b>Bill Message</b>	<b>Bill Message Description</b>
BM1	EHF First Missed Payment
BM2	EHF Second Missed Payment
BM3	New LIHEAP Cash Grant
<b>Mailer Code</b>	<b>Mailer Description</b>
M1	New EHF Application Letter
M2	New EHF Acceptance Letter
M3	New EHF Denial Letter
M4	New EHF Recertification Letter
M5	New EHF Removal Letter
M6	EHF Removal Request Waiver
M7	Tariff Adjustment Notification
M8	EHF Re-Certification Removal

<sup>33</sup> PTWP Customer Service Training Document-2012

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## Consumption Limits and High Usage Treatment

The Customer Relations Specialist manually monitors EHF customers who use more than 120% of their historical average usage taking into account weather for three consecutive months. Should a customer exceed this usage, the Company will implement a progressive consumption monitoring protocol as follows:

- ✓ The customer is asked the reason for the increased usage (e.g. household demographic changes, elderly, infants, etc.) and educated on energy conservation measures.
- ✓ The customer is asked to apply for the Company's LIURP program.
- ✓ If continued unexplained and unreasonable high usage continues, the Company reserves the right to remove the customer from EHF.

Of the 1,138 customers participating in EHF in 2012, only one customer was found exceeding their historical usage.<sup>34</sup>

### **Finding-CAP-08**

The Company employs adequate controls and effective communications for monitoring and controlling costs of their EHF program.

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<sup>34</sup> Interview PTWP Customer Relations Specialist

**What are the costs which comprise EHF?**

There are three major cost categories for EHF.

**Administration**

- Internal and contract staffing
- Outreach
- Intake verification and application mailing costs
- Annual training
- Recertification
- Program Evaluation
- Account monitoring
- Consumer education
- Conservation
- Billing System improvements
- EHF collection costs
- EHF O&M expenses

**CAP Credits<sup>35</sup>**

The total amount for all EHF customers who received EHF credits divided by the difference between the standard billed amount and the EHF billed amount. Until 2010, this amount included LIHEAP grants which helped to offset and reduce EHF credits. All third party grants are also reduce EHF credits.

**Pre-Program Arrearage Forgiveness<sup>36</sup>**

Pre-program arrearages are forgiven by the Company as a result of customers making agreed upon monthly EHF payments in full and on time.

Currently, the customers pay \$5 towards the pre-program arrears with the Company forgiving \$15 each month (as long as the customer is current with their monthly EHF payment), over a 36 month term. If arrearages still remain after 36 months, the customer may reenroll to further reduce arrearages.

At the time of this evaluation, the Company is waiting for PUC approval of proposed program changes to arrearage forgiveness to allow for a 1/36<sup>th</sup> Company forgiveness amount, in lieu of a

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<sup>35</sup> Recoverable costs through PTWP USP Rider-Universal Service

<sup>36</sup> Ibid

fixed monthly amount. This change would serve to reduce customer arrearages in a more timely manner.

**Table 9**  
**2012 EHF Costs<sup>37</sup>**

<b>EHF Cost</b>	<b>Dollar Amount</b>	<b>Cost per Customer**</b>
EHF Credits	\$414,956	\$365
Arrearage Forgiveness	\$106,327	\$94
Administration	\$52,498*	\$44
<b>Total</b>	<b>\$573,781</b>	

\*Includes \$3174 for EHF Outreach

\*\* Based on 2012 Active Participant count of 1138 EHF customers

**Finding CAP-09**

Overall, the Company’s EHF program is cost effective. EHF credits make up the largest percentage (72%) of the total EHF program costs for 2012.

**Recommendation**

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

**Recovery of Program Costs**

EHF costs are recovered by the Company through Rider USP-Universal Service. The Rider is applicable to all residential customers except those enrolled in EHF and is adjusted through a quarterly filing.

Applicable costs for recovery include projected EHF credits, LIURP costs, the amortization of pre-program customer arrearages, and external administration costs.

*See Appendix A-Rider USP- Universal Service*

<sup>37</sup> Ad Hoc Report-PTWP Customer Relations Specialist

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

At the time of EHF intake, the PTWP Customer Service Representative and the Customer Relations Specialist check for customer eligibility for energy assistance and weatherization programs, both internal and external to the Company.

**Table 10**  
**EHF Program Linkages<sup>38</sup>**  
**2012**

	<b>EHF +LIURP</b>	<b>Total LIURP</b>	<b>EHF+CARES</b>	<b>Total CARES</b>	<b>EHF + Dollar Energy</b>	<b>EHF+LIHEAP</b>
No. of Customers	18	20	30	56	210	1033
\$ Amt. Avg. Grant					\$448	\$373

EHF Customers Active year end 2012 was 1138 customers

**Finding CAP-10**

The Company is extremely effective in linking EHF customers to other Universal Service and energy assistance programs. Especially noteworthy is the high percentage of LIHEAP grants received by EHF customers. This is one of the highest percentages for CAP customers that the evaluator has seen within the PA gas distribution industry.

Compared against the 1138 active EHF customers year end 2012:  
 91% (1033) of EHF customers received LIHEAP grants.  
 90% (18) of LIURP completions were high usage EHF customers.

<sup>38</sup> Ad Hoc Report-PTWP Customer Relations Specialist

The Customer Assistance Referral and Evaluation Services (CARES) program was developed by PTWP to provide personal assistance and counseling to customers who are experiencing short-term financial hardships. Eligible customers include those who are low or fixed income, who have a special need and who are payment troubled. Special needs customers include those who may have experienced a family or personal crisis such as loss of income, divorce, or major illness. They may also include those who have physical or mental disabilities, low incomes or who are older adults.

The CARES program is part of the Company’s ongoing effort to identify customers appropriate for CARES and direct them to the resources that provide the most assistance.

In addition to the Customer Relations Specialist, the Company utilizes its Customer Contact Representatives as the front line in identifying customers in need. Referrals are also made by community agencies, the PA Public Utility Commission (PUC), other utilities and by Company field employees.<sup>39</sup>

**CARES Enrollment**

Once an assessment is made by the Customer Relations Specialist, a decision is made regarding the length of time it may take to resolve the customer’s situation. In some cases, the resolution may simply be a one- time communication with community assistance agencies or a longer term CARES interaction by the Company. Customers are classified as “short term CARES” in that they really only need referral information about the available sources of assistance. Also included as “short term” CARES are customers who are experiencing a very short-term immediate need such as help replacing a service line, inside piping, a hot water tank, a furnace or a boiler. Peoples TWP’s CARES program will help those customers find appropriate programs. If the customer is unable to read, sign an application for assistance, is confused etc. a home visit may be required to provide personalized assistance. The Company contracts with a third party, Essential Energy to conduct home visits.<sup>40</sup>

**Table 11  
CARES Enrollment<sup>41</sup>  
2010-2011-2012**

<b>Year</b>	<b>New Referrals</b>	<b>Enrolled</b>	<b>CARES+EHF</b>	<b>Home Visits</b>
2012	36	56	30	11
2011	19	37	25	14
2010	20	39	18	14

<sup>39</sup> 2012 Triennial Report on Universal Service and Energy Conservation Plan  
Interview PTWP Customer Relations Specialist

<sup>40</sup> 2012 PTWP CARES Report

<sup>41</sup> Ad Hoc Report-PTWP Customer Relations Specialist

Increasingly, the Company’s CARES representative functions as the over-all coordinator and case-manager in the portfolio of needs and referrals for customers. As a result, there are numerous follow up phone calls, repeated requests for services and inquiries into the status of expected results.

As previously reported, most community-based agencies no longer do home visits, primarily due to safety and travel cost concerns. The utility CARES services are one of the few programs that continue to perform home visits. As evidenced by the table below, caseload trends verify the need for a continued CARES program.

**Table 12**  
**2012 CARES Caseload Trends<sup>42</sup>**

	<b>2012</b>	<b>2011</b>
CARES Caseload	56	37
Total # of Referrals*	168	211
Average Household Age	65	69
Average Household Income	\$15,748	\$16,515

\*Referrals to other agencies

**Community Outreach**

Peoples TWP provides ongoing updates to area assistance agencies, social services organizations and elected officials’ staff. They are encouraged to refer qualified low-income constituents to our programs.

The Company in August of 2012 hosted a meeting of all western PA utility company’s CARES representatives. This meeting provided training from the Department of Aging and Long Term Living and PA 211.

The Customer Relations Specialist speaks to a variety of community groups and is actively involved in a number of special organizations and initiatives so that those eligible populations receive assistance, including Peoples TWP’s Universal Services Program. The Universal Services Coordinator of Peoples TWP serves as a member of the Butler Emergency Relief Initiative Oversight Committee.

**Finding CARES-01**

While the Company’s CARES program is well managed and provides essential services to its vulnerable population, case management is manual and extremely time intensive.

**Recommendation**

Consider a one stop shop for CARES program administration including utilizing local community agencies.

<sup>42</sup> 2012 PTWP CARES Report

### Low Income Home Energy Assistance Program (LIHEAP)

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

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

LIHEAP is open from November through April each year. Once deemed eligible, DPW issues the grant to the appropriate utility company for payment application on the customer's heating account.

Customers with verified income at or below 150% of the FPL may apply for this program through an online application at [www.compass.state.pa.us](http://www.compass.state.pa.us) or through completing a LIHEAP application which is available at county assistance offices (CAO), social service agencies, local legislative offices and/or the customer's utility company.

#### LIHEAP Cash

Household income is the sole determinant of customer eligibility for LIHEAP cash. Applicants must also have an active heating account with the company.

#### LIHEAP Crisis

A customer must have a utility termination notice with a threat that utility service will be disconnected or already have service disconnected to qualify for this grant.

#### LIHEAP Outreach

The CARES program supports LIHEAP outreach. In 2012, the Company employed numerous temporary assistants and in house personnel to contact and refer more than 6,000 customers identified in the Company's READi system as possible eligible customers to receive LIHEAP Cash and LIHEAP Crisis. The assistants then followed up with a second or a third telephone call to ensure that the customers applied for the program for which they appeared to be eligible.<sup>43</sup>

In 2012, Peoples TWP joined Peoples, Columbia and Equitable Gas companies' Partners for Warmth to promote LIHEAP.

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<sup>43</sup> Interview-PTWP Customer Relations Specialist  
2012 CARES Report

As a member of the Partners for Warmth, the Company provided a mobile site for Butler City residents to apply for LIHEAP. In October of 2012, a natural gas-powered trolley was parked on Main Street, Butler PA, in front of the Center for Community Resources (CCR), a social services organization that provides referral services to the residents of Butler County. The Company and CCR along with county social services agencies promoted the event in a combined effort to provide another opportunity for residents to apply for LIHEAP.<sup>44</sup>

As indicated in the table below, for the program year 2011-2011, total LIHEAP dollar grant amounts, number of customers assisted, and average grant amounts were significantly lower than the previous program year. The Company cited warmer weather, lower natural gas costs, less money available for Federal funding and modification of income eligibility as the reasons.

In the 2010-11 program year, there was greater federal funding resulting in two supplemental grants with income eligibility at 160% of FPL.

**Table 13**  
**LIHEAP and Crisis Funds**  
**Program Years 2011-12 and 2010-11**

<b>2011-2012</b>	<b>LIHEAP CASH</b>	<b>LIHEAP Crisis</b>	<b>TOTALS</b>
Total Dollar Amt.	\$1,219,155	\$317,084	<b>\$1,536,239</b>
# Customers Assisted	3761	1226	<b>4987</b>
Avg. Grant Amount	\$324	\$259	
<b>2010-2011</b>	<b>LIHEAP CASH</b>	<b>LIHEAP Crisis</b>	<b>TOTALS</b>
Total Dollar Amt.	\$2,076,780	\$660,519	<b>\$2,737,299</b>
# Customers Assisted	4893	2056	<b>6949</b>
Avg. Grant Amount	\$424	\$321	

**Finding LIHEAP-01**

Overall the LIHEAP grants were significantly lower for the 2011-2012 program year as compared to the previous year. The Company cited warmer weather, lower natural gas costs, less Federal funding, and modification of income eligibility as the reasons.

In 2010-2011, eligible customers received two supplemental grants with lower income eligibility requirements.

<sup>44</sup> 2012 PTWP CARES Report

### Dollar Energy Fund Eligibility Requirements<sup>45</sup>

The applicant must:

- Have household income at or below @200% FPL.
- Provide the intake agency with proof of income.
- Provide the intake agency with a copy of the most recent utility bill, Denial of Service letter, or termination notice.
- Have a balance of at least \$100 on the utility account. However, applicants 62 or over may have a zero balance. The account may not have a credit on the account irregardless of the age of the applicant.
- Have paid at least \$150 in the past 90 days on the account prior to application to Dollar Energy. However, if the applicant is 62 or over, they must have paid at least \$100 in the past 90 days on the account prior to application to Dollar Energy.
- Be an adult currently residing in the household for which the application is being requested.
- Provide evidence of utility payment history as set forth in the Dollar Energy Fund application.
- Reside in a residential, single home or apartment heat dwelling. (No apartments with shared utility service, commercial, industrial, cooking only or water heating only accounts).
- Adhere to any program dates and/or qualifying application requirements as established by the Dollar Energy Fund or Peoples TWP.

Currently, the Company partners with eight participating screening agencies for Dollar Energy Fund applications serving seven counties within Peoples TWP service territory.

### Shareholder Funds and Matching Customer Dollars

Peoples TWP shareholders provides the Dollar Energy Fund with an administrative donation of \$15,000 annually for three consecutive years beginning in 2012 to cover costs for administering the program. In addition to this funding, the Company has committed to contribute a minimum of \$35,000 annually to match customer contributions dollar for dollar also beginning in 2012. These monies are to be utilized for Dollar Energy Fund grant payments for eligible customers. Should the Company's customer contributions exceed \$35,000, Peoples TWP will continue to match additional dollars as needed.<sup>46</sup>

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<sup>45</sup> Interview-PTWP Customer Relations Specialist

<sup>46</sup> 2012 Triennial Report on Universal Service and Energy Conservation Plan June 1, 2012

**Dollar Energy Fund Outreach**

The Company offers the “Add a Buck” option where a customer can donate directly to Dollar Energy Fund through the PTWP bill. The Company reports that in 2013, a bill insert will be sent to all PTWP customers to encourage donations through their bill or directly to Dollar Energy Fund. PTWP also has plans to promote Dollar Energy Fund on its website: [www.peoplestwp.com](http://www.peoplestwp.com).

In 2012 and 2013, Peoples TWP partnered with Dollar Energy Fund and other western Pennsylvania utilities to participate in a “Warmathon” on KDKA Radio and Television. This event is held each February and solicits contributions to Dollar energy Fund from area residents. Each dollar contributed by the listeners was matched by the participating utility companies. In 2012, \$7500 was earned for PTWP customers and in 2013, \$8750 was earned for PTWP customers.

Other fundraising events in the community included partnering with Hearth and Home, a retail store, promoting the sale of gas fireplaces. A portion of the proceeds for fireplace sales in the month of November goes towards Dollar Energy Fund. Another partnership was with Lernerville Speedway in Butler County. The Speedway donated auction prizes that event spectators could donate money (\$1 per ticket) for a chance to win prizes.

The Company is committed to offer sponsorships, advertising, and other promotions for Dollar Energy fundraisers.

**Table 13**  
**PTWP Dollar Energy Fund Sponsorships and Shareholder Contributions<sup>47</sup>**

<b>Program Year</b>	<b>Total DEF Contributions (Customer + Company Match)</b>	<b>No. of Grants</b>	<b>Avg. Grant</b>
2011-2012	\$24,900 x 2=\$49,800	124	\$402
2010-2011	\$29,820 x 2=\$59,640	152	\$392
2009-2010	\$32,716 x 2=\$65,432	156	\$419

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<sup>47</sup> Ad Hoc Report-Customer Relations Specialist  
OCA Set IV Status Update PTWP Responses

**Table 14  
Dollar Energy Fund Disbursements<sup>48</sup>**

<b>Fundraising Event</b>	<b>2013</b>	<b>Shareholder Contributions</b>	<b>2012</b>	<b>2011</b>	<b>Customer Contributions 2012/2011</b>
Warmathon Sponsorship	\$2,500	Administration	\$15,000	n/a	n/a
Hearth and Home Advertising	\$2,000	Matching Funds	\$24,900	\$28,820	\$24,900/\$28,820
Lernerville Speedway Sponsorship	\$6,000				
<b>Total</b>	<b>\$10,500</b>	<b>Total</b>	<b>\$39,900</b>	<b>\$28,820</b>	<b>\$24,900/\$28,820</b>

**Finding DEF-01**

The Company's low income customers realized significant benefits from Dollar Energy Fuel Fund grants of an average of \$404 per grant over the most recent three year program period.

**Recommendations**

The Company should maintain its level of fundraising outreach for Dollar Energy through event sponsorships, bill inserts, and other advertising efforts to promote customer contributions.

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<sup>48</sup> Ad Hoc Report-PTWP Customer Relations Specialist

Peoples TWP Wise Choice program is a weatherization and conservation program targeted to low-income, high usage, payment troubled customers. While the goals of Wise Choice are to assist the customer in conserving energy, achieve bill reduction through reducing usage, and enable customers to pay a greater percentage to balances owed the Company, customers further benefit from overall improvements of health, safety, and comfort levels.

### Eligibility Requirements<sup>49</sup>

- The customer must be at or below 300% of FPL
- The customer must have a residential heating account.
- The customer must have lived in the residence continually for the last 12 months. and have intentions to live at the same address for the next 12 months.
- The customer's annual usage must be at least 120 Mcf/year.
- Renters must have the gas account in their name if they are a renter. Rental units must be metered separately and have individual heating systems. Landlord permission is also required.
- Special consideration low-income customers who may not meet the usage eligibility requirements but have demonstrated other needs which suggest that energy conservation might be helpful.

### Needs Assessment

The majority of the customers who receive weatherization services are at or below 200% of the Federal Poverty Level which is consistent with industry standards. PTWP has approximately 1,900 customers with incomes at or below 150% of the Federal Poverty Level who meet the usage criteria of 120 Mcf/year.<sup>50</sup>

#### **Finding LIURP- 01**

The current LIURP program is offered to customers at or below 300% FPL. There are a sufficient number of customers (1,900) eligible under industry standard FPL guidelines.

#### **Recommendation**

Limit the Wise Choice Program offering to customers at or below 150% of FPL, with 20% of the annual LIURP budget available to customers between 150%-200% FPL.

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<sup>49</sup> 2012 Triennial Universal Service and Conservation Report June 1, 2012

<sup>50</sup> Ad Hoc Report-READi Customer Information System

**Outreach, Enrollment, and Application** <sup>51</sup>

The Customer Relations Specialist coordinates the application process and obtains the necessary agreements and consents necessary for the installation of weatherization and conservation measures with participating customers and landlords.

Once proper documentation is secured, a safety check of the gas appliances is conducted by Hillard Plumbing and Heating with Conservation Consultants, Inc. performing the Energy Audit and Energy Education.

Upon completion of the safety check and energy audit, all documentation and pictures are sent to the Customer Relations Specialist for review and approval. If the home is deemed unsuitable for weatherization (e.g. leaking roof, knob and tube wiring, moisture and mold problems, foundation deterioration, missing walls and ceilings) then the application is denied. If the home is approved for weatherization, work is scheduled for the installation of weatherization measures, with any safety issues addressed first.

Once the measures are installed, and all bills are submitted for payment, a final inspection of the property may be performed to ensure that measures are installed correctly. Essential Energy performs this service for PTWP. Essential Energy will also document and report to PTWP and Mincin Insulation any needed remedies and/or billing issues. The Customer Relations Specialist will then follow-up to ensure that billing issues are corrected and that any corrections to the property/measures installed are remedied.

LIURP is designed to be a full weatherization services program with installed program measures meeting a simple payback recovery basis of seven years or less for most program measures and twelve years for sidewall insulation, attic insulation, and furnace and water heater replacement. PTWP's program is focused on those measures that would ensure maximum usage reduction. The majority of the LIURP budget is spent on attic and sidewall insulation. Currently there is no spending cap per weatherized home.

**Table 15**<sup>52</sup>  
**LIURP Program Measures**  
**Program Years 2010-2012**

	2012	2011	2010
Full WX. Services	20	24	21
Furnace Only	8	3	2
Audit Only	1	0	3
Post Inspection	13	11	11

<sup>51</sup> Interview Customer Relations Specialist

<sup>52</sup> Ad Hoc Report-Customer Relations Specialist

**LIURP Budget**

The annual budget for the Wise Choice program is \$230,400, of which 15% may be applied to administrative costs. Since January 1, 2012, there was an increase in the current funding for Peoples TWP weatherization program of \$10,000 per year until the effective date of rates in the Company’s next rate case (The \$10,000 is not recoverable by any Riders).<sup>53</sup>

**Table 16<sup>54</sup>**  
**LIURP Budget and Weatherization Completions**  
**2010-2012**

Program Year	Budget	Actual Spending	Number of Homes Weatherized	Avg. Cost per Job
*2013	\$273,558			
2012	\$240,000	\$217,242	28	\$7,759
2011	\$230,000	\$230,918	28	\$8,247
2010	\$191,250	\$182,731	29	\$6,301

\* 2013 budget includes \$10,000 in non-recoverable funds and unspent 2012 funds

**Finding LIURP-02**

In program year 2012, twenty eight homes were weatherized with the average cost at \$7,759. Currently there is no cap on spending per home for full weatherization services.

**Recommendation**

Establish spending caps on weatherization expenditures per job @ \$4,500 per home. Individual exceptions would need approval by the PTWP Customer Relations Specialist.

Reducing spending caps would also serve to serve more households per year.

<sup>53</sup> Joint Petition of Approval of Settlement of All Issues: A-2010-2210326

<sup>54</sup> Ad Hoc Report

PTWP reports that households receiving full LIURP weatherization services benefit significantly from reduced consumption. The factors that have an impact on energy savings are the following:<sup>55</sup>

- ✓ Level of pre-weatherized usage
- ✓ Occupant energy behavior
- ✓ Housing type and size
- ✓ Age and condition of the dwelling
- ✓ End uses such as heating and water heating
- ✓ Contractor capabilities

**Table 17<sup>56</sup>**  
**Twelve Months Post-LIURP**  
**Program years 2009-2011**

<b>Program Year</b>	<b>Number of Complete</b>	<b>Avg. Mcf Reduction</b>	<b>Avg. % Reduction</b>
<b>2011</b>	<b>28</b>	<b>65</b>	<b>44%</b>
<b>2010</b>	<b>29</b>	<b>40</b>	<b>24%</b>
<b>2009</b>	<b>32</b>	<b>42</b>	<b>26%</b>

**Finding LIURP-03**

On average, PTWP customers realize approximately 31% reduction in usage twelve months post LIURP over the most recent program years 2009-2011. This is significantly above the PA Natural Gas Utility average of 15.8% as reported in the 2011 BCS Universal Service and Energy Conservation Report.

<sup>55</sup> 2011 Report on Universal Service Programs and Collection Performance pg.35

<sup>56</sup> Ad Hoc Report-Customer Relations Specialist

## **APPENDIX**

## APPENDIX A

PEOPLES TWP LLC

SUPPLEMENT NO. 7  
TO  
TARIFF GAS – PA PUC NO. 7  
SECOND REVISED PAGE NO. 108

### **RIDER USP – UNIVERSAL SERVICE PROGRAM**

#### **APPLICABILITY**

Throughout the territory served under this Tariff.

#### **AVAILABILITY**

This Rider shall be applicable to all residential customers except customers in the Company's Energy Help Fund ("EHF").

#### **CHARACTER OF RATE**

This Rider has been established to recover costs related to the Company's Universal Service Programs for low-income residential priority customers.

#### **RATE**

In addition to the charges provided in this tariff, an amount shall be added to the otherwise applicable charge for each Mcf of sales volumes or distribution volumes distributed by the Company to customers receiving service under Rate Schedules RS and RST.

The currently effective rate is shown on Tariff Page No. 11.

The USP rate is not applicable to Customers enrolled in the Company's EHF.

#### **CALCULATION OF RATE**

The Rider USP rate shall be calculated to recover costs for the following programs: Wise Choice Low Income Usage Reduction ("Wise Choice") program; Customer Assistance Referrals and Evaluation Services ("CARES") and Energy Help Fund ("EHF").

Wise Choice costs will be calculated based on the projected number of Level 1 income homes to be weatherized. CARES costs will be calculated on the projected number of low income customers provided with assistance.

EHF costs will be calculated by EHF tier to include the projected EHF Shortfall (the difference between the total calculated RS bills excluding Rider USP and the EHF bill, and an adjustment for unearned shortfall amounts) based upon the current discounts at normalized annual volumes of the then-current EHF participants, the projected EHF Shortfall for projected customer additions to EHF during the period that the Rate Schedule RUS rate will be in effect at the average discount of current EHF participants at normalized annual volumes, the projected EHF customer application and other external administrative costs and the projected EHF pre-program arrearage forgiveness during the next 12 months.

The costs shall be divided by the total annual projected throughput volumes of all residential non-EHF customers as established in the Company's most recent Purchased Gas Cost proceeding to determine the volumetric rate for this Rider.

#### **QUARTERLY ADJUSTMENT**

Each quarter, and at any time that the Company makes a change in base rates or quarterly reconciliation of Purchased Gas Cost rates affecting residential customers, the Company shall recalculate the Rider USP rate pursuant to the calculation described above to reflect the Company's current data for the components used in the Rate USP calculation. The Company shall file the updated rate with the Commission to be effective one (1) day after filing.

#### **ANNUAL RECONCILIATION**

On or before February 1, 2011 and each year thereafter, the Company shall file with the Commission data showing the reconciliation of actual revenues received under this Rider and actual recoverable costs incurred for the preceding twelve months ended September. The resulting over/undercollection (plus interest calculated at 6% annually) will be reflected in the Rider USP quarterly rate adjustment to be effective February 1. Actual recoverable

ISSUED: June 8, 2011

EFFECTIVE: June 9, 2011

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costs shall reflect actual shortfall costs, actual application and administrative costs, actual pre-program arrearage forgiveness, and actual Wise Choice and CARES costs. Actual recoverable CAP shortfall costs and pre-program arrearage forgiveness, provided that EHF participation on an average annual basis did not exceed 1,500 participants. In the event that EHF participation in the preceding year exceeded 1,500 on an annual average basis, actual recoverable costs shall reflect actual shortfall cost and actual pre-program arrearages for all customers up to the 1,500 participation level. For any and all EHF customers exceeding the 1,500 participation level on an average annual basis, Peoples TWP LLC shall offset the actual shortfall and the actual pre-program arrearage by 7.14%. Except for the offset that is applied when EHF participation exceeds 1,500 on an average annual basis, actual EHF shortfall costs shall be based upon actual numbers of EHF customers, actual EHF throughput volumes, and actual EHF payments received. In addition, as part of this annual filing, the Company will report the number of EHF customers that were removed from the EHF program pursuant to the consumption responsibilities paragraph on page 81 of this tariff.

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