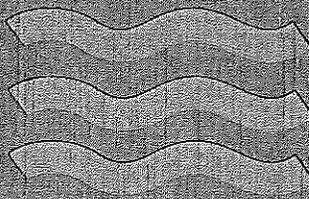
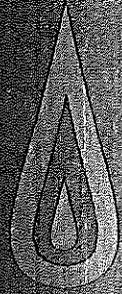
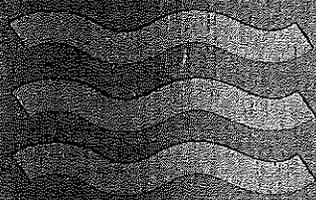
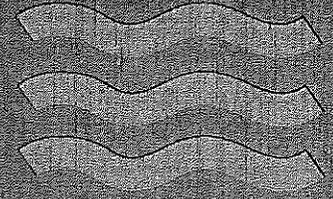


Consumer Services Activity Report



Electric, Gas, and Water Utilities 1988

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CONSUMER SERVICES
ACTIVITY REPORT: 1988

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PA. PUBLIC UTILITY COMMISSION
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JOSEPH W. FARRELL, DIRECTOR

CONSUMER SERVICES ACTIVITY REPORT - 1988

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THE CONSUMER SERVICES ACTIVITY REPORT FOR 1988

INTRODUCTION

This report highlights the complaint handling of the Pennsylvania Public Utility Commission's Bureau of Consumer Services. It is an annual overview of the performance of the major electric, gas and water companies for the year 1988. This report compares the handling of consumer complaints and payment negotiations in these industries and between individual companies within each industry. The results reported below provide information which can be used by the Commission to evaluate company activities and to set policies and goals in the area of customer services.

The Bureau of Consumer Services (BCS) was mandated under Act 216 of 1976 to provide responsive, efficient and accountable management of consumer complaints. Its responsibilities were clarified under Act 114 of 1986 in regard to reporting and deciding customer complaints and mediating service termination cases in April 1977. In the ensuing decade the Bureau has investigated 232,650 cases and has received an additional 210,024 opinions and requests for information. To manage this complaint data, the Bureau maintains a computer based consumer information system through a contract with the Pennsylvania State University. This system enables complaints to be aggregated and analyzed so that generic as well as individual problems can be addressed.

A number of studies have found that only a minority, often a small minority, of dissatisfied persons complaint about unsatisfactory products or services. The Bureau's experience reflects this fact as it has frequently found that a seemingly small number of individual complaints from utility customers may represent management failures or other systemic problems in utility operations. Support for evaluations of utilities is secured by aggregating data from thousands of complaints to provide information about how effectively utilities meet consumers' needs and whether their activities comply with Commission standards. The results of this analysis are periodically communicated to companies so that they can act independently to resolve problems before a formal Commission action becomes necessary. In many cases, companies which have taken advantage of this information have been able to resolve problems and improve service. However, companies which fail to act responsibly to resolve problems have been subjected to fines and rate case adjustments of expenses and revenues.

The data in this report are aggregated in a manner which reflects natural regulatory distinctions. The bulk of the data is from the Bureau's Consumer Services Information System (CSIS). In addition, this report includes statistics from the Bureau's Collections Reporting System (CRS) and Compliance Tracking System (CTS). The CRS provides a valuable resource for measuring changes in company collections performance. Cases involving termination of service are distinctly different from consumer complaints. For this reason the Bureau routinely analyzes the two groups of cases separately. All cases involving termination of electric, gas or water service have been classified as "mediation" cases. In contrast, telephone suspension and termination complaints, which fall under unique regulations, are analyzed as consumer complaints. Because of this difference in applicable regulations, the Bureau will report telephone data under separate cover for 1988.

The data and performance measures in this report have been in use for a number of years. The first two measures, the relative rate of mediation requests and consumer complaints for each company, are the most basic problem indicators. Two qualitative measures of company performance, response time and percent of cases justified, are also included in this report. The Bureau provides feedback to utilities on these measures in the form of Quarterly Closing Automated Reports Formats (ARFS) to all major electric and gas companies which have requested that information. This information will be available on the same basis to water companies from this time forward. Therefore, almost all of the companies reviewed in this report are well acquainted with the measures used here, with the Bureau's approach to interpreting these measures, and with their performance on these measures in 1988. An explanation of these measures is included below for readers who encounter them for the first time.

Chapter X of this report focuses on company failures at complying with the Commission's regulations. This analysis appears in this report for the second year in a row. It explains the Bureau's compliance process and discusses the highlights of compliance activity from 1986-1988.

A number of cases are eliminated from the data base for this report because they do not represent company behavior which is appropriate to evaluate. One treatment of the data involves the purging of complaints which do not involve residential service. The Bureau's regulatory authority is largely confined to residential accounts. Thus, all cases that involve commercial accounts are deleted from the analysis and from Tables 2 thru 21. (Appendix A lists the distribution of commercial cases by company for the electric, gas and water industries. See Appendix B for the industry percentage of BCS cases defined as residential and commercial). Also, residential customer contacts which do not require investigation are excluded from the data base used here. These "nonevaluative" cases include problems over which the Commission has no jurisdiction, information requests which do not require investigation and most cases where the customer did not contact the company prior to complaining to the Commission.

I. OVERVIEW OF BUREAU OPERATIONS AND 1988 HIGHLIGHTS

The Bureau of Consumer Services was created by Act 216 of 1976. Its responsibilities were clarified in Act 114 of 1986 which confers four primary responsibilities on the Bureau. The first of these is to "...investigate and issue final determinations on all informal complaints received by the Commission. The second legislative mandate states that "The Bureau shall on behalf of the Commission keep records of all complaints...and shall at least annually report to the Commission on such matters." In this regard, the Bureau's Division of Research and Planning maintains a sophisticated information system. This allows it both to access pertinent information regarding complaints and to use statistics from complaints to evaluate a company's performance. The third legislative mandate requires that the Bureau "...shall advise the Commission as to the need for formal Commission action on any matters brought to its attention by the complaints." The Bureau uses complaints in a number of ways to identify failures of utility operations or problems which require formal Commission action. Finally, Act 114 confers on the Commission a responsibility for maintaining the quality of utility service. The Bureau has a number of assignments in this area where utility customer services are involved. The discussion below described what the Bureau did during 1988 to satisfy its responsibilities.

The Bureau meets its often complementary responsibilities through a focus on eight programmatic areas. These are: complaint handling, complaint analysis and feedback, utility program evaluation, payment-troubled customers program, consumer policy analysis, regulation enforcement, consumer education, and internal management reviews. The Bureau's activities in these areas during 1988 are explained below where utility performance at handling consumer complaints and solving problems is discussed.

Consumer Complaint Handling - The Field Services Division

The handling of consumers' complaints against utilities is the foundation for a number of Bureau programs. The complaint process provides an avenue through which consumers can gain rapid redress for errors and improper behavior by utilities. Three sections in the Field Services Division receive and investigate consumer complaints. Complaints about billing, service and company operation are handled in the Informal Complaint Unit. All complaints against telephone companies are handled in the Telephone Complaint Unit. Requests for help with payment agreements are handled in the Residential Termination Unit.

During 1988 the Field Services Division received 24,972 contacts from customers. Of these, 14,391 were found to be complaints which required investigation. In most cases, a binding decision was issued at the conclusion of the investigation. In a number of these cases, violations of Commission regulations were identified and an investigation of company practices was begun. Each of these complaints was coded to allow the Bureau to aggregate individual case data into a statistical picture which indicates where consumers are encountering problems and how each company is performing. The

bulk of this Activity Report is devoted to the analysis of these statistics. The Bureau staff met with several companies to review effective procedures for complaint handling.

Complaint Analysis - Identifying Patterns and Trends

Complaint analysis is the process through which BCS applies information from individual complaints to the identification of broader utility problems. As indicated above, the concept that individual complaints represent systematic problems underlies the broad application of statistics based on complaints. Each individual case is evaluated after it is closed to determine whether the company handled the customer's dispute properly. Excessive delay and unfair or arbitrary actions are specifically identified and computer coded so that information from numerous complaints can be combined and analyzed to evaluate utility operations. The computer system, the Consumer Services Information System (CSIS), is then used to aggregate information from cases so that company performance can be compared and evaluated. Research and investigations have demonstrated that a limited number of complaints can provide information which points to a much broader pattern of problems. This framework of analysis has supported the Bureau's intervention in rate cases, fines for noncompliance and other actions. It has also led to cooperative problem solving with individual companies. The following programs involve complaint analysis activities:

- * The Bureau maintains an automated reporting system which provides information about utility customer services' performance. Information from this phase of complaint analysis is supplied to utilities on a quarterly basis. This "early warning system" allows them to detect and respond to unsatisfactory trends in performance before these become the focus of Commission concern.

Evaluation of Utility Performance

The complaint analysis is combined with other information sources to provide an in-depth evaluation of the utility's customer services performance. The overall evaluations help to focus Commission resources on companies which are unable to maintain effective customer services. The Bureau can monitor companies with ongoing problems and intervene with companies which have declining performance.

- * Electric and gas utilities are required to report monthly regarding bill collection and termination activities. The analysis of the reported data permits the evaluation of the systems which utilities use to collect unpaid bills. In addition, the major companies have been voluntarily supplying statistics on payment agreements. These ongoing efforts are presented in detail in Chapter IX where basic statistics are subjected to two new analyses. Companies which evaluations reveal are performing poorly are targeted for in-depth review.

- * The Bureau staff was closely involved in two rate cases during 1988. In March the Bureau staff provided testimony in the Philadelphia Suburban Water rate proceeding. This testimony focused on the company's record of poor compliance with the Chapter 56 regulations. A reduction in rate of return was recommended based on this and the company's inadequate performance in other customer service activities. In May 1988 the Bureau introduced testimony in the rate increase proceeding of PG&W (Water Division) concerning complaints about quality of service. Acting as prosecutory staff the Bureau recommended that the Commission take into consideration the company's apparent continuing quality problems in granting any rate relief. The Commission subsequently denied the company any rate relief on the basis of PG&W's water quality problems.

- * In December the Bureau performed its annual review of utility efforts at reconnecting terminated customers at the onset of the heating season. Utilities seek to contact these customers each November to determine whether payment terms can be worked out which will lead to reconnection of service. Although fewer customers were terminated in 1988 than in 1987, virtually the same number remained off following the survey.

Payment-Troubled Customers Programs

The Commission's nationally renowned programs for assisting payment-troubled customers have been implemented by all major companies. They help to protect tens of thousands of customers each year.

- * In 1988, the Bureau monitored the implementation of regulations mandating utility programs to weatherize the homes of low income heating and water heating customers. The 14 companies involved in this program weatherized a total of 6,411 customers' homes during the year. The Bureau continued to assist companies to complete the design and development of weatherization programs. The Bureau staff met with each company to review and discuss expanded activities through the review of company conservation education programs. In addition, field visits to each company resulted in numerous improvements in company compliance. Further, the Bureau began collecting monthly program statistics which permit ongoing monitoring of company activities. Although production for most companies fell far short of expectations, changes in programs appear to have addressed initial production delays. It is expected that overall production will come close to doubling in 1989 as all companies begin to achieve the outstanding

performance established by PP&L and West Penn Power in 1988.

- * The 1986-87 Utility Hardship Fund Survey Report was published in February. The focus of the report was contribution and participation figures for the major Pennsylvania gas and electric companies in utility sponsored hardship fund programs for the 1986-87 heating season. The findings indicated that Pennsylvania utility shareholders and ratepayers continue to be in the forefront nationally in their support of hardship funds. Record contributions of \$3,397,606 were recorded for the 1986-87 heating season, with significant increases in both ratepayer and shareholder donations. This report also highlighted some of the features which appear to be associated with the more successful programs. Included in these features are automatic contribution provisions incorporated into the bill format of about half of the utilities. Another component appears to be an identification with a highly visible organization such as Dollar Energy Fund or Utility Emergency Services Fund that is perceived by the community as a legitimate charity. Strong utility shareholder commitment and a widespread awareness of the fund by the public also are factors generally associated with the more successful programs.

Policy Analysis

The Bureau has always supported and participated in policy analysis in order to develop long-range plans. These activities help to identify areas where regulatory intervention is needed or where regulatory policy needs to be changed.

- * Bureau staff members prepared presentations for conferences and meetings sponsored by Michigan State University, NARUC, the Energy Resource Group, the Pennsylvania Energy Office, The Department of Community Affairs, and papers for the National Regulatory Research Institute. These communicated Commission achievements in programs and policy analysis to other regulatory agencies and interested state and federal agencies.

Compliance - Insuring Proper Utility Practices

Utility compliance with statutes and Commission regulations is achieved through several Bureau activities.

- * The Bureau has standardized a preventive approach to compliance through the review of selected company procedures. This involves the examination of small

companies' procedures in regulatory areas which are known to be particularly problematic. This encourages company compliance with the Commission's regulations without resorting to formal, and hence adversarial, actions by the Bureau.

- * In 1988 regulations setting standards for the quality of telephone service were approved. The BCS played a role in the promulgation of these regulations. The Bureau will be directly responsible for the enforcement of these regulations both through the handling of informal complaints and through special compliance actions.
- * New regulations governing the provision of Coin Telephone Service became effective in August 1988. These regulations are designed to maintain and promote the availability and affordability of coin telephone service. The BCS worked closely with the independent telephone companies in establishing these guidelines.

Highlights of Consumer Education

The Bureau's consumer education activities resumed in June of 1988. The emphasis during the remainder of 1988 was two-fold: First, to identify and get to know as many of Pennsylvania's consumer leaders as possible and, second, to produce and distribute printed materials about the Public Utility Commission and the services its bureaus provide in order to aid utility consumers. As often as possible, the distribution of the materials was combined with a visit by a member of the consumer education staff. The following agenda was completed in 1988:

- * Design, planning and editorial work for the quarterly newsletter, the Consumer Line, was completed. The first issue, with a distribution of 5,000 copies, was published in December 1988.
- * Approximately 8,500 copies of each of 4 new editions of the Consumer Update Series brochures were distributed to consumer leaders and interested government agencies across the State. The four currently available are on the following topics: **PUC Guide, Utility Consumer Guide, Utility Termination Guide and Taxi Rider Guide.**
- * The list of those that receive regular consumer information from the Bureau increased by about 50% since June, 1988. One of the Bureau's primary goals is to greatly increase the numbers of Pennsylvanians receiving information. This information includes timely notices of changes affecting consumers called "Action Alerts".

- * Letters were sent to 560 press, television and radio stations throughout the State to alert them to the Bureau's services and give them the opportunity to receive regular information about Bureau and Commission activities.
- * As a result of community contacts, the Bureau began to receive special requests for information that consumers cannot normally satisfy through the complaint and mediation process. Dozens of special requests from consumers, other departments and out-of-state commissions were satisfied in 1988.
- * From May 31 to June 2, 1988 the Bureau coordinated a conference which brought together about 300 representatives of consumer groups, regulatory agencies, government and utility industries to discuss and debate ideas about public utility issues. The conference was held at Penn State's University Park campus. The conference program was designed to provide both formal and informal opportunities for the conference participants to exchange views on subjects relating to consumers and public utility policy.

Management Support

The complexity of the Bureau's approach to influencing utility company activities requires a sophisticated support system. This system produces three primary products which help to maintain the quality of Bureau programs.

- * Quality control activities are emphasized in order to insure the credibility of BCS data. Each case is independently evaluated to insure that Bureau staff handles complaints properly. Bureau policies relating to complaint handling and regulatory guidelines are continually reviewed to insure consistent results. The coding of case records is also reviewed on a regular basis to guarantee the validity and reliability of CSIS information so that utility evaluations are accurate.
- * The first annual report published in May 1988 of the Consumer Feedback Survey was designed to provide information about clients' evaluation of the Bureau's utility complaint handling service. When presented with clients' complaints, BCS staff are to insure that utility customers receive thorough investigations, are issued fair decisions, and are given complete and accurate information. The Bureau initiated the consumer feedback survey to determine clients' perceptions of the quality of the complaint handling service it provides.

* The results of the Consumer Feedback Survey show that the Bureau of Consumer Services is providing an exceptional service to its clients. Some of the report highlights are:

-Four out of five BCS clients indicate that their expectations for service are met or exceeded by the help they receive from the BCS staff.

-Most people learn that they can contact the PUC from utilities, friends, relatives, attorneys and legislators. Survey results show that once people are aware that they can contact the PUC about their problem, 84% are able to talk with BCS staff after placing one or two calls.

-Politeness, promptness, and interest in helping are important aspects of the complaint handling process. In a majority of the responses, the Bureau staff receive high ratings in all three areas.

-Overall, most clients perceive that the help they receive is excellent and 87% of our clients indicate that they would recontact the BCS if faced with a similar need.

II. OVERALL ACTIVITY

The Bureau's cases fall into three basic categories: consumer complaints, mediation requests, and inquiries. The Bureau received 14,391 contacts from utility customers which required investigation in 1988. The 7,478 consumer complaints about utilities' actions related to billing, service delivery, repairs, etc. In 822 of these contacts the Bureau saved the customers money in billing adjustments. The total amount of money saved for these customers was \$226,810. Mediation requests, of which there were 6,913, came from customers who needed help in negotiating payment arrangements with their utility companies in order to avoid termination of service or to have service reconnected. It is important to note that telephone service termination cases are treated as consumer complaints. The Bureau also received 10,581 inquiries and information requests which did not require investigation.

Mediation Requests

Mediation requests decreased by 21% from 8,782 in 1987 to 6,913 in 1988. This is the smallest annual number of BCS mediations since the Bureau began keeping records in 1978. The mediation volume peaked at 19,603 in 1982 and has dropped 65% since then. (See Appendix C - Table 2 for annual volume). In this light, the 1988 results are encouraging. Companies seem to have further improved negotiation techniques to reduce requests for arbitrated payment agreements. In addition, the development of broadly applicable programs for payment-troubled customers appears to have helped many customers to cope successfully with utility payment problems.

Consumer Complaints

Consumer complaints increased by 16% from 6,433 in 1987 to 7,478 in 1988. Last year's increase was caused entirely by an increase in telephone complaints, which went from a 35% to a 46% share of the BCS total. The Bureau is concerned about the rise in telephone complaints and a forthcoming BCS Report will focus on only the telephone industry. On the contrary, consumer complaints against the Chapter 56 related industries fell from an aggregate share of 64% in 1987 to 53% in 1988 of the Bureau's total consumer complaint volume.

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

The success of this effort can be seen in the fact that consumer complaint volume peaked at 11,441 in 1978 and has declined by 35% since then. Pressure on all companies to effectively implement Chapter 56 led to dramatic reductions in complaints in 1979 and 1980 and brought complaint volume to a consistent level through 1987. However, in 1988 there was a dramatic increase in telephone complaints which was entirely responsible for the overall increase in consumer complaints.

The Bureau's goal of a decline in consumer complaints can be achieved only if individual companies make significant improvements. Specifically, these are the companies with the worst performance in their respective industries. The Bureau will target these problematic companies for better results in 1989.

Inquiries and Opinions

During 1988 there were 10,581 cases which required no follow-up beyond the initial contact. These cases involved requests for information which were handled at the time of contact, protests or questions related to rates, and referrals to other Commission offices and to appropriate agencies outside the P.U.C. The largest referral category in 1988 was to the utility involved because the customer had not previously discussed the problem with the company. Rate protests were received regarding proposed rate hikes for major companies such as Equitable Gas, Peoples Gas, Pennsylvania Gas and Water - Water, Roaring Creek Water and Shenango Valley Water. (See Appendix D for the distribution of inquiries and opinions by major problem categories).

III. NATURE OF BCS CONSUMER COMPLAINTS

The Bureau classifies all consumer complaints into one of six major problem areas. The table below presents a comparison of these six categories in 1987 and 1988. The most common problems were billing and service. (See Table 1). Billing problems include complaints about confusing estimation methods, disputed usage, and inaccurately estimated bills. Billing complaints became less frequent from 1987 to 1988. Another third of complaints dealt with service and people-delivered service complaints which are related to utility unresponsiveness, poor quality of service, and delays in repairs. The remaining complaints are distributed among the credit and deposits, telephone service termination and rates and tariff complaints categories. The proportion of telephone service termination cases increased significantly and is under investigation by the Bureau.

Table 1

PRIMARY PROBLEMS FOR CONSUMER COMPLAINTS: 1987-1988

	1987	1988
Billing/Payment	53%	45%
Credit/Deposits	5%	6%
Rates/Tariffs	1%	2%
Service	24%	24%
People Delivered Service (Repairs)	9%	10%
Termination (telephone)	8%	13%

IV. GEOGRAPHIC DISTRIBUTION OF BUREAU ACTIVITY

In general, the geographic distribution of cases does not conform to population density. County by county variations in mediation requests and consumer complaints are depicted in Appendix E, Tables 1 and 2. The number of cases per 1,000 households is calculated to make it possible to compare customer problems throughout the state.

Mediation Requests

The average state-wide county mediation rate was 1.02 per 1,000 households in 1988. The number of mediation requests in 1988 ranged from none in Sullivan County to 2,231 in Allegheny County. (See Appendix E, Table 1). Lawrence County had the highest rate of mediation requests at 5.33 per 1,000 households. Allegheny (3.91), Blair (3.48) and Fayette (3.45) counties also had high mediation rates. The extent of regulated utility service, the degree of urbanization, relative economic well-being, and the quality of company negotiations may be factors which affect mediation requests. High mediation rates tend to be clustered in the western part of the state and low rates are most common in rural counties. This may be a reflection on the use of regulated service for heating.

Consumer Complaints

The average state-wide consumer complaint rate was 1.42 per 1,000 households in 1988. Consumer complaints varied from a low of 3 in Forest and Sullivan Counties to a high of 1,447 in Allegheny County. (See Appendix E, Table 2). Complaint rates were highest in Monroe (3.52), Greene (3.27), Dauphin (2.65), Allegheny (2.53) and Washington (2.50).

V. TYPE OF UTILITIES INVOLVED

As in past years, almost all mediation cases in 1988 involved electric (55%) or gas companies (34%). (See Appendix F). Meanwhile, 11% of the mediation requests (739 cases) stemmed from threatened termination of water service. These results for 1988 represent a change from last year. Electric companies accounted for a significantly smaller portion of BCS mediations in 1988 than in 1987 while the gas and water industries saw a substantial increase. All telephone complaints related to suspension and termination are classified by BCS as consumer complaints because they are not subject to arbitrated payment agreements based on the customer's ability to pay.

Consumer Complaints

Telephone companies were involved in 46% of consumer complaints. Electric and gas companies accounted for 29% and 14% of all complaints respectively. The most significant change from 1987 to 1988 involved the telephone industry, which experienced a 52% increase in consumer complaints. This increase caused the telephone industry's proportion of consumer complaints to rise from 35% in 1987 to 46% in 1988. There will be no further discussion on the telephone industry because the remainder of this report focuses solely on the Chapter 56 related industries, electric, gas and water. Also, the electric and gas industries showed decreases in their proportion of complaints. The water industry continues to take up a significant portion of the Chapter 56 related BCS consumer complaints, 21% in both 1987 and 1988. This complaint volume leads the Bureau to monitor the water industry closely once again in 1989.

VI. MAJOR COMPANIES

The wide difference in the size of even the major utilities makes comparisons which use raw numbers of complaints unsupportable. The need to compare company performance has thus led to the calculation of a uniform measure, the rate of cases per thousand residential customers. (See Appendix G for the number of residential customers for the major electric, gas and water companies). Unusually high mediation and complaint rates^{1/} often indicate situations which require investigation. Thus, information on complaint and mediation rates is used to reveal patterns and trends which help to focus BCS research and compliance activities. The discussion below provides an overview of Bureau activity along with some preliminary findings.

Consumer Complaints

Consumer complaints include all complaints regarding billings, rates, deposits, and service. The Commission has established a process in which the companies play the primary role in handling consumer complaints until negotiations between the customer and the company fail. Thus, high rates of complaints to the Bureau can indicate that a company is unable to effectively resolve consumer problems. In addition, significant decreases in the frequency of problems over time may also indicate that a company is improving.

Gas Utilities

There were 9% fewer complaints against the major gas utilities in 1988 than in 1987. (See Table 2). This is the fifth annual decline totaling 44% in the past six years. It is hoped that the number of consumer complaints against gas companies will continue this long term pattern of improvement.

1/ Formulas for Mediation and Complaint Rates

$$\text{Mediation Rate} = \frac{\text{Total Number of Mediation Cases}/12}{\text{Monthly Average Number of Overdue Residential Customers}/1000}$$

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

Table 2

Residential
Consumer Complaints
Major Gas Companies

(1987-1988)

Company	1987		1988		1987-1988
	N	Complaint Rate	N	Complaint Rate	Percent Change in N
Columbia	107	.35	130	.42	21%
Equitable	289	1.28	273	1.20	- 6%
NFG	72	.39	65	.35	-10%
PG&W-Gas	72	.66	67	.60	- 7%
Peoples	226	.75	170	.56	-25%
UGI-Gas	183	.97	158	.82	-14%
Total (average rate)	949	(.73)	863	(.66)	(- 9%)

Among the highlights of the past year:

- * NFG's 10% reduction in consumer complaints from 1987 to 1988 enabled its 1988 complaint ranking to improve to the industry's best. NFG's complaint rate has been better than the industry average since 1983.
- * Columbia's 1988 complaint rate ranking dropped to second best as Columbia was the only major gas company that had more consumer complaints in 1988 than in 1987. Nevertheless, Columbia's standing within the industry remains well above average.
- * Equitable's decrease in consumer complaints from 1987 to 1988 was the Company's third annual decline in the past four years. Despite this recent pattern of improvement, Equitable's complaint rate remained the industry's worst in 1988. In fact, Equitable's complaint rate has been the industry's worst since 1981.
- * Peoples showed the largest reduction in consumer complaints among the major gas companies from 1987 to 1988. As a result, Peoples' 1988 consumer complaint rate improved to become better than the industry average once again and is now the third best in the industry.

Electric Utilities

In contrast to the gas industry, there were 2% more consumer complaints against major electric companies in 1988 than in 1987. This is the fourth annual increase in the past five years. Although the difference between the two industry average complaint rates has narrowed, the complaint rate for major electric companies continues to be significantly better than that for the major gas companies.

Table 3

Residential
Consumer Complaints
Major Electric Companies
(1987-1988)

Company	1987		1988		1987-1988
	N	Complaint Rate	N	Complaint Rate	Percent Change in N
Duquesne	303	.61	353	.70	17%
Met. Ed.	109	.31	111	.31	2%
Penelec	177	.38	147	.31	-17%
Penn Power	48	.42	44	.38	- 8%
PP&L	282	.29	263	.27	- 7%
PECO	630	.50	661	.52	5%
UGI-Luzerne	47	.93	47	.92	no change
West Penn	275	.52	286	.53	4%
Total (average rate)	1,871	(.50)	1,912	(.49)	(2%)

Among the highlights of the past year:

- * As a result of the third annual decline in consumer complaints in the past four years, PP&L's complaint rate continued to be the industry's best for the fourth consecutive year.
- * Penelec significantly reduced its number of consumer complaints from 1987 to 1988, marking the third straight annual decline. This positive trend has produced a complaint rate that is better than the industry average for two years in a row.
- * Despite no change in the number of consumer complaints from 1987 to 1988, UGI-Luzerne's complaint rate remained the industry's worst in 1988. The Bureau hopes that this stability from 1987 to 1988 represents a peak in complaints against UGI-Luzerne and that 1989 will mark the beginning of a period of fewer complaints.

- * Duquesne's 17% increase in consumer complaints from 1987 to 1988 was the industry's largest and caused its number of complaints to be the company's highest total since 1980. Duquesne's period of improvement peaked in 1985 when its complaint rate became better than the industry average. However, the past three years of deterioration are a source of concern to the Bureau.

Water Utilities

The 1988 average consumer complaint rate for major water companies (Class A) falls between those of the electric and gas industries. Overall, the major water companies showed an 18% reduction in complaints from 1987 to 1988. Nevertheless, the overall performance of the industry in 1987 and 1988 was significantly worse than its performance in 1985 and 1986. The Bureau has targeted the industry for careful monitoring in 1989.

Table 4

Residential
Consumer Complaints
Major Water Companies

(1985-1988)

Company	Number of Complaints				Consumer Complaint Rate				1987-1988
	1985	1986	1987	1988	1985	1986	1987	1988	Percent Change In N
PG&W-Water Philadelphia	70	99	194	127	.59	.83	1.63	1.07	-35%
Suburban Pennsylvania-	34	39	45	35	.16	.18	.21	.16	-22%
American ^{2/}	159	189	264	251	.49	.58	.81	.77	- 5%
All Other "Class A"	76	44	44	33	.79	.46	.46	.34	-25%
Total (Average Rate)	339	371	547	446	(.51)	(.51)	(.78)	(.59)	-18%

Among the highlights of the past year:

- * PG&W's 1988 consumer complaint rate was the water industry's worst. This marks the third straight year that PG&W had the highest complaint rate. Water quality complaints made up the largest portion of PG&W's caseload over this period. The extent of the water quality problem was serious enough for BCS to intervene in PG&W's 1988 rate case.
- * Pennsylvania-American's complaint rate was worse than the industry average in 1988. The Bureau will closely monitor the complaint handling operations of Pennsylvania-American Water Company in 1989.

^{2/} American Waterworks is the holding company for both the predecessors and successor companies of the new Pennsylvania-American Water Company. Pennsylvania-American completed its merger with Western Pennsylvania Water effective February 1, 1989. In order to compare the future performance, 1989 and beyond, of the new Pennsylvania-American with an equivalent customer complaint base of the past, up to and including 1988, BCS has combined the two merged companies for the purpose of analysis in this report. The Bureau feels that this is an appropriate combination of complaint data because both Pennsylvania-American and Western Pennsylvania Water were subsidiaries of American Waterworks during the reporting period presented in this report, 1985 to 1988.

- * The complaint rate of Philadelphia Suburban has been the best in the water industry since 1985 and should serve as a model for the industry.

Mediation Requests

The Commission's service termination procedures protect utility customers' rights and provide companies with an effective collections tool. The Bureau normally intervenes at the customer's request only after direct negotiations between the customer and the company have failed. In 1989 the Bureau continues to focus on having companies improve payment negotiations.

As with consumer complaints, difference in company size make comparisons between utilities based on numbers of mediations unproductive. In response to this, the number of mediation requests per 1,000 overdue residential customers - the mediation rate - is used to permit comparisons among companies. The mediation rate can be used as a preliminary evaluation of companies' effectiveness in making payment arrangements. Unusually high or low rates, or sizeable changes in rates can reflect company performance. In particular, the Bureau views significant increases in the number of mediation cases or high mediation rates as error signals which companies should address.

The volume of mediation requests has declined substantially. The figures depicted in Tables 5 and 6 fail to reflect the longer term reductions in mediation cases over the past five years which have totaled 61% for the major electric companies and 59% for the major gas companies. These reductions are directly attributable to three things. The first of these is that companies have paid increased attention to the quality of payment agreements. The stabilizing of residential bills in the past few years also appears to have contributed to the ability of companies to master effective payment negotiations. In addition, more and better programs for payment-troubled customers' activities should, at the very least, stabilize mediation cases at the current level.

Gas Utilities

Mediation requests from gas customers decreased by 12% from 1987 to 1988. This is the third consecutive annual decline by the gas industry. The Bureau is encouraged by this and anticipates that the gas industry will continue to improve in 1989.

Table 5

Residential
Mediation Requests
Major Gas Companies

(1987-1988)

Company	1987		1988		1987-1988
	N	Mediation Rate	N	Mediation Rate	Percent Change in N
Columbia	249	.58	240	.66	- 4%
Equitable	339	1.06	515	1.61	52%
NFG	268	.95	129	.38	-52%
PG&W-Gas	181	1.20	106	.68	-41%
Peoples	1,048	2.67	860	2.19	-18%
UGI-Gas	461	1.69	381	1.18	-17%
Total (Average Rate)	2,546	(1.36)	2,231	(1.12)	-12%

Among the highlights of the past year:

- * NFG experienced the largest decrease in mediation requests in the gas industry from 1987 to 1988. This substantial improvement caused the company's mediation rate to become the industry's best for the second time in the last three years.
- * Despite an 18% reduction in mediation requests from 1987 to 1988, Peoples' mediation rate remained the industry's worst for the second year in a row. Peoples' 1988 mediation rate is nearly twice that of the industry average.
- * Equitable was the only major gas company to have more mediation requests in 1988 than in 1987. As a result, Equitable's 1988 mediation rate became worse than the industry average while its industry ranking fell to next to the worst.

Electric Utilities

The electric industry experienced a 30% decrease in mediation requests from 1987 to 1988. This is the third decline in the past four years. The mediation rate for the electric industry (.53) continues to be much better than that for the gas industry (1.12). This may be due to the fact that the gas industry has a greater saturation of heating customers than does the electric industry. Heating customers have larger bills and are thus more at risk for nonpayment. Consequently, the mediation rate is expected to be greater for the gas industry than for the electric industry.

Table 6
Residential
Mediation Requests
Major Electric Companies
(1987-1988)

Company	1987		1988		1987-1988 Percent Change in N
	N	Mediation Rate	N	Mediation Rate	
Duquesne Light	1,095	1.33	735	.82	-33%
Met. Ed.	152	.26	94	.15	-38%
Penelec	366	.42	286	.30	-22%
Penn Power	271	1.24	198	.88	-27%
PP&L	478	.32	48	.03	-90%
PECO	1,725	.58	1,428	.49	-17%
UGI-Luzerne	88	1.14	73	.94	-17%
West Penn	893	.85	672	.63	-25%
Total (Average Rate)	5,068	(.77)	3,534	(.53)	-30%

Among the highlights:

- * PP&L's 90% decrease in mediation requests was the industry's most dramatic improvement as all eight major companies had fewer mediations in 1988 than in 1987. PP&L's 1988 mediation rate is the best by a major company since BCS began reporting this data in 1979. However, the Bureau's optimism is tempered by the 40% increase in total residential dollars owed PP&L from 1987 to 1988. This contrast merits close scrutiny by the company.
- * Three companies, Duquesne, Met. Ed. and West Penn had 1988 mediation rates which were personal bests since the Bureau began reporting this problem indicator in 1979. Also, Penn Power's 1988 rate was its best since

1980 while West Penn's rate was its best since 1981. In summary, the major electric companies have recorded a new peak in mediation rate performance in 1988 and, as such, represents significant improvements in payment negotiation techniques.

- * Despite a reduction of 17% in mediations from 1987 to 1988, UGI-Luzerne's 1988 mediation rate ranking fell to the industry's worst. UGI's relative standing worsened because every other major electric company reduced mediations by at least as much as UGI.

Water Utilities

The mediation rate for water companies is calculated exactly the same as the consumer complaint rate - cases per thousand residential customers. This is done because the water industry is exempt from the §56.231 reporting requirement that includes the data on the number of overdue customers. Thus, the Bureau does not know the overdue population, which is the traditional mediation rate denominator, for water companies.

The number of mediation requests for major water companies rose by 20% from 1987 to 1988. Pennsylvania-American is solely responsible for the overall increase because it was the only major water company that had more mediations in 1988 than in 1987.

Table 7

Residential
Mediation Requests
Major Water Companies

(1985-1988)

Company	Number of Mediations				Mediation Rate				1987-1988
	1985	1986	1987	1988	1985	1986	1987	1988	Percent Change in N
PG&W-Water	58	49	37	26	.49	.41	.31	.22	-30%
Philadelphia Suburban	116	97	67	48	.53	.45	.31	.22	-28%
Pennsylvania- American	427	254	397	540	1.31	.78	1.22	1.66	36%
All Other "Class A"	53	44	48	43	.55	.46	.50	.45	-10%
Total (Average Rate)	654	444	549	657	(.72)	(.53)	(.59)	(.64)	20%

Among the highlights:

- * The 1988 mediation rate of Pennsylvania-American was the industry's worst and was nearly 3 1/2 times that of the next highest mediation rate in the industry. The Bureau is concerned about the high volume of mediations against Pennsylvania-American and will closely monitor the company in 1989.
- * The number of mediations for Philadelphia Suburban and PG&W-Water was extremely low in 1988 as both companies shared the industry's best mediation rate. The good performance of these two companies should serve as impetus for improvement for Pennsylvania-American.

VII. RESPONSE TIME

Response time is the time span in days from the date of the Bureau's first contact with the company regarding a complaint to the date on which the company provides the Bureau with all of the information needed to resolve the complaint. Response time quantifies the speed of a utility's response ("responsiveness") in resolving BCS complaints. In this report, response time is presented as the mean number of days for each company. Mediation requests and consumer complaints are reviewed separately.

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

Mediation Response Time

Every day that a mediation case remains open and unresolved, the customer continues to accumulate a larger debt to the company. As a result, there is a strong, inherent economic incentive for the company to process mediation requests expeditiously so that a final disposition of the complaint can be determined. The statistics below seem to reflect this logic as company performance has improved and converged over time.

Early in 1987 the Bureau formalized a policy of requiring all companies to respond through written dispute reports in all BCS mediation cases. This may have caused mediation response time to increase for those companies which made significant changes in Business Office practices to satisfy this requirement. This change in policy should not affect the response time of those companies which were previously providing written dispute reports to their customers.

Electric Utilities

The major electric companies' overall average mediation response time was one day quicker in 1988 than in 1987. This is a particularly favorable finding as only one of the eight companies took longer to respond in 1988 than in 1987.

Table 8

Mediation Response Time
Major Electric Companies

(1987-1988)

Company	Ave. Time in Days 1987	Ave. Time in Days 1988	1987-1988 Change in Days
Duquesne Light	9	5	-4
Met. Ed.	2	2	no change
Penelec	5	5	no change
Penn Power	7	7	no change
PP&L	4	4	no change
PECO	5	3	-2
UGI-Luzerne	4	6	2
West Penn	4	2	-2
Ave. Response Time#	5	4	-1

#Total days of response time divided by total cases

- * UGI-Luzerne was the only company to respond more slowly to BCS mediations in 1988 than in 1987. Consequently, UGI's response time is worse than the industry average for the first time.
- * Despite a four day improvement in mediation responsiveness, Duquesne Light's 1988 response time remained worse than the industry average. Although Duquesne's mediation response time ranking remained below average, the Bureau recognizes the dividends from the company's concentrated efforts in this area.
- * Penn Power went from the most responsive electric company in 1986 to the least responsive in 1988 to BCS mediation requests. The company's responsiveness was stable from 1987 to 1988, but its past performance indicates that it can do much better.

Gas Utilities

The overall mediation response time for the major gas companies improved by four days from 1987 to 1988. More significantly, only one of these six companies took longer to respond in 1988 than in 1987. Collectively, the major gas companies have become just as responsive to mediations as the major electric companies. The Bureau is encouraged by this improvement.

Table 9

Mediation Response Time
Major Gas Companies

(1987-1988)

Company	Ave. Time in Days 1987	Ave. Time in Days 1988	1987-1988 Change in Days
Columbia	9	6	-3
Equitable	5	3	-2
NFG	10	4	-6
PG&W-Gas	8	5	-3
Peoples	8	4	-4
UGI-Gas	6	7	1
Ave. Response Time#	8	4	-4

#Total days of response time divided by total cases

- * Equitable Gas responded two days faster to BCS mediations in 1988 than in 1987. This improvement allowed Equitable to maintain its position as the most responsive gas company once again. Equitable serves as a positive role model in this area since the company managed to go from the least responsive in 1986 to the most responsive in 1988.
- * Columbia, PG&W-Gas and UGI-Gas were the only companies which had mediation response times in 1988 that were slower than the industry average. However, Columbia and PG&W-Gas improved significantly while UGI became slightly less responsive.

Water Utilities

The major water companies' overall mediation response time is significantly slower than that for the electric and gas industries. The Bureau views the water industry's performance as problematic and encourages each major company to improve in this area in 1989.

Table 10

Mediation Response Time
Major Water Companies

(1985-1988)

Company	Average Time in Days				1987-1988 Change In Days
	1985	1986	1987	1988	
PG&W-Water	9	11	9	10	1
Philadelphia Suburban	6	5	50	28	-22
Pennsylvania-American	13	13	15	18	3
All Other "Class A"	1	2	18	10	- 8
Average Response Time#	9	10	18	18	No Change

#Total days of response time divided by total number of cases.

Among the highlights:

- * Philadelphia Suburban was the least responsive major water company to BCS mediations in 1988. The company has achieved satisfactory performance in the past - 1985 and 1986 - and the company should seek this level of responsiveness in 1989.
- * PG&W was the most responsive major water company to BCS mediations in 1988. The company's performance has been stable since 1985. Despite this stability, PG&W's average responsive time in 1988 was slower than all of the major electric and gas companies. Thus, there is opportunity for PG&W to improve its responsiveness to BCS mediation requests.

Consumer Complaint Response Time

Slow response to complaints registered with BCS is an indication of inadequate complaint handling procedures. If a company is unresponsive to a BCS complaint, there is an indication that it is also unresponsive in handling the large majority of customer disputes which never reach the Bureau. Detailed investigations have verified the existence of the relationship between poor response time to the Bureau and unresponsiveness to customers. Responsiveness is thus an important index of the quality of utility complaint handling. Attention both to careful management of consumer complaints and to maintaining accurate customer records is an approach which allows companies to reduce the number of customers who complain to the Bureau.

Electric Utilities

The major electric companies as a group improved their responsiveness to consumer complaints by three days from 1987 to 1988. The range in responsiveness in 1988 varies from twelve to twenty-two days with an average

of eighteen days. The Bureau continues to urge companies to seek improvement in 1989.

Table 11

Consumer Complaint Response Time
Major Electric Companies

(1987-1988)

Company	Ave. Time in Days 1987	Ave. Time in Days 1988	1987-1988 Change in Days
Duquesne Light	28	22	-6
Met.Ed.	14	16	2
Penelec	16	14	-2
Penn Power	18	15	-3
PP&L	16	13	-3
PECO	22	22	no change
UGI-Luzerne	15	18	3
West Penn	21	12	-9
Ave. Response Time#	21	18	-3

#Total days of response time divided by total cases

- * West Penn improved its consumer complaint response time the most of any major electric company from 1987 to 1988. During this time, West Penn improved from average to the most responsive electric company. Thus, in combination with its high ranking in mediation responsiveness, West Penn was the most responsive electric company to BCS investigatory cases in 1988.
- * Duquesne Light and PECO were the least responsive electric companies to consumer complaints in 1988. However, Duquesne showed significant improvement from 1987 to 1988 while PECO's performance was stable.
- * Met. Ed. and UGI-Luzerne were the only two major electric companies to take more time to respond to BCS consumer complaints in 1988 than in 1987. Nevertheless, both companies are at least average according to industry standards.

Gas Utilities

Major gas companies as a group were substantially quicker than the major electric companies at responding to consumer complaints in 1988. The

industry average of twelve days is somewhat improved over the 1987 average of sixteen days. All of the gas companies would be better than average in comparison to the electric industry. The Bureau anticipates continued improvement in 1989.

Table 12

Consumer Complaint Response Time
Major Gas Companies

(1987-1988)

Company	Ave. Time in Days 1987	Ave. Time in Days 1988	1987-1988 Change in Days
Columbia	12	11	-1
Equitable	18	12	-6
NFG	14	12	-2
PG&W-Gas	16	14	-2
Peoples	18	10	-8
UGI-Gas	15	17	2
Ave. Response Time#	16	12	-4

#Total days of response time divided by total cases

- * Five of the six major gas companies responded more quickly to BCS consumer complaints in 1988 than in 1987. Overall, this improvement measured 25% during this time. The range in responsiveness was only one week between the least and most responsive company in 1988. The Bureau is encouraged by the progress made by the gas companies and suggests that the companies that are least responsive target 1989 for improvement in responsiveness.
- * Peoples improved the most among the major gas companies as the company went from least responsive in 1987 to most responsive in 1988 to BCS consumer complaints. The Bureau commends People's long term commitment to improving its responsiveness and the results of the past year should be rewarding to the company.
- * UGI-Gas was the only major gas company to take longer to respond to consumer major complaints in 1988 than in 1987. The company's long term pattern indicates stability in this measure while the industry has shown substantial improvement. This has resulted in UGI's low ranking and should provide incentive for improvement in 1989.

Water Utilities

Collectively the major water companies were somewhat slower than the major electric companies and significantly slower than the major gas companies at responding to consumer complaints in 1988. However, the worst water company had the same response time as the worst electric company. Nevertheless, the overall Bureau analysis indicates that the three largest water companies are generally unresponsive to consumer complaints and are a source of concern.

Table 13

Consumer Complaint Response Time Major Water Companies

(1985-1988)

Company	Average Time In Days				1987-1988 Change In Days
	1985	1986	1987	1988	
PG&W-Water	30	23	28	20	-8
Philadelphia Suburban	22	42	28	22	-6
Pennsylvania-American	26	28	20	21	1
All Other "Class A"	10	13	14	10	-4
Average Response Time#	23	27	23	20	-3

#Total days of response time divided by total number of cases.

- * Only two days separate the most responsive water company, PG&W, and the least responsive, Philadelphia Suburban, to consumer complaints in 1988. The major water companies should target consumer complaint responsiveness for improvement in 1989.
- * The smaller Class A water companies have been more responsive to consumer complaints than their three larger industry counterparts in each year from 1985 to 1988.

Summary

Response time is an important indicator of a company's responsiveness at handling disputes. A quick response time indicates that a company generally has the resources on hand which are necessary to resolve a dispute before it becomes necessary for BCS involvement. Although some companies failed to perform adequately in this area, the fact remains that there were

significant improvements in the electric and gas industries in responding to consumer complaints and mediation requests. In contrast, the water industry is far behind in mediation response time and somewhat slower in consumer complaint response time. It is essential that the water industry targets improved responsiveness in 1989.

VIII. CASE OUTCOME - JUSTIFIED PERCENT

One of the Bureau's primary concerns is that utilities handle contacts effectively before they are brought to the Bureau's attention.

This will have two desirable effects. First, proper case handling minimizes customer dissatisfaction, thus preventing unnecessary complaints to the Bureau. Second, proper case handling guarantees that most customer complaints to the Bureau will be resolved in the company's favor. Outcome is measured in terms of consumer complaints which are found to be valid or "justified". Commission regulations require that electric, gas and telephone customers contact their utilities to resolve a complaint prior to seeking PUC intervention. Although exceptions are permitted under extenuating circumstances, the Bureau's policy is to accept complaints only from customers who have already been unable to work out their problems with the company. Thus, a BCS case which is "justified" is a clear indication that the company has handled a dispute improperly.

Informal complaints to the Bureau represent customer appeals to the Commission regarding disputes with utilities. These cases are a result of the inability of the utility and the customer to reach a mutually satisfactory resolution to a dispute. Once the Bureau is contacted, there are three possible outcome classifications: complaint "justified", "inconclusive" and complaint "unjustified". In 1985 and 1986 the method for determining the case outcome was revised. In the past, the outcome variable was based on whether the BCS case concluded with the person's need being met by the company after BCS intervention. Specifically, complaints were "upheld" when the original problem was resolved as the customer requested; or complaints were considered to be a "compromise" if there had been a partial solution to the problem. Unfortunately, this led to companies being rated badly when they focused on attempting to satisfy the customer's request after the case came to the Bureau.

The new approach focuses strictly on the regulatory aspect of the complaint and rates companies negatively only where appropriate procedures were not followed or where the regulations have been violated. The outcome variable will continue to be used as a means to identify utility effectiveness in dealing with customers prior to BCS intervention. However, beginning with consumer complaints opened on July 1, 1985, and mediation cases opened on January 1, 1986, this variable is used to identify whether or not correct procedures were followed by the utility at the time the customer contacted the company and prior to the time the customer contacted the Bureau. Specifically, a case is considered "justified" in the appeal to BCS if it is found that, prior to BCS intervention, the company did not comply with PUC orders, regulations, reports, Secretarial Letters, tariffs, etc. "Unjustified" complaints are those cases in which the company demonstrates that correct procedures were followed prior to BCS intervention. "Inconclusive" complaints are those in which incomplete records, equivocal findings or uncertain regulatory interpretations make it difficult to determine whether or not the customer was justified in the appeal to the Bureau. It is anticipated that the majority of cases will fall into either the "justified" or "unjustified" category. This will allow the Bureau to more accurately assess company performance.

Mediation Justified Percent

Company effectiveness at negotiating payment arrangements when service termination is threatened is a major concern of the Bureau. In monitoring utility performance, the Bureau uses the percent of mediation cases justified to measure a company's effectiveness in negotiating with its customers. When a company's negotiations prior to a customer's appeal to BCS are found to have failed to conform to long-standing regulatory requirements, the case is said to be "justified". The following analysis focuses on the effectiveness of the major electric, gas and water companies in this area.

Electric Utilities

The range of performance in the electric industry is quite broad. The major electric companies as a group were somewhat less effective in negotiating payment arrangements than the major gas companies in 1988. Although this is consistent with the results from 1986 and 1987, there is no definitive explanation for the difference between these two industries other than the poor performance of individual companies.

Table 14

Justified Mediations Major Electric Companies

Company	Justified Percent		Net Change 1987 to 1988
	1987	1988	
Duquesne Light	43%	33%	-10%
Met.Ed.	31%	34%	3%
Penelec	24%	21%	-3%
Penn Power	26%	28%	2%
PP&L	24%	25%	1%
PECO	35%	34%	-1%
UGI-Luzerne	51%	32%	-19%
West Penn	45%	47%	2%
Average Justified Percent	36%	35%	-1%

* Four major electric companies improved and four companies deteriorated from 1987 to 1988 as indicated by their percent of mediations which are justified. The overall slight improvement in the industry's performance was largely due to a sharp decrease in justified mediations related to Duquesne and UGI-Luzerne.

* Penelec's 1988 percent of justified mediations was the best in the industry. Penelec's improvement in effective payment negotiations has resulted in its 1988 rating as the best for any electric company since BCS began reporting this data in 1986.

- * UGI-Luzerne experienced the largest reduction in justified percent of mediations in the electric industry from 1987 to 1988. As a result, UGI's ranking went from worst to above average. In contrast, West Penn has negotiated less effectively each year since 1986 and is now the least effective major electric company at payment negotiations.

Gas Utilities

The gas companies exhibited a broad range of performance, from 7 to 42 percent, in the percent of justified mediations. This makes it clear that there is room for substantial improvement on the part of some companies.

Table 15

Justified Mediations
Major Gas Companies

Company	Justified Percent		Net Change 1987 to 1988
	1987	1988	
Columbia	16%	7%	-9%
Equitable	35%	35%	no change
NFG	43%	25%	-18%
PG&W-Gas	33%	28%	-5%
Peoples	20%	24%	4%
UGI-Gas	39%	42%	3%
Average Justified Percent	28%	28%	no change

- * Three of the six major gas companies improved their effectiveness at customer payment negotiations while the industry average indicated stability from 1987 to 1988.
- * In 1988 Columbia recorded the best percent of justified mediations since BCS began tracking "justified" cases in 1986. Also, this was the third year in a row that Columbia was the most effective major gas or electric company at customer payment negotiations.
- * NFG's improvement in 1988 brought the company back in line with its above average performance at effective payment negotiations of 1986. On the other hand, UGI-Gas' performance deteriorated slightly from 1987 to 1988.

Water Utilities

In 1988 the major water companies were less effective at negotiating payment arrangements than the major electric and gas companies. However, the water industry was slightly more effective in 1988 than in 1987.

Table 16

Justified Mediations Major Water Companies

Company	Justified Percent			Net Change 1987 to 1988
	1986	1987	1988	
PG&W-Water	44%	40%	18%	-22%
Philadelphia Suburban	50%	57%	51%	- 6%
Pennsylvania-American	28%	38%	39%	1%
All Other "Class A"	37%	49%	20%	-29%
Average Justified Percent	36%	41%	38%	- 3%

* In 1988 PG&W-Water was the most effective major water company at negotiating payment arrangements with its residential customers while Philadelphia Suburban was the least effective. In addition, both companies made improvement from 1987 to 1988.

* Pennsylvania-American was average at effectively negotiating payment arrangements according to the industry standard in 1988. Improvements need to be made in effectively handling requests for payment extensions where full payment is offered by the customer within thirty days after the due date.

Consumer Complaint Justified Percent

Substantially more consumer complaints than mediation cases are found to be "justified". There are several reasons for this. First, consumer complaints are very different from mediation requests in that they involve a number of very diverse problems and their resolution requires considerable expertise. In contrast, mediation cases involve a portion of the regulations which is procedurally less complex. In addition, mediations typically involve large amounts of money. It appears that this factor has led to a greater supply of managerial, technical and personnel resources being applied to making payment negotiations effective. There appear to be clear opportunities for improvement by all companies in effectively handling consumer complaints.

Electric Utilities

The consumer complaint handling performance of the major electric companies was significantly more effective in 1988 than in 1987. On a comparative basis, electric companies were less effective than gas companies.

Table 17
Justified Consumer Complaints
Major Electric Companies

Company	Justified Percent		Net Change 1987 to 1988
	1987	1988	
Duquesne Light	39%	34%	-5%
Met.Ed.	33%	25%	-8%
Penelec	51%	38%	-13%
Penn Power	47%	20%	-27%
PP&L	43%	32%	-11%
PECO	53%	43%	-10%
UGI-Luzerne	43%	37%	-6%
West Penn	54%	42%	-12%
Average Justified Percent	47%	37%	-10%

* Among the major electric companies in 1988, only PECO and West Penn were significantly worse than average in effectively handling consumer complaints. However, each of these companies was much more effective in 1988 than in 1987.

* Penn Power was the most effective among electric companies at handling consumer complaints in 1988. Overall, Penn Power's ranking went from average in 1987 to the industry's best in 1988.

Gas Utilities

Of the three industries reviewed in this report, the gas industry was the most effective in handling consumer complaints in 1988. The Bureau is optimistic because each of the six major gas companies was more effective in 1988 than in 1987.

Table 18

Justified Consumer Complaints
Major Gas Companies

Company	Justified Percent		Net Change 1987 to 1988
	1987	1988	
Columbia	37%	28%	-9%
Equitable	44%	32%	-12%
NFG	52%	36%	-16%
PG&W-Gas	48%	47%	-1%
Peoples	36%	31%	-5%
UGI-Gas	53%	41%	-12%
Average Justified Percent	44%	34%	-10%

* Columbia improved substantially from 1987 to 1988 in effectively handling consumer complaints and replaced Peoples as the most effective. Peoples showed improvement and was second best in the gas industry in 1988. Equitable's dramatic improvement since 1986 caused its ranking to go from worst to above average in the two year period.

* PG&W improved slightly from 1987 to 1988 in effectiveness in consumer complaints. However, the company has experienced a sharp decline in its industry ranking. PG&W has gone from most effective in 1986 to least effective in 1988 in consumer complaint handling. PG&W must target this area for improvement in 1989.

Water Utilities

The major water companies were significantly less effective than the major electric and gas companies at handling consumer complaints in 1988. Overall, the major water companies were more effective in 1988 than 1987 and this net positive change mirrors the improvements made by the electric and gas industries.

Table 19

Justified Consumer Complaints
Major Water Companies

Company	Justified Percent			Net Change 1987 to 1988
	1986	1987	1988	
PG&W-Water	53%	81%	56%	-25%
Philadelphia Suburban	49%	41%	37%	- 4%
Pennsylvania-American	51%	49%	45%	- 4%
All Other "Class A"	33%	51%	13%	-38%
Average Justified Percent	49%	61%	45%	-16%

- * PG&W was the least effective major water company at handling consumer complaints in each of the last three years. The Bureau is concerned about this negative pattern of ineffective complaint handling.
- * Philadelphia Suburban's 1988 percent of justified consumer complaints was comparable to an average electric company. Also, on a positive note, Philadelphia Suburban's pattern from 1986 to 1988 indicated improvement in the company's effectiveness in consumer complaint handling.

Summary

Case outcome, measured in terms of the percentage of cases "justified", is the central measure of the quality of program services. Justified cases represent company failures at complying with the Commission regulations and rules or with Commonwealth statutes. When the Bureau encounters company performance at handling cases which is significantly worse than average then there is reason to suspect that any customer who contacts the company is at risk from improper complaint handling by the company.

Justified Rate - An Improved Measure

In the past the Bureau has presented two measures of company performance in both consumer complaints and mediation cases. Comparisons of the volume of BCS cases are made using the consumer complaint and mediation rates. The effectiveness of a utility's complaint handling or payment negotiations are measured using the percent of cases which are justified. Each of these two indicators supports meaningful analysis of company performance. However, both indicators can be affected by changes in company policy. In practice, it is possible for a company to improve in just one of the measures and draw praise from the Bureau. Thus, the Bureau's concurrent use of these two measures does not provide the most accurate picture of a company's overall performance.

In response to this problem, a performance measure which reflects both of these, called "justified rate", is presented in this report. Justified rates are applicable to both mediation requests and consumer complaints. The formulae for justified rates are:

$$\text{Justified Consumer Complaint Rate} = (\text{Justified consumer complaints}) / (\text{Number of customers} / 1,000)$$
$$\text{Justified Mediation Rate} = (\text{Justified mediation cases}) / (\text{Number of overdue customers} / 1,000)$$

This new evaluative measure combines the quantitative measure of consumer complaint and mediation rates with the qualitative measure of effectiveness, the justified percent. In effect justified rates is the number of cases per thousand customers for consumer complaints and is the number of cases per thousand overdue customer for mediation requests. Consumer complaint and mediation rates and justified percent have been evaluated as independent measures in past reports. This will continue to be done because each of these measures can be independently affected by company behavior so the Bureau must carefully monitor each measure. However, there is a need for a bottom line measure of performance that evaluates either company complaint handling or payment negotiations as a whole and, as such, allows for general comparisons to be made between companies and across time. The justified rates should satisfy this need.

Mediation Justified Rate

Electric companies negotiated payment arrangements better than gas companies in 1988. Overall, the electric and gas companies made some improvement in negotiations from 1987 to 1988 while water companies' performance was stable.

Table 20
Justified Mediation Rate^{3/}
Major Companies
(1987-1988)

Company	1987	1988	Net Change 1987 to 1988
Duquesne	.57	.27	-.30
Met. Ed.	.08	.05	-.03
Penelec	.10	.06	-.04
Penn Power	.32	.25	-.07
PP&L	.08	.01	-.07
PECO	.20	.16	-.04
UGI-Luzerne	.58	.30	-.28
West Penn	.38	.30	-.08
(Major Electric)	(.28)	(.19)	(-.09)
Columbia	.09	.05	-.04
Equitable	.37	.56	.19
NFG	.41	.10	-.31
PG&W-Gas	.40	.19	-.21
Peoples	.53	.53	No Change
UGI-Gas	.66	.50	-.16
(Major Gas)	(.38)	(.31)	(-.07)
PG&W-Water	.12	.04	-.08
Philadelphia Suburban	.18	.11	-.07
Pennsylvania-American	.46	.65	.19
All Other "Class A"	.25	.09	-.16
(Major Water)	(.24)	(.24)	No Change

Among the highlights:

- * The companies that were their industry's worst at negotiating payment arrangements in 1988 were UGI-Luzerne, West Penn, Duquesne, Equitable, Peoples, UGI-Gas and Pennsylvania-American.
- * The companies that were the best in their respective industries at payment negotiations in 1988 were PP&L,

^{3/} Water companies are not required to provide the Commission with their number of overdue customers. As a result, their mediation rates are calculated in the same manner as their consumer complaint rates. Because of this the water companies' mediation justified rates are calculated differently from electric and gas companies and cannot be compared to those industries.

industries at payment negotiations in 1988 were PP&L, Met. Ed., Penelec, Columbia, NFG, PG&W-Water, and Philadelphia Suburban.

* Only two companies, Equitable and Pennsylvania-American, were less effective at negotiating payment arrangements in 1988 than in 1987.

Consumer Complaint Justified Rate

Electric companies handled consumer complaints more effectively than both gas and water companies in 1988. Gas companies did a better job at complaint handling from water companies. Overall, all three industries made significant improvement than 1987 to 1988. Despite these favorable results, the Bureau encourages further improvements in 1989, especially from the companies who did not perform up to industry standards.

Table 21
Justified Consumer Complaint Rate
Major Companies
(1987-1988)

Company	1987	1988	Net Change 1987 to 1988
Duquesne	.24	.24	No Change
Met. Ed.	.10	.08	-.02
Penelec	.19	.12	-.07
Penn Power	.20	.08	-.12
PP&L	.12	.09	-.03
PECO	.27	.22	-.05
UGI-Luzerne	.40	.34	-.06
West Penn	.28	.22	-.06
(Major Electric)	(.24)	(.18)	(-.06)
Columbia	.13	.12	-.01
Equitable	.56	.38	-.18
NFG	.20	.13	-.07
PG&W-Gas	.32	.28	-.04
Peoples	.27	.17	-.10
UGI-Gas	.51	.34	-.17
(Major Gas)	(.32)	(.22)	(-.10)
PG&W-Water	1.32	.60	-.72
Philadelphia Suburban	.09	.06	-.03
Pennsylvania-American	.40	.35	-.05
All Other "Class A"	.23	.04	-.19
(Major Water)	(.48)	(.27)	(-.21)

* The companies that were the least effective at complaint handling in their respective industries in

1988 were UGI-Luzerne, Equitable, UGI-Gas, PG&W-Gas, PG&W-Water, and Pennsylvania-American.

- * The most effective companies at complaint handling within their respective industries in 1988 included Met. Ed., Penn Power, PP&L, Columbia, NFG and Philadelphia Suburban.
- * Duquesne was the only major company that did not show improvement in effectively handling complaints from 1987 to 1988 as Duquesne's performance remained stable. Overall, Duquesne went from average for the electric industry in 1987 to below average and next to the worst in 1988.

IX. COLLECTIONS

The Complete Collections Picture: Arrearages and Payment Agreements

An unpaid bill which is not covered by an active payment agreement is termed an "arrearage." The longer a customer goes without paying and the greater the amount owed, the greater the pressure the company applies to secure payment. Initial payment reminder notices are followed by collections letters and, if these fail, by a threat of service termination. Most delinquent customers succumb to this pressure and either pay or make arrangements to pay over time. Once a customer makes a payment agreement with the company, and as long as scheduled payments are made, the amount owed is removed from the "arrearage" category.

The Bureau has historically tracked company collections activities through statistics on arrearages. However, payment agreements must be considered along with arrearages in order to accurately represent the complete collections picture. Statistics related to agreements are especially important because they reflect amounts owed which have not been presented in this report in the past. Only since 1986 have statistics been available which could support this combined analysis. Even then, the first year's data was not usable for all companies and some companies still report only a limited amount of data. Thus, the material below is the first analysis of collections which includes the impact of payment agreements. While some of this information points to obvious conclusions, future reports will routinely incorporate this information as a rigorous evaluative tool.

Number of Customers In Debt

Table 22 shows the total number of customers owing money to the major gas and electric companies in typical months of 1987 and 1988. In order to provide a context within which this information can be interpreted, both accounts in arrears and those with agreements are also presented.

Table 22
Residential Customers In Debt

Company	1987			1988		
	Agree- ments	Arrears	Total	Agree- ments	Arrears	Total
Duquesne	17,423	68,633	86,056	14,590	74,326	88,916
Met. Ed.	5,324	47,814	53,138	4,587	52,711	57,298
Penelec	19,972	73,484	93,456	17,290	80,031	97,321
Penn Power	N/A	18,200	18,200	N/A	18,725	18,725
PP&L	23,181	126,047	149,228	21,321	131,408	152,729
PECO	138,638	249,366	388,004	149,628	252,360	401,988
UGI-Luzerne	329	6,454	6,783	210	6,444	6,654
West Penn	4,791	87,981	92,772	7,670	88,995	96,665
Columbia	6,736	36,003	42,739	7,613	30,188	37,801
Equitable	16,596	26,610	43,206	16,692	26,719	43,411
NFG	4,373	23,436	27,809	5,681	28,381	34,062
PG&W-Gas	5,746	12,563	18,309	5,638	13,083	18,721
Peoples	8,485	32,742	41,227	10,525	32,792	43,317
UGI Gas	2,977	22,746	25,723	2,898	26,964	25,875
Total	254,571	832,079	1,086,650	264,343	863,127	1,123,483

* Across all companies, there is one payment agreement for every three persons who are in arrears but have not made arrangements to pay. However, the underlying pattern is quite diverse with less than 10 percent of unpaid accounts under agreement for Met. Ed., UGI-Luzerne and West Penn but over a third of accounts owing money to PECO and Equitable are under agreement. The total of 264,343 customers who had payment arrangements in 1988 reflect a previously unquantified portion of the financial risk constantly borne by utilities. Whether these differences are reflected in the effectiveness of collections remains to be seen. Definitive interpretations of these statistics will be explored in future reports.

Percent of All Customers Who Owe Money

In past reports, the statistic Percent of Customers Overdue has been used in order to make possible direct comparisons between companies. Having shown that overdue customers represent only part of the problem, it is more accurate to substitute the combined percentage of customers who are either in arrears or have an agreement. This is presented in Table 23.

Table 23
Percent of Customers In Debt

Company	1987	1988	Change From 1987 to 1988
Duquesne	17.3%	17.7%	2%
Met. Ed.	15.0%	15.8%	5%
Penelec	20.1%	20.7%	3%
Penn Power	15.9%	16.2%	2%
PP&L	15.6%	15.6%	no change
PECO	31.0%	31.7%	2%
UGI-Luzerne	13.4%	13.0%	- 3%
West Penn	17.5%	18.0%	3%
Columbia	14.0%	12.3%	-12%
Equitable	19.2%	19.1%	- 1%
NFG	15.0%	18.3%	22%
PG&W-Gas	16.8%	16.8%	no change
Peoples	13.7%	14.3%	4%
UGI-Gas	13.6%	13.5%	- 1%
Total	19.6%	20.0%	2%

* The table shows that one out of five residential customers was behind in paying their utility bills in 1988. This represents a very slight overall increase from 1987.

* The percent of customers who are in debt to companies ranges quite widely from a high of 31.7%, for PECO, to a low of 12.3%, for Columbia. It is particularly disturbing that PECO is operating at all times with a substantial portion - just under one third - of residential customer accounts at risk. How this relates to other collections activities will be examined during the coming year.

* These figures reflect very little change from 1987 to 1988 for most companies. This suggests that the information in Table 23 generally reflects normal operations. However, NFG shows a 22% increase in customers in debt from 1987 to 1988. This is a reason for real concern. In contrast, Columbia had a 12% reduction in the percent of customers owing from 1987 to 1988.

* UGI-Luzerne, Columbia and UGI-Gas are not only faced with the lowest levels of risk, but the numbers of their customers owing them money is on the decline.

Amount of Money at Risk

The percent of customers in debt reflects the general state of collections. However, the risk of loss is better determined through a review of the amount and aging of the money involved. Table 24 shows how much is owed by customers in arrears, by those with agreements and in total.

Table 24
Residential Customer Debt

Company	1987 (\$000)			1988 (\$000)			Change in Total 1987 to 1988
	Agree- ments	Arrears	Total Debt	Agree- ments	Arrears	Total Debt	
Duquesne	\$5,952	\$11,328	\$17,279	\$7,238	\$14,121	\$21,359	24%
Met. Ed.	2,385	5,460	7,845	2,164	6,975	9,139	27%
Penelec	9,462	5,743	15,205	7,770	6,002	13,772	- 9%
Penn Power	163	1,354	1,517	245	1,417	1,662	10%
PP&L	8,722	17,603	26,325	8,861	24,870	33,731	28%
PECO	56,331	30,723	87,054	70,071	30,983	101,054	16%
UGI-Luz.	108	571	679	79	565	644	-27%
West Penn	1,137	6,853	7,990	1,934	6,939	8,873	11%
Columbia	2,385	4,665	7,050	1,764	3,093	4,857	-31%
Equitable	18,871	6,149	25,020	18,847	5,425	24,272	- 3%
NFG	1,524	2,797	4,321	2,062	2,776	4,838	12%
PG&W-Gas	2,883	1,790	4,673	3,017	1,923	4,940	6%
Peoples	3,682	5,884	9,566	4,631	5,736	10,367	8%
UGI Gas	918	2,014	2,932	831	1,894	2,725	- 7%
Total	\$114,523	\$102,934	\$217,457	\$129,514	\$112,719	\$242,233	11%

The information in Table 24 shows the extent to which past reliance on arrearage information alone has distorted the picture of financial risk. In 1987 and 1988 slightly over one half of the debt owed by residential customers was held in agreements. Thus, rather than over \$112 million owed to companies, as has been reported in the past in arrearages, in 1988 there was actually over \$242 million in debts.

* In particular, the experience of PECO poses questions for future analysis. PECO had a monthly average of over \$70 million involved in agreements compared to only about \$30 million in arrears. PECO's \$101 million in residential customer debt exceeds the combined total for the rest of the electric industry.

* Equitable Gas, with over three dollars in agreements for each dollar appearing as an arrearage, may have

followed a practice of warehousing its unpaid bills in the form of agreements.

Average Amounts Owed

While more money is involved in agreements than in arrearages, the number of customers holding payment agreements is much smaller than the numbers of those who are simply in arrears. This means that the average amount owed by a customer with an agreement is much larger than the amount owed by someone with an arrearage but no agreement. Table 25 reflects these differences.

Table 25
Average Arrearage Vs. Average Agreement

Company	1987		1988	
	Agreements	Arrears	Agreements	Arrears
Duquesne	342	\$ 165	496	\$190
Met. Ed.	448	114	472	132
Penelec	474	78	449	75
Penn Power	N/A	74	N/A	76
PP&L	376	140	416	189
PECO	406	123	468	123
UGI-Luzerne	328	88	376	88
West Penn	237	78	252	78
Columbia	354	130	232	102
Equitable	1,137	231	1,129	203
NFG	349	119	363	98
PG&W-Gas	502	142	535	147
Peoples	434	180	440	175
UGI-Gas	308	89	287	82
Total	450	\$ 124	490	\$131

As was suggested above, the average amounts owed under agreements are much larger than average arrearages. The primary reason for this is that customers typically do not attempt to make arrangements to pay until they have received a termination notice and notices are generally sent only after customers have missed several payments. It is interesting to note that the average size of agreements in 1988 ranges from \$232 for Columbia to \$1,129 for Equitable, meaning that for every dollar owed in a Columbia agreement there is \$4.50 owed in an Equitable agreement. This difference cannot be accounted for by differences in customer bills since Columbia's average monthly bill of \$59 differs very little from Equitable's monthly bill of \$61. (See Appendix I). This is an obvious target for future research.

Weighted Measures - A Tool For Comparison

Notwithstanding divergent collections performance as presented above, comparisons between companies based on either arrearages or agreements can be misleading because of differences in bills. For this reason, a weighted statistic is calculated so that the effect because of different average bills is taken into consideration.

Table 26
Weighted Statistics for Arrearages and Agreements

Company	1987		Total Score	1988		Total Score
	Weighted Agreement	Weighted Arrears		Weighted Agreement	Weighted Arrears	
Duquesne	7.0	3.4	4.1	9.6	3.7	4.6
Met. Ed.	8.0	2.0	2.6	8.0	2.2	2.7
Penelec	10.3	1.7	3.6	9.6	1.6	3.0
Penn Power	N/A	1.4	N/A	N/A	1.3	N/A
PP&L	5.9	2.2	2.8	6.4	2.9	3.4
PECO	6.3	1.9	3.5	6.9	1.8	3.7
UGI-Luzerne	6.1	1.7	1.9	7.4	1.7	1.9
West Penn	5.2	1.7	1.9	5.8	1.8	2.1
Columbia	6.1	2.3	2.9	4.1	1.8	2.3
Equitable	18.2	3.7	9.3	18.8	2.4	9.3
NFG	6.9	2.4	3.1	6.4	1.7	2.5
PG&W-Gas	8.0	2.3	4.1	8.8	2.4	4.3
Peoples	6.9	2.8	3.7	6.9	2.7	3.7
UGI-Gas	6.7	1.9	2.5	6.5	1.6	2.4
Total	7.4	2.0	3.3	8.3	2.2	3.6

The "Total Score" in columns 3 and 6 above represents the total aging of all residential customer debt. It is calculated by dividing the average monthly customer bill into the sum of the amounts owed in both agreements and arrearages. The range of these scores in 1988 is quite wide, from 1.9 for UGI-Luzerne to 9.3 for Equitable. As can be seen, of the two component scores, the agreement score is much higher than the arrearage score. While this is as expected, the magnitude of the differences suggests that some companies have maintained stability in the reported measure, weighted arrearages, by relaxing standards to make it possible for a growing number of payment agreements, which were not previously reported to be maintained. Were these agreements effective, the practice would be reasonable. However, weighted agreements which far exceed the average point to a practice of allowing agreements to persist without regard to whether the debt is being retired. The following conclusions are drawn from the analysis of this information:

- * The interpretation of these scores is straightforward. Higher scores represent greater risk, and therefore,

indicate less effective overall management of accounts.

- * Duquesne Light and PG&W - Gas both have scores which raise concerns about their long term ability to keep billing and collections costs under control.
- * Equitable stands out with far and away the largest weighted total score. While Equitable's total score remained stable from 1987 to 1988, its weighted agreement score grew to almost twice that of any other company. This suggests that Equitable has been inattentive to maintaining effective agreements in the past.

Success Rates - A Measure of Effectiveness

The degree to which these debts represent risk of loss to companies is of great concern. One way risk can also be measured is in the rate at which company agreements succeed. Success rate is calculated by determining what percent of a company's payment agreements are kept. A high rate of success denotes that the company's agreements are sound and are normally kept by customers. This, in turn, represents a relatively low level of risk vis-a-vis the total collections picture.

Table 27
Success of Payment Agreements

<u>Company</u>	<u>Success Rate# In 1988</u>
Duquesne	67%
Met. Ed.	51%
Penelec	59%
Penn Power	N/A
PP&L	76%
PECO	59%
UGI-Luzerne	55%
West Penn	60%
Columbia	N/A
Equitable	43%
NFG	68%
PG&W-Gas	62%
Peoples	39%
UGI-Gas	52%

#Number of agreements paid according to the agreed-to terms divided by the total number of agreements including cancelled and delinquent agreements.

Although not all companies report the success rate for their agreements, there is sufficient information here to point to some provocative, if tentative, conclusions. Success rates vary greatly and this appears to have a direct impact on expenses. The cost to the company of making a payment arrangement varies from a few dollars for a first time agreement to thousands of dollars for an agreement which is mandated by a PUC Administrative Law Judge. Thus, companies like Duquesne, PP&L and NFG where over two-thirds of agreements are kept by customers, contribute to keeping expenses in check through their approaches to making payment agreements. In contrast, the success rates for Equitable and Peoples are relatively low, which may contribute to higher costs.

Termination of Service

Service termination is expensive in many regards. It costs a great deal to negotiate payment agreements, to make pre-termination contacts, to terminate service, and to then attempt to collect the final bill. Further, the social costs of termination are difficult to quantify, but are obviously important. In view of these costs, service termination is the one area where some carefully considered standard approaches should exist among companies. In particular, companies should eliminate unnecessary service terminations through non-coercive collections techniques. This should result in a stable or even reduced number of terminations. In light of this perspective, the analysis which addresses Table 28 focuses on the extent of change in terminations over time.

Table 28

Number of Residential Service Terminations

Company	1986	1987	1988	Percent Change 1986-1988
Duquesne	1,998	2,129	1,701	- 15%
Met. Ed.	1,929	1,493	622	- 68%
Penelec	1,643	4,064	3,326	102%
Penn Power	1,053	975	940	- 11%
PP&L	5,413	3,347	546	- 90%
PECO#	31,345	33,120	19,114	- 39%
UGI-Luzerne	691	755	698	1%
West Penn	6,103	6,713	5,812	- 5%
Columbia	2,979	1,898	2,029	- 32%
Equitable	3,858	1,796	2,018	- 48%
NFG	3,934	3,534	2,488	- 37%
PG&W-Gas	1,352	1,115	1,124	- 17%
Peoples	3,702	4,123	4,364	18%
UGI-Gas	4,157	4,136	3,873	- 7%
Total	70,157	69,198	48,655	- 31%

#Combined electric and gas

- * Overall, the major electric and gas companies terminated 31% fewer customers in 1988 than in 1986. In comparison, the number of customers who were overdue declined by only 1% over the same period. This net reduction in terminations is encouraging and is a continuation of a positive trend of three straight years of improvement.
- * Only Penelec, UGI-Luzerne and Peoples terminated more residential customers in 1988 than in 1986. UGI-Luzerne's increase in terminations from 1986 to 1988 amounted to only 1%. Penelec's termination policy in 1987 and 1988 reflects a revision in its collections policy following several years of intentionally limited termination activity. In contrast, Peoples is the only company to increase terminations in both years reported above.
- * PP&L, Met. Ed., PECO, Columbia, Equitable and NFG lead their respective industries in reducing terminations from 1986 to 1988. Each of these companies reduced terminations by at least 30% during this time. PECO terminated its smallest number of residential customers since BCS began tracking this activity in 1980.

Termination Rate

Termination rate is calculated by dividing the number of terminations by the number of residential customers. Termination rate is a statistic which enables BCS and companies to compare termination practices between companies without regard to differences in company size. For this reason, the analysis here focuses on absolute comparisons of performance. The Bureau will monitor companies which have a termination rate that is substantially worse than the average.

Table 29
Termination Rate+

Company	1986	1987	1988	Percent Change 1986-1988
Duquesne	0.40%	0.43%	0.34%	- 15%
Met. Ed.	0.57%	0.42%	0.17%	- 70%
Penelec	0.35%	0.86%	0.71%	103%
Penn Power	0.93%	0.85%	0.81%	- 13%
PP&L	0.58%	0.35%	0.06%	- 90%
PECO#	2.54%	2.65%	1.51%	- 41%
UGI-Luzerne	1.38%	1.49%	1.37%	- 1%
West Penn	1.16%	1.26%	1.09%	- 6%
Columbia	0.98%	0.62%	0.66%	- 33%
Equitable	1.72%	0.80%	0.89%	- 48%
NFG	2.13%	1.90%	1.34%	- 37%
PG&W-Gas	1.26%	1.02%	1.01%	- 20%
Peoples	1.22%	1.37%	1.44%	18%
UGI-Gas	2.21%	2.18%	2.02%	- 9%
Overall Avg.	1.28%	1.25%	0.87%	- 32%
Percent Change				

+Annual terminations as a percentage of the number of residential customers

#Combined electric and gas

* The range of termination rates among the major electric and gas companies was substantial. On a comparative basis, terminations were over thirty-three times more likely for the company which terminated most often than for the company which terminated least often. This range far exceeds that of any other measure of collections activity and clearly represents differences in company policies.

* PP&L and Columbia terminated the smallest proportion of customers in their respective industries in 1988. PP&L's termination rate is the lowest by a major

company since BCS began reporting this statistic in 1984. In fact, the company has embarked on a program to identify effective collections techniques which do not involve termination.

- * PECO and UGI-Gas terminated the largest proportion of customers in their respective industries. However, both companies showed a decrease in their termination rate from 1986 to 1988. For PECO, the decrease brought its termination rate below 2% for the first time.

Uncollectible Accounts

The most commonly used long-term measure of collections system performance is the proportion of accounts written-off as uncollectible to revenues, the "write-offs ratio." In order to report a statistic that is easier to comprehend and compare, BCS changes the ratio of write-offs to revenues to the percentage of residential billings written off as uncollectible. The statistics in Table 30 use residential gross write-offs. Write-offs and revenues can be traced to both residential and non-residential service. With the focus of this report being residential accounts, a percentage of residential billings written off as uncollectible is used as the best available measure of performance in collecting bills. (Appendix I provides a listing of net total write-offs as a percentage of total revenues from 1986 to 1988. An extensive discussion of this statistic can be found in the Bureau's 1983 Report "Utility Payment Problems: The Measurement and Evaluation of Responses to Customer Nonpayment").

Collectively, the major electric and gas companies showed a five percent increase in the percentage of billings written off from 1986 to 1988. This negative trend is of concern to the Bureau.

Table 30

Percentage of Gross Residential Billings Written Off as Uncollectible+

Company	1986	1987	1988	Percent Change 1986-1988
Duquesne	1.59%	1.75%	1.60%	1%
Met. Ed.	1.06%	1.15%	1.16%	9%
Penelec	1.66%	1.72%	1.30%	-22%
Penn Power	0.49%	0.53%	0.47%	- 4%
PP&L	1.17%	1.29%	1.41%	21%
PECO#	1.91%	2.08%	2.02%	6%
UGI-Luzerne	0.38%	0.61%	0.67%	76%
West Penn	0.57%	0.58%	0.72%	26%
Columbia	1.92%	1.96%	2.54%	32%
Equitable	3.24%	3.33%	3.52%	9%
NFG	1.36%	1.63%	1.35%	- 1%
PG&W-Gas	1.73%	1.14%	1.22%	-29%
Peoples	1.11%	1.04%	1.18%	6%
UGI-Gas	1.80%	1.85%	1.65%	- 8%
Overall Avg.	1.56%	1.63%	1.64%	5%
Percent Change				

Combined electric and gas

The following are highlights of the statistical picture in Table 30:

- * Nine major companies saw their write-offs percentages increase. UGI-Luzerne and Columbia experienced the largest increases in their respective industries.
- * However, there is nothing inevitable about this as five companies, Penelec, Penn Power, NFG, PG&W and UGI-Gas showed a reduction in the percentage of residential billings written-off as uncollectible from 1986 to 1988.
- * From a comparative perspective, in 1988 there was a substantial range in the amount of lost revenues. For example, in the electric industry PECO was four times as likely to write-off bills as was Penn Power. In the gas industry, Equitable was three times as likely to write-off bills as was Peoples. These four companies have maintained this relationship within their respective industries for two consecutive years.

Summary

Some of the material presented above represents a significant departure from the analytical perspective taken in past Bureau reports. The availability of a more complete range of data necessitates this expanded view of collections. As still more data is accumulated it will be possible to enhance the statistical strength of the analyses offered above. Also, the conclusions to which the new analyses point will be based on firmer ground as increasingly accurate data comes to reflect the details of actual company operations.

The state of residential collections has deteriorated slightly in the past several years. On the one hand in 1988, there were fewer terminations among a stable number of overdue customers. On the other hand, weighted agreements, weighted arrearages and write-offs increased somewhat. In summary, customers were somewhat less at risk from serious payment problems and termination while the cost of these protections, as reflected in weighted arrearages and gross write-offs, increased slightly.

X. COMPLIANCE

The activities of the Bureau of Consumer Services include efforts to insure that public utilities' customer services conform with the standards of conduct codified in the Commission's regulations. The focus here is on the Chapter 56 residential utility service regulations. These regulations, adopted in June 1978, govern residential electric, gas, water, steam heat, and sewage service. The purpose of Chapter 56, as stated in Section 56.1, is to "...establish and enforce uniform, fair, and equitable residential utility service standards governing eligibility criteria, credit and deposit practices, and account billing, termination, and customer complaint procedures."^{4/}

The Bureau of Consumer Services has developed three complementary methods to secure utility compliance with Chapter 56 regulations. These methods are (1) the informal compliance notification process, (2) the consumer services review program, and (3) formal complaints. Both the consumer services review program and formal complaints are used as needed to focus on a specific utility. Alternately, the informal notification process, in conjunction with the automated compliance tracking system, serves to guide the Bureau in the selection of companies for the review program and formal complaints.

The informal compliance notification process is the keystone of the Bureau's compliance efforts. The process provides utilities with specific examples of apparent violations of Chapter 56 so that they can use the information to pinpoint and voluntarily correct deficiencies in their customer service operations. The informal compliance notification process uses consumer complaints to identify, document, and notify utilities of apparent violations. A utility which receives notification of an apparent violation has an opportunity to refute the facts which support the allegation of a violation. Failing a satisfactory refutation, appropriate corrective action is to be taken to prevent further occurrences. Corrective actions generally entail modifying a computer program; revising the text of a notice, bill, letter or company procedure; or providing additional staff training to insure the proper implementation of a sound procedure. The notification process also affords utilities the opportunity to receive written clarifications of Chapter 56 provisions and Commission and Bureau policies.

During 1986, 1987, and 1988 the Bureau determined that there were 4,160 informally verified violations of Chapter 56 by the fixed utilities under the PUC's jurisdiction. The significance of these violations is frequently underscored by the fact that many of the informal violations represent systematic errors which are widespread and affect numerous utility customers. However, because the Bureau only receives a small fraction of the complaints customers have with their utility companies, the Bureau has only limited opportunities to identify such systematic errors. Therefore, the informal compliance notification process is specifically designed to identify

^{4/} Violations of the Chapter 64 residential telephone standards are not presented in this report. A separate BCS report will include evaluations of telephone company compliance activity.

systematic errors and press utilities to investigate the scope of the problem and then take corrective action.

Utilities that wish to avoid BCS compliance actions have several options. First, they may take advantage of the Bureau's informal notification process. They can also develop their own complaint/compliance information systems to identify compliance problems before they come to the Commission's attention. Companies which analyze their mistakes and take appropriate corrective action can prevent the ill will generated when customers are denied their rights. Additionally, by tracking violations and complaints and treating them as potential error signals, utilities can pinpoint problematic procedures and employee errors which give rise to violations and complaints. Company operations can then be improved to the satisfaction of the PUC, utility customers, and the utility management. A more detailed description of the Bureau's compliance activities can be found in the BCS report of August 1987, entitled Consumer Services Compliance Report 1985-1986.

Informal Compliance Findings

The data analyzed in this section have been gleaned from the informal complaints filed with the PUC by residential customers during 1986, 1987, and 1988. The violation statistics for the major electric, gas and water companies are presented by company and year in Tables 31-33.

The data in Table 34 indicates the sections of Chapter 56 which are most commonly violated by the fixed utilities based on compliance findings for the past three years.

Opposing viewpoints regarding the meaning of the aggregate figures for informally verified violations have been expressed at various times in the past. Some utilities view the data as reflecting an extremely small number of errors given the massive number of customer contacts routinely handled by utilities. They suggest that the BCS' informally verified violations represent no more than the occasional mistakes that are inevitable in an operation the size of a public utility. Instead of viewing the aggregate violation data as indicative of poor compliance performance, some companies suggest that the statistics actually demonstrate utilities' good faith efforts to comply with these residential service regulations. They argue that, if this were not the case, the violation data would be much higher.

The Bureau of Consumer Services views the informal violation figures quite differently. The Bureau's perspective is that each informally verified violation is an error signal. A single infraction can be indicative of a system-wide misapplication of a particular section of the regulations. Because consumers are reluctant to complain, and because the PUC gets involved with only a small fraction of the total number of complaints to utilities, there is sufficient reason to believe that there are numerous violations occurring which will go undetected by the PUC. Therefore, the violations which do come to the attention of the Bureau warrant careful analysis and consideration by the target utility. The informal notification process is intended to assist utilities in their process analysis and consideration. Additionally, findings from the other two methods used by the BCS to effect compliance with Chapter 56 support the perspective that informally verified violations often represent larger compliance problems.

Several considerations are important to keep in mind when viewing the aggregate informal violation figures. First, the data pertaining to the number of violations do not take into consideration the cause of the individual violations. Some violations may be more serious because of their systematic nature, and therefore may be indicative of ongoing or repetitive violations. Other violations involve threats to the health and safety of utility customers, thereby increasing their seriousness.

Another set of considerations to keep in mind when viewing aggregate violation measures is that, as a performance measure, they are most important because they indicate infractions of PUC regulations. Therefore, while a utility may take note of a significant decrease in an aggregate figure, it should be kept in mind that the criterion for good performance is zero violations.

For these reasons, the aggregate figures presented in Tables 31-33 are considered by the BCS along with other information which is case specific. The value of the aggregate figures is in depicting apparent gross trends over time and pointing out extreme deviations.

Electric Utilities

From 1987 to 1988 the electric industry substantially improved its compliance performance by reducing the number of informal violations by 42%. This encouraging performance reverses a several year trend that prior to 1988 had shown an increasing number of violations each succeeding year. The informal violations for each of the major electric utilities are presented in Table 31 on the following page.

Table 31
 Informal Violations of Chapter 56
 Major Electric Companies

(1986-1988)

Company	1986	1987	1988 Total ^{5/}	1988 # of Total Verified	1988 # of Total Pending
Duquesne	82	139	76	68	8
Met. Ed.	8	3	5	5	0
Penelec	26	37	27	25	2
Penn Power	18	19	7	7	0
PP&L	54	79	44	40	4
PECO	360	491	291	278	13
UGI-Luzerne	18	9	9	8	1
West Penn	67	101	92	75	17
Total	633	878	551	506	45

The highlights from Table 31 include the following:

- * Penn Power showed major improvement from 1987 to 1988 by reducing the number of verified violations by 63%.
- * Duquesne Light experienced a 51% decrease in the number of verified violations from 1987 to 1988. However, Duquesne still had a sizeable number of verified violations during 1988.
- * PP&L also had a considerable reduction (49%) in the number of verified violations for 1988.
- * Metropolitan Edison has the best compliance record of the major electric, gas and water companies for the third consecutive year. This pattern of compliance is an accomplishment other major utilities should strive to equal.

^{5/} The total number of violations for 1988 (column 3) is comprised mostly of verified violations (column 4) and in some cases, a smaller proportion of pending violations (column 5). Overall, approximately seventy-four percent of pending violations are subsequently determined to be verified violations. The total number of violations for 1988 may increase as new violations are discovered and cited from customer complaints which originated in 1988 but are still under investigation by the Bureau. In most instances, the actual total number of violations for 1988 will be equal to or greater than the number reported in column 3.

- * While PECO reduced the number of verified violations from consumer complaints by 43% in 1988, their overall number of verified violations was the highest of any major electric, gas, or water company.
- * West Penn's compliance record showed a modest improvement in 1988. However, West Penn continues to have a disproportionate number of violations for the number of customers in their service territory.

Gas Utilities

As an industry, the major gas companies reduced the overall number of verified violations by 50% from 1987 to 1988. This performance extends a positive trend in which the gas industry has been able to demonstrate improved compliance with Chapter 56 for several consecutive years.

Table 32
 Informal Violations of Chapter 56
 Major Gas Companies
 (1986-1988)

Company	1986	1987	1988 Total ⁺	1988 # of Total Verified	1988 # of Total Pending
Columbia	43	25	28	28	0
Equitable	208	69	28	24	4
NFG	18	58	28	22	6
PG&W-Gas	30	44	18	18	0
Peoples	48	61	29	26	3
UGI-Gas	95	61	42	42	0
Total	442	318	173	160	13

+ See footnote, page 56.

The highlights from Table 32 include the following:

- * With the exception of a relatively stable pattern by Columbia, all of the major gas companies reduced the number of verified violations in 1988 over the previous year's figures.
- * Equitable and NFG each had over 60% reductions in the number of informally verified violations for 1988.

- * Peoples and PG&W also had sizable decreases in the number of violations for 1988, with each company showing reductions of 50% or more.
- * Marked improvement in compliance was noted on the part of UGI-Gas for 1988, but further improvement is needed as the number of violations remains relatively high for the number of customers served by the company.

Water Utilities

Overall, the "Class A" water companies reduced the number of informally verified violations by 45% from 1987 to 1988. Although the 1988 compliance performance represents an improvement over that of 1987, it should be noted that in 1987 the water industry exhibited an exceptionally high number of informally verified violations. Water utilities as an industry can insure themselves that they are making significant progress when they improve upon their 1986 performance. The informal violations for each of the "Class A" water companies are presented in Table 33 on the following page.

Table 33
 Informal Violations of Chapter 56
 Major Water Companies
 (1986-1988)

Company	1986	1987	1988 Total ⁺	1988 # of Total Verified	1988 # of Total Pending
PA-American	94	182	160	142	18
P.G.&W.-Water	32	43	14	12	2
Phila. Suburban	36	95	35	35	0
All Other "Class A" Water Companies	14	47	14	14	0
Total	176	367	223	203	20

+ See footnote, page 56.

The highlights from Table 33 include the following:

- * PG&W experienced a 72% decrease in the number of verified violations from 1987 to 1988.
- * Philadelphia Suburban Water reduced the number of verified violations by 63% from 1987 to 1988.
- * Although Pennsylvania-American Water Company had a 22% reduction in the number of verified violations last year, the company's violations account for over two-thirds of the violations for all "Class A" water companies. This magnitude of violations, when considered in conjunction with the number of residential customers served, is the highest of any major electric, gas or water company.
- * The remaining "Class A" water companies demonstrated a 70% reduction in the number of violations for 1988.

Distribution of Informal Violations

Table 34 shows the areas of Chapter 56 where compliance problems remain for the electric, gas and water industries.

Table 34

Most commonly violated areas of Chapter 56
Major Electric, Gas and Water Companies

(1986-1988)

Sections	1986		1987		1988	
	N	%	N	%	N	%
§56.11 Billing Frequency	65	5	80	5	23	3
§56.12 Meter Reading	173	14	193	12	91	10
§56.14 Make-up Bills	83	7	70	4	43	5
§56.16 Transfer of Accounts	97	8	66	4	66	8
§56.32-.37 Credit Standards	63	5	26	2	16	2
§56.81-.83 Termination Grounds	116	9	91	6	56	6
§56.91-.97 Standard Termination Procedures	84	7	128	8	51	6
§56.121-.126 Landlord- Ratepayer Termination Procedures	55	4	61	4	30	3
§56.141-.152 Dispute Handling	291	23	424	27	246	28
§56.163 Informal Complaint Review	38	3	166	11	65	8
All Other Sections	186	15	258	17	182	21
Total	1251	100%	1563	100%	869	100%

The highlights from Table 34 include the following:

- * The most common compliance problem over the past three years is failure by utilities to treat customer complaints in full accord with the explicit standards of conduct set forth in the Chapter 56 dispute handling provision (§56.141-§56.152).
- * Failure by companies to obtain appropriate meter readings within prescribed periods constitutes the overwhelming majority of informally verified violations of Section 56.12. At first glance, violations of the provisions relating to meter reading may appear innocuous. However, BCS experience indicates that noncompliance with §56.12 frequently leads to high bill complaints. Substantial rebillings can be a great burden to customers with limited incomes.
- * Informally verified violations of the Chapter 56 provisions relating to termination of service (§56.81 thru §56.126) account for 18% of the apparent violations by the major utilities uncovered by the BCS

investigators over the past three years. The fact that one of six violations involved these important Chapter 56 standards indicates that utilities have not established and/or properly implemented procedures which insure day-to-day compliance with these provisions.

- * Compliance with the Chapter 56 "make-up" bill provision (§56.14) has remained fairly consistent from 1987 to 1988.
- * Overall, the number of informally verified violations gleaned by BCS investigators from informal complaints has decreased 44% from 1987 to 1988. Although this drop is very encouraging, it is offset by the fact that the criterion for good performance is zero violations. Moreover, Chapter 56 has been in effect for more than ten years. Utilities have had ample time to adjust their operations to comply with these residential service standards. Thus, the 3,683 apparent violations, by the major electric, gas and water companies, gathered by the BCS over the past three years indicate utilities have not fully incorporated Chapter 56 into their daily customer operations.

XI. CONCLUSION

The discussion above has fulfilled the Bureau's responsibility to make assessments of utility customer services performance generally available. This report provides an overview and a general analysis of BCS handling of complaints against electric, gas and water companies during 1988. The consumer complaint and mediation rates used here are quantitative problem indicators related to utility company performance in various customer services areas. Response time, percent of complaints "justified", and justified rate are qualitative performance measures which reflect a company's responsiveness and effectiveness in handling customer complaints. These measures support the Bureau's emphasis on improvement in all areas of complaint handling. In addition, the analysis of collections statistics provides a basis for comparing company performance at managing unpaid accounts. Finally, a review of compliance statistics shows which companies are least successful at operating in conformity with Commission regulations.

The Bureau has consistently sought to improve the customer services performance of utility companies. Towards this end, the Bureau has pursued the goal of reducing the numbers of both mediations and consumer complaints. In 1988, the Bureau met this goal for mediation requests because of improvements made by both the gas industry and, especially the electric industry. The overall 1988 consumer complaint level is higher than in 1987 but this 1988 volume is consistent with the Bureau's long-term average in consumer complaints.

Responsiveness to Bureau cases is measured by response time. From 1987 to 1988 many major companies became more responsive to BCS consumer complaints. Improvements made by individual companies boosted the gas industry to the rank of most responsive. At the same time, the electric and water companies showed slight improvement. Also, mediation response times improved significantly for water companies, improved slightly for electric companies, but remained stable for water companies. Overall, both the electric and gas industries responded equally fast in 1988, at an average rate that is 4 1/2 times faster than the water industry.

Effectiveness in complaint and mediation handling is measured through justified rates. There is reason for optimism in the 1988 results which showed a decrease in the justified rates for consumer complaints. Overall, the major companies have become more effective at handling consumer complaints. Nevertheless, the worst companies in each industry will be closely monitored by the Bureau in 1989. The effectiveness of electric and gas companies at negotiating payment arrangements has improved while the water industry remained stable. Again, the companies which show evidence of poor negotiations will be targeted for close scrutiny in 1989. The Bureau continues to urge ineffective companies to open informal communications with the staff to address these problems.

Overall, the utility collections picture in Pennsylvania has deteriorated slightly from 1986 to 1988. Improvements as indicated by some collections statistics were not significant enough to offset the deterioration in other areas. On the positive side in 1988, fewer customers were terminated than in 1987. On the negative side, weighted arrearages and weighted agreements scores increased and the percentage of residential

billings written off as uncollectible also increased. Thus, more customers owe money and the potential financial risk they pose has increased. The Bureau is concerned about the collections performance of some major gas and electric companies in 1988 and looks forward to improvements in 1989.

In the Bureau's view, the current status of utility compliance with Commission regulations is somewhat discouraging despite slight improvements. Given that the Chapter 56 regulations have been in effect for nearly a decade, the compliance performance of many major companies is disappointing. While several major utilities have made considerable strides toward full compliance, numerous utilities have yet to demonstrate that compliance is a priority. It appears that some companies are not availing themselves to the corrective feedback provided through the informal compliance notification process, and are not setting up their own systems to track, analyze and improve compliance. If the performance record reported here does not provide an adequate stimulus for these companies to commit to full compliance, other measures may be recommended to the Commission in the future.

Throughout this report there are numerous examples of results which point to opportunities for companies to make significant improvements in customer services. Individual company performance varied greatly in 1988. Some companies have done a better job of effectively managing and running their customer services operations. These companies include PP&L, Columbia and Met. Ed. The best of these is PP&L as indicated by the consumer complaint response time, percent of consumer complaints justified, mediation justified rate, termination rate and total overdue percent. The efforts of the better companies warrant careful study by those companies which did not perform well. At the same time, no company came close to being the best in all areas. Thus, even the better companies can resolve to improve their performance with a reasonable expectation of success. On the other hand, the Bureau is very concerned about those companies which the statistics reported here show to have generally ineffective customer services. These companies are PECO, Duquesne, Equitable and Pennsylvania-American. They are all targeted for close scrutiny in 1989.

There is ample evidence to show that companies which make a sincere effort to improve complaint handling have been successful. To foster this approach, the Bureau attempts to assist company efforts at self-monitoring. In addition to periodic reviews of company procedures, the Bureau provides most of the data used in the preparation of this report to companies on a quarterly basis. Companies which seek to improve performance and confront problems can then determine causes for problems and respond appropriately long before the BCS becomes involved. The Bureau will continue to criticize those companies which show declines in the measures of customer services performance that are presented in this report. The objective of the criticism is to encourage companies to undertake efforts which will insure that customers with problems or complaints receive the best possible response.

APPENDICES

APPENDIX A

Distribution of Commercial Cases

Company	<u>1987</u>		<u>1988</u>	
	Mediations	Consumer Complaints	Mediations	Consumer Complaints
Duquesne	170	32	78	22
Met. Ed.	11	25	12	13
Penelec	30	42	30	26
Penn Power	8	9	1	2
PP&L	59	40	47	28
PECO	73	68	73	84
UGI-Luzerne	1	3	5	3
West Penn	46	39	39	38
Columbia	7	14	6	7
Equitable	13	23	9	11
NFG	3	4	2	3
PG&W-Gas	0	4	0	2
Peoples	7	16	2	8
UGI-Gas	5	9	4	10
PA-American	6	11	4	15
PG&W-Water	1	6	0	6
Phila. Suburban	0	1	1	8

APPENDIX B

BCS Complaints - 1988
Residential-Commercial

<u>MEDIATIONS</u> <u>INDUSTRY</u>	Total Mediations	Residential Mediations	% Residential Mediations	Commercial Mediations	% Commercial Mediations
Electric	3,820	3,535	93%	285	7%
Gas	2,352	2,327	99%	25	1%
Water	739	728	99%	11	1%
Other	2	2	100%	0	0%
Total	6,913	6,592	95%	321	5%

<u>CONSUMER COMPLAINTS</u> <u>INDUSTRY</u>	Total c.c.	Residential c.c.	% Residential c.c.	Commercial c.c.	% Commercial c.c.
Electric	2,133	1,917	90%	216	10%
Gas	1,026	980	96%	46	4%
Telephone	3,440	3,032	88%	408	12%
Water	838	786	94%	52	6%
Other	41	33	80%	8	20%
Total (%)	7,478	6,748	90%	730	10%

APPENDIX C

TABLE 1

MONTHLY VOLUME

	Mediation Requests		Consumer Complaints	
	1987	1988	1987	1988
January	310	247	454	565
February	317	250	509	546
March	419	277	587	599
April	1,201	636	512	467
May	1,100	670	541	529
June	1,065	719	615	556
July	859	705	677	517
August	917	845	540	830
September	906	817	483	725
October	913	853	551	726
November	552	625	482	711
December	223	269	482	707
TOTAL	8,782	6,913	6,433	7,478

TABLE 2

BCS ACTIVITY

	Mediations	Consumer Complaints	Inquiries	Total
1978	11,749	11,441	7,095	30,285
1979	14,976	10,207	42,000*	61,183
1980	15,006	7,454	15,229	37,689
1981	16,599	6,762	20,636	43,997
1982	19,603	7,084	23,553	50,240
1983	15,896	6,563	20,128	42,587
1984	16,014	6,603	18,808	41,425
1985	14,272	6,738	26,144	47,154
1986	10,181	5,896	14,663	30,740
1987	8,782	6,433	11,187	26,402
1988	6,913	7,478	10,581	24,972
TOTAL	149,991	82,659	210,024	436,674
Ave.	13,635	7,514	19,093	39,698

*Includes 27,000 TMI Protests

APPENDIX D

Major Problem Categories
for Inquiries and Opinions*

1988

Category	Number	Percent
Referral to Company	2,550	24%
Referral to Other BCS/ Other Bureau	1,226	12%
Referral to Other Agency	2,010	19%
Specific Information Request	1,196	11%
Rate Protest and Opinion	2,762	26%
Opinion - General	190	2%
Other	647	6%
Total	10,581	

*Estimated Due to Technical Malfunction

APPENDIX E

Table 1

MEDIATION REQUESTS
1988

PENNSYLVANIA COUNTIES

	<u>N</u>	<u>C/1,000</u>		<u>N</u>	<u>C/1,000</u>
01. ADAMS	3	.12	35. LACKAWANNA	43	.48
02. ALLEGHENY	2,231	3.91	36. LANCASTER	49	.38
03. ARMSTRONG	39	1.26	37. LAWRENCE	211	5.33
04. BEAVER	199	2.65	38. LEBANON	16	.39
05. BEDFORD	10	.50	39. LEHIGH	51	.48
06. BERKS	81	.68	40. LUZERNE	192	1.41
07. BLAIR	181	3.48	41. LYCOMING	26	.55
08. BRADFORD	8	.32	42. MCKEAN	22	1.02
09. BUCKS	341	2.06	43. MERCER	115	2.41
10. BUTLER	74	1.40	44. MIFFLIN	32	1.72
11. CAMBRIA	68	1.01	45. MONROE	13	.35
12. CAMERON	7	1.58	46. MONTGOMERY	318	1.37
13. CARBON	5	.22	47. MONTOUR	4	.67
14. CENTRE	19	.48	48. NORTHAMPTON	48	.57
15. CHESTER	151	1.37	49. NORTHUMBERLAND	16	.39
16. CLARION	10	.58	50. PERRY	1	.07
17. CLEARFIELD	24	.72	51. PHILADELPHIA	556	.81
18. CLINTON	2	.12	52. PIKE	2	.11
19. COLUMBIA	14	.59	53. POTTER	9	.83
20. CRAWFORD	26	.66	54. SCHUYLKILL	11	.17
21. CUMBERLAND	32	.49	55. SNYDER	1	.09
22. DAUPHIN	210	2.19	56. SOMERSET	4	.12
23. DELAWARE	236	1.17	57. SULLIVAN	0	.00
24. ELK	9	.55	58. SUSQUEHANNA	6	.35
25. ERIE	173	1.67	59. TIOGA	4	.24
26. FAYETTE	212	3.45	60. UNION	2	.18
27. FOREST	2	.23	61. VENANGO	14	.53
28. FRANKLIN	15	.35	62. WARREN	8	.37
29. FULTON	6	1.13	63. WASHINGTON	256	3.16
30. GREENE	12	.80	64. WAYNE	3	.15
31. HUNTINGDON	15	.89	65. WESTMORELAND	279	1.88
32. INDIANA	43	1.32	66. WYOMING	16	1.50
33. JEFFERSON	22	1.06	67. YORK	103	.88
34. JUNIATA	1	.13			

Mean = 1.02

N = Number of Cases

C/1,000 = Cases Per 1,000 Housing Units

APPENDIX E

Table 2

CONSUMER COMPLAINTS
1988

PENNSYLVANIA COUNTIES

	<u>N</u>	<u>C/1,000</u>		<u>N</u>	<u>C/1,000</u>
01. ADAMS	22	.90	35. LACKAWANNA	205	2.29
02. ALLEGHENY	1,447	2.53	36. LANCASTER	134	1.04
03. ARMSTRONG	44	1.42	37. LAWRENCE	94	2.37
04. BEAVER	116	1.55	38. LEBANON	59	1.46
05. BEDFORD	24	1.21	39. LEHIGH	127	1.19
06. BERKS	113	.94	40. LUZERNE	282	2.07
07. BLAIR	76	1.46	41. LYCOMING	42	.88
08. BRADFORD	16	.64	42. MCKEAN	36	1.67
09. BUCKS	255	1.54	43. MERCER	83	1.74
10. BUTLER	93	1.75	44. MIFFLIN	21	1.13
11. CAMBRIA	56	.83	45. MONROE	131	3.52
12. CAMERON	5	1.13	46. MONTGOMERY	357	1.54
13. CARBON	24	1.03	47. MONTOUR	10	1.67
14. CENTRE	46	1.16	48. NORTHAMPTON	107	1.27
15. CHESTER	202	1.83	49. NORTHUMBERLAND	47	1.15
16. CLARION	24	1.40	50. PERRY	27	1.83
17. CLEARFIELD	34	1.02	51. PHILADELPHIA	984	1.44
18. CLINTON	17	1.06	52. PIKE	24	1.35
19. COLUMBIA	39	1.63	53. POTTER	8	.74
20. CRAWFORD	33	.84	54. SCHUYLKILL	60	.93
21. CUMBERLAND	114	1.74	55. SNYDER	9	.77
22. DAUPHIN	254	2.65	56. SOMERSET	18	.54
23. DELAWARE	317	1.57	57. SULLIVAN	3	.62
24. ELK	16	.98	58. SUSQUEHANNA	24	1.40
25. ERIE	139	1.34	59. TIOGA	18	1.06
26. FAYETTE	132	2.15	60. UNION	8	.71
27. FOREST	3	.35	61. VENANGO	32	1.20
28. FRANKLIN	36	.84	62. WARREN	12	.55
29. FULTON	9	1.70	63. WASHINGTON	203	2.50
30. GREENE	49	3.27	64. WAYNE	40	2.04
31. HUNTINGDON	21	1.24	65. WESTMORELAND	193	1.30
32. INDIANA	38	1.17	66. WYOMING	26	2.44
33. JEFFERSON	27	1.31	67. YORK	153	1.30
34. JUNIATA	8	1.03			

Mean = 1.42

N = Number of Cases

C/1,000 = Cases Per 1,000 Housing Units

APPENDIX F

Type of Industry

<u>INDUSTRY</u>	<u>MEDIATION REQUESTS</u>		<u>CONSUMER COMPLAINTS</u>	
	<u>1987</u>	<u>1988</u>	<u>1987*</u>	<u>1988*</u>
Electric	62%	55%	33%	29%
Gas	31%	34%	17%	14%
Telephone	-	-	35%	46%
Water	7%	11%	13%	11%
Other	0%	0%	1%	1%

*Sum does not equal 100% due to rounding error

APPENDIX G

Monthly Average Number of
Residential Customers - 1988

Duquesne	502,974
Met. Ed.	362,206
Penelec	469,629
Penn Power	115,619
PP&L	978,659
PECO	1,266,917
UGI-Luzerne	51,066
West Penn	535,587
<u>Major Electric-Total</u>	<u>4,282,657</u>
Columbia	308,319
Equitable	227,632
NFG	186,289
PG&W-Gas	111,294
Peoples	303,427
UGI-Gas	191,706
<u>Major Gas-Total</u>	<u>1,328,667</u>
Pennsylvania-American	326,151
PG&W-Water	118,873
Philadelphia Suburban	217,176
<u>All Other "Class A" Companies</u>	<u>96,276</u>
"Class A" Water-Total	758,476

APPENDIX H

TABLE 1 - HEATING CUSTOMERS* IN 1988

	Monthly Averages		Cost Per Unit (\$/KWH or MCF)
	Usage	Bills	
Duquesne	1135 KWH	\$ 87.89	\$.0774
Met. Ed.	1366 KWH	99.82	.0731
Penelec	1295 KWH	90.25	.0697
Penn Power	1508 KWH	100.09	.0664
PP&L	1487 KWH	109.10	.0734
PECO-Electric	1479 KWH	126.21	.0853
UGI-Luzerne	1663 KWH	103.06	.0620
West Penn	1529 KWH	80.36	.0526
Columbia	10.8 MCF	58.73	5.44
Equitable	11.1 MCF	60.81	5.48
NFG	11.5 MCF	56.70	4.93
PG&W-Gas	13.2 MCF	71.42	5.41
Peoples	12.1 MCF	65.11	5.38
PECO-Gas	9.8 MCF	64.04	6.53
UGI-Gas	9.5 MCF	\$ 58.72	\$ 6.18

TABLE 2 - NON-HEATING CUSTOMERS* IN 1988

	Monthly Averages		Cost Per Unit (\$/KWH or MCF)
	Usage	Bills	
Duquesne	487 KWH	\$ 50.93	\$.1046
Met. Ed.	604 KWH	49.69	.0823
Penelec	527 KWH	42.05	.0798
Penn Power	679 KWH	55.46	.0817
PP&L	601 KWH	49.31	.0820
PECO-Electric	552 KWH	65.05	.1178
UGI-Luzerne	471 KWH	38.45	.0816
West Penn	678 KWH	38.09	.0562
Columbia	2.2 MCF	16.42	7.46
Equitable	2.1 MCF	14.63	6.97
NFG	4.6 MCF	28.53	6.20
PG&W-Gas	2.0 MCF	15.35	7.68
Peoples	2.3 MCF	19.76	8.59
PECO-Gas	2.4 MCF	21.08	8.78
UGI-Gas	1.7 MCF	\$ 16.12	\$ 9.48

*Source: Data reported by companies - Figures used are for average bills and usage for each company, not typical bills.

APPENDIX I

Net Total Write-Offs As A Percentage Of Total Revenues*

Company	1986	1987	1988	Percent Change 1986-1988
Duquesne	0.60%	1.43%	0.61%	2%
Met. Ed.	0.42%	0.49%	0.43%	2%
Penelec	0.57%	0.58%	0.42%	-26%
Penn Power	0.17%	0.58%	0.28%	65%
PP&L	0.47%	0.53%	0.56%	19%
PECO#	0.80%	0.88%	0.81%	1%
UGI-Luzerne	0.38%	0.39%	0.42%	11%
West Penn	0.21%	0.21%	0.24%	14%
Columbia	1.09%	1.02%	1.40%	28%
Equitable	1.77%	2.06%	1.96%	11%
NFG	0.73%	0.95%	0.80%	10%
PG&W-Gas	0.90%	0.66%	0.77%	-14%
Peoples	0.72%	0.73%	0.50%	-31%
UGI-Gas	0.85%	0.85%	0.79%	- 7%
Average	0.67%	0.79%	0.67%	no change

*Source: Company reported data
#electric and gas combined