



COMMONWEALTH OF PENNSYLVANIA
PENNSYLVANIA PUBLIC UTILITY COMMISSION
P.O. BOX 3265, HARRISBURG, PA 17105-3265

IN REPLY PLEASE
REFER TO OUR FILE

July 20, 2000

DOCKETED
AUG 02 2000

To: Philadelphia Gas Works
Office of Trial Staff
Office of Consumer Advocate
Office of Small Business Advocate

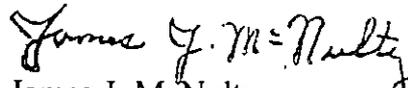
Re: **Memorandum of Understanding with Philadelphia Gas Works,**
Docket No. A-125042

DOCUMENT
FOLDED

On July 1, 2000, the Pennsylvania Public Utility Commission (PUC) assumed jurisdiction over the public utility services being furnished by Philadelphia Gas Works (PGW) within the City of Philadelphia, pursuant to Section 2212 of the Public Utility Code. 66 Pa.C.S. §2212. In an effort to effectively address consumer service issues during this transition, the PUC and PGW have entered into a Memorandum of Understanding (MOU) establishing consumer complaint handling procedures.

A copy of this MOU is enclosed. By this MOU, the PUC and PGW have developed a process outlining the manner in which PGW will administer its customer service and customer complaint handling procedures for residential customers. The PUC is satisfied that adherence to these procedures will facilitate the provision of safe, adequate and reasonable service by PGW to its customers.

Very truly yours,


James J. McNulty
Secretary

cc: Office of Executive Director
Office of Administrative Law Judge
Bureau of Consumer Services
Law Bureau

Memorandum of Understanding
on Consumer Complaint Handling Procedures
Between Philadelphia Gas Works and
Pennsylvania Public Utility Commission

DOCKETED
AUG 02 2000

THIS MEMORANDUM OF UNDERSTANDING (the "MOU") is made as of this 18th day of July, 2000, by and between Philadelphia Gas Works by Philadelphia Facilities Management Corporation in its capacity as operator and manager of the Philadelphia Gas Works, which supplies natural gas service within the City of Philadelphia under and pursuant to an Agreement with the City of Philadelphia dated December 29, 1972, as amended (collectively "PGW" or "Company"), and the Pennsylvania Public Utility Commission ("PUC" or "Commission"), a state agency vested with the responsibility of regulating public utility service and suppliers within the Commonwealth of Pennsylvania (collectively the "Parties.")

WHEREAS, the purpose of this MOU is to establish a common basis of understanding between the PUC and PGW concerning the manner in which PGW will administer its customer service and customer complaint handling procedures for residential customers as of July 1, 2000 through the effective date of a PGW restructuring order by the PUC; and

WHEREAS, the Parties desire to move forward and implement residential customer complaint procedures that are in the public interest and at the same time preserve their respective rights to assert any relevant legal arguments or claims; and

WHEREAS, in the recent past, PGW on its own initiative has undertaken steps to enable improvement of its customer service including: (a) steps towards the hiring of 30 new people for its call center; (b) engagement of Vanguard, an outside consultant, to assess the call center operations and to make recommendations on improving the efficiencies of these operations; (c) the retention of SARCOM as an outside consultant to design training programs; (d) the engagement of Data Management, as a consultant, to conduct focus groups to generally address customer satisfaction issues vis-à-vis new technology initiatives in district offices; (e) the initiation and completion of two distinct training initiatives with outside vendors; and (f) the reconstitution of PGW's Customer Review Unit to address customer disputes; and

WHEREAS, PGW has developed additional plans and has committed to the following: (a) reorganization of its customer organization and establishment of a new escalation unit to assist in the customer complaint process; (b) the further refinement of its customer service resources to enable the assignment of qualified personnel to the most appropriate tasks; and (c) the initiation of additional training initiatives; and

WHEREAS, by entering into this MOU, both Parties, as well as the customers of PGW, benefit greatly by establishing clear procedures and standards for residential customer service and dispute resolution in a manner that is reasonable and fair to both PGW and its customers;

WHEREAS, the procedures agreed to in this MOU lay the foundation for PGW's continued provision of safe, adequate and reasonable service to its customers under PUC regulatory supervision, and establish a procedure whereby the PUC and PGW can work together to improve customer service in the future.

NOW THEREFORE, the PUC and PGW agree as follows:

The following **GENERAL PRINCIPLES** shall govern PGW's provision of customer service and the PUC's oversight of PGW's customer service:

1. This MOU sets forth the express provisions and requirements that PGW shall follow for providing customer service to its residential customers, including the treatment of residential customer inquiries and disputes as set forth in paragraph 16 below. The Commission is not precluded from taking any action which is not specifically referenced in this MOU.

2. To the extent that PGW's existing tariff, as revised from time to time, differs from the requirements contained in Chapter 56, the PUC will not require PGW to comply with Chapter 56 when interacting with residential customers until some time in the future. The PUC reserves the right to issue appropriate orders concerning application of Chapter 56 requirements, subject to the right of PGW to challenge such action on any ground.

3. PGW shall comply with PUC procedures as set forth in this MOU and will modify its PUC Reformatted Tariff to reflect the contents of this MOU ("Revised Tariff") with the PUC within thirty (30) days.

4. Except as set forth in this MOU, and until the conclusion of PGW's restructuring proceeding, the PUC's Bureau of Consumer Services ("BCS") shall evaluate PGW's residential customer service and customer complaint practices solely on the basis of compliance with PGW's Revised Tariff. The Commission will require PGW to comply with its tariff and may cite instances of non-compliance. PGW and BCS will discuss and identify procedures in Chapter 56 which govern the interaction between utilities and BCS. PGW will implement the identified procedures where it is appropriate and will include such procedures in its tariff as revised from time to time.

5. Customers should not have to contact PGW more than once to have an inquiry or dispute resolved, or to be informed of the right to appeal to the BCS if resolution does not occur,

as set forth in paragraph 16 below. PGW will inform customers who are dissatisfied with PGW's resolution of any dispute, that the customers have the right to appeal or submit an informal complaint to the BCS.

6. PGW shall apply its tariff provisions for negotiating and resolving inability to pay disputes, notices of termination and other payment agreement requests. If a residential customer is dissatisfied with PGW's resolution, the customer may file an appeal/informal complaint with BCS. In investigating the appeal/informal complaint, BCS will apply its internal operating guidelines that it uses to evaluate and decide payment agreement requests, established pursuant to 52 Pa. Code § 56.211. Unless appealed by PGW, PGW will implement BCS informal complaint decisions regarding payment arrangements.

7. Except as set forth in paragraph 8 below, BCS will not accept any informal complaint concerning a payment arrangement that PGW and the customer entered into at any time, unless the BCS verifies that the customer has already contacted or attempted to contact PGW to raise any concerns or issues that it seeks to raise with BCS.

8. In instances in which a residential customer and PGW are unsuccessful in reaching an acceptable payment arrangement, PGW may initiate (or resume) the process for terminating the customer's service. PGW's termination notice will identify the BCS' telephone number and advise the customer that he/she may file an appeal/informal complaint with BCS. As to customers who have requested or received a payment arrangement from PGW prior to the Effective Date, BCS will accept appeals/informal complaints from any PGW customer that has received a termination notice or notices.

9. PGW shares the PUC's goal of assuring that all customers are treated respectfully and courteously. If a customer experiences discourteous or disrespectful behavior by a PGW employee or representative, the customer may report it to PGW or to the Commission. Rude or abusive behavior towards any customer constitutes inadequate service and such behavior by any identified PGW employee or representative will not be tolerated by PGW and will be subject to immediate action by PGW upon discovery. Confirmed customer access problems and/or failure to resolve inquiries or disputes fairly and promptly may constitute inadequate service. In this regard PGW commits to addressing and decreasing customer access problems and/or failure to resolve inquiries or disputes fairly and promptly.

10. PGW shall improve access to its various customer service telephone numbers and to efficiently process customer inquiries and disputes by maximizing the efficiency of its available resources, consistent with its operational and economical limitations. If BCS has specific concerns relating to customer access to PGW and PGW's customer inquiry/dispute handling procedures, BCS shall communicate those concerns to PGW and both groups shall meet

and discuss the means to address the BCS-identified concerns. BCS may utilize its compliance process to communicate problems to PGW and to seek PGW's response.

11. In the initial nine months following the Effective Date, PGW and the PUC will engage in a process designed to address PGW customer service issues. Within this context, BCS agrees that any compliance activities will be undertaken by BCS in accordance with Exhibit "A" and as incorporated herein.

12. Both parties expressly acknowledge that PGW's ability to comply with this MOU, or other applicable customer service standards is expected to improve over time.

13. Both Parties expressly reserve all relevant legal and equitable rights. The Parties have negotiated and executed this agreement in good faith and neither party waives its rights to assert any legal or equitable argument or claim, including but not limited to the legal interpretation of or enforceability of any provision of law.

The following **SPECIFIC PROCEDURES** for Handling Customer Contacts shall govern:

14. PGW shall assure that all types of customer inquiries and disputes concerning any subject relating to PGW's rates and services will be accepted by PGW.

15. PGW Customers with any type of customer inquiry or dispute, including a problem relating to the receipt of a notice of impending service termination, may contact PGW through the following means: (a) telephone contact to the customer service center; (b) call or walk-ins to any operating PGW district office; and (c) written contact with PGW.

16. A customer inquiry means any customer contact with PGW. PGW shall handle customer inquiries as follows:

(a) If PGW determines that a customer inquiry is unresolved after the customer's initial contact to PGW, the inquiry shall be considered a dispute and will be subject to further investigation. Any resulting customer dispute will be automatically processed by PGW and will not require the customer to call a second time or write to PGW to register the dispute.

(b) For disputes submitted by customers after July 1, 2000, PGW will provide a fair and prompt oral report regarding the results of the Company's investigation to each disputing customer. PGW may be cited by BCS in instances when the Company fails to submit such an oral report.

(c) PGW shall provide the means for and, at the conclusion of PGW's processing of a customer dispute, shall advise all customers with unresolved disputes that: (1) the customer may file an appeal/informal complaint with BCS, either by telephone or in writing; and (2) the contact information for BCS (toll free telephone number and address).

17. PGW has already initiated, and intends to continue, modifications to its procedures in a manner intended to comply with the procedures set forth in this paragraph. While some of these modifications have already been implemented, other modifications are in process and will require additional time to finalize. Moreover, neither PGW nor the PUC are able to specifically identify all the operational problems which may be encountered in the initial stages of implementation. Both Parties agree to cooperate and coordinate their efforts to address operational problems and improve procedures and performance over time.

(a) BCS shall work closely with PGW during the initial stages of implementation of these procedures. BCS shall meet and discuss with PGW regarding the implementation of these procedures during the following time frames: (a) after the first month of operation under these procedures; (b) after six weeks of operation under these procedures; (c) after three months of operation under these procedures; and (d) six months of operation under these procedures.

(b) Following these discussions, the BCS and PGW shall jointly review issues in an attempt to resolve systematic problems adversely affecting PGW's ability to provide customer service or to meet reasonable operational requirements which have resulted from implementation of these procedures. PGW and BCS will exercise best efforts to jointly design and implement a remedy to the problems identified. BCS retains the right to review and evaluate PGW's performance, and to take appropriate action in accordance with the procedures set forth in Exhibit "A."

18. If a customer contacts PGW because the customer received a termination notice, PGW shall attempt to reach an agreement on a payment arrangement with the customer in conformance with its tariff procedures. If PGW and the customer do not reach agreement on a payment arrangement, PGW will continue with its normal termination procedure which includes a written notice of termination to the customer that advises residential customers of the right to file an appeal/informal complaint with BCS.

19. When a PGW residential customer files an appeal/informal complaint with BCS, PGW shall provide a company report to the BCS. PGW agrees that it is expected to comply with the thirty (30) day deadline applicable to responding to informal complaints received by the

BCS. PGW will apply its best efforts to comply with this standard. PGW shall exercise good faith effort in an attempt to improve its customer service performance pursuant to this MOU and shall fully cooperate with the PUC and BCS in these efforts.

20. PGW must be represented in formal complaint proceedings by an attorney. The following **IMPLEMENTATION STEPS** govern the effectiveness and operation of this MOU:

21. Consistent with PUC procedures and as set forth in this MOU, PGW shall develop a Revised Tariff which is consistent with and incorporates the relevant provisions of this MOU, and following discussions with the PUC to assure that the Revised Tariff is compliant with the MOU, shall submit the Revised Tariff to the PUC. The PUC will cause the Revised Tariff to become effective on one day's notice.

22. Nothing in the preceding paragraph is intended to preclude the BCS from reviewing informal customer complaints and issuing informal decisions addressing individual informal customer complaints submitted in accordance with this MOU to the BCS. Furthermore, the BCS may make recommendations for improving PGW's customer complaint handling procedures.

23. Except where a term or similar term is defined in PGW's tariff, or where the meaning of the term or similar term is clear from its context, the definitions contained in the Public Utility Code or Commission regulations are controlling.

24. Within six months of the Effective Date, BCS may propose a list of Chapter 56 provisions and a proposed priority list and time line for revising PGW's procedures, as well as other suggestions on improving PGW service, to be followed by PGW-BCS discussions. PGW shall exercise best efforts to implement any BCS-PGW agreement as to implementation and time lines.

25. The PUC recognizes that PGW's transition to full compliance with Chapter 56 will be difficult and that the transition to PUC regulations will be gradual over time.

26. PGW shall preserve for a minimum of four years written or recorded disputes or complaints, and shall keep the records within this Commonwealth at an office located in the territory served by it, and shall make the records available for examination by the Commission and its staff.

27. Nothing in this MOU shall require the City or PGW to take any action which would have the effect of causing the interest on tax-exempt bonds issued by the City or PGW to be includable in the gross income of the holders of such bonds for federal income tax purposes or

adversely impact the City in complying with its covenants with the holders of any approved bonds all as provided in Act 21.

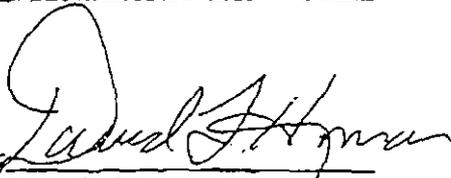
28. Nothing in this MOU shall affect the PUC's consideration of the reasonableness of any PGW activity for ratemaking purposes and the Commission takes no position on the propriety of any cost recovery relating to them.

29. This MOU may not be modified or amended except by an instrument in writing executed by both parties hereto.

30. This MOU may be signed in any number of counterparts, each of which shall be an original, with the same effect as if the signatures thereto and hereto were upon the same instrument. This Agreement shall become effective when each party hereto shall have received counterparts hereof signed by the other parties. The parties agree that delivery of the counterparts by facsimile constitutes receipt.

IN WITNESS WHEREOF, the parties have executed this MOU as of the day and year set forth above.

PHILADELPHIA GAS WORKS

By: 
David L. Hyman, Chairman
Philadelphia Facilities
Management Corporation

Date: 7-19-00

**PENNSYLVANIA PUBLIC
UTILITY COMMISSION**

By: 
Bohdan R. Pankiw
Chief Counsel
Law Bureau

Date: 7-20-00

In addition the following will be added to the Implementation Plan (and inconsistent language will be removed):

PGW's Customer Review Unit must systematically evaluate and respond to each of the backlogged cases. If after review of an individual complaint, it appears that the problem complained of was already corrected in full via BCCS systemic corrections, then CRU may send written notification to the customer to that effect, informing him/her that, unless the customer indicates within the next ten days that s/he is still not satisfied, the case will be closed. All other cases in the backlogs must receive written findings of the results of PGW's investigation ("further review") and will inform customers of their right to appeal to the PUC if dissatisfied.

EXHIBIT "A" to Memorandum of Understanding on Consumer
Complaint Handling Procedures Between Philadelphia Gas Works
and the Public Utility Commission

The Bureau of Consumer services (BCS) historically has used several mechanisms to address customer service deficiencies in utility operations. It is the BCS intention to utilize these same mechanisms to address issues that may arise relating to the customer service operations of the Philadelphia Gas Works (PGW).

It has been the BCS general practice to initially rely on the informal compliance process to seek corrective action in utility operations. The BCS complaint investigator initiates this process when an apparent violation of a company tariff, regulation or statute is identified during the complaint investigation. The investigator initially notifies the utility verbally of the alleged infraction and gives the utility representative an opportunity to refute the allegation. If the investigator is not satisfied with the utility response a letter is sent to the utility that details the alleged infraction. The utility is asked to investigate the allegation and respond to the BCS either admitting or denying the infraction. If the utility admits the infraction the utility response must include the corrective action the utility intends to implement to ensure that the mistake will not be repeated. If the utility denies the infraction the utility response must include supporting evidence showing that the infraction did not occur. The BCS then notifies the utility as to whether the infraction is being upheld as valid. The BCS tracks this information and may use other mechanisms if it appears that this process has been ineffective in addressing the issue.

Another tool available to the BCS is the Customer Service Performance Review process. This process resembles an audit in many ways. BCS Staff engages in numerous activities as part of a review. These activities include the review of utility documents, interviews with utility employees and the observation of company/customer contacts. As a result of these activities BCS Staff develops findings and recommendations. These findings are then discussed with the appropriate utility representatives and may be revised as a result. Finally, the BCS findings and recommendations are delivered to the utility in the form of a report. The utility must respond to each recommendation in writing detailing the action the utility intends to take and the timeframe in which that action will be accomplished. At the appropriate time BCS Staff will conduct a follow-up review to determine whether the recommendations have been implemented and have had the desired effect.

Another enforcement tool that the BCS has utilized is the informal investigation. These investigations have been initiated when information comes to the attention of the BCS that a utility is operating in violation of regulations or statutes. Historically these investigations have been launched when the apparent violations appear to be systemic and involve important customer service standards. An example would be the improper termination of service. Should the BCS determine that an informal investigation is appropriate a recommendation to start the investigation is forwarded to the Commission's Law Bureau. If the Law Bureau agrees a letter is sent to the utility notifying the company of the investigation. This letter often includes specific document requests. BCS and Law Bureau Staff generally follow-up the document request with interviews of utility employees and if necessary observations of company/customer contacts. An informal investigation can be resolved in three ways. Should the investigation conclude with the finding that there have been no violations of regulations or statutes then a letter is sent to the utility formally closing the investigation. If Staff determines that violations have occurred an attempt is made to negotiate a settlement with the utility. If this attempt is successful the settlement agreement goes to the Commission for approval at Public Meeting. If a settlement is not reached then Staff files an order to show cause to resolve the matter.

The final enforcement tool available to the BCS is the filing of a formal complaint. The BCS only uses this tool after having attempted to address the utility problem using one or a combination of the tools discussed previously.