

OTS Statement No. 1 *→ OTS EXH 1*  
Witness: Charles T. Weakley, III  
Date: June 28, 2004

*7/6/04 Phila  
JK*

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

v.

**PHILADELPHIA GAS WORKS**

**DOCUMENT**

**Docket Nos. M-00021612  
P-00042090  
R-00049157  
P-00032061**

**Direct Testimony**

**of**

**Charles T. Weakley, III**

**Office of Trial Staff**

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**Concerning:**

**Senior Citizens Discount**

1 **Q. STATE YOUR FULL NAME, EMPLOYER AND BUSINESS**  
2 **ADDRESS.**

3 A. My name is Charles T. Weakley, III. I am employed by the Pennsylvania  
4 Public Utility Commission, P.O. Box 3265, Harrisburg, PA 17105-3265.

5  
6 **Q. WHAT IS YOUR POSITION WITH THE PENNSYLVANIA PUBLIC**  
7 **UTILITY COMMISSION?**

8 A. I am a Fixed Utility Financial Analyst in the Office of Trial Staff (OTS).

9  
10 **Q. WHAT ARE YOUR DUTIES AS AN ANALYST IN OTS?**

11 A. My duties as an OTS analyst include participation in formal base rate  
12 proceedings as an expert witness, with responsibility for the preparation  
13 and presentation of OTS exhibits, schedules and testimony. My education  
14 and professional background are set forth in Appendix A, which is  
15 attached.

16  
17 **Q. WHAT IS THE PURPOSE OF THIS PROCEEDING?**

18 A. On July 7, 2003, PGW filed a Petition requesting that the Commission  
19 amend its Final Opinion and Order in PGW's Restructuring Proceeding so  
20 as to authorize the continuation of the Company's Senior Citizen Discount  
21 (SCD), on a means tested basis, consistent with the consensus arrived at

1 among PGW, the Mayor and City Council of Philadelphia after  
2 consultation with local senior citizens advocacy groups.

3 On October 2, 2003, the Commission issued its Order referring PGW's  
4 Petition to the Office of Administrative Law Judge for purposes of an  
5 expedited hearing and the issuance of a Recommended Decision. In its  
6 Order, the Commission raised issues to be examined including, the number  
7 of participants allowed into the program on an annual and cumulative basis,  
8 program costs which may be incurred over and above the rate discount,  
9 eligibility requirements and the impact on natural gas competition.

10 On May 18, 2004, the Commission entered its Order at Docket No. M-  
11 00021612, that remanded the proposed Settlement to the Office of  
12 Administrative Law Judge to afford the Parties the opportunity to further  
13 develop the record in support of the proposed Settlement. In its Order, the  
14 Commission requested additional information in the form of eight questions  
15 to be addressed on the record. This Order also permitted OTS to file the  
16 appropriate entry of appearance and to fully participate in this proceeding.

17  
18 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY?**

19 A. After my review of PGW's Petition for Rescission and Amendment of Final  
20 Order and the Commission's Order entered May 18, 2004, I am  
21 recommending that the Commission reaffirm its decision on PGW's Senior

1 Citizens Discount in PGW's Restructuring Order to close the SCD program  
2 to new participants as of September 1, 2003.

3  
4 **HISTORY OF THE SENIOR CITIZEN DISCOUNT IN PGW'S RECENT**  
5 **RESTRUCTURING PROCEEDING?**

6 **SENIOR CITIZEN DISCOUNT**

7 **Q. WHAT IS PGW'S SENIOR CITIZEN DISCOUNT PROGRAM?**

8 A. PGW's Senior Citizen Discount (SCD) program is a program which  
9 provides for reduced monthly charges to those customers, regardless of  
10 income, who are City residents, 65 years of age or older, and pay for gas  
11 service at their residence. Individuals meeting the program requirements  
12 pay only 80% of their total monthly bill for gas service and receive a  
13 discount of 20%. There are currently 77,000 participants in this program.

14  
15 **COMPANY PROPOSAL**

16 **Q. WHAT WAS THE COMPANY'S PROPOSAL IN ITS**  
17 **RESTRUCTURING PROCEEDING WITH RESPECT TO THE SCD**  
18 **PROGRAM?**

19 A. In its restructuring proceeding, PGW proposed to grandfather existing  
20 participants of the senior citizens discount program until August 31, 2003.  
21 After that date, new entrance to the program will be discontinued. All  
22 eligible low-income participants in the senior citizens discount program

1 will be encouraged to participate in the Customer Responsibility Program  
2 (CRP). PGW estimated that the SCD program would cease in  
3 approximately 10 years based on a 10% mortality rate.  
4

5 **Q. DID PGW HIRE A CONSULTING FIRM TO ASSIST IN ITS**  
6 **EVALUATION OF THE SCD?**

7 A. Yes. PGW hired H. Gill Peach & Associates to evaluate the SCD and their  
8 final recommendation was a five-year phase-out. This report was  
9 submitted to PGW on March 20, 2002 and was included in its Restructuring  
10 Case as PGW Exhibit CC-4. However, PGW did not follow Dr. Peach's  
11 recommendation.  
12

13 **OTS POSITION**

14 **Q. WHAT WAS THE OTS RECOMMENDATION IN THE**  
15 **RESTRUCTURING PROCEEDING?**

16 A. OTS recommended a 5-year phase out period based on an annual 4%  
17 reduction to the discount rate and that all customers currently in the SCD  
18 program should be re-certified for eligibility. Notably, OTS agreed with the  
19 Company to discontinue new entrance to the SCD program after August 31,  
20 2003.

1

2 **PGW's RESTRUCTURING ORDER**

3 **Q. WHAT WAS THE COMMISSION'S ORDER REGARDING THE**  
4 **SCD?**

5 **A.** The Commission accepted the Company's revisions to close the SCD  
6 program to new participants as of September 1, 2003 by adopting the  
7 Recommended Decision of ALJ Turner as being consistent with Section  
8 2212(r) of the Act. In that Recommended Decision at page 76, ALJ Turner  
9 States: "I recommend that the Commission allow PGW to implement its  
10 SCD proposal, not because I agree with it, or because I think it comports  
11 with Commission policy. PGW has pointed out that it is unlike all other gas  
12 utilities regulated by the Commission, and one of the key differences is its  
13 creation as a municipal utility through Philadelphia's City Charter, and its  
14 relationship to Philadelphia's City Council. Because of these differences, I  
15 think the decision should be left to the discretion of PGW's management."

1 **PETITION TO INTERVENE BY CITY COUNCIL**

2 **Q DID THE CITY COUNCIL OF PHILADELPHIA (CITY COUNCIL)**  
3 **PETITION THE COMMISSION TO INTERVENE IN PGW'S**  
4 **RESTRUCTURING CASE?**

5 A. Yes. On March 13, 2003, just days before the Commission reached its final  
6 decision on PGW's Rate Restructuring Case; City Council filed a Petition to  
7 Intervene requesting that it be granted full status as an intervener and that  
8 the proceeding be remanded to the ALJ. The issues raised by the Petition  
9 highlighted ALJ Turner's concern that a dispute between City Council and  
10 PGW regarding whether PGW had the authority to make its Senior Citizens  
11 Discount proposal.

12  
13 **Q. WHAT ACTION WAS TAKEN BY THE COMMISSION?**

14 A. The Commission denied City Council's Petition to Intervene. The  
15 Commission stated in its Order at page 10, "The City fails to demonstrate  
16 extraordinary circumstances adequate to warrant accepting its intervention  
17 at this late date and to justify a delay in these proceedings as requested in  
18 the Petition."

1 Q. WHAT WAS CITY COUNCIL REACTION TO THE COMMISSION  
2 DENYING ITS PETITION TO INTERVENE?

3 A. The City Council passed two Ordinances, Bill No. 030123 and Bill No.  
4 030138, on April 10, 2003. These two Ordinances were signed by the  
5 Mayor on April 24, 2003. Bill No. 030123 requires that any proposed rate  
6 filing made to the Public Utility Commission on behalf of the City's natural  
7 gas distribution operation, shall include a proposal to continue the discount  
8 afforded to senior citizens under the same terms that the senior citizens  
9 discount was last approved by the Philadelphia Gas Commission. Bill No.  
10 030138 reaffirms and re-enacts a Senior Citizens Discount for senior citizen  
11 customers of the Philadelphia Gas Works.

12  
13 Q. DO THESE TWO ORDINANCES HAVE ANY IMPACT ON THE  
14 REGULATION OF PGW?

15 A. No. Pursuant to 66 Pa. C.S.A. §2212(r)(1), which provides in summary,  
16 the Commission has the sole authority in determining the status of new  
17 applicants to any SCD program after August 31, 2003. Based upon this  
18 authority, the Commission prohibited new entrance into the SCD after  
19 August 31, 2003.

1 **Q. WHAT IMPACT DO THESE ORDINANCES HAVE IN THIS**  
2 **PROCEEDING?**

3 A. For regulatory purposes, these ordinances carry no more weight than what  
4 any other active party may propose in this proceeding.

5

6 **PGW's REQUEST IN THIS PETITION**

7 **Q. WHAT IS THE COMPANY REQUESTING IN THIS PETITION?**

8 A. PGW is requesting that the SCD be reopened to new participants based  
9 upon a plan that is means tested. A 20% discount would be available for  
10 newly applying seniors 65 years of age or older, whose household income  
11 regardless of family size does not exceed 250% of the federal poverty level  
12 for a two person family (currently \$30,300). For a single senior citizen the  
13 income limit of \$30,300 would equate to approximately 337% of the  
14 federal poverty level. Low-income seniors who qualify for PGW's CRP-  
15 CAP program, that provides discounts to people with incomes no higher  
16 than 150% of poverty, could, in the alternative, qualify to receive assistance  
17 though that program. PGW estimates that keeping the program open to  
18 new applicants on this basis will increase the amount of senior discount by  
19 approximately \$366,000 in the first year, but will still result in a 50%  
20 reduction in the overall cost of the SCD by the year 2020, compared to the

1           subsidy level if the SCD continued to be available to all seniors regardless  
2           of income level.

3  
4    **OTS RESPONSE TO PGW'S SCD PETITION**

5    **Q.    IS THERE ANY REASON FOR THE COMMISSION TO**  
6           **OVERTURN ITS RULING ON THE SCD?**

7    A.    No. There is no Commission precedent to support this type of proposal.  
8           The Commission's current regulations and policy statement provide that  
9           *universal service programs should direct income eligibility to households*  
10          whose incomes are below 150% of the federal poverty guidelines.

11  
12   **Q.    DID THE COMMISSION IN ITS OPINION AND ORDER OF**  
13          **OCTOBER 2, 2003 PROVIDE ANY GUIDANCE AS TO THE**  
14          **ISSUES TO BE ADDRESSED IN THIS PROCEEDING?**

15   A.    Yes, the Commission's Opinion and Order at page 4 provided the  
16          following: "In addition to providing the necessary hearings in light of the  
17          *factual issues presented in the Petition, this process will allow for the full*  
18          consideration of all the ramifications of PGW's proposal. Among the  
19          issues involved are the number of participants allowed into the program on  
20          an annual and cumulative basis, program costs which may be incurred over  
21          and above the rate discount, eligibility requirements and the impact on  
22          natural gas competition." In addition, ALJ Turner in the Prehearing

1 Conference correctly noted: “that the main issue is whether in fact this is a  
2 just and reasonable rate, and whether PGW can support that.” (See Tr. 7).

3  
4 **Q. IS PGW’S SENIOR CITIZENS DISCOUNT PROPOSAL JUST AND**  
5 **REASONABLE?**

6 A. No. Section 2212(r)(1) authorizes the Commission to “approve a program  
7 ... provided that such rates and terms of such program are just and  
8 reasonable. In determining whether the program is just and reasonable, the  
9 Commission is constrained by Section 1304, which provides: “that no  
10 public utility shall, as to rates, make or grant any unreasonable preference  
11 or advantage to any person, corporation, or municipal corporation, or  
12 subject any person, corporation, or municipal corporation to any prejudice  
13 or disadvantage.” PGW’s proposal is not just and reasonable because it  
14 does not satisfy the requirements of Section 1304 of the Public Utility  
15 Code.

16  
17 **Q. WHY DOESN’T SECTION 1304 APPLY TO THE SENIOR CITIZEN**  
18 **DISCOUNT PROGRAM PRIOR TO SEPTEMBER 1, 2003?**

19 A. There is only one statutory limitation placed on the Commission’s oversight  
20 of the senior citizen discount program. Section 2212(r)(2) provides that  
21 those senior citizens receiving discounted service at the time the post-  
22 restructuring takes effect under the terms of the prior tariff takes effect

1 under Section 2212(d) “shall be entitled to continue to receive such  
2 discount under the terms of the prior tariff unless and until the program is  
3 modified by ordinance of the governing body of the city.”  
4

5 **Q. DO YOU BELIEVE THAT THE SCD PROPOSAL SATISFIES**  
6 **SECTION 1304 OF THE PUBLIC UTILITY CODE?**

7 A. No. The Company’s SCD proposal to give a 20% discount to qualifying  
8 seniors will shift the cost of the discount to PGW’s firm customers. This  
9 will result in less economically viable customers paying the proposed  
10 discount. This proposal not only separates the rates paid by senior citizens  
11 whose income is less than \$30,300 from other senior citizens but from the  
12 rest of the residential class, particularly those other non-senior customers at  
13 the same income level.  
14

15 **Q. WHAT IS THE NUMBER OF PARTICIPANTS ESTIMATED TO**  
16 **ENTER THE PROGRAM ON AN ANNUAL AND CUMULATIVE**  
17 **BASIS?**

18 A. PGW’s Program Population Scenario (PGW EXHIBIT - SCD/CC2)  
19 estimates that the maximum of yearly participants will be 2,078. This  
20 Exhibit also projects that there will be 6,229 by 2005 and escalates to  
21 37,398 by 2020.

1 **Q. DOES PGW'S PETITION TO REOPEN THE SCD REQUIRE AN**  
2 **INCREASE IN CURRENT RATES FOR THE SENIOR DISCOUNT**  
3 **TOTALING \$366,500 IN THE FIRST YEAR?**

4 A. No. Based on PGW EXHIBIT – SCD/CC2, the grandfathered population is  
5 declining at a faster rate than the proposed estimated number of additional  
6 yearly participants. As shown on Table 1: Program Population Scenario,  
7 between 2005 and 2010, the grandfathered population decreases by 23,175,  
8 while the means tested population grows by 10,665. Since the SCD is  
9 being recovered dollar for dollar in the universal surcharge, no immediate  
10 rate increase is needed. While the costs won't be significant in the first  
11 year, these costs will significantly increase over time.

12  
13 **Q. ARE THERE PROGRAM COSTS WHICH MAY BE INCURRED**  
14 **OVER AND ABOVE THE RATE DISCOUNT?**

15 A. Yes. There will be some administrative costs incurred, but since the  
16 Company is already administrating the SCD, there will not be any material  
17 expense or staffing needs.

1 Q. WHAT ARE THE ELIGIBILITY REQUIREMENTS FOR THE  
2 PROPOSED MEANS-TESTED SCD?

3 A. Newly applying seniors must be 65 years or older and have household  
4 income, regardless of family size, that does not exceed 250% of the federal  
5 poverty level for a two person family. That threshold is currently \$30,300.

6

7 Q. DO YOU AGREE WITH THESE PROPOSED ELIGIBILITY  
8 REQUIREMENTS?

9 A. No. First, the proposed income level is excessive. The City of  
10 Philadelphia median household income as recorded by the US Census 2000  
11 was \$30,746. The median income of \$30,746 is virtually equal to the  
12 income threshold of \$30,300. Half of the households of Philadelphia will  
13 have income equal to or less then the senior they will be asked to subsidize.  
14 This is unjust and unreasonable. Second, by applying a family size of two  
15 for a single senior citizen, the income limit of \$30,300 equates to  
16 approximately 337% of the federal poverty level. This far exceeds the  
17 limits of any other universal service program in Pennsylvania.

1 **Q. WHAT IMPACT WILL THE SCD HAVE ON NATURAL GAS**  
2 **COMPETITION?**

3 A. Since PGW recovers its SCD from firm sales customers through its  
4 Universal Service Charge as part of the distribution charge, there is no  
5 effect on competition.

6  
7 **Q. IN SUPPORT OF ITS 250% INCOME ELIGIBILITY LIMIT OF**  
8 **\$30,300, PGW NOTES THE RECENT INCREASED INCOME**  
9 **ELIGIBILITY LIMITS FOR PACE AND PACENET DRUG PLANS.**  
10 **ARE THESE DRUG PLANS SIMILAR TO PGW'S PROPOSED**  
11 **RATEPAYER SUBSIDIZED SCD?**

12 A. No. PACE eligibility income limits are \$14,500 for individuals and \$17,700  
13 for married couples. PACENET eligibility income limit is \$23,500 for  
14 individuals and has a monthly deductible of \$40. PACE and PACENET are  
15 funded through the Pennsylvania Lottery. Lottery sales reached a record  
16 \$2.13 billion in 2002-2003 that made this program expansion possible  
17 without the use of taxpayer's money. Other Lottery funded programs  
18 include public transportation – free transit and shared ride, property tax or  
19 rent rebates up to \$500, and provides funding to 52 area agencies on aging.  
20 Plus, an individual's participation in the lottery is done on a voluntary basis.  
21 In contrast, PGW proposal to reopen the SCD will result in increased rates

1 over time for non-senior residential, commercial and industrial firm  
2 customers.

3  
4 **Q. WILL THIS INCREASE IN RATES ALSO EFFECT NON-SENIOR**  
5 **HOUSEHOLDS WITH INCOME BETWEEN 150% AND 250% OF**  
6 **THE FEDERAL POVERTY LEVEL?**

7 A. Yes. For example, a single senior citizen whose annual household income  
8 is \$29,000 would qualify for a 20% discount under the proposed SCD even  
9 though his or her income is 323% of the federal poverty level. A non-senior  
10 family of three, whose annual household income is also \$29,000 would not  
11 qualify for assistance program discounts (LIHEAP or CRP), even though  
12 *their income is only 190% of the federal poverty level. This family would*  
13 receive a gas bill from PGW at full tariff rates and will be paying for the  
14 SCD.

15  
16 **Q. HAS THE FEDERAL GOVERNMENT; THE COMMONWEALTH**  
17 **OF PENNSYLVANIA AND THE COMMISSION SET AN INCOME**  
18 **LEVEL FOR LOW-INCOME ASSISTANCE?**

19 A. Yes. The Federal government sets the poverty level on which assistance  
20 programs are based as a percentage. 135% of the Federal poverty level is

1 the eligibility limit for LIHEAP and CRISIS grants in Pennsylvania. 150%  
2 of the Federal poverty level is the eligibility limit for PGW's CRP  
3 agreement. The Commission's CAP Policy Statement at 52 Pa. Code  
4 §69.265 does not specifically provide universal service benefits for  
5 households whose incomes are above 150% of the federal poverty  
6 guidelines. Up to twenty percent of the universal service and energy  
7 conservation budget may be applied to customers with special needs who  
8 are between 150 and 200 percent of the federal poverty guidelines. Special,  
9 for purposes of general eligibility, is defined as a customer having an  
10 arrearage with the covered utility and whose household income is at or  
11 below 200 percent of the federal poverty guidelines. Special needs include,  
12 but are not limited to, those customers who have experienced a family crisis  
13 such as loss of income, divorce, disability or major illness.

14  
15 **Q. DOES A PROGRAM LIKE MEDICARE JUSTIFY REOPENING**  
16 **SCD TO NEW PARTICIPANTS GOING FORWARD?**

17 **A.** No. The Company contends that senior citizens deserve to be supported by  
18 the rest of society who, soon will be part of that group and will benefit from  
19 the same assistance. However, that is not the case in the proposed SCD.  
20 Medicare is a health insurance program that is tax funded through payroll  
21 deductions and coverage is automatic for those who paid Medicare taxes

1 while working when they turn 65. In contrast, some PGW's customers,  
2 who pay for the SCD, may never qualify for the SCD.

3  
4 **Q. DO YOU AGREE THAT PGW IS UNDER NO CONSTRAINT TO**  
5 **MAXIMIZE INCOME FOR DISTRIBUTION TO ITS**  
6 **SHAREHOLDER WHILE BALANCING THE PUBLIC INTEREST?**

7 A. No. PGW does have income constraints. First, PGW is required to pay the  
8 City \$18 million each year. Second, PGW is required to pay-down its  
9 commercial paper program. Third, PGW must maintain a 1.5x debt service  
10 coverage. Fourth, PGW must replace and modernize its facilities.

11  
12 **Q. IN YOUR OPINION, WHAT WOULD HAPPEN IF THE COMPANY**  
13 **DISREGARDS ITS CONSTRAINTS LISTED ABOVE?**

14 A. Experience shows that if PGW fails to treat its constraints as the top  
15 priority, the Company will once again find itself in financial distress.

1 **COMMISSION QUESTIONS**

2 **Q. HAVE YOU REVIEWED THE COMPANY'S ANSWER TO THE**  
3 **COMMISSION'S QUESTION 5?**

4 A. Yes. The Commission is questioning the total cost of the SCD program.  
5 PGW claims that the total yearly cost for the means-tested program is  
6 \$365,421.

7  
8 **Q. PLEASE RESTATE THE COMMISSION'S QUESTION 5.**

9 A. While the Settlement Petition states that the yearly cost of the means-tested  
10 SCD would be between \$366,500 and \$371,316, it fails to estimate the total  
11 cost of the Program for the general body of ratepayers in later years:

12 What is the estimate cumulative cost for the means-  
13 tested SCD Program in each year through 2020?

14 What is the combined estimated cumulative cost of the  
15 means-tested SCD Program and the non-Means-tested SCD  
16 Program in each year through 2020?

17 What are the anticipated costs of the proposed audit  
18 and efficacy calculation of the means-tested SCD Program  
19 and how was this amount developed?

1 **Q. DO YOU AGREE THAT THE YEARLY COST FOR THE MEANS**  
2 **TESTED PROGRAM IS \$365,421?**

3 A. No. What the \$365,421 represents is the incremental discount associated  
4 with enrolling 1,309 senior citizens into the Program in the first year based  
5 on an average bill in 2004. What PGW did not consider is that these costs  
6 are cumulative over time. Assuming PGW's linear assumption, the  
7 incremental discount in year 2 will be \$730,842, which represents the  
8 \$365,421 from the continued participation from year 1 plus the \$365,421  
9 from the 1,309 additional enrollments in year 2.

10

11 **Q. FROM A COST STANDPOINT, HOW SHOULD THE DECISION**  
12 **TO REOPEN THE SCD TO NEW ENROLLMENT BE VIEWED?**

13 A. The Commission should look at the impact the total discount has on  
14 ratepayers under the two alternatives, that is, to reopen the SCD on a  
15 means-tested basis or to keep the SCD closed. What the difference between  
16 the two alternatives measures, is the additional total discount associated  
17 with additional enrollment.

18

19 **Q. CAN YOU PROVIDE ANY ADDITIONAL INFORMATION?**

20 A. Yes. I have submitted OTS Exhibit No. 1.

1 **Q. WILL YOU EXPLAIN OTS EXHIBIT NO. 1, SCHEDULE 1?**

2 A. Yes. Schedule 1 is a different presentation of the information found in

3 PGW EXHIBIT – CP/CC-2. Schedule 1 shows the number of participants

4 and the total discounts for the years 2004 – 2020. Column 1 shows the

5 number of participants if the SCD is reopened, as proposed, to include the

6 additional means-tested seniors. Column 2 shows the decreasing number of

7 participants due to mortality if the SCD remains closed. The difference

8 shown in Column 3 is the cumulative increase in the number of participants

9 as a result of reopening the SCD to include the additional proposed means-

10 tested seniors. Column 4 shows the amount of the total discount by year if

11 the SCD is reopened to include the additional proposed means-tested

12 seniors. Column 5 shows the decreasing amount of the discount by year due

13 to mortality if the SCD remains closed. The difference shown in Column 6

14 represents the additional amount of the discount by year to be recovered in

15 the USC as a result of reopening the SCD to include the additional

16 proposed means-tested seniors.

1 **Q. WHAT IS THE ESTIMATED TOTAL COSTS OF THE MEANS-**  
2 **TESTED AND NON-MEANS-TESTED SCD PROGRAM THROUGH**  
3 **2020?**

4 A. As shown on OTS Exhibit No.1, Schedule 1, the total discount for the  
5 proposed reopened (means-tested) SCD for the period 2004 – 2020 is  
6 \$235,923,605. The total discount for the closed (non-mean tested) SCD for  
7 the period 2004 – 2020 is \$175,084,626. The difference of \$60,838,979  
8 represents the additional discount if the SCD is reopened to be collected  
9 from ratepayers in order to subsidize the additional number of senior  
10 participants.

11

12 **Q. HAVE YOU REVIEWED THE COMPANY'S ANSWER TO THE**  
13 **COMMISSION'S QUESTION 6?**

14 A. Yes.

15

16 **Q. PLEASE RESTATE THE COMMISSION'S QUESTION 6.**

17 A. What is the estimated cost per Mcf of the means-tested SCD and non-  
18 means-tested SCD for each year through 2020? What is the monthly  
19 average consumption (Ccf) per residential heating and non-heating  
20 customers?

1 Q. HAVE YOU PREPARED A SCHEDULE CONTAINING THE  
2 REQUESTED INFORMATION?

3 A. Yes. OTS Exhibit No. 1, Schedule 2 contains the total discount per Mcf for  
4 both alternatives through 2020. The monthly average consumption for  
5 heating is 81.5 Ccf and non-heating is 26.1 Ccf.

6

7 Q. HAVE YOU REVIEWED THE COMPANY'S ANSWER TO THE  
8 COMMISSION'S QUESTION 7?

9 A. Yes.

10

11 Q. PLEASE RESTATE THE COMMISSION'S QUESTION 7.

12 A. How did PGW determine that the new means-tested SCD would result in  
13 1,300 applicants being enrolled each year?

14

15 Q. IS THE LINEAR ENROLLMENT CONTAINED IN PGW EXHIBIT  
16 CP/CC-2 A REASONABLE ASSUMPTION?

17 A. No. When the "baby-boomers" begin reaching age 65 in 2011, the number  
18 of participants should escalate.

1 **Q. HAVE YOU REVIEWED THE COMPANY’S ANSWER TO THE**  
2 **COMMISSION’S QUESTION 8?**

3 **A.** Yes. The Company has stipulated to all the assertions quoted by the  
4 Commission.

5

6 **Q. PLEASE RESTATE THE COMMISSION’S QUESTION 5.**

7 **A.** In its Petition at Docket No. R-0004915 seeking to establish a “cash  
8 receipts reconciliation clause (“CRRC”), PGW asserts that:

9 It is in a “precarious financial position”. (CRRC Petition at 2).

10 “[H]ousehold and business income levels continue to drop [in  
11 Philadelphia], making it increasingly difficult for those customers to absorb  
12 such increases [in the commodity price of gas].” (Id.).

13

14 “[P]rice levels are projected to remain at close to the current level for the  
15 foreseeable future.” (CRRC Petition at 3).

16

17 Due to these persistently high prices, an increasing number of formerly  
18 “good paying” residential and business customers are now having difficulty  
19 paying their bills. (Id. at 8).

1 For purposes of this proceeding, the foregoing assertions in the CRRC  
2 Petition are relevant to whether the general body of customers can afford to  
3 pay for the proposed means-tested SCD. The parties should either stipulate  
4 to these assertions or develop a record setting forth their position on the  
5 allegations.

6  
7 **Q. DO YOU AGREE THAT THE ESTIMATED AMOUNT OF THE**  
8 **MEANS TESTED DISCOUNT ON AN ANNUAL BASIS IS**  
9 **SLIGHTLY OVER \$365,000?**

10 A. No. As explained above, the \$365,000 is simply the incremental amount if  
11 adding 1,309 customers to the SCD Program. The total increase in the  
12 discount through 2020 that ratepayers will be responsible for, if the  
13 Company's proposal of a means-tested SCD is approved, is shown as the  
14 \$60 million difference on OTS Exhibit No. 1, Schedule 1. The Company's  
15 attempt to trivialize the rate impact of its SCD proposal should be ignored.  
16 The Company is attempting to minimize the present rate impact, while  
17 knowing an approval of the SCD Program is forever and the funding,  
18 whatever the future costs shall be, must be approved by future  
19 Commissions into perpetuity.

1 Q. DO YOU HAVE ANY FURTHER COMMENTS?

2 A. Yes. The Parties have to step back and evaluate the overall financial  
3 condition of PGW and its customers. PGW needs to understand that it  
4 cannot increase rates in order to have both the CRRC and the proposed  
5 means-tested SCD. By PGW own implied admission, there are only so  
6 many “good paying” customers in its service territory, accordingly, there is  
7 no need to advocate the SCD Program when the CRP can provide the  
8 needed assistance to its low income senior citizens. Other Parties need to  
9 understand that they cannot support the SCD and yet oppose a mechanism  
10 to deal with the high level of gas costs.

11 *OTS has proposed an alternative mechanism to PGW’s CRRC. The OTS*  
12 *mechanism is critical to PGW’s overall financial condition. PGW must*  
13 *improve its cash flow and protect its bond ratings in order to issue*  
14 *additional bonds this fall at the lowest possible cost. Without the OTS*  
15 *mechanism, for the next two years, PGW’s bond ratings could fall to “junk*  
16 *status” and the cost to ratepayers for the bond issue will be significantly*  
17 *higher for the next ten to thirty years.*

1 **Q. WILL YOU SUMMARIZE YOUR RECOMMENDATION**  
2 **REGARDING PGW'S PROPOSED MEANS TESTED SCD?**

3 A. Yes. My recommendation is that the Commission reject PGW's proposal  
4 to reopen the SCD with a means tested qualifier. The Commission should  
5 reject this proposal based on the following:

6                   ➤ The proposal benefits senior citizens to the  
7 disadvantage of all other ratepayers.

8                   ➤ The proposed eligibility income level (250% FPL) is  
9 excessive.

10                   ➤ The proposed discounts are significant.

11                   ➤ The proposed means-tested SCD will increase  
12 customer rates but will not improve PGW's financial condition.

13 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

14 A. Yes, it does.

## APPENDIX A

### Professional and Educational Background

#### Charles T. Weakley, III

##### Education:

A.A. in Accounting, Harrisburg Area Community College, 1973.

B.B.A. in Administration, Pennsylvania State University, 1975.

Graduate Studies in Operations Management, Pennsylvania State University, 1977.

##### Employment:

Prior to accepting my position with the PUC, in the Bureau of Rates in February 1984, I was a Corporation Tax Officer with the Pennsylvania Department of Revenue.

I am a Certified Public Accountant, however, my license is currently inactive, since I am no longer in public practice. In addition, I am a Member of the Pennsylvania Institute of Certified Public Accountants and have three years of public accounting experience.

##### Testimony:

I have testified and/or submitted testimony in the following proceedings:

PECO Rate Case, R-842590, R-850152 and R-891364

Penn Power Rate Case, R-842740, R-850267 and R-870732

Met-Ed Rate Case, R-842770 and R-00922314

Penelec Rate Case, R-842771

Duquesne Light Rate Case, R-850021, R-860378 and R-870651

PECO - Gas Operations Rate Case, R-870629

Philadelphia Suburban Water Company Rate Case, R-870860 and R-891270

Peoples Natural Gas Rate Case, R-880961

Equitable Gas Rate Case, R-880971, R-901595 and R-912164

PECO-PGC No. 6, 1307(f) Proceeding, R-891290

T.W. Phillips Gas and Oil Co. PGC-90, R-891572

T.W. Phillips Gas and Oil Co. Rate Case, R-891566

Arrowhead Public Service Corporation Rate Case, R-891557

Peoples Natural Gas - PGC-90, 1307(f) Proceeding, R-901640

Peoples Natural Gas - PGC-91, 1307(f) Proceeding, R-911919

PECO-PGC No. 8, 1307(f) Proceeding, R-911976

West Penn Power - Petitions (CAAA, 1990) P-910511 and R-910512

Borough of Phoenixville - Rate Case, R-912038

Shenango Valley Water Company - R-912060 and R-00932798

Dallas Water Company, Inc. - R-00922326

Harvey's Lake Water Company, Inc. - R-00922327

Noxen Water Company, Inc. - R-00922328

Shavertown Water Company, Inc. - R-00922329

Pennsylvania Gas and Water Company (Spring Brook/Crystal Lake) R-00922404

Pennsylvania-American Water Company - R-00922428

Pennsylvania Gas and Water Company (Scranton) R-000922482

National Fuel Gas Distribution Corporation - R-00932548

Lemont Water Company, Rate Case, R-00932673

The Peoples Natural Gas Company, Rate Case, R-00932866

The Peoples Natural Gas Company, 1994-1307(f), R-00943028, C-945601

Equitable Gas Company - R-00943246

Pennsylvania Power & Light Company - R-00943271

The Peoples Natural Gas Company, 1996-1307(f), R-00963563

The Peoples Natural Gas Company, 1997-1307(f), R-00973896, R-00973928, A-122250F0007

Peco Energy Company - R-00973877, R-00973953

Pennsylvania Electric Company - R-00974009

Metropolitan Edison Company - R-00974008

Bell/ GTE Merger - A-310200F0002, A-310222F0002, A-310291F0003,  
A-311350F0002

The Peoples Natural Gas Company - Rate Restructuring - R-00994782

Equitable Gas Company - Rate Restructuring - R-00994784

UGI Utilities, Inc. - Rate Restructuring - R-00994786

PECO Energy Company - Rate Restructuring – R-00994787

National Fuel Gas Distribution Corporation – 1307(f) – R-00994898

PECO Energy Company – 1307(f) – R-00005285

UGI Utilities, Inc. – 1307(f) – R-00005281

Philadelphia Gas Works – Rate Case – R-00005654, R-0006042, R-00017034

Philadelphia Gas Works - Extraordinary Rate Relief - R-00017034F0002

Philadelphia Gas Works – Rate Restructuring – M-00021612

Philadelphia Gas Works - 1307(f) - R-00038173

National Fuel Gas Distribution Corporation - R-00038168, P-00032027

**OTS Exhibit No. 1  
Witness: Charles T. Weakley, III  
Date: June 28, 2004**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**v.**

**PHILADELPHIA GAS WORKS**

**Docket Nos. M-00021612  
P-00042090  
R-00049157  
P-00032061**

**Exhibit to**

**Accompany the**

**Direct Testimony**

**of**

**Charles T. Weakley, III**

**Office of Trial Staff**

**Concerning:**

**Senior Citizens Discount**

Philadelphia Gas Works  
Senior Citizens Discount  
M-00021612

<u>Year</u>	<u>Reopen Population</u> 1	<u>Closed Population</u> 2	<u>Difference</u> 3 = 1 - 2	<u>Reopen Discount</u> 4	<u>Closed Discount</u> 5	<u>Difference</u> 6 = 4 - 5
2004	65,000	65,000	0	\$19,296,290	\$19,296,290	\$0
2005	67,927	64,000	3,927	\$20,838,373	\$19,633,664	\$1,204,709
2006	64,815	59,579	5,236	\$18,835,364	\$17,313,761	\$1,521,603
2007	61,702	55,157	6,545	\$17,405,594	\$15,559,308	\$1,846,286
2008	58,590	50,736	7,854	\$16,260,875	\$14,081,085	\$2,179,790
2009	55,477	46,314	9,163	\$15,326,478	\$12,795,044	\$2,531,434
2010	52,365	41,893	10,472	\$14,422,279	\$11,538,075	\$2,884,204
2011	50,042	38,261	11,781	\$13,782,628	\$10,537,898	\$3,244,730
2012	47,720	34,630	13,090	\$13,142,976	\$9,537,721	\$3,605,255
2013	45,397	30,998	14,399	\$12,503,325	\$8,537,544	\$3,965,781
2014	43,075	27,367	15,708	\$11,863,674	\$7,537,367	\$4,326,307
2015	40,752	23,735	17,017	\$11,224,022	\$6,537,189	\$4,686,833
2016	39,518	21,192	18,326	\$10,884,130	\$5,836,772	\$5,047,358
2017	38,284	18,649	19,635	\$10,544,238	\$5,136,354	\$5,407,884
2018	37,050	16,106	20,944	\$10,204,345	\$4,435,936	\$5,768,409
2019	35,816	13,563	22,253	\$9,864,453	\$3,735,518	\$6,128,935
2020	34,582	11,020	23,562	\$9,524,561	\$3,035,100	\$6,489,461
			Total	<u>\$235,923,605</u>	<u>\$175,084,626</u>	
				Total additional Discount		<u>\$60,838,979</u>
				16 - Year Average		\$3,802,436
				Average Cost per Mcf - (60M)		\$0.0634

Philadelphia Gas Works  
Senior Citizens Discount  
M-00021612

<u>Year</u>	<u>Reopen Discount</u>	<u>Reopen Discount Per Mcf *</u>	<u>Closed Discount</u>	<u>Closed Discount Per Mcf *</u>
	1	2	3	4
2004	\$19,296,290	\$0.32	\$19,296,290	\$0.32
2005	\$20,838,373	\$0.35	\$19,633,664	\$0.33
2006	\$18,835,364	\$0.31	\$17,313,761	\$0.29
2007	\$17,405,594	\$0.29	\$15,559,308	\$0.26
2008	\$16,260,875	\$0.27	\$14,081,085	\$0.23
2009	\$15,326,478	\$0.26	\$12,795,044	\$0.21
2010	\$14,422,279	\$0.24	\$11,538,075	\$0.19
2011	\$13,782,628	\$0.23	\$10,537,898	\$0.18
2012	\$13,142,976	\$0.22	\$9,537,721	\$0.16
2013	\$12,503,325	\$0.21	\$8,537,544	\$0.14
2014	\$11,863,674	\$0.20	\$7,537,367	\$0.13
2015	\$11,224,022	\$0.19	\$6,537,189	\$0.11
2016	\$10,884,130	\$0.18	\$5,836,772	\$0.10
2017	\$10,544,238	\$0.18	\$5,136,354	\$0.09
2018	\$10,204,345	\$0.17	\$4,435,936	\$0.07
2019	\$9,864,453	\$0.16	\$3,735,518	\$0.06
2020	\$9,524,561	\$0.16	\$3,035,100	\$0.05
	<u>\$235,923,605</u>		<u>\$175,084,626</u>	

\* Assume Annual Sales of 60 million Mcf

OTS Statement No. 2  
Witness: David G. Mick  
Date: June 28, 2004

7/6/04 Phila  
JK

DOCUMENT

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PHILADELPHIA GAS WORKS

Docket No. M-00021612  
P-00042090  
R-00049157  
P-00032061

DOCKET  
JUL 13 2004

Direct Testimony

of

David G. Mick

Office of Trial Staff

SECRETARY'S BUREAU

2004 JUL 12 PM 10:34

RECEIVED

Concerning:

Impact of Chapter 56 on Residential Collection Performance and LIURP  
Cost Effectiveness

1 **Q. WHAT IS YOUR NAME AND BUSINESS ADDRESS?**

2 A. My name is David G. Mick and my business address is Pennsylvania Public  
3 Utility Commission (PUC), Bureau of Consumer Services (BCS), Post  
4 Office Box 3265, Harrisburg, PA 17105-3265.

5  
6 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

7 A. I graduated from the Wharton School of the University of Pennsylvania  
8 with a Bachelor of Science Degree in Economics.

9  
10 **Q. WHAT IS YOUR JOB TITLE AT THE PUC?**

11 A. My current job title is Program Analyst 3 in the Bureau of Consumer  
12 Services and, for the purposes of the proceeding, I have been assigned to  
13 the Office of Trial Staff.

14  
15 **Q. HOW LONG HAVE YOU WORKED FOR THE PUC?**

16 A. I am in my 25<sup>th</sup> year of employment at the PUC.

17  
18 **Q. WHAT DUTIES DO YOU CURRENTLY ROUTINELY PERFORM  
19 IN YOUR JOB AT THE PUC?**

20 A. I am responsible for the preparation of the Bureau's annual Utility  
21 Consumer Activities Report and Evaluation, co-author of the annual Report  
22 on Universal Service Programs and Collection Performance of the

1 Pennsylvania Electric Distribution Companies and Natural Gas Distribution  
2 Companies, responsible for oversight of the Low Income Usage Reduction  
3 Program, responsible for the implementation of the Customer Information  
4 Regulations, and responsible for the compilation of residential collection  
5 data.

6  
7 **Q. WHAT TOPICS ARE INCLUDED IN YOUR TESTIMONY?**

8 A. Residential collection data and the Low Income Usage Reduction Program  
9 are the topics of my testimony.

10  
11 **Collection**

12  
13 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY REGARDING**  
14 **COLLECTION DATA?**

15 A. The purpose of my testimony regarding collection data is to show that  
16 Philadelphia Gas Works' (PGW) residential collection performance, based  
17 on the limited residential collection data that the company has provided to  
18 BCS, does not show a deterioration in the company's collection  
19 performance since the company came under the collection provisions of  
20 Chapter 56 effective September 1, 2003. The analysis of the limited  
21 collection data available to BCS does not indicate that the collection

1 problems of PGW have been aggravated since the company came under  
2 the provisions of Chapter 56.

3  
4 **Q. IS YOUR INTENT TO BOTH CONFIRM THAT PGW HAS**  
5 **COLLECTION PROBLEMS AND TO QUANTIFY THE EXTENT**  
6 **OF THE COLLECTION PROBLEMS?**

7 A. No. I do not intend to confirm that PGW has collection problems nor do I  
8 intend to try to quantify the extent of PGW's collection problems.

9  
10 **Q. WHAT IS THE REGULATORY BASIS FOR THE COLLECTION**  
11 **DATA THAT YOU WILL BE PRESENTING IN YOUR**  
12 **TESTIMONY?**

13 A. The BCS' Regulatory Authority for the monthly collection data included in  
14 my testimony is limited to § 56.231 and it is the Bureau's business practice  
15 to review the various collection data reported by companies on a monthly  
16 basis.

17  
18 **Q. WHAT ARE THE LIMITED COLLECTION DATA VARIABLES**  
19 **THAT PGW HAS PROVIDED TO THE BUREAU?**

20 A. PGW has provided monthly collection data pursuant to § 56.231 since  
21 February 2002. Data that is provided on a monthly basis is considered to  
22 be short-term data because it allows for an analysis to be completed at the

1 end of every month. This data is submitted to the Commission on a  
2 monthly basis and includes collection data such as the number of residential  
3 customers, the number of customers in debt who are not on a payment  
4 agreement, the dollars in debt for those customers, the number of  
5 terminations and the number of reconnections, the number of residential  
6 customers in debt and on a payment agreement, and the dollars in debt for  
7 the payment agreement customers. Customer Assistance Program (CAP)  
8 recipients are excluded from the payment agreement data.

9  
10 **Q. WHAT PERIODS OF TIME CAN BE PRESENTED TO OFFER AN**  
11 **APPROPRIATE TREND ANALYSIS OF THE SHORT-TERM**  
12 **COLLECTION DATA PGW HAS PROVIDED IN ACCORDANCE**  
13 **WITH § 56.231 THAT OFFER A COMPARITIVE SNAPSHOT**  
14 **TAKEN BEFORE AND AFTER PGW CAME UNDER THE**  
15 **PROVISIONS OF CHAPTER 56?**

16 **A.** A snapshot of May 2003 and May 2004 is an appropriate comparison. This  
17 comparison is particularly good because it contains the most current data  
18 that is available. Coincidentally, the month of May follows the heating  
19 season when delinquencies are still relatively high. We are limited to such  
20 a comparison because of the relatively short time that PGW has been  
21 under the provisions of Chapter 56. The data from May 2003 is prior to

1 PGW falling under Chapter 56 while the data for May 2004 is nine months  
2 after PGW came under the Chapter 56 regulations.

3  
4 **Q. WHAT COLLECTION DATA IS AVAILABLE THAT ALLOWS**  
5 **FOR A COMPARISON OF PRE-CHAPTER 56 COLLECTION**  
6 **PERFORMANCE TO POST-CHAPTER 56 COLLECTION**  
7 **PERFORMANCE?**

8 A. The collection data variables available for such a comparison include the  
9 number of customers in debt who are not on a payment agreement, the  
10 corresponding dollars in debt associated with this group, the number of  
11 customers on a payment agreement, and the corresponding dollars  
12 associated with customers on a payment agreement. In addition, the  
13 average arrearage for this group of customers in debt can be calculated by  
14 dividing the total dollars in debt by the total number of customers in debt.

15  
16 **Q. PLEASE PROVIDE THE DATA ON DELINQUENT ACCOUNTS**  
17 **THAT PGW REPORTED IN ACCORDANCE WITH § 56.231 FOR**  
18 **MAY 2003 TO MAY 2004?**

1 A. Delinquency data reported in accordance with § 56.231 is as follows:

	Number of Customers in Debt not on Agreements	Dollars in Debt not on Agreements	Average Arrearage
May 2003	183,524	\$115,954,846	\$631.82
May 2004	166,884	\$86,045,607	\$515.60
Percent Change May 2003 to May 2004	-9.1%	-25.8%	-18.4%

2

	Number of Customers in Debt and on a Payment Agreement	Dollars in Debt and on a Payment Agreement	Average Arrearage
May 2003	30,028	\$30,461,276	\$1,014.43
May 2004	35,890	\$37,255,867	\$1,038.06
Percent Change May 2003 to May 2004	19.5%	22.3%	2.3%

3

	Overall Total Number of Customers in Debt	Overall Dollars in Debt	Average Arrearage
May 2003	213,552	\$146,416,122	\$685.62
May 2004	202,774	\$123,301,474	\$608.07
	-5.0%	-15.8%	-11.3%

4

5 **Q. What are the results of the comparison of the delinquent account data**  
 6 **reported by PGW in accordance with § 56.231 for May 2003 and May**  
 7 **2004?**

8 A. In each of the three collection data variables presented in the table above,  
 9 the May 2004 data shows a decline when compared to the May 2003 data.

10 It is my opinion that this represents an improvement in these three  
 11 collection data variables.

1 Overall, the number of customers in debt declined by 50% from May 2003  
2 to May 2004. The total dollars in debt declined by 15.8% and the average  
3 arrearage also declined by 11.3% over this period.

4  
5 It is my opinion that these results represent an improvement as indicated by  
6 these collection data variables. It appears that PGW was successful in  
7 getting more of its debt covered under payment agreement during this  
8 period. The percent of PGW's total debt covered by payment agreement  
9 also increases, from 20.8% in May 2003 to 30.2% in May 2004. In my  
10 opinion, this should improve PGW's chances of collecting the dollars owed  
11 to them.

12  
13 **Low Income Usage Reduction Program (LIURP)**

14  
15 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY ABOUT PGW'S**  
16 **VERSION OF A LIURP PROGRAM, THE CONSERVATION**  
17 **WORKS PROGRAM (CWP)?**

18 **A.** The purpose of my testimony about CWP is to discuss the effectiveness of  
19 the provision of program services.

1 **Q. WILL YOU PROVIDE TESTIMONY ABOUT THE ADEQUACY OF**  
2 **PGW'S ANNUAL CWP BUDGET AND THE NUMBER OF**  
3 **CUSTOMERS SERVED IN CWP?**

4 A. No. I do not intend to comment on the size of the annual budget of the  
5 CWP. The CWP budget was set in the restructuring proceeding at  
6 \$2,000,000 for the years 2004 through 2006. The next opportunity to  
7 review the CWP budget will come when PGW submits its next Universal  
8 Service plan, which is due September 1, 2006, for the period 2007 through  
9 2009. At that time, BCS will require PGW to complete the LIURP Needs  
10 Assessment in order to assist in the determination of an appropriate funding  
11 level.

12  
13 As for the number of customers PGW serves in CWP, I am less concerned  
14 about the number of customers that PGW is currently serving in CWP than  
15 I am about the comprehensiveness of the usage reduction measures  
16 installed in CWP recipients' homes.

17  
18 **Q. WHAT ADDITIONAL CONCERNS DO YOU HAVE REGARDING**  
19 **THE CWP?**

20 A. There are two facts that are the basis of my concerns. First, for 2003 PGW  
21 reported an average cost of \$602 per customer served in CWP. This  
22 average cost includes program administrative costs. Meanwhile, the 2003

1 average costs per customer served for the other National Gas Distribution  
2 Companies (NGDCs), calculated as an average of the company scores  
3 and excluding administrative costs, is equal to \$2,794. Based on the vast  
4 difference in the average costs between PGW and the other NGDCs, it is  
5 my opinion that PGW may not be following the LIURP regulations for  
6 determining the usage reduction measures to be installed.

7  
8 Second, in the prepared direct testimony of Cristina Coltro of PGW in  
9 Exhibit CC-3 in PGW's Restructuring Proceeding at Docket No. M-  
10 00021612, dated July 1, 2002, Ms Coltro enters upon the record an  
11 evaluation of PGW's CWP, entitled "Michael Blasnik's Impact Evaluation  
12 of Philadelphia Gas Works' Conservation Works Program, Program Year  
13 10." On page 4, Mr. Blasknik states that "Both contractors employed a  
14 "low-cost" treatment approach with limited installation of typical "major"  
15 weatherization measures such as insulation. Instead, the program focused  
16 on low cost and education based measures..." In my opinion, this  
17 statement supports my concern that PGW is not installing all usage  
18 reduction program measures that meet either the seven or twelve year  
19 simple payback criteria as specified in the LIURP regulations.

20  
21 Based on these two facts, PGW is not reducing usage of CWP recipients as  
22 much as possible and, as such, is not reducing the CWP recipients' bills as

1 much as possible. Thus, the company is not making the bills of its CWP  
2 customers as affordable as possible.

3  
4 **Q. WHAT IS THE BASIS OF THE SEVEN OR TWELVE YEAR**  
5 **SIMPLE PAYBACK CRITERIA?**

6 **A.** The LIURP regulations at § 58.15 (a) provides the basis for using either a  
7 seven or twelve year simple payback criterion when determining if the  
8 installation of a program measure is appropriate.

9  
10 **Q. HOW DOES BCS PROPOSE TO ADDRESS ITS CONCERN OVER**  
11 **THE EFFECTIVE INSTALLATION OF USAGE REDUCTION**  
12 **PROGRAM MEASURES BY PGW IN ITS CWP AND WHAT IS**  
13 **YOUR RECOMMENDED COURSE OF ACTION?**

14  
15 **A.** Because BCS has not yet met with the company to review the program  
16 components of PGW's CWP, I recommend that such a meeting take place  
17 as soon as possible in order to begin the process of bringing PGW's CWP  
18 into full compliance with the LIURP regulations. The goal of such a  
19 meeting is to review the current operations of CWP and to offer  
20 recommendations for improvement as well as to bring about full  
21 compliance. Ultimately, PGW's CWP will need to be brought into full  
22 compliance with the LIURP regulations before BCS can recommend

1 approval of PGW's CWP in its next submission of its Universal Service  
2 plan on September 1, 2006, for the period 2007 through 2009.

3

4 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5 **A. Yes.**

**OTS Exhibit No. 2**  
**Witness: Gary L. Yocca**  
**Date: April 15, 2004**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

v.

A-20049157

**PHILADELPHIA GAS WORKS**

**Docket No. P-00049157**

PF 5-11-04  
Philadelphia

**Exhibit to Accompany**

the

**Direct Testimony**

of

**Gary L. Yocca**

**Office of Trial Staff**

**EXTRA  
COPY**

**Concerning:**

**Purchased Gas Cost Issues**

**RESPONSE TO OFFICE OF CONSUMER ADVOCATE DATA REQUEST**  
**REGARDING PGW'S ANNUAL GCR FILING (1307f)**  
**DOCKET NO. R-00049157**

**Question OCA-Set 2-12:** Please provide workpapers and supporting documentation for the Company's estimates for capacity release revenues, margins from off-system sales, and credits from interruptible sales. The response should provide monthly estimates for fiscal year 2004-2005, updated actual and estimated data for fiscal year 2003-2004, and actual data for fiscal year 2002-2003.

**Response provided By:** Kenneth S. Dybalski, Manager Gas Planning

**Response:** Refer to the attached schedule for FY 2003 capacity release and off-system sale credits.

Please see PGW 66 Pa.C.S. 1307f dated March 1, 2004 –

- Item 53.64 (c)(1) tab #3 - Schedule 4, pg. 1 and 2 for the FY 2004 actual estimated and the fully forecasted FY 2005 credit schedules
- Item 53:64 (a) Schedules 5, 6 and 13 for the Interruptible Revenue Credit detail.

**CAPACITY RELEASE CREDITS AND OFF-SYSTEM SALES**

<b>MONTH</b>	<b>TGPL TOTAL CREDITS</b>	<b>VOLUME DTH'S</b>	<b>TETCO TOTAL CREDITS</b>	<b>VOLUME DTH'S</b>	<b>TOTAL CAP/REL CREDITS</b>	<b>TOTAL VOLUME DTH'S</b>	<b>OFF SYSTEM SALES CREDITS</b>	<b>TOTAL CREDITS</b>
Sep-02	\$ 71,205	600,000	\$ 175,796	1,794,690	\$ 247,001	2,784,030	\$ 283,450	\$ 530,451
Oct-02	\$ -	-	\$ 352,000	1,116,000	\$ 352,000	1,116,000	\$ -	\$ 352,000
Nov-02	\$ 85,220	300,000	\$ -	-	\$ 85,220	300,000	\$ -	\$ 85,220
Dec-02	\$ 85,220	310,000	\$ -	-	\$ 85,220	310,000	\$ -	\$ 85,220
Jan-03	\$ -	-	\$ -	-	\$ -	-	\$ 100,000	\$ 100,000
Feb-03	\$ -	-	\$ -	-	\$ -	-	\$ -	\$ -
Mar-03	\$ -	-	\$ -	-	\$ -	-	\$ 853,060	\$ 853,060
Apr-03	\$ 60,480	300,000	\$ -	1,116,000	\$ 60,480	1,380,000	\$ -	\$ 60,480
May-03	\$ 124,992	620,000	\$ 223,920	1,380,000	\$ 348,912	2,675,982	\$ -	\$ 348,912
Jun-03	\$ 223,920	1,200,000	\$ 231,046	1,116,000	\$ 454,966	2,784,660	\$ -	\$ 454,966
Jul-03	\$ 290,780	1,550,000	\$ 322,427	1,426,000	\$ 613,207	2,784,482	\$ -	\$ 613,207
Aug-03	\$ 231,384	12,400,000	\$ 232,523	1,854,482	\$ 463,907	2,784,482	\$ -	\$ 463,907
<b>TOTAL</b>	<b>\$ 1,173,201</b>	<b>17,280,000</b>	<b>\$ 1,537,712</b>	<b>9,803,172</b>	<b>\$ 2,710,913</b>	<b>16,919,636</b>	<b>\$ 1,236,510</b>	<b>\$ 3,947,423</b>

<b>FY 2003</b>	<b>\$ 3,947,423</b>
<b>FY 2004</b>	<b>\$ 2,361,462</b>
<b>Total</b>	<b>\$ 6,308,370</b>
<b>Average Credits</b>	<b>\$ 3,154,185</b>
<b>FY 2005 Estimate</b>	<b>\$ 3,155,165</b>

Philadelphia Gas Works  
1307(f) Filing  
Docket No. R-00049157

\*Capacity Release Credits

Month	FY 98-99	FY 99-00	FY 00-01	FY 01-02	FY 02-03#
September	\$203,839	\$231,845	\$255,103	\$246,049	\$247,001
October	\$547,344	\$364,447	\$117,763	\$373,273	\$352,000
November	\$504,415	\$528,393	\$176,589	\$577,800	\$85,220
December	\$269,023	\$45,641	\$0	\$166,457	\$85,220
January	\$113,478	\$125,691	\$0	\$140,854	\$0
February	\$472,065	\$74,529	\$197,179	\$203,032	\$0
March	\$713,503	\$219,799	\$262,435	\$241,370	\$0
April	\$62,601	\$29,960	\$33,764	\$67,201	\$60,480
May	\$225,651	\$41,425	\$240,259	\$289,385	\$348,912
June	\$222,250	\$251,505	\$233,629	\$331,919	\$454,966
July	\$227,925	\$134,361	\$249,553	\$359,227	\$613,207
August	\$244,009	\$262,502	\$263,568	\$351,757	\$463,907
<b>Total</b>	<b>\$3,806,103</b>	<b>\$2,310,098</b>	<b>\$2,029,842</b>	<b>\$3,348,324</b>	<b>\$2,710,913</b>

\*See Response to OTS Interrogatory OTS Set 1-29 @ Docket No. R-00038173  
# See OTS Exhibit No. 2, Schedule 1, Page 2 of 2

	3 Year Ave.	5 Year Ave.
FY 1999		\$3,806,103
FY 2000		\$2,310,098
FY 2001	\$2,029,842	\$2,029,842
FY 2002	\$3,348,324	\$3,348,324
FY 2003	\$2,710,913	\$2,710,913
<b>Total</b>	<b>\$8,089,079</b>	<b>\$14,205,280</b>
<b>Average</b>	<b>\$2,696,360</b>	<b>\$2,841,056</b>

Philadelphia Gas Works  
1307(f) Filing  
Docket No. R-00049157

\*Off-System Sales Credits

Month	FY 99-00	FY 00-01	FY 01-02	FY 02-03#
September	\$0	\$13,209	\$0	\$283,450
October	\$0	\$145,500	\$17,780	\$0
November	\$0	\$165,000	\$1,813	\$0
December	\$0	\$883,377	\$0	\$0
January	\$172,167	\$0	\$0	\$100,000
February	\$0	\$0	\$0	\$0
March	\$60,367	\$361,830	\$0	\$853,060
April	\$0	\$0	\$0	\$0
May	\$49,387	\$0	\$0	\$0
June	\$0	\$9,850	\$0	\$0
July	\$0	\$1,075	\$0	\$0
August	\$0	\$0	\$0	\$0
<b>Total</b>	<b>\$281,921</b>	<b>\$1,579,841</b>	<b>\$19,593</b>	<b>\$1,236,510</b>

\*See OTS Exhibit No. 2, Shedule 3, Page 2 of 2 @ Docket No. R-00038173  
# See OTS Exhibit No. 2, Schedule 1, Page 2 of 2

	3 Year Ave.	4 Year Ave.
FY 2000		\$281,921
FY 2001	\$1,579,841	\$1,579,841
FY 2002	\$19,593	\$19,593
FY 2003	\$1,236,510	\$1,236,510
<b>Total</b>	<b>\$2,835,944</b>	<b>\$3,117,865</b>
<b>Average</b>	<b>\$945,315</b>	<b>\$623,573</b>

OTS Statement No. 3  
Witness: Janice K. Hummel  
Date: June 28, 2004

7/6/04 Phila  
JK

DOCUMENT

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PHILADELPHIA GAS WORKS

Docket No. M-00021612  
P-00042090  
R-00049157  
P-00032061

DOCKETED  
JUL 13 2004

Direct Testimony

of

Janice K. Hummel

Office of Trial Staff

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Concerning:

PGW's Universal Service Programs Compared with Other NGDCs Universal  
Service Programs

1 **Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.**

2

3 A. My name is Janice K. Hummel and my business address is Pennsylvania Public  
4 Utility Commission, Bureau of Consumer Services, PO Box 3265, Harrisburg, PA  
5 17105-3265

6

7 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

8

9 A. In 1975, I graduated from Indiana University of Pennsylvania with a Bachelor of  
10 Science in Home Economics Education and in 1979; I received a Master of  
11 Education degree from the same university.

12

13 **Q. DESCRIBE YOUR EMPLOYMENT EXPERIENCE WITH THE PUBLIC**  
14 **UTILITY COMMISSION.**

15

16 A. I have been employed by the Commission for 27 years. I have worked for the  
17 Bureau of Consumer Services (BCS) for the last 23 years and have been in my  
18 present position as a Consumer Research Analyst since 1995. For the purposes of  
19 this proceeding, I have been assigned to the Office of Trial Staff. My primary  
20 responsibilities include assisting the Commission in the implementation of  
21 universal service programs pursuant to the Electric and Natural Gas Choice and  
22 Competition Acts and to meet its obligation to ensure that universal service

1 programs are available, affordable, appropriately funded, and operated efficiently.

2 I also serve as a member of the statewide Low Income Home Energy Assistance  
3 Program Advisory Committee to the Secretary of the Public Welfare for the  
4 Commonwealth of Pennsylvania.

5  
6 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

7  
8 A. The purpose of my testimony is to provide background analysis of the statistics  
9 compiled by the Bureau of Consumer Services (BCS) that are referenced in the  
10 Commission's Order in this instant proceeding at Docket No. P-00042090. The  
11 Order references the disparity between the costs of Philadelphia Gas Work's  
12 (PGW) universal service programs compared to combined universal service costs  
13 for the seven largest investor-owned natural gas utilities in Pennsylvania.

14  
15 **Q. IS THERE AN EXPLANATION FOR THE DISPARITY BETWEEN THE**  
16 **COSTS OF PHILADELPHIA GAS WORK'S UNIVERSAL SERVICE**  
17 **PROGRAMS COMPARED TO COMBINED UNIVERSAL SERVICE**  
18 **COSTS FOR THE SEVEN LARGEST INVESTOR-OWNED NATURAL**  
19 **GAS UTILITIES IN PENNSYLVANIA?**

20  
21 A. Yes. First, the non-means tested Senior Citizen Discount (SCD) is not a  
22 "universal service program" given (1) it does not conform with the definition of

1 “universal service and energy conservation” found in the Natural Gas Choice and  
2 Competition Act at 66 Pa. C.S. § 2202 , (2) the eligibility criteria for the SCD does  
3 not conform with the low income eligibility criteria contained in the  
4 Commission’s Policy Statement on Customer Assistance Programs at 52 Pa. Code  
5 § 69.265, and (3) the non-means tested SCD does not conform with the definition  
6 of “Low-income customer” in the Reporting Requirements for universal service  
7 and energy conservation at 52 Pa. Code § 62.2. To include SCD costs as a  
8 universal service cost is inappropriate given the definitions of universal service  
9 and low income customer.

10  
11 **Q. PLEASE DEFINE “UNIVERSAL SERVICE”.**

12  
13 A. Universal service is defined as “Policies, practices and services that help  
14 residential *low income* retail gas customers and other residential retail gas  
15 customers experiencing temporary emergencies, as defined by the Commission, to  
16 maintain natural gas supply and distribution services. The term includes retail gas  
17 customer assistance programs, termination of service protections and consumer  
18 protections that help residential *low income* customers and other residential  
19 customers experiencing temporary emergencies to reduce or manage energy  
20 consumption in a cost-effective manner, such as *low income* usage reduction  
21 programs and consumer education”. 66 Pa. C.S. § 2202. (Emphasis added). The

1 definition specifically states that universal service programs are intended to help  
2 low income customers.

3  
4 **Q. PLEASE DEFINE “LOW INCOME CUSTOMER”.**

5  
6 **A.** A low income customer, as it relates to universal service programs, is defined in  
7 the CAP Policy Statement and the Reporting Requirements for universal service  
8 and energy conservation. The pertinent provisions are shown immediately below:

9  
10 Low income customer - A residential utility customer whose annual  
11 household gross income is at or below 150% of the federal poverty  
12 income guidelines. 52 Pa. Code § 69.265(4).

13  
14 Low income customer - A residential utility customer whose gross  
15 household income is at or below 150% of the federal poverty  
16 guidelines. Gross household income does not include the value of  
17 food stamps or other noncash income. 52 Pa. Code § 62.2.

18  
19 **Q. WHAT ARE THE ELIGIBILITY CRITERIA FOR PGW’S SCD?**

20  
21 **A.** PGW’s tariff, at Gas Tariff – Pa. PUC No. 2, Original PGW. No. 72, provides for  
22 a SCD when a customer meets the following conditions:

- 1           • 65 years of age or older
- 2           • Resides in the City of Philadelphia
- 3           • Does or will make payment to the Company for gas service at his or her
- 4           residence
- 5           • Completes an acceptable application
- 6           • Maintains his or her qualification for SCD

7

8   **Q.    WHAT IS THE MAJOR DIFFERENCE IN THE ELIGIBILITY**  
9   **CRITERIA BETWEEN UNIVERSAL SERVICE PROGRAMS AND THE**  
10 **SCD?**

11

12       The major difference between the two programs is that the defining criterion for  
13       enrollment in PGW's non-means tested SCD is *age*, not income. The defining  
14       criterion for universal service programs is income. Because the non-means tested  
15       SCD does not require an applicant to reside in a low income household, as defined  
16       at 52 Pa. Code § 69.262 and 52 Pa. Code § 62.2, it is clearly inaccurate to view the  
17       non-means tested SCD as a universal service low income program as defined by  
18       the definition of universal service at 66 Pa. C.S. § 2202. Therefore, the  
19       \$20,000,000 in PGW's non-means tested SCD program costs cannot be considered  
20       a legitimate *universal service* cost. In light of this fact, an accurate review of  
21       PGW's universal service costs must exclude the program costs for the non-means

1 tested SCD. Therefore, for the purpose of this testimony, the SCD costs have been  
2 removed for the total universal service costs for PGW.

3  
4 **Q. WILL YOUR TESTIMONY COMMENT ON WHETHER OR HOW THE**  
5 **NON-MEANS TESTED SCD COSTS SHOULD BE RECOVERED?**

6  
7 No. To be clear, the purpose of this testimony is *not* to comment on whether or  
8 how the non-means tested SCD costs should be recovered. My testimony is  
9 intended to point out that the costs of this non-means tested assistance provided to  
10 senior citizens is not, by definition, a universal service cost. In light of this fact, it  
11 is not appropriate to include the non-means tested SCD program costs in an  
12 analysis of the level of PGW's universal service costs.

13  
14 **Q. DOES THE PRESENT PGW PROPOSAL TO HAVE A MEANS-TESTED**  
15 **SCD PROGRAM SATISFY THE DEFINITION OF LOW INCOME?**

16  
17 A. No. It does not satisfy the definition of low income.

18  
19 **Q. ARE THE DEMOGRAPHIC CONDITIONS OF PHILADELPHIA**  
20 **COMPARABLE TO THE DEMOGRAPHIC CONDITIONS IN ANY**  
21 **OTHER NATURAL GAS DISTRIBUTION COMPANY (NGDC) IN THE**  
22 **COMMONWEALTH?**

1 A. No. The 2000 US Census Data shows that 190,461 or 32% of the households in  
2 Philadelphia County have low incomes (incomes below 150% of the federal  
3 poverty guidelines).<sup>1</sup> PGW's service territory covers only Philadelphia County  
4 which has the highest percentage of low income households within the  
5 Commonwealth. By comparison, the Census Data shows that 19.8% of  
6 households in Allegheny County have low incomes. Allegheny County is the only  
7 other county in the Commonwealth to include a major metropolitan city; namely,  
8 Pittsburgh. However, comparing Pittsburgh and Philadelphia may not be  
9 appropriate because the difference in population is significant: Pittsburgh's  
10 population is 279,936 compared with Philadelphia's population of 1,436,694.

11

12 **Q. ARE YOU FAMILIAR WITH ANY EVALUATIONS THAT HAVE**  
13 **COMPARED A REGULATED UTILITY PROVIDING SERVICE IN**  
14 **PHILADELPHIA TO OTHER REGULATED UTILITIES' SERVICE**  
15 **TERRITORIES?**

16

17 A. Yes. PECO Energy, the electric distribution company (EDC) that serves the same  
18 Philadelphia territory as PGW, conducted an independent evaluation of its  
19 universal service programs. The evaluator cautioned that PECO should not be  
20 compared against other EDCs. The evaluator's reasons why PECO should not be

---

<sup>1</sup> US Census Data, Tables P88 and P93 of Census 2000 SF 3. Tabulation prepared by Penn State CSIS Project.

1 compared with other EDCs appear to be transferable reasons to help explain why  
2 PGW should not be compared with other NGDCs.

3  
4 **Q. PLEASE DESCRIBE THE REASONS THE EVALUATOR CAUTIONS**  
5 **AGAINST COMPARING A REGULATED UTILITY THAT PROVIDES**  
6 **UTILITY SERVICE IN PHILADELPHIA TO OTHER NGDCS.**

7  
8 A. *The Evaluation of the PECO Energy Delivery Company Universal Service*  
9 *Program (Evaluation)* devoted an entire chapter of the Evaluation to the problems  
10 of comparing PECO to other utilities because of the differences in the  
11 demographic territory, the service territory, and established programs vs. programs  
12 that are expanding by gradually increasing enrollment. The Evaluation suggests  
13 that “PECO should probably not be compared with other Pennsylvania utilities  
14 (except the Philadelphia Gas Works), but only to other major utilities serving  
15 cities of its approximate size.<sup>2</sup> The Evaluation provides the following summary of  
16 the comparison problem:

17  
18 PECO is a very large urban utility in one of the world’s great  
19 cities. By its nature, this makes comparisons with small or  
20 middle sized utilities with different kinds of service territories  
21 problematic. For Universal Service, comparisons are best made  
22 with similar very large utilities serving the great cities of the  
23 Northeast and East North Central US. There appear to be three

---

<sup>2</sup> Peach, H. Gil, Anne West, Howard Reichmuth, Marcia Lehman, Ryan Miller, and Ayla Cnaan, *Evaluation of the PECO Energy Delivery Company Universal Service Program*. Beaverton, Oregon: H. Gil Peach & Associates, 2003 Monograph 0303-1, January 2003. p. XXIII-1.

1 solutions: (1) Compare pieces of PECO universal service to  
2 other utilities, (2) Restrict comparison to New York City  
3 (ConEd) or Baltimore (Baltimore Gas & Electric) or perhaps  
4 Boston, (3) Compare PECO with itself and compare PECO  
5 practice against administrative goals.<sup>3</sup>  
6

7 **Q. IS IT APPROPRIATE TO APPLY THE EVALUATOR'S SAME**  
8 **RATIONALE ABOUT COMPARING PECO TO OTHER UTILITIES TO**  
9 **PGW?**

10  
11 A. Yes. The evaluator's reasons why PECO should not be compared with other  
12 EDCs appear to be transferable reasons to help explain why PGW should not be  
13 compared with other NGDCs. PECO provides electric service to Philadelphia  
14 County as well as electric and natural gas utility service to Bucks, Chester,  
15 Delaware, Montgomery Counties and parts of York County. However, PECO  
16 provides only electric service in Philadelphia County. Using Census data, PECO  
17 estimates that 16% of the households in their service territory have low incomes.  
18 Clearly, the demographic conditions in PGW's service territory are not only  
19 different from any other NGDCs operating in the Commonwealth, but also are  
20 considerably different from PECO because PECO's territory is not limited to  
21 Philadelphia County.  
22

---

<sup>3</sup> Ibid, p. XXIII-15

1 **Q. IS THERE AN EXPLANATION AS TO WHY PGW'S CUSTOMER**  
2 **RESPONSIBILITY PROGRAM (CRP)<sup>4</sup> ENROLLMENT IS ALMOST**  
3 **HALF THAT OF THE OTHER NGDCS COMBINED?**

4  
5 A. Yes. PGW compared with the other NGDCs has a significantly higher  
6 number of low income households in its service territory. The other  
7 NGDCs base estimates of low income households on US Census data. A  
8 third of low income natural gas customers in the Commonwealth live in  
9 PGW's service territory. The chart below shows a comparison between  
10 PGW and the other NGDCs. A weighted average for all NGDCs shows  
11 that 17% of households have low incomes compared with almost twice as  
12 many households (32%) in PGW's territory. The chart also shows that  
13 about half of the total numbers of customers enrolled in CAP are  
14 customers' of PGW. The fact that about half of the total numbers of  
15 customers enrolled in CAP are customers' of PGW is not surprising since  
16 PGW has more than twice as many low income customers as Columbia –  
17 the NGDC with the second highest number of low income households in its  
18 service territory. Moreover, PGW's CRP is an established program that  
19 was implemented in 1994 as an extension of the Energy Assistance  
20 Program pilot, compared with some of the NGDCs which are still enrolling  
21 and expanding their CAPs. On the basis of this information, PGW's higher

---

<sup>4</sup> The CRP is PGW's Customer Assistance Program

1 CAP Participation Rate can be attributed, in part, to PGW's conformance  
 2 with the intent expressed at 66 Pa. C.S. § 2203(8) that universal services are  
 3 to be appropriately funded and available in each NGDC's service territory.  
 4 Simply put, the need for a customer assistance program is significantly  
 5 greater in PGW's territory.  
 6

<b>2003 CAP Participation and % of Low Income Households</b>					
<b>NGDC</b>	<b>CAP Participants Enrolled as of 12/31/03</b>	<b>Number of Residential Customers</b>	<b>Estimate of Low Income Customers</b>	<b>Estimated % of Residential Customers with Low Incomes</b>	<b>CAP Participation Rate</b>
	<b>[1]</b>	<b>[2]</b>	<b>[3]</b>	<b>[4=3/2]</b>	<b>[5=1/3]</b>
Columbia	17,736	353,348	72,584	21%	24%
Dominion	9,092	322,795	68,188	21%	13%
Equitable	9,362	238,485	47,851	20%	N/A
NFG	7,560	189,654	42,802	23%	18%
PECO - Gas	14,585	418,464	34,307	8%	43%
PG Energy	1,403	139,384	29,284	21%	5%
UGI	4,053	262,816	39,930	15%	10%
<b>Total</b>	<b>63,791</b>	<b>1,924,946</b>	<b>334,946</b>		
<b>Weighted Average</b>				<b>17%</b>	<b>19%</b>
<b>PGW</b>	<b>56,745</b>	<b>487,998</b>	<b>153,796</b>	<b>32%</b>	<b>37%</b>

7 Data provided by other NGDCs pursuant to 52 Pa. Code § 62.5 to BCS.  
 8 Data verified by PGW at PGW Response to OTS-US-1 Interrogatory & USCensus Data.  
 9

10 **Q. ARE PGW'S CRP COSTS PER CRP PARTICIPANT SIGNIFICANTLY**  
 11 **OUT OF LINE WITH THE WEIGHTED AVERAGE COSTS OF THE**  
 12 **OTHER NGDCS?**

1 A. No. PGW verified in its response to OTS-1 Interrogatory that program costs for  
2 2003 were \$39.1 million for 53, 193 CAP participants – an average CRP cost of  
3 \$737. An average participant’s costs for a CRP customer are \$737 compared with  
4 the weighted average CAP costs of the other NGDCs of \$625. The table below  
5 shows the average CAP participant cost by NGDC. The disparity in average CAP  
6 costs per CAP participant among the NGDCs is mainly attributed to the difference  
7 in CAP credits among NGDCs. The Commission defines average CAP credits as  
8 the total amount of the difference between the standard billed amount and the CAP  
9 billed amount divided by the average monthly number of CAP participants.  
10 Average CAP credits will fluctuate due to several factors: (1) customers may  
11 have different payment plans (bill discounts or percent of income payments);  
12 (2) changes in rates due increases/decreases in gas cost rates; and (3) the  
13 distribution of income levels among program participants.

NGDC	Total Gross CAP Costs	Average CAP Enrollment	Average Gross Program Costs per CAP Customer
			2003
	[1]	[2]	[3 = 1/2]
Columbia*	\$14,557,056	15,613	\$932
Dominion Peoples	\$3,363,454	8,647	\$389
Equitable	\$6,280,965	9,372	\$670
PECO	\$3,236,087	6,947	\$466
NFG	\$7,197,123	13,599	\$529
PG Energy	\$430,366	1,482	\$290
UGI	\$926,753	1,957	\$474
<b>Total</b>	<b>\$35,991,804</b>	<b>57,617</b>	
<b>Weighted Average</b>			<b>\$625</b>
<b>PGW</b>	<b>\$39,195,506</b>	<b>53,193</b>	<b>\$737</b>

2 \*In 2003, Columbia's auditors made a decision to write off all the preprogram arrearages.  
3 In 2003, Columbia's arrearage write-off is significantly larger than previous years due to  
4 a historical asset write-off on balance sheet. If the historical asset of \$7,312,028 is  
5 removed, Columbia's total CAP costs would be \$14,557,056, resulting in an average cost  
6 per residential customer of \$45 and an average CAP participant cost of \$932. The \$7.3  
7 million charge off has been removed for this analysis.

8  
9 Data provided by other NGDCs pursuant to 52 Pa. Code § 62.5 to BCS.

10 Data verified by PGW at PGW Response to OTS-US-1 Interrogatory.

1 **Q. CAN PGW'S UNIVERSAL SERVICE COSTS BE ATTRIBUTED MORE**  
2 **TO ONE UNIVERSAL SERVICE COMPONENT OR PROGRAM THAN**  
3 **ANY OF THE OTHER COMPONENTS?**

4

5 A. Yes, 95% of PGW's universal service costs are CAP (CRP) costs.

6

7 **Q. IS THIS COMPARABLE WITH COSTS FOR THE OTHER NGDCS?**

8

9 A. Yes, the chart below shows that CAP spending comprises a weighted average of  
10 86.3% of the total universal service spending.

### 2003 Universal Service Spending

Utility	Total CAP Spending	CAP as a % of Total	Total LIURP Spending	LIURP as a % of Total	Total Hardship Fund Spending**	Hardship Fund as a % of Total	Total Universal Service Costs
	[1]	[2=1/7]	[3]	[4=3/7]	[5]	[6]	[7=1+3+5]
Columbia*	\$14,557,056	91.4%	\$1,369,822	8.6%	\$0	0.00%	\$ 15,926,878
Dominion Peoples	\$3,363,454	83.4%	\$610,058	15.1%	\$60,000	1.49%	\$ 4,033,512
Equitable	\$6,280,965	91.1%	\$610,054	8.9%	\$0	0.00%	\$ 6,891,019
NFG	\$3,236,087	71.5%	\$1,289,497	28.5%	\$0	0.00%	\$ 4,525,584
PECO - Gas	\$7,197,123	89.2%	\$875,000	10.8%	\$0	0.00%	\$ 8,072,123
PG Energy	\$430,366	51.3%	\$409,247	48.7%	\$0	0.00%	\$ 839,613
UGI-gas	\$926,753	66.1%	\$474,433	33.9%	\$0	0.00%	\$ 1,401,186
<b>Sub Total</b>	<b>\$35,991,804</b>		<b>\$5,638,111</b>		<b>\$60,000</b>		<b>\$ 41,689,915</b>
Weighted Average		86.3%		13.5%		0.14%	
PGW ***	\$39,195,506	94.6%	\$1,980,000	4.8%	\$245,000	0.59%	\$ 41,420,506

2

3 \*In 2003, Columbia's auditors made a decision to write off all the preprogram arrearages. In 2003,  
 4 Columbia's arrearage write-off is significantly larger than previous years due to a historical asset write-  
 5 off on balance sheet. If the historical asset of \$7,312,028 is removed, Columbia's total CAP costs would  
 6 be \$14,557,056, resulting in an average cost per residential customer of \$45 and an average CAP  
 7 participant cost of \$932. The \$7.3 million charge off has been removed for this analysis.

8

9 \*\*Data provided by other NGDCs pursuant to 52 Pa. Code § 62.5 to BCS.

10 \*\*\*PGW provides voluntary universal service data to BCS compared with the other NGDCs who submit  
 11 data pursuant to 52 Pa. Code § 62.5.

12

13 **Q. IN YOUR OPINION, WHY ARE PGW'S TOTAL CAP OR CRP COSTS**  
 14 **HIGHER THAN THE OTHER NGDC'S TOTAL CAP COSTS?**

15

16 A. In my opinion, PGW's total CRP costs are higher than the other NGDC's CAP  
 17 costs due to the number of customers enrolled in the program rather than excessive  
 18 program costs per participant.

1 Because 95% of PGW's universal service costs are attributable to CAP costs, this  
2 analysis focuses on CAP costs. On average, the other NGDCs have enrolled 3%  
3 of their residential customers in CAP compared with 11.23% in PGW's CRP.  
4 Exhibit # 3, Schedule 1 shows average CAP costs per residential customers if all  
5 companies enrolled 11.23% of their residential customers in CAP. Costs per  
6 residential customer will increase as enrollment increases because the CAP credits  
7 or shortfall increases with each participant. Because about a third of households in  
8 PGW's service territory have low incomes, PGW logically must have a larger  
9 program than the other NGDCs to comply with the intent of 66 Pa. C.S. § 2203(8).

10  
11 **Q. IS THE DESIGN OF PGW'S CRP CONSISTENT WITH THE**  
12 **COMMISSION'S CAP POLICY STATEMENT ON CUSTOMER**  
13 **ASSISTANCE PROGRAMS (CAP POLICY STATEMENT) PURSUANT**  
14 **TO 52 PA. CODE § 69.262-267?**

15  
16 **A.** Generally, yes. In its Restructuring filing at Docket No. M-00021612, the  
17 Commission approved the following changes to PGW's CRP that resulted in  
18 compliance with the Commission's CAP Policy Statement:

- 19  
20 • PGW revised the income eligibility criterion from 135% to 150% of the  
21 federal poverty guidelines

- 1           • PGW revised most CRP budgets from 7.35% of a household's income to  
2           8% to 10% of a household's income. 52 Pa. Code § 69.265(2)((i).
- 3           • PGW decreased minimum payment from \$30 to \$18. 52 Pa. Code §  
4           69.265(3)(i)(A).
- 5           • PGW implemented a functional arrearage forgiveness component. 52 Pa.  
6           Code § 60.265(6)(ix).
- 7           • PGW established an arrearage forgiveness copayment of \$3
- 8           • PGW eliminated its LIHEAP penalty
- 9           • PGW eliminated its excess usage charge. PGW excess usage charge was  
10          considerably different from the maximum CAP credit provided for at 52 Pa.  
11          Code § 69.265(3)(v)(A). The Commission's Policy Statement and  
12          Guidelines on Customer Assistance Programs provides that consumption  
13          limits are intended to discourage a household from enrolling in a customer  
14          assistance program and then increasing their usage beyond the *household's*  
15          historical average usage. In contrast, PGW's excess usage charge was  
16          directed at every household whose usage exceeds a class average.
- 17          • PGW eliminated the 5% down payment as a condition of enrollment in  
18          CRP. The Policy Statement does not provide for a down payment as a  
19          condition of enrollment.
- 20          • PGW eliminated its 12 month stay out provision. The Policy Statement  
21          does not provide for a stay out provision.

1 **Q. HAVE YOU REVIEWED ANY EVALUATIONS RELATING TO PGW'S**  
2 **UNIVERSAL SERVICE PROGRAMS?**

3  
4 A. Yes, in preparation for filing a restructuring plan with the Commission that  
5 included universal service programs, PGW hired an independent evaluator to  
6 compare PGW's universal service programs to the Commission and to make  
7 recommendations for changes to ensure PGW's universal service programs are  
8 consistent with the Commission's universal service policies and regulations. The  
9 report entitled, *Philadelphia Gas Works Universal Service Programs: Pathways to*  
10 *Compliance (Report)*, provides projected costs for PGW to bring its universal  
11 service programs into compliance with the Commission's policies and regulations.  
12 PGW included that Report as Supporting Documentation of Prepared Direct  
13 Testimony of Cristina Coltro, Volume I(B) at Commission Docket No.  
14 M-00021612.

15  
16 **Q. DID THE REPORT MAKE ANY RECOMMENDATIONS FOR PGW TO**  
17 **REDUCE CRP COSTS?**

18  
19 A. Yes. The Report recommended two areas that PGW should explore to reduce  
20 CRP costs: reduce administrative costs and tighten the procedures for collection.  
21 The report recommended that PGW recertify CRP customers every two years  
22 instead of every year, and accept receipt of DPW benefits as proof of income for

1       recertification. PGW's collection procedures for missed CRP payments provided  
2       for more than 100 days to complete the process. PGW implemented the Report's  
3       recommendation to reduce the collection process to no more than 50 days to  
4       comply with Commission policies.<sup>5</sup>

5  
6       With respect to the cost effectiveness and management of PGW's universal  
7       service program, Section 2203(8) requires the Commission to ensure that  
8       programs are operated in a cost-effective manner. The Universal Service  
9       Reporting Requirements provide that each NGDC shall select an independent  
10      evaluation to conduct an impact evaluation of its universal service programs and  
11      report its findings and recommendations to the Commission and the NGDC. 52  
12      Pa. Code § 62.6. An independent evaluator is to answer the specific question,  
13      "How can universal service programs be more cost effective and efficient?". An  
14      obvious cost-effective improvement that is noted above is the change PGW has  
15      made to its CRP collection (decreasing collection activity from 100 days to 50  
16      days). Given the recent changes in both program design and implementation  
17      noted above, it is appropriate to view PGW's revised CRP as more cost effective  
18      and better managed than it was prior to restructuring. To help ensure that the  
19      Commission is fulfilling its oversight obligation at § 2203(8), PGW should be  
20      directed to conduct an impact evaluation completed by an independent third-party

---

<sup>5</sup> Ibid, pp. 63-67.

1           during the calendar year 2005. Upon completion, PGW should be directed to  
2           submit the evaluation to the Commission for review.

3

4   **Q.   DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

5

6   **A.   Yes.**

**OTS Exhibit No. 3  
Witness: Janice K. Hummel  
Date: June 28, 2004**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**v.**

**PHILADELPHIA GAS WORKS**

**Docket No. M-00021612  
P-00042090  
R-00049157  
P-00032061**

**Exhibit 1 to Accompany Direct Testimony**

**of**

**Janice K. Hummel  
Office of Trial Staff**

**Concerning:**

**PGW's Universal Service Programs Compared with Other NGDCs Universal  
Service Programs**

OTS Exhibit No.3  
Schedule 1

2003 Average Annual CAP Costs per # of Residential Customers at Enrollment of 11.23%

Utility	Total Gross CAP Costs	Average Number of CAP Participants	Average Annual CAP Cost per Average # CAP Customers	Average Number of Residential Customers	% of Residential Customers Enrolled in CAP	Average Annual CAP Costs per # of Residential Customers at Enrollment of 11.23%	Average Annual CAP Costs at Current CAP Enrollment Levels
[1]	[2]	[3]	[4]	[5]	[6=3/5]	[7=(5*.1115)*(4/5)]	[8=2/5]
Columbia*	\$14,557,056	15,613	\$932	353,348	4.42%	\$104	\$41
Dominion Peoples	\$3,363,454	8,647	\$389	322,795	2.68%	\$43	\$10
Equitable	\$6,280,965	9,372	\$670	238,485	3.93%	\$75	\$26
NFG	\$3,236,087	6,947	\$466	189,654	3.66%	\$52	\$17
PECO - Gas	\$7,197,123	13,599	\$529	418,464	3.25%	\$59	\$17
PG Energy	\$430,366	1,482	\$290	139,384	1.06%	\$32	\$3
UGI-gas	\$926,753	1,957	\$474	262,816	0.74%	\$53	\$4
Total	\$35,991,804	57,617		1,924,946			
Weighted Average			\$625		2.99%	\$70	\$19
PGW ***	\$39,195,506	53,193	\$737	476,955	11.15%	\$83	\$82

\*In 2003, Columbia's auditors made a decision to write off all the preprogram arrearages. In 2003, Columbia's arrearage write-off is significantly larger than previous years due to a historical asset write-off on balance sheet. If the historical asset of \$7,312,028 is removed, Columbia's total CAP costs would be \$14,557,056, resulting in an average cost per residential customer of \$45 and an average CAP participant cost of \$932. The \$7.3 million charge off has been removed for this analysis.

Data provided by other NGDCs pursuant to 52 Pa. Code § 62.5 to the Commission's Bureau of Consumer Services (BCS)

Data verified by PGW at PGW Repsonse to OTS-US-1 & OTS-CD-1.

OTS Statement No. 4  
Witness: Daniel J. Mumford  
Date: June 28, 2004

*7/6/04 Phila  
DX*

DOCUMENT

PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

PHILADELPHIA GAS WORKS

Docket No. M-00021612  
P-00042090  
R-00049157  
P-00032061

DOCKETED

JUL 13 2004

Direct Testimony

of

Daniel J. Mumford  
Office of Trial Staff

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Concerning:

PGW's Proposed Revisions to Chapter 56 of Title 52 of the Pa. Code

1 **Q. PLEASE STATE YOUR FULL NAME AND BUSINESS ADDRESS.**

2

3 A. My name is Daniel J. Mumford. My business address is Pennsylvania  
4 Public Utility Commission (Commission), Bureau of Consumer Services  
5 (BCS), PO Box 3265, Harrisburg, PA 17105-3265

6

7 **Q. WHAT IS YOUR EDUCATIONAL BACKGROUND?**

8

9 A. I graduated from Mansfield University of Pennsylvania with a Bachelor of  
10 Arts in Political Science and a Master of Public Administration degree from  
11 Shippensburg University of Pennsylvania.

12

13 **Q. WHAT IS YOUR JOB TITLE AT THE COMMISSION?**

14 A. My current job title is Fixed Utility Program Specialist in the Bureau of  
15 Consumer Services. For the purposes of this proceeding, I have been  
16 assigned to the Office of Trial Staff.

17

18 **Q. HOW LONG HAVE YOU WORKED FOR THE COMMISSION?**

19 A. I have been employed by the Commission for 14 years.

20

21 **Q. WHAT DUTIES DO YOU CURRENTLY ROUTINELY PERFORM**  
22 **IN YOUR JOB AT THE COMMISSION?**

1 A. My primary responsibilities include informal compliance and case  
2 evaluation activities. This consists of reviewing and responding to utility  
3 infraction denials and requests for clarifications to BCS' informal  
4 compliance notifications; and maintain records of such for reporting  
5 purposes. I also coordinate BCS case evaluation activities.

6

7 **Q. WHAT IS THE PURPOSE OF YOUR DIRECT TESTIMONY?**

8 A. The purpose of my testimony is to illustrate the reasons why the revisions  
9 to Chapter 56 of Title 52 of the Pa. Code proposed by Philadelphia Gas  
10 Works (PGW) should be rejected.

11

12 **Q. WHAT IS CHAPTER 56 OF TITLE 52 OF THE PA. CODE AND**  
13 **WHAT IS ITS PURPOSE?**

14

15 A. Chapter 56 of Title 52 of the Pa. Code, commonly referred to as "Chapter  
16 56," are the Standards and Billing Practices for Residential Utility Service.  
17 These regulations are applicable to all regulated electric, gas and water  
18 utilities in the Commonwealth. The purpose and policy of the Chapter 56  
19 Standards and Billing Practices for Residential Utility Service is to  
20 establish and enforce "uniform, fair and equitable residential utility service  
21 standards governing eligibility criteria, credit and deposit practices, and  
22 account billing, termination and customer complaint procedures." The

1 chapter assures adequate provision of residential utility service, restricts  
2 unreasonable termination of or refusal to provide that service, and provides  
3 functional alternatives to termination of residential service. 52 Pa. Code  
4 §56.1.

5  
6 **Q. WHAT CRITERIA MUST BE MET BY ANY WAIVER OF**  
7 **CHAPTER 56?**

8  
9 A. A waiver of any provision of Chapter 56 granted to PGW must meet the  
10 following criteria:

11  
12 All requests for waiver of a Chapter 56 standard must demonstrate that the  
13 proposed alternative procedure will, at a minimum, maintain the same level  
14 of quality of customer services. This is necessary given language at  
15 Section 2206(a) of the Natural Gas Choice and Competition Act that  
16 requires that Chapter 56 consumer protections standards are to be  
17 maintained at or above the same level of quality under retail competition as  
18 in existence on July 1, 1999, the effective date of the Act. 66 Pa.C.S.A.  
19 §2206(a).

20 Additionally, pursuant to the Commission Order entered June 2, 2004  
21 initiating the instant investigation into financial and collections issues  
22 regarding Docket Nos. P-00042090; R-00049157; M-00021612, and

1 P-00032061), any requests by PGW for waiver of Chapter 56 provisions  
2 must propose the duration of the waiver, the alternative procedure that  
3 would replace the waived standard, and explain how the alternative  
4 procedure adequately balances consumer protection rights with PGW's  
5 financial integrity. The pertinent part of the Order reads as follows:

6  
7 In a waiver petition, PGW should propose the duration of the  
8 waiver, as well as an alternative standard or procedure that  
9 would apply in place of those contained in the regulations. It  
10 is PGW's responsibility to explain in such a petition how the  
11 alternative standard or procedure adequately balances  
12 consumer protection rights with PGW's financial integrity.  
13 See 52 Pa. Code §§5.43 and 56.222. (p.5, footnote 2).

14  
15 Moreover, any requests by PGW for waiver of Chapter 56  
16 provisions must show the "unreasonable hardship" that PGW  
17 would incur from compliance with the provisions for which  
18 PGW seeks exemption. Section 56.222 of the Chapter 56  
19 Standards and Billing Practices for Residential Utility Service  
20 provides for application for modification or temporary  
21 exemption of a Chapter 56 provision if "unreasonable  
22 hardship to a person or to a utility results from compliance  
23 with a section in this chapter." 52 Pa. Code §56.222.

24  
25  
26 **Q. HAS PGW MET THE BURDENS DESCRIBED ABOVE IN THEIR**  
27 **WAIVER REQUEST?**

28 A. No. PGW has not submitted sufficient information that the regulations at  
29 52 Pa. Code §56 are the cause of undue hardship for the utility. The  
30 company has only had to comply with these regulations since September 1,  
31 2003, and no data has been provided indicating that it is the regulations that

1 are posing difficulties for the utility as opposed to other possible  
2 explanations. For example, other possible explanations not mentioned by  
3 the utility include the numerous and well documented problems that  
4 resulted from the company's installation of a new customer information  
5 system a few years ago which resulted in billing problems, collection  
6 delays, numerous estimated bills, call center access problems, etc.

7  
8 It appears that the goal of these proposals is to allow PGW to terminate  
9 service at such a pace that they need extraordinary reductions in the  
10 Chapter 56 protections to facilitate such. This appears to conflict with one  
11 of the fundamental purposes of Chapter 56; the utilization of functional  
12 alternatives to termination (52 Pa. Code §56.1.). PGW also provides no  
13 information supporting the supposition that increased termination activity  
14 will lead to increasing levels of customer payments. Will customer  
15 payment levels somehow increase, or will just more customers end up  
16 without heating service because they do not have the means to get service  
17 restored? The economic demographics of PGW's customer base must be  
18 considered when addressing these questions. To what extent is an  
19 economically disadvantaged family living in Philadelphia going to be able  
20 to attain the cash PGW wants, regardless of termination threats?

1 It is impossible not to conclude that these waiver requests, if granted, will  
2 not, at a minimum, maintain the same level of quality of customer services.  
3 This is contrary to the language at Section 2206(a) of the Natural Gas  
4 Choice and Competition Act that requires that Chapter 56 consumer  
5 protections standards are to be maintained at or above the same level of  
6 quality under retail competition as in existence on July 1, 1999, the  
7 effective date of the Act. 66 Pa.C.S.A. §2206(a).

8  
9 **Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY'S**  
10 **PROPOSAL NUMBER 2 FROM APPENDIX B RE: 52 PA. CODE**  
11 **§56.32, CREDIT STANDARDS?**

12  
13 A. 52 Pa. Code §56.32 are the credit standards that determine if an applicant  
14 for utility service needs to pay a security deposit before obtaining service.  
15 PGW has proposed revisions to allow them to require deposits "from new  
16 and continuing customers." A flat turn-on deposit fee would be required  
17 for all new customers. Moreover, all customers that have had service  
18 terminated and are requesting restoration would have to pay in full the  
19 deposit before service would be restored. This waiver request should be  
20 denied since it fails to reflect adherence to §2206(a) in that it would fail to  
21 maintain the credit-related consumer protections at the same level of quality

1 under retail competition as in existence on July 1, 1999, the effective date  
2 of the Act. 66 Pa.C.S.A. §2206(a).

3  
4 Currently, pursuant to 52 Pa. Code §56.31, “[D]eposit policies shall be  
5 based upon the credit risk of the individual applicant or ratepayer rather  
6 than the credit history of the affected premises or the collective credit  
7 reputation or experience in the area in which he lives and without regard to  
8 race, sex, age over 18, national origin or marital status.” The proposal  
9 would eliminate "individual" determinations and replace it with a general,  
10 blanket requirement. However, since PGW has not requested a waiver of  
11 §56.31, it is difficult to reconcile what PGW is proposing with the  
12 requirements of §56.31. If this request is granted, it could create the  
13 appearance that credit and deposit policies are indeed being based on the  
14 “collective credit reputation or experience in the area” and, especially when  
15 compared with such policies in the rest of the Commonwealth, could result  
16 in defacto redlining or at least the appearance of such.

17  
18 Also, since most applicants demonstrate satisfactory credit, a flat turn-on  
19 deposit fee is likely to generate numerous complaints as it did prior to 1984  
20 when Bell Telephone implemented a tariff rule requiring deposits as a  
21 condition of service. The residential telephone service regulations at 52 Pa.

1 Code Chapter 64, §64.32 eliminated the flat turn-on deposit fee and  
2 replaced it with credit standards similar to those at §56.32.

3  
4 It must also be noted that utilities currently have the right to require  
5 security deposits from existing and terminated ratepayers (§56.41). PGW  
6 failed to present any information indicating why the opportunities for  
7 securing deposits under the provisions of §56.41 are not adequate and why  
8 they present a hardship for the utility.

9  
10 Another dramatic change to credit and deposit policies is again replacing  
11 individual determinations with blanket requirements when calculating the  
12 amount of security deposits. Currently, per §56.51, security deposit  
13 amounts are based on the individual consumer's usage or expected usage.  
14 The deposit amount is limited to two-months of average service for gas  
15 utility consumers. Despite not requesting a waiver of §56.51, PGW's  
16 proposal would sweep these individual determinations aside and replace  
17 them with a set amount based on type of account (heating / non-heating)  
18 and time of year (heating season / non-heating season). These amounts  
19 supposedly reflect the system-wide average of 2 months of billing. This  
20 means consumers that use less than average will be paying higher deposits  
21 than they would currently be expected to pay; inversely, consumers who  
22 use more than average would be paying less.

1 It is also not apparent why the deposit amounts required vary based on the  
2 time of year. A consumer applying for service in the summertime is very  
3 possibly still going to be connected to the gas system in the winter for  
4 heating purposes, and thus will receive typical winter heating bills. But  
5 simply because the applicant applied before October 1, the amount of the  
6 deposit required will be half what applicants after October 1 will pay.  
7 PGW also offers no rationale for requiring higher deposit amounts from  
8 non-heating consumers in the winter-time. If these customers are not  
9 heating their homes with gas, why should the deposit amount be higher in  
10 the winter?

11  
12 PGW does specify that these deposit requirements will not apply to CRP  
13 customers. However, it is important to note that not all low-income  
14 consumers (income levels one and two) are in the CRP program, and that  
15 CRP enrollment is not automatic upon application of service. In addition,  
16 PGW has noted that they will be proposing changes to their CRP program  
17 in the future. As a result, even under the current CRP program, there will  
18 be low-income consumers that will be expected to pay deposits, and given  
19 possible future changes to CRP, this number could change in ways that  
20 cannot currently be predicted. Historically, the Commission has urged  
21 utilities to refrain from requiring security deposits from low income  
22 consumers. In cases where a customer has a limited income, the taking of a

1 deposit may result in that customer's ability to pay being jeopardized, and  
2 thus exacerbate, rather than reduce, the potential that serious payment  
3 problems will develop. (June 20, 1985 PUC Secretarial Letter attached as  
4 OTS Exhibit No. 4, Schedule 1). Requiring deposits from low income  
5 consumers also increases the risk that more consumers will enter the winter  
6 heating service without utility service simply because they were unable to  
7 come up with a \$500.00 security deposit. It also has to be noted that  
8 LIHEAP assistance grants cannot go toward the payment of security  
9 deposits. The LIHEAP regulations provide for the types of crisis benefits  
10 at 55 Pa. Code §601.62 and defines the cash component at 55 Pa. Code  
11 §601.4. Neither of these provisions includes payment of a security deposit.

12  
13 Of concern also is the possibility that PGW may, under this proposal,  
14 require deposits from existing consumers who are merely transferring  
15 service from one location to another. This concern is caused by the use of  
16 the phrase "...require deposits from new and continuing customers." (page  
17 B-1 of Appendix B). The term "continuing" customers is unclear and not  
18 defined, and could be taken to mean practically all customers, including  
19 those that are simply transferring service to a new location. §56.2,  
20 Definition of a Ratepayer and §56.16 specify that ratepayers transferring  
21 service from one location to another within 60 days are still ratepayers and

1 cannot be treated as an applicant. PGW has not requested a waiver of these  
2 provisions.

3  
4 **Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY'S**  
5 **PROPOSAL NUMBER 3 FROM APPENDIX B RE: 52 PA. CODE**  
6 **§56.35, PAYMENT OF OUTSTANDING BALANCE?**

7  
8 A. 52 Pa. Code §56.35 prohibits a utility from requiring an applicant, as a  
9 condition for providing service, to pay for service furnished under an  
10 account in the name of a person other than the ratepayer, unless a court,  
11 district justice or administrative agency has determined that the applicant is  
12 legally obligated to pay for the service previously furnished. The proposal  
13 is to allow PGW to require the payment of an outstanding account under a  
14 different residential name if the applicant lived at that address during the  
15 time in question.

16  
17 During the 1998 Rulemaking to Rescind Obsolete Regulations Regarding  
18 Telephone and Residential Telephone Standards (Docket No. L-00960113),  
19 revisions similar to what PGW is requesting were included. The proposed  
20 provision was published for comment but eliminated by the Commission in  
21 the *final rulemaking* in response to comments from the Office of Consumer  
22 Advocate (OCA), the Majority Chairman of the House Consumer Affairs

1 Committee, and the Independent Regulatory Review Commission (IRRC).

2 The concerns expressed by the commentators included privacy concerns,  
3 failure to define the term “household,” allowing utilities the unprecedented  
4 advantage of independently determining that one party is responsible for a  
5 debt that accrued under an account in another party’s name, allowing  
6 utilities to dictate living arrangements by restraint of service, and the  
7 possible impact on the volume of complaints to the Commission about  
8 liability issues.

9  
10 Based on the action taken by the Commission when a similar request was  
11 rejected during the most recent fully litigated review of customer service  
12 regulations, it is reasonable to conclude that this waiver request should be  
13 rejected. In addition, concerns remain with the volume of complaints to  
14 both the informal and formal levels changes to this provision would  
15 generate, and could in effect turn the PUC formal and informal levels into  
16 defacto public magistrates offices.

17  
18 **Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY’S**  
19 **PROPOSAL NUMBER 4 FROM APPENDIX B RE: 52 PA. CODE**  
20 **§56.38, PAYMENT PERIOD FOR DEPOSITS BY APPLICANTS?**

21 A. 52 Pa. Code §56.38 is the provision that currently allows the following  
22 payment period of Deposits: 50% up front; then 25% in the first bill and the

1 final 25% in the second bill. The PGW proposal would eliminate this  
2 timeframe and require that 100% of the deposit would have to be paid up-  
3 front before service is provided. This proposal would clearly diminish the  
4 quality of consumer protections, especially for lower income customers,  
5 which would be inconsistent with the language at Section 2206(a) of the  
6 Natural Gas Choice and Competition Act that requires Chapter 56  
7 consumer protections standards to be maintained at or above the same level  
8 of quality under retail competition as in existence on July 1, 1999, the  
9 effective date of the Act. 66 Pa.C.S.A. §2206(a). As noted in the above  
10 comments in response to request number 2, while PGW may not require  
11 CRP customers to pay security deposits, not all low income customers are  
12 in CRP. As a result, some low income consumers will be required to pay  
13 all of a deposit before establishing service or getting service restored.

14  
15 The rationale behind this proposal is somewhat unclear since under current  
16 regulations, non-payment of a security deposit is grounds for terminate  
17 §56.81(2)). So if a customer pays half a deposit to get service turned on,  
18 then fails to pay the remaining parts of the deposit, the company can  
19 terminate service. Given this fact, it is unclear just what the undue  
20 hardship the company experiences with the current regulations.

1 **Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY'S**  
2 **PROPOSAL NUMBER 5 FROM APPENDIX B RE: 52 PA. CODE**  
3 **§56.82, DAYS TERMINATION OF SERVICE IS PROHIBITED?**

4  
5 A. 52 Pa. Code §56.82 prohibits termination of service on Fridays. Waiver of  
6 this regulation cannot eliminate the statutory requirement at 66 Pa.C.S.A.  
7 §1503(a)(1) which prohibits termination of utility service on a Friday,  
8 Saturday or Sunday. Moreover, allowing termination to occur on these  
9 days would represent a diminishment of the quality of the customer service  
10 protections and therefore prohibited by 66 Pa.C.S.A. §2206(a). In my  
11 opinion, the legislature had it correct the first time when it mandated that  
12 Friday's were off limits for termination. While we recognize that PGW  
13 contends that the Commission has the authority to waive certain statutory  
14 provisions as they apply to PGW, the prudence of such an action is  
15 questionable given the health and safety issues involved.

16  
17 PGW contends that expanded banking hours, ATMs, etc. has made it easier  
18 for consumers to access cash on Fridays and weekends. While this may be  
19 true, there are other resources and options that are still not available on  
20 weekends. Community based organizations and charities may not be open  
21 on weekends to provide possible assistance. PUC offices are not open to  
22 facilitate the filing of and investigation of complaints. This is especially

1 relevant in situations where the consumer is claiming that the service was  
2 terminated in error. Doctor offices are often not open on Saturdays in case  
3 the customer has a medical emergency for which they need a medical  
4 certificate to get service restored. This narrowing of options available to a  
5 terminated consumer is a clear diminishment of consumer protections,  
6 contrary to 66 Pa. C.S.A. §2206(a).

7  
8 PGW also contends that they will have office hours and personnel available  
9 on Saturdays. However, they do not include the costs of these extended  
10 operational hours when calculating the gain of \$2.5 million that this change  
11 would provide (Appendix A, page 13). PGW does not currently offer  
12 Saturday customer service hours.

13  
14  
15 **Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY'S**  
16 **PROPOSAL NUMBER 6 FROM APPENDIX B RE: 52 PA. CODE**  
17 **§56.83, UNAUTHORIZED TERMINATION OF SERVICE?**

18  
19 **A.** PGW proposes altering this section (subsections 4 and 8) to permit  
20 termination of service for nonpayment of charges that had been furnished in  
21 the names of persons other than the ratepayer. This change is in  
22 conjunction with the changes requested and discussed in item number 3.

1 It is not clear if these proposals would allow the utility to terminate service  
2 to existing ratepayers who the company determines should be held  
3 responsible for service previously provided in another person's name from  
4 an unspecified time period (in effect, retroactively applying the abilities  
5 they are seeking in their §56.35 waiver)?

6  
7 PGW is also proposing altering subsection 11 to permit termination even in  
8 cases where the company has a deposit on hand that is within \$25 of the  
9 account balance. It is not clear why it is a hardship for PGW not to  
10 terminate accounts for which they are holding a deposit sufficient to cover  
11 the past-due arrears. It would seem preferable that PGW focus their limited  
12 collection resources on other delinquencies for which they have no security  
13 to protect them against loss.

14  
15 **Q. DO YOU HAVE ANY OTHER CONCERNS WITH THIS SPECIFIC**  
16 **PROPOSAL (NUMBER 6 FROM APPENDIX B RE: 52 PA. CODE**  
17 **§56.83, UNAUTHORIZED TERMINATION OF SERVICE?)?**

18  
19 Re: subsection 8: it appears that the word "city" has been accidentally  
20 omitted from in front of the term "natural gas distribution operation" in the  
21 second line of this proposed subsection.

1 Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY'S  
2 PROPOSAL NUMBER 7 FROM APPENDIX B RE: 52 PA. CODE  
3 §56.94, PROCEDURES IMMEDIATELY PRIOR TO  
4 TERMINATION?  
5

6 A. 52 Pa. Code §56.94 states that immediately preceding the termination of  
7 service, the company "...shall attempt to make personal contact with a  
8 responsible person..." PGW's proposal is to replace the word "shall" with  
9 "may." This change in language appears to be an attempt to make this  
10 section meaningless and to eliminate the personal contact requirement.  
11 Personal contact would be left entirely at the discretion of the utility, and  
12 PGW offers no guidance as to when and under what conditions it would  
13 exercise this discretion. Moreover, dispensing with personal contact prior  
14 to termination would represent a diminishment of the quality of the  
15 customer service protections and therefore prohibited by 66 Pa.C.S.A.  
16 §2206(a).

17  
18 If no personal contact is made at the time of termination, then the ratepayer  
19 will have no opportunity to exercise their options found in subsection 1 and  
20 2 of this section (presenting evidence of payment, informing the company  
21 of a medical condition, offering payment if company accepts payment).  
22 Instead, the service will simply be terminated, and the customer and

1 company will have to deal with any such disputes or medical conditions  
2 afterwards, possibly necessitating another visit to the premise to restore  
3 service. The possible impacts on health and safety are obvious.

4  
5 The company's proposals numbers 12 and 13 must be taken into  
6 consideration in conjunction with this request. Proposals 12 and 13 would  
7 give the company 7 days to restore terminated service (months of April –  
8 November). When all of these proposals are considered together, it appears  
9 possible that a customer could pay the termination amount, but be  
10 terminated accidentally, then wait seven days to have service restored.

11  
12 **Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY'S**  
13 **PROPOSAL NUMBER 8 FROM APPENDIX B RE: 52 PA. CODE**  
14 **§56.95, DEFERRED TERMINATION WHEN NO PRIOR CONTACT**  
15 **(48-HOUR NOTICE)?**

16  
17 **A.** The proposal would allow PGW to terminate service to a residence without  
18 first attempting to contact a responsible adult occupant at the time of  
19 termination (also see proposal 7). PGW stipulates that they would still be  
20 making personal contact per §56.93 (3-day personal contact). However, it  
21 is important to point out that the personal contact requirement in §56.93  
22 concerns personal contact attempts. §56.93 requires that a company

1 attempt personal contact at least 3 days prior to termination. These  
2 attempts usually consist of either a field visit to the residence or 2 phone  
3 call attempts at different times of the day. There is no personal contact  
4 requirement in §56.93, just attempts at personal contact. This means that if  
5 proposal number 8 is granted, the chances of a customer's service being  
6 terminated without any personal contact whatsoever increases significantly.

7  
8 **Q. TO ASSIST IN UNDERSTANDING THE POSSIBLE IMPACT OF**  
9 **PGW'S PROPOSEL, WOULD YOU PROVIDE A BRIEF**  
10 **EXPLANATION OF THE CURRENT, TYPICAL CHAPTER 56**  
11 **TERMINATION PROCESS?**

12 A. Currently, the typical termination process starts with a written termination  
13 notice at least 10 days before the date of termination (§56.91). This is  
14 followed by a personal contact attempt at least 3 days prior to termination  
15 (§56.93). Then on the scheduled day of termination, the company attempts  
16 to contact a responsible occupant at the residence (§56.94). If no contact is  
17 made at this point, then a 48-hour notice is posted (§56.95). After 48 hours  
18 lapses, the company can return to the residence and terminate service,  
19 regardless of personal contact.

20  
21 So even under the current regulations, it is possible to terminate service  
22 without ever establishing personal contact. PGW's proposal will make this

1 possibility even more likely. It is not clear if PGW fully comprehends this.  
2 On pages 13-14 of Appendix A, Randall Gyory states that “PGW would  
3 still provide the standard 10 day notice, the 72 hour phone call, and one  
4 service call that are currently required by Chapter 56.” Again, the 72-hour  
5 “phone call” is just an attempted phone call, it does not necessarily mean  
6 that contact was made. It is also not clear what PGW means by “...and one  
7 service call that are currently required.” Currently, §56.93 does not require  
8 a “service call” before service is terminated. A field visit is just one of the  
9 options a company may use to comply with §56.93. The alternative option  
10 is to make at least 2 telephone attempts. The company may choose one  
11 option or the other, it does not have to do both.

12  
13 Personal contact is considered a critical component in the safety net of  
14 protections found in Chapter 56. This source of this concern goes back to  
15 1976, when gas heating service was terminated to an elderly utility  
16 consumer without prior personal contact, resulting in her subsequent death.  
17 On January 23, 1976, U.S. Senator Hugh Scott sent the PUC Chairman a  
18 telegram urging “immediate action to prevent utilities from cutting off  
19 service until they make personal contact with delinquent customers.” The  
20 personal contact requirements currently found in Chapter 56 were one of  
21 the basic protections put in place as a result of this tragedy. (OTS Exhibit  
22 No. 4, Schedule 2)

1 Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY'S  
2 PROPOSAL NUMBER 9 FROM APPENDIX B RE: 52 PA. CODE  
3 §56.97, PROCEDURES UPON RATEPAYER OR OCCUPANT  
4 CONTACT PRIOR TO TERMINATION?

5  
6 A. 52 Pa. Code §56.97 includes the procedures that a utility is to follow if a  
7 ratepayer, facing termination, contacts them to discuss methods of avoiding  
8 the termination of service. Included among the options of avoiding  
9 termination is the negotiation of a payment arrangement. §56.97 lists the  
10 factors that a utility should consider when negotiating a payment  
11 arrangement with a customer while exercising "good faith and fair  
12 judgment." PGW proposes language that will enumerate what kind of  
13 payment arrangement to offer a ratepayer based on their BCS income level.  
14 (BCS income levels are based on the federal poverty guidelines; with level  
15 one being the poorest; level four the wealthiest).

16  
17 If must first be noted that the BCS payment arrangement guidelines are just  
18 that, "guidelines." They are not a matter of regulation, have never been the  
19 subject of regulation, and companies are not cited for failing to use them.

20 The BCS payment arrangement guidelines were developed in the early  
21 1990's at the request of utilities to assist them in negotiating uniform, fair  
22 and equitable payment arrangements. BCS has never enforced them as

1 regulations and their use by any utility is voluntary. BCS does use the  
2 guidelines to evaluate each utilities payment arrangement negotiation  
3 performance in the annual Utility Consumers Activity and Evaluation  
4 Report, but again, there are no sanctions associated with a company's  
5 evaluation in the annual report.

6  
7 Because the guidelines are not regulations, and have never been the subject  
8 of a rulemaking process with public input, etc., the appropriateness of using  
9 the guidelines in any waiver or alteration of regulation must be questioned.

10 And as a practical matter, why would a utility want to limit their flexibility  
11 in the future by codifying the guidelines in such a restrictive manner? Over  
12 the years, BCS and the Commission has modified the guidelines, often to  
13 the benefit of utilities. Codifying the guidelines will rob them of their  
14 informal, flexible nature, which could well be detrimental to utilities.

15 PGW's desired changes would substantially inflate this section of the  
16 regulations unnecessarily.

17 Because this particular proposal by PGW concerns informal guidelines and  
18 not regulation, it is questionable as to why this proposal should even be  
19 entertained in this forum, and why any kind of waiver is necessary.

20  
21 Leaving aside the question of the appropriateness of incorporating the  
22 guidelines into this regulation and even if such a waiver is necessary, there

1 are other concerns with PGW's proposal. It appears that PGW, once again,  
2 is attempting to eliminate individual determinations based on the specific  
3 circumstances of the individual, and replacing them with general  
4 determinations based on supposed collective attributes. PGW is seeking to  
5 group all ratepayers into one of four groups, and treating each individual  
6 within the group the same. However, BCS guidelines have historically  
7 recognized that not all individuals within an income group have similar  
8 circumstances. For example, income level three is a large, diverse group  
9 that includes all customers between 151% to 300% of the federal poverty  
10 level. Those at the lower end of level three are often eligible for assistance  
11 programs, utility hardship funds, and some federal assistance programs,  
12 while those at the higher end of level three are near the median income  
13 level. Consider, for example, two Level 3 families; one at the upper level  
14 of 300% of poverty, the other at the low end of 151% of poverty.  
15 Assuming each family owes similar outstanding utility balances, it may be  
16 realistic for the upper end Level 3 ratepayer to pay the debt off over a two  
17 year period whereas the low end family will face considerable difficulty, if  
18 not impossibility, in meeting such terms. PGW appears to acknowledge  
19 this wide diversity in level three customers in the comments of Randall  
20 Gyory (Appendix A, page 3) where he provides an example indicating that  
21 a family of four could have an income as low as \$28,284 or as high as  
22 \$56,556 and still be considered a level three family. However,

1 acknowledging this level of diversity within level 3 has not prevented PGW  
2 from proposing a draconian, one-size-fits-all formula for all level 3  
3 customers. It is difficult to see how treating all the individuals within this  
4 one group the same as PGW wants to do is exercising “good faith and fair  
5 judgment.” This proposal also ignores the possibility of utility carelessness  
6 in waiting to pursue account balances until they are so high as to make the  
7 negotiation of payment terms difficult. It should also be noted that  
8 “payment agreement” is a term defined in 52 Pa. Code §56.2, in part as “A  
9 mutually satisfactory written agreement...” It is questionable as to what  
10 extent the strict formulas PGW wants to include in §56.97 will permit  
11 mutual satisfaction.

12  
13 The formula PGW wants to insert into §56.97 also includes specified pay-  
14 back periods for level 3 and 4 customers, again apparently ignoring  
15 individual circumstances. PGW proposes to limit pay back periods for  
16 delinquent amounts as follows: (1) limit payback period to no longer than  
17 two years for BCS Income Guideline Category 3 (151%-300%), and (2)  
18 limit payback period to no longer than one year for BCS Income Guideline  
19 Category 4 (301% and up).

20 This proposal requires a waiver of 52 Pa. Code, §56.97(b), §56.151(3), and  
21 §56.191 because these provisions require consideration of at least four  
22 factors when negotiating payment terms: the size of the unpaid balance; the

1 ability of the ratepayer to pay; the payment history of the ratepayer, and the  
2 length of time over which the outstanding balance accumulated. For some  
3 delinquent ratepayers, the formulas proposed may in fact reflect “good  
4 faith” consideration of these factors. However, for other delinquent  
5 ratepayers the formulas will not result in a payment agreement that reflects  
6 “good faith” consideration of all factors, or one that reflects adherence to  
7 the Chapter 56 definition of “Payment Agreement” at §56.2 which requires  
8 that payment agreement must be “mutually satisfactory.”

9  
10 PGW also wants to restrict the renegotiation of payment arrangements to  
11 those customers who have experienced a change in circumstance that  
12 consists solely of an income decrease that results in a change in customer’s  
13 income level. This proposal explicitly conflicts with recent guidance  
14 formally provided to utilities in Frayne v. PECO Energy Company  
15 (C-20029005). Page 6 of the Frayne Order stipulates that “A utility should  
16 not exercise its discretion to offer multiple payment arrangements, unless  
17 there is a change of circumstances. By way of example and not limitation,  
18 changes in circumstances could include a showing that there has been a  
19 change of income level or other relevant matters.” (emphasis added).

20 PGW’s desire to narrowly restrict change in circumstances directly  
21 contravenes the guidance recently provided in the formal Commission  
22 Order. Other possible relevant changes in circumstances that could

1 adversely impact a ratepayer's ability to maintain a payment arrangement  
2 include high unexpected medical bills, rent increases, etc.

3 Basically, PGW proposal 9 would have the effect of removing yet another  
4 functional alternative to termination, contrary to the intent of these  
5 regulations per §56.1.

6  
7 **Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY'S**  
8 **PROPOSAL NUMBER 10 FROM APPENDIX B RE: 52 PA. CODE**  
9 **§56.100, WINTER TERMINATION PROCEDURES?**

10  
11 **A.** 52 Pa. Code §56.100 is the section that requires utilities to first petition the  
12 PUC for permission before terminating heat-related service during the  
13 months of December, January, February and March. Again, as with  
14 proposal 9, PGW is proposing changes that will actually inflate a regulation  
15 and seek to add things that are not currently there, and is also seeking to  
16 incorporate informal payment arrangement guidelines into regulations. The  
17 concerns with this are the same as previously expressed above re: proposal  
18 9. It also needs to be noted that the details of the process in seeking a  
19 winter termination request and the criteria used by the BCS in granting such  
20 petitions is found in a February 12, 1993 Secretarial Letter, not in §56.100  
21 (OTS Exhibit No. 4, Schedule 3). Much of what PGW seeks in this  
22 proposal is in fact a matter of the Secretarial Letter, not §56.100 (OTS

1 Exhibit No.4, Schedule 3), so to what extent this waiver request is the  
2 appropriate forum for this proposal is questionable. For example, PGW is  
3 proposing to exclude from winter termination customers who are aged 60  
4 or older. However, this type of criteria is not found in §56.100; instead it is  
5 in the Secretarial Letter. And while PGW seeks to continue protections for  
6 those aged 60 and over, same as what is found in the Secretarial Letter;  
7 PGW does not seek any protections for children or infants, unlike the  
8 Secretarial Letter. PGW offers no rationale why adults over 59 warrant  
9 special protections but children do not. The health and safety implications  
10 of this requested change are obvious, and also represents a diminishment of  
11 the quality of the customer service protections and therefore prohibited by  
12 66 Pa.C.S.A. §2206(a).

13  
14 **Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY'S**  
15 **PROPOSAL NUMBER 12 FROM APPENDIX B RE: 52 PA. CODE**  
16 **§56.115, RESTORATION OF SERVICE?**

17  
18 **A.** 52 Pa. Code §56.115 requires that if utility service needs to be restored  
19 after a termination due to a medical emergency, the utility should make a  
20 diligent effort to have service restored the same day or in any case by the  
21 end of the next business day. PGW is proposing to expand this timeframe  
22 to seven full calendar days during the period of April 1 to November 30.

1 (PGW is also proposing the same timeframe for all other restorations of  
2 service during the same time period, see proposal 13). The health and  
3 safety issues are obvious. 7 days, as opposed to 1 day, is a considerably  
4 longer period of time for a customer experiencing a medical emergency to  
5 await the restoration of their heat, hot water, etc. This may be less of an  
6 issue in the summer, but in months such as October, November and April  
7 may be more so. National Weather Service data for Philadelphia for the  
8 month of November indicates temperatures as low as 8 degrees Fahrenheit.  
9 This proposed change must be considered in conjunction with the changes  
10 PGW wants regarding 52 Pa. Code §56.94 (proposal 7 in Appendix B).  
11 Proposal 7 would permit PGW to terminate service at a residence without  
12 contacting anyone at the residence, thus negating an opportunity for an  
13 occupant to inform the company of a possible medical condition. As a  
14 result, if PGW's requests are granted, someone with a medical emergency  
15 could have service terminated, then have to wait 7 days in November  
16 weather before service is restored.

17  
18 In his statement in Appendix A, Randall Gyory states that the 7 day  
19 timeframe would be used in terminations that required the digging up of a  
20 service line (page 16). However, there is no such conditional language  
21 in the PGW proposal in Appendix B. It is also not explained why it would  
22 take 7 days to restore service because the termination involved "digging

1 up.” Would not a curb box be installed at the time of the “digging up”  
2 termination so that such onerous procedures are not required again? And  
3 would not the curb box now permit relatively quick restoration of service?  
4 Or does PGW not intend to install a curb box until service is restored, if at  
5 all? It should also be noted that Mr. Gyory, in Appendix A refers to the  
6 current restoration timeframe in Chapter 56 as “24 hours” (page 16).  
7 Technically, the standard in the existing regulation is “end of the next  
8 working day,” a somewhat more generous standard than 24 hours.

9  
10 **Q. WHAT CONCERNS DO YOU HAVE WITH THE COMPANY’S**  
11 **PROPOSAL NUMBER 13 FROM APPENDIX B RE: 52 PA. CODE**  
12 **§56.191, RESTORATION OF SERVICE?**

13  
14 **A.** PGW proposes changes to 52 Pa. Code §56.191 that mirror the changes  
15 they want in §56.115 (proposal 12). They want to expand the timeframe  
16 for restoring terminated service from by the end of the next working day to  
17 7 days. As such, my concerns with this proposal are identical to my  
18 concerns mentioned above regarding proposal 12. In addition to these  
19 concerns, it is also essential to note that letting PGW have 7 days to restore  
20 terminated service may have a serious unintended impact that has not been  
21 addressed in the company’s petition, namely that it may impede PGW’s  
22 ability to receive LIHEAP crisis grants for its low income customers. Per

1 LIHEAP regulations (55 Pa. Code §601.4), LIHEAP crisis benefits must  
2 resolve a customer's crisis within 48 hours of receipt of the crisis benefits.  
3 In the 2003-04 LIHEAP program year, PGW received approximately \$3  
4 million in LIHEAP crisis benefits.

5  
6 Another change PGW is requesting to this section is once again, as with  
7 proposals 9 and 10, to incorporate the informal BCS payment arrangement  
8 guidelines into the text of the regulation. Again, my concerns with this  
9 proposal are the same as mentioned above concerning the requested  
10 changes to §56.97 and §56.100 (proposals 9 and 10). Basically, it is  
11 inappropriate to incorporate into regulations informal guidelines that have  
12 never been the subject of public notice and input and that would needlessly  
13 and harmfully rob the guidelines of their flexible, informal nature to the  
14 possible detriment of both consumers and utilities.

15  
16 Since the guidelines are not currently in regulation, there is really nothing  
17 preventing PGW from altering and/or putting in place their own payment  
18 arrangement guidelines. A waiver of Chapter 56 provisions is not  
19 necessary for such.

20 **Q. ARE THERE ANY OTHER CONCERNS REGARDING**  
21 **PGW'S PETITION TO WAIVE SPECIFIC SECTIONS OF 52 PA.**  
22 **CODE §56?**

1 A. Mentioned in the petition (page 23-24) and in Randall Gyory's statement  
2 (Appendix A, page 14) but not mentioned in Appendix B is a proposal to  
3 extend the 30 day maximum for the termination process to 60 days.  
4 Currently, BCS advises utilities that, as a general rule, the termination  
5 process should be completed within 30 days from the date that the 10-day  
6 termination notice is issued (this is flexible however, and can be extended if  
7 a medical certificate, utility report, etc. is involved within the 30 days).  
8 This guidance is based on the general intent of §56.91 through §56.99,  
9 which is to establish a termination process for standard residential accounts  
10 which best balances the interests of all parties affected by these termination  
11 procedures. A review of §§56.91, 93 and 95 shows that a definite  
12 minimum time-frame is imposed by these provisions. These sections  
13 provide for a minimum ten-day notice, three-day personal contact, and, if  
14 necessary, 48-hour deferred notification. Admittedly, the Chapter 56  
15 regulations do not specifically set a maximum number of days in which the  
16 notification requirements in §§56.91 through 96 must be completed.  
17 However, that termination procedures should be completed within a  
18 reasonable, albeit not strictly defined, period of time is, in my opinion,  
19 adequately demonstrated by comments contained in the April 12, 1978  
20 Order at 76 P.R.M.D. 10 making final the Chapter 56 regulations. First, in  
21 response to comments advocating for an increase from ten to fifteen days in  
22 the initial pre-termination notice, the Commission refused to adopt this

1 change by stating that this initial notice ". . . would only be the first step in  
2 the termination process. Expanding the notice period to fifteen days would  
3 seriously draw out the termination process for utilities." (emphasis added).  
4 Later, in response to a suggestion that the three-day personal contact  
5 requirement be expanded to at least eight business days, the Commission  
6 refused to make this change because ". . . affected ratepayers already will  
7 have received written notification at least ten days prior to termination  
8 pursuant to §56.91. To further extend the termination process would result  
9 in the unnecessary imposition of increased cost upon utilities and,  
10 ultimately, the ratepayers". As the Bureau within the Commission with  
11 primary jurisdiction over the implementation and enforcement of Chapter  
12 56 (56.211), the BCS took steps several years ago to ensure compliance  
13 with both the language and intent of Sections 91 through 99. The thirty day  
14 maximum period was determined to be a fair and reasonable interpretation  
15 of these provisions after taking the following into consideration: (1) the  
16 time periods described in §§56. 91 through 95; (2) the previously quoted  
17 Commission comments; (3) the requirement in §56.82 relating to days  
18 termination of service is prohibited; (4) the prohibition in §56.99 against  
19 using termination notices solely as a collection device; and (5) other  
20 interrelated Chapter 56 provisions which legitimately prevent completion of  
21 the process within the thirty day period.

1           Finally, in addition to the criteria already discussed, the BCS'  
2           position is also based on the recognition that there are legitimate reasons  
3           why this termination process cannot, in some instances, be completed  
4           within a thirty-day period from the date of mailing of the original notice.  
5           These legitimate reasons are found in interrelated provisions of Chapter 56  
6           and include, but are not limited to, the filing of a dispute by a ratepayer or  
7           occupant after the initiation of termination action (§§ 56.92, 56.151(1), and  
8           56.141(2)); and the postponement of termination action due to receipt of a  
9           medical certification (56.111 et seq.). When these reasons, or other  
10          legitimate reasons related to conformance with a Chapter 56 provision,  
11          arise to prevent completion of the process within the thirty-day period, this  
12          is not questioned by the BCS.

13  
14          On page 24 of their petition, PGW defends this request by stating  
15          “Allowing the termination process to proceed to completion not only saves  
16          PGW money, but also eliminates the perception that PGW is not serious  
17          about termination.” In my opinion, the issuing of a termination notice, and  
18          then not acting on it until possibly 59 days have passed, will not make  
19          customers take the PGW termination process more seriously. It is possible  
20          that just the opposite will occur; that customer’s will cease to take PGW  
21          termination notices seriously because of PGW flooding the customer base  
22          with so many termination notices that even the utility admits they cannot

1 address all of them in a timely manner (pages 14-15 of Appendix A). Once  
2 again, as with many of their other proposals, it appears that PGW's intent is  
3 to facilitate the termination of service at such a pace that only extraordinary  
4 reductions in the Chapter 56 protections will allow them to keep up with  
5 the volume of activity. This appears to conflict with the purpose of  
6 providing functional alternatives to termination as stated in 52 Pa. Code  
7 §56.1.

8  
9 Regardless of the above, it must be noted again that what PGW is seeking  
10 in this proposal is not in regulation. Therefore, the appropriateness of using  
11 a waiver request to address this matter is questionable. Technically, there is  
12 no specific language in the current regulations preventing PGW from doing  
13 what they propose to do, regardless of any waiver.

14  
15 **Q. DOES THIS CONCLUDE YOUR DIRECT TESTIMONY?**

16 **A. Yes.**

**OTS Statement No. 4  
Witness: Daniel J. Mumford  
Date: June 28, 2004**

**PENNSYLVANIA PUBLIC UTILITY COMMISSION**

**v.**

**PHILADELPHIA GAS WORKS**

**Docket No. M-00021612  
P-00042090  
R-00049157  
P-00032061**

**Exhibit to Accompany**

**the**

**Direct Testimony**

**of**

**Daniel J. Mumford  
Office of Trial Staff**

**Concerning:**

**PGW's Proposed Revisions to Chapter 56 of Title 52 of the Pa. Code**



COMMONWEALTH OF PENNSYLVANIA  
PENNSYLVANIA PUBLIC UTILITY COMMISSION  
P. O. BOX 3265, HARRISBURG, Pa. 17120

June 20, 1985

IN REPLY PLEASE  
REFER TO OUR FILE

M-840403

TO ALL CLASS A ELECTRIC AND GAS COMPANIES

Dear Sir:

In Public Meeting on May 10, 1985 the Commission reviewed and approved the recommendations from the Bureau of Consumer Services related to credit screening, "soft core" dunning, and deposits from existing residential customers. These are recommendations based on the report "Recommendations for Dealing With Payment Troubled Customers".

I am notifying you, via this letter, that the Commission recognizes that adequate residential credit screening is an important method for identifying payment-troubled customers and for deterring fraudulent applications for service. However, the Commission also takes note of the risk which taking deposits from applicants poses for detrimentally affecting some applicants ability to pay actual bills for service. These conclusions lead the Commission to encourage you to insure that your credit screening procedures are adequate to satisfying the needs which are identified above.

I am also notifying you that the Commission recognizes the usefulness of residential collections techniques which use reminder notices and similar nonthreatening reminders as a first step in collections. The Commission strongly urges you to develop such collection notices, which fall under the heading "soft core" dunning in the report "Recommendations for Dealing With Payment Troubled Customers". None of this shall effect the rights and responsibilities conferred on you under the Subchapter C of 52 Pa. Code, Chapter 56.

Further, the Commission, by this directive, does not suggest that companies may subscribe to coercive, unfair, or abusive tactics in performing "soft core" dunning. You are advised to follow practices which are generally recognized as legally acceptable for collectors under Pennsylvania debt collection law.

To all Class A Electric and Gas Companies

- 2 -

M-840403

I am also notifying you that the Commission, in reviewing the practice of taking deposits from existing residential customers, has found that this practice should be exercised with caution in some cases. The Commission found that, in cases where a customer has a limited income, the taking of a deposit may result in that customer's ability to pay being jeopardized. Thus, the Commission urges you to carefully scrutinize customers from whom you intend to demand deposits to insure that you do not exacerbate, rather than reduce, the potential that serious payment problems will develop.

Very truly yours,

A handwritten signature in black ink, appearing to read "Jerry Rich", written over a large, stylized, looped flourish.

Jerry Rich  
Secretary

Certified Mail

JEP

am western union teiegram western union T

RECEIVED  
JAN 23 1976  
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Public Utility Commission

PUC HG

WU INFOMASTER 1-005048C023 01/23/76  
TWX SCOTT WSH  
3481 WASHINGTON, D.C. JANUARY 23, 1976  
TWX 5106504927 PUC HBG  
HONORABLE LEWIS J. CARTER  
CHAIRMAN  
PENNSYLVANIA UTILITY COMMISSION

URGE IMMEDIATE ACTION TO PREVENT UTILITIES FROM CUTTING  
OFF SERVICE UNTIL THEY MAKE PERSONAL CONTACT WITH  
DELINQUENT CUSTOMERS.

AS REPORTED TODAY IN PHILADELPHIA PRESS, MISS SOPHIA  
EASER OF MUNHALL, PENNSYLVANIA, WHO WAS IN HER EIGHTIES  
FROZE TO DEATH AFTER HER HEAT WAS SHUT OFF BECAUSE OF  
AN UNPAID BILL.

THIS INCIDENT RAISES SERIOUS QUESTIONS ABOUT THE  
RESPONSIBILITY UTILITY COMPANIES HAVE WHEN THEY DISCONTINUE  
SERVICE DURING THE WINTER, PARTICULARLY WHEN THEY TAKE  
SUCCH ACTION AGAINST THE POOR OR ELDERLY.

GOVERNMENT--AT ALL LEVELS--MUST RECOGNIZE THAT THE  
WELL BEING OF THE INDIVIDUAL MUST COME FIRST--AND ACT  
ACCORDINGLY.

SINCERELY,  
U.S. SENATOR HUGH SCOTT

1016 EST

PUC HBG

RECEIVED  
JAN 23 1976  
CHAIRMAN'S OFFICE  
PENNSYLVANIA PUBLIC  
UTILITY COMMISSION



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

February 12, 1993

PLEASE  
REFER TO DUPLICATE

I-900002

To All Jurisdictional

Electric, Gas, Water (Private and Municipally Owned)  
Steam Heat

Dear Sir or Madam:

At Public Meeting of February 4, 1993 the Commission reviewed and adopted a recommendation of the Bureau of Consumer Services relating to the careful and selective application of existing Winter Termination Procedures to non-low income delinquent customers. This recommendation was initially presented in the Final Report on the Investigation of Uncollectible Balances, Docket No. I-900002, released by the Commission on April 23, 1992. The Final Report proposed a total of 83 recommendations to address the problems of payment-troubled customers and uncollectible balances. The recommendation approved February 4 and discussed below is designed to allow for past due bills to be collected more effectively from non-low income delinquent customers during the winter months. The Commission believes this recommendation is consistent with the overall collections goal -- to increase collections from delinquent non-low income customers.

The regulations at 52 Pa. Code §56.100 set forth the winter termination procedures. As specifically stated under §56.100(1) and (2), a utility seeking to terminate heat-related service between December 1 and March 31 must comply with §§56.91-56.95 including personal contact, as defined in §56.93(1), at the premises, if occupied. In other words, the utility must make personal or telephone contact with the ratepayer or responsible adult occupant. If, after the company has complied with the mandatory notification process, the utility and the ratepayer are unable to reach an acceptable payment agreement, the utility, pursuant to §56.100(2), may apply to the Commission for permission to terminate utility service to the customer. The utility must make the request in writing and must include a utility report consistent with 52 Pa. Code §56.152 (relating to contents of the utility report). Processing of the request will proceed pursuant to provisions of the Commission's informal complaint procedures at §§56.161-56.165.

Each utility requesting permission to terminate heat-related service between December 1 and March 31 should submit the following to the Bureau of Consumer Services so that the termination application may be processed expeditiously:

1. An up-to-date utility report as defined in §56.152 (relating to contents of the utility company report) which includes, at a minimum, all the information routinely submitted to the Bureau in response to a termination-related complaint. The utility report should clearly document serious payment negotiations between the utility and the ratepayer; most likely, the payment negotiation would have taken place at the time of the 3-day personal contact required at §56.100(1), but may have taken place at any time during the most recent termination notification process. Included should be the company's initial position as presented to the customer, the customer's offer or response and the company's final position. The latter must confirm that the utility had considered all factors addressed in §56.97(b): the size of the unpaid balance, the ability of the ratepayer to pay, the payment history of the ratepayer and the length of time over which the bill accumulated. Each report must bear the signatures of the preparer and of the utility's manager who reviewed and approved the company's request so as to facilitate contact with these utility representatives should the BCS investigator decide that proper review pursuant to §56.163(1) requires such contact. The utility must submit its report to the Bureau no later than 10 days after the expiration of the 48-hour notice so as to ensure that the utility has not used the winter termination procedures solely as a collection device in violation of §56.99.
2. In accordance with §56.202 (relating to record maintenance), a 2-year detailed history of the contacts between the utility and the customer. BCS would prefer a 4-year history if available. The history should include, at a minimum, all prior payment negotiations which would include the basis for the negotiations and the results of the negotiations. The history should also report all actions taken by the utility or ratepayer subsequent to each negotiation.
3. The customer's payment history for the past 12 months. Normally, utilities supply a 6-month payment history in response to a termination-related complaint. However, for these customers, a 12-month history is necessary to provide clear evidence of consistent non-payment during the winter months.
4. Any other information available to validate the company's position that the customer has the ability to pay for service. This may include, but should not necessarily be limited to credit reports, employment verifications, etc.

5. Supporting documentation that the following criteria are met with regard to the affected household:
- a) Household gross income above 150% of the federal poverty guidelines;
  - b) No children under age 12 in the household. (The Bureau has modified its original position as stated in the Final Report on the age of children in a household selected for winter termination. After careful deliberation, the Bureau recommends raising the age limit from 5 years to 12, based on the assumption that children under age 12 are subject to the will of their parents or guardians and could not make arrangements for their own care if service was terminated);
  - c) No senior citizens (age 60 or over) in the household;
  - d) No physically or mentally handicapped household members;
  - e) No seriously ill household members reported by the customer during the most recent contact between the customer and the utility;
  - f) No landlord/tenant relationship affected by the proposed termination.

The utility must also serve the affected customer with a copy of all documentation referenced above so that the customer has an opportunity to exercise the right to file an informal complaint as authorized at §56.100(3). The utility should also include in its transmittal to the customer a cover letter which explains in plain language, pursuant to §69.251, the intent of the utility and the options available to the customer.

The Bureau also has implemented certain internal procedures related to the expedited processing of winter termination requests. These procedures fall well within the authority granted to the BCS under §56.163 (relating to Commission informal complaint procedures). In applying §56.100(3), the Bureau, after carefully reviewing each winter service termination request and the accompanying documentation will, pursuant to §§56.161-56.165, make one of the following determinations:

- 1) BCS will issue a decision granting the utility the right to proceed with termination pursuant to §56.101. The Bureau will not accept another informal complaint from the customer regarding the pending termination if the customer fails to pay according to payment terms outlined in the informal decision issued by BCS to the utility and customer

- 2) BCS will issue a decision granting the utility the right to proceed with termination on April 1 pursuant to §56.101. The Bureau will not accept another informal complaint from the customer regarding the pending termination if the customer fails to pay as outlined in the BCS informal decision.
- 3) BCS will deny the utility's request to terminate the customer's service during the winter months and will issue an informal decision with a payment agreement.

A customer disagreeing with the decision of BCS on a utility request for termination of service may file a formal complaint with the Commission pursuant to §§56.171. et seq.

The Commission views the termination of utility service during the winter months to be a serious penalty for those who do not pay their bills. We expect strict adherence to the procedures outlined in this letter when a request for termination is made. Further, the Commission will entertain petitions to terminate only where the utility can clearly demonstrate that it has undertaken all other possible alternatives to elicit payment.

For further clarification regarding the Commission's position on Winter Termination Procedures, please contact David Lewis with the Bureau of Consumer Services. His telephone number is (717) 783-5187.

Yours truly,



John G. Alford  
Secretary



American Community Survey Profile 2002  
U.S. CENSUS BUREAU

OTSEE Ex 1  
7/6/04 Phila  
P-00042090 JK  
R-00049157

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**Note:** The 2002 American Community Survey universe is limited to the household population and excludes the population living in institutions, college dormitories, and other group quarters.

TABLE 1. GENERAL DEMOGRAPHIC CHARACTERISTICS			
	Estimate	Lower Bound	Upper Bound
Total population	1,436,694	*****	*****
<b>SEX AND AGE</b>			
Male	665,520	663,081	667,959
Female	771,174	768,735	773,613
Under 5 years	100,334	99,316	101,352
5 to 9 years	97,701	89,999	105,403
10 to 14 years	116,193	108,804	123,582
15 to 19 years	93,385	89,427	97,343
20 to 24 years	103,389	99,787	106,991
25 to 34 years	204,698	201,659	207,737
35 to 44 years	214,582	211,006	218,158
45 to 54 years	186,167	182,770	189,564
55 to 59 years	72,836	67,226	78,446
60 to 64 years	56,709	51,149	62,270
65 to 74 years	94,616	92,347	96,885
75 to 84 years	73,443	68,561	78,325
85 years and over	22,641	18,018	27,264
Median age (years)	35.1	34.9	35.3
18 years and over	1,062,130	1,061,206	1,063,054
21 years and over	1,009,632	1,003,836	1,015,428
62 years and over	220,656	215,303	226,009
65 years and over	190,700	187,860	193,540
Male	72,125	70,622	73,628
Female	118,575	116,760	120,390
<b>RACE</b>			
One race	1,412,302	1,404,248	1,420,356
White	622,604	610,051	635,157

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JUL 13 2004