



**VIA ELECTRONIC FILING**

September 21, 2020

Rosemary Chiavetta, Executive Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

Re: Docket No. M-2018-3003177 - Peoples Natural Gas Company LLC Universal Service and Energy Conservation Plan for 2019-2024; Docket No. M-2020-3021343 - Peoples Gas Company LLC Universal and Energy Conservation Plan for 2019-2024; Docket No. P-2019-3007044 - Petition of Peoples Natural Gas Company LLC – to Modify the Budget for the Equitable Division; Docket No. P-2020-3017641 - Amendment to Peoples Natural Gas Company LLC Universal Service and Energy Conservation Plan for 2015-2018; and Docket No. M-2014-2432515 - Peoples Natural Gas Company LLC Universal Service and Energy Conservation Plan for 2015-2018

Dear Secretary Chiavetta:

On behalf of Peoples Natural Gas Company LLC, enclosed please find Attachment C to the Supplemental Information filed, in response to the August 27<sup>th</sup> Tentative Order, in the above-identified Dockets. As noted in the Company's September 16<sup>th</sup> filing, the Company required additional time to compile the information necessary to conduct an analysis of payment behavior and termination activity related to the Customer Assistance Program.

If you have any questions or concerns regarding this matter, please do not hesitate to contact the undersigned at (412) 208-6834 or Rita Black at (412) 208-6530

Very truly yours,

Jennifer L. Petrisek  
Sr. Counsel

cc: Joseph Magee, BCS – [jmagee@pa.gov](mailto:jmagee@pa.gov)  
Jennifer Johnson, BCS – [jennifjohn@pa.gov](mailto:jennifjohn@pa.gov)  
Louise Fink Smith, Esq. – [finksmith@pa.gov](mailto:finksmith@pa.gov)

**BEFORE THE PENNSYLVANIA PUBLIC UTILITY COMMISSION**

Peoples Natural Gas Company LLC Universal :  
Service and Energy Conservation Plan for 2019-2024 : Docket No. M-2018-3003177

Peoples Gas Company LLC Universal and Energy :  
Conservation Plan for 2019-2024 : Docket No. M-2020-3021343

Petition of Peoples Natural Gas Company LLC - :  
to Modify the Budget for the Equitable Division : Docket No. P-2019-3007044

Amendment to Peoples Natural Gas Company LLC :  
Universal Service and Energy Conservation Plan for :  
2015-2018 : Docket No. P-2020-3017641

Peoples Natural Gas Co. LLC Universal Service :  
and Energy Conservation Plan for 2015-2018 : Docket No. M-2014-2432515

---

**CERTIFICATE OF SERVICE**

I hereby certify that true and correct copies of Attachment C to the Supplemental Information to USECP have been served upon the following persons, in the manner indicated, in accordance with the requirements of § 1.54 (relating to service by a participant).

**VIA ELECTRONIC MAIL**

Christy Appleby, Esq.  
Philip Demanchick, Esq.  
Office of Consumer Advocate  
555 Walnut Street  
Forum Place, 5th Floor  
Harrisburg, PA 17101-1923  
Email Address: [cappleby@paoca.org](mailto:cappleby@paoca.org)  
[pdemanchick@paoca.org](mailto:pdemanchick@paoca.org)

Richard Kanaskie, Director  
Bureau of Investigation and Enforcement  
P.O. Box 3265  
Commonwealth Keystone Building  
400 North Street, 2nd Floor  
West Harrisburg, PA 17105  
Email Address: [RKANASKIE@pa.gov](mailto:RKANASKIE@pa.gov)

John R. Evans, Small Business Advocate  
Office of Small Business Advocate  
300 North Second Street, Suite 1102  
Harrisburg, PA 17101  
Email Address: [jorevan@pa.gov](mailto:jorevan@pa.gov)

Elizabeth R. Marx, Esquire  
Pennsylvania Utility Law Project  
118 Locust Street  
Harrisburg, PA 17101  
Email Address: [emarxPULP@palegalaid.net](mailto:emarxPULP@palegalaid.net)

Alexis Bechtel, Director  
Pennsylvania Public Utility Commission  
Bureau of Consumer Services  
P.O. Box 3265  
Harrisburg, PA 17105  
Email Address: [abechtel@pa.gov](mailto:abechtel@pa.gov)



Jennifer L. Petrisek  
Dated this 21<sup>st</sup> day of September, 2020.

## Payment Behavior and Termination Activity Analysis

### CAP Participation for Customers with Incomes Between 151 and 200% FPIG

---

Peoples conducted an analysis of payment behavior and termination notices issued for the 12 months prior to CAP enrollment and 12 months following CAP enrollment, using participants in each of the years requested (2016 through 2019). The results are attached. The general trends and impact on overall bad debt and collections are identified below.

#### Payment Behavior Trends

- Almost two-thirds of participants improved their payment behavior (i.e. increased the number of monthly payments made) following their entry into CAP.
- Roughly one quarter of customers paid less well following CAP than prior to entering.
- Chronic non-payers (those with no payments in 12 months prior to entering CAP) made very significant improvement in their payment behavior post-CAP. This group paid, on average, five payments in the year following CAP, averaging roughly \$200,000 annually in payments.

#### Termination Activity Trends

- One half of these participants received fewer termination notices in the year following CAP enrollment than the year prior to enrollment. These customers received 1 notice on average following CAP enrollment.
- Roughly one quarter of participants received more termination notices following their enrollment in CAP than the year prior to enrolling. These customers received 2 to 3 notices on average following CAP enrollment.
- The number of customers receiving zero termination notices post-CAP enrollment has improved year-over-year from 31% in 2016 to 43% in 2019.
- The overall reduction in the number of termination notices for customers post-CAP ranged from one quarter to one third of participants.

#### Impact on Collections Activities and Bad Debt

As shown in the attachments and trend summaries, there is significant improvement for some customers that enter CAP while other customers do not make a wholesale change in their payment behavior. The level of chronic non-payers who are paying more regularly is very positive. However, payment behavior stayed the same (average 13%) or decreased (average 24%) for participants in the E-CAP group. This aligns with the payment behavior we see in customers who participate in the broad CAP program for all income levels with regards to Arrearage Forgiveness benefits. While our goal is for all participants to pay every month and receive 100% of the Arrearage Forgiveness benefits available, our historical Arrearage Forgiveness levels show that nearly one third do not receive full benefits due to

missed payments. Low income customers face a multitude of competing priorities in any given month. Often, income does not sufficiently cover all basic needs, such as rent, utilities, food and medicine, particularly when other needs such as car payments and insurance must also be met. Winter moratorium causes a further impact as the protection provided during the heating months allowing customers to use their monthly income to pay other pending priorities rather than their utility bills. One missed payment for a low income customer can become an emergency as those payments, plus the new month's payment add up to an amount that is unattainable for a customer very quickly, requiring customers to make choices such as paying the electric bill one month and paying the gas bill the next.

Credit and collections costs continue when customers participate in E-CAP as shown in the termination activity analysis. Associated bad debt risk remains high for low income accounts. This particular group of participants is a very small subset of the overall CAP population (8% generally) and a tiny fraction of all residential customers served by the Company. The improvements we do see in payment compliance for this group of CAP participants have a positive impact on overall customer balances which would equate to an improvement in bad debt risk generally. The Companies' riders for Universal Service programs include a bad debt offset mechanism for certain participation levels in order to address this.

The payment behavior analysis for participants in E-CAP (151 to 200% FPIG) was conducted by reviewing payment histories 12 months prior to entering CAP and 12 months following entry.

	2016	2017	2018	2019
Improved payment behavior	69%	62%	60%	62%
No change in payment behavior	12%	13%	13%	13%
Decreased payment behavior post-CAP	19%	24%	24%	25%

Range of increase in number of payments made (improved payment behavior group)	1 to 12	1 to 12	1 to 12	1 to 12
Average increase in number of payments made (improved payment behavior group)	4.0	3.9	3.9	4.1

Chronic non-payer analysis (customers who made no payments prior to entering CAP)

Payments received after CAP enrollment	\$ 140,626	\$ 231,831	\$ 247,243	\$ 206,167
Average number of CAP payments	5	5	5	6
Percentage of CAP payments made	43%	43%	43%	49%

The termination activity analysis for participants in E-CAP (151 to 200% FPIG) was conducted by reviewing payment histories 12 months prior to entering CAP and 12 months following entry.

### Termination Activities

	2016	2017	2018	2019
Average No. of Notices Prior to CAP Enrollment	2.0	1.8	1.8	1.7
Range of No. of Notices Prior to CAP Enrollment	0 to 6	0 to 6	0 to 7	0 to 6
Average No. of Notices Following CAP Enrollment	1.5	1.2	1.2	1.1
Range of No. of Notices Following CAP Enrollment	0 to 6	0 to 6	0 to 5	0 to 5

	2016	2017	2018	2019
Percentage of Customers Experiencing a Reduction in Termination Notices	51%	52%	51%	52%
Average No. of Notices for Those Experiencing a Decrease (post-CAP)	1.4	1.3	1.2	1.1
Percentage of Customers Experiencing an Increase in Termination Notices	27%	22%	23%	20%
Average No. of Notices for Those Experiencing an Increase (post-CAP)	2.8	2.4	2.4	2.5
Percentage of Customers With No Change in Termination Notices	21%	26%	26%	28%

Overall Reduction in the Number of Termination Notices Issued Post-CAP	23%	32%	30%	34%
Percentage of Customers Receiving Zero Termination Notices Post-CAP	31%	36%	36%	43%