

# Protection of Vulnerable Electric and Gas Customers in Pennsylvania

## AERS and PA PUC Partnership

September, 2008



# Presentation Outline

- Bureau of Consumer Services
- Regulatory and legal framework
  - ✓ Standards and Billing Practices for Residential Customers
  - ✓ Electricity Generation Customer Choice and Competition Act
  - ✓ Natural Gas Choice and Competition Act
  - ✓ Responsible Utility Consumer Protection Act
- Protections in place in Pennsylvania
  - ✓ State policies and programs
  - ✓ Federal program
- Program success
- Customer service in Pennsylvania

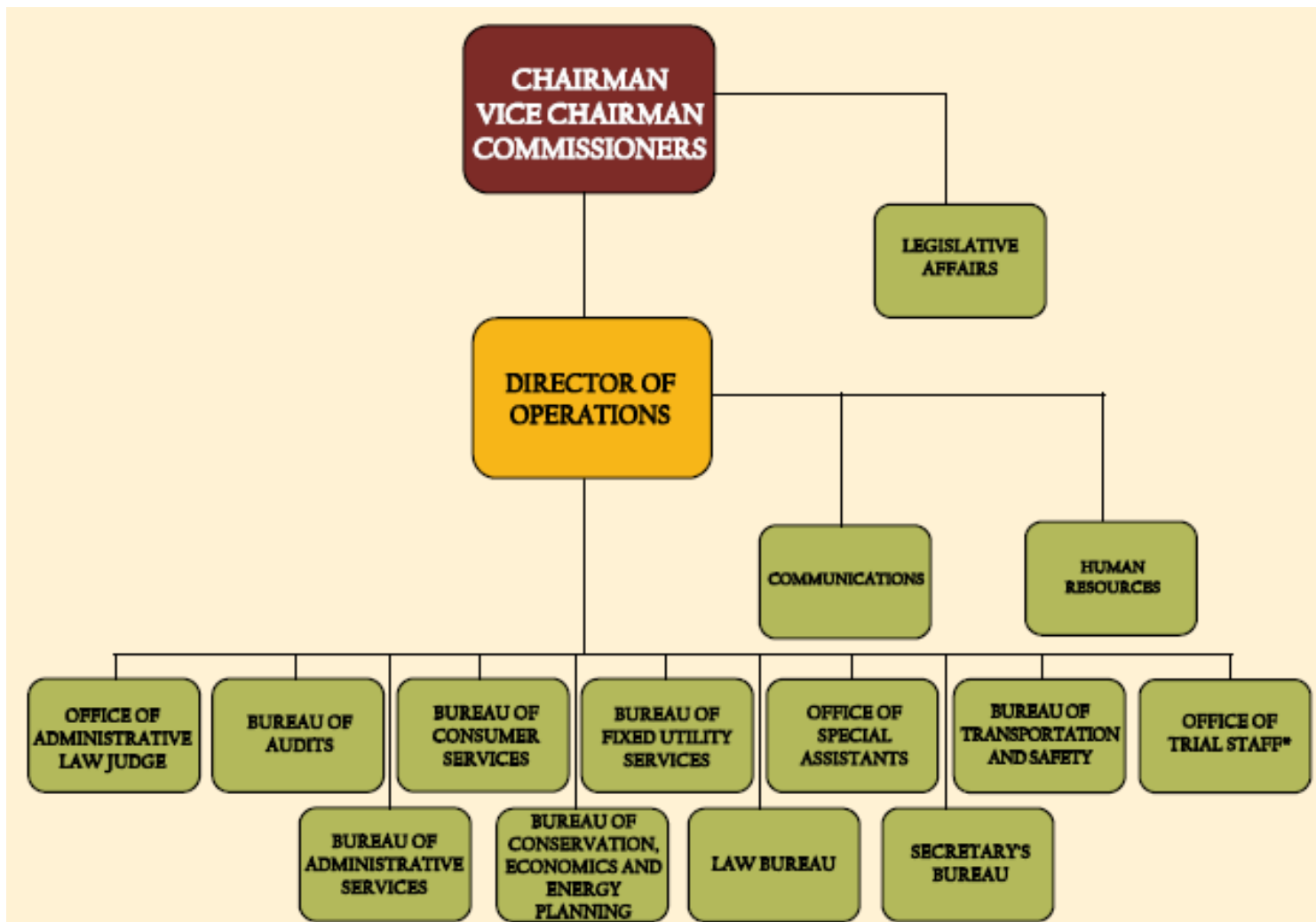


# Bureau of Consumer Services

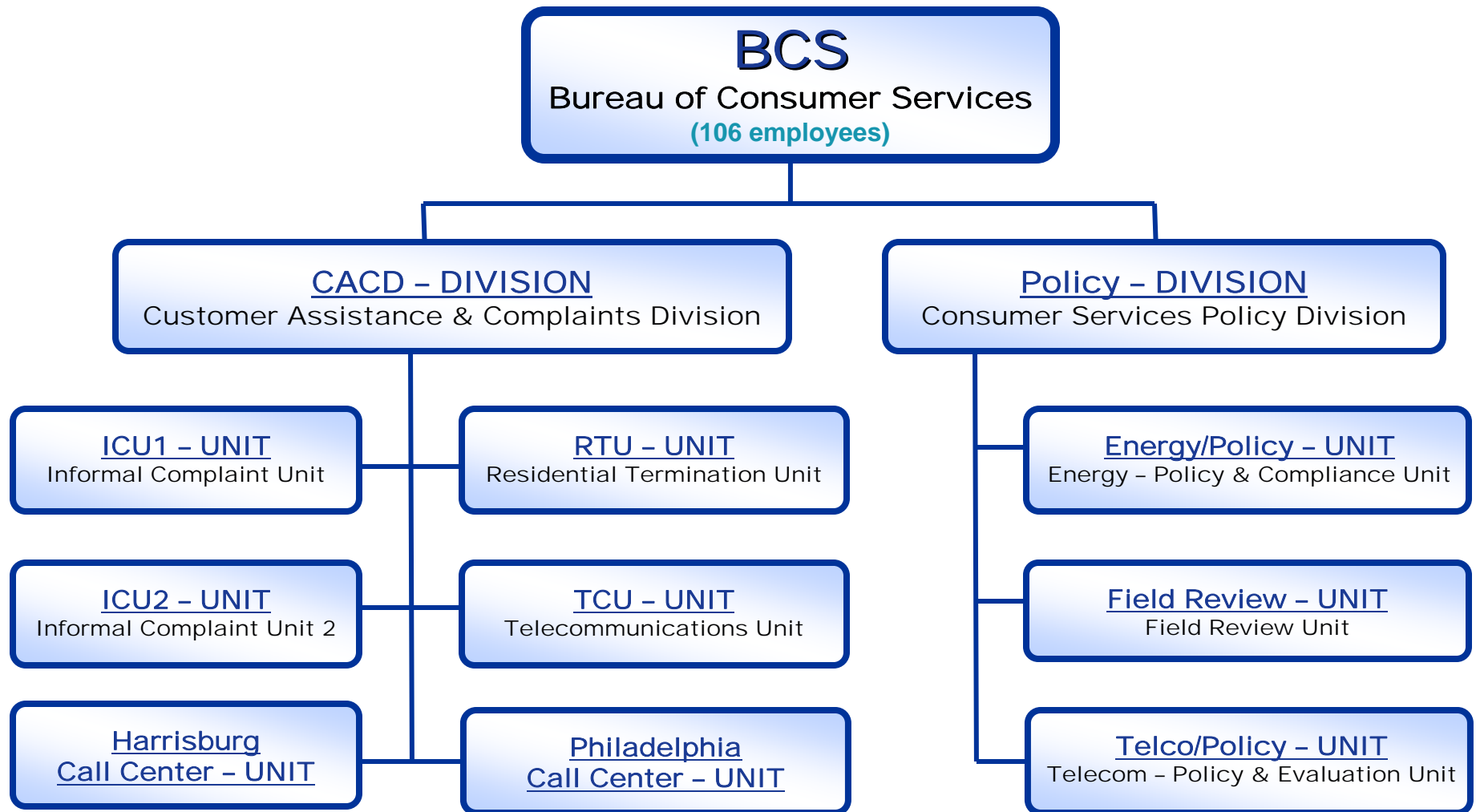




# Public Utility Commission



# Bureau of Consumer Services



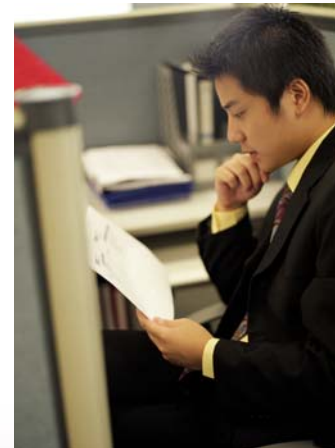
# Bureau of Consumer Services' Functions

- Complaint Handling for Electric, Gas, Water, Telephone:
  - ✓ Consumer Complaints: 2007 – 20,596
  - ✓ Payment Arrangement Requests: 2007 – 50,465
  - ✓ Inquiries: 2007 – 79,341
- Enforcement of Customer Service Regulations



# Bureau of Consumer Services' Functions

- Customer Service Policy Development:
  - ✓ Review of company offers, bills and terms and conditions
  - ✓ Customer service regulation development and evaluation
  - ✓ Quality of service
  - ✓ Complaint evaluation and activity reporting
- Universal Service Program Oversight



# Regulatory and Legal Framework



# Regulations and Statutes (Laws)

- Chapter 56 is a REGULATION found in Title 52 of the Pennsylvania Code. It was promulgated by the PA Public Utility Commission using the rulemaking process
- STATUTES (Laws) passed by the General Assembly and signed by the Governor:
  - ✓ Electricity Generation Customer Choice and Competition Act
  - ✓ Natural Gas Choice and Competition Act
  - ✓ Responsible Utility Consumer Protection Act



# Chapter 56

- Chapter 56: the standards and billing practices for residential energy, water and wastewater utility service
- Found in Title 52 of the Pennsylvania Code
- Chapter 56 online: <http://www.pacode.com/secure/data/052/chapter56/chap56toc.html>



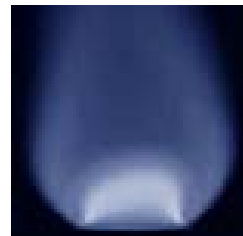
# Chapter 56

- Covers: billing, payment, meter readings, application and credit standards, deposits, termination, winter termination, payment agreements, dispute procedures, PUC complaint procedures, and termination reporting requirements



# Electric Choice Act & Natural Gas Choice Act

- Electricity Generation Customer Choice and Competition Act
  - ✓ 66 Pa. C.S. § § 2801-2812
  - ✓ December 3, 1996
- Natural Gas Choice and Competition Act
  - ✓ 66 Pa. C.S. Chapter 22
  - ✓ June 22, 1999



# Electric Choice Act & Natural Gas Choice Act

- Require the PUC to maintain protections, policies and services to assist low-income customers
- Require the PUC to ensure universal service and energy conservation policies are appropriately funded and available in each electric and natural gas distribution territory
- The PUC established standard reporting requirements for electric and natural gas distribution companies



# Bureau of Consumer Services

- Provides administrative oversight for universal service programs
- Ensures that universal service programs are operated in a cost effective manner
- Encourages the use of community based organizations for universal service program delivery
- Summarizes and reviews utilities' reports to the PUC about universal service program plans, budgets and participation levels
- Prepares an annual report to the PUC
- Reports available on the PUC web site ([www.puc.state.pa.us](http://www.puc.state.pa.us)) under "Reports and Publications"



# Chapter 14

- Signed into law on December 14, 2004
- The Responsible Utility Consumer Protection Act
- Applies to Pennsylvania's:
  - ✓ Electric distribution companies
  - ✓ Water distribution companies
  - ✓ Larger natural gas distribution companies
- Seeks to eliminate opportunities for customers with adequate incomes to avoid paying their bills
- Provides utilities a means to reduce uncollectible accounts



# Protections in Place in Pennsylvania

- State policies and programs

- ✓ Customer education
- ✓ Budget billing
- ✓ Payment agreements
- ✓ Laws and regulations about termination of service for not paying bills
- ✓ Energy assistance / universal service programs
  - Customer Assistance Program (CAP)
  - Low Income Usage Reduction Program (LIURP)
  - Customer Assistance Referral and Evaluation Program (CARES)
  - Hardship Funds
- ✓ Cold Weather Survey



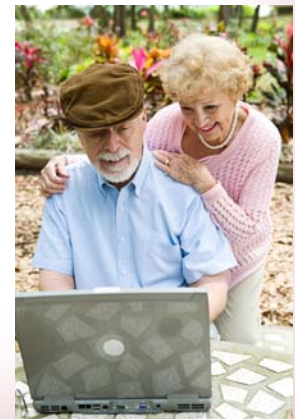
# Protections in Place in Pennsylvania

- Federal Program
  - ✓ Low Income Home Energy Assistance Program (LIHEAP)



# Customer Education

- Public Utility Commission (PUC) staff provides consumer education through a variety of means
  - ✓ Offers tips for saving energy
  - ✓ Hosts workshops and roundtable discussions throughout Pennsylvania
  - ✓ Prepares consumer publications
  - ✓ Makes information available on the PUC's web site about saving energy and programs to help low-income customers



# Budget Billing

- Residential customers of electric and natural gas companies may pay a flat amount each month
- Avoids fluctuations in the bill during high usage months and allows customers to better plan for their energy expenses
- Can be adjusted four times per year depending on usage but these adjustments are usually not very significant



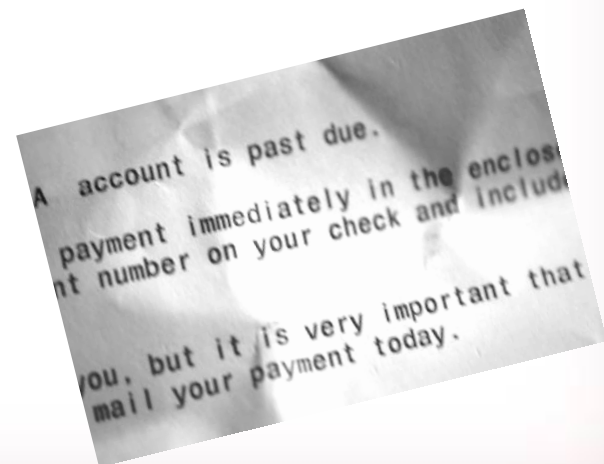
# Payment Agreements

- Payment agreements are available for low-income customers
  - ✓ Customer must meet certain income levels that are defined as a percent of the federal poverty level
  - ✓ Permitted to amortize or pay the unpaid balance of the account in one or more payments
  - ✓ Length of agreement varies depending on the customer's household income – i.e. no more than 5 years for customer at or below 150% of federal poverty level



# Laws and Regulations about Termination of Service

- Utility may terminate service with prior notice for various reasons, including:
  - ✓ Nonpayment of undisputed delinquent account
  - ✓ Failure to comply with payment agreement
  - ✓ Failure to complete payment of deposit
  - ✓ Failure to permit access to meters





# Timing of Termination

- Termination may occur any day from Monday through Friday so long as:
  - ✓ Utility can accept payment the following day
  - ✓ Utility can restore service within the number of days specified by law, ranging from 1-7 days
    - 1 day – erroneous termination, receipt of medical certification, winter months (November 30-April 1)
    - 3 days – April 1-November 30
    - 7 days – proper termination and reconnection requires street or sidewalk digging



# Notice of Termination

- Utility must provide written notice of termination to customer at least 10 days prior to date of proposed termination
- Utility must attempt to contact the customer in person or by telephone at least 3 days prior to scheduled termination
- Utility must attempt to make personal contact with customer at time of termination





# Winter Terminations

- From December through March, utility must either:
  - ✓ Make personal contact with customer by visiting home, or
  - ✓ Post a notice at the home within 48 hour of scheduled date of termination
- Utility must also attempt to make personal contact at time of termination
- No terminations permitted during winter months for customers at or below 250% of the federal poverty level



# Consequences of Termination

- Central to the Commission's obligation to protect the health and safety of all citizens of the Commonwealth
- Termination of service can have serious consequences, not only for the customers immediately affected but also for neighbors and the surrounding community



# Human Costs of Terminations



- Deaths
- Homelessness
- Family stress
- Health problems
- Property loss



# Restoration of Service

- Upon termination, the public utility must inform the customer of the location where payment can be made
- Utility may require full payment of outstanding balance and reconnection fees, subject to certain exceptions for low-income customers who may be permitted to pay over a period of 3-24 months



# Medical Certifications

- Utility may not terminate service to a residential property when a licensed physician or nurse practitioner has certified that:
  - ✓ The customer or a member of the household is seriously ill or afflicted with a medical condition that will be aggravated by cessation of service



# Energy Assistance/Universal Service Programs

- PUC has an obligation to ensure availability of universal service for electric and natural gas customers
- PUC requires utilities to have programs and protections that help low-income customers to keep their utility service
- These programs may help consumers to pay utility bills or lower the amount of electricity or natural gas they use



# Pennsylvania Low-Income/ Universal Service Programs

- Programs viewed as collection programs for low-income customers
- Programs are cost effective alternatives to termination for low-income customers
- Developed and implemented by Commission action followed by statutory action
- PA has a very low termination rate with average arrearages/uncollectible accounts when compared to similar states (high cost/cold weather)



# Pennsylvania Low-Income/ Universal Service Programs

- Customer Assistance Programs (CAPs)
- Low Income Usage Reduction Program (LIURP)
- Customer Assistance Referral and Evaluation Program (CARES)
- Hardship Funds



# Eligibility for Universal Service Programs

- Poverty guidelines issued by US Government
  - ✓ Measure of the minimum amount of income needed to sustain a person or a family in the United States
  - ✓ Charts show annual income thresholds
  - ✓ Updated annually by the US Government
- Often Universal Service Programs are available to those at 125% or 150% of guidelines



# 2008 Federal Poverty Guidelines

Size of Household	2008 Federal Poverty Levels (Annual Income)
1	\$10,400
2	\$14,000
3	\$17,600
4	\$21,200
5	\$24,800
6	\$28,400
7	\$32,000
8	\$35,600
For each additional person, add	\$3,600

Effective 1/23/08

SOURCE: *Federal Register*, Vol. 73, No. 15, January 23, 2008 pp. 3971-3972.

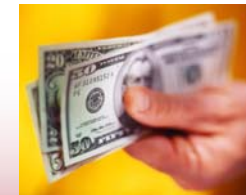
# Utility Customer Assistance Programs (CAPs)

- Each major electric and gas utility has a Commission-approved CAP program that is operated by the utility with the assistance of community-based agencies that serve the low-income
- The purpose of the programs is to make utility payments affordable to low-income payment-troubled residential customers so they can maintain essential utility service
- Customers in CAPs generally are asked to pay less than full rates



# Utility Customer Assistance Programs (CAPs)

- The difference between full rates and the lower CAP rate is recovered from all residential customers as a rate expense by the utility
- While CAP costs increase rates, there are offsetting reductions in collection costs, cash working capital expense and uncollectible write-offs from customers who pay who otherwise could not afford to pay full rates
- CAP programs are tailored to provide the greatest benefits to the poorest payment troubled customers who have the highest energy bills



# Low-Income Usage Reduction Program (LIURP)

- Assists low-income residential customers to conserve energy, reduce energy bills, and improve bill payments
- Energy audits to assure measures meet payback requirement
- Usage reduction services – insulation of attics and side walls, sealing air leakage, water heater insulation, refrigerator/lighting change out, and other measures



# Low Income Usage Reduction Program (LIURP)

- Helps low-income residential customers lower the amount of electricity or gas they use each month
- Installs energy savings features in participants' homes to reduce their bills
- Generates smaller bills so participants' payments cover a greater portion of the bill or perhaps the whole bill



# Customer Assistance Referral and Evaluation Program (CARES)

- CARES program helps customers with special needs to find ways to pay their utility bill
- Special needs may be caused by family or medical emergencies or unemployment
- Goal is to provide support and direction to help customers pay their utility bills





# Hardship Funds

- Utility company hardship funds provide cash assistance to utility customers to help them pay their utility bills
- Grants are given to customers who have been unable to receive other assistance or still have a critical need after receiving other assistance
- Voluntarily funded by utility shareholders and other customers



# Low-Income Home Energy Assistance Program (LIHEAP)

- Federal program that provides financial assistance to needy households for home energy bills
- In Pennsylvania, the Department of Public Welfare administers the LIHEAP program
- LIHEAP provides both cash and crisis benefits to low-income households



# Cold Weather Survey

- Annual survey
- Required by Chapter 56
- All electric and natural gas distribution companies participate
- Companies survey residences where heat-related service was terminated and not reconnected during the year
- Companies report survey results to the PUC by December 15<sup>th</sup>



# Cold Weather Survey

- Companies
  - ✓ Contact customer by telephone or visit residential property
  - ✓ Educate consumers about available programs that may offer assistance to restore services
  - ✓ Try to reach a payment agreement so company can restore service
- PUC
  - ✓ Reviews survey results
  - ✓ Issues a press release
    - Survey summary
    - Urges affected consumers to call the company
    - Discusses possible options for consumers



# Program Success



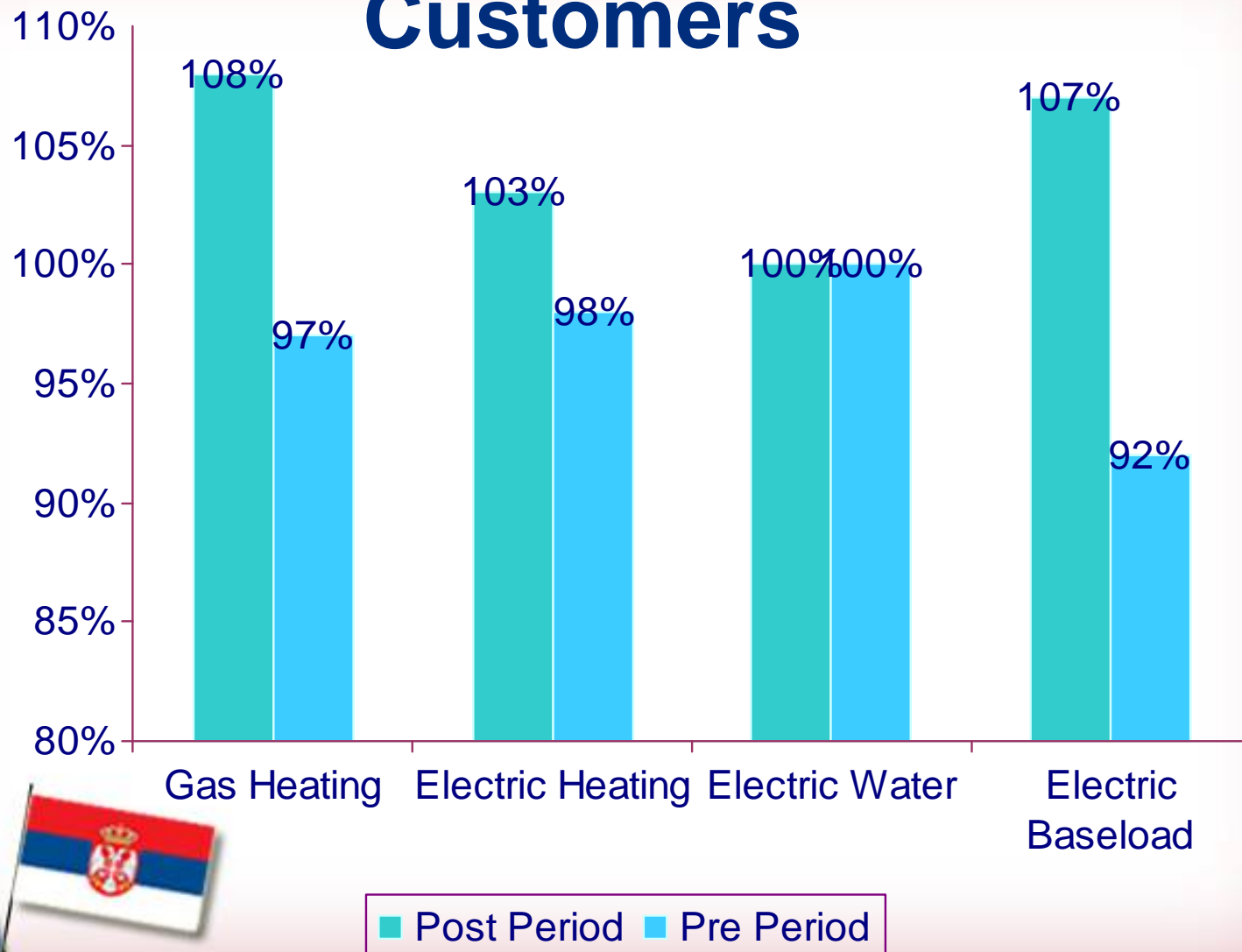
# Ways That LIURP Has Demonstrated Success



- Energy savings
- Bill reductions
- Improved bill payments
- Reduced collection
- Load management/DSM



# Percent of Billings Paid by LIURP Customers



# LIURP Energy Savings

- LIURP Energy Savings Correlations Data Analyzed for Households 1989-2005<sup>1</sup>
  1. Change out refrigerator/freezer **Positive**
  2. Energy used in pre-treatment period **Positive**
  3. Amount of arrearages in pre-period **Positive**
  4. Lighting change outs **Positive**
  5. Sidewall insulation **Positive**
  6. Attic insulation costs **Positive**

<sup>1</sup>In order of effectiveness



# LIURP Energy Savings

- LIURP Energy Savings Correlations Data Analyzed for Households 1989-2005
  1. Furnace maintenance **Negative**
  2. Number of residences **Negative**
  3. Amount of living space **Negative**
  4. Repairs costs **Negative**





# Terminations and Reconnections

- Low termination rates
  - ✓ 3.3% of residential electric customers terminated in 2007
  - ✓ 4.35% of residential natural gas customers terminated in 2007
  - ✓ Pennsylvania compared with similar states
- High reconnection to termination ratio
  - ✓ 70% of terminated residential electric customers restored in 2007
  - ✓ 67% of terminated residential natural gas customers restored in 2007



# Costs of 2006 Unpaid Accounts

- Carrying charges – cost of money to carry \$429 million (cash working capital)
- Operational expenses - \$99 million (2006) (not covered by late payment charges)
  - ✓ Negotiations
  - ✓ Field visits
  - ✓ Personal contact
  - ✓ Record keeping
  - ✓ Terminations and reconnections
  - ✓ Mediations and formal complaints
- Bad debt - \$252 million in 2006 or 3.2% of residential revenues



# Summary

- Pennsylvania
  - ✓ Consumer Education
  - ✓ Budget Billing
  - ✓ Laws and Regulations
  - ✓ Low-Income/Universal Service Programs
  - ✓ Cold Weather Survey
- Federal Government
  - ✓ Low-Income Home Energy Assistance Program
- Success
  - ✓ Preventing terminations
  - ✓ Saving energy and reducing bills
  - ✓ Reducing company expenses



# Customer Service in Pennsylvania



# Consumers' Rights – Rates

- Consumers have a right to:
  - ✓ Rates that are just and reasonable
  - ✓ Rates that conform with approved tariffs on file with the PUC
  - ✓ Rates that do not grant any unreasonable preference or advantage to any ratepayer



# Consumers' Rights – Service

- Consumers have a right to service that is: adequate, efficient, safe, reliable, reasonable
- Consumers have the right to receive utility service provided that they comply with any requirements or eligibility criteria in the companies' tariffs and in PUC regulations
- With that right come various obligations:
  - ✓ Possible security deposit
  - ✓ Access to premises, i.e. for meter reading
  - ✓ Timely payments of bills





# Security Deposits

- Utility may require a cash deposit prior to or as a condition of providing service for various customers, including those who:
  - ✓ Cannot establish creditworthiness
  - ✓ Have previously been terminated for nonpayment
  - ✓ Have engaged in unauthorized use of service
  - ✓ Have failed to permit access to meters
  - ✓ Have tampered with meters



# Consumers' Rights – Filing Complaints

- Consumers have a right to file complaints as to:
  - ✓ Existing rates
  - ✓ Proposed rates
  - ✓ Adequacy of service
  - ✓ Reliability of service
  - ✓ Accuracy of billing



# Consumers' Rights – Bills

- Consumers have the right to:
  - ✓ Receive clear and accurate bills based on actual meter readings by utility personnel
  - ✓ Understand the various charges
  - ✓ Dispute bills that appear to be incorrect
- Consumers have the responsibility to:
  - ✓ Pay the bill within 20 days of receipt



# Notice of Interruption

- Temporary interruptions of service by the utility are permitted for reasons related to repairs, safety, protection of property and emergencies
- Prior notice must be given if the utility knows in advance
- Utility must also give notice of cause and expected duration



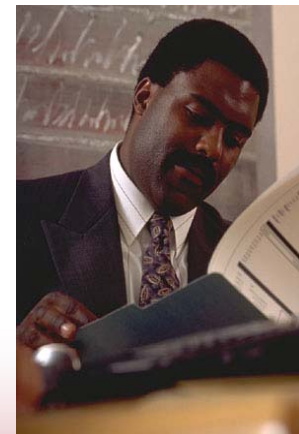
# Customer-Utility Disputes

- Customer must first contact utility for purpose of resolving dispute before filing a complaint with the PUC
  - ✓ Applies to disputes involving credit determinations, deposit requirements, accuracy of utility metering or billing, and terminations
- Customer must pay bill pending outcome of dispute



# Utility Response to Disputes

- When a customer initiates a dispute, the utility is obligated to:
  - ✓ Investigate the matter using reasonable methods such as telephone or personal conferences with ratepayer
  - ✓ Make a diligent attempt to negotiate a resolution of the dispute
  - ✓ Issue a report within 30 days to the customer and inform the customer of their right to go to the PUC





# Informal Complaints

- Within 10 days of notification or mailing of utility company report, customer may file an informal complaint with PUC's Bureau of Consumer Services
- The Bureau of Consumer Services then:
  - ✓ Notifies the company and obtains a report
  - ✓ Investigates the complaint and seeks to resolve it
  - ✓ Issues a decision that is binding on the parties unless appealed to the Office of Administrative Law Judge
  - ✓ Records each complaint and complaint outcome in its database



# Formal Complaints

- Formal complaints must be filed with the PUC's Secretary and be accompanied by a statement attesting to the truth
- Referred to the Office of Administrative Law Judge for mediation or hearing
- Decision is rendered
- Exceptions may be filed
- Commission Order



# Summary

- Utility customers have the right to receive reasonably-priced and reliable service
- Consumers have the right to adequate and accurate information about utility services
- Utility customers have the responsibility to timely pay for that service
- Low-income customers may obtain payment arrangements or rely on various forms of assistance programs to pay their utility bills

