

**Columbia Gas of Pennsylvania, Inc.**

**Amended  
Universal Service  
and  
Energy Conservation Plan**

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**Submitted by:  
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# **Columbia Gas of Pennsylvania, Inc. Universal Service and Energy Conservation Plan**

## **Plan Submission**

Pursuant to “Regulation 52 PA Code 62.4 Universal Service and Energy Conservation Plans,” Columbia Gas of Pennsylvania, Inc. (“Columbia”) hereby submits for the approval of the Pennsylvania Public Utility Commission (“Commission”) its proposed plan for years 2002 through 2005. Because Universal Service includes energy conservation programs such as LIURP, for simplification in this document, Universal Service and Energy Conservation will be referred to as “Universal Service”, or “The Plan.”

## **Historic Overview**

Columbia submitted its Universal Service plan in August 1999 as part of its Restructuring Filing as required by the Natural Gas CHOICE and Competition Act in Case No. R-00994781. The Plan was approved by the Commission as part of settlement agreements in October and December 1999. Provisions within those settlements included an enrollment target for the Customer Assistance Program (CAP) and a funding level for the Low Income Usage Reduction Program (LIURP). Additionally, the approved settlements provided for a temporary funding source for Columbia’s Universal Service Program with the expectation that a permanent funding mechanism would be developed later. As discussed below, the Commission approved modifications to the CAP funding mechanism in 2001, and Columbia recently filed a petition with the Commission seeking additional changes to the temporary funding mechanism. Columbia intends to propose a permanent CAP funding mechanism in the near future.

## **Differences from the Previous Plan**

The existing Plan contains several changes from the original plan that was approved as part of the restructuring filing. Specifically, the Company’s CAP under the original plan was modified on August 30, 2001 with the Commission’s approval in Docket P-00011906 to address additional funding, changes to enrollment levels, and changes to the manner in which the customer’s pre-program arrears were forgiven. Other than these changes, the Plan has been implemented as approved by the Commission in the Restructuring Filing.

## **Recommended Revisions to the Current Plan**

Columbia recommends several modifications to the current Universal Service plan. These modifications have already been discussed with the Bureau of Consumer Services and have been implemented on a test basis to the degree that they gained immediate efficiencies in program administration. Columbia requests that these modifications be approved as permanent features of the Plan.

Re-verification for continued CAP participation. Columbia recommends that CAP customers on Social Security and or Disability Assistance be allowed to re-verify household income every other year as opposed to every year. This will ease the burden of administration for the company and customer. This less restrictive policy may keep more customers in CAP who may otherwise neglect to re-verify. Columbia requests that the Commission approve this change as a permanent part of the Plan.

Credit-Scoring CAP Enrollment. Columbia, as part of its Commission-approved Credit Scoring Pilot program, believes it is important to eliminate the requirement that a low-income customer experience one failed payment agreement prior to enrollment in CAP. Based upon information obtained from the Credit Scoring Program, Columbia can determine whether a customer will likely be a candidate for the CAP. Columbia submits that such customers who are in need of assistance should not be denied the benefits of CAP simply because a customer has not yet failed a payment plan, and that this feature should be approved as a permanent element of the Plan. .

Joint Utility CAP Enrollment. Columbia has also experimented with allowing CAP-eligible customers of other utilities (i.e., electric or another gas utility) to enroll in Columbia Universal Service programs without first establishing a history of payment trouble as a Columbia customer. This is a pro-active approach to reduce future uncollectibles and credit and collection costs. Columbia submits that this feature should be approved as a permanent element of the Plan.

## **Integration**

Columbia utilizes an integrated approach to outreach and solicitation for all Universal Service programs which focuses on two principle strategies: First, Columbia incorporates referrals into existing processes, and second Columbia coordinates services with dedicated staff.

Columbia utilizes existing customer services processes, such as the Cold Weather Survey, collection, compliance, and contact management processes to create opportunities within business activities to increase enrollment in Universal Service programs.

Columbia's Contact Center has a designated call group composed of specially trained employees dedicated to the promotion and enrollment of Universal Service programs. Through Universal Service representatives, the customer is referred to all available and appropriate Universal Service programs including CAP, LIURP, CARES and energy assistance, etc. In addition, Columbia's trained representatives also refer eligible customers to non-utility assistance programs such as earned income credits, food banks and Salvation Army facilities.

Columbia supports the premise that this strategy reduces administration and outsourcing costs by eliminating duplicated efforts. This strategy also expedites the referral and intake process resulting in higher enrollments.

Technological advances such as Integrated Voice Response Unit (IVRU) and call routing capabilities allow the connection of payment-troubled customers to this call group seamless. Once a customer self-declares that they are payment-troubled, or is identified to be payment troubled by a customer service representative, the customer is referred the Universal Service line. The Universal Service representative will pre-screen a customer, and where applicable, enroll a customer in one of Columbia's Universal Service programs immediately. This "one-stop-shop" approach identifies which programs are appropriate for the customer opposed to vice-verse.

Columbia has utilized this integrated approach to meet its CAP enrollment targets which were negotiated within the settlement agreements. As a result, Columbia exceeded its 2000 and 2001 CAP enrollment goals by 6,000 and 3,000 customers respectively. Additionally, LIURP referrals have increased significantly resulting in an 18-month waiting list for Weatherization services.

Universal Service and energy conservation programs operate simultaneously during implementation. Columbia CAP customers are prioritized for LIURP services in an attempt to reduce future consumption and shortfall. This coordination demonstrates the integrity of two programs and results in cost-effective program design and implementation.

The Dollar Energy Fund grant program, the Federal LIHEAP program, CRISIS programs, and Columbia's CAP program are utilized in a coordinated manner to assist customers who are without natural gas service prior to the winter heating season. These programs assist with payment of previous debt, ensure an affordable payment going forward, and reduce collection costs in the future.

LIHEAP grants assist in subsidizing Columbia's CAP by reducing shortfall costs while maintaining customer affordability. The federal LIHEAP dollars are a critical funding source for the CAP program. LIHEAP dollars assist Columbia in maximizing Universal Service benefits to low-income customers with minimum burden to the general customer base.

In addition to the integrated approach to outreach and solicitations, Columbia also promotes the four individual Universal Service programs through a variety of other venues.

## **Outreach**

Columbia sponsors a myriad of outreach activities to support all of its Universal Service programs. Such activities include the following:

- Attendance and participation in strategic senior fairs throughout Columbia territory
- Representation on local community assistance boards and task forces
- Participation and coordination of Be Utility Wise events throughout Columbia territory
- Information available on Columbia Gas Internet site
- Messages while on hold for customer service lines
- Referrals to appropriate programs by Universal Service Representatives while assisting customers with traditional billing issues

Columbia also sponsors outreach activities to support individual Universal Service programs to include:

### **CAP**

- Coordination with electric utility to solicit their CAP customers
- Coordination with Dollar Energy Fund to take CAP applications on all customers that apply for the grant program
- Phone solicitation of targeted groups:
  - Previous Dollar Energy Grant customers
  - Removed CAP customers
  - Delinquent Gas Supply customers
- Mail solicitation of targeted groups:
  - Previous and potential LIHEAP recipients
  - Dormant packet
  - Customers non-access by phone
  - CAP posters to screening agencies
- Training/Contest/Incentives:
  - Customer Service Representatives most valid referrals
  - Screening agencies—highest percentage of completed application
  - Train all credit and collection representatives and encourage referrals

### **HARDSHIP FUNDS**

- Bill inserts twice a year requesting contributions and encouraging application

- Participation in fundraising events and press conferences in conjunction with Dollar Energy Fund

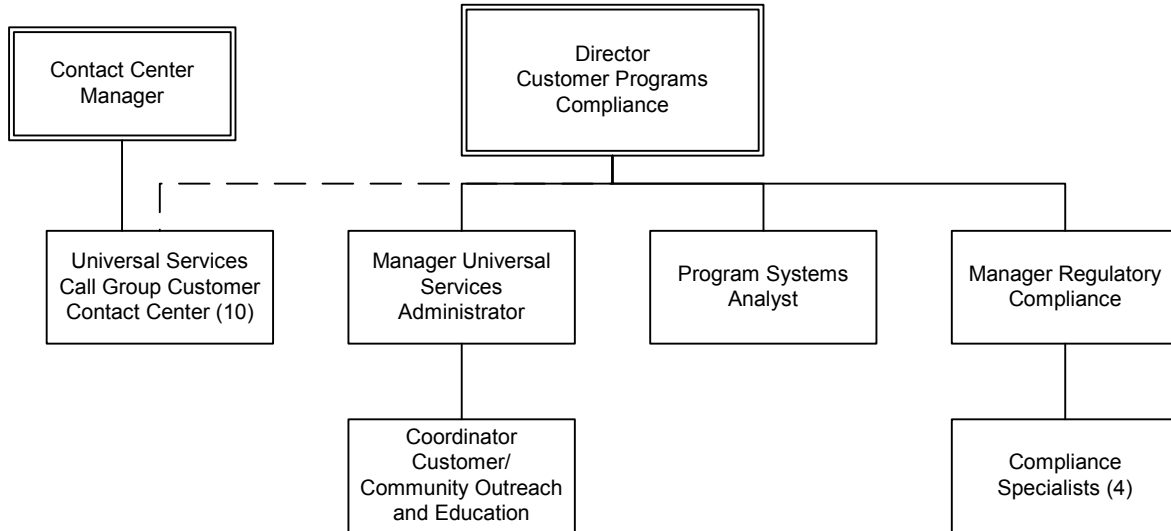
#### LIHEAP

- Partnership with Equitable Gas and Dominion People's Natural Gas to promote LIHEAP
- Annual press conference on opening day encouraging customers to apply
- Press releases
- TV commercials featuring Franco Harris in Western PA market (30 seconds and 10-second spots)
- Bill inserts promoting LIHEAP during the month of November
- Inserts promoting CRISIS in date eligible termination notices
- Letters to previous recipients reminding them to apply when they receive an application
- Letters to identified eligible customers based on financials explaining the guidelines and benefits of the program
- Operation of a toll-free hotline to explain LIHEAP application process and to mail out applications to eligible customers upon request
- Information about Energy Assistance is repeated while customers are on hold for customer service
- Training on LIHEAP guidelines and benefits to all service personnel and customer service representatives
- LIHEAP promotion is on Columbia's Internet site

#### **Staffing**

Columbia combines the talent of staff employees with the experts of community partners to implement all of its Universal Service programs.

### Columbia Gas Universal Services Organization



#### Program Responsibilities

Director Customer Program Compliance	Strategic direction all programs
Manager Universal Service	Implementation/Compliance all programs
Programs Systems Analyst/Administrator	Program reporting/Analysis all programs
Coordinator Customer/Community Outreach & Education	Outreach coordination all programs
Universal Service Customer Contact Center	Information referral and enrollment all programs

Columbia's management looks to its community partners both for the delivery of the program services, and also to provide feedback on program practices and policies. A monthly team meeting is held for the CAP and LIURP programs for the purpose of communication and feedback.

<b>CAP</b>	
Columbia Gas of PA	Management
Columbia Gas Universal Service Call Group	Information, Referral and Enrollment
Dollar Energy Fund, Inc.	Outreach and Intake Administration
Dollar Energy Fund Screening Agencies (40)	Outreach and Intake Implementation
Essential Energy, Inc.	Conservation/Consumer Education

<b>LIURP</b>	
Columbia Gas of PA	Management and Pre-screening
Columbia Gas Universal Service Call Group	Information, Referral and Enrollment
Kinetechs, Inc.	Weatherization, Customer Communication and Data Tracking
Mincin Insulation Services	Weatherization, Customer Communication and Data Tracking
Lancaster Community Action Agency	Weatherization, Customer Communication and Data Tracking
Conservation Consultants, Inc.	Conservation Education/Inspections
Pure Energy, Inc.	Conservation Education/Inspections

<b>HARDSHIP FUNDS</b>	
Columbia Gas of PA	Management, Enrollment and Referral
Columbia Gas Universal Service Call Group	Information, Referral and Enrollment
Dollar Energy Fund, Inc.	Outreach and Intake Administration
Dollar Energy Fund Screening Agencies (40)	Outreach and Intake Implementation
Citizen's Energy Corporation	Fuel Fund Administrator

<b>CARES</b>	
Columbia Gas of PA	Management
Columbia Gas Universal Service Call Group	Information, Referral and Enrollment
Community-based Organizations	Resource Development

The following list details the positions held by the Columbia's Universal Service staff on various task forces, committees and boards within the communities the Company serves.

<b><u>Task Force, Committee or Board</u></b>	<b><u>Position</u></b>
Annual Leadership Workshop Committee	Member/Committee
DUI Highway Safety (Prevention Project) Taskforce	Member/Task Force
Family Community Resource Network	Chairperson
Gerontology Taskforce	Member/Task Force
Housing Consortium, Homeless Sub-Committee	Member/Committee
Human Service Forum	Member/Association
In-Kind services & postage/Gerontology	Sponsor
President, Beaver County Leadership Development	Member/Executive Board
President, Beaver County Leadership	Member/Executive Board
President, Beaver Leadership Development Inc	Member/Executive Board
Black Women's Leadership Conference	Member/Association
BPW Business/Professional Women's Club	Member/Association
NAACP	Member/Association
Council of Community Services	Member/Association
3-Gas Company LIHEAP Outreach	Member/Committee
3-Company LIHEAP Outreach	Member/Committee
Aging Consortium - PA	Sponsor
Aging Consortium - PA	Member/Committee
Be Utility Wise (S W PA)	Member/Committee
BUW (S W PA)	Sponsor
Coordinated Child Care Advisory Council	Member/Council
Special Needs Christmas Projects	Coordinator
Tri-county Outreach Committee (BUW) Central Pa	Sponsor
Tri-county Outreach Committee (BUW) Central Pa	Member/Committee
Tri-Region Be Utility Wise	Member/Committee
Tri-Region BUW	Sponsor
United Way Day of Caring	Volunteer
Health and Welfare Council	Member/Council

## **Budgets**

Universal Service Program expenses are monitored and tracked specific to each program with the exception to Hardship Funds. Because oversight of the Hardship Funds resides within the CARES program, all internal administrative expenses are included in the CARES budget.

### **PROJECTED BUDGET**

	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>LIURP</b>	\$1,369,203	\$1,369,203	\$1,369,203
<b>Energy Assistance Outreach and Processing</b>	\$73,000	\$73,000	\$73,000
<b>CARES Community Outreach</b>	\$150,000	\$150,000	\$150,000
<b>CAP Administration and Applications</b>	\$350,000	\$400,000	\$400,000
<b>Shortfall</b>	\$7,160,273	\$8,416,325	\$9,653,810
<b>Arrearage Retirement</b>	\$2,256,440	\$2,620,440	\$2,188,599
<b>Hardship Funds</b>	\$150,000	\$150,000	\$150,000

### **Projected Enrollment**

	<b>2003</b>	<b>2004</b>	<b>2005</b>
<b>LIURP</b>	230	230	230
<b>CARES</b>	7000	7000	7000
<b>CAP</b>	16,383	20,000-27,000*	22,000-27,000*
<b>Hardship Funds</b>	2070	2070	2070

\* Columbia's needs analysis shows that approximately 22,000 to 27,000 customers in its service territory are eligible for CAP. As stated earlier, Columbia intends to file a petition seeking a permanent CAP funding mechanism before January 1, 2004. At that time, Columbia will refine the enrollment projections for the CAP.

## **Program Descriptions**

Pursuant to 52 Pa Code §62.4(b), the components of Columbia's universal service and energy conservation plan are hereby described in detail. Following are program descriptions, including eligibility criteria, a needs assessment, and projected enrollment levels for the programs.

### **CARES (Customer Assistance Referral and Evaluation Services)**

#### **Scope**

The CARES program has been offered to Columbia Gas customers since 1986. Since its inception, 33,670 customers have received the assistance of staff social workers through resource referrals, consumer education, LIHEAP Outreach and affordable payment plans tailored to the customer's ability to pay. CARES is designed to be a short-term program for first time payment-troubled customers who require energy assistance and other necessary resources and referrals.

CARES is also used in conjunction with CAP to enhance the benefits of that program. Certain CAP customers, such as the elderly may need special handling. These customers receive extra monitoring and protection through the Columbia CARES program. The program, "Hard to Reach Consumer Education on CHOICE," also is performed by the CARES program. Columbia contracts the education component to a community-based educator, Essential Energy Inc., to perform the training and monitoring of individual and group consumer education sessions.

The CARES program is also used as the final step in the Cold Weather Survey process. The Customer/Community Outreach Coordinator makes special attempts to contact those without heat. This intervention is continuous throughout the heating season

The CARES program is also the conduit that informs all customers of available programs and resources through an information and referral call group at the customer contact center. The customer/community Outreach Coordinator trains Columbia employees on the referral processes.

#### **Key Objectives**

- Reduced credit/collection costs
- Successful payment recovery
- Continuous payment frequency
- Identification and cost avoidance associated with crisis/safety issues
- Customer satisfaction

- Reduced commission complaints
- Resource development
- Community networking
- Goodwill

### **Eligibility Criteria**

- Payment-troubled, evidenced by missed payments or anticipated payment stoppage due to personal crisis resulting in financial hardship
- Columbia Gas heat customer
- Income at or below 200% of Federal Poverty Guidelines
- Financial difficulty must be short term.

### **Program Components**

Case management approach to solving individual payment problems

- Home visit assessment when necessary
- Protection from termination during program
- Short-term, affordable payments based on “ability to pay”
- Budget counseling
- Referrals and linkage to community, state and federal resources for direct and indirect monetary assistance
- Information and referral dissemination

## **LIURP (Low Income Usage Reduction Program)**

### **Scope**

The Low Income Usage Reduction Program has been offered to Columbia Gas customers since 1988. Since then, over 4,000 homes have been weatherized. Consumption savings average 26%-29%. Arrearages have been reduced significantly, eliminating bad debt in over 50% of the homes completed. Average spending per home is \$4,100. All measures used have a 7-12 year payback.

### **Key Objectives**

- Assist low-income customers, conserve energy and reduce energy bills
- Reduce uncollectibles, arrearages and write-offs
- Reduce wasted consumption
- Create affordable budgets for customers
- Improved payment frequency
- Lessen risk associated with safety situations
- Reduce the shortfall deficit associated with reduced payment programs (CAP)
- Improve customer satisfaction
- Create environmental awareness and protection

### **Eligibility Criteria**

- Income at or below 150% of Federal Poverty Level. With up to 20% of annual budget eligible for special needs customers as defined in Section 58.2, (relating to definitions)
- Home owner or renter; renter must have property owner permission
- Minimum consumption level which varies on an annual basis according to demonstrated need
- Dwelling must be approved in proper condition to weatherize during audit

### **Program Components**

- Home Energy Audit. Each home is audited to determine if dwelling is in proper condition for weatherization. Weatherization measures are recommended at that time. Referrals to other housing development agencies for repair work are made if necessary
- Energy Education component
- Gas Furnace Safety Inspection. Heating system is inspected, cleaned and repaired as needed prior to weatherization treatment
- Weatherization. Operational measures are performed specific to audit recommendations. Treatment is determined based on highest efficiency results.

Measures include sidewall and attic insulation, caulking, sealing and window stripping

- Inspection. Twenty-five percent of homes are inspected for quality and safety
- Post-Weatherization Evaluation. Consumption usage comparison pretreatment and post treatment to determine savings

## **CAP (CUSTOMER ASSISTANCE PROGRAM)**

### **Scope**

Columbia's Customer Assistance Program (CAP) was established in 1992 and has enrolled over 17,000 Columbia Gas customers. Of the past 10 years, Columbia operated its CAP as a pilot program for the first seven.

The program was created as an alternative to traditional credit and collection measures to assist long-term, payment-troubled customers by offering affordable payment options.

Under provisions of the 1999 Natural Gas CHOICE and Competition Act, Columbia filed a settlement agreement under which it agreed to expand its CAP enrollment to 22,000 customers. Subsequent settlement agreements have modified this number in context with program finding initiatives.

### **Key Objectives**

- Maximize affordable payment options
- Reduce credit/collection costs
- Reduce arrearage write-off
- Efficient, cost-effective program
- Clear directed customer communication
- Increased on time payment frequency
- Minimized shortfall deficit through conservation and energy supplements
- Risk avoidance due to safety/crisis situation
- Targeted identification of low-income, payment-troubled customers
- Reduced commission complaints

### **Eligibility Criteria**

- Columbia residential heat customers
- Household income at or below 150% of Federal Poverty Level
- Payment-troubled; demonstrating at least one failed payment agreement within past 12 months or otherwise identified through cross referring and credit scoring

### **Program Components**

#### **Administration**

- Dollar Energy Fund, Inc. administers portions of the CAP program. Dollar Energy has significant experience in the areas of outreach and intake.
- Dollar Energy Fund, Inc.'s over 50 designated screening agency sites routinely process applications, verify income and explain program details.

## Payment Terms

Columbia's experience supports a payment structure that increases payments while maintaining customer affordability. This flexibility allows administrators to select the most affordable option while maintaining payment of at least the average amount received over the previous 12 months.

Option #1:	Percentage of Income		
	0 – 110% of Poverty	=	7%
	110 – 150% of Poverty	=	9%

Option #2: Average of last 12 months of customer payments. (Available for customers with at least six months of uninterrupted service.)

Option #3: Flat rate of 50% of budget billing

Senior CAP: Flat rate of 75% of budget billing for customers over 60 years of age with no arrears or payment plan default

A minimum payment amount of twenty-five dollars is required.

The intake agency determines the appropriate payment plan option for the particular customer. All payment options are available to the screening agency prior to the interview. A payment option is recommended; however, not confirmed with the customer. The payment recommended is not less than the average of the previous 12 payments unless significant hardship occurred which changes the customer's ability to pay.

The CAP customer is required to pay a five-dollar co-payment towards pre-program arrears.

After review of the application from Dollar Energy, the payment option is selected by Dollar Energy and entered into Columbia's customer information system (DIS). A letter of confirmation with the payment amount is mailed to the customer.

## Customer Responsibilities

A CAP customer must agree to and uphold the following obligations:

- The initial application and subsequent reapplication are subject to agreed-upon conditions, which serve as a contract between the customer and the company
- Income verification as required
- The monthly payment amount and the customer five dollar co-pay must be paid by the due date

- The customer must apply for all available energy assistance and agree that this amount will be credited to the shortfall balance on their Columbia account
- The customer must apply for any eligible free weatherization services offered through the Department of Community Affairs state weatherization agencies and Columbia LIURP if eligible
- The customer must agree that Columbia can act as the customer's purchasing agent for CAP Choice aggregation

### **Consumer Education**

Program evaluation studies showed CAP customers actually decreased gas usage after enrollment. In an attempt to continue this conservation effort among program participants, conservation education is provided at the time of intake.

Conservation Consultants, Inc. (CCI), a non-profit conservation company specializing in energy education, is contracted to design modules, train and monitor the screening agencies on conservation/energy education.

Printed conservation materials tailored to the household are provided by the intake worker and given to the customer. Additionally, simple budget counseling and other consumer issues such as CHOICE are explained to the customer at that time.

### **Default Provisions**

A CAP participant can default from the program for non-compliance with program guidelines and customer responsibilities.

Among the reasons for default is non-payment. A CAP customer will be in default after one missed payment or partial payment, which includes the five-dollar co-pay to the pre-program arrears.

Columbia will issue a letter from its customer information system five days after the bill is due.

A 10-day termination notice will be issued according to Chapter 56 regulations if the missed payment is not received.

Approximately 3 days before the 48 hours termination notice is issued, two phone attempts will be made to quote to the customer the amount needed to stop termination.

The 48-hour notice is issued and a premise visit is made.

The customer's service is terminated. Five days after the shut off date, a final bill is issued and the customer is removed from CAP.

During the winter heating season (December-March), a non-payment defaulted CAP customer will remain in CAP. The customer will be requested to catch up on CAP payments. If payments due are not paid in full by April 1<sup>st</sup>, the customer will be targeted for termination and removed from CAP

A full payment of the CAP payment plan arrears will stop the termination process at any time.

### **Re-instatement**

With the agreement of the BCS, Columbia has experimented with moving towards a more open enrollment process that allows customers to re-enter CAP without a time limitation. This proposal formalizes this modification and seeks to make it an integral part of the CAP.

The proposed process for reinstatement of a CAP customer is as follows:

Re-instatement when the customer's **gas service was terminated** after removal from CAP:

- All CAP payments must be made, including the five dollar co-pay for the months during which gas service was retained
- All payments made by the customer after his removal from CAP will be deducted from the amount needed for program re-entry
- Any charges incurred after the customer defaulted which are not paid by the customer are treated as current bill shortfall amounts
- This process also applies to defaulted CAP customers who move to a new address after termination for non-payment

Re-instatement when the customer **retained gas service** after removal from CAP:

The customer must pay the entire balance of missed CAP payments including the five-dollar co-pay to the pre-program arrears

- Any payments made by the customer after removal are deducted from the amount needed for program re-entry
- The balance of the pre-program arrearage at the time of default will be brought forward

- Any charges incurred after default which are not paid by the customer are treated as current bill shortfall
- This process also applies to CAP customers who move to a new service address with no interruption of service due to termination.

### **Re-verification**

Re-verification of income on a yearly basis is necessary to ensure that only low income customers are offered the subsidized payment plan under CAP. While Columbia supports the need for customers to take some responsibility for their participation in the CAP program, Columbia exercises flexibility in providing customer ease with regard to income re-verification.

Customers who have received LIHEAP, Dollar Energy Fund or another Columbia Universal Services program are exempt from annual re-verification. CAP participants who did not receive LIHEAP are required to mail in verification of their household income to Dollar Energy for processing. Their new payment amount will be mailed to the customer in a letter explaining their continuance in CAP. If the customer prefers to re-verify in person, an appointment can be made available to the customer with a screening agency.

Columbia recognized the difficulty re-verification could be for seniors and the often-minimal income changes that occur with this population; therefore Columbia recommends that the following modification be made to the CAP:

CAP customers 60 years and older who are also on Social Security or Disability Assistance will be exempt from annual re-verification; however, those customers will be required to either re-verify their income every other year or receive energy assistance.

### **Arrearage Retirement**

It is a requirement that the customer exhibit regular monthly payment practices to receive arrearage retirement benefits, including a five-dollar monthly customer co-pay toward the customer's pre-program arrearage. Consistent with the approved changes identified in the most recent 2001 settlement agreement, customer co-payments are spread over a maximum of a six-year time period, commencing when a customer is accepted in the program. The unpaid portion of the pre-program arrears is forgiven over the 6 years. The customer co-pay retirement is clearly noted on the account summary portion of the monthly CAP bill.

## **Gas Transportation**

As a result of the Natural Gas CHOICE and Competition Act, Columbia formulated a low-income aggregation for CAP customers concurrent with Columbia's Choice program.

As a condition of CAP, the customer is required to agree in writing to allow Columbia to act as an agent, on their behalf to contract for the purchase of gas supplies from a licensed natural gas supplier ("NGS"). The NGS is selected by Columbia based upon responses to a Request for Proposal (RFP) which is sent to licensed NGSs on the Columbia system. Through this arrangement, CAP customers benefit from the competitive market for gas supplies, and from the economies of scale gained through the aggregation of their volumes into the larger CAP group.

In 2001, Columbia presented a feasibility study to the Public Utility Commission on its CAP aggregation. In summary, the aggregation model proved to be a successful alternative to traditional CHOICE. Over the past three years, Columbia has entered into three aggregation contracts realizing an overall gas cost savings of approximately 2%, contributing to \$1.154 million in shortfall savings.

Columbia did not receive a competitive bid from NGSs during its last RFP. As a result, CAP customers have been placed on sales gas to provide them with an opportunity for additional gas cost savings, Columbia will continue to seek a qualified bid through subsequent RFP processes on a going forward basis to take advantage of the competitive gas supply marketplace.

## **HARDSHIP FUND**

### **Scope**

Columbia Gas of Pennsylvania voluntarily contributes one dollar of shareholder money for every dollar contributed by its ratepayers. Annually, CPA raises in conjunction with Dollar Energy Fund activities, \$100,000-125,000 in customer contributions. Combined with a shareholder match, \$250,000 is raised and awarded to payment-troubled, low-income Columbia Gas customers. This money is provided directly to Columbia Gas in the form of a grant on each customer's account.

Columbia also partners with the Citizen's Energy Corporation (CED), a non-profit organization that serves low-income housing and energy needs. Through a gas purchasing agreement, an additional \$375,000 is allocated from Columbia to CED who contracts with the Dollar Energy Fund to provide grants to payment-troubled, low-income customers.

Ten percent of awarded grant dollars are earmarked for administration. This money is paid to the Dollar Energy Fund for the outreach and intake application process in the community. Currently, 92 community-based organizations take applications within communities that Columbia serves.

### **Key Objectives**

- Reduce outstanding balances
- Prevent termination
- Sustain gas service
- Reduce CAP credits per customer to ensure affordable payments in high usage households

### **Eligibility Criteria**

- Outcome changes according to program dates
- Household income at or below 200% of Federal Poverty Level
- Must have received all other state and federal assistance programs
- Minimum arrearage balance
- Must have made a recent utility payment
- Special exceptions will be reviewed for consideration

### **Program Components**

- Screening and referrals at Columbia's Customer Contact Center
- Outreach and intake at local community-based organizations

## **CAP Program Projected Needs Assessment**

In line with the integrated approach, Columbia fashioned the projected needs assessment on the premise that Universal Service Programs should be offered as part of a menu of options to suit the circumstances of individual customers. This opposes the approach of finding customers to fit the profile of the four identified programs. Instead, Columbia looks at the potential participant and recommends what programs would best suit his payment-troubled situation. One size does not fit all, nor does one program suit fit all customers.

Columbia has embraced this concept and implemented it by developing administrative processes within its customer services protocols to handle the low-income, payment-troubled customers at the first point of contact through a comprehensive assessment process. This process was explained previously within this document referred to as the One-Stop-Shop approach.

The first step within this assessment process identifies the need. Columbia referenced several sources to complete this assessment. The first is the 2000 Federal Census Data and the second is Columbia's customer information system. Here within, describes the process by which Columbia identified the potential need for Universal Service Programs.

In line with the Bureau of Consumer Services' document dated May 9, 2001, Columbia based the first step of the needs assessment on the following six criteria:

### 1) The Number of Identified Low-Income Customers

In recognition that the CAP is designed to address the needs of chronic low-income, payment-troubled customers, Columbia began its process of identifying potential CAP customers by reviewing customers who have continued to meet certain criteria for a twelve month period. The selection criteria used was: all level 1 and 2 customers who have had payment agreements; all accounts that have received LIURP, CAP, LIHEAP or other energy assistance programs including Hardship Funds; all accounts whose financial summaries show incomes below 150% of Federal Poverty Guidelines; and those accounts that met the income criteria who were not on payment plans.

The following table identifies that using this criteria, 58,672 customers are identified as low-income on Columbia's records. Those who have received energy assistance or another Universal Service program that have confirmed their income to be below 150% of federal poverty guidelines. Also included are

customers who have declared their income to be such; however, have not confirmed it through income verification.

### The Number of Identified Low-income Customers

**58,673**

	<b>CAP</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Total</b>
<b>Oct-01</b>	9,007	45,258	3,744	58,009
<b>Nov-01</b>	8,956	45,553	3,774	58,283
<b>Dec-01</b>	8,987	45,840	3,736	58,563
<b>Jan-02</b>	9,057	46,187	3,762	59,006
<b>Feb-02</b>	9,077	46,399	3,766	59,242
<b>Mar-02</b>	9,039	46,650	3,755	59,444
<b>Apr-02</b>	9,036	47,434	3,548	60,018
<b>May-02</b>	9,064	46,718	3,547	59,329
<b>Jun-02</b>	9,126	46,201	3,574	58,901
<b>Jul-02</b>	9,367	45,388	3,533	58,288
<b>Aug-02</b>	9,578	44,673	3,510	57,761
<b>Sep-02</b>	9,909	43,890	3,428	57,227
<b>Average</b>	9,183	45,849	3,639	<b>58,672</b>

#### 2) An Estimate of Low-income Customers

As another means of determining the number of low-income customers, Columbia estimated the number of low-income customers using updated federal census data. Columbia used the most recent census data available at the county level to obtain this number. This table references the number of households that Columbia serves and equates that to a percentage (21.45%) compared to the total number of households within each county. The census data states that there are 323,726 low-income households within the counties Columbia serves.

Using the same percentage (21.45%), 67,830 households are estimated to be Columbia low-income households.

**67,830**

<b>County</b>	<b>CPA Customer Count (1)</b>	<b>Census Household (2)</b>	<b>Percent Customers CPA (3)</b>	<b>Census Household Low-Income (4)</b>	<b>Estimated Low-Income CPA (5)</b>
Adams	11,035	33,652	32.79%	5,001	1,640
Allegheny	95,370	537,150	17.75%	106,443	18,899
Armstrong	944	29,005	3.25%	6,922	225
Beaver	33,990	72,576	46.83%	13,626	6,382
Bedford	10	19,768	0.05%	4,409	2
Butler	7,351	65,862	11.16%	11,159	1,245
Centre	7,309	49,323	14.82%	13,068	1,937
Clarion	3,776	16,052	23.52%	4,247	999
Crawford	1	34,678	0.00%	7,914	0
Elk	35	14,124	0.25%	2,337	6
Fayette	22,685	59,969	37.83%	18,744	7,090
Franklin	3,481	50,633	6.87%	8,108	557
Fulton	8	5,660	0.14%	1,225	2
Greene	2,837	15,060	18.84%	4,128	778
Indiana	569	34,123	1.67%	9,815	164
Jefferson	400	18,375	2.18%	4,285	93
Lawrence	19,128	37,091	51.57%	8,630	4,451
McKean	3,346	18,024	18.56%	4,106	762
Mercer	30	46,712	0.06%	9,530	6
Somerset	4,353	76,529	5.69%	7,645	435
Venango	709	22,747	3.12%	5,600	175
Warren	2,521	17,696	14.25%	3,314	472
Washington	38,522	81,130	47.48%	15,860	7,531
Westmoreland	20,307	149,813	13.55%	27,704	3,755
York	76,135	148,219	51.37%	19,906	10,225
<b>Totals</b>	<b>354,852</b>	<b>1,653,971</b>	<b>21.45%</b>	<b>323,726</b>	<b>67,830</b>

1) **CPA Customer Count** - Number of households per county identified by Columbia Gas as being served by Columbia Gas.

2) **Census Household** - Number of households per county identified by census data.

3) **Percent Customers CPA** - Percent of total county households served by Columbia

Gas (#1 / #2).

4) **Census Household Low-Income** - Number of low-income households per county identified by census data.

5) **Low-Income CPA** - Estimated number of low-income households per county served by Columbia Gas (#3 X #4).

Definitions:

1) **Low-Income** - At or below 150% of Federal Poverty level.

2) **Payment-Troubled** - Customers who have payment agreements or who have failed at least one agreement within 12 months.

3) The Number of Identified Payment-troubled, Low-income Customers

Next, Columbia used data gained from its actual experiences with payment plans to identify the number of chronically payment-troubled customers. Columbia used three scenarios that included all households whose income are at or below 150% of the poverty guidelines and who have had payment agreements. Based upon the definitions at 52 Pa. Code §§ 54.72, 62.2 and 96.262, "Payment Troubled" is defined as a household that has failed to maintain one or more payment arrangements in a one-year period. Columbia used this criteria in developing each of the following three scenarios:

**–Scenario 1–**

This scenario represents the current number of Columbia customers currently on a payment arrangement that have had at least one failed payment arrangement within a one-year period. Based upon data from Columbia's customer information system, Columbia has 17,831 customers who have failed a payment arrangement in a one-year period. This figure does not include those customers who are not currently on a payment plan and have failed in the past, because data at this level is not maintained in the customer information system. Consequently, this scenario is merely a snapshot of the eligible customer base, and it therefore fails to show the fully evolving picture.

**–Scenario 2–**

To provide a more accurate representation of the eligible customer base, customers who are not currently on a payment plan but who may have failed one in the past and therefore may be likely to fail in the future must be included in the analysis. Columbia determined an average based upon the number of

customers on a payment plan that have failed one in the past. This estimate suggests that 67% of customers fail payment arrangements. Using this estimate, Columbia developed scenarios two and three.

Scenario two reflects the number of known low-income Columbia customers currently on a payment plan who have had at least one failed payment arrangement plus the number of estimated customers that are not currently on a payment plan but who have had at least one failed payment arrangement in the last year. More specifically, based on information from Columbia's customer information system, there are currently 17,831 customers on a payment plan who have had at least one failed payment arrangement during the past year. Additionally, based on information from Columbia's customer information system, 13,887 customers are not currently on a payment plan; however, they have been on one in the past twelve months. Using Columbia's estimate of the percentage of customers who fail payment plans (67%) multiplied by those customers currently not on a plan but who have been on one in the past twelve months, Columbia estimates that 9,304 customers fall into this category. This number added to the number of customers currently on a payment plan but who have at least one failed payment plan equals 27,135.

### **–Scenario 3–**

Scenario three, like scenario two, reflects those Columbia customers who may have failed a payment plan in the past and who may be likely to fail one in the future. However, scenario three differs from scenario two in that scenario three is based on all customers who have had a payment plan in the past year rather than those customers who have failed a payment plan in the past year. This number is estimated by taking the total number of known low-income customers who have had a payment plan in the past twelve months, multiplied by the percentage of customers who are likely to fail a payment plan. Based on information from Columbia's customer information system 34,213 customers have had a payment plan in the last twelve months. Since 67% of customers are expected to fail a payment plan in any given year, Columbia estimates that 22,922 customers have probably failed a payment plan in the past.

#### 4) An Estimate of Potentially Payment-troubled, Low-income Customers

Next, Columbia compared the data obtained from its customer information system to census data. The number of customers identified as low-income customers based on Columbia's customer information system is 58,563. The number of customers estimated by census data to be low income is 67,830. The census figures suggest that Columbia's service territory has 9,267 more payment-troubled customers than Columbia's data indicates.

#### 5) The Number of Customers Who Still Need LIURP Services and the Cost to Serve That Number

Pursuant to BCS's May 9, 2001 document, Columbia identified the number of customers that meet the LIURP eligibility criteria, excluding those customers who have already received weatherization services. According to data from Columbia's customers information system, 21,230 customers meet the LIURP eligibility criteria. Of these customers, 4,003 have already received weatherization services. Consequently, 17,227 customers could be weatherized.

Based on Columbia's weatherization experience, the average cost to weatherize each home is \$4,180. Therefore, it would cost \$72,008,860 to weatherize all the potentially eligible households in the Columbia service territory. Columbia annually funds LIURP at a spending level of \$1,369,000.

#### 6) The Enrollment Size of CAP to Serve All Eligible Customers

Finally, Columbia determined the appropriate size of the CAP to serve all eligible customers. Using the data and the estimating techniques discussed above, Columbia believes the appropriate size of the CAP to be within a range of 22,922 - 27,135 customers as depicted by scenarios two and three. Scenarios two and three are most representative estimates of the class size because they consider both customers who are currently on a payment plan as well as those customers who are not currently on a payment plan but who are likely to be on a payment plan based upon their qualifications. This range includes the segment of customers that transition in and out of payment-troubled status.

The second step of the Needs Assessment process defines the scope of services needed to suit the customers' needs. The four Universal Service Programs have been previously described within the program content sections of CAP, CARES, LIURP and Hardship Funds.

The Universal Services Programs, CARES, CAP, Hardship Funds and LIURP respond to the identified needs in different ways. Over 10,000 customers are currently receiving benefits from CAP, while 8,000 additional customers have received assistance through CARES services. Hardship Fund recipients average 2,500 annually along with an additional 300 households weatherized each year. Columbia identified that there are between 22,922 and 27,135 customers who are potential participants for one or more of these programs. Columbia looks to this range to identify how many customers may choose from the menu of options available under Universal Services.

**Conclusion**

Columbia's Universal Service Program is designed to address the multifaceted needs of Columbia's diverse customer base. The present array of Universal Service Programs is an appropriate mix of service offerings that meets the requirements of 66 Pa. C.S.A. §2203(8) and 52 Pa Code Chapter 62. Columbia respectfully requests that the Commission approve the previously-described changes to the CAP regarding re-verification, credit-score CAP enrollment, and joint-utility CAP enrollment. Columbia also respectfully requests that the Commission approve this updated universal service and energy conservation plan.

Dated: November 5, 2002