

# Informational Committee Meeting on Chapter 14

Before the  
Consumer Affairs Committee  
Pennsylvania House of Representatives

**Remarks of  
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Vice President and General Counsel  
Energy Association of Pennsylvania**

**November 1, 2011**



## Introduction

- Good morning Chairman Godshall, Chairman Preston and members of the Committee.
- I am Donna Clark, Vice President & General Counsel of the Energy Association of Pennsylvania, a trade association of electric and natural gas utilities operating in Pennsylvania.
- EAP performs two primary functions:
  - Advocate industry positions before PUC, DPW, DCED, PennDOT, DEP and the General Assembly;
  - Education role – assist companies in sharing best practices, and sponsor conferences on operations and consumer issues that are attended by employees of members, out-of-state utilities and government.

## EAP Member Utilities

**Citizens' Electric Company  
Columbia Gas of PA  
Duquesne Light Company  
Equitable Gas Company  
Metropolitan Edison Company  
National Fuel Gas Distribution Corp.  
PECO Energy Company  
Pennsylvania Electric Company  
Pennsylvania Power Company  
Peoples Natural Gas Company  
Philadelphia Gas Works  
Pike County Light & Power Co.  
PPL Electric Utilities Corporation  
UGI Central Penn Gas  
UGI Penn Natural Gas  
UGI Utilities, Inc.  
Valley Energy, Inc.  
Wellsboro Electric Company  
West Penn Power Company**

- ✓ EAP member utilities deliver electricity and natural gas to more than 7.5 million residential customers in Pennsylvania.
- ✓ Utility service, unlike other essential items i.e., housing, gasoline, and groceries, is billed and paid-for AFTER its use.

## Presentation Discussion

- Background and Overview
- Key Chapter 14 Data Points
- Reauthorization

## Chapter 14 – Background

- Regulations governing Residential Standards & Billing Practices (Title 52 of the Pennsylvania Code, a/k/a Chapter 56”) have been in place since 1978.
- Chapter 14 a/k/a “The Responsible Utility Consumer Protection Act” or “Act 201” was enacted in 2004 and amended Pa. C.S. Title 66 (§§1401-1418). Sunsets December 14, 2014.
- Chapter 14 protects timely-paying customers from rate increases attributable to customers who can afford to pay their utility bills but choose not to pay by providing public utilities with equitable means to increase timely collections and reduce uncollectible expenses.
- Chapter 14 also ensures that service remains available to all customers on reasonable terms and conditions.
- Seven years after passage (in October of 2011) Chapter 56 regulations have been amended to account for changes passed by the legislature in Chapter 14.

## Chapter 14 - Modified Existing Collections Procedures

§ 1402 (3). “...General Assembly seeks to provide public utilities with an equitable means to reduce their uncollectible accounts by modifying procedures for delinquent account collections ... seeks to ensure that service remains available to all customers on reasonable terms and conditions.”

- Deposits
- Payment agreements
- Termination and restoration of service
- Late payment charge waivers
- Customer complaints
- Automatic meter reading
- Reporting to General Assembly & Governor
- Tools for city natural gas distribution operations

While utilities are authorized to terminate service for failure to pay, **termination is a last resort.**

## Customers – Rights & Responsibilities

### RIGHTS

- Safe and reliable utility service
- Just and reasonable rates.
- Fair credit and security deposit policies.
- Ability to question and/or dispute your bill's accuracy or raise service complaints with the utility.
- Option to file a complaint with the PUC.

### RESPONSIBILITIES

- Pay bill on time.
- Provide utility with access to its meter.
- Give at least seven days advance notice before moving or discontinuing service

OVERVIEW

**Chapter 14 did not diminish low-income protections\***

| Existing Protections   | Description   |   |
|--|---|---|
| <p><b>PA Consolidated Statutes</b></p>   | <p><b>Electric /Natural Gas Choice Acts</b><br/>                     Ensures that utilities' US&amp;EC policies are appropriately funded &amp; available, and maintain protections and services to assist low-income customer<br/> <u>66 Pa. C.S. §§ 2203(8) and §§ 2804(9)</u></p> |   |
|  | <p>Every public utility shall furnish and maintain adequate, efficient, safe, and reasonable service and facilities <u>66 Pa. C.S. §1501</u></p>  |   |
| <p><b>52 Pa. Code Chapter 56</b><br/>                     Many existing "56" protections were <b>strengthened</b> during incorporation of Chapter 14</p> | <p>Annual Cold Weather Survey</p>   | <p>Removed heat-related distinction;<br/>                     Added Feb. 1 follow-up survey</p>   |
|  | <p>Termination Notices</p>  | <p>Additional content added to notices</p>  |
|  | <p>Utility Reporting</p>  | <p>Additional utility reporting requirements</p>  |
|  | <p>Additional content in Tariffs</p>  | <p>Fees and Tariffs, methods for determining customer liability, general description of credit scoring methodology, income verification information</p> |
|  | <p>Make-up bills</p>  | <p>4-year limitation</p>  |
|  | <p>PFA Holders</p>  | <p>Special provisions</p>   |
|  | <p>Advance Payment</p>  | <p>Restriction remains in place for low- income customers</p>   |

\* List comprises examples only and should not be considered comprehensive





OVERVIEW

**Chapter 14 codified many protections in Statute\***

| Protection   | Description   |
|--|---|
| <b>Payment Agreement</b>                                   | Repayment terms and periods <u>66 Pa C.S. §1405</u>   |
| <b>Winter Moratorium</b>                                   | PUC authorization needed for terminations of customers with household income at or below 250% <u>66 Pa C.S. §1406 (e)</u>   |
| <b>Termination Notice</b>                                  | Termination notice - qualification for LIHEAP <u>66 Pa. C.S. §1406 (g)</u>  |
| <b>Terminations</b>  | Added notice requirements; permitted Mon-Fri only where utility can accept payment and restore service on following day ; Post termination notices <u>66 Pa. C.S. §1406 (b)</u> |
| <b>Reconnections</b>                                       | Expedited timing for reconnection where warranted ; Payment periods for restoring service; Exceptions for life events <u>66 Pa. C.S. §1407</u>                                  |
| <b>Third Party Guarantor</b>                               | In lieu of cash deposit <u>66 Pa. C.S. §1404 (b)</u>  |
| <b>Security Deposits</b>                                   | Payment periods; Returned/credited with legal rate of interest <u>66 Pa. C.S. §1404 (c)</u>   |
| <b>Medical Certificates</b>                                | Added certification by nurse practitioner <u>66 Pa. C.S. §1406 (f)</u>  |
| <b>Late Payment Waivers</b>                                | Permitted in certain circumstances <u>66 Pa. C.S. §1409</u>   |
| <b>DPW (PGW) Reporting of public assistance recipients</b> | DPW annually provides PGW with listing of public assistance recipients to facilitate LIHEAP eligibility <u>66 Pa. C.S. §1413</u>  |
| <b>Protection from Abuse</b>                               | Chapter 14 does not apply to victims under protection from abuse order  |

\* List comprises examples only and should not be considered comprehensive



## Chapter 14 - Checks & Balances

- **Requires the PA PUC to report to the General Assembly and Governor every two years on four specific areas:**
  - (1) Degree to which the Chapter 14 requirements have been successfully implemented;
  - (2) Effect upon cash working capital or cash flow, uncollectible levels and collections;
  - (3) Level of access to utility services (residential customers), including low-income customers; and,
  - (4) Effect upon the level of customer complaints and mediations (Payment Agreements) filed with and adjudicated by the PUC.

KEY DATA POINTS

## Findings of PUC's Third Chapter 14 Biennial Report

**Collections performance improved as a result of Chapter 14 despite volatile gas prices, widespread unemployment and increased numbers of families in poverty, as determined by the PUC in its Third Chapter 14 Biennial Report (issued Jan 14, 2011):**

| FINDINGS*  | Gas Industry | Electric Industry |
|--|--------------|-------------------|
| Utilities successfully implemented Chapter 14 since its passage  | Yes          | Yes               |
| Gross residential write-offs ratio ( <i>% of billings written off as uncollectible</i> )   | - 18%        | -7%               |
| Percent of billings in debt  | - 34%        | + 2%              |
| Weighted arrearage of active accounts  | - 8.2%       | - 2.7%            |
| Reconnect ratio  | + 24%        | + 23%             |
| Consumer complaints to PUC's Bureau of Consumer Services   | - 34%        | - 9%              |
| Customer payment agreement requests to PUC's Bureau of Consumer Services   | - 24%        | - 63%             |
| PGW's collections performance and overall financial health have improved dramatically, fewer customers owe money, and the amount of debt has significantly declined. |              |                   |

\* For comprehensive comparison purposes, data reflects full 12-months reporting 2004 to 2009, as reported in PA PUC's Third Biennial Report, issued January 14, 2011..

KEY DATA POINTS

## Findings of PUC's Third Chapter 14 Biennial Report

**“Low-income customers have fared better since passage of Chapter 14. The utilities have adopted the Commission’s request for lenient restoration in (the PUC) annual Prepare Now Campaign. Low-income customers are given every opportunity to have utility service entering winter time.”**

*Source: PA PUC's Third Biennial Report, Issued January 15, 2011*

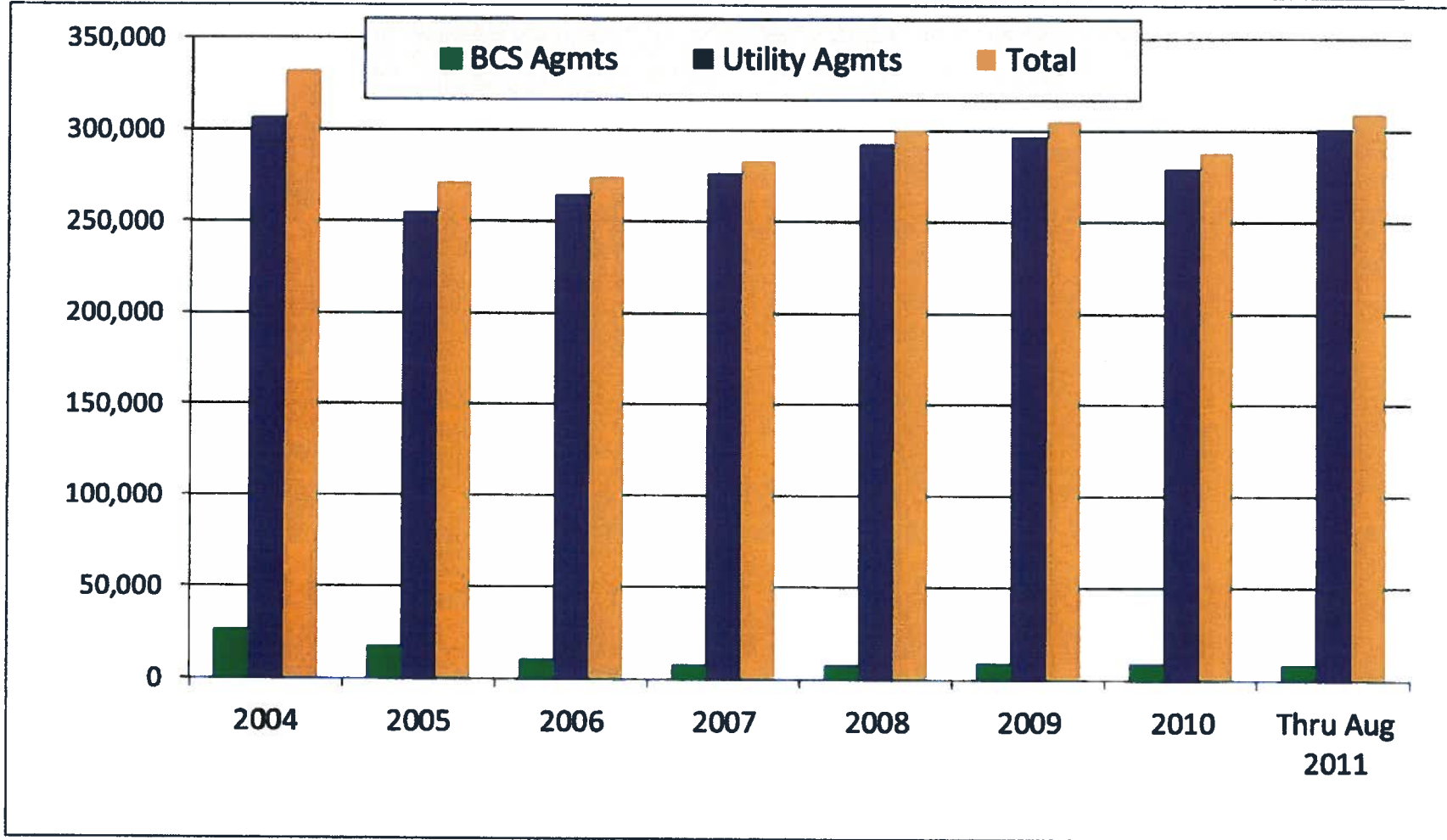
| <b>FINDINGS*</b>  | <b>Gas Industry</b> | <b>Electric Industry</b> |
|---|---------------------|--------------------------|
| Utilities have effectively managed and balanced residential collections expenses and universal service programs keeping costs to residential rate base below inflation rate |                     |                          |
| Spending on Universal Service programs targeted to low-income programs increased  | Increased 104%      | Increased 74%            |
| Customer Assistance Program (CAP) spending  | Increased 108%      | Increased 80%            |
| Customer Assistance Program (CAP) enrollment  | Increased 92%       |                          |

\* For comprehensive comparison purposes, data reflects full 12-months reporting 2004 to 2009, as reported in PA PUC's Third Biennial Report, issued January 14, 2011..

KEY DATA POINTS

# Payment Agreements

Annual Averages for EAP Member Companies



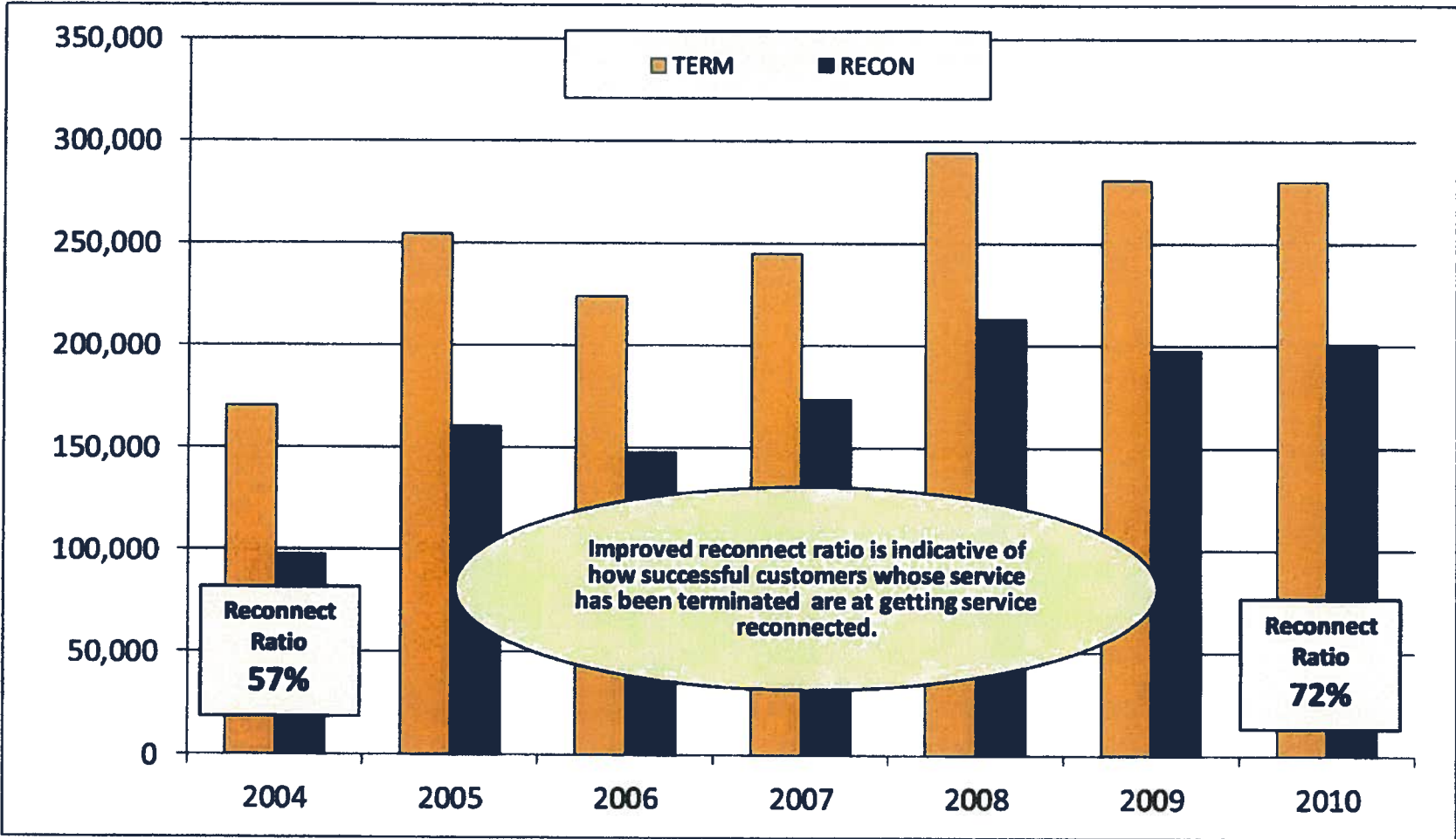
Source: EAP Member Monthly Payment Agreement Reports Filed with PA PUC; and, PUC's Third Biennial Report (Jan 2011).



**KEY DATA POINTS**

# Terminations & Reconnections

EAP Major Member Companies



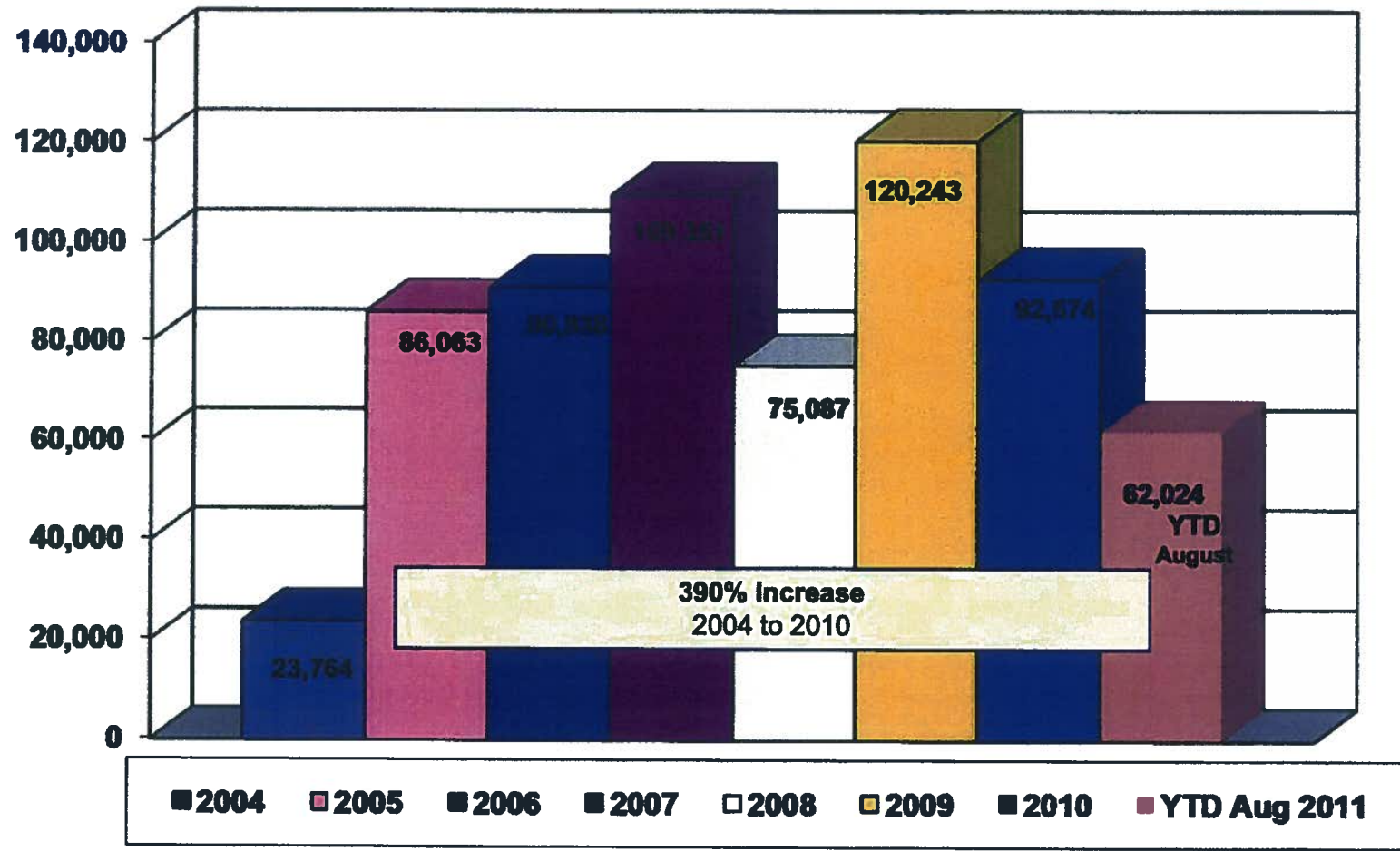
Source: PA PUC Third Biennial Report and PA PUC 2010 Universal Service Programs & Collections Performance Report



**KEY DATA POINTS**

# Reconnection Numbers - Full Payment of Arrearages

EAP Member Companies



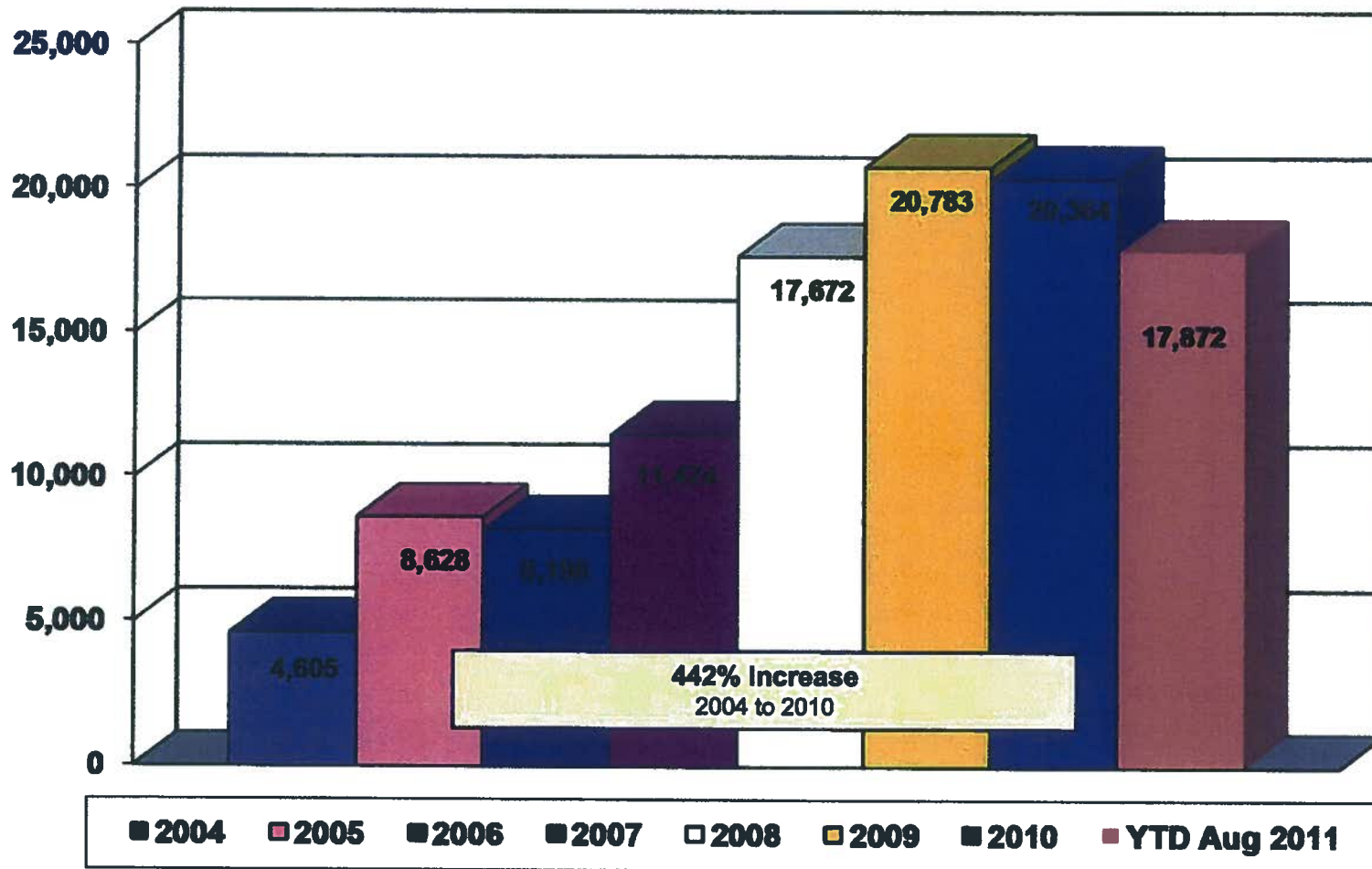
Source: EAP Member Companies' Chapter 56.231 Reports (Various years)



KEY DATA POINTS

# Reconnection Numbers – Medical Certificates

EAP Member Companies



Source: EAP Member Companies' Chapter 56.231 Reports (Various years)





KEY DATA POINTS

## Safety Nets & Assistance Continue

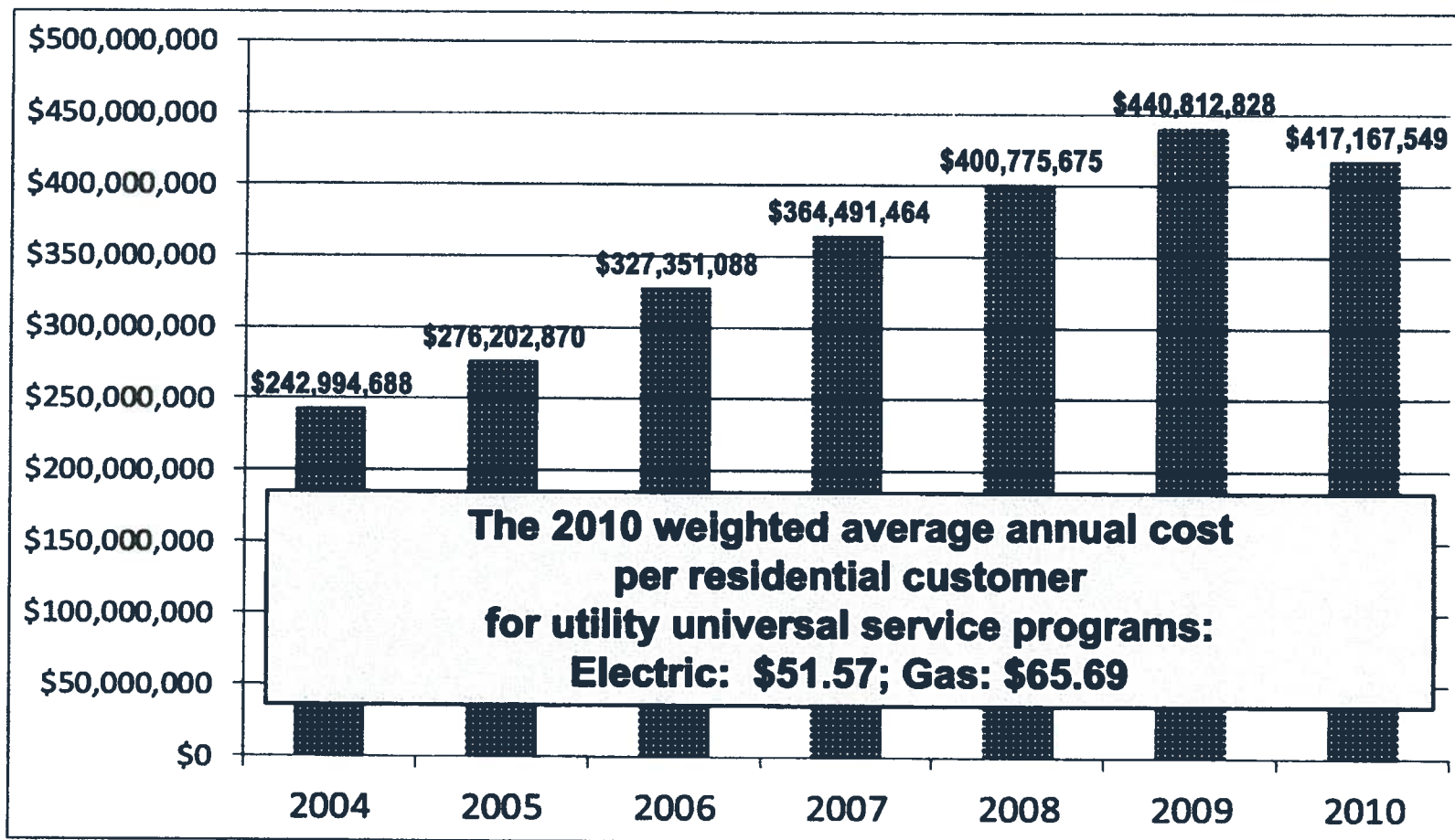
- **Customer Assistance Programs (CAP)** ←  
*Reduced Bills, Arrearage Forgiveness*
- **Low Income Usage Reduction Program (LIURP)** ←  
*Weatherization, conservation, energy efficiency, improved home comfort*
- **Utility Hardship Funds** ←  
*Emergency Cash Assistance*
- **CARES** ←  
*Extensive Network – referrals to qualifying agencies and services*
- **Annual Prepare Now Campaign**
- **Payment Agreements**
- **Budget Billing**
- **Third Party Designee**
- **Cold Weather Survey**
- **Vast outreach efforts, referrals, education, and assistance completing assistance applications**



**More than a  
“million-dollars-  
a-day”  
is spent by  
utilities on  
customer safety  
nets.**

KEY DATA POINTS

## Universal Service Program Spending Embedded in Customer Rates

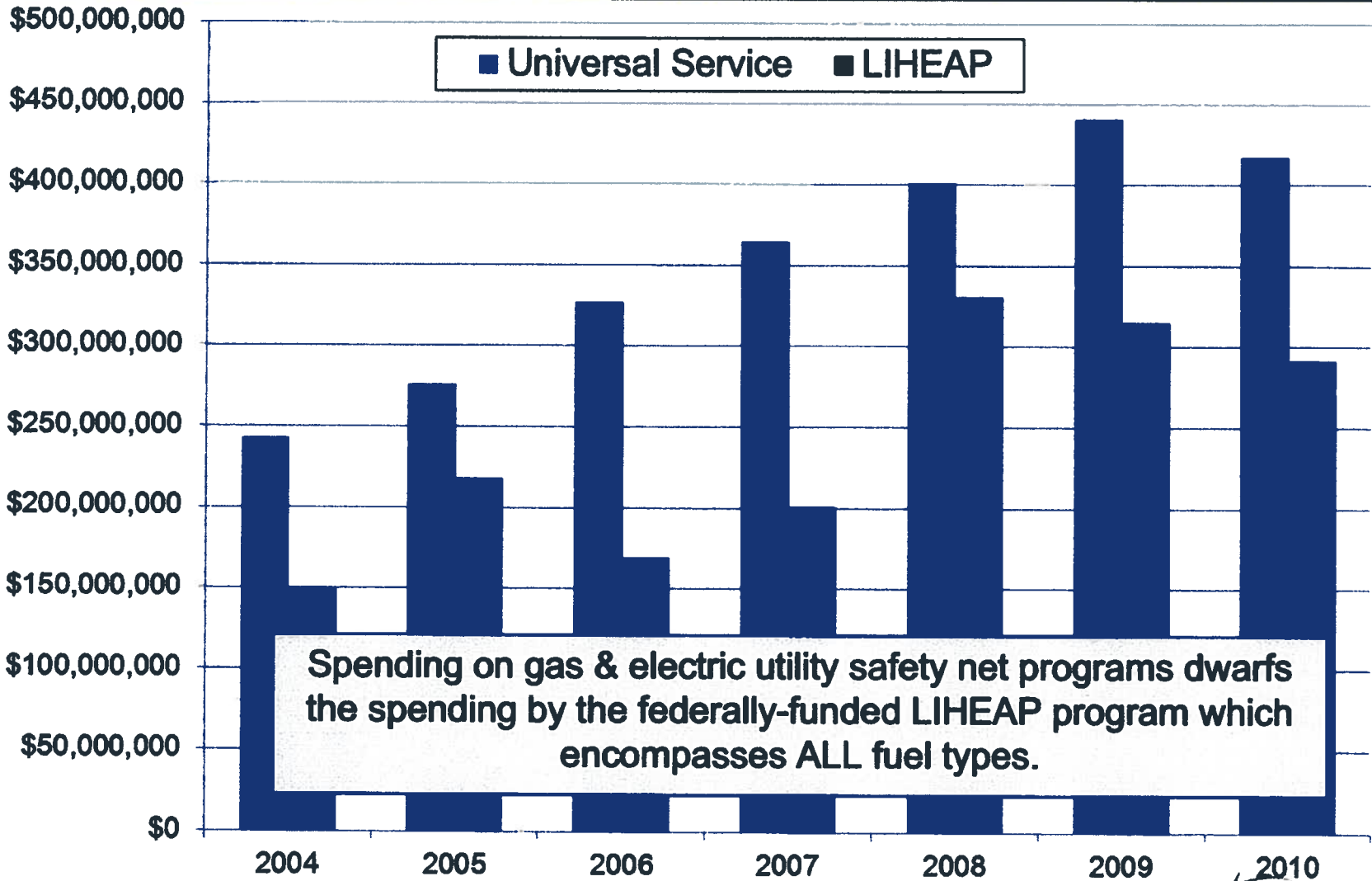


Source: PA PUC BCS 2010 Universal Service Program & Collections Performance Reports and PA PUC Third Biennial Report to the General Assembly and the Governor Pursuant to Section 1415.



**KEY DATA POINTS**

## Universal Service Program Spending vs LIHEAP



KEY DATA POINTS

## **Leveraging of Non-Utility Energy Assistance Programs & Protections**

- **Federally-funded Programs**
  - Low Income Home Energy Assistance Program (LIHEAP)
  - Heat-and-Eat
  - Weatherization Assistance Program (WAP)
  - ARRA Weatherization Assistance Program (through March 2012)
- **Community Partners**
  - County Assistance Offices, Social Service Agencies, Churches, Dollar Energy Fund, Salvation Army, private fuel funds and charities

## Chapter 14 - Reauthorization

- Chapter 14 works - reauthorization should begin now.
- Tools necessary to protect good paying customers from rate increases resulting from poor payment behaviors of others must be maintained while protections for vulnerable customers remain in place.
- Intentions of the General Assembly voiced in Act 201 have worked and should be maintained to inform the application of the new Chapter 56 rules.

**Thank you.**

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