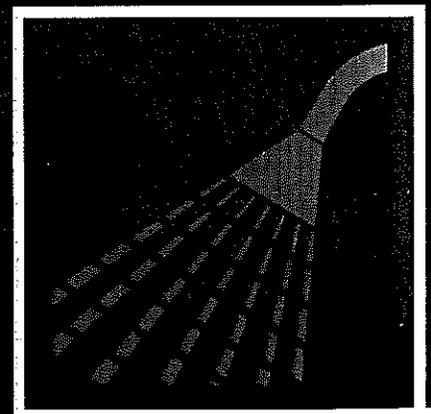
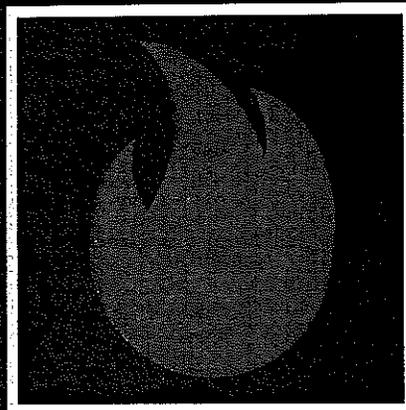
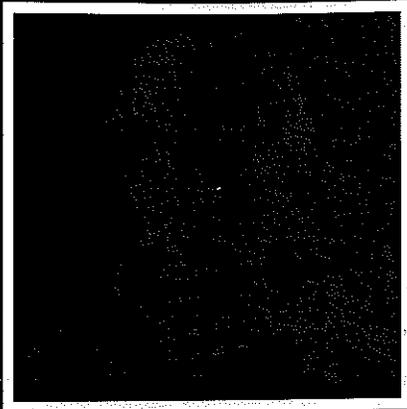


# Consumer Services Activity Report

## Electric, Gas and Water Utilities 1989



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**Bureau of Consumer Services**  
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CONSUMER SERVICES  
ACTIVITY REPORT: 1989

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PA. PUBLIC UTILITY COMMISSION  
BUREAU OF CONSUMER SERVICES  
JOSEPH W. FARRELL, DIRECTOR

# CONSUMER SERVICES ACTIVITY REPORT - 1989

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# THE CONSUMER SERVICES ACTIVITY REPORT FOR 1989

## INTRODUCTION

This report highlights the activities of the Pennsylvania Public Utility Commission's Bureau of Consumer Services. It is also an annual overview of the performance of the major electric, gas and water companies for the year 1989. This report compares the handling of consumer complaints and payment negotiations, compliance with Chapter 56 Regulations and utility collections in three industries and among individual companies within each industry. The results reported herein provide information which can be used by the Commission to evaluate company activities and to set policies and goals in the area of customer services.

The Bureau of Consumer Services (BCS) was mandated under Act 216 of 1976 to provide responsive, efficient and accountable management of consumer complaints. Its responsibilities were clarified under Act 114 of 1986 in regard to reporting and deciding customer complaints. In order to fulfill its mandates, the Bureau began investigating utility consumer complaints and mediating service termination cases in April 1977. Since then the Bureau has investigated 248,918 cases and has received an additional 219,808 opinions and requests for information. To manage and use this complaint data the Bureau maintains a computer based consumer information system through a contract with the Pennsylvania State University. This system enables complaints to be aggregated and analyzed so that generic as well as individual problems can be addressed.

A number of studies have found that only a minority, often a small minority, of dissatisfied customers complain about unsatisfactory products or services. The Bureau's experience reflects this fact as it has frequently found that a seemingly small number of individual complaints from utility customers may represent management failures or other systemic problems in utility operations. Information for evaluating utilities is secured by aggregating data from the thousands of complaints that are reported to the Commission each year. This data base provides information about how effectively utilities meet consumers' needs and whether their activities comply with Commission standards. The results of this analysis are periodically communicated to companies so that they can act independently to resolve problems before a formal Commission action becomes necessary. In many cases, companies which have taken advantage of this information have been able to resolve problems and improve service. However, companies which fail to act responsibly to resolve problems have been subjected to fines and rate case adjustments of expenses and revenues.

The data in this report are aggregated in a manner which reflects natural regulatory distinctions. Cases involving termination of electric, gas and water service are distinctly different from consumer complaints. For this reason the Bureau routinely analyzes the two groups of cases separately. All cases involving termination of electric, gas or water service have been classified as "mediation" cases. Cases involving electric, gas and water billing, service problems etc. are classified as consumer complaints. In contrast, telephone complaints, which fall under unique regulations, are analyzed separately and reported in the Annual Telephone Utilities Activity Report.

The bulk of the data presented in this report is from the Bureau's Consumer Services Information System (CSIS). In addition, this report includes statistics from the Bureau's Collections Reporting System (CRS) and Compliance Tracking System (CTS). The CRS provides a valuable resource for measuring changes in company collections performance while the CTS maintains data on the number of violations attributable to the major utilities.

The data and performance measures in this report have been in use for a number of years. The relative rate of mediation requests and consumer complaints for each company are the most basic problem indicators. Two qualitative measures of company performance, response time and percent of cases justified, are also included in this report. The Bureau provides feedback on these measures in the form of Quarterly Closing Automated Reports Formats (ARFS) to all major electric, gas and water companies. Therefore, all of the companies reviewed in this report are well acquainted with the measures used here, with the Bureau's approach to interpreting these measures, and with their performance on these measures in 1989. An explanation of these measures is included below for readers who encounter them for the first time.

Chapter X of this report focuses on company failures at complying with the Commission's regulations. This analysis appears in this report for the second consecutive year. It explains the Bureau's compliance process and discusses the highlights of compliance activity from 1987 to 1989.

A number of cases are eliminated from the data base for this report because they do not represent company behavior which is appropriate to evaluate. One treatment of the data involves the purging of complaints which do not involve residential service. The Bureau's regulatory authority is largely confined to residential accounts. Thus, all cases that involve commercial accounts are deleted from the analysis and from Tables 2 through 21. (Appendix A lists the distribution of commercial cases by company for the electric, gas and water industries. See Appendix B for the industry percentage of BCS cases defined as residential and commercial). Also, residential customer contacts which do not require investigation are excluded from the data base used here. These cases include problems over which the Commission has no jurisdiction, information requests which do not require investigation and most cases where the customer indicated that he did not contact the company prior to complaining to the Commission.

## I. OVERVIEW OF BUREAU OPERATIONS AND 1989 HIGHLIGHTS

The Bureau of Consumer Services was created by Act 216 of 1976. Its responsibilities were clarified in Act 114 of 1986 which confers four primary responsibilities on the Bureau. The first of these is to "...investigate and issue final determinations on all informal complaints received by the Commission." The second legislative mandate states that "The Bureau shall on behalf of the Commission keep records of all complaints...and shall at least annually report to the Commission on such matters." In this regard, the Bureau's Division of Research and Planning maintains a sophisticated information system. This allows the Bureau to access pertinent information regarding complaints and to use statistics from complaints to evaluate a company's performance. The third legislative mandate requires that the Bureau "...shall advise the Commission as to the need for formal Commission action on any matters brought to its attention by the complaints." The Bureau uses complaints in a number of ways to identify failures of utility operations or problems which require formal Commission action. Finally, Act 114 confers on the Commission a responsibility for maintaining the quality of utility service. The Bureau has a number of assignments in this area where utility customer services are involved. The discussion below describes how the Bureau satisfied its responsibilities during 1989.

The Bureau meets its often complementary responsibilities through a focus on eight programmatic areas. These are: complaint handling, complaint analysis and feedback, utility program evaluation, payment-troubled customers analysis, consumer policy analysis, regulation enforcement, consumer education, and internal management reviews. The Bureau's activities in these areas during 1989 are explained below.

### Consumer Complaint Handling - The Field Services Division

The handling of consumers' complaints against utilities is the foundation for a number of Bureau programs. The complaint process provides an avenue through which consumers can gain rapid redress for errors and improper behavior by utilities. Three sections in the Field Services Division receive and investigate consumer complaints. Complaints about billing, service and company operation are handled in the Informal Complaint Unit. All complaints against telephone companies are handled in the Telephone Complaint Unit. Requests for help with payment agreements are handled in the Residential Termination Unit.

During 1989 the Field Services Division received 26,052 contacts from customers. Of these, 16,268 were found to be complaints which required investigation. In most cases, a binding decision was issued at the conclusion of the investigation. In a number of these cases, violations of Commission regulations were identified and an investigation of company practices was begun. Each of these complaints was classified to allow the Bureau to aggregate individual case data into a statistical picture which indicates where consumers are encountering problems and how each company is performing. The bulk of this Activity Report is devoted to the analysis of these statistics.

### Complaint Analysis - Identifying Patterns and Trends

Complaint analysis is the process through which BCS applies information from individual complaints to the identification of broader utility problems. As indicated above, the concept that individual complaints represent systematic problems underlies the broad application of statistics based on complaints. Each individual case is evaluated after it is closed to determine whether the company handled the customer's dispute properly. Excessive delay and unfair or arbitrary actions are specifically identified and computer coded so that information from numerous complaints can be combined and analyzed to evaluate utility operations. The computer system, the Consumer Services Information System (CSIS), is then used to aggregate information from cases so that company performance can be compared and evaluated. Research and investigations have demonstrated that a limited number of complaints can provide information which points to a much broader pattern of problems. This framework of analysis has supported the Bureau's intervention in rate cases, fines for noncompliance and other actions. It has also led to cooperative problem solving with individual companies. The following program involves complaint analysis activities:

- \* The Bureau maintains an automated reporting system which provides information about utility customer services' performance. Information from this phase of complaint analysis is supplied to utilities on a quarterly basis. This "early warning system" allows them to detect and respond to unsatisfactory trends in performance before these become the focus of Commission concern.

### Evaluation of Utility Performance

Complaint analysis is combined with other information sources to provide an in-depth evaluation of the utility's customer services performance. The overall evaluations help to focus Commission resources on companies which are unable to maintain effective customer services. The Bureau can monitor companies with ongoing problems and intervene with companies which have declining performance.

- \* Electric and gas utilities are required to report monthly regarding bill collection and termination activities. The analysis of the reported data permits the evaluation of the systems which utilities use to collect unpaid bills. In addition, the major companies have been voluntarily supplying statistics on payment agreements. These ongoing efforts are presented in detail in Chapter IX. Companies which evaluations reveal are performing poorly are targeted for in-depth review.
- \* In October of 1989 the Commission issued the Final Order for Pennsylvania-American Water Company's (PAWC) January 27th tariff filing. During the course of the proceeding, the Bureau of Consumer Services, in

conjunction with the Office of Trial Staff, presented written and oral testimony regarding the quality of Pennsylvania-American's customer services. The Bureau's testimony focused on consumer complaint and mediation measures as well as compliance statistics as reported in the Annual Activity Report. Comparisons were made between Pennsylvania-American and other PUC regulated Class A water utilities. From the testimony presented, Administrative Law Judge Wendell F. Holland concluded that "it appears as though PAWC still ranks as the worst water utility - and perhaps even the worst among all major utilities - in the State in terms of customer relations." The Recommended Decision went on to say that "We believe that PACW's overall management performance is overshadowed, indeed outweighed, by the fact that it holds the worst noncompliance record among all major utilities in the State". The judge's findings were reflected in his recommendations that modified the utilities request for return on equity.

\* In August 1989, the Bureau released its first annual "Consumer Services Telephone Activity Report". The report highlighted the Bureau's activities relative to six major telephone companies: Alltel, Bell, Commonwealth, Contel, General, and United. Prior to 1989, all telephone complaint activity was presented as part of the Bureau's annual activity report. The Bureau believes that it is best to present this information in a separate report because of the uniqueness of the regulations governing the telephone industry. The information presented in the telephone activity report provides a comprehensive analysis of complaint information which includes analyses of individual company performance, comparative analyses and trend analyses. In addition, a preliminary analysis of the telephone industry's collections data and compliance activity was presented for the first time in this new report.

\* In December the Bureau performed its annual review of utility efforts at reconnecting terminated customers at the onset of the heating season. Utilities seek to contact these customers each November to determine whether payment terms can be worked out which will lead to reconnection of service. Although more customers were terminated in 1989 than in 1988, virtually the same number remained off following the survey.

### Payment-Troubled Customers Programs

The Commission's nationally renowned programs for assisting payment-troubled customers have been implemented by all major companies. They help to protect tens of thousands of customers each year.

- \* In 1989, the Bureau monitored the implementation of regulations mandating utility programs to weatherize the homes of low income heating and water heating customers. The 14 companies involved in this program weatherized a total of 13,776 customers' homes during the year. The Bureau continued to assist companies to complete the design and development of weatherization programs. The Bureau staff met with each company to review and discuss expanded activities through the review of company conservation education programs. In addition, field visits to each company resulted in numerous improvements in company compliance. Further, the Bureau continued collecting monthly program statistics which permit ongoing monitoring of company activities. Production for most companies improved in 1989 as changes in programs appear to have addressed the initial production delays of 1988. It is expected that overall production will reach 100% and, in some cases, even more as unspent funding from the first two years is tapped in 1990.

### Compliance - Insuring Proper Utility Practices

Utility compliance with statutes and Commission regulations is achieved through several Bureau activities.

- \* In 1989, 52 PA Code, 56.118 and 64.108 were amended to establish express procedures for timely disposition of petitions for waiver of medical certifications which protects the rights of both the consumer and the utility.
- \* In order to assist non-major or small utilities with proper implementation of regulations, the Bureau of Consumer Services provided to each company a package of information which included a copy of 52 PA Code, Chapter 56 along with explanations of those areas of the regulations which are most frequently misapplied. Sample forms and notices were also included in the package.
- \* BCS staff, in conjunction with the Commission Law Bureau, conducted an informal investigation in June 1989 of Philadelphia Electric Company (PECO). This informal investigation focused on PECO's compliance with specific provisions of 52 PA Code, Chapter 56 relating to termination of residential services. The

results of the informal investigation were presented in a BCS report dated July 1989. As a result of the findings in this report, PECO entered into a settlement in which PECO agreed to pay a \$50,000 fine, make a \$400,000 contribution to various energy assistance funds and revise its practices to conform with the Chapter 56 standards. The Commission approved the Settlement (Docket No. M-890234) at public meeting held December 14, 1989.

#### BCS Takes Active Role in Bell Deceptive Sales Case

In March 1988 the Office of Consumer Advocate (OCA) filed a case against Bell of Pennsylvania alleging deceptive sales practices in marketing its optional telephone services and local service options to customers. The Bureau of Consumer Services and members of the Public Utility Commission's prosecutory staff joined the case because of allegations Bell had violated PUC regulations which give utility consumers certain protections. Both the BCS and prosecutory staff took part in all negotiations until a settlement was reached two years later in April 1990.

As part of the settlement, Bell would refund \$35.2 million and contribute \$5 million to a telecommunications education fund. In the settlement, Bell would give billing credits to residential customers who subscribed to Touch Tone or Custom Calling Services between January 1, 1985 and March 20, 1988. Credits would amount to \$12 or more for each service. Others who are no longer Bell customers can still apply for refunds.

A five member board made up of representatives from BCS, OCA, Bell and two consumer representatives would administer the telecommunications education fund. Projects would be funded to help educate consumers about many changes in the area of telecommunications.

### Highlights of Consumer Education

The Bureau's consumer education program was resumed in 1988. The program seeks to identify and work with Pennsylvania's consumer leaders and to increase utility consumer awareness of the Public Utility Commission. This latter objective is achieved by producing and distributing printed materials about the Commission and the services its various bureaus provide. In 1989, these goals were expanded to include intensive outreach to consumers and organizations, the development of a plain language policy, special reports to the Commission, and attendance at select public input sessions. Recent consumer education accomplishments include:

- \* Three issues of Consumer Line, a utility consumer newsletter were published. 5,000 copies of each newsletter were distributed.
- \* Two additions to the original four "Consumer Update Series" were developed: "Filing A Complaint Guide" and "Utility Deposits Guide". Approximately 15,000 of each of these informational brochures for consumers were distributed.
- \* A plain language policy statement and report was developed to guide utility companies' communications with their residential customers. Its purpose is to give consumers utility information that is free of technical jargon and easy to understand. Residential utility bills, important notices to customers and other consumer communications are the areas the policy was designed to address. In a 5-0 vote, the Commission preliminarily approved the guidelines which were published in the Pennsylvania Bulletin in February 1990.
- \* Action Alerts were developed to give interested leaders and others timely utility consumer information. This information is time-dated and used when a newsletter would not provide for a quick response. Seven Action Alerts were sent on: Low Income Home Energy Assistance Program (LIHEAP) eligibility, notification of Caller-ID hearings, changes in long distance carriers at pay telephones, the amending of the Bell Telephone complaint, the utility weatherization program, and the changes in the Link Up America telephone program. In addition, notification of several utility rate increase requests were sent to consumer leaders.
- \* Eight press releases were sent to approximately 55 media representatives on our network list. Changes to pay telephones, LIHEAP program dates, consumer information about termination of utility service, BCS handling of utility consumer complaints (sent out in conjunction with National Consumers Week), release of

the BCS "Utility Hardship Fund" report, the PUC's publishing of a newsletter for utility consumers and the announcement of an "open house" for consumers held in Erie were the topics of the press releases. Four television stations, 31 radio stations, and 21 daily and weekly newspapers have requested to be placed on our network list.

- \* The consumer education network list is a database of consumers interested in receiving information about utility issues. The database is set up to be able to identify consumer and opinion leaders, seniors, agencies and others interested in receiving information available from the Commission. In 1989, approximately 600 interested persons were added to the network list bringing the total to 2,568.
- \* Over 2,000 Pennsylvanians requested utility consumer information from the consumer education staff in 1989.
- \* Our "Action Alerts" and Consumer Line newsletters were reprinted on electronic bulletin board services in the state. Penn Pages, the largest computer network system available to government and non-profit organizations in the state, has used our information regularly as well as the Allegheny Area Office on Aging.
- \* Consumer education staff addressed 49 organizations across the state involving consumers, utilities and their advisory panels, seniors, clergy, human service providers, legal services, energy directors and others.
- \* Consumer education staff developed a special report for the Commission with a recommendation that select consumer education materials be written in Spanish.

#### Management Support

The complexity of the Bureau's approach to influencing utility company activities requires a sophisticated support system. This system produces several primary products which help to maintain the quality of Bureau programs.

- \* Quality control activities are emphasized in order to insure the credibility of BCS data. Each case is independently evaluated to insure that Bureau staff handles complaints properly. Bureau policies relating to complaint handling and regulatory guidelines are continually reviewed to insure consistent results. The coding of case records is also reviewed on a regular basis to guarantee the validity and reliability

of CSIS information so that utility evaluations are accurate.

\* The second annual Consumer Feedback Survey report was published in July 1989 and was designed to provide information about clients' evaluation of the Bureau's utility complaint handling service. When presented with clients' complaints, BCS staff are to insure that utility customers receive thorough investigations, are issued fair decisions, and are given complete and accurate information. The Bureau initiated the consumer feedback survey to determine clients' perceptions of the quality of the complaint handling service it provides.

-Overall, the service provided to people who contact the Bureau is perceived to be excellent. Once again an overwhelming majority (88%) say they would recontact BCS if they were faced with a similar situation.

-Courtesy, promptness, and interest in helping are important aspects of the complaint handling process. In a majority of the responses, the Bureau staff received high ratings in all three areas.

-Consumers learn about the PUC's complaint handling service from a variety of sources. Friends or relatives, utility company representatives and information sent from the company are the three most frequently mentioned sources of information.

## II. OVERALL BUREAU ACTIVITY

Customer contacts with the Bureau fall into three basic categories: consumer complaints, mediation requests and inquiries. These contacts may pertain to electric, gas, water and telephone service. The Bureau received 16,268 utility customer contacts which required investigation in 1989. The 7,978 consumer complaints about utilities' actions related to billing, service delivery, repairs, etc. In 797 of these contacts the Bureau saved the customers money in billing adjustments. The total amount of money saved for these customers was \$260,965. Mediation requests, of which there were 8,290, came from customers who needed help in negotiating payment arrangements with their utility companies in order to avoid termination of service or to have service reconnected. (It is important to note that telephone service termination cases are treated as consumer complaints). The Bureau also received 9,784 inquiries and information requests which did not require investigation.

### Mediation Requests

Mediation requests increased by 20% from 6,913 in 1988 to 8,290 in 1989. This is the third consecutive year that the annual number of mediation requests was less than 10,000. The mediation volume peaked at 19,603 in 1982 and has dropped 58% since then (See Appendix C - Table 2 for annual volume). In this regard, the 1989 results are encouraging. Over the years companies seem to have steadily improved negotiation techniques thereby reducing the number of requests for arbitrated payment agreements. In addition, the development of broadly applicable programs for payment-troubled customers appears to have helped many customers to cope successfully with utility payment problems.

### Consumer Complaints

Consumer complaints increased by seven percent from 7,478 in 1988 to 7,978 in 1989. Last year's increase was caused mostly by a 28% increase in gas industry complaints which now account for 16% of the total number of complaints received by BCS. Overall, consumer complaints against the Chapter 56 covered industries increased to an aggregate share of 55% of the Bureau's total consumer complaint volume in 1989. Also, the Bureau is concerned about the continued large volume of telephone complaints and this concern will be addressed in a forthcoming BCS Report on the telephone industry.

Commission regulations require that customers seek to resolve problems directly with their utilities prior to registering a complaint with the Commission. In view of this, the Bureau seeks to foster improvements in utility complaint handling operations so that complaints will be properly handled and customers will not find it necessary to appeal to the Commission. Since the Bureau receives complaints from only a fraction of dissatisfied customers, this effort has benefits which go far beyond reducing the Bureau's work load.

The success of this effort can be seen in the fact that consumer complaint volume peaked at 11,441 in 1978 and has declined by 30% since then. Pressure on all companies to effectively implement Chapter 56 led to dramatic

reductions in complaints in 1979 and 1980 and brought complaint volume to a consistent level through 1987. However, in the past two years there has been a dramatic increase in telephone complaints which is entirely responsible for the overall increase in consumer complaints.

The Bureau's goal to decrease consumer complaints can be achieved only if individual companies make significant improvements. In particular, companies with the worst performance in their respective industries will need to make significant progress in this area. The Bureau will target these problematic companies for close attention in 1990.

#### Inquiries and Opinions

During 1989 there were 9,784 customer contacts which required no follow-up beyond the initial contact. These cases involved requests for information which were handled at the time of contact, protests or questions related to rates, and referrals to other Commission offices and to appropriate agencies outside the P.U.C. The largest referral category in 1989 was to the utility involved because the customer had not previously discussed the problem with the company. Rate protests were received regarding proposed rate hikes for major companies such as Philadelphia Electric, Columbia Gas, National Fuel Gas, Pennsylvania Gas and Water - Gas, and Pennsylvania-American Water (see Appendix D for the distribution of inquiries and opinions by major problem categories).

### III. NATURE OF BCS CONSUMER COMPLAINTS

The Bureau classifies all consumer complaints into one of six major problem areas. Table 1 below presents a comparison of these six categories for 1988 and 1989. The most common problems were billing, service and telephone suspension/termination. Billing problems include complaints about confusing estimation methods, disputed usage, and inaccurately estimated bills. Billing complaints became less frequent from 1988 to 1989. Service and people-delivered service complaints are related to utility unresponsiveness, poor quality of service, and delays in repairs. The proportion of telephone suspension/termination cases increased significantly and is under investigation by the Bureau. The remaining complaints are distributed among the credit and deposits and rate structure and tariff complaint categories.

Table 1

#### PRIMARY PROBLEMS FOR CONSUMER COMPLAINTS: 1988-1989

	1988	1989
Billing/Payment	45%	42%
Credit/Deposits	6%	5%
Rates/Tariffs	2%	2%
Service	24%	18%
People Delivered Service (Repairs)	10%	13%
Suspension/Termination (Telephone)	13%	20%

#### IV. GEOGRAPHIC DISTRIBUTION OF CUSTOMER CONTACTS

In general, the geographic distribution of customer contacts does not conform to population density. County by county variations in mediation requests and consumer complaints are depicted in Appendix E, Tables 1 and 2. The number of cases per 1,000 households is calculated to make it possible to compare customer problems throughout the state.

##### Mediation Requests

The average state-wide county mediation rate was 1.17 requests per 1,000 households in 1989. The number of mediation requests in 1989 ranged from none in Juniata and Sullivan Counties to 3,085 in Allegheny County (see Appendix E, Table 1). Allegheny County had the highest rate of mediation requests at 5.40 per 1,000 households. Lawrence (4.65), Beaver (2.88) and Blair (2.88) counties also had high mediation rates. The extent of regulated utility service, the degree of urbanization, relative economic well-being, and the quality of company negotiations may be factors which affect mediation requests. High mediation rates tend to be clustered in the western part of the state and low rates are most common in rural counties. This may be a reflection on the use of regulated service for heating.

##### Consumer Complaints

The average state-wide consumer complaint rate was 1.46 contacts per 1,000 households in 1989. Consumer complaints varied from a low of 0 in Sullivan County to a high of 1,746 in Allegheny County (see Appendix E, Table 2). Complaint rates were highest in Greene (4.27), Monroe (3.36), Allegheny (3.06), Dauphin (2.93) and Washington (2.79) counties.

## V. CUSTOMER CONTACTS BY TYPE OF UTILITY

As in past years, almost all mediation cases in 1989 involved electric (53%) or gas companies (40%) (see Appendix F). Meanwhile, six percent of the mediation requests (522 cases) stemmed from threatened termination of water service. These results for 1989 represent a change from last year. Electric and water companies accounted for a smaller proportion of BCS mediations in 1989 than in 1988 while the gas industry saw a substantial increase. All telephone complaints related to suspension and termination are classified by BCS as consumer complaints because they are not subject to arbitrated payment agreements based on the customer's ability to pay.

### Consumer Complaints

Telephone companies were involved in 44% of consumer complaints in 1989. Electric and gas companies accounted for 28% and 16% of all complaints respectively. The most significant change since 1987 involved the telephone industry, which experienced a 52% increase in consumer complaints. This increase caused the telephone industry's proportion of consumer complaints to rise from 35% in 1987 to 44% in 1989. There will be no further discussion on the telephone industry because the remainder of this report focuses solely on the Chapter 56 related industries, electric, gas and water. Also, the electric and gas industries showed stability in their proportion of complaints from 1988 to 1989. The water industry continues to take up a significant portion of the Chapter 56 related BCS consumer complaints, 21% in 1988 and 20% in 1989. This complaint volume leads the Bureau to monitor the water industry closely once again in 1990.

## VI. CONSUMER COMPLAINTS AND MEDIATIONS AMONG MAJOR COMPANIES

The remainder of this report focuses on the customer services performance of the major electric, gas and water utilities that are regulated by the Pennsylvania Public Utility Commission. This chapter presents statistics on the relative number of consumer complaints and mediation requests brought to the attention of the BCS by customers of the various utilities. Subsequent chapters will address individual utility performance regarding the timeliness and adequacy of complaint handling, collections performance and compliance with the Commission's customer service regulations.

This report presents several measures which evaluate different aspects of utility performance as they relate to consumer complaints and mediation requests. All of the measures are based on assessments of utility consumer complaints or mediation requests which were presented to the Bureau of Consumer Services by individual customers. Given the condition that in almost all cases presented to the Bureau the customer has already contacted the utility about the problem, the Bureau takes the opportunity to review the utility's record as to how the case was handled when the customer contacted the company. Several assessments and classifications are included in the review. The data from these assessments form the basis of the measures presented in this report.

In this and subsequent chapters each utility will receive several comparative ratings on consumer complaints and mediation requests. Comparisons of the volume of BCS cases will be made using the consumer complaint rate and the mediation rate. The effectiveness of a utility's consumer complaint or mediation handling will be measured using the percent of cases which are justified. A third set of measures, the justified consumer complaint rate and the justified mediation rate combine the quantitative measure of consumer complaint rate or mediation rate with the quantitative measure of effectiveness reflected in the justified percent. Finally, the measure of response time is presented.

The meaning of each of these measures is discussed in a narrative that precedes the presentation of the statistics. What may not be readily apparent from the discussion of the consumer complaint and mediation rates, the percent of justified cases and the justified rate is their interrelationship and relative importance to the Bureau. Because the justified consumer complaint rate and justified mediation rate are a function of two other measures (complaint/mediation rates and justified percent), they are the most comprehensive and important to the Bureau. The Bureau's perspective is that a utility's performance will not be viewed as deficient because the Bureau receives a moderate number of consumer complaints or mediation requests from the utility's customers as long as the vast majority of these cases are not justified.

### Consumer Complaints

Consumer complaints include all complaints regarding billings, rates, deposits, and service. The Commission has established a process in which the companies play the primary role in handling consumer complaints until negotiations between the customer and the company fail. Thus, a high

rate of complaints to the Bureau may indicate that a company is unable to effectively resolve consumer problems. In addition, significant decreases in the frequency of problems over time may indicate that a company is improving.

The wide variation in the number of residential customers served by the major utilities makes comparisons which use raw numbers of complaints unsupportable. The need to compare and contrast individual company performance has led to the calculation of uniform measures based on the rate of cases per thousand residential customers (see Appendix G for the number of residential customers for the major electric, gas and water companies). Unusually high mediation and consumer complaint rates<sup>1/</sup> often indicate situations which require investigation. Thus, information on consumer complaint rates and mediation rates is used to reveal patterns and trends which help to focus BCS research and compliance activities. The discussion below provides an overview of Bureau activity along with some preliminary findings.

Several companies have recently escalated the use of soft core dunning techniques in the collection of overdue bills. This is a departure from past collection practices which primarily involved the issuance of termination notices. This new approach has resulted in a number of informal complaints to the Bureau. Although these complaints are collection related, they are classified by BCS as consumer complaints because they were not the result of a termination notice. The number of these complaints for each major company for 1988 and 1989 is shown in Appendix J.

#### Gas Utilities

There were 32% more complaints against the major gas utilities in 1989 than in 1988 (see Table 2). This is only the second annual increase in the past seven years. However, this rise in complaints is cause for concern because four of the six major gas companies had more complaints in 1989 than in 1988.

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#### 1/ Formulas for Mediation and Complaint Rates

$$\text{Mediation Rate} = \frac{\text{Total Number of Mediation Cases}/12}{\text{Monthly Average Number of Overdue Residential Customers}/1000}$$

$$\text{Complaint Rate} = \frac{\text{Total Number of Consumer Complaints}}{\text{Monthly Average Number of Residential Customers}/1000}$$

Table 2

Residential  
Consumer Complaints  
Major Gas Companies

(1988-1989)

Company	1988		1989		1988-1989
	N	Complaint Rate	N	Complaint Rate	Percent Change in N
Columbia	130	.42	142	.46	9%
Equitable	273	1.20	499	2.21	83%
NFG	65	.35	96	.52	48%
PG&W-Gas	67	.60	65	.57	- 3%
Peoples	170	.56	163	.53	- 4%
UGI-Gas	158	.82	174	.89	10%
Total (average rate)	863	(.66)	1,139	(.86)	( 32%)

Among the highlights of the past year:

- \* Despite a nine percent increase in consumer complaints from 1988 to 1989, Columbia's complaint rate was the industry's best for the second time in the last three years. Columbia's complaint rate has been better than the industry average in every year since BCS began keeping these records in 1978.
- \* Consumer complaints for Equitable increased by 83% from 1988 to 1989. Complaints related to non-termination collection activities (soft-core dunning) accounted for 30% of the 1989 volume of consumer complaints for Equitable. While Equitable had the highest proportion of non-termination collection related complaints of the major gas companies, the remainder of their complaints were so numerous that they alone would give Equitable the worst consumer complaint rate in the gas industry.
- \* PG&W-Gas and Peoples were the only major gas companies that had fewer consumer complaints in 1989 than in 1988. Also, these two companies had a consumer complaint rate that was better than the industry average for the second straight year.

#### Electric Utilities

There were three percent more consumer complaints against major electric companies in 1989 than in 1988. This is the fifth annual increase in

the past six years. Also, the difference between the electric and gas industry average complaint rates has once again widened. The average complaint rate for major electric companies continues to be significantly better than that for the major gas companies.

Table 3  
Residential  
Consumer Complaints  
Major Electric Companies

(1988-1989)

Company	1988		1989		1988-1989
	N	Complaint Rate	N	Complaint Rate	Percent Change in N
Duquesne	353	.70	475	.94	35%
Met. Ed.	111	.31	96	.26	-14%
Penelec	147	.31	163	.34	11%
Penn Power	44	.38	52	.44	18%
PP&L	263	.27	259	.26	- 2%
PECO	661	.52	603	.47	- 9%
UGI-Luzerne	47	.92	38	.74	-19%
West Penn	286	.53	287	.53	no change
Total (average rate)	1,912	(.49)	1,973	(.50)	(3%)

Among the highlights of the past year:

- \* Duquesne Light experienced the largest increase in consumer complaints in the electric industry from 1988 to 1989. This increase is largely a result of the company's emphasis of non-coercive collections techniques in 1989. Thus, Duquesne's consumer complaint rate ranking fell to the industry's worst for the first time since 1986.
- \* Met. Ed. and PP&L shared the electric industry's best complaint rate in 1989 as both companies showed fewer complaints in 1989 than in 1988. PP&L's complaint rate has been the industry's best for five consecutive years while Met. Ed. had not held or shared the industry's top ranking since 1978.

#### Water Utilities

The 1989 average consumer complaint rate for major water companies (Class A) falls between those of the electric and gas industries. Overall, the major water companies showed a 12% increase in complaints from 1988 to 1989. As a result, the Bureau has targeted the industry for careful monitoring in 1990.

Table 4  
Residential  
Consumer Complaints  
Major Water Companies  
(1988-1989)

Company	1988		1989		1988-1989
	N	Complaint Rate	N	Complaint Rate	Percent Change in N
PG&W-Water Philadelphia Suburban	127	1.07	135	1.14	6%
Pennsylvania-American <sup>2/</sup>	35	.16	34	.15	-3%
All Other "Class A"	251	.77	275	.84	10%
	33	.34	55	.57	67%
<b>Total (Average Rate)</b>	<b>446</b>	<b>(.59)</b>	<b>499</b>	<b>(.68)</b>	<b>12%</b>

Among the highlights of the past year:

- \* Philadelphia Suburban's consumer complaint volume was stable from 1988 to 1989. This stability enabled Philadelphia Suburban's complaint rate ranking to remain as the industry's best, a position that the company has enjoyed since 1985.
- \* PG&W-Water's 1989 consumer complaint rate was the water industry's worst. This is the fourth year in a row that PG&W ranked last in the industry according to its consumer complaint rate. Customer concerns about water quality continue to dominate PG&W-Water's complaint statistics.

<sup>2/</sup> American Waterworks is the holding company for both the predecessor and successor companies of the new Pennsylvania-American Water Company. Pennsylvania-American completed its merger with Western Pennsylvania Water effective February 1, 1989. In order to compare the performance of the new Pennsylvania-American in 1989 and beyond with an equivalent customer complaint base of the past through 1988, BCS has combined the two merged companies for the purpose of analysis in this report. The Bureau feels that this is an appropriate combination of complaint data because both Pennsylvania-American and Western Pennsylvania Water were subsidiaries of American Waterworks during the reporting period presented in this report.

- \* Because of a 10% increase in consumer complaints from 1988 to 1989, Pennsylvania-American's complaint rate continued to be worse than the industry average for the fourth consecutive year.

### Mediation Requests

The Commission's service termination procedures protect utility customers' rights. The Bureau normally intervenes at the customer's request only after direct negotiations between the customer and the company have failed. In 1990 the Bureau continues to focus on having companies improve payment negotiations.

As with consumer complaints, differences in the number of customers served by each utility make comparisons between utilities based on raw numbers of mediations invalid. In order to account for these differences, the Bureau uses the number of mediation requests per 1,000 overdue residential customers - the mediation rate - to permit comparisons among companies. The mediation rate can be used as a preliminary evaluation of companies' effectiveness in making payment arrangements. Unusually high or low rates, or sizeable changes in rates can reflect company performance. The Bureau views significant increases in the number of mediation cases or high mediation rates as error signals, particularly if the mediation cases are found to be justified (see Justified Percent section below).

The number of mediation requests has declined substantially since volume peaked in 1982. The increases depicted in Table 5 and Table 6 fail to reflect the longer term reductions in mediation cases over the past seven years which have totaled 60% for both the major electric and gas companies. These reductions are directly attributable to two things. The first of these is that companies have paid increased attention to the quality of payment agreements. In addition, more and better programs for payment-troubled customers should help to stabilize mediation cases at or near the current level.

#### Gas Utilities

Mediation requests from gas customers increased by 40% from 1988 to 1989. This increase follows three consecutive annual declines by the gas industry. The Bureau is concerned by this change and anticipates that the gas industry will strive to improve in 1990.

Table 5

Residential  
Mediation Requests  
Major Gas Companies

(1988-1989)

Company	1988		1989		1988-1989
	N	Mediation Rate	N	Mediation Rate	Percent Change in N
Columbia	240	.66	306	1.03	28%
Equitable	515	1.61	1,312	3.87	155%
NFG	129	.38	126	.42	- 2%
PG&W-Gas	106	.68	150	.88	42%
Peoples	860	2.19	811	1.94	- 6%
UGI-Gas	381	1.18	408	1.45	7%
Total (Average Rate)	2,231	(1.12)	3,113	(1.60)	40%

Among the highlights of the past year:

- \* Equitable Gas experienced the largest increase in mediation requests in the gas industry from 1988 to 1989. This caused its mediation rate to become the industry's worst in 1989, nearly twice that of the next highest company.
- \* Despite stability in its mediation volume from 1988 to 1989, NFG remained the industry leader in mediation rate for the second year in a row.
- \* Peoples continued to reduce its mediation volume for the fourth straight year. This pattern of improvement has brought its mediation rate closer to the industry average.

#### Electric Utilities

The electric industry experienced an 18% increase in mediation requests from 1988 to 1989. This is only the second increase in the past five years. The mediation rate for the electric industry (.56) continues to be much better than that for the gas industry (1.60). This may be due to the fact that the gas industry has a greater saturation of heating customers than does the electric industry.

Table 6

Residential  
Mediation Requests  
Major Electric Companies

(1988-1989)

Company	1988		1989		1988-1989
	N	Mediation Rate	N	Mediation Rate	Percent Change in N
Duquesne Light	735	.82	913	.94	24%
Met. Ed.	94	.15	190	.29	102%
Penelec	286	.30	305	.35	7%
Penn Power	198	.88	198	.85	no change
PP&L	48	.03	320	.20	567%
PECO	1,428	.49	1,636	.51	15%
UGI-Luzerne	73	.94	69	.86	- 5%
West Penn	672	.63	524	.48	-22%
Total (Average Rate)	3,534	(.53)	4,155	(.56)	18%

Among the highlights of Table 6:

- \* Despite a significant increase in mediation requests from 1988 to 1989, PP&L's mediation rate remained the industry's best for the second consecutive year. The increase in PP&L's mediation volume is directly attributable to more aggressive collections practices by the company during 1989.
- \* Duquesne Light's mediation rate ranking fell to worst in the electric industry in 1989 because of a 24% increase in mediations from 1988 to 1989. The Bureau recognizes Duquesne's 50% improvement in mediation volume since 1985 but is concerned over the past year's reversal of this longer term positive trend.
- \* West Penn's 22% reduction in mediations from 1988 to 1989 enabled its mediation rate to become its best since BCS began reporting this data in 1978.

#### Water Utilities

The mediation rate for water companies is calculated in exactly the same manner as the consumer complaint rate - cases per thousand residential customers. This calculation is used because the water industry is exempt from the §56.231 reporting requirement that includes the data on the number of overdue customers. Thus, the Bureau does not know the overdue population for water companies, which is the traditional mediation rate denominator for electric and gas companies.

The number of mediation requests for major water companies declined by 32% from 1988 to 1989. Pennsylvania-American is solely responsible for the overall decrease because it was the only major water company that had fewer mediations in 1989 than in 1988.

Table 7

Residential  
Mediation Requests  
Major Water Companies

(1988-1989)

Company	1988		1989		1988-1989
	N	Mediation Rate	N	Mediation Rate	Percent Change in N
PG&W-Water	26	.22	39	.33	50%
Philadelphia Suburban	48	.22	56	.25	17%
Pennsylvania-American	540	1.66	296	.91	-45%
All Other "Class A"	43	.45	57	.59	33%
Total (Average Rate)	657	(.64)	448	(.52)	-32%

Among the highlights of Table 7:

- \* Pennsylvania-American was the only major water company that had fewer mediations in 1989 than in 1988. Despite this significant reduction, Pennsylvania-American's mediation rate remained the industry's worst.
- \* Although mediation requests increased for both PG&W-Water and Philadelphia Suburban from 1988 to 1989, both companies enjoyed 1989 mediation rates which were significantly better than the industry average.

## VII. RESPONSE TIME

Response time is the time span in days from the date of the Bureau's first contact with the company regarding a complaint to the date on which the company provides the Bureau with all of the information needed to resolve the complaint. Response time quantifies the speed of a utility's response ("responsiveness") in BCS informal complaints. In this report, response time is presented as the mean number of days for each company. Mediation requests and consumer complaints are reviewed separately.

Response time is important for two reasons. First, a short response time means that a company has moved quickly to supply BCS with the required information to address the customer's problem. Second, a short response time is a clear indication that a company maintains adequate records. These records are required by Commission regulations and their routine presence indicates that companies generally have the resources on hand which are necessary to resolve a dispute before it becomes necessary for the Bureau to become involved. For these reasons, significant improvements or declines in response time performance, as well as failure to improve on conspicuously bad performance, are the focus of the analysis here.

### Mediation Response Time

For every day that a mediation case remains open and unresolved the customer may continue to accumulate a larger debt to the company. As a result, there is a strong, inherent economic incentive for the company to process mediation requests expeditiously so that a final disposition of the complaint can be determined. The statistics below seem to reflect this logic as company performance has improved and converged over time.

#### Electric Utilities

The major electric companies' overall average mediation response time was slightly slower in 1989 than in 1988. A somewhat disturbing finding is that only three of the eight companies took less time to respond in 1989 than in 1988.

Table 8

Mediation Response Time  
Major Electric Companies

(1988-1989)

Company	Avg. Time in Days 1988	Avg. Time in Days 1989	1988-1989 Change in Days
Duquesne Light	5.4	4.2	-1.2
Met. Ed.	1.8	3.4	1.6
Penelec	5.3	4.8	-0.5
Penn Power	6.6	3.9	-2.7
PP&L	4.1	5.8	1.7
PECO	3.3	4.3	1.0
UGI-Luzerne	6.4	7.3	0.9
West Penn	2.0	3.4	1.4
Avg. Response Time	4.4	4.6	0.2

Among the highlights of Table 8:

- \* Despite responding nearly a day and a half slower in 1989 than in 1988, both Met. Ed. and West Penn continued to share the electric industry's best response time for the second year in a row.
- \* UGI-Luzerne and PP&L were the least responsive major electric companies to mediations in 1989. Both companies took longer to respond in 1989 than in 1988.
- \* Penn Power showed the most improvement in the electric industry in responding to mediations from 1988 to 1989. As a result, Penn Power went from the least responsive in 1988 to the third most responsive in 1989 of the eight major electric companies.

#### Gas Utilities

The overall mediation response time for the major gas companies deteriorated by more than one and a half days from 1988 to 1989. More importantly, only one of these six companies took less time to respond in 1989 than in 1988. Collectively, the major gas companies have become significantly less responsive to mediations than the major electric companies. The Bureau is concerned by this worsening performance.

Table 9

Mediation Response Time  
Major Gas Companies

(1988-1989)

Company	Avg. Time in Days 1988	Avg. Time in Days 1989	1988-1989 Change in Days
Columbia	6.1	5.4	-0.7
Equitable	2.6	7.6	5.0
NFG	4.3	6.2	1.9
PG&W-Gas	4.7	6.0	1.3
Peoples	3.9	4.2	0.3
UGI-Gas	6.7	8.2	1.5
Avg. Response Time	4.7	6.3	1.6

Among the highlights of Table 9:

- \* Equitable took five days longer to respond to its mediation requests in 1989 than in 1988. Consequently, its ranking within the gas industry fell from best in 1988 to next to worst in 1989.
- \* The ranking of Peoples Gas improved from second best in 1988 to best in the gas industry in 1989 in responding to BCS mediations. Peoples' industry ranking improved despite a slight increase in its average response time from 1988 to 1989.

Water Utilities

Despite a slight improvement from 1988 to 1989 the major water companies' overall mediation response time is significantly slower than that for the electric and gas industries. The Bureau views the water industry's performance as problematic and encourages each major company to improve in this area in 1990.

Table 10

Mediation Response Time  
Major Water Companies

(1988-1989)

Company	Avg. Time in Days 1988	Avg. Time in Days 1989	1988-1989 Change in Days
PG&W-Water	9.7	7.8	-1.9
Philadelphia Suburban	27.7	24.4	-3.3
Pennsylvania-American	17.8	15.1	-2.7
All Other "Class A"	9.5	10.2	0.7
Average Response Time	16.2	14.4	-1.8

Among the highlights of Table 10:

- \* Despite modest improvement from 1988 to 1989, Philadelphia Suburban was the least responsive major water company to mediation requests for the third consecutive year. The Bureau is concerned about this negative pattern and encourages the company to target this area for further improvement in 1990.
- \* PG&W was the most responsive major water company to BCS mediations for the second straight year. Over the past five years the company has been stable in its mediation responsiveness so this year's improvement is somewhat encouraging.

Consumer Complaint Response Time

Slow response to complaints registered with BCS is an indication of inadequate complaint handling procedures. If a company is unresponsive to a BCS complaint, there is an indication that it is also unresponsive in handling the large majority of customer disputes which never reach the Bureau. Detailed investigations have verified the existence of the relationship between poor response time to the Bureau and unresponsiveness to customers. Responsiveness is thus an important index of the quality of utility complaint handling.

Electric Utilities

The major electric companies, as a group, took longer to respond to consumer complaints in 1989 than in 1988. The range in responsiveness in 1989 varies from twelve to twenty-five days with an average of over seventeen days. The Bureau strongly urges companies to seek improvement in 1990.

Table 11  
Consumer Complaint Response Time  
Major Electric Companies

(1988-1989)

Company	Avg. Time in Days 1988	Avg. Time in Days 1989	1988-1989 Change in Days
Duquesne Light	21.7	18.7	-3.0
Met. Ed.	15.8	20.0	4.2
Penelec	14.1	14.9	0.8
Penn Power	15.4	13.1	-2.3
PP&L	12.8	15.8	3.0
PECO	22.0	20.1	-1.9
UGI-Luzerne	17.7	25.0	7.3
West Penn	11.8	12.1	0.3
<b>Avg. Response Time</b>	<b>16.4</b>	<b>17.5</b>	<b>1.1</b>

Among the highlights of Table 11:

- \* UGI-Luzerne took one week longer to respond to BCS consumer complaints in 1989 than in 1988. Thus, UGI went from average in 1988 to having the industry's worst consumer complaint response time in 1989.
- \* West Penn maintained its position as the electric industry's best at responding to consumer complaints for the second straight year.
- \* Duquesne Light, Penn Power and PECO were the only three major electric companies that took less time to respond to consumer complaints in 1989 than in 1988. However, of these three companies, only Penn Power was better than the industry average in 1989. Duquesne and PECO should both target this area for continued improvement in 1990.

#### Gas Utilities

Major gas companies, as a group, were somewhat quicker than the major electric companies at responding to consumer complaints in 1989. Nevertheless, the gas industry average of sixteen days is considerably worse than the 1988 average of nearly thirteen days. All of the major gas companies took longer to respond in 1989 than in 1988. The Bureau is concerned about this deterioration in performance and expects the major gas companies to target this area for improvement in 1990.

Table 12  
 Consumer Complaint Response Time  
 Major Gas Companies  
 (1988-1989)

Company	Avg. Time in Days 1988	Avg. Time in Days 1989	1988-1989 Change in Days
Columbia	10.9	13.7	2.8
Equitable	11.6	12.5	0.9
NFG	12.2	19.1	6.9
PG&W-Gas	14.1	18.8	4.7
Peoples	9.8	13.1	3.3
UGI-Gas	17.4	19.2	1.8
Avg. Response Time	12.7	16.1	3.4

Among the highlights of Table 12:

- \* Equitable Gas was left with the gas industry's best consumer complaint response time in 1989 essentially by default. Equitable's 1989 ranking improved despite the fact that its performance was actually worse in 1989 than in 1988. This unusual result was made possible because each of the other five major gas companies did, in comparison, even worse in 1989 than in 1988 than Equitable.
- \* NFG, PG&W-Gas and UGI-Gas were equally unresponsive to consumer complaints and, as such, were the worst in the gas industry in 1989. Each of these companies was less responsive in 1989 than in 1988. The Bureau encourages these companies to study this problem area and to improve in 1990.

#### Water Utilities

Collectively the major water companies were considerably slower than both the major electric and gas companies at responding to consumer complaints in 1989. The Bureau concludes that the three largest water companies have much room for improvement in 1990.

Table 13

Consumer Complaint Response Time  
Major Water Companies

(1988-1989)

Company	Avg. Time in Days 1988	Avg. Time in Days 1989	1988-1989 Change in Days
PG&W-Water	20.1	18.3	-1.8
Philadelphia Suburban	22.3	28.6	6.3
Pennsylvania-American	21.2	23.5	2.3
All Other "Class A"	10.3	28.6	18.3
Average Response Time	18.5	24.8	6.3

Among the highlights of Table 13:

- \* PG&W-Water was the only major water company to respond more quickly to consumer complaints in 1989 than in 1988. This improvement allowed PG&W to improve its complaint rate ranking to the industry's most responsive to consumer complaints.
- \* Philadelphia Suburban took six days longer in 1989 than in 1988 to respond to consumer complaints. This deterioration in responsiveness offset its previous year's improvement. Thus, Philadelphia Suburban remained the least responsive major water company for the fourth year in a row.

#### Summary

Response time is an important indicator of a company's responsiveness at handling disputes. A quick response time indicates that a company generally has the resources on hand which are necessary to resolve a dispute before it becomes necessary for BCS involvement. Overall, mediation response time remained stable while consumer complaint response time became slower from 1988 to 1989. Thirteen of the seventeen major companies analyzed in this report took longer to respond to consumer complaints in 1989 than in 1988. The Bureau is concerned with this poor performance. The water industry was considerably slower than the electric and gas industries at responding to both mediations and consumer complaints. The water industry must target improved responsiveness once again in 1990.

### VIII. CASE OUTCOME - JUSTIFIED PERCENT - JUSTIFIED RATE

Commission regulations require that electric, gas and water customers contact their utilities to resolve a complaint prior to seeking PUC intervention. Although exceptions are permitted under extenuating circumstances, the Bureau's policy is to accept complaints only from customers who have been unable to work out their problems with the company. One of the Bureau's primary concerns is that utilities handle customer contacts effectively before they are brought to the Bureau's attention. This will have two desirable effects. First, proper case handling minimizes customer dissatisfaction, thereby negating the need for customers to seek complaint resolution with the Bureau. Second, proper case handling guarantees that customer complaints that do reach the Bureau will be resolved in the same manner the company recommended.

Informal complaints to the Bureau represent customer appeals to the Commission regarding disputes with utilities. These cases are a result of the inability of the utility and the customer to reach a mutually satisfactory resolution to a dispute. Once the Bureau is contacted, there are three possible case outcome classifications: complaint "justified", "inconclusive" and complaint "unjustified". This approach focuses strictly on the regulatory aspect of the complaint and evaluates companies negatively only where appropriate complaint handling procedures were not followed or where the regulations have been violated. Specifically, a case is considered "justified" in the appeal to BCS if it is found that, prior to BCS intervention, the company did not comply with PUC orders, regulations, reports, Secretarial Letters, tariffs, etc. "Unjustified" complaints are those cases in which the company demonstrates that correct procedures were followed prior to BCS intervention. "Inconclusive" complaints are those in which incomplete records, equivocal findings or uncertain regulatory interpretations make it difficult to determine whether or not the customer was justified in the appeal to the Bureau. It is anticipated that the majority of cases will fall into either the "justified" or "unjustified" category.

#### Mediation Justified Percent

Company effectiveness at negotiating payment arrangements when service termination is threatened is a major concern of the Bureau. In monitoring utility performance, the Bureau uses the percent of mediation cases that are "justified" to measure a company's effectiveness in negotiating with its customers. When a company's negotiations prior to a customer's appeal to BCS are found to have failed to conform to long-standing regulatory requirements, the case is said to be "justified". The following analysis focuses on the effectiveness of the major electric, gas and water companies in this area.

#### Electric Utilities

The range of performance in the electric industry is considerably broad. The major electric companies as a group were somewhat less effective in negotiating payment arrangements than the major gas companies in 1989. Although this is consistent with the past results, there is no definitive explanation for the difference between these two industries other than the poor performance of individual companies.

Table 14

Justified Mediations  
Major Electric Companies

(1988-1989)

Company	Justified Percent		Net Change 1988 to 1989
	1988	1989	
Duquesne Light	33%	35%	2%
Met. Ed.	34%	51%	17%
Penelec	21%	20%	-1%
Penn Power	28%	28%	no change
PP&L	25%	37%	12%
PECO	34%	33%	-1%
UGI-Luzerne	32%	43%	11%
West Penn	47%	46%	-1%
Average Justified Percent	32%	37%	5%

Among the highlights of Table 14:

- \* Three major electric companies, Met. Ed., UGI-Luzerne and West Penn, had a significantly greater percent of mediations which were justified in 1989 than in 1988.
- \* In 1989 Penelec had the lowest percent of justified mediation requests (20%) in the electric industry. Penelec's level of effectiveness in BCS mediation requests has been the industry standard for each of the past three years.

Gas Utilities

The gas companies exhibited a wide range of performance in the percent of justified mediations. The percent of justified mediations varied from a low of nine percent (Columbia) to three companies with figures of 40% or more. This makes it clear that there is room for substantial improvement on the part of several companies.

Table 15

Justified Mediations  
Major Gas Companies

(1988-1989)

Company	Justified Percent		Net Change 1988 to 1989
	1988	1989	
Columbia	7%	9%	2%
Equitable	35%	45%	10%
NFG	25%	27%	2%
PG&W-Gas	28%	41%	13%
Peoples	24%	25%	1%
UGI-Gas	42%	40%	-2%
Average Justified Percent	27%	31%	4%

Among the highlights of Table 15:

- \* Five of the six major gas companies had a greater percent of mediations which were justified in 1989 than in 1988. Overall, the gas industry negotiated BCS mediations less effectively with customers in 1989 than in 1988.
- \* Although UGI-Gas was the only major gas company to improve in its percent of justified mediations from 1988 to 1989, the company remained worse than the industry average in 1989.
- \* Columbia remained the industry's best at negotiating with customers for the third year in a row. In contrast, Equitable's decline in performance caused its 1989 ranking to fall to worst in the gas industry.

## Water Utilities

In 1989 the major water companies were less effective at negotiating in BCS mediation requests than the major gas companies while performing at the same level of effectiveness as the electric companies. Also, the water industry was somewhat less effective in 1989 than in 1988.

Table 16

### Justified Mediations Major Water Companies

(1988-1989)

Company	Justified Percent		Net Change 1988 to 1989
	1988	1989	
PG&W-Water	18%	27%	9%
Philadelphia Suburban	51%	47%	-4%
Pennsylvania-American	39%	40%	1%
All Other "Class A"	20%	35%	15%
Average Justified Percent	32%	37%	5%

Among the highlights of Table 16:

- \* Despite a less effective year of negotiating BCS mediations, PG&W-Water remained better than the other major water companies in 1989.
- \* Philadelphia Suburban had the water industry's worst percent of mediations which were justified for the fourth year in a row. Nonetheless, the company has made moderate improvement since 1987.

### Consumer Complaint Justified Percent

Historically, substantially more consumer complaints than mediation cases were found to be "justified". There are several reasons for this. First, consumer complaints are very different from mediation requests in that they involve a number of very diverse problems and their resolution requires considerable expertise. In contrast, mediation cases involve a portion of the regulations which is procedurally less complex. In addition, mediations typically involve large amounts of money. It appears that this factor had led to a greater supply of managerial, technical and personnel resources being applied to payment negotiations. However, current BCS data indicates that the electric, gas and water companies have successfully made improvements in consumer complaint handling. In fact, the 1989 statistics indicate that these companies are now more effective in consumer complaint handling than in payment negotiations.

## Electric Utilities

The consumer complaint handling performance of the major electric companies was significantly more effective in 1989 than in 1988. On a comparative basis, electric companies were more effective than both gas and water companies.

Table 17

Justified Consumer Complaints  
Major Electric Companies  
(1988-1989)

Company	Justified Percent		Net Change 1988 to 1989
	1988	1989	
Duquesne Light	34%	22%	-12%
Met. Ed.	25%	23%	-2%
Penelec	38%	19%	-19%
Penn Power	20%	26%	6%
PP&L	32%	25%	- 7%
PECO	43%	32%	-11%
UGI-Luzerne	37%	15%	-22%
West Penn	42%	26%	-16%
Average Justified Percent	34%	24%	-10%

Among the highlights of Table 17:

- \* Seven of the eight major electric companies showed improvement in their percent of justified consumer complaints from 1988 to 1989. This is a continuation of a positive trend that shows a 50% improvement by the electric industry over the past two years.
- \* UGI-Luzerne and Penelec both made significant improvements that allowed them to go from worse than average in 1988 to the industry's two best companies in 1989 according to their percent of justified consumer complaints.
- \* Despite two straight years of substantially improved performance, PECO ranked last in the electric industry in 1989 according to its percent of justified consumer complaints. The Bureau encourages PECO to strive for even further improvement in 1990.

## Gas Utilities

Overall, the gas industry had fewer consumer complaints that were justified than the water industry but more justified complaints than the electric industry in 1989. The Bureau continues to be optimistic because five of the six major gas companies were more effective at handling BCS consumer complaints in 1989 than in 1988.

Table 18

### Justified Consumer Complaints Major Gas Companies

(1988-1989)

Company	Justified Percent		Net Change 1988 to 1989
	1988	1989	
Columbia	28%	26%	- 2%
Equitable	32%	34%	2%
NFG	36%	22%	-14%
PG&W-Gas	47%	26%	-21%
Peoples	31%	22%	- 9%
UGI-Gas	41%	32%	- 9%
Average Justified Percent	36%	27%	- 9%

Among the highlights of Table 18:

- \* Both NFG and Peoples shared the industry's best percent of justified consumer complaints in 1989 as both companies made significant improvements from 1988 to 1989.
- \* Equitable was the only major gas company that did not do better in 1989 than in 1988 as indicated by the percent of justified consumer complaints. As a result, Equitable went from better than average in 1988 to worst in the industry in 1989.

## Water Utilities

The major water companies were somewhat less effective than the major electric and gas companies at handling BCS consumer complaints in 1989. Overall, the major water companies were more effective in 1989 than 1988 and this net positive change coincides with the improvements made by the electric and gas industries.

Table 19  
 Justified Consumer Complaints  
 Major Water Companies  
 (1988-1989)

Company	Justified Percent		Net Change 1988 to 1989
	1988	1989	
PG&W-Water	56%	26%	-30%
Philadelphia Suburban	37%	33%	- 4%
Pennsylvania-American	45%	37%	- 8%
All Other "Class A"	13%	30%	17%
Average Justified Percent	38%	32%	- 6%

Among the highlights of Table 19:

- \* PG&W-Water made the most progress in the water industry in improving its percent of justified consumer complaints from 1988 to 1989. This improvement has now spanned two years and during this time the company has gone from having the worst justified percent to the best justified percent of consumer complaints among the major water companies.
- \* Despite moderate improvement from 1988 to 1989, both Philadelphia Suburban and Pennsylvania-American had a justified percent of consumer complaints that was slightly worse than the industry average in 1989.

Summary

Case outcome, measured in terms of the percentage of cases "justified", is the central measure of the quality of program services. Justified cases represent company failures at complying with the Commission regulations and rules or with Commonwealth statutes. When the Bureau encounters company case handling performance which is significantly worse than average then there is reason to suspect that any customer who contacts the company is at risk of improper dispute handling by the company.

Justified Rate - An Improved Measure

In the past the Bureau has presented two measures of company performance in both consumer complaints and mediation cases. Comparisons of the volume of BCS cases are made using the consumer complaint and mediation rates. The effectiveness of a utility's complaint handling or payment negotiations are measured using the percent of cases which are justified. Each of these two indicators supports meaningful analysis of company

performance. However, both indicators can be affected by changes in company policy. In practice, it is possible for a company to improve in just one of the measures and draw praise from the Bureau. Thus, the Bureau's current separation and independent analysis of these two measures does not provide the most accurate picture of a company's overall performance.

In response to this problem, a performance measure called "justified rate", which reflects both the volume and percent of cases justified, is presented in this report. Justified rates are applicable to both mediation requests and consumer complaints. The formulae for justified rates are:

$$\text{Justified Consumer Complaint Rate} = \text{Consumer Complaint Rate} \times \text{Consumer Complaint Justified Percent}$$
$$\text{Justified Mediation Rate} = \text{Mediation Rate} \times \text{Mediation Justified Percent}$$

This evaluative measure combines the quantitative measure of consumer complaint rate or mediation rate with the qualitative measure justified percent. The Bureau perceives this to be a bottom line measure of performance that evaluates either company complaint handling or payment negotiations as a whole and, as such, allows for general comparisons to be made among companies and across time.

#### Mediation Justified Rate

Electric companies negotiated payment arrangements significantly better than gas companies in 1989. Overall, the electric companies deteriorated slightly, the gas companies deteriorated significantly and the water companies improved somewhat from 1988 to 1989 at effectively negotiating payment arrangements.

Table 20  
Justified Mediation Rate<sup>3/</sup>  
Major Companies

(1988-1989)

Company	1988	1989	Net Change 1988 to 1989
Duquesne	.27	.33	.06
Met. Ed.	.05	.15	.10
Penelec	.06	.07	.01
Penn Power	.25	.24	-.01
PP&L	.01	.07	.06
PECO	.16	.17	.01
UGI-Luzerne	.30	.37	.07
West Penn	.30	.22	-.08
(Major Electric)	(.18)	(.20)	(.02)
Columbia	.05	.09	.04
Equitable	.56	1.75	1.19
NFG	.10	.11	.01
PG&W-Gas	.19	.36	.17
Peoples	.53	.49	-.04
UGI-Gas	.50	.58	.08
(Major Gas)	(.32)	(.56)	(.24)
PG&W-Water	.04	.09	.05
Philadelphia Suburban	.11	.12	.01
Pennsylvania-American	.65	.36	-.29
All Other "Class A"	.09	.21	.12
(Major Water)	(.22)	(.19)	(-.03)

Among the highlights:

- \* Only four of the seventeen major electric, gas and water companies were more effective at payment negotiations in 1989 than in 1988. The Bureau is concerned about this and encourages all of the major companies to target this area for improvement in 1990.

<sup>3/</sup> Water companies are not required to provide the Commission with their number of overdue customers. As a result, their mediation rates are calculated in the same manner as their consumer complaint rates. Because of this the water companies' mediation justified rates are calculated differently from electric and gas companies and cannot be compared to those industries.

- \* Penelec and PP&L were the most effective major electric companies at payment negotiations in 1989. This is the third straight year that these two companies were among the industry leaders according to this statistic.
- \* Equitable's 1989 justified mediation rate was the highest since BCS began reporting this statistic in 1987. In fact, Equitable's 1989 rate is three times higher than any other major gas company. The Bureau is concerned about Equitable's ineffectiveness at negotiating payment arrangements and encourages the company to target this area for improvement in 1990.
- \* Columbia and NFG were the most effective major gas companies at payment negotiations in 1989. Columbia has been the industry's leader in each of the three years that BCS has reported this statistic while NFG has been exemplary in the past two years.

#### Consumer Complaint Justified Rate

Electric companies handled consumer complaints more effectively than both gas and water companies in 1989. Water companies did a better job at complaint handling than gas companies. Overall, the electric and water industries made significant improvement from 1988 to 1989. Despite these favorable results, the Bureau encourages further improvements in 1990, especially from those companies that did not perform up to industry standards in 1989.

Table 21  
Justified Consumer Complaint Rate  
Major Companies

(1988-1989)

Company	1988	1989	Net Change 1988 to 1989
Duquesne	.24	.20	-.04
Met. Ed.	.08	.06	-.02
Penelec	.12	.07	-.05
Penn Power	.08	.11	.03
PP&L	.09	.07	-.02
PECO	.22	.15	-.07
UGI-Luzerne	.34	.11	-.23
West Penn	.22	.14	-.08
(Major Electric)	(.17)	(.11)	(-.06)
Columbia	.12	.12	no change
Equitable	.38	.75	.37
NFG	.13	.11	-.02
PG&W-Gas	.28	.15	-.13
Peoples	.17	.12	-.05
UGI-Gas	.34	.29	-.05
(Major Gas)	(.24)	(.26)	(-.02)
PG&W-Water	.60	.30	-.30
Philadelphia Suburban	.06	.05	-.01
Pennsylvania-American	.35	.31	-.04
All Other "Class A"	.04	.17	.13
(Major Water)	(.26)	(.21)	(-.05)

- \* Overall, fourteen of the seventeen major companies reviewed in this report did a more effective job at complaint handling in 1989 than in 1988. Although this result is favorable, there is still room for improvement as seven companies performed worse than their respective industry average rate.
- \* Met. Ed., Penelec and PP&L were the most effective major electric companies at consumer complaint handling in 1989.
- \* Despite slight improvement from 1988 to 1989, Duquesne was the least effective major electric company at consumer complaint handling in 1989.
- \* NFG, Columbia and Peoples were the most effective major gas companies at consumer complaint handling in 1989. These three companies have been the industry leaders since BCS began reporting this statistic in 1987.

- \* Equitable's 1989 justified consumer complaint rate was more than two and a half times greater than the next highest rate in the gas industry. Not only is Equitable the least effective major gas company at complaint handling in 1989, but the company is also the least effective of the seventeen major companies highlighted in this report.
  
- \* Philadelphia Suburban's 1989 justified consumer complaint rate was the best among the seventeen major electric, gas and water companies. Philadelphia Suburban should serve as proof to the other major water companies that more effective consumer complaint handling is possible.

## IX. COLLECTIONS

The status of utility collections is measured by the Bureau through statistics on the number of customers who owe utilities money, the amounts owed, how long the money has been owed, service termination figures, and finally, amounts owed that have been written off by the companies. The primary indicators of collection performance are the amounts owed and the amounts that have been written off as uncollectible.

A primary distinction is made in this report between money that is owed as arrearages and money that is owed in payment agreements. The Bureau has historically tracked money owed to utilities through arrearages. An arrearage is an unpaid balance which is not covered by a payment agreement. The longer a customer goes without paying and the greater the amount owed, the greater the pressure the company applies to secure payment. Initial payment reminder notices are followed by collections letters and, if these fail, by a threat of service termination. Most delinquent customers succumb to this pressure and either pay their bill or make arrangements to pay over time. Once a customer makes a payment agreement with the company, and as long as scheduled payments are made, the amount owed is removed from the "arrears" category.

In order to accurately portray the total amount of money owed to utilities, arrearages as well as money owed in payment arrangements must be considered. Until recently, the Bureau had not obtained information from utilities about the amount of money owed in payment arrangements. This situation was rectified in 1986 and the material below is the second analysis of collections which includes the amount owed to utilities by customers on payment agreements.

### Number of Customers In Debt

Table 22 shows the total number of customers owing money to the major gas and electric companies in typical months of 1988 and 1989. In order to provide a context within which this information can be interpreted, both accounts in arrears and those with agreements are presented.

Table 22  
Number of Residential Customers In Debt

Company	1988			1989		
	Agree-ments	Arrears	Total	Agree-ments	Arrears	Total
Duquesne	14,590	74,326	88,916	14,923	81,072	95,995
Met. Ed.	4,587	52,711	57,298	5,512	54,593	60,105
Penelec	17,290	80,031	97,321	15,890	73,278	89,168
Penn Power	N/A	18,725	18,725	1,868	19,411	21,279
PP&L	21,321	131,408	152,729	27,026	134,708	161,734
PECO	149,628	252,360	401,988	92,697	265,321	358,018
UGI-Luzerne	210	6,444	6,654	209	6,648	6,857
West Penn	7,670	88,995	96,665	7,297	90,242	97,539
<b>Electric - Total</b>	<b>215,296</b>	<b>705,000</b>	<b>920,296</b>	<b>165,422</b>	<b>725,273</b>	<b>890,695</b>
Columbia#	7,613	30,188	37,801	13,998	24,736	38,734
Equitable	16,692	26,719	43,411	13,190	28,272	41,462
NFG	5,681	28,381	34,062	6,734	25,273	32,007
PG&W-Gas	5,638	13,083	18,721	3,881	14,142	18,023
Peoples	10,525	32,792	43,317	10,916	34,880	45,796
UGI Gas	2,898	26,964	29,862	3,178	23,489	26,667
<b>Gas - Total</b>	<b>49,047</b>	<b>158,127</b>	<b>207,174</b>	<b>51,897</b>	<b>150,792</b>	<b>202,689</b>
<b>Total</b>	<b>264,343</b>	<b>863,127</b>	<b>1,127,470</b>	<b>217,319</b>	<b>876,065</b>	<b>1,093,384</b>

# 1988 data is inaccurate.

Among the highlights from Table 22 are:

- \* Across all companies, there is one payment agreement for every four persons who are in arrears but have not made arrangements to pay. However, the underlying pattern is quite diverse with less than ten percent of unpaid accounts under agreement for Met. Ed., Penn Power, UGI-Luzerne and West Penn while over a fourth of the accounts owing money to PECO and Equitable are under agreement.
- \* The total of 217,319 customers who had payment arrangements in 1989 reflects a significant reduction from 1988. This reduction in the number of customers on payment agreements is primarily attributable to PECO, who had a 38% reduction in the number of customers on payment agreements.
- \* Even with a significant reduction in the number of payment agreements, the job PECO has of monitoring over 92,000 payment agreements is a monumental task.

The significant variations among companies in the amount of debt in arrearages and agreements appears to be reflective of different collections policies. The shift noted in PECO's debt appears to indicate a shift in policy that has taken place over the past two years. The Bureau notes these variations and intends to study the goals and impacts of various collections policies implemented by the major gas and electric utilities.

From the Commission's perspective, one of the keys to effective collections is identifying whether the customers who owed the utility money are low-income. The debt owed by non low-income customers may be at less risk because middle and upper income customers are more likely to have the income and/or assets to pay off their utility debt. Additionally, the cost to the utility for carrying this debt may be offset by the assessment and collection of late payment charges.

On the other hand, the debt owed by low-income customers may be at more risk because of income levels or assets that are too inadequate to address the debt. In these cases, the assessment of late payment charges may further threaten the utility's ability to recover billings.

If a utility is in a position of knowing which customers that owe money are low-income (through application information, the receipt of energy assistance or income reporting related to payment agreements), the utility can pursue collections and make referrals to assistance programs before the debt reaches unmanageable levels.

#### Percent of Residential Customers Who Owe Money

In past reports, the statistic Percent of Customers Overdue has been used in order to make direct comparisons among companies. Having shown that overdue customers represent only part of the problem, it is more accurate to substitute the combined percentage of customers who are either in arrears or have an agreement. This data is presented in Table 23.

Table 23  
Percent of Customers In Debt

Company	1988	1989	Percent Change
			From 1988 to 1989
Duquesne	17.7%	18.9%	7%
Met. Ed.	15.8%	16.2%	3%
Penelec	20.7%	18.9%	-9%
Penn Power	16.2%	18.2%	12%
PP&L	15.6%	16.2%	4%
PECO	31.7%	28.0%	-12%
UGI-Luzerne	13.0%	13.3%	2%
West Penn	18.0%	18.0%	no change
Electric - Avg.	18.6%	18.5%	- 1%
Columbia	12.3%	12.5%	2%
Equitable	19.1%	18.4%	- 4%
NFG	18.3%	17.2%	- 6%
PG&W-Gas	16.8%	15.8%	- 6%
Peoples	14.3%	15.0%	5%
UGI-Gas	13.5%	13.7%	1%
Gas - Avg.	15.7%	15.4%	- 2%
Overall Total -	20.0%	19.3%	
Percent Change			-3%

Highlights from Table 23 include:

- \* Nearly one out of five residential customers was behind in paying their utility bills in 1989. This represents a slight overall decrease from 1988.
- \* The percent of customers who are in debt to companies ranges quite widely from a high of 28.0%, for PECO, to a low of 12.5%, for Columbia. It is particularly disturbing that PECO is operating with a substantial portion of its residential customer accounts at risk.
- \* These figures reflect very little change from 1988 to 1989 for most companies. This suggests that the information in Table 23 generally reflects normal operations. However, Penn Power shows a 12% increase in customers in debt from 1988 to 1989. This is reason for Penn Power to closely examine their collections policy. In contrast, PECO had a 12% reduction in the percent of customers owing from 1988 to 1989.

However, as stated above, PECO's overdue customer population remains unusually large.

\* UGI-Luzerne, Columbia and UGI-Gas have the lowest levels of risk in their industries in 1989. Nevertheless, each of these companies was faced with a slightly larger overdue population in 1989 than in 1988.

Amount of Money at Risk

The percent of customers in debt reflects the general state of collections. However, the risk of loss is better determined through a review of the amount and aging of the money involved. Table 24 shows how much money is owed by customers in arrears, by those with agreements, and in total. The total amount of money owed by customers is the most important collections figure reported herein.

Table 24  
Residential Customer Debt

Company	1988 (\$000)			1989 (\$000)			Percent Change in Total 1988 to 1989
	Agree- ments	Arrears	Total Debt*	Agree- ments	Arrears	Total Debt*	
Duquesne	\$7,238	\$14,121	\$21,359	\$8,180	\$19,539	\$27,720	30%
Met. Ed.	2,164	6,975	9,139	2,549	7,839	10,389	14%
Penelec	7,770	6,002	13,772	7,100	5,728	12,828	- 7%
Penn Power	245	1,417	1,662	390	1,744	2,134	28%
PP&L	8,861	24,870	33,731	11,154	32,550	43,705	30%
PECO	70,071	30,983	101,054	51,912	35,711	87,623	-13%
UGI-Luz.	79	565	644	83	577	661	3%
West Penn	1,934	6,939	8,873	2,040	6,681	8,722	- 2%
Electric - Total*	98,362	91,872	190,234	83,412	110,373	193,786	2%
Columbia	1,764#	3,093	4,857#	8,622	2,443	11,066	N/A
Equitable	18,847	5,425	24,272	15,663	7,995	23,658	- 3%
NFG	2,062	2,776	4,838	2,692	3,750	6,442	33%
PG&W-Gas	3,017	1,923	4,940	1,749	2,248	3,997	-19%
Peoples	4,631	5,736	10,367	4,861	6,156	11,017	6%
UGI Gas	831	1,894	2,725	869	1,993	2,863	- 5%
Gas - Total*	31,152	20,847	51,999	34,458	24,587	59,045	2%**
Total*	\$129,514	\$112,719	\$242,233	\$117,871	\$134,960	\$252,831	2%**

\* Error due to rounding

# Inaccurate data reported by Columbia Gas

N/A = Not available

\*\* Excludes Columbia Gas

Among the highlights from Table 24 are:

- \* The amount of money owed by residential customers of the major electric and gas utilities surpassed one quarter of a billion dollars in 1989. More than one third of this debt was owed by PECO customers.
- \* NFG, Duquesne, PP&L and Penn Power all reported over 25% increases in total customer debt from 1988 to 1989.
- \* On a more positive note, PG&W-Gas reported a 19% drop in total customer debt while PECO's figures reflect a 13% drop in customer debt.
- \* In particular, the experience of PECO poses questions for future analysis. In 1989 PECO had a monthly average of over \$51 million involved in agreements compared to only about \$36 million in arrears.
- \* Equitable, with over two dollars in agreements for each dollar appearing as an arrearage, may have followed a practice of maintaining its unpaid bills in the form of agreements.

#### Average Amounts Owed

While more money is involved in agreements than in arrearages, the number of customers holding payment agreements is much smaller than the numbers of those who are simply in arrears. This means that the average amount owed by a customer with an agreement is much larger than the amount owed by someone with an arrearage but no agreement. In general, customers who owe larger sums of money as well as customers who have balances which have been outstanding for longer periods should be on payment agreements. This holds true if the utility monitors the payment agreement to make sure the customer abides by the terms of the agreement. However, payment agreements which are not maintained should be acted upon so that the outstanding balance becomes subject to collection activities or is covered with a new payment agreement.

Table 25  
Average Arrearage Vs. Average Agreement

Company	1988		1989	
	Agreements	Arrears	Agreements	Arrears
Duquesne	\$ 496	\$ 190	\$ 548	\$241
Met. Ed.	472	132	463	143
Penelec	449	75	447	78
Penn Power	N/A	76	209	89
PP&L	416	189	413	241
PECO	468	123	560	134
UGI-Luzerne	376	88	401	86
West Penn	252	78	280	74
Electric - Avg.	418	119	415	136
Columbia	232	102	616	95
Equitable	1,129	203	1,188	282
NFG	363	98	400	148
PG&W-Gas	535	147	451	158
Peoples	440	175	445	176
UGI-Gas	287	82	273	84
Gas - Avg.	498	135	562	157
Overall-Avg.	\$ 490	\$ 131	\$ 542	\$154

As was suggested above, the average amounts owed under agreements are much larger than average arrearages. The primary reason for this is that customers typically do not attempt to make arrangements to pay until they have received a termination notice, and notices are generally sent only after customers have missed several payments.

Highlights from Table 25 includes:

- \* The average size of agreements in 1989 ranges from \$209 for Penn Power to \$1,188 for Equitable. This means that for every dollar owed in a Penn Power agreement there is \$5.68 owed in an Equitable agreement. This difference cannot be entirely accounted for by differences in customer bills.
- \* Similarly, there is a great deal of difference in the average arrearage among utilities. Customers of Equitable, Duquesne and PP&L have arrearages that average over \$240 while the average arrearage of customers of six other utilities are under \$100.

Weighted Measures - A Tool For Comparison

Notwithstanding the divergent collections performance as presented above, some comparisons between companies based on either arrearages or agreements can be misleading because of differences in bills. For this reason, a weighted statistic is calculated so that the effect of different average bills is taken into consideration.

Table 26  
Weighted Statistics for Arrearages and Agreements

Company	1988		Total Score	1989		Total Score
	Weighted Agreement	Weighted Arrearage		Weighted Agreement	Weighted Arrearage	
Duquesne	9.6	3.7	4.6	9.8	4.3	5.2
Met. Ed.	8.0	2.2	2.7	8.0	2.5	3.0
Penelec	9.6	1.6	3.0	9.4	1.7	3.0
Penn Power	N/A	1.3	N/A	3.3	1.4	1.6
PP&L	6.4	2.9	3.4	6.4	3.7	4.2
PECO	6.9	1.8	3.7	7.8	1.9	3.4
UGI-Luzerne	7.4	1.7	1.9	7.8	1.7	1.9
West Penn	5.8	1.8	2.1	6.7	1.8	2.1
Electric - Avg.	7.7	2.1	3.1	7.4	2.4	3.0
Columbia	4.1	1.8	2.3	10.7	1.7	4.9
Equitable	18.8	2.4	9.3	17.1	4.1	8.2
NFG	6.4	1.7	2.5	6.2	2.3	3.1
PG&W-Gas	8.8	2.4	4.3	6.5	2.3	3.2
Peoples	6.9	2.7	3.7	6.7	2.7	3.6
UGI-Gas	6.5	1.6	2.4	6.2	1.9	2.4
Gas - Avg.	8.6	2.1	4.1	8.9	2.5	4.3
Overall - Avg.	8.3	2.2	3.6	9.2	2.6	3.9

The "Total Score" in columns 3 and 6 above represents the total aging of all residential customer debt. It is calculated by dividing the average monthly customer bill into the sum of the amounts owed in both agreements and arrearages. The range of these scores in 1989 is quite wide, from 1.6 for Penn Power to 8.2 for Equitable. As can be seen, of the two component scores, the agreement score is much higher than the arrearage score. While this is as expected, the magnitude of the differences suggests that some companies have maintained stability in the reported measure, weighted arrearages, by relaxing standards to make it possible for a growing number of payment agreements, which were not previously reported, to be maintained. Were these agreements effective, the practice would be reasonable. However, weighted agreements that far exceed the industry average, point to a practice of allowing agreements to persist without regard to whether the debt is being retired. The following conclusions are drawn from the analysis of this information:

- \* The interpretation of these scores is straightforward. Higher scores represent greater risk, and therefore, indicate less effective overall management of accounts. Companies with the highest total scores raise concerns about their long term ability to keep collections costs under control.
  
- \* Equitable stands out with far and away the largest weighted total score. While Equitable's total score declined somewhat from 1988 to 1989, its weighted agreement score continued to be almost twice that of any other company. This suggests that Equitable has been inattentive to maintaining effective agreements in the past.

#### Termination of Service

Service termination is expensive in many regards. It costs a great deal to negotiate payment agreements, to make pre-termination contacts, to terminate service, and to then attempt to collect the final bill. Further, the social costs of termination are difficult to quantify, but are obviously important. Alternately, the cost of not terminating customers who are delinquent in their payments can also be very significant.

Given the rise in the amount of debt owed by residential customers and the possible relationship of these costs to collection strategies, including termination, the Commission and utilities need to reexamine the value of termination as a collection tool. This assessment should include consideration of the appropriateness and value of termination for willful nonpayment, as well as provisions for maintaining utility service for those customers who, despite their best efforts at paying their bills, fall short in the ability to cover the entire cost of their utility service.

Table 27

## Number of Residential Service Terminations

Company	1987	1988	1989	Percent Change 1987-1989
Duquesne	2,129	1,701	1,370	- 36%
Met. Ed.	1,493	622	519	- 65%
Penelec	4,064	3,326	3,802	- 6%
Penn Power	975	940	933	- 4%
PP&L	3,347	546	2,871	- 14%
PECO#	33,120	19,114	22,014	- 34%
UGI-Luzerne	755	698	735	- 3%
West Penn	6,713	5,812	5,372	- 20%
Electric-Total	52,596	32,759	37,616	- 28%
Columbia	1,898	2,029	1,944	2%
Equitable	1,796	2,018	3,300	84%
NFG	3,534	2,488	2,945	- 17%
PG&W-Gas	1,115	1,124	1,339	20%
Peoples	4,123	4,364	4,296	4%
UGI-Gas	4,136	3,873	4,515	9%
Gas - Total	16,602	15,896	18,339	10%
Total	69,198	48,655	55,955	- 19%
Percent Change				

#Combined electric and gas

Highlights from Table 27 include:

- \* Overall, the major electric and gas companies terminated 19% fewer customers in 1989 than in 1987. In comparison, the number of customers who were overdue declined by only 1.5% over the same period.
- \* All of the major gas companies, except NFG, terminated more residential customers in 1989 than in 1987. However, none of the termination totals for these companies represents a record high level. This suggests that termination policy has followed a series of peaks and valleys in the 1980's depending upon individual company collection policies.
- \* Met. Ed., Duquesne, PECO, West Penn, and NFG Led their respective industries in reducing terminations from 1987 to 1989. Each of these companies reduced terminations by at least 20% during this time.

\* Duquesne, Met. Ed., Penn Power and West Penn each terminated its smallest number of residential customers since BCS began tracking this activity in 1980. Also, each of the major electric companies terminated fewer residential customers in 1989 than in 1987. It appears that the electric industry is using termination as a collections device less over time.

#### Termination Rate

Termination rate is calculated by dividing the number of terminations by the number of residential customers. Termination rate is a statistic which enables BCS and companies to compare termination practices among companies without regard to differences in company size. For this reason, the analysis here focuses on absolute comparisons of performance. The Bureau will monitor companies which have a termination rate that is substantially worse than the average.

Table 28  
Termination Rate+

Company	1987	1988	1989	Percent Change 1987-1989
Duquesne	0.43%	0.34%	0.27%	- 37%
Met. Ed.	0.42%	0.17%	0.14%	- 67%
Penelec	0.86%	0.71%	0.80%	- 7%
Penn Power	0.85%	0.81%	0.80%	- 6%
PP&L	0.35%	0.06%	0.29%	- 17%
PECO#	2.65%	1.51%	1.72%	- 35%
UGI-Luzerne	1.49%	1.37%	1.43%	- 4%
West Penn	1.26%	1.09%	0.99%	- 21%
Electric - Avg.	1.04%	0.76%	0.81%	- 22%
Columbia	0.62%	0.66%	0.63%	2%
Equitable	0.80%	0.89%	1.46%	83%
NFG	1.90%	1.34%	1.59%	- 16%
PG&W-Gas	1.02%	1.01%	1.17%	15%
Peoples	1.37%	1.44%	1.41%	3%
UGI-Gas	2.18%	2.02%	2.32%	6%
Gas - Avg.	1.32%	1.23%	1.43%	8%
Overall- Avg.	1.25%	0.87%	0.99%	
Percent Change				- 21%

+Annual terminations as a percentage of the number of residential customers

#Combined electric and gas

- \* The range of termination rates among the major electric and gas companies was substantial. On a comparative basis, terminations were over sixteen times more likely for the company which terminated most often than for the company which terminated least often. This range far exceeds that of any other measure of collections activity and clearly represents differences in company policies.
  
- \* Met. Ed. and Columbia terminated the smallest proportion of customers in their respective industries in 1989. Met. Ed.'s termination rate is the second lowest by a major company since BCS began reporting this statistic in 1984.
  
- \* PECO and UGI-Gas terminated the largest proportion of customers in their respective industries. However, these companies show somewhat different long term patterns. UGI-Gas has maintained a relatively stable termination policy. In 1989, PECO kept its termination rate below 2% for the second straight year while its long term trend shows a significant decline in terminations.

### Uncollectible Accounts

The most commonly used long-term measure of collections system performance is the proportion of revenues written off as uncollectible, the "write-offs ratio." In order to report a statistic that is easier to comprehend and compare, BCS changes the ratio of write-offs to revenues to the percentage of residential billings written off as uncollectible. The statistics in Table 29 use residential gross write-offs. Write-offs and revenues can be traced to both residential and non-residential service. With the focus of this report being residential accounts, a percentage of residential billings written off as uncollectible is used as the best available measure of performance in collecting bills. (Appendix I provides a listing of net total write-offs as a percentage of total revenues from 1987 to 1989. An extensive discussion of this statistic can be found in the Bureau's 1983 Report "Utility Payment Problems: The Measurement and Evaluation of Responses to Customer Nonpayment").

Collectively, the major electric and gas companies showed a seventeen percent increase in the percentage of billings written off from 1987 to 1989. This negative trend is of concern to the Bureau.

Table 29

#### Percentage of Gross Residential Billings Written Off as Uncollectible

Company	1987	1988	1989	Percent Change 1987-1989
Duquesne	1.75%	1.60%	1.82%	4%
Met. Ed.	1.15%	1.16%	1.41%	23%
Penelec	1.72%	1.30%	1.29%	-25%
Penn Power	0.53%	0.47%	0.58%	9%
PP&L	1.29%	1.41%	1.87%	45%
PECO#	2.08%	2.02%	2.39%	15%
UGI-Luzerne	0.61%	0.67%	0.64%	5%
West Penn	0.58%	0.72%	0.69%	19%
Electric Avg.	1.21%	1.17%	1.34%	11%
Columbia	1.96%	2.54%	2.13%	9%
Equitable	3.33%	3.52%	4.34%	30%
NFG	1.63%	1.35%	1.17%	-28%
PG&W-Gas	1.14%	1.22%	1.31%	15%
Peoples	1.04%	1.18%	1.11%	7%
UGI-Gas	1.85%	1.65%	1.72%	- 7%
Gas - Avg.	1.83%	1.91%	1.96%	7%
Overall - Total	1.63%	1.64%	1.90%	
Percent Change				17%
# Combined electric and gas				

The following are highlights of the statistical picture in Table 29:

- \* Eleven major companies saw their write-offs percentages increase from 1987 to 1989. PP&L and Equitable experienced the largest increases in their respective industries.
- \* On a positive note three companies, Penelec, NFG, and UGI-Gas showed a reduction in the percentage of residential billings written off as uncollectible from 1987 to 1989.
- \* From a comparative perspective, in 1989 there was a substantial range in the amount of lost revenues. For example, in the electric industry PECO was four times as likely to write off bills as was Penn Power. In the gas industry, Equitable was nearly four times as likely to write off bills as was Peoples. These four companies have maintained this relationship within their respective industries for three consecutive years.

#### Summary

Some of the material presented above represents a significant departure from the analytical perspective taken in past Bureau reports. The availability of a more complete range of data necessitates this expanded view of collections. As still more data is accumulated it will be possible to enhance the statistical strength of the analyses offered above. Also, the conclusions to which the new analyses point will be based on firmer ground as increasingly accurate data comes to reflect the details of actual company operations.

The state of residential collections has deteriorated significantly in the past several years. On the one hand, there were significantly fewer terminations among a slightly smaller percentage of overdue customers. On the other hand, weighted agreements, weighted arrearages, total debt and write-offs increased significantly. In summary, customers were somewhat less at risk from termination but had more serious payment problems. During the next year the Commission and utilities need to thoroughly reexamine the collections pictures presented in this chapter.

## X. COMPLIANCE

The activities of the Bureau of Consumer Services include efforts to insure that public utilities' customer services conform with the standards of conduct codified in the Commission's regulations. The focus here is on the Chapter 56 residential utility service regulations. These regulations, adopted in June 1978, govern residential electric, gas, water, steam heat, and sewage service. The purpose of Chapter 56, as stated in Section 56.1, is to "...establish and enforce uniform, fair, and equitable residential utility service standards governing eligibility criteria, credit and deposit practices, and account billing, termination, and customer complaint procedures."<sup>4/</sup>

The Bureau of Consumer Services has developed three complementary methods to secure utility compliance with Chapter 56 regulations. These methods are (1) the informal compliance notification process, (2) the consumer services review program, and (3) formal complaints. Both the consumer services review program and formal complaints are used as needed to focus on a specific utility. Alternately, the informal notification process, in conjunction with the automated compliance tracking system, serves to guide the Bureau in the selection of companies for the review program and formal complaints.

The informal compliance notification process is the keystone of the Bureau's compliance efforts. The process provides utilities with specific examples of apparent violations of Chapter 56 so that they can use the information to pinpoint and voluntarily correct deficiencies in their customer service operations. The informal compliance notification process uses consumer complaints to identify, document, and notify utilities of apparent violations. A utility which receives notification of an apparent violation has an opportunity to refute the facts which support the allegation of a violation. Failing a satisfactory refutation, appropriate corrective action is to be taken to prevent further occurrences. Corrective actions generally entail modifying a computer program; revising the text of a notice, bill, letter or company procedure; or providing additional staff training to insure the proper implementation of a sound procedure. The notification process also affords utilities the opportunity to receive written clarifications of Chapter 56 provisions and Commission and Bureau policies.

During 1987, 1988, and 1989 the Bureau determined that there were 3,787 informally verified violations of Chapter 56 by the fixed utilities under the PUC's jurisdiction. The significance of these violations is frequently underscored by the fact that many of the informal violations represent systematic errors which are widespread and affect numerous utility customers. However, because the Bureau only receives a small fraction of the complaints customers have with their utility companies, the Bureau has only limited opportunities to identify such systematic errors. Therefore, the informal compliance notification process is specifically designed to identify

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<sup>4/</sup> Violations of the Chapter 64 residential telephone standards are not presented in this report. A separate BCS report will include evaluations of telephone company compliance activity.

systematic errors and press utilities to investigate the scope of the problem and then take corrective action.

Utilities that wish to avoid BCS compliance actions have several options. First, they may take advantage of the Bureau's informal notification process. They can also develop their own complaint/compliance information systems to identify compliance problems before they come to the Commission's attention. Companies which analyze their mistakes and take appropriate corrective action can prevent the ill will generated when customers are denied their rights. Additionally, by tracking violations and complaints and treating them as potential error signals, utilities can pinpoint problematic procedures and employee errors which give rise to violations and complaints. Company operations can then be improved to the satisfaction of the PUC, utility customers, and the utility management. A more detailed description of the Bureau's compliance activities can be found in the BCS report of August 1987, entitled Consumer Services Compliance Report 1985-1986.

#### Informal Compliance Findings

The data analyzed in this section have been gleaned from the informal complaints filed with the PUC by residential customers during 1987, 1988, and 1989. The violation statistics for the major electric, gas and water companies are presented by company and year in Tables 30-32.

The data in Table 33 indicates the sections of Chapter 56 which are most commonly violated by the fixed utilities based on compliance findings for the past three years.

Opposing viewpoints regarding the meaning of the aggregate figures for informally verified violations have been expressed at various times in the past. Some utilities view the data as reflecting an extremely small number of errors given the massive number of customer contacts routinely handled by utilities. They suggest that the BCS' informally verified violations represent no more than the occasional mistakes that are inevitable in an operation the size of a public utility. Instead of viewing the aggregate violation data as indicative of poor compliance performance, some companies suggest that the statistics actually demonstrate utilities' good faith efforts to comply with these residential service regulations. They argue that, if this were not the case, the violation data would be much higher.

The Bureau of Consumer Services views the informal violation figures quite differently. The Bureau's perspective is that each informally verified violation is an error signal. A single infraction can be indicative of a system-wide misapplication of a particular section of the regulations. Because consumers are reluctant to complain, and because the PUC gets involved with only a small fraction of the total number of complaints to utilities, there is sufficient reason to believe that there are numerous violations occurring which will go undetected by the PUC. Therefore, the violations which do come to the attention of the Bureau warrant careful analysis and consideration by the target utility. The informal notification process is intended to assist utilities in their process analysis and consideration. Additionally, findings from the other two methods used by the BCS to effect compliance with Chapter 56 support the perspective that informally verified violations often represent larger compliance problems.

Several considerations are important to keep in mind when viewing the aggregate informal violation figures. First, the data pertaining to the number of violations do not take into consideration the causes of the individual violations. Some violations may be more serious because of their systematic nature, and therefore may be indicative of ongoing or repetitive violations. Other violations may be more serious because they involve threats to the health and safety of utility customers.

Another set of considerations to keep in mind when viewing aggregate violation measures is that, as a performance measure, they are most important because they indicate infractions of PUC regulations. Therefore, while a utility may take note of a significant decrease in an aggregate figure, it should be kept in mind that the criterion for good performance is zero violations.

For these reasons, the aggregate figures presented in Tables 31-33 are considered by the BCS along with other information which is case specific. The value of the aggregate figures is in depicting apparent gross trends over time and pointing out extreme deviations.

#### Electric Utilities

From 1988 to 1989 the electric industry again improved its compliance performance by reducing the number of informal violations by 45%. This is the second consecutive year that the number of violations has decreased substantially from the preceding year.

Table 30

Informal Violations of Chapter 56  
Major Electric Companies

(1987-1989)

Company	1987	1988	1989 Total <sup>5/</sup>	1989 # of Total Verified	1989 # of Total Pending
Duquesne	143	91	55	51	4
Met. Ed.	3	6	15	14	1
Penelec	37	27	15	15	0
Penn Power	19	8	4	4	0
PP&L	80	47	50	42	8
PECO	499	358	236	183	53
UGI-Luzerne	9	9	8	6	2
West Penn	101	88	39	32	7
Total	891	634	422	347	75

The highlights from Table 30 include the following:

- \* Metropolitan Edison experienced a lapse in its otherwise exemplary compliance record with an increase in informally verified violations from 1988 to 1989. The number of violations for Met. Ed., however, remains relatively low in comparison to other major companies.
- \* Penelec's record of 15 violations for 1989 represents a 44% decrease in the number of verified violations from the previous year. This improvement in compliance conduct is encouraging.
- \* Duquesne Light also showed a 44% decrease in the number of informally verified violations from 1988 to 1989. However, with 51 violations and 4 pending, the sizeable number of violations still reflects unacceptable compliance performance.

<sup>5/</sup> The total number of violations for 1989 (column 3) is comprised mostly of verified violations (column 4) and in some cases, a smaller proportion of pending violations (column 5). Overall, approximately seventy percent of pending violations are subsequently determined to be verified violations. The total number of violations for 1989 may increase as new violations are discovered and cited from customer complaints which originated in 1989 but are still under investigation by the Bureau. In most instances, the actual total number of violations for 1989 will be equal to or greater than the number reported in column 3.

- \* Penn Power deserves to be commended as it improved its compliance conduct by again cutting its violations in half.
- \* PECO also continued to improve by decreasing its number of verified violations by 49% from 1988 to 1989. However, as with Duquesne, PECO's sizeable number of informally verified violations (183 with an additional 53 pending) still reflect an unacceptable course of conduct relative to compliance with Chapter 56.
- \* West Penn Power showed major improvement from 1988 to 1989 by reducing the number of verified violations by 64%.

#### Gas Utilities

The gas industry has improved compliance with Chapter 56 for several consecutive years. Collectively, the major gas companies reduced the overall number of verified violations by 22% from 1988 to 1989.

Table 31  
Informal Violations of Chapter 56  
Major Gas Companies  
(1987-1989)

Company	1987	1988	1989 Total <sup>+</sup>	1989 # of Total Verified	1989 # of Total Pending
Columbia	26	35	29	29	0
Equitable	69	34	70	42	28
NFG	58	43	21	20	1
PG&W-Gas	44	20	20	18	2
Peoples	63	35	19	16	3
UGI-Gas	61	45	46	41	5
<b>Total</b>	<b>321</b>	<b>212</b>	<b>205</b>	<b>166</b>	<b>39</b>

+ See footnote, page 61.

The highlights from Table 31 include the following:

- \* Peoples and NFG each had over 50% reductions in the number of informally verified violations for 1989.
- \* UGI and PG&W improved slightly in compliance. UGI, however, must further improve since the number of

violations is the highest for the gas industry considering the number of customers served by UGI.

- \* Equitable experienced a 24% increase over the previous year's figures. This makes Equitable the only major gas company that did not reduce the number of verified violations in 1989.

#### Water Utilities

Overall, the "Class A" water companies reduced the number of informally verified violations by 49% from 1988 to 1989. It should be noted that in 1987 the water industry exhibited an exceptionally high number of informally verified violations while the number of verified violations in 1986 was rather low (176). Water utilities as an industry, therefore, have made significant progress since the Bureau began reporting compliance data in 1986.

Table 32

#### Informal Violations of Chapter 56 Major Water Companies

(1987-1989)

Company	1987	1988	1989 Total <sup>+</sup>	1989 # of Total Verified	1989 # of Total Pending
PA-American	183	182	93	81	12
PG&W-Water	43	14	16	15	1
Phila. Suburban	95	39	15	12	3
All Other "Class A" Water Companies	47	18	22	22	0
<b>Total</b>	<b>368</b>	<b>253</b>	<b>146</b>	<b>130</b>	<b>16</b>

+ See footnote, page 61.

The highlights from Table 32 include the following:

- \* Philadelphia Suburban, for the second year, has reduced the number of verified violations by over 60%. From 1988 to 1989 the reduction was 69%.
- \* PA-American Water Company had a 55% reduction in the number of verified violations. During 1989, however, when taking into consideration the number of residential customers served, the magnitude of violations is still the highest of any major electric, gas, or water company.

Distribution of Informal Violations

Table 33 shows the areas of Chapter 56 where compliance problems remain for the electric, gas and water industries.

Table 33

Most Commonly Violated Areas of Chapter 56  
Major Electric, Gas and Water Companies

(1987-1989)

Sections	1987		1988		1989	
	N	%	N	%	N	%
§56.11 Billing Frequency	82	5	28	3	18	3
§56.12 Meter Reading	193	12	121	11	95	15
§56.14 Make-up Bills	71	5	62	6	43	7
§56.16 Transfer of Accounts	69	4	77	7	33	5
§56.32-.37 Credit Standards	26	2	18	2	13	2
§56.81-.83 Termination Grounds	91	6	72	7	47	7
§56.91-.97 Standard Termination Procedures	128	8	69	6	39	6
§56.121-.126 Landlord- Ratepayer Termination Procedures	61	4	38	3	32	5
§56.141-.152 Dispute Handling	433	27	311	28	170	26
§56.163 Informal Complaint Review	167	11	70	6	32	5
All Other Sections	259	16	233	21	121	19
Total	1580	100%	1099	100%	643	100%

The highlights from Table 33 include the following:

- \* The most common compliance problem over the past three years is failure by utilities to treat customer complaints in full accord with the explicit standards of conduct set forth in the Chapter 56 dispute handling provisions (§56.141-§56.152). This is troubling since these provisions are intended to insure basic due process.
- \* Failure by companies to obtain appropriate meter readings within prescribed periods constitutes the overwhelming majority of informally verified violations of Section 56.12. At first glance, violations of the provisions relating to meter reading may appear innocuous. However, BCS experience

indicates that noncompliance with §56.12 frequently leads to high bill complaints. Substantial rebillings can be a great burden to customers with limited incomes.

- \* Informally verified violations of the Chapter 56 provisions relating to termination of service (§56.81 through §56.126) account for 17% of the apparent violations by the major utilities over the past three years. The fact that one of six violations involved these important Chapter 56 standards indicates that utilities have not established and/or properly implemented procedures which insure day-to-day compliance with these provisions.
- \* Compliance with the Chapter 56 "make-up" bill provision (§56.14) has remained fairly consistent since 1987.
- \* Overall, the number of informally verified violations gleaned by BCS investigators from informal complaints has decreased 41% from 1988 to 1989. Although this drop is very encouraging, it is tempered by the fact that the criterion for good performance is zero violations. Moreover, Chapter 56 has been in effect for many years. Utilities have had ample time to adjust their operations to comply with these residential service standards. Thus, the 3,322 apparent violations by the major electric, gas and water companies, which BCS gathered over the past three years, indicate utilities have not fully incorporated Chapter 56 into their daily customer service operations.

## XI. CONCLUSION

The discussion above has fulfilled the Bureau's responsibility to make assessments of utility customer services performance generally available. This report provides an overview and a general analysis of BCS handling of complaints against electric, gas and water companies during 1989. The consumer complaint and mediation rates used here are quantitative problem indicators related to utility company performance in various customer services areas. Response time, percent of complaints "justified", and justified rate are qualitative performance measures which reflect a company's responsiveness and effectiveness in handling customer complaints. These measures support the Bureau's emphasis on improvement in all areas of complaint handling. In addition, the analysis of collections statistics provides a basis for comparing company performance at managing unpaid accounts. Finally, a review of compliance statistics shows which companies are least successful at operating in conformity with Commission regulations.

The Bureau has historically sought to improve the customer services performance of utility companies. Towards this end, the Bureau has pursued the goal of reducing the numbers of both mediations and consumer complaints. However, the Bureau did not meet either goal in 1989. Although mediation requests increased from 1988 to 1989, the 1989 total is the second lowest since BCS began record keeping in 1978. For consumer complaints, the 1989 total was among the highest since 1979 and this is a source of concern to the Bureau. Both the gas and water industries showed increases over the past year.

More importantly, effectiveness in consumer complaint and mediation handling is measured through justified rates. This evaluative measure combines the quantitative measure of consumer complaint or mediation rate with the qualitative measure justified percent. The Bureau perceives this to be a bottom line measure of performance that evaluates either company complaint handling or payment negotiations as a whole and, as such, allows for general comparisons to be made among companies and across time. There is reason for optimism in the 1989 results which showed a decrease in the justified rates for consumer complaints. Overall, the major companies have become more effective at handling consumer complaints. Nevertheless, the worst companies in each industry will be closely monitored by the Bureau in 1990. The effectiveness of water companies at negotiating payment arrangements has improved while the electric industry declined slightly and the gas industry deteriorated significantly. Again, the companies which show evidence of poor negotiations will be targeted for close scrutiny in 1990. The Bureau continues to urge ineffective companies to study their own problems and to identify ways to address these problems.

Responsiveness to Bureau cases is measured by response time. From 1988 to 1989 many major companies became less responsive to BCS consumer complaints. Despite deterioration by all of its major companies, the gas industry maintained its position as the most responsive industry. At the same time, the electric and water companies showed a decline in responsiveness. Also, mediation response times improved slightly for water companies, remained stable for electric companies, but declined slightly for gas companies. Overall, the electric industry responded slightly faster than the gas industry and more than three times faster than the water industry to mediations.

The utility collections picture in Pennsylvania has deteriorated significantly from 1987 to 1989. Improvements in some collections statistics were not significant enough to offset the deteriorations in other areas. On the positive side in 1989, fewer customers were terminated and slightly fewer customers owe money. On the negative side, weighted arrearages, weighted agreements, total debt and the percentage of residential billings written off as uncollectible all increased. Thus, fewer customers owe more money and the potential financial risk they pose has increased. The Bureau is concerned about the collections performance of some major gas and electric companies in 1989 and urges companies to carefully study their collections policies so that improvements can be made in 1990.

In the Bureau's view, the current status of utility compliance with Commission regulations is somewhat encouraging since each industry showed improvement. However, given that the Chapter 56 regulations have been in effect for more than a decade, the compliance performance of many major companies is still disappointing. While several major utilities have made considerable strides toward full compliance, numerous utilities have yet to demonstrate that compliance is a priority. It appears that some companies are not availing themselves of the corrective feedback provided through the informal compliance notification process, and are not setting up their own systems to track, analyze and improve compliance. If the performance record reported here does not provide an adequate stimulus for these companies to commit to full compliance, other measures may be recommended to the Commission in the future.

Throughout this report there are numerous examples of results which point to opportunities for companies to make significant improvements in customer services. Individual company performance varied greatly in 1989. Some companies have done a better job of effectively managing and running their customer services operations. These companies include Met. Ed., Penelec, Columbia and Peoples. The efforts of the better companies warrant careful study by those companies which did not perform well. At the same time, no company came close to being the best in all areas. Thus, even the better companies can resolve to improve their performance with a reasonable expectation of success. On the other hand, the Bureau is very concerned about those companies which the statistics reported here show have generally ineffective customer services. These companies are Duquesne, PECO, Equitable and Pennsylvania-American. These companies have maintained this poor level of performance for two years in a row. Once again, the Bureau will be closely monitoring these companies in the current year and requests that these companies target their own individual problem areas for improvement in 1990.

There is ample evidence to show that companies which make a sincere effort to improve complaint handling have been successful. To foster this approach, the Bureau attempts to assist company efforts at self-monitoring. In addition to periodic reviews of company procedures, the Bureau provides most of the data used in the preparation of this report to companies on a quarterly basis. Companies which seek to improve performance and confront problems can then determine causes for problems and respond appropriately long before the BCS becomes involved. The Bureau will continue to criticize those companies which show declines in the measures of customer services performance that are presented in this report. The objective of the

criticism is to encourage companies to undertake efforts which will insure that customers with problems or complaints receive the best possible response.

APPENDICES

APPENDIX A

Distribution of Commercial Cases

Company	<u>1988</u>		<u>1989</u>	
	Mediations	Consumer Complaints	Mediations	Consumer Complaints
Duquesne	78	22	77	37
Met. Ed.	12	13	29	15
Penelec	30	26	24	35
Penn Power	1	2	3	7
PP&L	47	28	29	38
PECO	73	84	80	72
UGI-Luzerne	5	3	1	5
West Penn	39	38	15	29
Columbia	6	7	4	11
Equitable	9	11	14	8
NFG	2	3	3	3
PG&W-Gas	0	2	1	5
Peoples	2	8	5	9
UGI-Gas	4	10	6	10
PA-American	4	15	3	14
PG&W-Water	0	6	0	7
Phila. Suburban	1	8	1	3

APPENDIX B

BCS Complaints - 1989  
Residential-Commercial

<u>MEDIATIONS</u> <u>INDUSTRY</u>	Total Mediations	Residential Mediations	% Residential Mediations	Commercial Mediations	% Commercial Mediations
Electric	4,419	4,160	94%	259	6%
Gas	3,342	3,307	99%	35	1%
Water	522	515	99%	7	1%
Other	7	6	86%	1	14%
Total	8,290	7,988	96%	302	4%

<u>CONSUMER COMPLAINTS</u> <u>INDUSTRY</u>	Total c.c.	Residential c.c.	% Residential c.c.	Commercial c.c.	% Commercial c.c.
Electric	2,220	1,982	89%	238	11%
Gas	1,316	1,263	96%	53	4%
Telephone	3,482	3,059	88%	423	12%
Water	858	815	95%	43	5%
Other	102	96	94%	6	6%
Total (%)	7,978	7,215	90%	763	10%

APPENDIX C

TABLE 1

MONTHLY VOLUME

	Mediation Requests		Consumer Complaints	
	1988	1989	1988	1989
January	247	280	565	831
February	250	243	546	700
March	277	326	599	760
April	636	666	467	537
May	670	748	529	585
June	719	835	556	691
July	705	891	517	684
August	845	1,174	830	790
September	817	1,047	725	604
October	853	969	726	542
November	625	812	711	619
December	269	299	707	635
TOTAL	6,913	8,290	7,478	7,978

TABLE 2

BCS ACTIVITY

	Mediations	Consumer Complaints	Inquiries	Total
1978	11,749	11,441	7,095	30,285
1979	14,976	10,207	42,000*	67,183
1980	15,006	7,454	15,229	37,689
1981	16,599	6,762	20,636	43,997
1982	19,603	7,084	23,553	50,240
1983	15,896	6,563	20,128	42,587
1984	16,014	6,603	18,808	41,425
1985	14,272	6,738	26,144	47,154
1986	10,181	5,896	14,663	30,740
1987	8,782	6,433	11,187	26,402
1988	6,913	7,478	10,581	24,972
1989	8,290	7,978	9,784	26,052
TOTAL	158,281	90,637	219,808	468,726
Avg.	13,190	7,553	18,317	39,060

\*Includes 27,000 TMI Protests

APPENDIX D

Major Problem Categories  
for Inquiries and Opinions

1989

Category	Number	Percent
Referral to Company	2,851	29%
Referral to Other BCS/ Other Bureau	1,668	17%
Referral to Other Agency	2,605	27%
Specific Information Request	1,254	13%
Rate Protest and Opinion	859	9%
Opinion - General	144	1%
Other	403	4%
Total	9,784	

APPENDIX E

Table 1

MEDIATION REQUESTS  
1989

PENNSYLVANIA COUNTIES

	<u>N</u>	<u>C/1,000</u>		<u>N</u>	<u>C/1,000</u>
01. ADAMS	9	.37	35. LACKAWANNA	77	.86
02. ALLEGHENY	3,085	5.40	36. LANCASTER	70	.54
03. ARMSTRONG	46	1.48	37. LAWRENCE	184	4.65
04. BEAVER	216	2.88	38. LEBANON	34	.84
05. BEDFORD	7	.35	39. LEHIGH	78	.73
06. BERKS	123	1.03	40. LUZERNE	203	1.49
07. BLAIR	150	2.88	41. LYCOMING	57	1.20
08. BRADFORD	9	.36	42. MCKEAN	45	2.09
09. BUCKS	428	2.59	43. MERCER	131	2.75
10. BUTLER	76	1.43	44. MIFFLIN	20	1.08
11. CAMBRIA	79	1.18	45. MONROE	29	.78
12. CAMERON	3	.68	46. MONTGOMERY	378	1.63
13. CARBON	6	.26	47. MONTOUR	2	.33
14. CENTRE	12	.30	48. NORTHAMPTON	89	1.06
15. CHESTER	147	1.33	49. NORTHUMBERLAND	63	1.54
16. CLARION	10	.58	50. PERRY	2	.14
17. CLEARFIELD	19	.57	51. PHILADELPHIA	549	.80
18. CLINTON	17	1.06	52. PIKE	11	.62
19. COLUMBIA	50	2.09	53. POTTER	16	1.47
20. CRAWFORD	16	.41	54. SCHUYLKILL	22	.34
21. CUMBERLAND	57	.87	55. SNYDER	9	.77
22. DAUPHIN	231	2.41	56. SOMERSET	7	.21
23. DELAWARE	312	1.55	57. SULLIVAN	0	.00
24. ELK	7	.43	58. SUSQUEHANNA	1	.06
25. ERIE	197	1.90	59. TIOGA	13	.76
26. FAYETTE	165	2.69	60. UNION	10	.89
27. FOREST	5	.58	61. VENANGO	18	.68
28. FRANKLIN	15	.35	62. WARREN	11	.50
29. FULTON	2	.38	63. WASHINGTON	209	2.58
30. GREENE	20	1.33	64. WAYNE	8	.41
31. HUNTINGDON	10	.59	65. WESTMORELAND	229	1.55
32. INDIANA	44	1.36	66. WYOMING	8	.75
33. JEFFERSON	31	1.50	67. YORK	102	.87
34. JUNIATA	0	.00			

Mean = 1.17

N = Number of Cases

C/1,000 = Cases Per 1,000 Housing Units

APPENDIX E

Table 2

CONSUMER COMPLAINTS  
1989

PENNSYLVANIA COUNTIES

	<u>N</u>	<u>C/1,000</u>		<u>N</u>	<u>C/1,000</u>
01. ADAMS	32	1.31	35. LACKAWANNA	189	2.11
02. ALLEGHENY	1,746	3.06	36. LANCASTER	116	.90
03. ARMSTRONG	47	1.51	37. LAWRENCE	86	2.17
04. BEAVER	127	1.69	38. LEBANON	45	1.11
05. BEDFORD	24	1.21	39. LEHIGH	145	1.36
06. BERKS	106	.88	40. LUZERNE	309	2.27
07. BLAIR	86	1.65	41. LYCOMING	50	1.05
08. BRADFORD	27	1.07	42. McKEAN	27	1.25
09. BUCKS	285	1.72	43. MERCER	73	1.53
10. BUTLER	113	2.13	44. MIFFLIN	21	1.13
11. CAMBRIA	43	.64	45. MONROE	125	3.36
12. CAMERON	3	.68	46. MONTGOMERY	387	1.66
13. CARBON	37	1.60	47. MONTOUR	3	.50
14. CENTRE	51	1.29	48. NORTHAMPTON	106	1.26
15. CHESTER	173	1.57	49. NORTHUMBERLAND	64	1.57
16. CLARION	15	.87	50. PERRY	29	1.96
17. CLEARFIELD	46	1.39	51. PHILADELPHIA	1,029	1.50
18. CLINTON	14	.87	52. PIKE	39	2.20
19. COLUMBIA	41	1.72	53. POTTER	11	1.01
20. CRAWFORD	30	.76	54. SCHUYLKILL	58	.89
21. CUMBERLAND	148	2.26	55. SNYDER	9	.77
22. DAUPHIN	280	2.93	56. SOMERSET	22	.66
23. DELAWARE	315	1.56	57. SULLIVAN	0	.00
24. ELK	18	1.10	58. SUSQUEHANNA	25	1.45
25. ERIE	157	1.51	59. TIOGA	16	.94
26. FAYETTE	140	2.28	60. UNION	11	.98
27. FOREST	6	.69	61. VENANGO	26	.98
28. FRANKLIN	29	.68	62. WARREN	24	1.10
29. FULTON	9	1.70	63. WASHINGTON	226	2.79
30. GREENE	64	4.27	64. WAYNE	43	2.19
31. HUNTINGDON	17	1.01	65. WESTMORELAND	175	1.18
32. INDIANA	33	1.02	66. WYOMING	15	1.41
33. JEFFERSON	23	1.11	67. YORK	130	1.11
34. JUNIATA	14	1.80			

Mean = 1.46

N = Number of Cases

C/1,000 = Cases Per 1,000 Housing Units

APPENDIX F

Type of Industry

<u>INDUSTRY</u>	<u>MEDIATION REQUESTS</u>		<u>CONSUMER COMPLAINTS</u>	
	<u>1988</u>	<u>1989*</u>	<u>1988*</u>	<u>1989</u>
Electric	55%	53%	29%	28%
Gas	34%	40%	14%	16%
Telephone	-	-	46%	44%
Water	11%	6%	11%	11%
Other	0%	0%	1%	1%

\*Sum does not equal 100% due to rounding error

APPENDIX G

Monthly Average Number of  
Residential Customers - 1989

Duquesne	506,978
Met. Ed.	371,315
Penelec	472,609
Penn Power	117,076
PP&L	999,782
PECO	1,280,876
UGI-Luzerne	51,510
West Penn	540,996
<b>Major Electric-Total</b>	<b>4,341,142</b>
Columbia	310,682
Equitable	225,863
NFG	185,700
PG&W-Gas	114,118
Peoples	305,462
UGI-Gas	194,756
<b>Major Gas-Total</b>	<b>1,336,581</b>
Pennsylvania-American	326,025
PG&W-Water	118,879
Philadelphia Suburban	221,524
All Other "Class A" Companies	96,276
<b>"Class A" Water-Total</b>	<b>762,704</b>

## APPENDIX H

TABLE 1 - HEATING CUSTOMERS\* IN 1989

	Monthly Averages		Cost Per Unit (\$/KWH or MCF)
	Usage	Bills	
Duquesne	1082 KWH	\$ 88.69	\$ .0820
Met. Ed.	1349 KWH	96.93	.0719
Penelec	1285 KWH	90.11	.0701
Penn Power	1497 KWH	108.43	.0724
PP&L	1463 KWH	106.16	.0726
PECO-Electric	1437 KWH	133.54	.0929
UGI-Luzerne	1666 KWH	103.09	.0619
West Penn	1521 KWH	74.76	.0492
Columbia	10.7 MCF	59.78	5.59
Equitable	10.8 MCF	70.33	6.51
NFG	11.5 MCF	64.52	5.61
PG&W-Gas	13.4 MCF	80.25	5.99
Peoples	12.2 MCF	67.61	5.54
PECO-Gas	9.7 MCF	67.31	6.94
UGI-Gas	9.2 MCF	\$ 58.19	\$ 6.33

TABLE 2 - NON-HEATING CUSTOMERS\* IN 1989

	Monthly Averages		Cost Per Unit (\$/KWH or MCF)
	Usage	Bills	
Duquesne	476 KWH	\$ 54.35	\$ .1142
Met. Ed.	601 KWH	48.71	.0810
Penelec	530 KWH	42.46	.0801
Penn Power	682 KWH	61.72	.0905
PP&L	597 KWH	48.63	.0815
PECO-Electric	537 KWH	68.33	.1272
UGI-Luzerne	471 KWH	39.36	.0836
West Penn	683 KWH	36.58	.0536
Columbia	2.1 MCF	17.08	8.13
Equitable	2.0 MCF	16.67	8.34
NFG	4.9 MCF	33.59	6.86
PG&W-Gas	2.1 MCF	16.92	8.06
Peoples	2.4 MCF	20.33	8.47
PECO-Gas	2.5 MCF	22.74	9.10
UGI-Gas	1.7 MCF	\$ 16.32	\$ 9.60

\*Source: Data reported by companies - Figures used are for average bills and usage for each company, not typical bills.

APPENDIX I

Net Total Write-Offs As A Percentage Of Total Revenues\*

Company	1987	1988	1989	Percent Change 1987-1989
Duquesne	1.43%	0.61%	0.66%	-54%
Met. Ed.	0.49%	0.43%	0.49%	no change
Penelec	0.58%	0.42%	0.39%	-33%
Penn Power	0.58%	0.28%	0.20%	-66%
PP&L	0.53%	0.56%	0.75%	42%
PECO#	0.88%	0.81%	0.99%	13%
UGI-Luzerne	0.39%	0.42%	0.36%	- 8%
West Penn	0.21%	0.24%	0.22%	5%
Electric - Avg.	0.64%	0.47%	0.51%	-20%
Columbia	1.02%	1.40%	1.24%	22%
Equitable	2.06%	1.96%	2.64%	28%
NFG	0.95%	0.80%	0.76%	-20%
PG&W-Gas	0.66%	0.77%	0.86%	30%
Peoples	0.73%	0.50%	0.77%	5%
UGI-Gas	0.85%	0.79%	0.71%	-16%
Gas - Avg.	1.05%	1.04%	1.16%	10%
Overall Avg.	0.79%	0.67%	0.80%	
Overall Percent Change				1%

\*Source: Company reported data  
#electric and gas combined

APPENDIX J

Number of Non-Termination Collections Related Consumer Complaints

Company	1988	1989
Duquesne	53	119
Met. Ed.	17	18
Penelec	18	27
Penn Power	4	7
PP&L	25	32
Peco	78	93
UGI-Luzerne	6	1
West Penn	9	15
Columbia	18	19
Equitable	51	150
NFG	4	3
PG&W-Gas	3	7
Peoples	25	19
UGI-Gas	30	19
Pa.-American	13	16
PG&W-Water	0	0
Phila. Suburban	0	3
Other "A"	1	0

