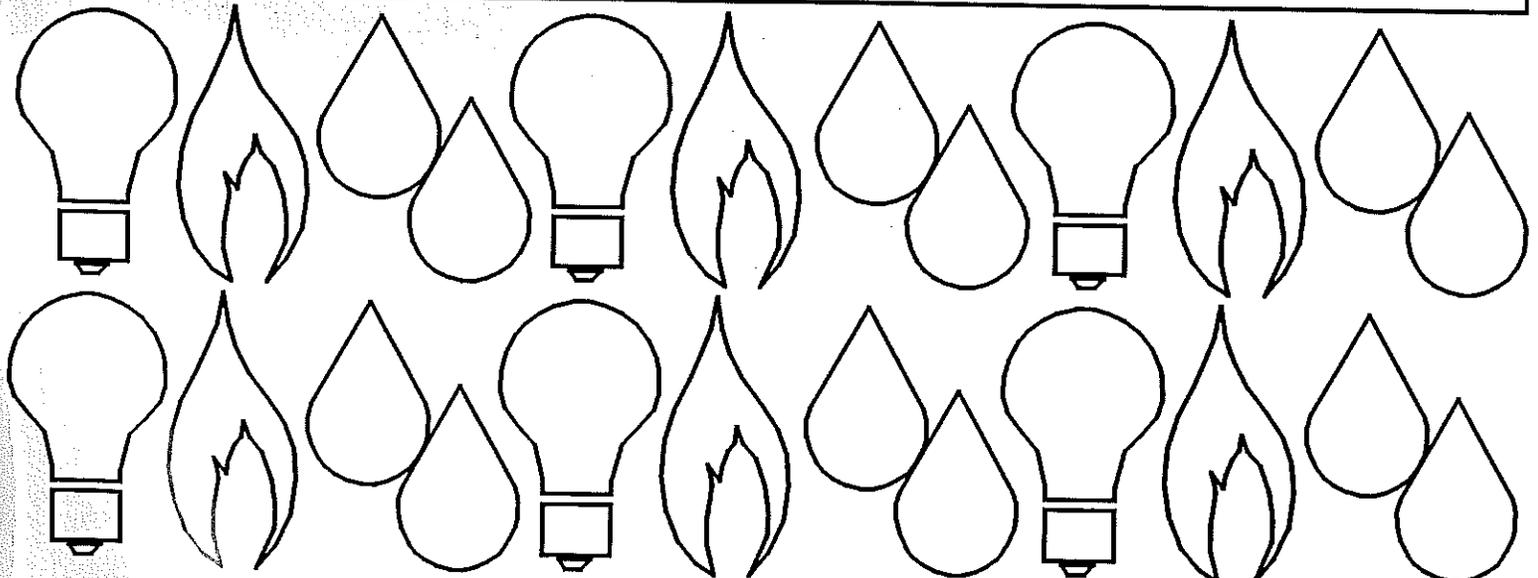


Consumer Services Activity Report

Electric, Gas and Water Utilities 1990

Pennsylvania Public Utility Commission
Bureau of Consumer Services
Joseph W. Farrell, Director



with the assistance of

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(June 1991)

CONSUMER SERVICES
ACTIVITY REPORT: 1990

JULY 1991

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

CONSUMER SERVICES ACTIVITY REPORT - 1990

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THE CONSUMER SERVICES ACTIVITY REPORT FOR 1990

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 1990. 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 268,226 cases and has received an additional 228,628 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 1990. An explanation of these measures is included below for readers who encounter them for the first time.

Chapter VII of this report focuses on company failures at complying with the Commission's regulations. This analysis appears in this report for the third consecutive year. It explains the Bureau's compliance process and discusses the highlights of compliance activity from 1988 to 1990.

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 13. (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 1990 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 1990.

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 1990 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 Telecommunications Complaint Unit. Requests for help with payment agreements are handled in the Residential Termination Unit.

During 1990 the Field Services Division received 28,128 contacts from customers. Of these, 19,308 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.

Payment-Troubled Customers Programs

Low Income Usage Reduction Program

In 1990, the Bureau monitored the implementation of regulations mandating utility programs to weatherize the homes of low income heating and water heating customers. The fifteen companies involved in this program weatherized nearly 14,000 customers' homes during the year. The Bureau continued to assist companies with implementation and operational issues through informal dialogue. In addition, the Bureau sent a questionnaire that provided for an update to all ongoing issues from past operational program reviews. Further, the Bureau continued collecting monthly program statistics which permit continuous monitoring of company activities. Production continued to improve in 1990 as the total LIURP spending reached \$15 million. It is expected that overall production will continue at 100% of projected goals in 1991 allowing for companies to meet their spending goals.

Pilot Customer Assistance Programs

Duquesne Light Company (Duquesne), Equitable Gas Company (Equitable), and Peoples Natural Gas Company (Peoples), all are conducting pilot customer assistance programs in the Pittsburgh area. Dollar Energy Fund (DEF) contracts with community based organization's (CBOs) to help administer the programs. The CBOs use a case management approach in dealing with program participants. The CBOs all perform initial interviews, provide budget counseling, energy and consumer education and make referrals to other services. All pilots base their programs on affordable payments to encourage regular monthly payments. An arrearage forgiveness component is also common to all three programs. The pilots have a combined total budget of \$2,446,000.

Uncollectible Investigation

On April 5, 1990 the Pennsylvania Public Utility Commission adopted a motion by Commissioner Rolka to initiate an investigation into the problems of uncollectible balances and payment troubled customers. The purpose of this formal investigation is to assist the Commission in formulating policy for dealing with payment troubled customers rather than attempting to develop policy on a case by case basis. The Bureau of Consumer Services was directed to report to the Commission in nine months on the results and recommendations of the investigation.

All major gas and electric utilities were required to respond to 23 policy questions, four proposed initiatives and approximately 100 requests for data. Government agencies and community groups were also asked to respond to the policy questions and proposed initiatives.

During March and April 1991, public input hearings were held in Harrisburg, Erie, Scranton, Pittsburgh and Philadelphia in order to give consumers a chance to comment on the investigation. Over sixty customers, community organizations and government agencies gave testimony or filed comments to the investigation.

The Bureau of Consumer Services is in the process of analyzing the responses to the investigation in order to present their findings and to make recommendations to the Commission in July 1991.

Pennsylvania Dual Party Relay Service

In 1990, the Commission approved the implementation of the Pennsylvania Dual Party Relay Service, which enables the deaf, hearing impaired, or speech impaired to communicate with others by phone. With the implementation of the relay service, the Commission also ordered the establishment of an advisory board for the relay center. Pursuant to the Commission's order, an advisory board was formed to "...function as a user group providing guidance in such areas as operator training, problem solving and future enhancements." The Bureau is an active participant on this advisory board.

Compliance - Insuring Proper Utility Practices

Informal Investigation of Pennsylvania-American Water Company

BCS staff, in conjunction with the Commission's Law Bureau, conducted an informal investigation of Pennsylvania-American Water Company (PAWC). This informal investigation focused on PAWC's compliance with specific provisions of 52 PA Code, Chapter 56 relating to termination of residential service. The results of the informal investigation were presented in a BCS report. As a result of the findings of this report, PAWC entered into a settlement in which PAWC agreed to pay a fine of \$5,000 and make a \$20,000 contribution to the Dollar Energy Fund to assure future compliance, PAWC agreed to a system whereby it would make water assistance contributions for future violations of specific Commission investigations upon a finding of a violation in an informal decision issued by BCS, subject only to administrative appeal to the Commission. To date, PAWC has paid an additional \$1,000 to the Dollar Energy Fund. The Commission approved the Settlement (Docket No. M-900250) at public meeting held June 28, 1990.

Informal Investigation of West Penn Power Company

In March 1990, the Bureau of Consumer Services (BCS) and the Law Bureau initiated an informal investigation of West Penn Power Company (WPPC) relative to its compliance with the Commission's Chapter 56 residential termination regulations. The results were presented following the conclusion of the investigation WPPC and Staff engaged in negotiations with a view toward resolving the matter in the form of a settlement between Commission Staff and WPPC. On May 9, 1991, a proposed settlement agreement between WPPC and Commission Staff was filed at Docket No. M-910282. The Commission approved the settlement agreement as being in the public interest. Under the terms of the settlement, West Penn admits committing violations of the Chapter 56 regulations, agrees to pay a \$25,000 civil penalty and make a \$75,000 contribution to the Dollar Energy Fund to help low-income families pay their utility bills. Additionally, West Penn will take corrective actions aimed at eliminating violations.

Complaint Against Bell Telephone

Based upon information from informal complaints filed against Bell Telephone by its residential customers, the BCS, in conjunction with the Law Bureau, recommended that the Commission institute a Complaint against Bell Telephone alleging 367 violations of Chapter 64. This chapter of regulations governs the standards and billing practices for residential telephone service. By order entered October 5, 1990 the Commission initiated the Complaint which has a fine potential of \$1,101,000. The case is currently pending before the Commission.

Informal Investigation of GTE Sales Practices

In March 1990 the BCS and Law Bureau conducted an informal investigation of GTE sales practices. The informal investigation resulted from several informal complaints filed with the Commission by GTE customers which raised concerns about possible unfair and misleading sales efforts in GTE's marketing of optional custom calling services. The BCS and Law Bureau

conducted an extensive investigation over a seven month period and developed a report on the investigation of GTE's sales practices. Following the issuance of the report, Commission Staff and GTE negotiated a settlement agreement which the Commission approved in May 1991. Under the settlement, GTE agreed to pay a fine of up to \$300,000 and make refunds to residential customers allegedly billed improperly for optional phone services.

Highlights of Consumer Education

The Bureau's consumer education program seeks to identify and work with Pennsylvania's consumer leaders, to increase utility consumer effectiveness in the marketplace, and improve 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. Consumer education staff were involved with projects relating to the Commission's low income investigation, negotiations surrounding the Bell sales practices case and special research projects. In 1990, specific consumer education accomplishments include:

Two issues of Consumer Line, a newsletter for utility consumers, were published. Five thousand copies of each newsletter were distributed.

Three new "Consumer Update Series" guides were developed: "Moving Van Guide", "Tenants' Utility Termination Guide" and "Telephone Suspension Guide". All nine guides of the series were redesigned, updated and reprinted.

Twenty-nine telephone company inserts and approximately one-half dozen inserts from gas, electric and water companies were reviewed for compliance with the plain language guidelines.

Action Alerts were developed to give interested leaders and others timely utility consumer information. This information is time-dated and used when a newsletter will not provide for a quick response. Six Alerts were sent on the following subjects: the low income initiative hearings, the LIHEAP program, the Bell Telephone sales practices case, the PUC's new telephone handbook for consumers, and the Pennsylvania-American rate case.

Four press releases were sent to approximately 125 media representatives on the consumer education network list. The program reached 70 more media contacts than in the previous year.

More than six hundred names were added to the consumer education network list bringing the total to 3,169. The network list is a database of consumers interested in receiving information about utility issues. The database is set up to identify specific groups: consumer and opinion leaders, seniors, agencies and others interested in receiving information available from the Commission.

Consumer education filled consumer requests for more than 2,400 brochures and other information materials.

Consumer education staff spoke with 99 organizations across the state involving consumers, seniors, utilities and their advisory panels, clergy, human service providers, legal services, energy directors and others.

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 has used PUC consumer education information regularly.

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.

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 19,308 utility customer contacts which required investigation in 1990. The 8,892 consumer complaints were about utilities' actions related to billing, service delivery, repairs, etc. In 934 of these contacts the Bureau saved the customers money in billing adjustments. The total amount of money saved for these customers was \$267,734. Mediation requests, of which there were 10,416, 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 suspension and termination cases are treated as consumer complaints). The Bureau also received 8,820 inquiries and information requests which did not require investigation.

Mediation Requests

Mediation requests increased by 26% from 8,290 in 1989 to 10,416 in 1990. This is the first year since 1986 that the number of mediation requests was more than 10,000. The mediation volume peaked at 19,603 in 1982 and has dropped 47% since then (See Appendix C - Table 2 for annual volume). The Bureau is now less concerned with the absolute volume of mediation requests than it has been in the past. However, the Bureau is more concerned with the volume of justified mediations and places more emphasis on these numbers. This will be discussed in detail later in this report.

Consumer Complaints

Consumer complaints increased by 11% from 7,978 in 1989 to 8,892 in 1990. Last year's growth was caused mostly by a 21% increase in gas industry complaints which now account for 18% of the total number of complaints received by BCS. Overall, consumer complaints against the Chapter 56 covered industries increased to an aggregate share of 56% of the Bureau's total consumer complaint volume in 1990. Also, the Bureau is concerned about the continued large volume of telephone complaints and an analysis of this issue will be presented 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.

Overall, consumer complaints have been fairly stable except for the dramatic increase in non-termination collections complaints. Next year's report will show a significant change of interpretation by BCS. These non-termination collections complaints will be moved out of the consumer complaint area and into the mediation request classification since these cases more closely resemble mediation requests.

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 1991.

Inquiries and Opinions

During 1990 there were 8,820 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 1990 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 West Penn, Columbia Gas, Equitable Gas, National Fuel Gas, Pennsylvania Gas and Water, Pennsylvania-American Water and Philadelphia Suburban Water (see Appendix D for the distribution of inquiries and opinions by major problem categories).

NATURE OF BCS CONSUMER COMPLAINTS

The Bureau classifies all consumer complaints into one of six major problem areas. However, for the purpose of this report the Bureau has expanded these six major categories into fourteen specific problems. Table 1 below presents a comparison of these fourteen problem areas for 1989 and 1990. Telephone consumer complaints are excluded from this analysis. The most common complaints were non-termination collections, billing disputes, metering problems, service extensions and service quality.

The growth in non-termination collections complaints is the most significant change from 1989 to 1990. These complaints are a result of the implementation of various soft-core dunning techniques in the collections area. Companies are more actively pursuing overdue bills by sending customers payment reminders and telephoning them instead of sending them termination notices. The customers contact the Commission only after they have been unsuccessful in establishing a mutually acceptable payment agreement with the company. Since these complaints more closely resemble mediation requests, the Bureau will move them into the mediation request category beginning in 1991. Also, the 1990 consumer complaint and mediation data will be changed accordingly so that next year's electric, gas and water activity report will present comparable 1990 and 1991 data.

Table 1

PROBLEM CATEGORIES FOR CONSUMER COMPLAINTS: 1989-1990

	1989	1990
Metering Problems	12.2%	10.2%
Billing Dispute	17.2	16.3
Discontinuance/Transfer	4.0	3.3
Collections	26.2	35.2
Billing-Other	0.7	1.0
Credit and Deposits	3.3	3.5
Rates/Rate Structure	3.8	2.8
Service Extensions	7.4	6.4
Service Interruptions	3.8	2.3
Service Quality	8.0	6.2
Damages	3.9	5.1
Scheduling Delays	2.8	1.4
Personnel Problems	4.4	4.3
Other	2.3	1.9

CUSTOMER CONTACTS BY TYPE OF UTILITY

MEDIATION REQUESTS

As in past years, almost all mediation cases in 1990 involved electric (56%) or gas companies (39%) (see Appendix E). Meanwhile, five percent of the mediation requests stemmed from threatened termination of water service. These results for 1990 represent a change from last year. Gas and

water companies accounted for a smaller proportion of BCS mediations in 1990 than in 1989 while the electric industry showed an increase.

CONSUMER COMPLAINTS

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. Telephone companies were involved in 43% of consumer complaints in 1990. Electric and gas companies accounted for 29% and 18% respectively of all complaints. The most significant change since 1987 involved the telephone industry which experienced approximately a 50% increase in consumer complaints. This increase caused the telephone industry's proportion of consumer complaints to rise from 35% in 1987 to 43% in 1990. 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 an increase in their proportion of Chapter 56 complaints from 1989 to 1990 while the water industry showed a decline.

III. 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 qualitative 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 F for the number of residential customers for the major electric, gas and water companies). Unusually high mediation and consumer complaint rates^{1/} 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 1989 and 1990 is shown in Appendix I.

^{1/} Formulas for Mediation and Complaint Rates

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

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

Table 2
Residential
Consumer Complaints

Company	1989		1990		1989-1990
	N	Complaint Rate	N	Complaint Rate	Percent Change in N
Duquesne	475	.94	427	.84	-10%
Met. Ed.	96	.26	125	.33	30%
Penelec	163	.34	198	.42	21%
Penn Power	52	.44	70	.59	35%
PP&L	259	.26	308	.30	19%
PECO	603	.47	939	.73	56%
UGI-Luzerne	38	.74	55	1.06	45%
West Penn	287	.53	253	.46	-12%
(Major Electric)	(1,973)	(.50)	(2,375)	(.59)	(20%)
Columbia	142	.46	147	.47	4%
Equitable	499	2.21	638	2.82	28%
NFG	96	.52	114	.61	19%
PG&W-Gas	65	.57	69	.59	6%
Peoples	163	.53	244	.79	50%
UGI-Gas	174	.89	180	.91	3%
(Major Gas)	(1,139)	(.86)	(1,392)	(1.03)	(22%)
PG&W-Water	135	1.14	103	.86	-24%
Philadelphia Suburban	34	.15	38	.17	12%
Pennsylvania-American*	275	.84	239	.71	-13%
All Other "Class A"	55	.57	60	.62	9%
(Major Water)	(499)	(.68)	(440)	(.59)	(-12%)

*Pennsylvania-American = PAWC

Among the highlights:

- * Consumer Complaints for both the electric and gas industries rose by at least 20% from 1989 to 1990. The electric industry's 1990 volume is the most for that industry since 1980 while the gas industry's 1990 total represents a high point since 1984. The growth in complaint volume is largely due to a corresponding increase in non-termination collections related consumer complaints.

- * Duquesne, PECO and Equitable are the companies that are most affected by a large proportion of non-termination collections related consumer complaints. If these complaints were removed, Duquesne and PECO would have average complaint rates. However, Equitable would still maintain a complaint rate that is more than twice that of any other major gas company.

- * The Bureau is encouraged by the reduction in consumer complaints for both PG&W-Water and Pennsylvania-American (PAWC) from 1989 to 1990. Nevertheless, there is opportunity for further reductions in complaints for both companies.

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 justified mediation cases or high justified mediation rates as error signals.

The number of mediation requests has declined substantially since volume peaked in 1982. The increases depicted in Table 3 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.

Table 3

Residential
Mediation Complaints

Company	1989		1990		1989-1990 Percent Change in N
	N	Mediation Rate	N	Mediation Rate	
Duquesne	913	.94	1,063	1.12	16%
Met. Ed.	190	.29	296	.58	56%
Penelec	305	.35	428	.56	40%
Penn Power	198	.85	248	.94	25%
PP&L	320	.20	636	.38	99%
PECO	1,636	.51	2,192	.68	34%
UGI-Luzerne	69	.86	77	1.01	12%
West Penn	524	.48	516	.45	- 2%
(Major Electric)	(4,155)	(.56)	(5,456)	(.72)	(31%)
Columbia	306	1.03	270	.72	-12%
Equitable	1,312	3.87	1,674	4.87	28%
NFG	126	.42	175	.60	39%
PG&W-Gas	150	.88	209	1.13	39%
Peoples	811	1.94	1,036	2.29	28%
UGI-Gas	408	1.45	471	1.60	15%
(Major Gas)	(3,113)	(1.60)	(3,835)	(1.87)	(23%)
PG&W-Water	39	.33	51	.43	31%
Philadelphia Suburban	56	.25	69	.31	23%
Pennsylvania- American	296	.91	212	.63	-28%
All Other "Class A"	57	.59	85	.88	49%
(Major Water)	(448)	(.52)	(417)	(.56)	(-7%)

Among the highlights:

- * The number of mediation requests for the major electric and gas companies increased by 31% and 23% respectively from 1989 to 1990. This marks the second straight significant annual increase since the mediation volume hit an all time low level in 1988. It appears that more aggressive collections policies are responsible for the recent increase in mediation requests.
- * Despite a 99% increase in mediations from 1989 to 1990, PP&L maintained the lowest mediation rate in the electric industry for the third year in a row.

- * Duquesne's 16% increase in mediations from 1989 to 1990 caused its mediation rate to continue as the highest in the electric industry for the second straight year.
- * Equitable continued its policy of aggressive collections in 1990. Consequently, its mediation volume was its highest since 1982. A long-term review of Equitable's mediation levels reveals a pattern of shifts from aggressive to non-aggressive collections. It appears that the company has been unable to invoke a consistent collections strategy.
- * Although its number of mediation requests increased by 39% from 1989 to 1990, NFG once again managed to maintain the gas industry's lowest mediation rate.
- * Pennsylvania-American reduced its mediations by 28% from 1989 to 1990 and by 61% from 1988 to 1990. The Bureau is encouraged by this overall reduction and hopes that the company targets this area for further improvement in 1991.

IV. 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.

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. See Table 4 for the consumer complaint response times for the major electric, gas and water companies for 1989 and 1990.

Table 4

Response Time
Consumer Complaints

Company	Average Time in Days		1989-1990 Change in Days
	1989	1990	
Duquesne	18.7	8.2	-10.5
Met. Ed.	20.0	14.1	- 5.9
Penelec	14.9	7.8	- 7.1
Penn Power	13.1	10.0	- 3.1
PP&L	15.8	11.8	- 4.0
PECO	20.1	9.9	-10.2
UGI-Luzerne	25.0	26.5	1.5
West Penn	12.1	9.6	- 2.5
(Major Electric)	(17.5)	(12.2)	(- 5.3)
Columbia	13.7	8.2	- 5.5
Equitable	12.5	20.4	7.9
NFG	19.1	6.3	-12.8
PG&W-Gas	18.8	11.1	- 7.7
Peoples	13.1	7.4	- 5.7
UGI-Gas	19.2	9.1	-10.1
(Major Gas)	(16.1)	(10.4)	(- 5.7)
PG&W-Water	18.3	20.2	1.9
Philadelphia Suburban	28.6	20.4	- 8.2
Pennsylvania-American	23.5	5.8	-17.7
All Other "Class A"	28.6	17.0	-11.6
(Major Water)	(24.8)	(15.9)	(- 8.9)

Among the highlights:

- * Overall, consumer complaint response time improved considerably from 1989 to 1990. The Bureau is encouraged by this improvement. However, those companies which continue to be slower than the Bureau's informal ten day standard should target this area for improvement in 1991.
- * UGI-Luzerne, Equitable, PG&W-Water and Philadelphia Suburban had unacceptable consumer complaint response times in 1990. Among this group of companies, only Philadelphia Suburban showed improvement from 1989 to 1990. Each of the other three companies have poor response times that are deteriorating.
- * Penelec, NFG and PAWC were the most responsive companies in their respective industries to consumer complaints in 1990. Their positive performance should serve as a goal for the other companies.

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.

Table 5

Company	Response Time Mediation Requests		1989-1990 Change in Days
	Average Time in Days 1989	Average Time in Days 1990	
Duquesne	4.2	2.1	- 2.1
Met. Ed.	3.4	4.7	1.3
Penelec	4.8	3.9	- 0.9
Penn Power	3.9	2.1	- 1.8
PP&L	5.8	2.2	- 3.6
PECO	4.3	1.9	- 2.4
UGI-Luzerne	7.3	9.9	2.6
West Penn	3.4	2.7	- 0.7
(Major Electric)	(4.6)	(3.7)	(- 0.9)
Columbia	5.4	4.1	- 1.3
Equitable	7.6	19.7	12.1
NFG	6.2	4.5	- 1.7
PG&W-Gas	6.0	4.0	- 2.0
Peoples	4.2	4.1	- 0.1
UGI-Gas	8.2	3.3	- 4.9
(Major Gas)	(6.3)	(6.6)	(0.3)
PG&W-Water	7.8	4.6	- 3.2
Philadelphia Suburban	24.4	14.2	-10.2
Pennsylvania-American	15.1	1.7	-13.4
All Other "Class A"	10.2	11.9	1.7
(Major Water)	(14.4)	(8.1)	(- 6.3)

Among the highlights:

- * Fourteen out of the seventeen major companies were more responsive to mediation requests in 1990 than in 1991. With few exceptions, acceptable performance was improved upon during this time. Generally, mediation response time is no longer a concern of the Bureau.

- * Three companies, UGI-Luzerne, Equitable and Philadelphia Suburban, had unacceptable response times for mediation requests in 1990. Philadelphia Suburban showed improvement while UGI-Luzerne and Equitable deteriorated from 1989 to 1990. Equitable, in particular, needs to examine its procedures in order to find a solution to this problematic performance. Each of these three companies will be monitored closely in 1991.

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 improved somewhat while consumer complaint response time improved significantly from 1989 to 1990. Fourteen of the seventeen major companies analyzed in this report took less time to respond to consumer complaints in 1990 than in 1989. The Bureau is encouraged with this improvement in performance. The water industry once again continued to be slower than the electric and gas industries at responding to both mediations and consumer complaints. However, the Bureau recognizes the improvements made by the water industry.

V. 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.

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 1990 statistics indicate that these companies are now more effective in consumer complaint handling than in payment negotiations. See Table 6 for justified consumer complaints in 1989 and 1990.

Table 6

Justified Consumer Complaints

Company	Justified Percent		Net Change 1989 to 1990
	1989	1990	
Duquesne	22%	18%	- 4%
Met. Ed.	23%	14%	- 9%
Penelec	19%	27%	8%
Penn Power	26%	18%	- 8%
PP&L	25%	24%	- 1%
PECO	32%	38%	6%
UGI-Luzerne	15%	27%	12%
West Penn	26%	30%	4%
(Major Electric)	(24%)	(25%)	(1%)
Columbia	26%	18%	- 8%
Equitable	34%	28%	- 6%
NFG	22%	29%	7%
PG&W-Gas	26%	30%	4%
Peoples	22%	16%	- 6%
UGI-Gas	32%	30%	- 2%
(Major Gas)	(27%)	(25%)	(- 2%)
PG&W-Water	26%	29%	3%
Philadelphia Suburban	33%	32%	- 1%
Pennsylvania-American	37%	25%	-12%
All Other "Class A"	30%	22%	- 8%
(Major Water)	(32%)	(27%)	(- 5%)

Among the highlights of Table 6:

- * Overall the percent of consumer complaints which were justified from 1989 to 1990 remained stable. Interestingly, there is now very little difference between the three industries. Generally, companies failed to properly handle one out of every four consumer complaints while the complaints were at the dispute level, prior to BCS intervention.
- * PECO, West Penn, PG&W-Gas, UGI-Gas and Philadelphia Suburban had the largest portion of their 1990 consumer complaints evaluated as justified in their respective industries. These companies need to review their consumer complaints to determine what types of customer problems are not being effectively handled.

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.

Table 7

Justified Mediation Requests

Company	Justified Percent		Net Change 1989 to 1990
	1989	1990	
Duquesne	35%	33%	- 2%
Met. Ed.	51%	38%	-13%
Penelec	20%	23%	3%
Penn Power	28%	24%	- 4%
PP&L	37%	51%	14%
PECO	33%	46%	13%
UGI-Luzerne	43%	46%	3%
West Penn	46%	43%	- 3%
(Major Electric)	(37%)	(38%)	(1%)
Columbia	9%	10%	1%
Equitable	45%	39%	- 6%
NFG	27%	29%	2%
PG&W-Gas	41%	25%	-16%
Peoples	25%	23%	- 2%
UGI-Gas	40%	42%	2%
(Major Gas)	(31%)	(28%)	(-3%)
PG&W-Water	27%	32%	5%
Philadelphia Suburban	47%	46%	- 1%
Pennsylvania-American	40%	26%	-14%
All Other "Class A"	35%	59%	24%
(Major Water)	(37%)	(41%)	(4%)

Among the highlights of Table 7:

- * Overall, the percentage of mediation requests which were justified remained stable from 1989 to 1990. However, individual company justified percentages varied from a low of 10% for Columbia Gas to a high of 51% for PP&L.

- * Met. Ed., PG&W-Gas and PAWC experienced the largest declines in justified mediation requests in their respective industries while PP&L and PECO were the only two major companies to show a significant increase in justified mediations from 1989 to 1990.
- * The Bureau encourages all companies to effectively negotiate payment agreements with customers prior to BCS intervention. As companies become more effective at payment negotiations the percent of mediations which are justified should decline.

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 is measured using the percent of cases which are justified. Each of these 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. (See Appendices J and K for an historical comparison of justified mediation and consumer complaint rates). Justified rates are applicable to both mediation requests and consumer complaints. The formulas for justified rates are:

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

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

These evaluative measures combine the quantitative measure of consumer complaint rate or mediation rate with the qualitative measure of 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. See Tables 8, 9 and 10 for justified consumer complaints.

Justified Consumer Complaint Rate

Table 8
Justified Consumer Complaint Rate
Major Electric Companies

(1989-1990)

Company	1989	1990	Net Change 1989 to 1990
Duquesne	.20	.15	-.05
Met. Ed.	.06	.05	-.01
Penelec	.07	.11	.04
Penn Power	.11	.11	no change
PP&L	.07	.07	no change
PECO	.15	.28	.13
UGI-Luzerne	.11	.29	.18
West Penn	.14	.14	no change
(Major Electric)	(.11)	(.15)	(.04)

Among the highlights of Table 8:

- * The electric industry was less effective at consumer complaint handling in 1990 than in 1989. However, the long term trend analysis indicates stability for the industry.
- * Met. Ed. and PP&L were the most effective major electric companies at consumer complaint handling in 1990. In contrast, PECO and UGI-Luzerne were the least effective in 1990. The improvements that these latter two companies made from 1986 to 1989 were completely negated by their performance in 1990.

Table 9
Justified Consumer Complaint Rate
Major Gas Companies

(1989-1990)

Company	1989	1990	Net Change 1989 to 1990
Columbia	.12	.08	-.04
Equitable	.75	.79	.04
NFG	.11	.18	.07
PG&W-Gas	.15	.18	.03
Peoples	.12	.13	.01
UGI-Gas	.29	.27	-.02
(Major Gas)	(.26)	(.27)	.01

Among the highlights of Table 9:

- * Although the major gas companies have shown stability in their effectiveness at handling consumer complaints since the Bureau began reporting this measure in 1986, the gas industry continues to be considerably less effective than the electric industry.
- * Columbia showed the most improvement in the gas industry from 1989 to 1990 and, as a result, has become the most effective major gas company at handling consumer complaints.
- * Equitable was clearly the least effective major gas company at handling consumer complaints in 1990. Even if non-termination collections complaints were removed from this analysis, Equitable would continue to be the least effective company.

Table 10
Justified Consumer Complaint Rate
Major Water Companies

(1989-1990)

Company	1989	1990	Net Change 1989 to 1990
PG&W-Water	.30	.25	-.05
Philadelphia Suburban	.05	.05	no change
Pennsylvania-American	.31	.18	-.13
All Other "Class A"	.17	.14	-.03
(Major Water)	(.21)	(.16)	-.05

Among the highlights of Table 10:

- * The water industry has become more effective at consumer complaint handling in each year since 1987. In fact, the water industry was nearly as effective at consumer complaint handling in 1990 as the electric industry.
- * Philadelphia Suburban was the most effective major water company at consumer complaint handling for the fifth year in a row.
- * Despite improvement from 1989 to 1990, PG&W-Water was the least effective major water company for the third time in the last four years. Nevertheless, the Bureau is encouraged by the company's progress.

Justified Mediation Rate

Table 11

Justified Mediation Rate
Major Electric Companies
(1989-1990)

<u>Company</u>	<u>1989</u>	<u>1990</u>	<u>Net Change 1989 to 1990</u>
Duquesne	.33	.37	.04
Met. Ed.	.15	.22	.07
Penelec	.07	.13	.06
Penn Power	.24	.23	-.01
PP&L	.07	.19	.12
PECO	.17	.31	.14
UGI-Luzerne	.37	.46	.09
West Penn	.22	.19	-.03
(Major Electric)	(.20)	(.26)	(.06)

Among the highlights of Table 11:

- * The electric industry became significantly less effective at payment negotiations from 1989 to 1990 as six of the eight companies were less effective in 1990 than in 1989. Despite this deterioration the electric industry continued to be twice as effective as the gas industry.
- * Despite deteriorating at payment negotiations from 1989 to 1990, Penelec continued to be the most effective major electric company for the second year in a row.
- * UGI-Luzerne, Duquesne and PECO were the least effective major electric companies at payment negotiations

in 1990. The Bureau is concerned because each of these companies did worse in 1990 than in 1989.

Table 12

Justified Mediation Rate
Major Gas Companies
(1989-1990)

Company	1989	1990	Net Change 1989 to 1990
Columbia	.09	.07	-.02
Equitable	1.75	1.90	.15
NFG	.11	.17	.06
PG&W-Gas	.36	.28	-.08
Peoples	.49	.53	.04
UGI-Gas	.58	.67	.09
(Major Gas)	(.56)	(.60)	(.04)

Among the highlights of Table 12:

- * The performance of the gas industry concerns the Bureau since the industry has become significantly less effective at payment negotiations from 1986 to 1990. The major gas companies are encouraged to target this area for improvement in 1991.
- * Columbia and NFG continue to be the most effective major gas companies at payment negotiations for the third year in a row. The positive performance of these companies should serve as examples for the other gas companies that more effective performance is possible.
- * Equitable Gas has been the least effective major gas company at payment negotiations in each of the last two years. The overall mediation performance of Equitable has reflected a pattern of extreme collections policies. The Bureau encourages the company to invoke a more moderate and effective policy.

Table 13
Justified Mediation Rate^{2/}
Major Water Companies
(1989-1990)

Company	1989	1990	Net Change 1989 to 1990
PG&W-Water	.09	.14	.05
Philadelphia Suburban	.12	.14	.02
Pennsylvania-American	.36	.16	-.20
All Other "Class A"	.21	.52	.31
(Major Water	(.19)	(.24)	(.05)

Among the highlights of Table 13:

- * The water industry has shown a stable pattern of effective payment negotiations from 1987 to 1990. However, there is one notable exception. The Bureau is encouraged by the improvements made by PAWC since 1987. In 1990 there were virtually no differences among the three major water companies at effective payment negotiations.

Summary

Justified rates combine the quantitative measures of consumer complaint or mediation rate and the qualitative measure justified percent. The Bureau hopes that this combined measure will cause companies to focus on how effectively they are handling consumer complaints and mediation requests. The Bureau believes that it is difficult for companies to control the volume of complaints going to the Commission. However, companies can control the number of complaints that BCS evaluates as justified, that is, the company did not follow proper procedures, rules and regulations. Overall, the effectiveness of consumer complaint handling showed stability from 1989 to 1990. However, companies negotiated payment arrangements less effectively in 1990 than in 1989. This is a primary concern of the Bureau, particularly in light of the current study into uncollectible accounts. The Bureau expects to see improvements in this area in 1991.

^{2/} 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 customer complaint rates. Because of this the water companies' justified mediation rates are calculated differently from electric and gas companies and cannot be compared to those industries.

VI. 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.

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 "arrearage" category. However, the primary distinction between money that is owed as arrearages and money that is owed in payment agreements is no longer made by BCS as these are now presented as a combined figure.

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 third analysis of collections which includes the amount owed to utilities by customers on payment agreements.

Overview

The significant variations among companies in the amount of debt in arrearages and agreements appears to be reflective of different collections policies. The Bureau is aware of these variations and is currently studying the goals and impacts of various collections policies implemented by the major gas and electric utilities. A likely outcome of this current investigation into uncollectible accounts will be an emphasis on more timely collections practices.

From the Commission's perspective, one of the keys to effective collections is identifying whether the customers who owe 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.

Number of Customers In Debt

Table 14 shows the total number of customers owing money to the major gas and electric companies in typical months of 1988, 1989 and 1990. In order to provide a context within which this information can be interpreted, both accounts in arrears and those with agreements are presented as a combined total.

Table 14
Number of Residential Customers In Debt

Company	1988 Total	1989 Total	1990 Total
Duquesne	88,916	95,995	97,601
Met. Ed.	57,298	60,105	50,361
Penelec	97,321	89,168	78,917
Penn Power	18,725	21,279	24,926
PP&L	152,729	161,734	172,659
PECO	401,988	358,018	356,420
UGI-Luzerne	6,654	6,857	6,725
West Penn	96,665	97,539	102,594
 Electric -			
Total	920,296	890,695	890,203
 Columbia#	37,801	38,734	44,472
Equitable	43,411	41,462	45,870
NFG	34,062	32,007	31,652
PG&W-Gas	18,721	18,023	18,611
Peoples	43,317	45,796	49,767
UGI Gas	29,862	26,667	27,944
 Gas -			
Total	207,174	202,689	218,316
Total	1,127,470	1,093,384	1,108,519

1988 data is inaccurate.

Among the highlights from Table 14 are:

- * The number of overdue customers for the major electric and gas companies declined by nearly 2% from 1988 to 1990. Nevertheless, the major companies are still faced with a very large number of overdue customers

and the task of collecting overdue bills from over one million customers is monumental.

- * Within the electric industry, Penn Power and PP&L showed the most growth in their overdue customer population while Penelec experienced a significant reduction from 1988 to 1990.
- * Columbia and Peoples saw their number of overdue customers grow substantially from 1988 to 1990. In contrast, NFG and UGI-Gas reported moderate declines in overdue customers.
- * Overall, nine of the fourteen major electric and gas companies had more overdue customers in 1990 than in 1988. This concerns the Bureau because increases in the overdue customer population makes collections more difficult.

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 15.

Table 15
Percent of Customers In Debt

Company	1988	1989	1990	Percent Change
				From 1988 to 1990
Duquesne	17.7%	18.9%	19.2%	8%
Met. Ed.	15.8%	16.2%	13.3%	-16%
Penelec	20.7%	18.9%	16.6%	-20%
Penn Power	16.2%	18.2%	21.1%	30%
PP&L	15.6%	16.2%	17.0%	9%
PECO	31.7%	28.0%	27.6%	-13%
UGI-Luzerne	13.0%	13.3%	13.0%	no change
West Penn	18.0%	18.0%	18.8%	4%
Electric - Avg.	18.6%	18.5%	18.3%	- 2%
Columbia	12.3%	12.5%	14.2%	15%
Equitable	19.1%	18.4%	20.3%	6%
NFG	18.3%	17.2%	16.9%	- 8%
PG&W-Gas	16.8%	15.8%	15.9%	- 5%
Peoples	14.3%	15.0%	16.2%	13%
UGI-Gas	13.5%	13.7%	14.1%	4%
Gas - Avg.	15.7%	15.4%	16.4%	4%
Overall Total -	20.0%	19.3%	19.3%	
Percent Change				- 4%

Highlights from Table 15 include:

- * Almost one out of five residential customers was overdue in paying utility bills in 1990. This represents a slight decrease from 1988.
- * The percent of customers who are in debt to companies varies substantially from a high of 27.6% for PECO to a low of 13.0% for UGI-Luzerne. Companies such as Duquesne, Penn Power, PECO, West Penn and Equitable face the highest levels of customer accounts at risk and, as such, have a larger collections task.

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 16 shows a combined total of how much money that is owed by customers in arrears and by those with agreements. The total amount of money owed by customers is the most important collections figure reported herein.

Table 16
Residential Customer Debt

Company	1988	1989	1990	Percent Change in Total 1988 to 1990
	(\$000)	(\$000)	(\$000)	
	Total Debt	Total Debt	Total Debt	
Duquesne	\$21,359	\$27,720	\$32,738	53%
Met. Ed.	9,139	10,389	10,424	14%
Penelec	13,772	12,828	11,348	-18%
Penn Power	1,662	2,134	2,898	74%
PP&L	33,731	43,705	46,481	38%
PECO	101,054	87,623	106,005	5%
UGI-Luz.	644	661	700	9%
West Penn	8,873	8,722	10,254	16%
Electric - Total	190,234	193,782	220,848	16%
Columbia	4,857#	11,066	10,988	N/A
Equitable	24,272	23,658	25,380	5%
NFG	4,838	6,442	7,098	47%
PG&W-Gas	4,940	3,997	3,535	-28%
Peoples	10,367	11,017	14,137	36%
UGI Gas	2,725	2,863	3,319	22%
Gas - Total	51,999	59,043	64,457	13%**
Total	\$242,233	\$252,825	\$285,305	18%**

Inaccurate data reported by Columbia Gas

N/A = Not available

** Excludes Columbia Gas

Among the highlights from Table 16 are:

- * Residential customer debt grew by 18% from \$242 million in 1988 to \$285 million in 1990. In view of the slight decline in the overdue customer population, it appears that there are slightly fewer customers owing significantly more money in 1990 than in 1988. The Bureau is concerned about this growing collections problem.
- * Of the seventeen major electric and gas companies only Penelec and PG&W-Gas reduced their customer debt from 1988 to 1990. This result clearly indicates that the problem with growing residential debt is widespread within the two industries.

* The companies that are faced with the fastest growing customer debts are Duquesne, Penn Power, PP&L, NFG, Peoples and UGI-Gas. The Bureau recommends that each of these companies target this growing problem for study in 1991.

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.

The "Total Score" below 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. (See Appendix G, Table 1 and Table 2, for monthly average bills for heating and non-heating customers for the major companies).

Table 17
Weighted Statistics for Arrearages and Agreements

<u>Company</u>	<u>1988</u> Weighted Total Score	<u>1989</u> Weighted Total Score	<u>1990</u> Weighted Total Score
Duquesne	4.6	4.3	5.5
Met. Ed.	2.7	3.0	2.4
Penelec	3.0	3.0	3.0
Penn Power	N/A	1.6	1.6
PP&L	3.4	4.2	4.1
PECO	3.7	3.4	4.2
UGI-Luzerne	1.9	1.9	2.1
West Penn	2.1	2.1	2.3
Electric - Avg.	3.1	3.0	3.2
Columbia	2.3	4.9	4.4
Equitable	9.3	8.2	7.9
NFG	2.5	3.1	3.5
PG&W-Gas	4.3	3.2	3.4
Peoples	3.7	3.6	4.5
UGI-Gas	2.4	2.4	2.8
Gas - Avg.	4.1	4.3	4.4
Overall - Avg.	3.6	3.9	4.3

Among the highlights of Table 17:

- * 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.
- * Overall, weighted scores have increased from 1988 to 1990. This trend is particularly disturbing when viewed in conjunction with the large growth in the size of the debt owed to the major companies. Customer debt has not only grown in volume but has also aged over a longer period of time. This raises concern over the utilities long term ability to keep collections costs under control.
- * Equitable stands out with far and away the largest weighted total score in 1990. While Equitable's total score declined somewhat from 1989 to 1990, its total weighted score suggests that Equitable is carrying debt that has aged over a significantly longer time than for other major electric and gas companies.

Termination of Service

Service termination is expensive in many regards. It costs a great deal 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 collections 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. Towards this end, the Bureau is no longer viewing termination as a negative performance indicator. Termination will be stressed as an acceptable outcome for customers who do not negotiate in good faith with the companies.

Table 18

Number of Residential Service Terminations

Company	1988	1989	1990	Percent Change 1988-1990
Duquesne	1,701	1,370	3,003	77%
Met. Ed.	622	519	1,251	101%
Penelec	3,326	3,802	3,492	5%
Penn Power	940	933	883	- 6%
PP&L	546	2,871	4,372	701%
PECO#	19,114	22,014	12,318	- 36%
UGI-Luzerne	698	735	345	- 51%
West Penn	5,812	5,372	4,568	- 21%
Electric-Total	32,759	37,616	30,232	- 4%
Columbia	2,029	1,944	2,864	41%
Equitable	2,018	3,300	4,314	114%
NFG	2,488	2,945	3,597	45%
PG&W-Gas	1,124	1,339	1,182	5%
Peoples	4,364	4,296	3,138	- 28%
UGI-Gas	3,873	4,515	3,902	1%
Gas - Total	15,896	18,339	18,997	20%
Total	48,655	55,955	49,229	
Percent Change				1%

#Combined electric and gas

Among the highlights of Table 18:

- * Overall, the major electric and gas companies terminated 1% more customers in 1990 than in 1988. In comparison, the number of customers in debt declined by nearly 2%. In view of a slightly declining overdue population that owes substantially more money, it will be difficult for utilities to maintain the current level of terminations without successful alternate treatments for payment-troubled customers.
- * Duquesne, Met.Ed., PP&L, Columbia, Equitable and NFG appear to be in the midst of more aggressive collections policies. It will be interesting to analyze the effectiveness of these policies in 1991 when the size and extent of residential debt are reviewed by the Bureau.

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 higher than the average.

Table 19
Termination Rate+

Company	1988	1989	1990
Duquesne	0.34%	0.27%	0.80%
Met. Ed.	0.17%	0.14%	0.33%
Penelec	0.71%	0.80%	0.73%
Penn Power	0.81%	0.80%	0.75%
PP&L	0.06%	0.29%	0.43%
PECO#	1.51%	1.72%	0.95%
UGI-Luzerne	1.37%	1.43%	0.66%
West Penn	1.09%	0.99%	0.84%
Electric - Avg.	0.76%	0.81%	0.69%
Columbia	0.66%	0.63%	0.91%
Equitable	0.89%	1.46%	1.91%
NFG	1.34%	1.59%	1.92%
PG&W-Gas	1.01%	1.17%	1.01%
Peoples	1.44%	1.41%	1.02%
UGI-Gas	2.02%	2.32%	1.96%
Gas - Avg.	1.23%	1.43%	1.46%
Overall- Avg.	0.87%	0.99%	
Percent Change			0.88%

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

#Combined electric and gas

Among the highlights of Table 19:

- * The range of termination rates among the major electric and gas companies was substantial in 1990, from a high of 1.96% for UGI-Gas to a low of 0.33% for Met.Ed. This variability illustrates the diversity in collections strategies as well as the differences in the levels of risk that customers face from one utility to another. This range in rates 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 1990. In contrast, PECO and UGI-Gas terminated the largest proportion. However, the 1990 termination rates for these latter two companies are considerably lower than their recorded highest rates. This reflects conscious changes in termination policy that take place, in some cases more subtle than in others, from year to year.

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 20 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 H provides a listing of net total write-offs as a percentage of total revenues from 1988 to 1990).

Table 20

Percentage of Gross Residential Billings Written Off as Uncollectible

Company	1988	1989	1990	Percent Change 1988-1990
Duquesne	1.60%	1.82%	2.61%	63%
Met. Ed.	1.16%	1.41%	1.52%	31%
Penelec	1.30%	1.29%	1.18%	- 9%
Penn Power	0.47%	0.58%	0.67%	43%
PP&L	1.41%	1.87%	2.27%	61%
PECO#	2.02%	2.39%	2.89%	43%
UGI-Luzerne	0.67%	0.64%	0.80%	19%
West Penn	0.72%	0.69%	0.80%	11%
Electric Avg.	1.17%	1.34%	1.59%	36%
Columbia	2.54%	2.13%	2.47%	- 3%
Equitable	3.52%	4.34%	4.19%	19%
NFG	1.35%	1.17%	2.31%	71%
PG&W-Gas	1.22%	1.31%	1.51%	24%
Peoples	1.18%	1.11%	1.32%	12%
UGI-Gas	1.65%	1.72%	1.98%	20%
Gas - Avg.	1.91%	1.96%	2.30%	20%
Overall - Total	1.64%	1.90%	2.27%	
Percent Change				38%
# Combined electric and gas				

The following are highlights of the statistical picture in Table 20:

- * Twelve major electric and gas companies saw their write-offs percentages increase from 1988 to 1990. Duquesne and NFG experienced the largest increases in their respective industries.
- * On a positive note Penelec showed a reduction in the percentages of residential billings written off as uncollectible in each year from 1988 to 1990. Penelec's collections performance should serve as a model for other companies.
- * From a comparison perspective, in 1990 there was a substantial range in the amount of lost revenues. For example, in the electric industry PECO wrote off four times the percentage of revenues that Penn Power did. In the gas industry, Equitable wrote off more than three times as much as Peoples. Despite this individual company variation, it is disconcerting that

the overall percentage of gross residential write-offs has risen so much since 1988.

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 from 1988 to 1990. The slight increase in terminations is partly accountable for the small reduction in the percent of customers in debt. However, for those customers owing the companies, both the size of the debts and the age of those debts have increased. As these accounts become more difficult to manage, it is expected to cause the gross residential write-offs to increase to even higher levels. Payment problems have clearly become more serious in recent years and both the Commission and the utilities have a major task ahead of them in trying to offer solutions to this problem. The current investigation into uncollectible accounts will emphasize more timely collections practices.

VII. 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."^{3/}

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 1988, 1989, and 1990 the Bureau determined that there were 3,022 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 receives only 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

^{3/} 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 1988, 1989, and 1990. The violation statistics for the major electric, gas and water companies are presented by company and year in Tables 21-23.

The data in Table 24 indicate 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 21-23 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 1989 to 1990 the electric industry continued to improved its compliance performance by reducing the number of informal violations by 38%. This is the third consecutive year that the number of violations has decreased from the preceding year.

Table 21
Informal Violations of Chapter 56
Major Electric Companies

(1988-1990)

Company	1988	1989	1990 Total ^{4/}	1990 # of Total Verified	1990 # of Total Pending
Duquesne	92	61	27	25	2
Met. Ed.	6	14	4	3	1
Penelec	27	17	16	15	1
Penn Power	8	5	2	2	0
PP&L	47	52	56	48	8
PECO	362	281	142	122	20
UGI-Luzerne	9	9	20	18	2
West Penn	88	45	81	65	16
Total	639	484	348	298	50

The highlights from Table 21 include the following:

- * West Penn Power Company and UGI-Luzerne experienced large increases in informally verified violations from 1989 to 1990, which causes great concern.
- * For 1990 PECO and Duquesne both showed substantial decreases (57% and 59% respectively) in the number of verified violations from the previous year. These improvements in compliance conduct are encouraging.
- * Penn Power continued to show significant improvement by again cutting its violations by more than half.

^{4/} The total number of violations for 1990 (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 1990 may increase as new violations are discovered and cited from customer complaints which originated in 1990 but are still under investigation by the Bureau. In most instances, the actual total number of violations for 1990 will be equal to or greater than the number reported in column 3.

Gas Utilities

The gas industry has shown consistent improvement with Chapter 56 compliance for many years. Collectively, the major gas companies reduced the overall number of verified violations by 29% from 1989 to 1990.

Table 22

Informal Violations of Chapter 56 Major Gas Companies

(1988-1990)

Company	1988	1989	1990 Total ⁺	1990 # of Total Verified	1990 # of Total Pending
Columbia	35	36	21	16	5
Equitable	34	64	54	46	8
NFG	43	25	34	32	2
PG&W-Gas	20	30	14	13	1
Peoples	35	22	36	28	8
UGI-Gas	47	59	37	33	4
Total	214	236	196	168	28

+ See footnote, page 47.

The highlights from Table 22 include the following:

- * Peoples and NFG each had an increase of over 25% in the number of verified violations for 1990. This is of concern since each had a substantial reduction from 1988 to 1989.
- * Equitable experienced a 28% decrease over the previous year's figures. Considering the number of customers served by Equitable, however, they have the highest violation rate of the major gas companies.

Water Utilities

Overall, the "Class A" water companies reduced the number of informally verified violations by 31% from 1989 to 1990. Water utilities as an industry, have improved compliance with Chapter 56 for several consecutive years.

Table 23
 Informal Violations of Chapter 56
 Major Water Companies
 (1988-1990)

Company	1988	1989	1990 Total ⁺	1990 # of Total Verified	1990 # of Total Pending
PA-American	186	112	62	55	7
PG&W-Water	14	23	9	9	0
Phila. Suburban	39	16	23	20	3
All Other "Class A" Water Companies	18	24	41	36	5
Total	257	175	135	120	15

+ See footnote, page 47.

The highlights from Table 23 include the following:

- * PA American Water Company has again reduced the number of verified violations by more than 50%.
- * Philadelphia Suburban experienced a lapse in its record of reducing violations in 1988 and 1989 by increasing the number of informally verified violations in 1990 by 25%.

Distribution of Informal Violations

Table 24 shows the areas of Chapter 56 where compliance problems remain for the electric, gas and water industries.

Table 24

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

(1988-1990)

Sections	1988		1989		1990	
	N	%	N	%	N	%
§56.11 Billing Frequency	29	3	27	3	7	1
§56.12 Meter Reading	125	11	145	16	88	15
§56.14 Make-up Bills	65	6	68	8	27	5
§56.16 Transfer of Accounts	77	7	48	5	22	4
§56.32-.37 Credit Standards	18	2	20	2	14	2
§56.81-.83 Termination Grounds	72	7	70	8	40	7
§56.91-.97 Standard Termination Procedures	69	6	51	6	67	11
§56.121-.126 Landlord- Ratepayer Termination Procedures	38	3	38	4	23	4
§56.141-.152 Dispute Handling	312	28	245	27	203	35
§56.163 Informal Complaint Review	70	6	35	4	33	6
All Other Sections	235	21	148	17	62	10
Total	1110	100%	895	100%	586	100%

The highlights from Table 24 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 rights to consumers.
- * Failure by companies to obtain appropriate meter readings within prescribed periods constitutes the overwhelming majority of informally verified violations of Section 56.12. Obtaining meter readings through telephone lines and the installation of remote meters attributed to the reduction in violations of this section.

- * Informally verified violations of the Chapter 56 provisions relating to termination of service (§56.81 through §56.126) account for 18% 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 improved slightly in 1990.

- * Overall, the number of informally verified violations gleaned by BCS investigators from informal complaints has decreased 35% from 1989 to 1990. 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 2,591 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.

VIII. 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 1990. 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 1990. Although mediation requests increased from 1989 to 1990, the 1990 total is well below the long term annual average. For consumer complaints, the 1990 total was the highest since 1979 and this is a source of concern to the Bureau. Both the electric and gas 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. Overall, electric and gas companies have shown fairly stable performance at consumer complaint handling in recent years. However, there is reason for optimism in the 1990 results which show a continued improvement by the water industry. Nevertheless, the worst companies in each industry will be closely monitored by the Bureau in 1991. In contrast, the effectiveness of all three industries at payment negotiations showed deterioration from 1989 to 1990. Again, the companies which show evidence of poor negotiations will be targeted for close scrutiny in 1991. 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 1989 to 1990 most of the major companies became more responsive to BCS consumer complaints. Despite improvement by each of the three industries, the gas industry maintained its position as the most responsive industry. Also, mediation response times improved for electric and water companies but deteriorated slightly for gas companies. Overall, the electric industry responded significantly faster than the gas industry and more than two times faster than the water industry to mediations.

The utility collections picture in Pennsylvania has deteriorated significantly from 1988 to 1990. Improvements in some collections statistics

were not significant enough to offset the deteriorations in other areas. On the positive side in 1990, fewer customers owe money. On the negative side, total debt, the age of the 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 1990 and urges companies to carefully study their collections policies so that improvements can be made in 1991.

The BCS, as part of the Commission's investigation of uncollectible balances, will be putting renewed emphasis on collections. The Bureau will request all companies to perform a thorough review of their collection policies and practices. In addition, BCS will recommend that companies be required to justify noncompliance with past Commission secretarial letters from the 1985 payment troubled customers' proceeding; particularly, the requirement that companies identify low income accounts as part of tracking and referral and monthly collections. This identification is a core requirement for utilities to implement the tailored collection systems the Commission has previously ordered.

In this report, the Bureau continues to recommend that utilities implement tailored, aggressive collection systems. Seriously delinquent non low-income accounts should be aggressively pursued and, if payment is not made, termination may be the only recourse. Low income accounts should also be pursued and if good faith efforts in negotiation and payment are not made by the consumer, then termination may also be the only recourse. There are indications that there is confusion over this subject. This report has attempted to clarify the Bureau's position.

The report finds a wide disparity in performance in collections. More importantly, the trend shows an overall deterioration. However, a number of utilities have demonstrated that collection performance can be maintained and the case of Penelec shows that improvements can be made over time. Utility management should not accept collections deterioration as an unavoidable part of doing business.

Utility compliance with the Commission's regulations continues to improve. This continuing improvement is largely due to the higher priority placed on compliance with Chapter 56 by the major companies. The BCS is particularly pleased to see some major companies taking corrective action not only from feedback provided through the informal compliance process, but also as a result of the companies' internal systems designed to track compliance activity.

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, Penn Power, 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 PECO, UGI-Luzerne and Equitable. 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 1991.

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 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>1989</u>		<u>1990</u>	
	Mediations	Consumer Complaints	Mediations	Consumer Complaints
Duquesne	77	37	44	30
Met. Ed.	29	15	74	11
Penelec	24	35	24	30
Penn Power	3	7	3	8
PP&L	29	38	46	31
PECO	80	72	87	54
UGI-Luzerne	1	5	1	2
West Penn	15	29	41	31
Columbia	4	11	3	11
Equitable	14	8	9	23
NFG	3	3	2	7
PG&W-Gas	1	5	2	4
Peoples	5	9	6	11
UGI-Gas	6	10	9	9
PA-American	3	14	2	24
PG&W-Water	0	7	2	2
Phila. Suburban	1	3	1	2

BCS Complaints - 1990
Residential-Commercial

<u>MEDIATIONS</u> <u>INDUSTRY</u>	Total Mediations	Residential Mediations	% Residential Mediations	Commercial Mediations	% Commercial Mediations
Electric	5,789	5,469	94%	320	6%
Gas	4,111	4,076	99%	35	1%
Water	509	499	98%	10	2%
Other	7	7	100%	0	0%
Total	10,416	10,051	97%	365	3%

<u>CONSUMER COMPLAINTS</u> <u>INDUSTRY</u>	Total c.c.	Residential c.c.	% Residential c.c.	Commercial c.c.	% Commercial c.c.
Electric	2,615	2,415	92%	200	8%
Gas	1,591	1,516	95%	75	5%
Telephone	3,808	3,353	88%	455	12%
Water	813	765	94%	48	6%
Other	65	64	98%	1	2%
Total (%)	8,892	8,113	91%	779	9%

APPENDIX C

TABLE 1

MONTHLY VOLUME

	Mediation Requests			Consumer Complaints		
	1988	1989	1990	1988	1989	1990
January	247	280	223	565	831	762
February	250	243	276	546	700	641
March	277	326	451	599	760	797
April	636	666	1,215	467	537	656
May	670	748	1,296	529	585	810
June	719	835	1,234	556	691	773
July	705	891	1,102	517	684	830
August	845	1,174	1,382	830	790	888
September	817	1,047	1,085	725	604	690
October	853	969	1,140	726	542	676
November	625	812	765	711	619	730
December	269	299	247	707	635	639
TOTAL	6,913	8,290	10,416	7,478	7,978	8,892

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
1990	10,416	8,892	8,820	28,128
TOTAL	168,697	99,529	228,628	496,854
Avg.	12,976	7,656	17,586	38,219**

*Includes 27,000 TMI Protests

**Error due to rounding

APPENDIX D

Major Problem Categories
for Inquiries and Opinions

1990

Category	Number	Percent
Referral to Company	2,151	24%
Referral to Other BCS/ Other Bureau	635	7%
Referral to Other Agency	2,834	32%
Specific Information Request	1,154	13%
Rate Protest and Opinion	1,620	18%
Opinion - General	146	2%
Other	280	3%
Total	8,820	

APPENDIX E

Type of Industry

<u>INDUSTRY</u>	<u>MEDIATION REQUESTS</u>		<u>CONSUMER COMPLAINTS</u>	
	<u>1989*</u>	<u>1990</u>	<u>1989</u>	<u>1990</u>
Electric	53%	56%	28%	29%
Gas	40%	39%	16%	18%
Telephone	-	-	44%	43%
Water	6%	5%	11%	9%
Other	0%	0%	1%	1%

*Sum does not equal 100% due to rounding error

APPENDIX F

Monthly Average Number of Residential Customers - 1990

Duquesne	509,187
Met. Ed.	378,710
Penelec	475,505
Penn Power	118,332
PP&L	1,015,720
PECO	1,292,422
UGI-Luzerne	51,907
West Penn	545,959
<u>Major Electric-Total</u>	<u>4,387,742</u>
Columbia	313,527
Equitable	225,902
NFG	187,628
PG&W-Gas	116,760
Peoples	307,655
UGI-Gas	198,714
<u>Major Gas-Total</u>	<u>1,350,186</u>
Pennsylvania-American	334,568
PG&W-Water	119,144
Philadelphia Suburban	222,660
<u>All Other "Class A" Companies</u>	<u>96,276</u>
<u>"Class A" Water-Total</u>	<u>772,648</u>

APPENDIX G.

TABLE 1 - HEATING CUSTOMERS* IN 1990

	Monthly Averages		Cost Per Unit (\$/KWH or MCF)
	Usage	Bills	
Duquesne	1030 KWH	\$ 91.14	\$.0885
Met. Ed.	1299 KWH	96.74	.0745
Penelec	1241 KWH	87.60	.0706
Penn Power	1414 KWH	109.61	.0775
PP&L	1398 KWH	104.13	.0745
PECO-Electric	1369 KWH	136.00	.0993
UGI-Luzerne	1570 KWH	98.29	.0626
West Penn	1517 KWH	77.15	.0509
Columbia	9.6 MCF	57.61	6.00
Equitable	9.8 MCF	71.12	7.25
NFG	10.4 MCF	63.92	6.14
PG&W-Gas	11.8 MCF	64.62	5.47
Peoples	10.3 MCF	64.04	6.21
PECO-Gas	8.7 MCF	68.00	7.81
UGI-Gas	8.5 MCF	\$ 55.20	\$ 6.49

TABLE 2 - NON-HEATING CUSTOMERS* IN 1990

	Monthly Averages		Cost Per Unit (\$/KWH or MCF)
	Usage	Bills	
Duquesne	470 KWH	\$ 59.03	\$.1256
Met. Ed.	605 KWH	50.19	.0830
Penelec	534 KWH	43.02	.0806
Penn Power	673 KWH	68.87	.1023
PP&L	600 KWH	50.20	.0837
PECO-Electric	495 KWH	66.00	.1333
UGI-Luzerne	476 KWH	39.11	.0822
West Penn	690 KWH	38.03	.0551
Columbia	2.0 MCF	17.91	8.95
Equitable	1.8 MCF	17.36	9.64
NFG	4.7 MCF	35.58	7.57
PG&W-Gas	1.7 MCF	13.70	8.05
Peoples	2.3 MCF	20.93	9.10
PECO-Gas	2.3 MCF	24.00	10.43
UGI-Gas	1.7 MCF	\$ 16.53	\$ 9.72

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

APPENDIX H

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

Company	1988	1989	1990	Percent Change 1988-1990
Duquesne	0.61%	0.66%	0.99%	62%
Met. Ed.	0.43%	0.49%	0.62%	44%
Penelec	0.42%	0.39%	0.38%	-10%
Penn Power	0.28%	0.20%	0.28%	no change
PP&L	0.56%	0.75%	0.95%	70%
PECO#	0.81%	0.99%	1.19%	47%
UGI-Luzerne	0.42%	0.36%	0.39%	- 7%
West Penn	0.24%	0.22%	0.27%	13%
Electric - Avg.	0.47%	0.51%	0.63%	34%
Columbia	1.40%	1.24%	1.52%	9%
Equitable	1.96%	2.64%	2.68%	37%
NFG	0.80%	0.76%	1.63%	104%
PG&W-Gas	0.77%	0.86%	0.96%	25%
Peoples	0.50%	0.77%	0.99%	98%
UGI-Gas	0.79%	0.71%	0.94%	19%
Gas - Avg.	1.04%	1.16%	1.45%	39%
Overall Avg.	0.71%	0.80%	0.98%	
Overall Percent Change				38%

*Source: Company reported data
#electric and gas combined

APPENDIX I

Number of Non-Termination Collections Related Consumer Complaints

Company	1988	1989	1990
Duquesne	53	119	192
Met. Ed.	17	18	25
Penelec	18	27	33
Penn Power	4	7	10
PP&L	25	32	51
Peco	78	93	338
UGI-Luzerne	6	1	2
West Penn	9	15	13
Columbia	18	19	28
Equitable	51	150	216
NFG	4	3	11
PG&W-Gas	3	7	5
Peoples	25	19	40
UGI-Gas	30	19	29
Pa.-American	13	16	9
PG&W-Water	0	0	5
Phila. Suburban	0	3	0
Other "A"	1	0	0
TOTAL	355	548	1,007

APPENDIX J

JUSTIFIED CONSUMER COMPLAINT RATE

Company	1986-1989	1989	1990
Duquesne	0.22	0.20	0.15
Met.Ed.	0.08	0.06	0.05
Penelec	0.14	0.07	0.11
Penn Power	0.14	0.11	0.11
PP&L	0.10	0.07	0.07
PECO	0.21	0.15	0.28
UGI-LUZ.	0.25	0.11	0.29
West Penn	0.21	0.14	0.14
Major Electric	0.15	0.11	0.15
Columbia	0.15	0.12	0.08
Equitable	0.72	0.75	0.79
NFG	0.16	0.11	0.18
PG&W-Gas	0.25	0.15	0.18
Peoples	0.21	0.12	0.13
UGI-Gas	0.37	0.29	0.27
Major Gas	0.26	0.26	0.27
PG&W-Water	0.66	0.30	0.25
Phila. Sub.	0.07	0.05	0.05
PAWC	0.34	0.31	0.18
Other A	0.15	0.17	0.14
Major Water	0.28	0.21	0.16

APPENDIX K

JUSTIFIED MEDIATION RATE

Company	1986-1989	1989	1990
Duquesne	0.41	0.33	0.37
Met.Ed.	0.08	0.15	0.22
Penelec	0.08	0.07	0.13
Penn Power	0.31	0.24	0.23
PP&L	0.07	0.07	0.19
PECO	0.18	0.17	0.31
UGI-LUZ.	0.42	0.37	0.46
West Penn	0.29	0.22	0.19
Major Electric	0.20	0.20	0.26
Columbia	0.11	0.09	0.07
Equitable	0.12	1.75	1.90
NFG	0.21	0.11	0.17
PG&W-Gas	0.34	0.36	0.28
Peoples	0.52	0.49	0.53
UGI-Gas	0.68	0.58	0.67
Major Gas	0.42	0.56	0.60
PG&W-Water	0.11	0.09	0.14
Phila. Sub.	0.16	0.12	0.14
PAWC	0.42	0.36	0.16
Other A	0.18	0.21	0.52
Major Water	0.20	0.20	0.24