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**From:** Morrow, Mark [MorrowM@ugicorp.com]  
**Sent:** Friday, April 18, 2008 3:26 PM  
**To:** Smith, Michael; Burket, Patricia; Page, Cyndi  
**Cc:** Donna Clark  
**Subject:** Universal Service L-00070186

2008 APR 23 PM 3:07

INDEPENDENT REGULATORY  
REVIEW COMMISSION

Attached please find copies of the comments of the UGI Distribution Companies filed today in pdf and word formats.

Mark C. Morrow  
Senior Counsel  
UGI Corporation  
460 North Gulph Road  
King of Prussia, PA 19406  
610.768.3628  
morrowm@ugicorp.com



April 18, 2008

**VIA EXPRESS MAIL**

James J. McNulty, Secretary  
Pennsylvania Public Utility Commission  
Commonwealth Keystone Building  
400 North Street  
Harrisburg, PA 17120

UGI Utilities, Inc.  
460 North Gulph Road  
King of Prussia, PA 19406

Post Office Box 858  
Valley Forge, PA 19482-0858

(610) 337-1000 Telephone  
(610) 932-3268 Fax

**Re: Proposed Rulemaking Relating to Universal Service  
and Energy Conservation Reporting Requirements,  
52 Pa.Code §§54.71-54.78 (electric); §§62.1-62.8  
(natural gas) and Customer Assistance Programs,  
§§76.1-76.6, Docket No. L-00070186**

Dear Secretary McNulty:

Enclosed for filing, please find an original and fifteen copies of the Comments of the UGI Distribution Companies. In accordance with the directive of paragraph 5 of the Commission's September 4, 2008 Proposed Rulemaking Order, copies of these comments have also been forwarded by electronic mail to Michael Smith at [michasmith@state.pa.us](mailto:michasmith@state.pa.us), Patricia Krise Burket at [pburket@state.pa.us](mailto:pburket@state.pa.us) and Cyndi Page at [cypage@state.pa.us](mailto:cypage@state.pa.us).

Should you have any questions concerning this matter, please feel free to contact me.

Very truly yours,

Mark C. Morrow

Counsel for the UGI  
Distribution Companies

BEFORE THE  
PENNSYLVANIA PUBLIC UTILITY COMMISSION

Proposed Rulemaking Relating to	:	
Universal Service and Energy	:	
Conservation Reporting Requirements,	:	
52 Pa.Code §§54.71-54.78 (electric);	:	
§§62.1-62.8 (natural gas) and Customer	:	Docket No. L-00070186
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**COMMENTS OF THE UGI DISTRIBUTION COMPANIES**

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I. Introduction.

The UGI Distribution Companies ("UGI Distribution") appreciate this opportunity to submit comments in response to the Commission's Proposed Rulemaking Order in the above-captioned proceeding. UGI Distribution is comprised of UGI Utilities, Inc. ("UGI") and UGI Penn Natural Gas, Inc. ("PNG"). UGI is a certificated natural gas distribution company and electric distribution company providing natural gas distribution service to approximately 312,000 natural gas distribution customers in a service territory encompassing all or portions of sixteen counties in central and eastern Pennsylvania, and electric distribution service to approximately 62,000 customers in portions of two counties in northeastern Pennsylvania. PNG is a certificated natural gas distribution company providing natural gas distribution service to approximately 158,000 customers in all or portions of thirteen counties in central and northeastern Pennsylvania.

UGI Distribution has participated in the development of the comments filed by the Energy Association of Pennsylvania ("EAP") at this docket, and intends for these comments to supplement those presented by EAP.

II. CAP policies should consider the interests of all customers.

UGI Distribution prides itself on running distribution operations that are customer focused and which provide a high level of service at a reasonable price. It believes this focus on customer service and operational excellence serves the Commonwealth's citizens well by enabling UGI Distribution to expand the availability of environmentally superior natural gas service as widely as possible in competition with less environmentally beneficial alternative fuels, and by enabling UGI Distribution to provide reliable electric distribution service at competitive rates. This focus on meeting and exceeding customer needs and expectations, and operational excellence, has enabled the natural gas distribution operations of UGI Distribution to be ranked by J.D. Powers and Associates as "Highest in Customer Satisfaction among Utilities with Natural Gas Service in the eastern United States" for five years in a row.

UGI Distribution has long provided a full array of universal service programs to its natural gas and electric distribution customers. Among these programs are customer assistance programs ("CAP") that enable qualifying payment troubled low-income customers to pay a discounted amount, tied to their income level, for their energy use. CAPs are by far the most costly of the universal service programs, and CAP costs have accelerated in recent years as the gap between energy prices and required CAP payments has increased, resulting in higher CAP discounts.

Since the costs of its CAPs are primarily born by UGI Distribution customers of all income levels, and comparable costs are not born by unregulated competing energy sources, UGI Distribution has striven to operate its CAPs efficiently and in a way that encourages customers with the ability to pay to do so. UGI Distribution appreciates the

Commission's recognition of the statutory right of natural gas and electric distribution companies to receive full recovery of their universal service expenses, and the proposed rulemaking's guidance concerning the procedural mechanisms for seeking such recovery. UGI Distribution believes, however, that even with full cost recovery, it still has a vital interest in maintaining an appropriate balance between the interests of its paying customers of all income levels, and its CAP participants. Such a balance will help UGI Distribution to maintain high levels of customer satisfaction and to maximize the competitiveness of its regulated energy services with competing unregulated energy sources.

UGI Distribution also believes that a balanced approach is consistent with the desires of the General Assembly.

The Commission has concluded that the provisions of Sections 2203(8) and 2804(9) of the Public Utility Code, 66 Pa.C.S. §§ 2203(8) and 2804(9), provide it with the statutory authority and obligation to mandate and regulate CAPs. These statutory provisions, however, provide little or no guidance as to how the Commission is to make the difficult judgment calls in weighing the interests of customers needing or potentially needing assistance with those of paying customers. In a closely related context, however, the General Assembly, in reviewing and mandating changes to the Commission's Chapter 56 rules, declared:

*The General Assembly believes that it is now time to revisit these rules and provide protections against rate increases for timely paying customers resulting from other customers' delinquencies. The General Assembly seeks to achieve*

*greater equity by eliminating opportunities for customers capable of paying to avoid the timely payment of public utility bills.*

66 Pa.C.S. §1402(2). This recent policy pronouncement of the General Assembly, along with the remaining policy directives of Chapter 14 of the Public Utility Code, reflects a clear desire to provide assistance to the truly needy, while not unduly burdening paying customers with costs of providing services to customers who have the ability to pay for those services. There is no reason to believe that the General Assembly would not want the Commission to exercise similar restraint in exercising its authority under Sections 2203(8) and 2804(9) of the Public Utility Code.

### III. Comments on Proposed Language

#### *Definitions of "CAP" and "Payment Troubled"*

The definition of CAP proposed in §54.72 and §62.2 would extend CAP eligibility to all low-income customers, and apparently intends to remove the requirement that such low-income customers be "payment troubled". Meanwhile, the definition of "payment troubled" has been retained and extended to include any household that "has received a termination notice." Neither of these changes is appropriate.

If the Commission's intent is to expand CAP eligibility to all low-income customers regardless of their ability to pay, the scope of CAPs and their associated costs would be greatly expanded, placing increased burdens on paying customers at a time of rising energy prices. The potential increase in costs to paying customers could offset or eliminate the benefits Chapter 14 has provided to such customers by increasing collections from customers having an ability to pay. The Commission should accordingly carefully consider the costs of this proposed significant policy shift.

In evaluating the potential benefits and drawbacks of expanding to CAP to all low income customers, the Commission should also carefully consider the varying economic circumstances and conditions in differing geographic regions of the Commonwealth. For example, in the northern areas of UGI Distribution's service territories many low income customers also have a much lower cost of living, and have demonstrated over decades the ability to pay their electric and gas bills. UGI Distribution believes the public interest would not be served by policies that would encourage such customers to modify their behavior and thereby place significant additional cost burdens on other paying customers. By retaining the existing requirement that CAPs be directed to "payment troubled" low income customers, the Commission can retain an appropriate balance of extending help to low-income customers who are truly needy, while not unduly burdening paying customers.

If the Commission intends to remove the requirement that CAP participants be "payment troubled", then it is not clear why this term has been retained and modified in the proposed regulations. To the extent the Commission intends to retain the requirement that CAP participants be "payment troubled", then it should delete the proposed expansion of the definition to include all households that have received a termination notice.

Under Chapter 14 termination notices may be issued to low income households for reasons unrelated to income or ability to pay. For example, under the provisions of Section 1406 of the Public Utility Code, a termination notice can be issued for failure to permit access to meters or other utility property, unauthorized use of service, fraud or material misrepresentation of identity, tampering with meters or other public utility

equipment or tariff violations endangering the safety of a person or the integrity of a public utility's distribution system. Such termination notices should not qualify a low income customer, with the ability to pay his or her bills, to participation in a CAP.

#### *Self Certification*

UGI Distribution believes the Commission should clarify that the definition of "confirmed low income residential account" in §54.72 and §62.2 does not require natural gas and electric distribution companies to accept self-certification of income for purposes of determining eligibility for CAP. While there may be instances where it would be reasonable for a natural gas or electric distribution company to accept self-certification, a blanket policy of permitting self-certification raises the very real prospect of program abuse.

UGI Distribution is not aware of any significant problems with existing measures to verify income eligibility, which often involve using the expertise of community-based organizations. In balancing the interests of all utility customers, the Commission should avoid creating vehicles for program abuse thereby imposing additional cost burdens on paying customers without providing any real benefit to legitimate low income payment troubled customers.

#### *Default*

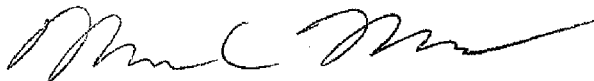
The proposed language of §76.5 would appear to require dismissal from CAP for a number of listed reasons whereas the existing language of §69.265(7) does not mandate dismissal. Among the reasons for a required dismissal would be a failure to apply for LIHEAP.



UGI Distribution believes natural gas distribution companies should have the option, as some or all of them do today, of retaining defaulting customers in CAP but taking measures such as restoring regular billing and ultimately terminating service if defaults are not cured. This enables CAP programs to define specific responses to various CAP defaults, without immediately subjecting CAP participants to rules tailored to non-participating customers and requiring the additional administration required to remove and reenroll participants.

UGI Distribution also does not believe that it is beneficial to specify that a failure to apply for LIHEAP must be considered a default. LIHEAP rules can be confusing and there may be legitimate reasons why a CAP participant did not or could not apply. Confusion about the LIHEAP process should not automatically result in the harsh sanction of dismissal from CAP.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'Mark C. Morrow', with a long, sweeping horizontal stroke at the end.

Mark C. Morrow

Counsel for the UGI Distribution Companies

April 18, 2008

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