

T. W. PHILLIPS GAS AND OIL CO.

**REPORT ON
UNIVERSAL SERVICE AND
ENERGY CONSERVATION PLAN**

June 1, 2003

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INTRODUCTION

In accordance with the regulations promulgated at 52 PA Code §62.7, T. W. Phillips Gas and Oil Co. (“T. W. Phillips”) respectfully submits the following information describing the universal service and energy conservation programs that are currently available to serve its low-income residential customers. This filing is made in lieu of the reporting requirements at 52 PA Code §§62.4–62.6, because T. W. Phillips serves fewer than 100,000 residential accounts.

T. W. Phillips’ description of its Energy Help Fund, one of the universal service programs made available to its low-income residential customers, incorporates all of the program changes and adjustments which have been presented to and approved by the informal consultation committee (the “Committee”) made up of representatives of T. W. Phillips, the Bureau of Consumer Services, the Office of the Consumer Advocate and Dollar Energy Fund. The Committee has met quarterly since 2001 to discuss the progress, implementation and operation of the Energy Help Fund in accordance with the Joint Petition for Settlement of Rate Investigation approved by the Commission in settlement of T. W. Phillips’ 2000 base rate case filing at Docket No. R-00005459. The program changes and adjustments referred to above include a change in the manner in which third-party grants are used to reduce the monthly payments of Energy Help Fund participants, the elimination of the \$200 arrearage requirement, a third-party evaluation of the Energy Help Fund program during 2004, and confirmation of the annual Energy Help Fund expenditure cap.

T. W. Phillips Gas and Oil Co.

Universal Service and Energy Conservation Plan

T. W. Phillips Gas and Oil Co. (“T. W. Phillips”) serves more than 60,000 customers located in seven Counties in western Pennsylvania. Over 56,000 of T. W. Phillips’ customers are residential customers. T. W. Phillips has identified approximately 5,300 of its residential customers as being low income or income disadvantaged at any given time. However, not all customers who are income disadvantaged are also payment troubled. To the contrary, a large number of T. W. Phillips’ income disadvantaged customers pay their gas bills on a regular basis. T. W. Phillips has identified approximately 4,000 residential low-income customers on its system who are payment troubled.

To assist its income disadvantaged customers and others who may be payment troubled from time to time and have difficulty paying their bills, T. W. Phillips has established certain universal service and energy conservation programs that are consistent with regulatory requirements and good business practices. T. W. Phillips provides low-income customers with information about available programs and assists them in applying for the help that is available from a variety of community-based organizations, the \$1 Energy Fund Inc., federally-funded programs such as the Low Income Home Energy Assistance Program (“LIHEAP”), and Company-sponsored universal service and energy conservation programs. Program information is distributed to customers routinely through bill inserts and direct mail pieces, and announced in call waiting messages played for customers who contact T. W. Phillips’ Customer Service Department by telephone. In addition, T. W. Phillips provides toll-free telephone numbers that customers can call to obtain program information and assistance.

T. W. Phillips’ universal service programs include the Customer Assistance Referrals and Evaluation Services Program (“CARES”), the \$1 Energy Fund Program, the LIHEAP Cash Crisis programs, and the Energy Help Fund (“EHF”). T. W. Phillips’ energy conservation and related services are provided by means of its Wise Choice Low Income Usage Reduction Program (“LIURP”).

T. W. Phillips plans to continue providing these universal service and energy conservation programs to eligible customers at current funding levels.

Expenses Associated with Low-Income Customers

Program	Expenditures		
	2000	2001	2002
Customer Assistance Referral Evaluation Services ("CARES") including LIHEAP outreach efforts	\$10,252	\$12,590	\$12,252
\$1 Energy Fund, Inc.	\$79,170	\$62,140	\$65,470
LIURP – Low Income Usage Reduction Program	\$123,098	\$150,862	\$99,975
Energy Help Fund	\$0	\$33,896	\$137,579
TOTAL	<u>\$215,751</u>	<u>\$263,561</u>	<u>\$288,771</u>

Description of T. W. Phillips Gas and Oil Co.'s Universal Service and Energy Conservation Programs

I. Customer Assistance and Referral Evaluation Services

T. W. Phillips' Customer Assistance and Referral Evaluation Services ("CARES") program was developed as part of the Company's continuing effort to organize and offer assistance to its customers. The CARES program is designed to give personalized assistance to customers through counseling and referral services provided by four trained in-house Customer Service Representatives, as supported by one outside CARES representative provided by Essential Energy. CARES is also intended to help maximize participation by eligible customers in available assistance programs, including LIHEAP (Cash and Crisis), \$1 Energy Fund and T. W. Phillips' Wise Choice weatherization/usage reduction program.

In its use of Customer Service Representatives as CARES representatives, T. W. Phillips has a group of frontline personnel who are trained to be sensitive, receptive and responsive to a variety of customer needs, including income disadvantages, low self-esteem, age-related illnesses or circumstances, disabilities, and other such factors. These trained representatives are encouraged to seek ways to help people improve their quality of life. Customers in need of such help are referred to T. W. Phillips' CARES program through community agencies, the Pennsylvania Public Utility Commission ("PUC"), other utilities and by T. W. Phillips' own employees who may become aware of customers in difficult circumstances.

Each of T. W. Phillips' in-house CARES representatives are assigned a particular geographic area, by County, which they are responsible for. They establish contacts with agencies in their County. Referrals are directed to the CARES representative assigned based on the County in which the referred customer resides. The CARES representative makes contact with the customer and assesses needs using information provided by the customer. The CARES representative then reviews the County programs available and discusses the case with their Manager. Based upon the information at hand, an assessment is made as to whether and how the Company can provide assistance to the customer and whether the customer's need(s) can be resolved with a one-time communication or will require longer term CARES interaction. A decision on whether a home visit is necessary depends upon each particular customer's circumstances. A home visit may be made for a reason as simple as the CARES representative's perception that they are not getting through to a customer or that a customer is not being receptive to the help that is available.

A home visit may be required to confirm information given by the customer, such as income/expense verification, or to provide budget counseling, energy conservation education, and/or education about the range of outside agency programs that are available to help them. A home visit may be needed to provide assistance in the completion of applications for LIHEAP, the \$ Energy Fund, or T. W. Phillips' Energy Help Fund ("EHF"). When they are necessary,

home visits are provided by T. W. Phillips' outside CARES representative, Marcia Lehman, of Essential Energy.

Monitoring and follow-up of customers in the CARES program is provided through a cooperative effort of Essential Energy and T. W. Phillips' in-house CARES representatives, as required to meet each participant's individual needs.

II. Wise Choice Low Income Usage Reduction Program

Program Overview

T. W. Phillips' Wise Choice Low Income Usage Reduction Program ("LIURP" or "Wise Choice") is a weatherization and conservation education program which is targeted to low-income, high usage, payment troubled customers. T. W. Phillips' program began in 1987, in response to PUC regulations at 52 PA Code §58.1 – §58.18, and is expected to continue until at least 2008 pursuant to those regulations. At that time, the PUC is obliged to review the program and determine its future.

Program Goals

The primary goal of LIURP is to weatherize homes occupied by income disadvantaged customers that use large volumes of gas and to educate such customers in ways to conserve energy and reduce their energy bills. The secondary goal is to cut the number of delinquent and uncollectible residential accounts which are written off as bad debts each year.

The Wise Choice program attempts to reduce a payment troubled customer's gas bill to the point where it is more affordable. If income disadvantaged customers can maintain their gas service throughout the year, especially in conjunction with the outside assistance that is available to such customers, the account is less likely to be uncollectible. This benefits not only the LIURP participant, but the Company and all other ratepayers.

Program Description

Each LIURP participant is provided with a safety inspection of their gas appliances, an in-home energy audit and an energy education session. Conservation education stresses actions that a family can take to control the amount of energy that is consumed in the home. Conservation tips are given for gas, electricity and water. Program participants learn which appliances consume the most energy and why. Advice is also given on the importance of properly maintaining the physical conservation measures which are installed in residences by the LIURP weatherization crews.

Improving payment behavior is stressed and customers are encouraged to communicate with the Company to discuss payment problems before they become serious. Limited budget counseling is also provided.

During the energy audit, the auditor inspects the home from the basement to the attic, looking for areas where heat may be escaping (exfiltration) and where cold air may be leaking in (infiltration). If circumstances permit, the auditor also conducts a pre-weatherization blower door test at this time. This test measures how “leaky” a home is at the time of the audit. Any existing insulation or weatherization measures are noted.

Upon completion of the audit, the auditor creates a work order listing all proposed weatherization measures to be installed, and submits this work order to T. W. Phillips for approval. The scope of work to be performed at T. W. Phillips’ expense is determined by the customer’s gas usage – high usage homes may receive more measures than homes that exhibit lower gas usage.

Typically, weatherization measures installed under T. W. Phillips’ Wise Choice program include, but are not limited to the following:

Furnace/Heating System

- Tune up
- Repairs
- Replacements
- Spark Ignition
- Thermostat
- Duct Wrap

Hot Water Systems

- Tank wraps
- Pipe insulation
- Replacements

Insulation

- Attic insulation
- Knee-wall insulation
- Sidewall insulation
- Sill plate insulation
- Insulation between heated and non-heated areas
- Vapor barriers
- Venting
- Attic access work (if necessary)

Infiltration Reduction

- Extensive caulking and “blower door” air sealing
- Weatherstripping
- Door sweeps
- Electrical switch and outlet gaskets
- Limited use of storm windows
- Sealing unused fireplaces

Miscellaneous Minor Repairs

- Repairing interior wall cracks and holes
- Window glass replacement
- Exterior door repairs
- Door and window locks

Program Participation Guidelines

Customers must satisfy the following qualifications to be eligible for T. W. Phillips' Wise Choice weatherization program:

1. Total family income does not exceed the following limits (300% of Federal Poverty Guidelines):

<u>Family Size</u>	<u>Yearly Income</u>
1	\$26,940
2	\$36,360
3	\$45,780
4	\$55,200
5	\$64,620
6	\$74,040

2. The customer is a residential gas heating account.
3. The customer has not moved or had an extended break in service during the last 12 months.
4. The customer plans to live at the same address for the next year.
5. The customer has annual gas usage of at least 120 Mcf/year.
6. Renters must have the gas account in their name. Rental units must be metered separately and have individual heating systems. Landlord permission is also required.
7. Special consideration is given to customers who do not meet the income eligibility guidelines, but have demonstrated need (i.e. medical condition, medical bills, etc.)
8. Outreach, Enrollment and Application Procedures
 - a. T. W. Phillips' EHF program administrator coordinates both the EHF and LIURP program outreach and enrollment procedures to maximize administrative efficiencies and identify eligible LIURP participants from among those applying for and being referred to the EHF program.
 - b. Application procedures for the EHF and LIURP programs are coordinated and run in tandem as much as possible to facilitate the most efficient use of resources to serve residential customers in need.

- c. The program administrator coordinates the acquisition of necessary agreements/consents for the installation of LIURP program weatherization and energy conservation measures with participating customers and their landlords.
9. LIURP Program Limitations
 - a. Based upon the Company's 2000 base rate case settlement at Docket No. R-00005459, beginning in 2001 the annual expenditure allowance for the LIURP program is \$187,000, of which 15 percent can be applied to administrative services.
 - b. To the extent that the Company does not utilize the full amount of the annual expenditure allowance for the LIURP program in any year, after a good faith effort to identify and secure the cooperation of a sufficient number of eligible low-income customers, all such unexpended LIURP funds are transferred to and are used to supplement the EHF program.

III. Energy Help Fund

1. T. W. Phillips' EHF is a low-income assistance program designed to help eligible residential customers pay their gas bills. Three different levels or tiers of assistance are available to eligible customers, based on their annual household income. EHF assistance is provided to eligible residential customers in the form of (i) a discounted Customer Service Charge and Volumetric Delivery Rate, (ii) monthly credits against outstanding arrearages up to an aggregate of \$600 over three years and (iii) credits against the customer's current gas bill from LIHEAP, Dollar Energy, and other assistance grants. The terms and conditions of the EHF program are described in the following paragraphs. Note that because a portion of the EHF benefit is an arrearage reduction component, eligible low-income customers with an account arrearage of at least \$200 will be preferred, but a customer is not required to have an arrearage to qualify for participation in the EHF program.
 - a. Tier 1: Residential Customers With Annual Income at or Below 50% of Federal Poverty Level

Residential customers with an annual income at or below fifty percent (50%) of the Federal Poverty Level will qualify for a two-part program of assistance as follows:

 - A reduction in their bill for current usage in the form of a seventy-five percent (75%) discount of their monthly Customer Service Charge and Volumetric Delivery Rate, as set forth in Rate Schedule RUS – Residential Universal Service.

- A credit of 1/36 of their gas service account arrearage (if any) existing on the date of entry into the EHF program up to a maximum arrearage forgiveness of \$600 over 36 months for each month in which a payment at least equal to the amount billed for current usage is received. Eligible customers that continue in the program and still have account arrearages may earn additional arrearage forgiveness beyond the 36-month period.
- Eligible customers will be enrolled in the EHF program for a 36-month period, but at the end of 36 months, they may re-enroll if they establish that they still satisfy the annual income requirements. As noted above, customers with outstanding arrearages will be preferred, but an arrearage is not a precondition to EHF program participation.
- LIHEAP, Dollar Energy and other assistance grants will also be used to offset the remainder of the participating customer's bill. The Company conducts a comprehensive review of all EHF participants in June of each year, and then reduces monthly EHF payments for the next 12 months by 1/12 of the total assistance grant(s) actually received by the participant in the immediately preceding winter heating season.

b. Tier 2: Residential Customers with Annual Income Between 51% and 100% of Federal Poverty Level

Residential customers with an annual income more than fifty percent (50%) and up to and including one hundred percent (100%) of the Federal Poverty Level will qualify for a two-part program of assistance described below.

- A reduction in their bill for current usage in the form of a fifty percent (50%) discount of their monthly Customer Service Charge and Volumetric Delivery Rate, as set forth in Rate Schedule RUS – Residential Universal Service.
- A credit of 1/36 of their gas service account arrearage (if any) existing on the date of entry into the EHF program up to a maximum arrearage forgiveness of \$600 over 36 months for each month in which a payment at least equal to the amount billed for current usage is received. Eligible customers that continue in the program and still have account arrearages may earn additional arrearage forgiveness beyond the 36-month period.
- Eligible customers will be enrolled in the EHF program for a 36-month period, but at the end of 36 months, they may re-enroll if they establish that they still satisfy the annual income requirements. As noted above, customers with outstanding arrearages will be preferred, but an arrearage is not a precondition to EHF program participation.
- LIHEAP, Dollar Energy and other assistance grants will also be used to offset the remainder of the participating customer's bill. The Company conducts a

comprehensive review of all EHF participants in June of each year, and then reduces monthly EHF payments for the next 12 months by 1/12 of the total assistance grant(s) actually received by the participant in the immediately preceding winter heating season.

c. Tier 3: Residential Customers with Annual Income from 101% to 150% of Federal Poverty Level

Residential Customers with an annual income of more than one hundred percent (100%) and up to and including one hundred fifty percent (150%) of the Federal Poverty Level will qualify for a program of assistance as follows:

- Eligible customers will make timely payments equal to their base monthly budget amounts.
- Eligible customers will enter the program for a 36-month term, obtaining forgiveness for their outstanding arrearages by an amount equal to 1/36 of their arrears existing on the date of entry into the EHF program up to a maximum arrearage forgiveness of \$600 over the 36-month term for each month in which payment at least equal to the amount billed for current usage is received.
- The company will conduct a comprehensive review of all EHF participants in June of each year, and then reduce monthly EHF payments for the next 12 months by 1/12 of the total assistance grant(s) actually received by the participant in the immediately preceding winter heating season.
- Eligible customers will be enrolled in the EHF program for a 36-month period, but at the end of 36 months, they may re-enroll if they establish that they still satisfy the annual income requirements. As noted above, customers with outstanding arrearages will be preferred, but an arrearage is not a precondition to EHF program participation.
- Upon completion of the initial 36-month period, or at a subsequent time when a particular Tier 3 customer's arrears have been completely retired, such customer will be graduated from the program.
 - i. If a waiting list exists at the time of graduation, graduating Tier 3 customers may not re-enter the EHF program until a period of 12 months at standard rates has elapsed.
 - ii. If no waiting list exists at that time, a Tier 3 customer who has graduated from the EHF program may re-enter the program if he or she otherwise fulfills the eligibility criteria.

- 2) The Company will continue to enroll eligible customers into the EHF program until either (i) the Company enrolls 1,500 participants, or (ii) the Company's projected annual EHF

program expenditures, as defined below, for the immediately succeeding 12-month period exceeds the annual \$400,000 expenditure cap, whichever comes first.

- a. In the event that the enrollment ceiling is reached before the expenditure ceiling, any EHF program funds not expended in one year will be rolled over to the following 12-month period and the normal annual expenditure cap will be increased by the amount of the rollover. Under no other circumstances will any unexpended portion of the annual expenditure cap be rolled over to a subsequent year.
 - b. In determining whether the annual expenditure cap is reached, the Company will include all forgiven arrearages, all current bill discounts, all external evaluation costs and \$35 per customer enrollment to cover enrollment costs whether done internally or externally. An amount of \$15,000 of the annual expenditure cap will be reserved each year for external EHF program evaluation costs until the EHF program is evaluated. As long as the amount for external evaluation is not expended, it will be carried forward until it is used to cover external evaluation costs. The Company expects to utilize the accumulated evaluation fee to engage a qualified third party to evaluate the EHF program by the end of 2004, after which the annual \$15,000 reservation will end and no further outside evaluation of the EHF program shall be required.
- 3) The Company's collections treatment of non-payment by EHF program participants will be consistent with policies currently or hereafter adopted by the PUC's Bureau of Consumer Services for participants in utility customer assistance programs.
- 4) Outreach and Enrollment Procedures
- a. The Company's EHF program administrator makes targeted mailings of an information flyer and a program application to existing residential customers who are believed to satisfy program eligibility requirements referred to above.
 - b. Selected assistance agencies operating in the Company's service territory have been notified and informed about the EHF program and encouraged to refer qualified low-income residential customers to the EHF program administrator.
 - c. The EHF program administrator also contacts low-income residential customers of the Company who have qualified for and received Dollar Energy Fund grants in the previous year to encourage their participation in the EHF program.
- 5) Application/Screening Procedures
- a. Residential customers are pre-screened for EHF program eligibility by the EHF program administrator when they call in to the administrator's toll-free telephone line. The Company's Customer Service Department refers potentially eligible customers to the program administrator for pre-screening.

- b. Information gathered in the prescreening process is used to facilitate application/qualification procedures for both the EHF program and the LIURP program. Customers who have received LIHEAP in the immediately preceding 12 months are enrolled in the EHF and/or LIURP without having to provide further proof of income. Customers who have not received LIHEAP in the immediately preceding 12 months will be required to submit proof of income as outlined in the following paragraph.
- c. After telephonic prescreening, the program administrator sends customers partially completed applications to the EHF program, along with a letter describing EHF program benefits and the obligations of program participants. The letter directs potential program participants to complete the application, provide current income information in order to confirm eligibility, and return the application information to the EHF program administrator within ten (10) days. Information received from customers is also used to determine eligibility for participation in the LIURP program.
- d. Using information received in completed applications, the EHF program administrator determines whether applicants are eligible to participate in the EHF program, and, if so, at what Tier. When eligibility is determined, letters of acceptance are prepared and sent to eligible customers, along with an explanation of the terms, conditions and benefits of EHF program participation.
- e. The letter of acceptance includes a statement to the effect that the eligible customer's first payment of the reduced rate gas bill under the EHF program shall constitute an acceptance, by that customer, of all of the terms and conditions of the EHF program, including the customer's obligations as a participant therein.
- f. Customers who do not satisfy the program requirements and are ineligible to participate are so notified in writing.
- g. Customers who fail to sign and return the letter of acceptance or do not return completed applications on a timely basis are contacted by the EHF program administrator by telephone to encourage their participation and response.
- h. Eligible customers whose completed application or prescreening process reveals needs that might benefit from the Company's CARES program are also contacted by one of the Company's CARES representatives to schedule a visit or some further communication.
- i. Information gathered for purposes of determining customer eligibility to participate in the EHF program is also used to determine customer eligibility to participate in the Company's LIURP program to maximize the efficient operation of both assistance programs.

6) EHF Program Operation

- a. The EHF program administrator closely monitors the payment performance of every participating customer and contacts them promptly if required payments are missed.
- b. The EHF program administrator has limited discretion to extend the due date of a participant's payment, if warranted by circumstances, and to permit a participant in extreme circumstances to skip a payment, but only one skipped payment will be permitted. Except in such limited circumstances, the failure of an EHF program participant to satisfy the terms and conditions of the EHF agreement letter results in removal of the non-compliant participant from the EHF program for a period of one year and the commencement of appropriate service termination procedures.
- c. The EHF program administrator also monitors participant account records regularly to (i) confirm that arrearage credits are properly applied after the Company's receipt of each participant's monthly payment, as described in the applicable letter of acceptance, and (ii) ensure proper application of LIHEAP, \$ Energy Fund and other grants received by EHF participants to further reduce their monthly payment.

7) End of Program Term Activities

- a. The EHF program administrator will take action to determine a participant's eligibility to renew and continue the participation in the program after the initial 36-month term by contacting the participant prior to the end of the term to facilitate a renewal application and to re-verify the participant's income eligibility.
- b. Upon confirmation of income eligibility, the administrator will issue a new EHF letter agreement stating the terms and conditions of the participant's continuation in the EHF program.
- c. After a program participant's eligibility to continue in the EHF program for an additional term has been confirmed, the program administrator will resume the regular program monitoring procedures described in Section 6 above.

T. W. PHILLIPS GAS AND OIL CO. UNIVERSAL SERVICE BENEFITS

Program	Number of Benefits		
	2000	2001	2002
Customer Assistance Referral Evaluation Services ("CARES") including LIHEAP outreach efforts	2,849	5,724	3,573
\$1 Energy Fund, Inc.	251	189	252
LIURP – Low Income Usage Reduction Program	25	33	27
Energy Help Fund	0	37	602
TOTAL	3,125	5,983	4,454

Program	Dollar Amount of Benefits		
	2000	2001	2002
Customer Assistance Referral Evaluation Services ("CARES") including LIHEAP outreach efforts	\$724,322	\$1,607,848	\$876,117
\$1 Energy Fund, Inc.	\$73,170	\$56,140	\$59,470
LIURP – Low Income Usage Reduction Program	\$123,098	\$150,862	\$99,975
Energy Help Fund	\$0	\$881	\$61,858
TOTAL	\$920,590	\$1,815,731	\$1,097,420