

FILE

**BEFORE
THE PUBLIC UTILITIES COMMISSION OF OHIO**

In the Matter of the Commission's Review of :
Chapters 4901:1-17 and 4901:1-18 and :
Rules 4901:1-5-07, 4901:1-10-22, 4901:1-13-11, :
4901:1-15-17, 4901:1-21-14, and 4901:1-29-12 :
of the Ohio Administrative Code. :

Case No. 08-723-AU-ORD

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**REPLY COMMENTS
OF
THE OHIO DEPARTMENT OF DEVELOPMENT**

Introduction

By its entry in this docket of June 25, 2008, the Commission called for comments from interested parties with respect to staff-proposed revisions to the Commission's rules governing the credit requirements and disconnection procedures of natural gas companies, including the rules relating to the gas Percentage of Income Payment Plan ("PIPP") program. In its entry, the Commission also requested responses from interested participants with respect to several series of questions designed to elicit information relevant to the Commission's consideration of the proposed rules.¹

The Ohio Department of Development ("ODOD") timely filed initial comments on September 10, 2008. In its initial comments, ODOD noted that, in its role as administrator of the electric PIPP program, it was currently considering revisions to its rules governing electric PIPP, and emphasized the desirability of aligning the gas and electric PIPP programs to the extent possible. ODOD also responded to the set of questions posed in Appendix A to the entry relating to energy conservation programs for low-income customers. In these reply comments, ODOD

¹ See June 25, 2008 Entry, Appendix A.

will again focus on the provisions of the proposed rules relating to the gas PIPP program in view of the relevance of these provisions to ODOD's electric PIPP rulemaking proceeding and to ODOD's community action agency partners that serve low-income populations. Among other topics, these reply comments will again address the desirability of aligning the gas and electric PIPP programs and will also discuss the importance of increasing payments by PIPP customers participating in these income-based utility bill payment programs and suggested improvements to the arrearage crediting program. In addition, ODOD will also provide information responsive to the set of questions in Appendix A of June 25, 2008 entry relating to low-income payment programs.

Appendix A – Low-Income Payment Programs

Paragraph 10 of the June 25, 2008 entry sets out the goals of the staff's proposed electric PIPP program. The initial inquiry in the series of Appendix A questions relating to low-income payment programs asks for comment on whether there are goals, other than those articulated in paragraph 10, that should be included in the Commission's evaluation of a low-income customer payment plan, whether any of the stated goals are inappropriate, and if so, why they are inappropriate. ODOD endorses the stated goals of the staff's proposed PIPP program, and, in the reply comments that follow, will identify certain features of low-income customer payment plans that ODOD believes to be important in achieving these goals. ODOD believes that restructuring the gas and electric PIPP programs is essential to protect Ohio's most vulnerable families from rapidly rising energy costs. However, the fundamental protection of the PIPP programs – basing payments on a percentage of the PIPP customer's income rather than on the rates charged by the utility – must be preserved. That said, it is important to recognize that, for some PIPP customers, paying for energy services based on a specified percentage of income may still be difficult to

afford. Thus, there is no absolute measure of what is affordable and a one-size-fits-all program will not meet the needs of all PIPP program participants all of the time.

The remaining questions in this set seek data demonstrating the efficacy of various low-income customer payment plan models as well as proposed alternatives to the plan advanced by staff. ODOD has performed analyses of data collected as a part of its electric PIPP rule revision effort that goes to these issues, and has previously presented these analyses to the Commission at the Commission's public meeting on January 9, 2008. In lieu of responding specifically to each of these questions, ODOD has updated its earlier presentation to reflect more current data, and has attached this presentation as Attachment A to these reply comments to assist the Commission in its consideration of these matters.

Level of Required PIPP Customer Payments

In their initial comments, the Office of the Ohio Consumers' Counsel ("OCC") and other low-income advocates have urged that the level of the percentage of the income PIPP customers are asked to pay to preserve utility service be substantially reduced. This argument begs the question of whether the PIPP program is intended to provide a complete economic solution for all customers that may be eligible for the program, no matter how economically challenged they may be. The position taken by OCC and the low income advocates implies that, no matter how great the customer's need for energy assistance, PIPP is the answer. However, PIPP, by definition, is a *payment* program predicated on PIPP customers making regular monthly payments toward the cost of their utility service. The gas and electric PIPP programs are paid for by all ratepayers. Indeed, the cost of electric PIPP has increased from \$83,719,662 in 2006 to \$121,639,199 in 2008. Thus, the desire of OCC and the other low income advocates to make the

percentage of income amount more affordable – a desire heartily shared by ODOD – must be balanced against the overall cost and sustainability of the PIPP program.

Simply put, the PIPP program may not be the best option for all customers who qualify to participate. Despite the benefits that the PIPP program bestows, some PIPP customers will still find it necessary to seek supplemental assistance from local community action agencies, county job and family services agencies, faith-based and other charitable organizations, and even other individuals in order to maintain utility service. Such customers may also require additional support for housing, food, medicine, and other essentials of life. Although ODOD and its partner community action agencies will continue to play a key role in helping those very low income customers acquire the assistance they need, both ODOD and the Commission have the responsibility to assure that the PIPP programs they administer are on firm financial footing as changes to the programs are implemented. Thus, notwithstanding the desire to make PIPP as affordable as possible, neither ODOD nor the Commission can responsibly turn a blind eye toward the impact of the PIPP program on utility ratepayers generally and must, through their respective rules, foster qualifying customers' *successful* participation in PIPP. In recognition of this responsibility, ODOD's proposed electric PIPP rules contain various features intended to enhance the opportunity for PIPP customers to benefit from participation in PIPP, while, at the same time, providing incentives for PIPP customers to eventually migrate from the program. Consistent with the staff's stated goal of aligning the gas PIPP program with the electric PIPP program, ODOD urges the Commission to consider incorporating these features in the gas PIPP rules ultimately adopted in this proceeding.

Standard Monthly Payment Amount

As a part of its own effort to align the two PIPP programs, ODOD's proposed rules follow the Commission's gas PIPP rules by requiring electric PIPP customers to pay the same amount for electric service each month year-round. Currently, electric PIPP customers must pay the higher of either their PIPP percentage of income-based payment or their electric bill during the summer season. With the proposed change, electric PIPP customer energy bills would no longer fluctuate in the summer, which should make it much easier for PIPP customers to manage their monthly expenses. Indeed, many residential customers at all income levels choose "budget billing" as a budget management tool. During focus group interviews conducted in 2005, PIPP customers indicated that a standard, uniform payment amount would help them meet their PIPP payment obligations.² Although the staff-proposed gas PIPP rules retain the standard payment amount feature, ODOD believes it might be helpful to share its findings in this regard with the Commission.

Focus group participants consistently discussed the difficulty experienced in paying their electric bills in the summer, noting that the requirement to pay the actual bill during the summer (when higher than the PIPP payment amount) made planning difficult and drove up the need for additional assistance by the end of the year. In March of 2008, ODOD sought input from community action agency staff with respect to potential changes to the electric PIPP program. Community agency staff personnel, including those involved in intake and case management work on behalf of electric PIPP customers, were asked: To what extent, if any, do you agree that PIPP customers would make regular, monthly electric PIPP payments if amounts were standard year round? The possible response options included: to a great extent, to some extent, to a

² Triad Research Group, "Focus Groups With PIPP Participants", prepared for the Office of Community Services, Ohio Department of Development and Ohio Partners for Affordable Energy, No. 05-2218, June, 2005.

limited extent, and to no extent. Of the 280 persons who answered this question, 170, or 60% selected "to a great extent," while 89, or 31%, selected "to some extent" in response to this question. Thus, ODOD supports retention of the year-round standard payment amount for gas PIPP and intends to align the electric PIPP program with the gas PIPP program by standardizing the monthly electric PIPP payment. ODOD believes that predictable, uniform monthly PIPP payments during the summer period will help to keep customers connected and reduce the number of customers finding it necessary to request emergency assistance or utilize the Commission's Winter Reconnect Order. In addition to the standard payment amount, ODOD's rules will require PIPP customers that are disconnected for failure to pay PIPP installments to make up missed PIPP installments as a condition of re-enrollment. This provision is intended to interrupt the seasonal cycle of disconnection that has plagued the PIPP program.

Increased Number and Total Dollar Amounts of PIPP Payments

Although a standardized year-round PIPP payment amount facilitates PIPP customer payment activity and increases the dollar amount of PIPP payments made, ODOD's proposed electric PIPP rules contemplate using multiple communication channels to remind PIPP customers that it is time to make their monthly PIPP payment. These channels may include automated calls, personal letters, or e-mails. ODOD would encourage the Commission to consider a similar feature to bolster the payment activity and the level of payments by gas PIPP customers.

Arrearage Crediting Programs

ODOD believes that the arrearage crediting provision contained in its proposed electric PIPP rules deserves careful consideration by the Commission in the context of this gas PIPP

rulemaking proceeding. ODO's proposed arrearage crediting program represents a major step toward encouraging PIPP customers' successful migration from the PIPP program because it removes the heavy burden of accumulated and accumulating arrears for those customers who timely pay their monthly PIPP installments. Based on input from PIPP customers, consumer advocates, community action agencies, the Public Benefits Advisory Board, and other parties, ODO believes that the monthly arrearage crediting feature of its proposed electric PIPP rules represents a powerful incentive to PIPP customers to timely pay their monthly PIPP installments.

ODO submits that its proposed arrearage crediting program will be easier for customers to understand and easier to administer than the program now under consideration in this case and that it will also achieve the goal of getting the "arrearage monkey" off the backs of PIPP customers more quickly. Because customers will see an immediate credit every time they pay a PIPP installment on time, customers will work harder to pay their PIPP bill on time.

ODO, in cooperation with local community action agencies and others, intends to make sure PIPP customers know about arrearage crediting. Almost no PIPP customers participating in ODO's focus groups were aware that arrearage crediting programs even existed. Of those customers who were familiar with arrearage crediting, some pointed out that they could not be assured of being able to make 36 consecutive payments on time as required by the current gas arrearage crediting program as a result of factors such as the relation of the due date of the PIPP bill to the date the customer got paid. Customers lamented the fact that, under the existing arrearage crediting programs, if they missed a single payment due date, they had to start all over again. Some urged that there be a grace period or more flexibility with regard to being late on a payment.

ODOD's proposed arrearage crediting program defines being "on time" broadly in order to give customers every opportunity to make a payment and gives electric PIPP customers, who do pay, an arrearage credit every month the bill is timely paid. If a customer is late or fails to pay in one month, he or she can still earn an arrearage credit the next month by paying on time and in full. ODOD encourages the PUCO to continue to work with the ODOD to align arrearage crediting provisions contained in the proposed gas and electric PIPP rules and to carefully consider areas where implementation complexities may require clarification or adjustment.

Contrary to the assertions of some low income advocates that low income customers are, by necessity, always focused "in the moment" and, therefore, do not concern themselves with accumulated debt, ODOD has found, through focus groups, public hearings, its hotline, and input from local community action agencies³ that the substantial arrearages accrued by PIPP customers are a disincentive to get off of the program, result in poor credit ratings and limit PIPP customers' future access to credit, and are a terrible psychological burden for PIPP customers. For example, during a recent meeting with local agency staff, one intake worker (who is also a PIPP customer) spoke of her excitement about arrearage crediting provisions contained in the proposed electric PIPP rules, noting the anxiety she experiences over the large amount that she owes despite making regular PIPP payments. Arrearage crediting programs should provide relief to conscientious PIPP customers as a reward for on-time payments.

³ In some cases, in agencies around the state, community action agency and non-profit employees are also PIPP customers and/or beneficiaries of other low income energy programs such as the Home Energy Assistance Program. These community workers are among the cadres of the working poor. Their opinions on how to improve electric PIPP were especially important to ODOD because they provided both a PIPP customer perspective and a service delivery/case management perspective to ODOD's considerations around electric PIPP.

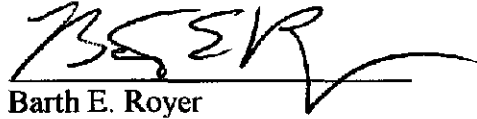
Creation of Incentives for PIPP Customers to Conserve Energy

An enduring weakness of both the gas and electric PIPP programs is the lack of a linkage between the price the customer pays to the amount of energy the customer consumes. No matter how much energy a PIPP customer consumes, his or her price for that quantity of consumption is based solely on income. Although ODOD is not convinced that most PIPP customers consume electricity and gas with abandon as a result, ODOD will work to determine if there may be effective ways to discourage excess consumption if and where it exists and to promote the wise use of energy.

The staff proposes in Rule 4901:1-18-14(B) to address energy usage by establishing an incentive mechanism that offers PIPP and graduate PIPP customers the opportunity to reduce outstanding arrearages in return for conserving energy. In its initial comments, ODOD recommended consideration of an alternative arrearage crediting approach tied to the customer's level of usage reduction and to the maintenance of their reduced level of usage. ODOD has continued to consider the conservation incentive proposed by the PUCO and other possible alternatives. ODOD suggests that the Commission consider evaluating the merits of creating an incentive for PIPP customers to reduce usage by lowering the percentage of income amount that conservation-conscious PIPP customers are required to pay. Any such approach considered should be reasonably simple to administer and should include provisions to encourage customers to continue to maintain usage at a reduced level after accomplishing some initial level of reduction.

ODOD appreciates the opportunity to submit these reply comments, and urges the Commission to adopt these comments as well as its earlier initial comments in formulating the final version of the rules now under consideration.

Respectfully submitted,

A handwritten signature in black ink, appearing to read 'B. Royer', with a long horizontal stroke extending to the right.

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ATTACHMENT A

Ohio Department of Development

Proposed Changes to the Electric Percentage of Income Payment Plan (PIPP)

What is PIPP?

PIPP is a bill payment assistance program that allows income-eligible customers to pay, on an annual basis, a reduced amount.

How PIPP Works

- **Customer pays a percentage of monthly income during winter heating season**
- **In summer, customer pays the higher of PIPP amount or actual bill**
- **The unpaid balance is deferred as an arrearage to the customer's account for later repayment or crediting**
- **The Universal Service Fund collected from all customers reimburses utility companies for the full cost of service for PIPP customers**

Customer Electric PIPP Payments

PIPP Customer Income	Main Heating Utility	Secondary Heating Utility
	13%	3%
	15%	5%
< 50% Federal Poverty Guidelines		
>= 50% Federal Poverty Guidelines		

Estimated PIPP Enrollment by PIPP TYPE

2007 Avg Enrollment	218,000
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Current Program		PIPP Customers
PIPP Type	% Pop	
Zero Payment	12.2%	26,618
3%	27.1%	59,100
5%	47.4%	103,245
13%	6.6%	14,453
15%	6.7%	14,584
Total PIPP	100.0%	218,000

About One-half of PIPP customers are <50% of the FPG

Average USF Payment per Customer 2007

	Cost of PIPP	Average PIPP Enrollment	Average USF \$/Customer	Average Monthly Payment
CSP	\$15,172,932.46	31,331	\$484.27	\$40.36
OP	\$14,608,338.20	33,044	\$442.09	\$36.84
Duke	\$15,727,720.91	19,250	\$817.01	\$68.08
DPL	\$9,817,949.17	19,553	\$502.13	\$41.84
CEI	\$11,983,551.53	40,705	\$294.40	\$24.53
OhEd	\$25,750,957.86	58,424	\$440.76	\$36.73
ToEd	\$8,629,376.92	16,150	\$534.32	\$44.53
	\$101,690,827.05	218,458	\$465.49	

2008 Regular HEAP Program Summary

Applications in System	467,549
TANF Eligible	175,914
Average HEAP Benefit	\$245.03
Average WCP Benefit	\$231.33

Why Change PIPP?

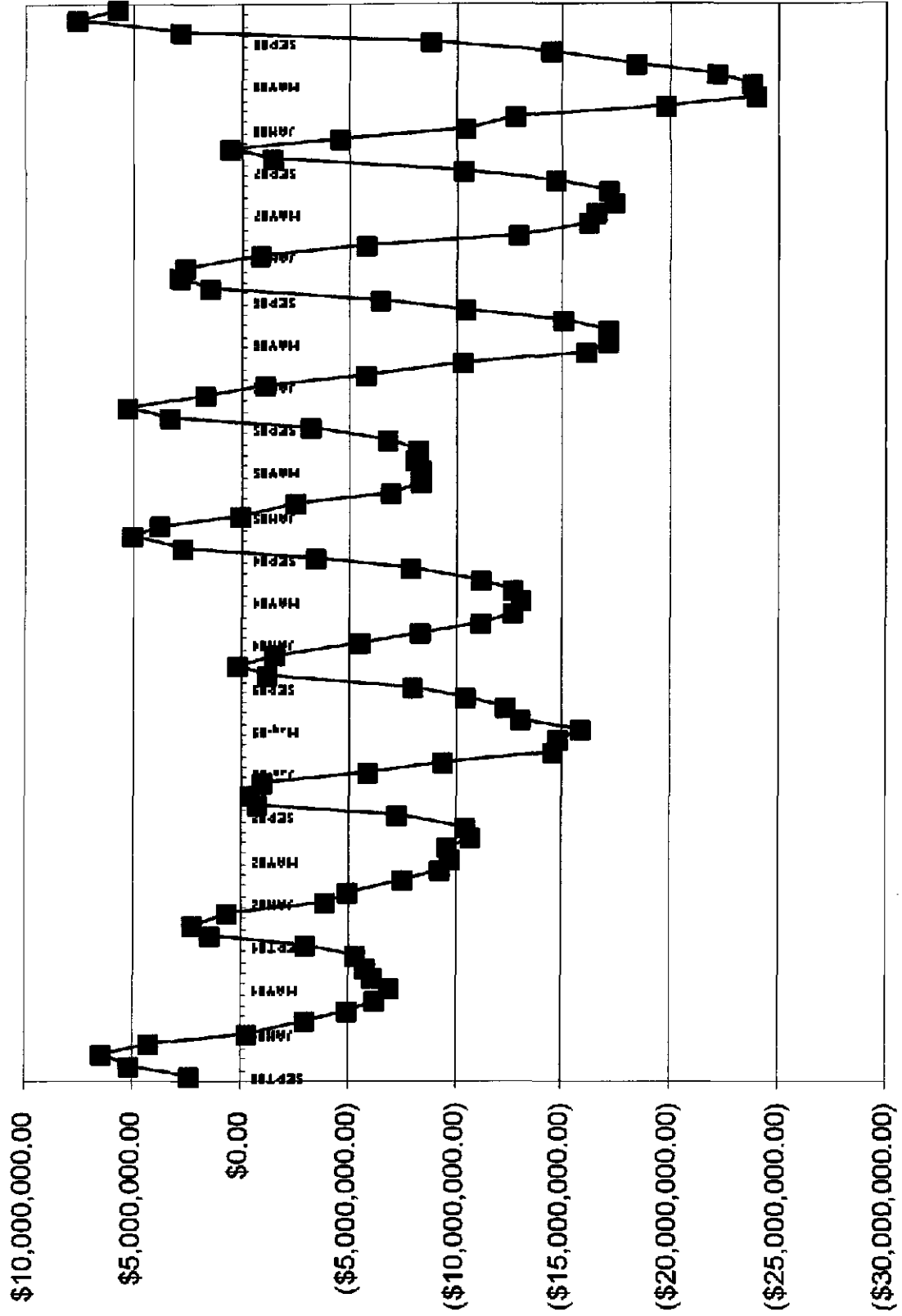
- **Make the program more manageable**
- **Make PIPP payments standardized and more affordable for customers**
- **Maximize customer participation while minimizing the burden on other rate payers**
- **Promote the financial viability of the Universal Service Fund**

Growth in USF Target Revenue

Company	PIPP	2000-2001		2002		2003		2004		2005	
	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue
CSP	\$2,949,692	\$10,254,800	\$10,822,883	\$13,284,920	\$14,402,097	\$12,083,045					
OP	\$4,123,001	\$9,587,567	\$12,180,816	\$11,375,957	\$13,531,727	\$9,490,428					
Duke	\$11,266,532	\$4,900,898	\$8,039,648	\$11,247,741	\$10,022,430	\$10,561,021					
DP&L	\$5,466,249	\$8,431,062	\$11,428,351	\$5,852,138	\$8,291,062	\$6,015,221					
MonPower	\$65,897	\$81,091	\$208,005	\$220,417	\$130,629	\$237,300					
CEI	\$11,362,912	\$9,211,003	\$8,493,008	\$10,404,696	\$9,995,977	\$13,250,316					
OhEd	\$25,603,901	\$18,084,088	\$18,688,487	\$24,151,935	\$25,385,765	\$28,661,617					
ToIEd	\$5,650,938	\$4,032,063	\$5,804,238	\$6,240,395	\$6,918,948	\$8,154,317					
Totals:	\$66,489,122	\$64,582,572	\$75,665,436	\$82,778,198	\$88,678,636	\$88,453,265					

Company	2006		2007		2008		2009		2008-2009		2000-2009	
	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	Revenue	% Increase	% Increase	% Increase	% Increase
CSP	\$14,718,354	\$12,263,456	\$24,658,726	\$25,610,929	3.86%	149.75%						
OP	\$13,705,008	\$11,483,050	\$24,276,493	\$22,011,005	-9.33%	129.58%						
Duke	\$13,896,041	\$17,089,619	\$23,190,679	\$22,026,260	-5.02%	349.43%						
DP&L	\$11,713,103	\$12,704,997	\$11,202,494	\$17,301,085	54.44%	105.21%						
CEI	\$14,685,953	\$17,502,928	\$15,051,387	\$15,627,550	3.83%	69.66%						
OhEd	\$29,488,448	\$30,968,679	\$34,660,421	\$44,577,135	28.61%	146.50%						
ToIEd	\$9,052,294	\$9,397,851	\$13,313,683	\$14,499,517	8.91%	259.61%						
Totals:	\$107,259,201	\$111,410,580	\$146,353,883	\$161,653,481	10.45%	150.31%						

Universal Service Fund Account Balance



PIPP Customers Cost of PIPP

	2005	2006	2007	2008	% Change 2007-2008	% Change 2005-2008
CSP	\$9,804,031	\$12,582,443	\$13,048,964.96	\$18,035,025.77	38.21%	83.96%
OP	\$8,718,982	\$10,671,139	\$13,035,300.63	\$16,804,059.05	28.91%	92.73%
Duke	\$7,927,028	\$11,823,618	\$14,471,631.93	\$17,355,253.67	19.93%	118.94%
DPL	\$7,280,386	\$7,976,408	\$9,628,258.74	\$12,244,188.96	27.17%	68.18%
CEI	\$10,168,444	\$11,281,633	\$13,317,577.03	\$14,569,676.46	9.40%	43.28%
OhEd	\$21,910,558	\$22,712,481	\$26,810,228.21	\$32,153,645.75	19.93%	46.75%
ToIEd	\$6,508,232	\$6,671,800	\$8,728,440.28	\$10,477,349.77	20.04%	60.99%
	\$72,317,661	\$83,719,522	\$99,040,402	\$121,639,199	22.82%	68.20%

Year-End Account Balance

	End of Year USF Account Balances					
	2001	2002	2003	2004	2005	2006
Columbus Southern Power	\$599,282	(\$134,321)	(\$273,911)	\$1,662,933	\$1,134,518	\$1,871,097
Ohio Power	(\$1,445,364)	\$180,220	\$616,805	\$3,394,433	\$1,353,502	\$2,147,062
Duke	(\$1,175,130)	(\$1,437,296)	(\$75,853)	\$237,936	\$449,012	(\$1,090,793)
Dayton Power and Light	(\$114,881)	\$2,636,886	\$816,354	\$1,732,800	(\$1,137,587)	\$365,474
Monongahela Power	(\$59,332)	\$46,250	\$77,082	\$11,476	\$27,067	\$73,815
Cleveland Electric Illuminating	\$935,035	(\$355,797)	(\$635,173)	(\$1,795,399)	(\$939,598)	(\$1,088,744)
Ohio Edison	\$479,103	(\$2,367,192)	(\$1,990,573)	(\$1,122,293)	\$866,566	\$604,154
Toledo Edison	\$650,936	\$403,153	(\$167,186)	(\$425,426)	(\$123,497)	(\$348,126)
	(\$130,352)	(\$1,028,097)	(\$1,632,455)	\$3,696,460	\$1,629,983	\$2,535,945

2007 USF Account Balance **Balance**

Company	12/31/07
CSP	(\$3,170,501)
OP	(\$3,100,188)
Duke	(\$1,867,819)
DPL	\$1,502,807
CEI	\$1,966,484
OE	\$1,058,895
TE	(\$1,043,629)
Total:	(\$4,653,951)

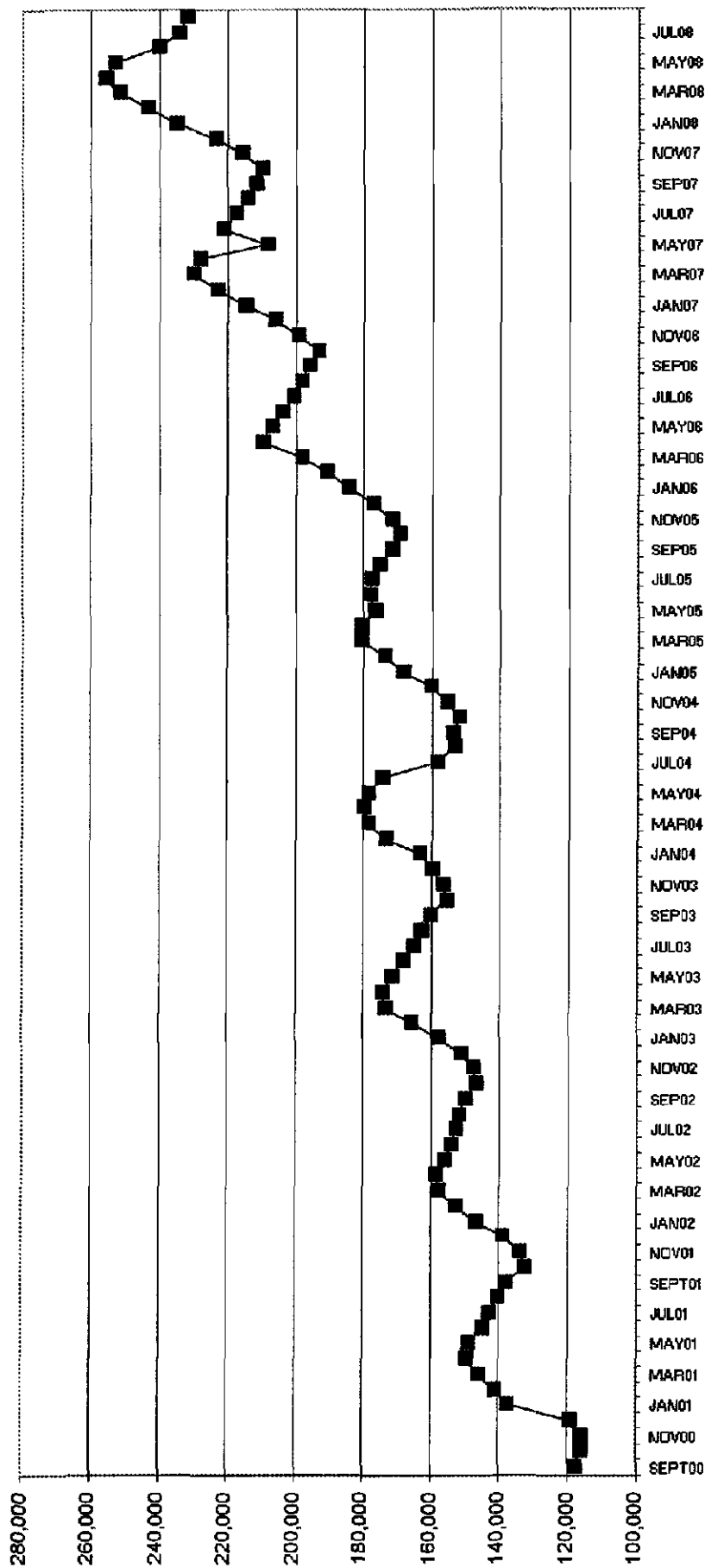
Factors Contributing to Increasing USF Costs

Program Enrollment

Since 2001, Electric PIPP Enrollment has increased by over 120,000 households.

The highest monthly enrollment in 2008 exceeded 255,000 households.

Number of PIPP Customers by Month



Comparison of PIPP Enrollment by Company **First Month and Highest Month**

Companies	First Month Jan/2001	Highest Month Apr-08	Percentage Increase
CSP	19,224	37,431	94.71%
OP	20,540	38,489	87.39%
Duke	12,579	21,257	68.99%
DPL	13,530	24,058	77.81%
CEI	23,559	46,417	97.02%
OhEd	38,863	67,652	74.08%
ToIEd	9,104	20,563	125.87%
	137,399	255,867	86.22%

Estimated Cost of PIPP

Ohio Households <150% Poverty	Average PIPP Enrollment	PIPP Program Saturation	Cost of PIPP June06-May07
831,832	208,665	25.08%	\$94,405,040

estimated	30%	\$112,924,689.00
estimated	50%	\$188,207,814.99

Cost of Electricity

Since 2001, the average annual cost of electricity billed for a PIPP customer has increased by 27% - from from \$973 to \$1,239.

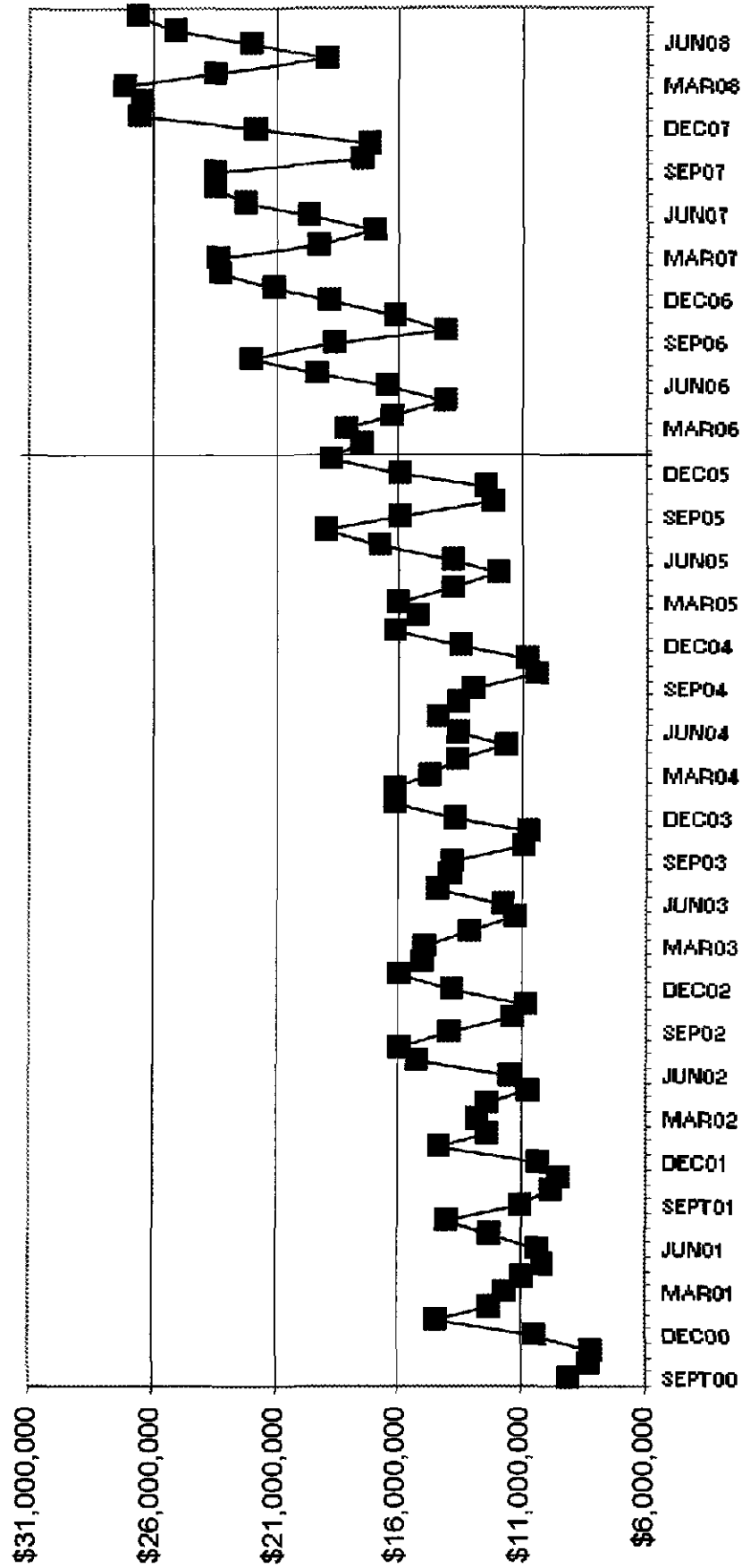
Average Billed Electric Service PIPP Customers

Average Annual Electric Cost PIPP Customers

	2001	2007	% Increase
Columbus Southern Power	\$1,078	\$1,334	24%
Ohio Power	\$1,142	\$1,327	16%
Duke	\$768	\$1,251	63%
Dayton Power and Light	\$976	\$1,209	24%
Cleveland Illuminating	\$820	\$849	4%
Ohio Edison	\$981	\$1,095	12%
Toledo Edison	\$995	\$1,120	13%

All Companies	\$973	\$1,239	27%
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Electric Service Charges PIPP Customers



Cost of PIPP **Calendar Year Summary**

Year	All Companies			% Change 06-07	% Change 05-07
	2005	2006	2007		
Cost of Service ¹	\$199,074,028.56	\$232,283,791.68	\$270,568,440.90	16.48%	35.91%
Customer Payments	\$122,917,608.82	\$145,933,112.94	\$168,877,613.65	15.72%	37.39%
Cost of PIPP ²	\$76,156,419.74	\$86,350,678.74	\$101,690,827.25	17.76%	33.53%
Average Annual Customers	174,730	199,173	218,458	9.68%	25.03%

Notes:

1. Includes cost of electric service and account default billed upon program enrollment.
2. Cost of PIPP is amount billed to the USF less Customer Payments

Cost of Electrical Service for PIPP Customers Comparison by Company

PIPP Customers Electrical Service Billed

	2005	2006	2007	2008	Change 2007-2008	Change 2005-2008
CSP	\$29,587,720	\$33,151,191	\$39,991,632	\$46,758,059	16.92%	58.03%
OP	\$30,643,498	\$34,896,247	\$42,380,156	\$47,801,300	12.79%	55.99%
Duke	\$13,805,093	\$18,234,927	\$22,264,608	\$25,294,341	13.61%	83.22%
DPL	\$16,048,542	\$18,828,974	\$21,743,154	\$27,234,925	25.26%	69.70%
CEI	\$22,308,643	\$27,537,958	\$33,007,622	\$37,592,863	13.89%	68.51%
OhEd	\$45,926,765	\$52,732,881	\$60,907,072	\$71,660,126	17.65%	56.03%
TotEd	\$12,542,788	\$14,486,009	\$17,079,729	\$20,643,362	20.86%	64.58%
	\$170,863,049	\$199,868,187	\$237,373,972	\$276,986,984	16.69%	62.11%

The PIPP bill for electricity has significantly increased since rate increases became effective in 2006.

Pre-PIPP Costs by Company

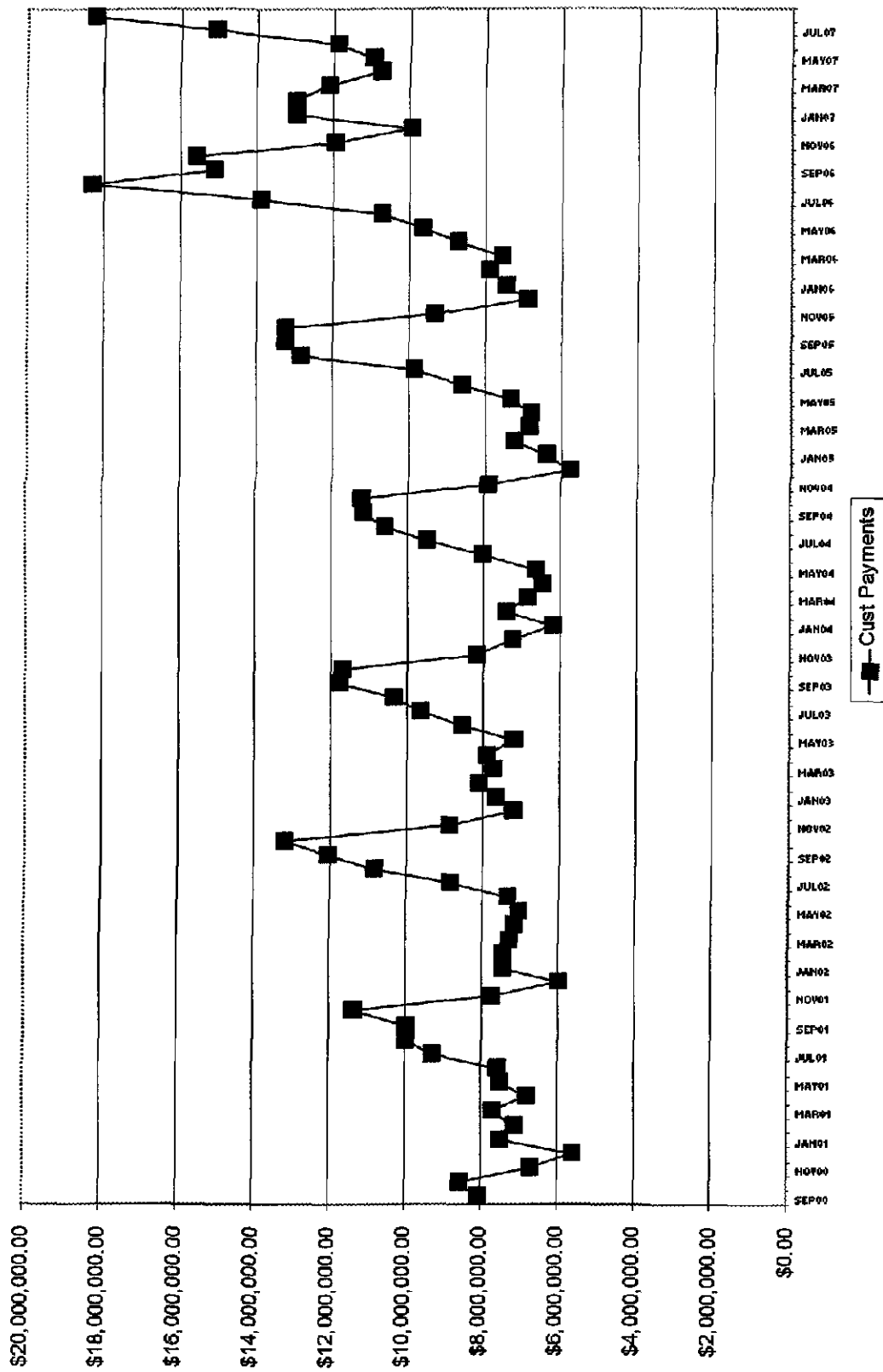
	2004 Aug-July	2005 Aug-July	2006 Aug-July	2007 Aug-July	2008 Aug-July	2005-2008 % Increase
CSP	\$1,846,675	\$1,996,742	\$4,138,195	\$3,148,780	\$3,449,087	72.74%
OP	\$1,506,824	\$2,059,283	\$3,491,353	\$2,693,339	\$3,021,002	46.70%
Duke	\$3,028,466	\$2,761,262	\$3,833,723	\$3,664,582	\$5,164,826	87.05%
DPL	\$3,521,489	\$3,072,715	\$3,287,640	\$3,381,529	\$3,174,959	3.33%
CEI	\$1,879,355	\$2,814,692	\$3,057,174	\$2,919,945	\$3,052,885	8.46%
OhEd	\$4,005,396	\$4,667,084	\$5,116,639	\$5,051,016	\$6,084,220	30.36%
ToEd	\$1,213,981	\$1,545,508	\$1,547,328	\$1,621,149	\$2,573,582	66.52%
	\$17,002,185	\$18,917,287	\$24,472,053	\$22,480,340	\$26,520,562	40.19%

Customer Bill Payments

In 2007, PIPP customers paid about one half (53%) of the electric bill. Agencies paid 9%, and the USF 38%.

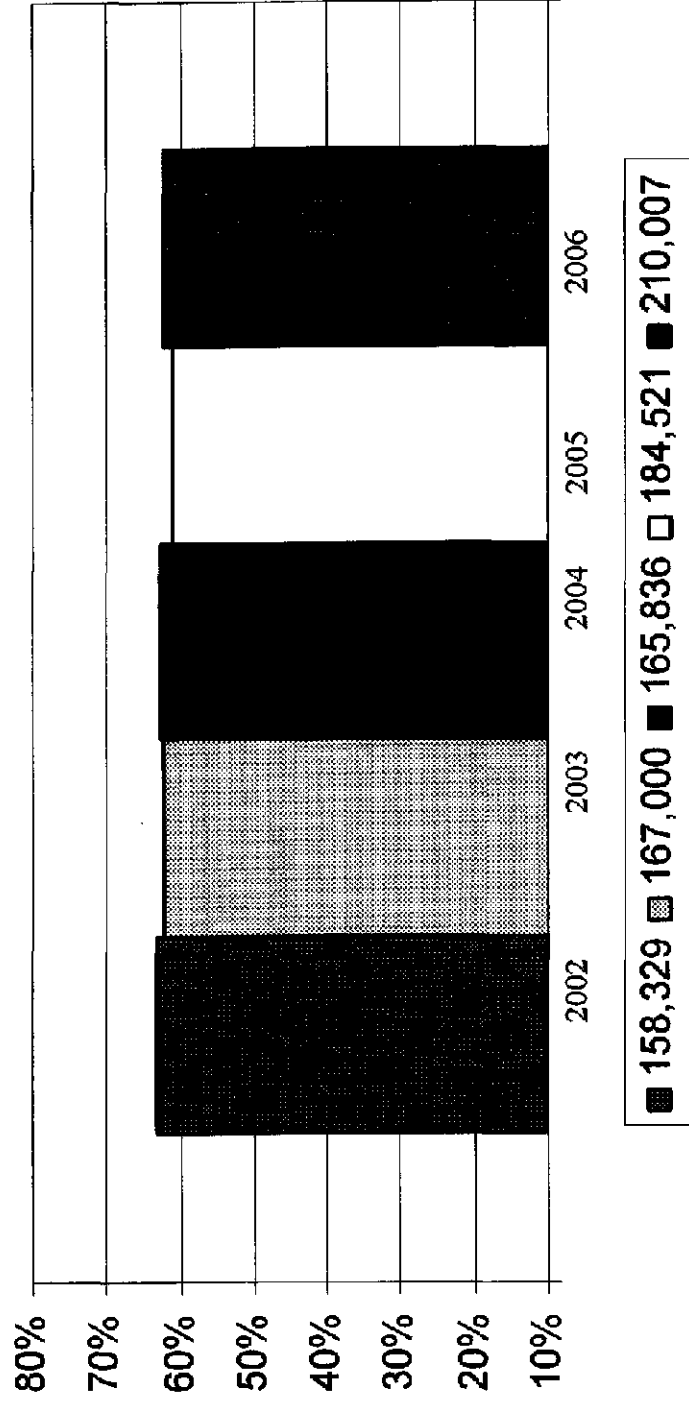
In the first five years of USF, enrollment increased by 40%, while customer payments increased by 8%.

PIPP Account Payments



In the first five years, enrollment increased by 40%, but payments had only increased by 8%

Percentage of PIPP Bill Paid by Customers



Average PIPP Enrollment

PIPP Customers pay about 60% of the PIPP bill

**Customer Payments
Active & Inactive PIPP Customers
Program Year 2007**

Utility Companies	Number of Customers	No. Payments	One Payment	Two Payments	Three Payments	Four Payments	Five Payments	Six Payments	Seven Payments	Eight Payments	Nine Payments	Ten Payments	Eleven Payments	Twelve Payments
Picks Energy	24,580	3,396	6,150	3,644	2,805	3,315	1,510	1,168	882	835	505	389	219	151
Dayton Power & Light Corp.	25,173	1,729	1,514	1,502	1,656	1,735	1,903	2,109	2,082	2,355	2,288	2,333	2,177	2,009
Cincinnati Southern Power	57,792	12,062	7,859	2,765	4,952	4,945	3,783	3,535	3,313	2,342	2,598	2,155	1,887	1,687
Ohio Power	80,211	11,005	7,529	6,396	4,821	3,561	3,924	3,585	3,817	5,393	3,280	3,584	2,921	2,833
Cleveland Electric Illuminating	40,513	4,514	3,409	3,170	3,121	3,968	3,012	2,323	2,788	2,850	2,751	2,648	2,745	5,748
Edison Edison	59,945	6,742	4,768	3,633	4,702	4,834	4,714	4,551	4,288	4,251	4,298	3,345	3,754	4,523
Totals Edison	18,250	2,303	1,820	1,465	1,459	1,343	1,311	1,319	1,178	1,103	1,071	977	987	1,217
Totals	281,884	38,042	25,889	24,149	20,711	19,011	18,587	18,339	17,444	16,730	16,242	14,745	13,861	18,054
Percentage of customer making payments		14.61%	10.27%	6.22%	7.91%	7.20%	7.12%	7.00%	6.60%	6.39%	6.20%	5.53%	5.29%	6.13%

1. About 50% of PIPP customers made four payments or less.
2. About 6% made a payment every month

PIPP Administrative Issues to be Addressed by Program Changes

- **USF Reimbursement Method**
- **Zero-Income PIPP Customers**
- **Annual Winter Reconnect Cycle**
- **Customer Arrearages**
- **Company Reporting**

Zero-Income PIPP Customers

Zero-Income eligibility is difficult to assess and to administer at the local level where providers question the validity of perennial Zero-PIPP applications.

Many PIPP Customers who certify as zero-income during the PIPP season (PIPP payment is \$0) evidence income during the summer months. Last year, Zero-PIPP customers paid an average of \$244 in these months.

Although the number of Zero-Income PIPPs has reduced in the last few years, a high number remain.

Zero-PIPP Customers

	2005	2006	2007
Total PIPP Records	154,466	170,424	167,568
Zero PIPP Payment	62,731	54,925	33,136
% Zero PIPP	41%	32%	20%

Winter Reconnect Order

Each year, numerous PIPP Customers default on electric bills and apply for HEAP benefits to meet the Winter Reconnect Order.

This convergence of programs rewards customers for non-payment rather than for payment of electric bills.

Winter Reconnect Order And PIPP Enrollment 2007

	Customers WRO	On PIPP	New PIPP	1/3 or 1/6 Plan
Electric Companies	158,574	85,043	10,564	49,603
Gas Companies	155,554	32,216	6,036	33,930
Duke Energy	33,716	10,570	399	17,408
	347,844	127,829	16,999	100,941

Over 35% of customers who used the Winter Reconnect Order were already on PIPP

Customer Arrearages

Arrearage Crediting programs are inconsistent across companies and little understood by customers.

For many customers, the arrearages serve as a disincentive to ever leave the program as no means exists to pay them.

Arrearages

The proposed PIPP Reform would severely limit accruing arrearages from what they are in today's program. The USF payment would largely be a benefit.

For accumulated arrearages, a single arrearage crediting program for all companies, tied to good payment behavior is recommended.

	Arrearage Balances		
	April 06	April 07	April 08
CSP	\$37,860,308	\$43,936,375	\$53,197,607
OP	\$38,064,921	\$44,565,587	\$53,717,949
Duke	\$25,061,217	\$24,407,543	\$23,994,530
DPL	\$47,929,049	\$54,720,359	\$59,530,712
CEI	\$127,476,092	\$137,564,243	\$148,435,814
OhEd	\$245,717,935	\$268,333,895	\$293,657,519
ToIED	\$51,567,385	\$58,286,853	\$66,842,275
	\$573,676,907	\$631,814,854	\$699,376,406

2007 Cumulative Arrearages Active PIPP Customers

Electric Company	Average Cumulative Arrearage	Gas Company	Average Cumulative Arrearage
DPL	\$1,078	CGO	\$2,062
CSP	\$1,416	DEO	\$3,061
OP	\$1,308	ENG	\$2,632
CEI	\$1,168	OG	\$900
OE	\$1,607	PNG	\$1,035
TE	\$1,535	Vectren	\$1,186
Duke - E	\$1,488	Duke - G	\$966
Avg Elec	\$1,371	Avg Gas	\$1,692

Data Source: PUCO

New PIPP Design

The new electric PIPP program will bring requirements more in line with the gas PIPP program.

An effective arrearage crediting program, coupled with changes to HEAP, will encourage those who can afford to pay more toward their annual electric bills to do so.

Proposed Changes to the PIPP

- **Year-round Electric PIPP Payments of 7%**
- **Reduced PIPP billed Amount on an Annual Basis**
- **Arrearage Crediting tied to bill payments**
- **Minimum PIPP payment after 90 days zero-income PIPP**
- **Customer pays PIPP defaults before re-enrollment**
- **Change USF Reimbursement Process**
- **Improve Program Coordination between HEAP and PIPP**
- **Monthly customer-level reporting by Utility Companies**

Proposed Program Change Year-round Payments

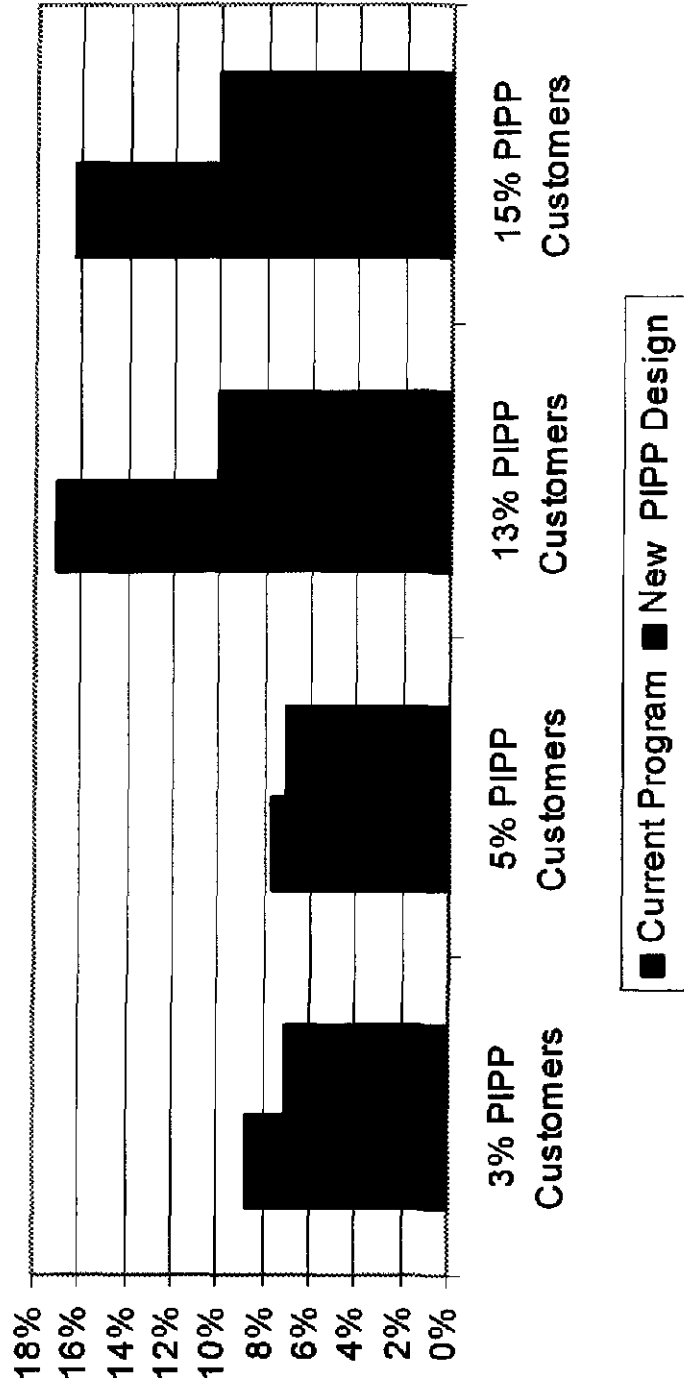
Like the current gas PIPP program, electric customers will make a standard payment every month.

Proposed Program Change Payment Amount

By making the annual payments more affordable, customers should pay more of the annual electric costs.

Year-round customer payments should be set at 7%.

Annual PIPP Bill as a Percentage of Customer Income



Why 7%?

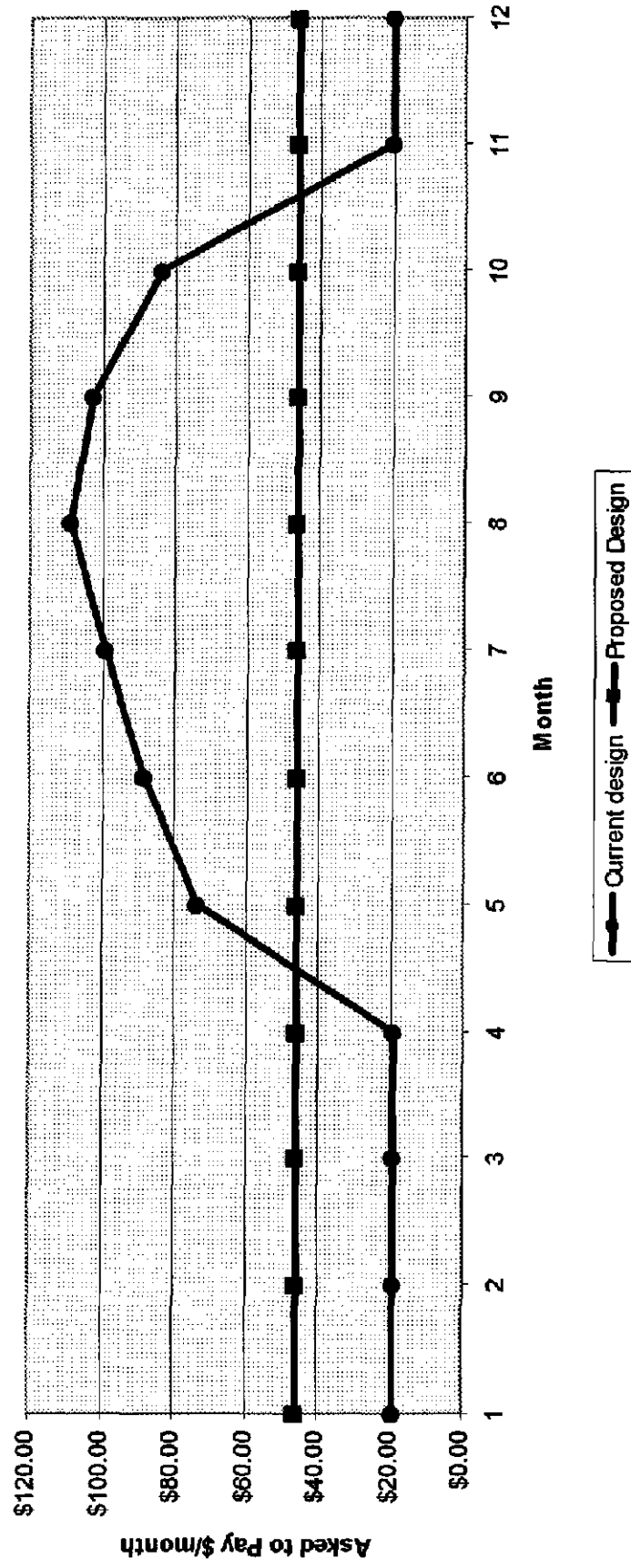
	3% Customers	5% Customers
Average PIPP Household- Annual Income	\$7,774	\$10,874
Monthly PIPP Payment (Winter Heating Season)	\$19	\$47
Annual Electric Bill	\$1,052	\$1,035
Average Billed Amount	\$679	\$838
Annual Arrearage	\$373	\$197

Annual Percentage of Income Billed	8.7%	7.7%
Annual Percentage of Income Paid	6.2%	5.2%

Because most customers pay the actual bill amount in the summer and the PIPP percentage in the winter, the annual PIPP bill far exceeds 3% or 5% of annual income. In 2007, these figures were 8.7% and 7.7% respectively.

PIPP Payment Model

Asked to Pay Amounts: Current 3% PIPPs



Proposed Program Change Minimum Payments

Zero-PIPP will be allowed for a 90-day period. Thereafter, customers will be required to make a minimum, monthly payment of \$10.

There will be a 'safety net' exception for customers who can demonstrate a continuing crisis that prevents them from making the minimum payment.

Proposed Program Change Arrearage Crediting

Institute one, standard arrearage crediting program for all electric companies.

Each time a PIPP customer makes a PIPP payment on time, the customer will receive a credit. The credit would be applied first against accruing arrearages and then against other outstanding PIPP debt.

Payment credits will only be issued against arrearages not as credits toward future service.

Most customer arrearages can be retired in 24 months with consistent payment.

Proposed Program Change Coordination with HEAP Programs

- **Effective November 2010, the priority of the Winter Crisis Program will be customers of non-regulated utilities and bulk fuel companies.**
- **PIPP Customers who are disconnected due to defaulted PIPP payments will have to pay the default amount to re-enroll in PIPP.**
- **Customers who are not PIPP-eligible, but are HEAP eligible, can access the the HEAP benefit (up to \$175) from year to year.**

Proposed Program Change USF Reimbursement

ODOD currently pays electric bills for PIPP customers in full on a monthly basis.

Payments to electric companies by ODOD will be limited to the amount of the difference between charges for actual service and amounts to be paid by PIPP customers.

Electric companies will be responsible for pursuing collection from customers of PIPP amounts.

USF Company Reimbursements

	5% Payment
Annual Income	\$10,874
Monthly PIPP Payment	\$47
Monthly Electric Bill	\$85
Difference	\$38
USF Bill	\$85

Current USF Reimbursement process is cumbersome and punitive.

USF Company Reimbursements

	5% Payment
Annual Income	\$10,874
Monthly PIPP Payment	\$47
Monthly Electric Bill	\$85
Difference	\$38
USF Bill	\$38

ODOD will no longer reimburse 100% of the PIPP bill, but only the difference between the PIPP bill and customer payments.

Company Reporting

Customer-level reporting is ordered as part of the PUCO's Winter Reconnect Rule. Reporting has been incomplete and inconsistent, and information has been insufficient to confirm company reimbursements and remittances or to evaluate the program.

OCS will request that companies report customer information monthly instead of quarterly.

Summary

- Significant customer growth has driven the increased cost of PIPP.
- Current PIPP Payment amounts vary by season and a disincentive to regular customer payments.
- ODOD is seeking ways to improve the delivery of both PIPP and HEAP where customers become more active participants.
- As much as possible, both gas PIPP and electric PIPP should align terms and requirements of the programs.

Questions?