

THE PUBLIC UTILITIES COMMISSION OF OHIO

Case No. 08-723-AU-ORD

The Commission finds:

- (2) Numerous applications for rehearing of the Order were filed. In the applications for rehearing, various applicants requested that the Commission clarify or address seven miscellaneous issues, including a request for exemption from the revised gas PIPP program (which includes a PIPP plan and a graduate PIPP program) for small gas companies. On April 1, 2009, the Commission issued its Entry on Rehearing (April 1 EOR)

¹ Hereinafter, the rules in Chapters 4901:1-17 and 4901:1-18, O.A.C., will be referred to by chapter and rule number only. For example, Rule 4901:1-18-14, O.A.C., will be abbreviated to Rule 18-14.

granting, in part, and denying, in part, the various applications for rehearing. In the April 1 EOR, the Commission rejected requests by several companies, including the Ohio Gas Company (Ohio Gas) to extend the gas PIPP exemption set forth in the Order to all gas utilities with less than 75,000 customers, irrespective of whether the gas utility has a PIPP rider. The Commission explained that:

As for small gas and natural gas utility companies, defined as those companies with less than 15,000 customers, the Commission will continue its long standing practice of not requiring them to offer the PIPP program. However, the Commission does expect these companies to continue to work with their customers to help the customer retain utility service, just as the companies do today. (April 1 EOR at 45).

- (3) By Entry issued June 3, 2009, the Commission recognized the extensive revisions made to the gas PIPP program, the time needed for utility companies to program their billing systems, and for utility companies and community action agencies to train their respective employees, and the time needed for the public to be educated on the new gas PIPP program. Therefore, the Commission concluded that the new and amended rules adopted in Chapters 4901:1-17 and 4901:1-18, O.A.C., would be effective November 1, 2010.
- (4) Adopted Rule 18-16, among other things, creates a transitional payment plan for graduate PIPP customers and adopted Rule 18-14 initiates an arrearage incentive program for PIPP and graduate PIPP customers whereby the customer receives a credit on the accumulating and accumulated arrearage for each timely payment of at least the payment amount due.
- (5) Subsequently, Ohio Gas requested an alternative arrearage crediting process for its PIPP customers and the limited number of graduate PIPP customers. By Entry issued August 19, 2009, as confirmed in the Entry on Rehearing issued October 19, 2009, the Commission approved, with certain modifications, Ohio Gas' request for an alternative arrearage crediting program for its PIPP and graduate PIPP customers.

- (6) On May 13, 2010, Northeast Ohio Natural Gas Corporation (NEO) filed a motion requesting: (a) a waiver of the monthly arrearage crediting programs for PIPP, and adoption of an alternative annual arrearage crediting procedure for PIPP customers; (b) an exemption from the graduate PIPP rules in their entirety; and (c) if the foregoing relief is not granted, a waiver of any bill format revisions in association with the implementation of arrearage crediting and the graduate PIPP program.
- (7) On June 15, 2010, NEO supplemented its May 13, 2010, motion, requesting, in addition to the relief previously sought, a waiver of the requirement, pursuant to Rule 18-15(D), that a PIPP customer's anniversary date appear on each monthly bill, as well as a waiver from any and all bill formatting changes relating to the change in the name of the PIPP program to PIPP Plus.
- (8) NEO explains that, like Ohio Gas, it finds itself in the position of having a customer base too small to justify the types of technology systems required to comply with the PIPP and graduate PIPP program modifications instituted by the revised rules. NEO states that it serves 15,521 customers, including, as of April 30, 2010, 130 PIPP customers. According to NEO, two employees presently spend eight hours per week manually confirming that current PIPP customers have made required income-based payments to maintain eligibility and to reflect re-qualifications of former PIPP customers, initial qualifications of new PIPP participants, and disqualifications for non-payment. NEO estimates that this workload will double once its employees have to conduct manual reviews for customers who qualify for PIPP arrearage forgiveness and for manual reviews under the graduate PIPP program. NEO predicts manually tracking the monthly arrearage credits under adopted Rule 18-14 will require a time investment of over two hours each day.

NEO asserts that its current billing system cannot be re-programmed to mechanically track the monthly arrearage credits and estimates that it would take more than one year for a third-party information technology firm to make the necessary changes to the billing system needed to permit monthly arrearage crediting. The programming changes

would require at least 225 hours of billable work by an outside consultant, and NEO states that its key employees would have to spend an additional 350 hours, at a minimum, to manage the outside consultant through the design, testing, training, and implementation phases. NEO believes that the cost and ongoing administrative burden associated with the monthly arrearage credit and associated billing statement revisions will be grossly disproportionate to the possible benefits that NEO's customers can be expected to gain from the effort. NEO points out that, in the last 12 months, it has averaged 119 PIPP customers per month, and only 17 of those customers remained on PIPP for the entire period. In addition, NEO reports that only 72 PIPP customers paid their bills by the due date in at least nine of the 12 months.

- (9) As an alternative, like the arrearage crediting program approved for Ohio Gas, NEO proposes, on an annual basis, to manually calculate and apply to each PIPP customer's account on the December billing payment a credit for full and timely payment of the required income-based amount, for those PIPP customers satisfying the following qualification criteria:
- (a) The PIPP customer must have been an active PIPP customer for the previous 12-month period, November 1 through October 31;
 - (b) The PIPP customer must have made a minimum of nine monthly payments of at least the required income-based payment each month; and
 - (c) The PIPP customer must have paid a minimum of 75 percent of his/her payment obligation during this 12-month period.

NEO proposes that a PIPP customer who qualifies under these criteria will be credited in December with a one-time PIPP arrearage credit of 75 percent or more, with customers who paid 100 percent of the total income-based payment obligation over the 12-month period receiving an arrearage credit of 100 percent. NEO states that it is not economical to adjust its billing system to reflect the arrearage credit; therefore, NEO proposes notifying PIPP customers receiving

the arrearage credit by separate notices mailed contemporaneously with the December billing. In support of its proposal, NEO states that under its plan a PIPP customer will have the opportunity to eliminate the customer's historic, previously accrued arrearage and accumulating arrearage balances in one year, rather than the two-year elimination period contained in adopted Rule 18-14.

NEO states that it will implement a program to track and grant the appropriate arrearage credits for PIPP customers who have been active during the 12-month period, including those PIPP customers who have moved to a new service location within the preceding 12 months. NEO argues that its arrearage crediting program is less costly and provides a comparable if not even more compelling incentive for a PIPP customer to make timely payments of the customer's monthly income-based payment obligation. In addition, NEO states that it will work with Staff to develop a PIPP customer notice and address the retention of information on its PIPP program and the alternative arrearage crediting program to facilitate the Commission's evaluation and monitoring of PIPP.

- (10) With regard to the graduate PIPP program, NEO submits that there will be no incentive for its PIPP customers to voluntarily migrate to graduate PIPP because payments in graduate PIPP are higher than those required in PIPP and the only benefit would be the quicker erosion of accumulated arrearages compared to the PIPP monthly arrearage credit program. NEO states that, in the last 12 months, none of its PIPP customers have voluntarily terminated participation in the program. NEO argues that most graduate PIPP participants will be former PIPP customers who have lost their eligibility, therefore, in light of the small number of PIPP customers served by NEO and the even smaller number of those customers who would wind up participating in graduate PIPP, NEO submits that it is unreasonable to require NEO's customers to incur the system modification cost of implementing the adopted graduate PIPP rules. If its waiver request is granted, NEO commits to continue to work with its former PIPP customers to develop mutually agreeable payment arrangements that allow the customer to retain gas

utility service or alternatively utilize the payment arrangement provided in the Commission's revised rules.

- (11) NEO argues that the cost for the programming changes required in order to include PIPP customers' anniversary dates and to reflect the name change of the PIPP program to PIPP Plus will be disproportionate when compared to the potential benefit to PIPP customers. NEO believes that its proposed modified PIPP arrearage crediting program will work effectively and transparently even without the inclusion of this information on PIPP customers' bills.
- (12) The Commission finds NEO's alternative arrearage crediting proposal for PIPP customers, as clarified, to be an acceptable alternative to the adopted rules. First, we note that NEO is just barely over the small gas company threshold as defined by the Commission in the Order and the April 1 EOR. NEO has proposed to provide an arrearage credit to a PIPP customer who makes at least nine timely PIPP payments in a 12-month period. The Commission finds that this proposal grants an arrearage credit to a PIPP customer making 75 percent of the minimum required PIPP payments, in full and on time. It also affords the PIPP customer the opportunity to eliminate his/her accumulated arrearage (historic, previously accrued) and accumulating arrearage balances (the difference between the PIPP payment and the actual bill) in one year. Under the adopted PIPP rules, a PIPP customer can eliminate his/her accumulated and the accumulating arrearage in two years at best. To receive a one-time annual PIPP arrearage credit of 75 percent or more, NEO PIPP customers shall: (a) be active participants in the PIPP program for the 12-month period from November 1 through October 31; (b) make at least nine timely payments during the 12-month period; and (c) make payments totaling at least 75 percent of the annual total PIPP payment obligation amount. The percent of arrearage credit shall increase as higher percentages of the minimum PIPP payment are made during the period, such that the percentage credited will equal the percentage paid. A PIPP customer's eligibility for an arrearage credit shall not be affected by the customer's transfer of the service to a new service address within the company's service territory.

- (13) The Commission understands that it is a complex and expensive undertaking to find an appropriately trained information technology programmer to revise customer information and billing systems in order for NEO to implement the arrearage crediting provisions, especially considering the limited number of customers likely to benefit from the program. Therefore, the Commission concludes that, in this instance, NEO's cost of implementing the arrearage crediting provisions of the PIPP program outweighs the benefits for the limited number of customers eligible to receive such benefits. As in the case of Ohio Gas, accepting NEO's analysis of PIPP participation and likely graduate PIPP participation and the timely payment of PIPP bills, the Commission finds it unreasonable to require NEO to impose on all its customers the cost of a new customer information and billing system or the cost and time necessary to reprogram its current system. We further note that it is likely that NEO's employees would have to expend a significant amount of time to manually provide a small number of customers the opportunity to receive monthly arrearage credit under the arrearage crediting provisions of the PIPP rules. We find NEO's proposal to annually credit PIPP customers for timely payment of at least the PIPP payment amount, a less expensive, feasible alternative. The Commission notes that NEO's alternative is more generous than adopted Rules 18-14 and 18-16, to the extent that a timely paying PIPP customer can eliminate 75 to 100 percent of the customer's accumulated and accumulating arrearage each year. The Commission further recognizes that approval of this waiver request allows NEO to avoid incurring additional systems cost to the benefit of its other customers. The Commission also finds that NEO's alternative PIPP arrearage crediting plan supports the Commission's goals for the gas PIPP program; namely, to improve payment patterns, encourage responsible payment behavior and improve credit records, and reward good payment history.
- (14) NEO's alternative arrearage crediting proposal will allow NEO's PIPP customers the opportunity to substantially reduce or erase their outstanding accumulated arrearage and the accumulating arrearage each year. Thus, a PIPP customer with NEO can significantly reduce his/her financial burden

once the customer leaves the PIPP program and improve the likelihood that any outstanding arrearages can be addressed with the payment plans offered pursuant to Rule 18-04 and adopted Rule 18-05, thereby addressing one of the primary focuses of the graduate PIPP program. We note that Rule 18-04 and adopted Rule 18-05 include standard payment plans, as well as a customized payment plan, which take into account the customer's circumstances. We also reiterate our request that NEO continue to work with its former PIPP customers to develop mutually agreeable payment arrangements that allow the customer to retain his/her gas utility service. For these reasons, we approve NEO's request to waive the graduate PIPP program and to waive the arrearage crediting requirements for PIPP and graduate PIPP customers as set forth in adopted Rules 18-14 and 18-16. Further, the Commission approves NEO's request to implement the alternative annual arrearage crediting plan presented herein.

- (15) The Commission also finds that NEO's request for waivers of the requirement in Rule 18-15(D) that the company should include the PIPP customer's anniversary date on each monthly bill and bill formatting changes relating to the change in the name of the PIPP program to PIPP Plus are reasonable and should be granted. NEO is directed to work with Staff to determine the best way to provide a PIPP customer with information about the customer's anniversary date prior to the actual anniversary date.
- (16) Finally, the Commission finds that, from this point on, any company requesting a waiver of Chapters 4901:1-17 and/or 4901:1-18, O.A.C., must file its request in a separate "WVR" docket and not in Case No. 08-723-AU-ORD. In addition, the Commission directs that any company filing a "WVR" case should include in the caption of the case the O.A.C. rule number(s) from which it is requesting a waiver.

It is, therefore,

ORDERED, That, as discussed above, NEO's requests for a waiver of the monthly arrearage crediting program for PIPP and an exemption from the graduate PIPP rules be granted. NEO is also given authority to adopt its proposed alternative annual arrearage crediting procedure. It is, further,

ORDERED, That NEO's request for waivers of the requirement in Rule 18-15(D) that the anniversary date for PIPP customers be included on the monthly bills and of bill formatting changes relating to the change in the name of the PIPP program to PIPP Plus are granted. It is, further,

ORDERED, That a copy of this entry be served upon NEO and its counsel.

THE PUBLIC UTILITIES COMMISSION OF OHIO



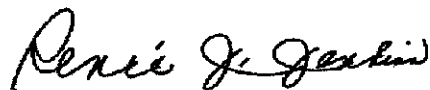
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