

**BEFORE THE
HOUSE CONSUMER AFFAIRS COMMITTEE**

Hearing on House Bill 1047

Testimony of

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Good morning Chairman Godshall, Chairman Daley, Committee Members and guests. I am Donna Clark, Vice President and General Counsel of the Energy Association of Pennsylvania (“EAP” or “Association”), a trade association comprised of electric and natural gas utilities operating in Pennsylvania. Thank you for the opportunity to participate in today’s public hearing on behalf of the EAP’s electric and natural gas utility members¹ regarding House Bill 1047.

For context, the EAP's primary functions are to advocate positions before state agencies, most notably the Public Utility Commission (“PUC” or “Commission”) and the General Assembly, and to assist its members in sharing best practices. EAP also provides educational opportunities for its members (as well as for out-of-state utilities, government employees, and other interested parties) through its annual conferences on electric & gas operational and consumer service issues, and occasional ad hoc events planned around timely key industry issues.

My purpose for appearing before you today is to urge passage of House Bill 1047, legislation proposing to eliminate the expiration date associated with the “Responsible Utility Customer Protection Act” (also known as “Chapter 14” of Title 66) to prevent its sunset on December 31, 2014. Chapter 14 is the foundation of Pennsylvania’s successful comprehensive residential utility collection strategy and the backbone of subsequent PUC regulatory policies designed to reduce uncollectible expenses and mitigate the need for rate increases for electric and gas service in the state.

¹ EAP member utilities include: Citizens’ Electric Company; Columbia Gas of PA; Duquesne Light Company; Equitable Gas Company; Metropolitan Edison Company; National Fuel Gas Distribution Corporation; PECO Energy Company; Pennsylvania Electric Company; Pennsylvania Power Company; Peoples Natural Gas Company; Peoples TWP, LLC; Philadelphia Gas Works; Pike County Light & Power Company; PPL Electric Utilities Corporation; UGI Central Penn Gas, Inc.; UGI Penn Natural Gas, Inc.; UGI Utilities, Inc. (Electric & Gas Divisions); Valley Energy Company; Wellsboro Electric Company; and, West Penn Power Company.

By way of background, Chapter 14 (Act 201 of 2004) was signed into law on November 30, 2004 by then-Governor Rendell and went into effect on December 14, 2004. The Act added Sections 1401 through 1408 to Chapter 14 of Pennsylvania's Statutes at Title 66. As affirmed in the Act's Declaration of Policy, Chapter 14 stemmed from concern of Members of the General Assembly that the residential utility service standards in existence at that time (established 24 years prior in June of 1978) were no longer adequately managing bill payment and collections issues. Unpaid utility bills and delinquencies were threatening good-paying customers with higher electric and gas service rates.

Chapter 14 set forth a framework for equitable, common-sense residential utility collections standards while ensuring that utility service remained available to all residential customers on reasonable terms and conditions.² This framework then guided the Commission's seven-year regulatory process to revise the Standards and Billing Practices regulations at 52 Pa Code Chapter 56 (known as "Chapter 56") to align with Chapter 14 principles by establishing reasonable delinquent account procedures and collections; fair and equitable standards for termination and reconnection of service, use of medical certificates and deposits requirements; lawful criteria for qualification of a Low Income Home Energy Assistance Program crisis grant ("LIHEAP"); and, a sound structure for issuing payment agreements.

Chapter 14 helped to end an era where customers who didn't want to pay their utility bills were able to manipulate the then-existing collections rules to avoid payment or to obtain multiple, consecutive payment agreements which in some cases extended the payback period over decades. Practices that allow this type of activity to exist result in growing delinquencies and uncollectible revenues that are eventually written off and/or collected through increased rates on responsible, timely-paying utility customers.

² 66 PA C.S. §1402 Declaration of Policy

Now eight years later we are approaching the December 31, 2014 sunset provision associated with Chapter 14. EAP and its member utilities urge Members of the General Assembly to continue the success story by eliminating the “sunset” language in Section 5 of Act 201. Doing so would ensure that this essential statutory backbone remains in place without interruption, while in no way impeding the Commission’s authority to revise and/or amend its “Chapter 56” regulatory policies and practices that execute Chapter 14. Simply put, Chapter 14 has worked and achieved its purpose, which is to protect customers who pay their bills from higher rates caused by customers who choose not to pay their bills.

Since the law was enacted, even amidst periods of fluctuating energy prices and a long period of economic downturn, the “uncollectible expense” levels of EAP’s member electric and gas utilities have decreased to the benefit of paying customers. Moreover, service reconnections following termination and for full-payment of past due bills (also known as the “reconnect ratio”) demonstrates that the law has succeeded in encouraging customers to pay their bills if they are capable of doing so.

*PUC Biennial Reports to the General Assembly and the Governor*³ memorialize the Commission’s findings following extensive review of the utility industry’s performance in implementing Chapter 14 and subsequent Commission implementation regulations. Each of the four Biennial Reports published to date demonstrate that utilities have successfully implemented the rules and are continually improving management of their residential collections in each of the four statutory-designated areas:

1. The degree to which the Chapter’s requirements have been successfully implemented.
2. The effect upon the cash working capital or cash flow, uncollectible levels and collections of the affected public utilities.

³ 66 Pa. C.S. § 1415, Reporting to General Assembly and Governor.

3. The level of access to utility services by residential customers including low-income customers.
4. The effect upon the level of consumer complaints and mediations filed with and adjudicated by the Commission.

Of equal importance is the fairness of Chapter 14 and related public policies to Pennsylvania's vulnerable low-income families. The best way to help low-income customers is through programs that directly address their inability to pay, such as utility customer assistance programs ("CAP"). CAP customers are billed based upon their ability to pay. Encouraging multiple payment agreements with long payback periods as occurred prior to the enactment of Chapter 14 results in large past due balances and is not in the best interest of low-income customers.

Since 2004, the funding for electric and gas utility Universal Service Programs (designed to assist low income customers) has almost doubled. Over \$400 million annually was expended for these programs in each of the last four years. In addition, electric and gas utilities continue to assist their customers in leveraging other resources such as weatherization, fuel funds, and the federally-funded LIHEAP program (LIHEAP provided \$185 million in benefits to low income Pennsylvanians using all types of heating sources in the 2012-13 program year.)

This success story should not be eroded. The Energy Association and its members urge your support for passage of House Bill 1047 so that it may continue. In the coming years, many factors may influence the price consumers pay for their energy supply and service, but maintaining sound credit and collection polices is the best way to ensure that consumers do not bear unnecessary costs. Chapter 14 has controlled the need for and/or level of rate increases, thereby benefiting all residential customers.

Thank you again for the opportunity to appear before you today. I'd be happy to answer any questions.