

**BEFORE
THE PENNSYLVANIA HOUSE OF REPRESENTATIVES
CONSUMER AFFAIRS COMMITTEE**

Testimony of

Patrick M. Cicero, Esq. and Ms. Minta Livengood

on behalf of the Coalition for Affordable Utility Services and Energy Efficiency in
Pennsylvania (CAUSE-PA)

Regarding HB 107

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Testimony of Patrick M. Cicero:

Good Morning, Chairman Daley, Chairman Caltagirone, and Members of the House Consumer Affairs Committee. My name is Patrick Cicero. I am the Executive Director of the Pennsylvania Utility Law Project (PULP). I am joined today by Ms. Minta Livengood, a member of the Executive Committee of the Coalition for Affordable Utility Services and Energy Efficiency in Pennsylvania (CAUSE-PA)

For its part, PULP is the designated statewide specialized project of the non-profit Pennsylvania Legal Aid Network. For three decades, PULP has provided support, information, consultation, and advocacy in conjunction with local legal aid and community based organizations representing the interests of the Commonwealth's low-income residential utility consumers. Much of our advocacy focuses on energy issues because the ability of low income Pennsylvanians to connect to and maintain essential services needed for heating and cooling under reasonable terms and conditions and at affordable rates is an ongoing concern. One of PULP's clients is CAUSE-PA

CAUSE-PA is an unincorporated association of low-income individuals that advocates on behalf of its members to enable consumers of limited economic means to connect to and maintain affordable water, electric, heating and telecommunication services. CAUSE-PA membership is open to moderate and low income individuals residing in the Commonwealth of Pennsylvania who are committed to the goal of helping low-income families maintain affordable access to utility services and achieve economic independence. CAUSE-PA is governed by an executive committee. Ms. Livengood is a member of CAUSE-PA and its Executive Committee.

We both thank you for the opportunity to comment on HB 107. I will focus on the specifics of HB 107 and how PULP believes that this bill will help to close a gap in the ability of

poor and moderate income households to obtain natural gas as a heating source substitute for costly and unregulated deliverable fuels. I will also briefly talk about the difficulty that low-income households have generally in meeting their home heating needs. Ms. Livengood will then provide some context for this based on her personal and professional experience. We jointly submit this testimony on CAUSE-PA's behalf.

As currently proposed, House Bill 107 would allow a natural gas distribution company (NGDC) to petition the Commission to approve a distribution system extension charge to provide for the recovery of the reasonable and prudent costs incurred to extend a gas facility, including service lines, to serve unserved or underserved areas. The bill would also allow NGDCs to recover the costs of "rebates or buy down expenditures made by the company to reduce upfront costs of in-house piping and natural gas equipment owned by the customer." (Proposed § 1330(a)(2)).

CAUSE-PA supports the principles of this bill because it believes that the expansion of natural gas for home heating to poor households would assist households in reducing their home energy burden. An energy burden is the percentage of gross household income that the household pays for home energy sources. The cost of home energy is a crippling financial burden for Pennsylvania's most economically vulnerable households. Recent analysis shows that in 2016, low-income households face staggering energy burdens:

Chart 1.

Federal Poverty Level	Number of Pennsylvania Households who live at the respective poverty level	Percentage of annual income spent on home energy
Below 50%	300,208	28%
50% - 100%	369,373	15%
100% - 125%	202,445	10%
125% - 150%	213,973	8%
150% - 185%	304,593	7%
185% - 200%	130,777	6%

Source: Fisher, Sheehan & Colton, *The Home Energy Affordability Gap 2017* (2nd Series)
Published April 2017. Attached hereto as Appendix A.

The information presented in Chart 1, above, demonstrates that there are a lot of Pennsylvania households – more than 1.5 million – whose total household income is below 200% of the federal poverty level and that these households pay a significant portion of their monthly income for home energy. To give you a sense of context, reproduced below are the various federal poverty income guideline tiers for 2016 at different household sizes:

Chart 2.

Household Size	50% of FPL	100% of FPL	150% of FPL	185% of FPL	200% of FPL
1	\$5,940	\$11,880	\$17,820	\$21,978	\$23,760
2	\$8,010	\$16,020	\$24,030	\$29,637	\$32,040
3	\$10,080	\$20,160	\$30,240	\$37,269	\$40,320
4	\$12,150	\$24,300	\$36,450	\$44,955	\$48,600

Source: Department of Human Services Federal Poverty Guidelines for 2016. Available at: <https://www.federalregister.gov/documents/2017/01/31/2017-02076/annual-update-of-the-hhs-poverty-guidelines>.

These households are very poor and struggle each month to pay all of their bills.

However, unlike some other goods and services, there are no ready substitutes for a lack of affordable home heating. When families cannot pay, they are forced to go without service for periods of time. Furthermore, it is important to recognize that the home energy burdens shown in Chart 1, above, do not account for utility-specific rate or other discount programs such as the required customer assistance programs (CAP). While CAPs are not perfect and sometimes impose energy burdens that are still too high, households who have their home energy provided by regulated, utility companies with universal service programs such as CAPs often have the ability to reduce these energy burdens significantly. The same is not true for households who heat with deliverable fuels such as heating oil, kerosene, wood, or coal. These households have to pay the same costs for heating oil, propane, or other fuel sources as do median and upper income families. Only they do so with significantly less income. In fact, these households often have to pay more for these services because they frequently pay fees associated with the delivery of fuel below a required minimum amount. It is indeed expensive to be poor.

Additionally, households that do not have the benefit of CAPs to help pay for the cost of their home heating must rely more heavily on other public funds such as LIHEAP and/or go without heating service for long stretches of time. This is evident by looking at average LIHEAP grants provided to low-income households with different home-heating types as seen in chart, below.

Chart 3. – LIHEAP CASH and Crisis GRANTS

Fuel Type	Average LIHEAP Cash Grant Amount	Average LIHEAP Crisis Grant Amount
Fuel Oil	\$282	\$349
Coal	\$243	\$455
Kerosene	\$308	\$340
Propane	\$256	\$284
Wood / Other	\$281	\$431
Blended Fuel	\$301	\$336
Electric	\$260	\$310
Natural Gas	\$250	\$308

Source: Pennsylvania Department of Human Services, Statewide Energy Assistance Summary Data for the periods of 9/24/2016 through 4/13/2017.

This chart shows that low-income households who heat with deliverable fuels need higher LIHEAP Cash grant awards than those who heat with natural gas, and they are far more likely to need more assistance through the LIHEAP Crisis grant program. Consequently, connecting these households to natural gas service for home heating purposes would have the effect of leveraging scarce LIHEAP funding by making more of these funds available for more households because less would have to be spent on deliverable fuels. It is also important to note that eligibility for LIHEAP grants is typically available only for households with income at no more than 150% of the federal poverty level; households with incomes higher than this have access to little or no public support.

To be sure, some of the disparity in the size of grants is also due to the fact that low income households who heat with natural gas or electric cannot have their service terminated without prior PUC approval from December 1 through March 31st. This protection is not available to deliverable fuel customers – at least not for their primary heating source. In fact,

households who heat with deliverable fuels also do not have the benefit of *any* of the following statutory and regulatory protections:

- Winter termination restrictions for households with income at or below 250% of the federal poverty guidelines;
- Universal Service programs such as CAPs, which provide for arrearage forgiveness and a reduced bill, as well as LIURP which provides for usage reduction measures;
- The ability to negotiate payment arrangements to avoid service disruption;
- The ability to obtain a medical certificate to continue service, avoid disconnection, or restore service when medical conditions warrant; and,
- The ability to file complaints with the Public Utility Commission about billing disputes and other quality of service issues.

Each of these protections *would be* available to low-to-moderate income households in unserved or underserved areas *if* the provisions of HB 107 were enacted to allow a gas utility to spread the cost of connection to the natural gas distribution system across its rate base and accommodations were made to allow for no-cost or low-cost conversion of home heating equipment by these households. This is an essential point that cannot be overlooked. It would be unreasonably discriminatory to permit a utility to propose to expand natural gas into unserved or underserved areas only to allow customers with the financial means to do equipment conversion to actually connect to the system while leaving those without the financial means to do so unable to connect to the system. Thus, the proposed provision of HB 107 that would allow a utility to recover the costs of rebates or buy down expenditures to reduce upfront costs on in-house piping and natural gas equipment is an essential component of this bill. In fact, CAUSE-PA submits

that this provision should be **a required element** of any such plan filed by an NGDC seeking to expand the reach of its services. Furthermore, CAUSE-PA believes that one criteria the Commission should use in determining whether to approve such a petition is whether the plan proposed reasonably accommodates the ability of low income households to connect to an expanded gas main. In the absence of this assistance, the expansion of service for low-income households would be a hollow, unfilled promise.

I want to turn now to the testimony of Ms. Livengood who will explain her background and why she believes HB 107 would provide for significant benefits for low-to-moderate income households.

Testimony of Ms. Minta Livengood:

Thank you, Patrick. Good morning members of the House Consumer Affairs Committee. Thank you for allowing me to testify today along with Patrick. My name is Minta Livengood. I am retired, but I work part time at the Saltsburg Library in Saltsburg, Indiana County, Pennsylvania. I also volunteer part time for the Salvation Army and the United Methodist Church. As a volunteer, I reach out to consumers, and help with utilities, food stamps, clothing, and medical assistance – anything that could help a person to live a more quality life. I am also an advisory member of several committees for the Department of Human Services: the Income Maintenance Advisory Committee (IMAC); the Medical Assistance Advisory Committee (MAAC) and the MAAC Consumer Subcommittee; the Long Term Care Committee (LTC); the LIHEAP Advisory Council (LAC); and the Medical Assistance Transportation Program (MATP). I am a member of CAUSE-PA and serve on its executive committee. In addition, I serve on the Board of Laurel Legal Services, a local legal services program that provides legal assistance to low income clients in Indiana, Westmoreland, Armstrong, Clarion, and Cambria

Counties, and I am the Indiana County representative for Welfare Rights, an organization which provides help to low income people in accessing assistance programs. In addition, I have received two Excellence Awards from the Pennsylvania Legal Aid Network: One for my outreach activities to the community and the second as a member of the CAUSE-PA Executive Committee.

Before I retired, I worked for Indiana Community Action Program (ICAP) for 25 years. I worked in many different jobs there. Toward the end of my employment, I worked in outreach, intake, and case management for consumers with utility issues. I did the intake for Peoples' Gas CAP program and Dollar Energy, and worked with all of the local utility companies to connect consumers with various assistance programs.

All of these experiences have shaped my opinion that low income households need access to safe, affordable utility service in order to live a decent life. Without safe, reliable, and affordable heating service, low income households are left to scramble to keep fuel in their tank and don't have much help in paying for it. While LIHEAP is available, it is not enough. In its best years, LIHEAP buys a family a few hundred gallons of fuel and, depending on the cost of oil, it often does not even do that. I know this from experience.

When I was a homeowner, my home had an oil furnace. At that point in time, oil was very expensive and I had to pinch pennies to fill my tank. In all my years of working, I never earned more than \$20,000 in a single year. It is hard to feed, house, and keep a family warm on this amount of money. This was especially hard because of the cost of paying for fuel oil to heat my home. I was lucky, however, because my home was next to a gas line. Because of my experience working on utility issues, I knew that if I could convert to gas that my heating costs would go down and that I would have access to CAP and other protections that would help me if

I needed them. Because oil was so expensive and because I knew about the benefits that came with gas heating from a utility regulated by the Public Utility Commission, I made the decision 15-20 years ago to switch to natural gas. This was not an easy decision because the cost of conversion was very expensive. I had to pay for a service line from the street to my house and I had to pay to have a new furnace put in. I was lucky to be able to finance all of this through the company selling furnaces. The cost for our family -- more than 15-20 years ago -- was \$7,000. I cannot imagine what it might be now. I made payments each month on this obligation and after many years was able to pay it off. It was a very real struggle for my family because we did not have much money. It would have helped me a lot if there was assistance available to help me connect to gas service and help pay for the gas furnace.

When Patrick told me about this bill I wanted to testify because I think that it would be very helpful to people who were in my situation, and for people who don't even have a gas line in their area. In my work now as a volunteer at my church and at the Salvation Army I see a lot of households who need help paying their fuel bills. While I also see people who need help with their gas bills, there is a lot more that I can do for these natural gas-heating households because of the programs and services available that the utility provides.

As Patrick mentioned earlier, in order for gas expansion to be successful, the utility will also need to provide help for low income households to be able to afford to make this transition. This includes helping to pay for all or most of the service line and furnace modification or replacement. In my opinion, this is as important as the expansion itself because without it most poor families could not connect to, and therefore be able to receive the potential benefits of, the expanded service. I appreciate the opportunity to give this testimony. Both Patrick and I would be happy to answer questions about anything that we have said. Thank you.