

**Testimony of Vance E. Oakes
on behalf of the
Pennsylvania Municipal Electric Association
Regarding House Bill No. 1405 (P.N. 1765)**

For the House Local Government Committee Hearing on February 13, 2018

Good morning, Chairwoman Harper, Chairman Freeman and Committee members. My name is Vance Oakes and I'm the Borough Manager of the Borough of Grove City in Mercer County, and I am also the President of the Pennsylvania Municipal Electric Association. I'm pleased to have the opportunity to appear before you today to provide comments on the importance of municipal electric systems in Pennsylvania and on the negative effects House Bill 1405 would have on Boroughs that operate municipal electric systems.

Nationwide, there are more than 2,000 public power systems, which provide electricity to approximately 49 million Americans, accounting for about 15 percent of all electric sales in the United States. Some of the nation's largest cities including Los Angeles, Orlando, Nashville, and Seattle operate publicly owned electric utilities. However, the majority of public power communities are small, with 3,000 or fewer customers. In Pennsylvania, there are thirty-five such Borough owned Electric Utilities serving 165,000 Pennsylvanians. While the largest is Chambersburg, serving more than 20,000 residents, the average Pennsylvania public power system serves a population of only 3,200 residents. Most, if not all, of the thirty-five municipal power systems in Pennsylvania have been in the public power business for more than 100 years.

Municipal electric systems are often referred to as "public power" because the utilities are a part of the local government, governed by the elected Borough Council. As a result, in public power communities, the "shareholders" of the system and the customers are the same. This structure allows our electric system to be responsive to customer concerns and allows customers to speak directly to their Borough Council about policies and decisions that affect the municipal power system, so public power is directly accountable to the voters. Our rates, power supply plans,

capital investments, policies and procedures are all discussed in an open and transparent process at Borough Council meetings and approved by a vote of the elected Borough Council.

The public power format allows the Borough Council to focus on the long-term goals of the community and deliver a competitively priced service with reliability that is aligned with community goals and sound business practices. Public power revenues are reinvested in community programs, services and projects that are decided and directed by the people's representative. As non-profit entities, municipal electric systems exist to provide reliable, affordable electric service to their customer-owners.

Pennsylvania's municipal electric systems and rural electric cooperatives are exempt from PUC regulation, because they are self-regulated and owned by their consumers.

Pennsylvania's municipal electric systems are unique electric suppliers in that, as local government entities, they face public accountability and transparency that other suppliers do not. Our systems are subject to the following:

- Open Records Law
- Sunshine Law
- Competitive bidding
- Conflict of interest standards
- Prevailing Wage Law
- Investment restrictions

As non-profit entities, borough owned electric systems prioritize reliable service. On average, system outages are less frequent and resolved far quicker than state regulated utilities.

For typical operations, a Borough owned electric utility has an average outage time of only 13 minutes, whereas state-regulated utilities have an outage time of 109 minutes.

For major adverse events a Borough owned electric utility has an average outage time of only 42 minutes, whereas state regulated utilities have an outage time of 146 minutes.

Local control of rates and investment priorities, openness and transparency, public accountability, reliability and value to the community make public power a very good deal for the Pennsylvanians who live in the 35 communities that have public power. Unfortunately, HB 1405 would significantly and negatively change public power.

This Bill is the result of concerns raised in one Borough, the Borough of Ellwood City in Western Pennsylvania. Over the last two years, some residents of Ellwood City raised concerns about how the Borough was running their municipal electric system. These concerns lead a group of citizens last year to run for Borough Council on a platform to change the operations of the Borough's public power system. On November 7th, two of the four candidates on the slate won. In fact, they were the top two vote getters and those backing changes almost swept Council. Now that they have been elected, the new Borough Council members, working with the incumbent elected Council members, are free to implement the policies and change the way Ellwood City's electric system is run. In fact, we owe them the opportunity to do so. They can do this without affecting the unique operations of any other municipal system and without adopting a one size fits all answer.

Pennsylvania is a diverse and unique state. The Commonwealth has a long history of relying on local government to make important decisions and vesting power in local elected officials and local voters to determine what is best for their community, because what is good in Ellwood City may not be what is best for Kutztown or Lansdale. HB 1405 disrupts this time-honored Pennsylvania process by dictating from Harrisburg, what is good for all 35 Boroughs who have public power and disregarding the will of voters.

I have been involved with local government my whole career and know that decisions made at the local level better address local priorities and local concerns. I would urge the Committee to reject HB 1405 and allow public power to continue to be a good deal for Pennsylvania.