

COMMONWEALTH OF PENNSYLVANIA
HOUSE OF REPRESENTATIVES

LOCAL GOVERNMENT COMMITTEE
PUBLIC HEARING

STATE CAPITOL
HARRISBURG, PA

MAIN CAPITOL BUILDING
ROOM 140

TUESDAY, FEBRUARY 13, 2018
10:00 A.M.

PRESENTATION ON
HOUSE BILL 1405,
MUNICIPAL ELECTRIC RATES

BEFORE:

HONORABLE KATE HARPER, MAJORITY CHAIRMAN
HONORABLE GARY W. DAY
HONORABLE RUSS DIAMOND
HONORABLE RICH IRVIN
HONORABLE THOMAS MEHAFFIE
HONORABLE BRETT MILLER
HONORABLE PAUL SCHEMEL
HONORABLE PARKE WENTLING
HONORABLE JEFF WHEELAND
HONORABLE DAVID ZIMMERMAN
HONORABLE ROBERT FREEMAN, DEMOCRATIC CHAIRMAN
HONORABLE CAROL HILL-EVANS
HONORABLE JEANNE MCNEILL

* * * * *

*Pennsylvania House of Representatives
Commonwealth of Pennsylvania*

ALSO PRESENT:

REPRESENTATIVE AARON BERNSTINE

COMMITTEE STAFF PRESENT:

ROB GAERTNER

MAJORITY EXECUTIVE DIRECTOR

THOMAS MILLER

MAJORITY RESEARCH ANALYST

ALEX YOUNG

MAJORITY ADMINISTRATIVE ASSISTANT

JOHN FULTON

DEMOCRATIC EXECUTIVE DIRECTOR

BRIANNA MEDEVICH

DEMOCRATIC RESEARCH ANALYST

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SUBMITTED WRITTEN TESTIMONY

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P R O C E E D I N G S

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MAJORITY CHAIRWOMAN HARPER: Good morning. Happy Fastnacht Day. I hear they don't have any calories in them either. What can I say?

I want to remind everybody that this could be recording, so temper your comments, not like Jason Kelce but for recording, okay?

My name is Kate Harper. I'm the Majority Chairman of the House Local Government Committee, and we're having a hearing on Representative Bernstine's House Bill 1405 regarding municipalities that sell their own electricity and rates and things like that. So we're going to be hearing from Representative Bernstine, who's part of the panel first, and Representative Bernstine has a constituent with him, Brian Bush.

REPRESENTATIVE BERNSTINE: Yes.

MAJORITY CHAIRWOMAN HARPER: And although we don't have a court stenographer here, you may consider yourselves to be sworn, okay, and testify truthfully as a result of that.

We will also be hearing from other boroughs that sell electricity, as well as Patrick Cicero from the Pennsylvania Utility Law Project, and Beverly -- I'm going to blow this, I think.

1 REPRESENTATIVE BERNSTINE: Annarumo.

2 MAJORITY CHAIRWOMAN HARPER: Annarumo. Thank you
3 very much.

4 REPRESENTATIVE BERNSTINE: Well, that was loud.
5 Sorry, Madam Chair.

6 MAJORITY CHAIRWOMAN HARPER: Annarumo, okay,
7 President of Ellwood City Hospital. Okay? So the purpose
8 of the hearing is to shed light on the bill that is in the
9 Local Government Committee and to hear opposing views,
10 quite frankly, of the wisdom of moving the legislation
11 forward.

12 First, I'm going to ask Chairman Freeman to make
13 opening remarks. Then, I'm going to go around and ask each
14 member of the panel up here to introduce themselves.
15 Chairman Freeman?

16 DEMOCRATIC CHAIRMAN FREEMAN: Thank you, Madam
17 Chair. No real remarks, just look forward to today's
18 testimony and hope it's enlightening as we examine this
19 legislation closer. Thank you.

20 MAJORITY CHAIRWOMAN HARPER: All right. Thanks.
21 Starting here at the end, I think the best way to do it is
22 not to give your number but to say what counties you
23 represent --

24 REPRESENTATIVE ZIMMERMAN: Yes.

25 MAJORITY CHAIRWOMAN HARPER: -- because most

1 people in the public don't remember what the district
2 numbers are.

3 REPRESENTATIVE ZIMMERMAN: Yes. So I'm
4 Representative Dave Zimmerman. I represent kind of the
5 northeast part of Lancaster County.

6 REPRESENTATIVE WHEELAND: Representative Jeff
7 Wheeland. I bode from the great county of Lycoming,
8 basically represent the Williamsport and surrounding
9 municipalities.

10 MAJORITY CHAIRWOMAN HARPER: Kate Harper,
11 Montgomery County.

12 DEMOCRATIC CHAIRMAN FREEMAN: Bob Freeman,
13 Northampton County.

14 REPRESENTATIVE MCNEILL: Jeanne McNeill, Lehigh
15 County.

16 REPRESENTATIVE SCHEMEL: Paul Schemel, Franklin
17 County.

18 REPRESENTATIVE WENTLING: Parke Wentling, parts
19 of Lawrence, Mercer, Crawford, and Erie Counties.

20 REPRESENTATIVE DIAMOND: Russ Diamond, northern
21 and eastern Lebanon County. And this is a very interesting
22 issue to me because we don't have any of these
23 municipalities in my district or my county.

24 REPRESENTATIVE DAY: Gary Day, parts of Lehigh
25 and Berks County, including Kutztown Borough.

1 REPRESENTATIVE MEHAFFIE: Tom Mehaffie, Dauphin
2 County.

3 REPRESENTATIVE IRVIN: Rich Irvin, Huntingdon
4 County and parts of Centre and Mifflin County.

5 REPRESENTATIVE MILLER: Brett Miller, Lancaster
6 County.

7 MAJORITY CHAIRWOMAN HARPER: Thank you very much.
8 Representative Bernstine, are you ready to begin?

9 REPRESENTATIVE BERNSTINE: I am. Thank you,
10 Madam Chair.

11 MAJORITY CHAIRWOMAN HARPER: Take it away.

12 REPRESENTATIVE BERNSTINE: And thank you also to
13 my colleagues for coming today. It's great to see you.
14 It's been about a week or so, so it's great to be back.

15 And, Madam Chair and Mr. Chairman, first and
16 foremost, I'd like to thank you for allowing this hearing
17 to take place. I appreciate your commitment to
18 transparency in order to bring light to the merits of House
19 Bill 1405.

20 Today, you'll hear from those in favor and those
21 opposed to House Bill 1405, just as it should be. This is
22 a bill that is broad-based. It's bipartisan in nature,
23 with State Representative Pam Snyder and I being the co-
24 prime sponsors. This bill is also supported by 84
25 cosponsors in the House of Representatives. That's 84.

1 Additionally, it is also supported by a majority of Members
2 of this Local Government Committee.

3 This legislation is also endorsed by groups such
4 as the AARP, Pennsylvania Utility Law Project, PA
5 Manufacturers Association, PA Realtors Association, and I
6 think the greatest accomplishment of all -- talk about
7 bipartisan work -- is this is also endorsed by Americans
8 for Prosperity and the SEIU 32BJ. I can't think of a time
9 where that's happened, so I think it's absolutely a great
10 thing as we work on bipartisan legislation together.

11 This legislation was introduced in order to solve
12 a problem, a real problem that I uncovered while knocking
13 on doors across districts with municipal electric
14 monopolies. For far too long, people have been taken
15 advantage of in these areas where they were told by their
16 State Legislators that nothing could be done, and this was
17 local government at its best.

18 Well, today, we have an opportunity to show
19 people in this Commonwealth that Harrisburg will step in to
20 protect residents against an egregious monopoly. People
21 are hurting. They're hurting deeply. Businesses are
22 struggling to stay afloat, and nonprofits are being
23 exploited. But today, you'll hear the stories of why House
24 Bill 1405 is necessary to stop this overreach by boroughs
25 that operate municipal electric monopolies.

1 Madam Chair, I didn't want to take the full 15
2 minutes because I know we have some folks that traveled
3 quite a distance here, so I'll turn it over to my
4 constituent, Mr. Brian Bush, and if it's okay, I'll find a
5 place up here if that's acceptable.

6 MAJORITY CHAIRWOMAN HARPER: Well, before you do
7 that --

8 REPRESENTATIVE BERNSTINE: Yes, ma'am.

9 MAJORITY CHAIRWOMAN HARPER: -- my thought would
10 be to allow questions after both of you have spoken --

11 REPRESENTATIVE BERNSTINE: Sure.

12 MAJORITY CHAIRWOMAN HARPER: -- but you didn't
13 give a brief explanation of what your bill does, and I
14 think that would be helpful, especially to people who
15 might, you know, not be understanding --

16 REPRESENTATIVE BERNSTINE: Absolutely. I'd be
17 happy to, Madam Chair. Thank you.

18 It's really two primary parts of the pieces of
19 legislation, and House Bill 1405 does two separate things.
20 Number one, currently today, these municipal electric
21 monopolies in these boroughs, 35 of them across the
22 Commonwealth, are using this as a taxation tool. So what
23 they are doing is they are charging excess rates in
24 electricity. They are then going and purchasing
25 electricity, and then they are charging their customers a

1 higher amount of money. They are then using that money to
2 fund borough operations.

3 And what you'll see with this is, and the very
4 unique part about this is the following. Just like many of
5 you up here that may not live in a place with a municipal
6 electric monopoly, you have the opportunity to purchase
7 your electric from a different supplier. And you can go
8 out and shop those rates and you can go out and have a
9 lower cost of electricity. And we know that electricity is
10 not inexpensive, but it is necessary to live our daily
11 lives. These individuals do not have that opportunity, and
12 they're locked into this monopoly that charges extremely
13 high rates. And we'll talk about those high rates as we
14 work through the process.

15 Additionally, these monopolies are not bound by
16 the PUC, the Public Utility Commission. And what we see
17 with that is --

18 MAJORITY CHAIRWOMAN HARPER: What does your bill
19 do.

20 REPRESENTATIVE BERNSTINE: Correct. Madam Chair,
21 it does not allow for the transfer in the excess -- it does
22 not allow for the transfer of money from the Electric Fund
23 into the General Fund, that is one component.

24 The second component is, just like most of us up
25 here have the opportunity to be represented with the PUC,

1 so with the PUC, they protect us from egregious companies.
2 These residents in these municipalities do not have PUC
3 protection.

4 Now, our legislation does not put them under the
5 PUC, but it puts very, very similar pieces of protections
6 in place that the PUC grants typical residents. So two
7 components, one is a consumer protection side and the other
8 is the fact that it really doesn't allow people to transfer
9 that money from the Electric Fund into the General Fund and
10 use it as a taxation tool.

11 MAJORITY CHAIRWOMAN HARPER: Thanks. So we'll
12 hear from Mr. Bush now. And, Representative, you want just
13 wait and see if we get any questions?

14 REPRESENTATIVE BERNSTINE: Be happy to.

15 MAJORITY CHAIRWOMAN HARPER: Go ahead.

16 MR. BUSH: First of all, I want to thank State
17 Representative Aaron Bernstine for allowing me to speak on
18 behalf of everyone here in this room. I appreciate it.

19 For two years, I've been trying to get my point
20 across or even longer than that about the Ellwood City
21 Electric municipality being able to charge whatever they
22 want to charge for electric rates. For the longest time,
23 their invoices wouldn't even say kilowatt per hour. It
24 just gave the amount in a rate adjustment for whatever they
25 need as a taxation tool to cover the general funds.

1 For many times I was trying to fight this, I
2 would go to State Representative Jaret Gibbons, and he said
3 this was a local problem, to fight it out at the local
4 committee, that he cannot do anything about it, went to
5 Senator Vogel. He basically said the same thing. Finally,
6 State Representative Aaron Bernstine heard and listened to
7 us.

8 I am a business owner and a landlord of a few
9 tenants. I'd like to tell a few stories about a few of my
10 tenants, one being Karen. Her name's Karen. I won't give
11 last names. Her name is Karen. She has a handicapped
12 child that's wheelchair-bound. For the longest time, she
13 can't afford the electric rates because they just go up and
14 she can't budget anything because she has no idea what the
15 rates are going to be next month. I go and visit her.
16 She's in the dark at eight o'clock at night. I said, "Why
17 are you in the dark?" She said, "I can't afford the
18 Ellwood City electric. It's either food or insurance or
19 medication for me and my son." Sorry. I'm getting choked
20 up from these stories. But it's real.

21 Another story is Mario. He's military and he's a
22 truck driver. He fights for us, fights for our freedom,
23 and he comes home and because of the electric office being
24 that you have to pay within two weeks from getting your
25 bill, his electric got shut off, leaving his wife and kids

1 in the dark, and the food went sour because the wife wasn't
2 there. He had to come up with the money, plus the next day
3 he had to come up with the money to get it turned on, and
4 he got it back on.

5 Another story, Debbie and her husband, her
6 husband is EMT. They just told me that they wouldn't be
7 able to pay the rent because they had to pay the utility
8 bill or it would get shut off. There's more stories, but
9 I'll just keep it at three.

10 One last story, I sold roses last year right
11 around Valentine's Day. I had a young male adult come up
12 to me and want to buy one rose for his daughter. I was
13 selling them for \$4.25. He looked and me says, "I'm sorry,
14 I don't have \$4.25. I got to pay my electric." He wanted
15 it for his daughter, but he wasn't able to afford it
16 because of the electric. I gave that to him because I felt
17 that was more important.

18 I hope you people in this room will listen to
19 Bill 1405 and help us, the people of Ellwood City and other
20 boroughs in the State. We do not have anybody to go to,
21 call for PUC where other people do. Duquesne Light, Penn
22 Power, you can call them and if they do a rate adjustment
23 or whatever, you have somebody that you can go to. These
24 people do not. I do not. I don't have a voice I can call
25 or nothing.

1 I'd like to end it there, and I hope you have a
2 heart. The next time you are anywhere having your dinner
3 or whatever and knowing that Karen, Mario, and Debbie are
4 in the dark because they can't afford their electric bill.
5 Thank you.

6 MAJORITY CHAIRWOMAN HARPER: Thank you very much.
7 We'll take questions -- or, I'm sorry --

8 REPRESENTATIVE BERNSTINE: Thank you, Madam
9 Chair.

10 MAJORITY CHAIRWOMAN HARPER: Okay.

11 REPRESENTATIVE BERNSTINE: And, Mr. Bush, thank
12 you for your attendance today with the long trip that you
13 made from western Pennsylvania.

14 MAJORITY CHAIRWOMAN HARPER: Right. That was
15 Ellwood City, right?

16 MR. BUSH: That is correct.

17 MAJORITY CHAIRWOMAN HARPER: Right. Okay.
18 Questions?

19 REPRESENTATIVE DIAMOND: Thank you for the
20 explanation of the bill. I am a cosponsor of the bill
21 because you approached me when you first introduced it, and
22 you detailed the problem to me as you saw it. I do want to
23 ask you, though, in your testimony you said that these
24 constituencies, ratepayers need similar protections to what
25 the PUC offers but you're not putting this under the

1 jurisdiction of the PUC. Why would you not simply put this
2 under the jurisdiction of the PUC? Because in most
3 people's minds when they talk about a municipality that's
4 selling electric, they would consider that a public
5 utility. So if you could detail the reasons why you
6 wouldn't put this under the jurisdiction of the PUC, I'd
7 appreciate that.

8 REPRESENTATIVE BERNSTINE: Thank you,
9 Representative Diamond, and thank you for your support of
10 being a cosponsor on the legislation as well.

11 The rationale and the reason that we did not put
12 it directly under the PUC was we know that there are some
13 additional costs that PUC members would have to incur if
14 they went under the PUC, and I did not want to put that
15 cost on the backs of taxpayers in those boroughs and in
16 those municipalities. So I thought that it was able to
17 achieve the same result in a less costly manner for the
18 residents.

19 REPRESENTATIVE DIAMOND: And can you detail
20 exactly what those protections would be, just like a bullet
21 point so the protections that those ratepayers would
22 expect --

23 REPRESENTATIVE BERNSTINE: I can. My folder is
24 right up in front of Representative Schemel if I could --

25 REPRESENTATIVE DIAMOND: Okay.

1 REPRESENTATIVE BERNSTINE: -- grab that for one
2 moment?

3 REPRESENTATIVE DIAMOND: All right. Sure.

4 REPRESENTATIVE BERNSTINE: If you'd just give me
5 one moment --

6 REPRESENTATIVE DIAMOND: Certainly.

7 REPRESENTATIVE BERNSTINE: -- Representative
8 Diamond. Thank you. I'll go off the cuff with it. How's
9 that, Representative Diamond? If I miss some, I'll come
10 back to you on it. Basically a couple things, and they
11 have to do -- additionally, by the way, from Pennsylvania
12 Utility Law Project, Mr. Cicero will also address some of
13 these issues. But what we also had were -- they were
14 things such as shutoffs in the middle of winter. So there
15 is nothing right now that these municipal electric
16 monopolies, they can shut people's electric off in January
17 and in February. We've seen it happen. It has to do with
18 things such as rate increases, so the fact that they can't
19 just jack up rates arbitrarily in certain areas, at certain
20 times. It has to do with some other things as it deals
21 with the regulation of deposits and poor people. This is
22 really a tax on poor people. So those are some of the
23 things that it has to do with the PUC, and I can get you
24 the full list of it.

25 MAJORITY CHAIRWOMAN HARPER: Right. So let me

1 help you with that because, unbelievably, we don't have a
2 copy of the bill in the folders. I have my own. I brought
3 it with me. But if you look at the bill, what
4 Representative Bernstine has done was put in what are
5 typically considered to be PUC-type consumer protections
6 into the bill, so instead of going to the PUC, his bill
7 proposes these protections --

8 REPRESENTATIVE BERNSTINE: That's correct, Madam
9 Chair.

10 MAJORITY CHAIRWOMAN HARPER: -- in the bill,
11 okay? That's how it relates to 1405 so --

12 REPRESENTATIVE BERNSTINE: Yes, Madam Chair.
13 Thank you.

14 MAJORITY CHAIRWOMAN HARPER: Okay? Fair enough?

15 REPRESENTATIVE BERNSTINE: Yes, ma'am.

16 REPRESENTATIVE DIAMOND: Thank you,
17 Representative. Thank you, Madam Chair.

18 REPRESENTATIVE BERNSTINE: Thank you.

19 MAJORITY CHAIRWOMAN HARPER: Okay. Next
20 question, Chairman Freeman.

21 DEMOCRATIC CHAIRMAN FREEMAN: Thank you, Madam
22 Chair, and thank you, Representative Bernstine for your
23 testimony and the testimony of your constituent Mr. Bush.

24 Just a couple of quick questions. It's my
25 understanding, and correct me if I'm wrong, that one of the

1 reasons for this legislation was because in Ellwood City
2 the rates would fluctuate considerably from month to month,
3 is that correct?

4 REPRESENTATIVE BERNSTINE: That's correct,
5 Mr. Chairman.

6 DEMOCRATIC CHAIRMAN FREEMAN: Now, given the fact
7 that there's some 30, 35 other municipalities that operate
8 and provide electricity, are you aware of whether any of
9 them have had that same sort of drastic fluctuation?

10 REPRESENTATIVE BERNSTINE: Yes, I can tell you
11 that our data and our research is -- I don't know about the
12 fluctuation. Now, I've heard stories from folks, but I'm
13 also careful to understand that I want to know the facts
14 and the data behind it.

15 DEMOCRATIC CHAIRMAN FREEMAN: Sure. We'll hear
16 from them --

17 REPRESENTATIVE BERNSTINE: Correct.

18 DEMOCRATIC CHAIRMAN FREEMAN: -- anyway as far
19 as --

20 REPRESENTATIVE BERNSTINE: Yes, what we've seen
21 is the rates are significantly higher in those areas, and
22 we've seen that to be factual, and we have the evidence and
23 the background to showcase that.

24 DEMOCRATIC CHAIRMAN FREEMAN: Okay. And we'll
25 hear from them --

1 REPRESENTATIVE BERNSTINE: Absolutely.

2 DEMOCRATIC CHAIRMAN FREEMAN: -- after your
3 testimony. In your legislation, as I understand it, you do
4 provide that if the municipality would follow I guess the
5 regulations or guidelines of the Pennsylvania-New Jersey-
6 Maryland interconnection, they would not have to abide by
7 the various provisions of your bill. Can you tell us what
8 that organization is?

9 REPRESENTATIVE BERNSTINE: Yes, I can tell you
10 that that particular organization is the one that would
11 apply directly to Chambersburg. And the reason that that
12 would be appropriate in that manner is Chambersburg is
13 unique in their own way. Chambersburg actually produces
14 and creates their own electricity while the remainder of
15 them do not, so --

16 DEMOCRATIC CHAIRMAN FREEMAN: So do not --

17 REPRESENTATIVE BERNSTINE: -- Chambersburg would
18 not be affected by this legislation.

19 DEMOCRATIC CHAIRMAN FREEMAN: To follow up, you
20 outline in your bill that if you follow the Pennsylvania-
21 New Jersey-Maryland interconnection, you wouldn't have to
22 follow the other guidelines in your legislation. So what
23 is the nature of that organization? Is it a private
24 organization? Is it a public organization? Is it a quasi-
25 public organization?

1 REPRESENTATIVE BERNSTINE: Yes, I would tell you
2 that the individual that helped us put that together is not
3 here today that we worked on that with, so I don't have a
4 specific answer for that question.

5 DEMOCRATIC CHAIRMAN FREEMAN: Okay. Well,
6 perhaps we can hear from the municipal electrical folks on
7 that.

8 And currently in Ellwood City, is there a millage
9 levied for property tax?

10 REPRESENTATIVE BERNSTINE: There is.

11 DEMOCRATIC CHAIRMAN FREEMAN: And what is it at
12 this point, do you know offhand?

13 REPRESENTATIVE BERNSTINE: Yes, I do. I have
14 that. That millage of property taxes is currently 8.75,
15 which is the second-highest in the entire county of
16 Lawrence.

17 DEMOCRATIC CHAIRMAN FREEMAN: Okay. And do you
18 know offhand -- and you're not a municipal official from
19 there so you don't have to have this answer, but would you
20 know how much that generates in revenue for the community?

21 REPRESENTATIVE BERNSTINE: How much the millage
22 rate does?

23 DEMOCRATIC CHAIRMAN FREEMAN: Yes.

24 REPRESENTATIVE BERNSTINE: I do not know.

25 DEMOCRATIC CHAIRMAN FREEMAN: Okay. If --

1 REPRESENTATIVE BERNSTINE: I do know, Mr.

2 Chairman, if I could expand --

3 DEMOCRATIC CHAIRMAN FREEMAN: Sure.

4 REPRESENTATIVE BERNSTINE: -- I do know that the
5 transfer of electric funds to the General Fund is \$1.45
6 million.

7 DEMOCRATIC CHAIRMAN FREEMAN: Okay. So if that
8 were to stop under your legislation --

9 REPRESENTATIVE BERNSTINE: Yes.

10 DEMOCRATIC CHAIRMAN FREEMAN: -- it's logical to
11 assume that the millage would have to go up of real estate
12 taxes in order to compensate for the loss of that revenue?

13 REPRESENTATIVE BERNSTINE: Not necessarily,
14 Mr. Chairman. What I would share with you is there's also
15 another option that I think we should look at a little bit
16 more sometimes here in Harrisburg, and that's to stop some
17 egregious spending that's happening in these areas.

18 DEMOCRATIC CHAIRMAN FREEMAN: Can you enlighten
19 us as to what kind of egregious spending has occurred?

20 REPRESENTATIVE BERNSTINE: In Ellwood City
21 particularly?

22 DEMOCRATIC CHAIRMAN FREEMAN: Yes.

23 REPRESENTATIVE BERNSTINE: I can. I can tell you
24 that there are police officers in Ellwood City that make --
25 if you could hold onto your seat there; I don't want you to

1 fly off of it -- that's \$170,000-plus a year by scamming an
2 overtime system. We have other beyond egregious spending
3 that exists there, but that's just one particular example.

4 DEMOCRATIC CHAIRMAN FREEMAN: It is probably
5 logical to assume, though, even with cutting back in
6 certain areas of spending that if you take away the ability
7 to transfer the revenues from the electrical generation
8 that you're going to see property taxes increase?

9 REPRESENTATIVE BERNSTINE: Yes, I don't know that
10 that's actually the case. I think that, once again,
11 there's an opportunity to be responsible government. And
12 the other thing that I would share with this, and it's
13 pretty clear and pretty straightforward, is, as you know,
14 there's about 2,000 municipalities across the Commonwealth
15 of Pennsylvania, and there's about 35 of these that are
16 able to use this monopoly as a tool for the manner in which
17 they're using it. So my question is very simply, Mr.
18 Chairman, what would the other 2,000 do? They would behave
19 in a manner that is consistent with Pennsylvania law, and
20 we're just asking these people to do the same.

21 DEMOCRATIC CHAIRMAN FREEMAN: Well, I think the
22 point would be that in many of those communities that are
23 not under this -- or under the ability to levy this kind of
24 electric rate, some communities might like that benefit
25 because it probably keeps their property taxes lower than

1 it would be otherwise.

2 REPRESENTATIVE BERNSTINE: Yes, I look forward to
3 hearing from PMEA and their taxpayer-funded lobbyist later
4 today where we hear from them because we have documentation
5 and proof that that's actually the opposite.

6 DEMOCRATIC CHAIRMAN FREEMAN: I'll be curious
7 about that.

8 REPRESENTATIVE BERNSTINE: Thank you.

9 DEMOCRATIC CHAIRMAN FREEMAN: And finally --

10 MAJORITY CHAIRWOMAN HARPER: We have got some
11 more questions so --

12 DEMOCRATIC CHAIRMAN FREEMAN: One or two and then
13 I promise --

14 MAJORITY CHAIRWOMAN HARPER: Okay.

15 DEMOCRATIC CHAIRMAN FREEMAN: -- I'll finish up.
16 Currently, because the electric rates are charged on all
17 ratepayers, that means that nonprofits as well as
18 residential properties pay towards the municipal.

19 REPRESENTATIVE BERNSTINE: That's correct.

20 DEMOCRATIC CHAIRMAN FREEMAN: If that's
21 restricted just to the actual generation, they would not
22 pay any property taxes or the municipal taxes, is that
23 correct?

24 REPRESENTATIVE BERNSTINE: Well, I think they
25 would operate just as the other 2,000 municipalities do.

1 And I also think that it's not appropriate to put an
2 additional tax on schools. I think we consistently hear
3 here in Harrisburg, just as the Governor said the other
4 day, we need more money in schools, and these 35
5 municipalities are taking money away from schools.

6 DEMOCRATIC CHAIRMAN FREEMAN: Well, one could
7 make the argument, too, that at least this process,
8 although it needs some adjusting based on the grievances
9 that you both mentioned today, does ensure that all who
10 live in that community pay something towards the operation
11 of municipal services, whether it be police, fire, what
12 have you, and that if we were to adopt your legislation,
13 they would no longer pay anything because if they're a tax-
14 exempt entity, they don't pay any other kind of taxes.

15 REPRESENTATIVE BERNSTINE: Just as the other
16 2,000 municipalities across the Commonwealth do, that's
17 correct, Mr. Chairman.

18 DEMOCRATIC CHAIRMAN FREEMAN: Okay. And finally,
19 I noticed in your legislation that you would allow the
20 municipality to ask how many adults live in a residence.
21 What was the reason behind that in terms of what you were
22 trying to get at?

23 REPRESENTATIVE BERNSTINE: I'm not sure I have
24 that particular piece of the legislation. If you could
25 point me to a line on it, that would be appreciated.

1 DEMOCRATIC CHAIRMAN FREEMAN: Let me see if I can
2 dig that out.

3 REPRESENTATIVE BERNSTINE: And if I don't have an
4 answer, Mr. Chairman, I know my team members over there
5 will get back to you with these things.

6 MAJORITY CHAIRWOMAN HARPER: It's on page 6 and
7 it's Section E.

8 REPRESENTATIVE BERNSTINE: Section B, Madam
9 Chair, you said?

10 MAJORITY CHAIRWOMAN HARPER: E as in everything.

11 DEMOCRATIC CHAIRMAN FREEMAN: Oh, yes, the Chair
12 is correct. It's line 16 through 19, "adult occupants,
13 providing a utility service, a borough may require the
14 applicant to provide the name of each adult occupant
15 residing at the location and proof of their identity." I
16 just wasn't sure why that requirement was in there.

17 REPRESENTATIVE BERNSTINE: Yes, I believe that
18 that is -- and I'm not trying to perjure myself. I'm going
19 to go off of an "I think" type thing, Madam Chair, if
20 that's okay.

21 MAJORITY CHAIRWOMAN HARPER: That's okay.

22 REPRESENTATIVE BERNSTINE: I think, Mr. Chairman,
23 that that's information that was actually taken from the
24 PUC. I believe that's part of that entire section, but I
25 will get back to you. And I think that that has to do with

1 down payments or security deposits. So I'll get to back to
2 you on that, but that seems to be in that overall section,
3 but I can get back to you on that.

4 DEMOCRATIC CHAIRMAN FREEMAN: It just seems
5 that's a curious provision because if you're paying your
6 electric bill, why does the electric company or the borough
7 need to know how many people are living there who are
8 adults?

9 REPRESENTATIVE BERNSTINE: Yes, once again, I
10 think this is the part that was taken directly from the PUC
11 piece, so I think that we probably transferred that over,
12 but I can get back to you with that information.

13 DEMOCRATIC CHAIRMAN FREEMAN: That's fine. Yes,
14 I just --

15 REPRESENTATIVE BERNSTINE: Thank you.

16 DEMOCRATIC CHAIRMAN FREEMAN: -- know in my own
17 case paying my Met-Ed bill, they've never asked me how many
18 adults live in our household, so I found that kind of
19 curious.

20 REPRESENTATIVE BERNSTINE: Yes.

21 DEMOCRATIC CHAIRMAN FREEMAN: But thank you for
22 your testimony today.

23 REPRESENTATIVE BERNSTINE: Thank you,
24 Mr. Chairman.

25 DEMOCRATIC CHAIRMAN FREEMAN: Appreciate it.

1 MAJORITY CHAIRWOMAN HARPER: Thank you.

2 Representative Mehaffie.

3 REPRESENTATIVE MEHAFFIE: Thank you, Madam Chair.

4 Representative Bernstine, thank you for your
5 testimony. The question I have is -- I have a couple
6 questions, and bear with me here; I'm losing my voice. If
7 this bill is enacted into law, when would it take place?

8 REPRESENTATIVE BERNSTINE: We have that as 60
9 days, Representative Mehaffie.

10 REPRESENTATIVE MEHAFFIE: Now, I do represent two
11 boroughs that do sell electric to their constituents, their
12 customers --

13 REPRESENTATIVE BERNSTINE: Yes.

14 REPRESENTATIVE MEHAFFIE: -- Middletown Borough
15 and Royalton Borough. The question I have is, as coming
16 into this, I was previously an elected official at the
17 local level. We run on a calendar year, as boroughs do
18 also. If this is enacted within 60 days and that is taken
19 out of their budget, how do you expect them to cover the
20 difference? Now, in Middletown Borough, they I think move
21 about \$1.6 million over into their budget --

22 REPRESENTATIVE BERNSTINE: Wow.

23 REPRESENTATIVE MEHAFFIE: -- from this. That's a
24 considerable amount of money. You can make cuts and
25 there's no doubt about it. You can make cuts, but the cuts

1 you need to make are usually going to be services, and
2 those services are usually police and public works. So if
3 you don't have people out plowing your snow or making
4 arrests or doing the protections that they need, I see this
5 as being very problematic in this bill if passed because
6 you cannot raise taxes in the middle of the year. That has
7 to be identified and done at the end of the year, which
8 would be enacted in the beginning of the year, and then
9 that would be done through the taxation through the
10 counties or the local tax collectors, whoever collects that
11 money, so they can't collect any more tax revenue at that
12 point if need be.

13 I know that this would be at least doubling these
14 two municipalities in taxes if they had to cover this
15 difference other than cuts, but as you know there's a lot
16 of different ways that other municipalities across the
17 State, first-class municipalities have something called a
18 business privilege tax that taxes at a rate on gross
19 revenues. So you can talk about egregious and you can talk
20 about, you know, people digging in and doing things in
21 these local boroughs that you feel is hurting people, but
22 if you go to other communities and other municipalities,
23 every one of them has some kind of taxation, whether it be
24 a business privilege tax -- I'm just giving you a for
25 instance. So I'm just curious what do you think about that

1 and where do you think as far as that goes?

2 REPRESENTATIVE BERNSTINE: Sure, I'd share with
3 you, Representative Mehaffie -- and thank you for coming
4 today, great to see you again. I would share with you
5 that, you know, this is the type of thing that I'm willing
6 to work on as we want to extend this out. That's something
7 I'd be willing to work with you on.

8 As you talk about the tax rates, I think it's
9 important to understand that there's also another component
10 to this, and that's with property taxes you have the
11 opportunity to write these off, and when you talk about
12 electric, you do not have the opportunity to deduct that
13 from your taxes. It looks to me from my analysis of it --
14 and you're talking to kind of a data nerd here that likes a
15 lot of numbers, and my analysis is very simply that these
16 35 municipalities are living pretty fat. They're living
17 pretty good off the hog. And while they're doing it,
18 they're doing it at the expense of taxpayers. And they're
19 doing it at the expense of my constituents and other
20 constituents across this Commonwealth.

21 And I will tell you this, Representative
22 Mehaffie, that whenever we hear the stories like Mr. Bush
23 shared and whenever we hear the stories of the 70-some-
24 year-old woman that came into my office because they shut
25 her electric off and she came in to plug in her oxygen

1 tank, she could live, not live well, not have heat, live,
2 that this is the kind of thing that I'm willing to go to
3 all cost to try to stop because we can't allow this to
4 happen in our municipalities anymore.

5 REPRESENTATIVE MEHAFFIE: I would agree that any
6 time that you have these problems where people are getting
7 shut off in the middle of winter and so forth and there's
8 other things out there that we can hopefully help them
9 with, I know the municipalities that I deal with and that I
10 represent, they go to great costs and great extent to try
11 to help people like that. I don't know the specific
12 situation that you're talking about. I don't know if they
13 went through a process. And I'd be willing to ask this
14 same question to the other testifiers at that point in
15 time. But I would hope they would not do that on the first
16 go-around. I hope it would be the situation where they've
17 gone through every possible option out there before they do
18 something of that sort. And I know the general Met-Eds and
19 PP&Ls and so forth, they do the same thing. You know, I
20 think they've extended themselves to that point.

21 REPRESENTATIVE BERNSTINE: Thank you.

22 REPRESENTATIVE MEHAFFIE: Thank you.

23 MAJORITY CHAIRWOMAN HARPER: Thank you,
24 Representative.

25 Representative Wheeland. And folks, we're going

1 to have to move this along in order to be able to get all
2 the testimony in today, so let's have shorter questions and
3 shorter answers, okay?

4 REPRESENTATIVE BERNSTINE: Absolutely, Madam
5 Chair.

6 REPRESENTATIVE WHEELAND: Yes, ma'am. Thank you,
7 Representative, for bringing this to our attention.

8 Just a real quick question. We were presented
9 with this chart as part of the testimony. I'm not sure who
10 provided it. It's footnoted at the bottom Pennsylvania
11 DCED Municipal Statistic Database.

12 REPRESENTATIVE BERNSTINE: Yes.

13 REPRESENTATIVE WHEELAND: Now, someone mentioned
14 before the start of this hearing that perhaps this was not
15 totally accurate.

16 REPRESENTATIVE BERNSTINE: Right.

17 REPRESENTATIVE WHEELAND: Could you point out
18 what's not accurate or have you not had the time to digest
19 this?

20 REPRESENTATIVE BERNSTINE: I can, Representative
21 Wheeland, and thank you for the question. And, Madam
22 Chair, I'll try to be short but I want to make sure that I
23 answer the question. I think this is important. And when
24 we have a testifier --

25 MAJORITY CHAIRWOMAN HARPER: Just for the

1 Members, I believe this came from the PMEA. They are
2 scheduled to testify, so give your answer as to why you
3 believe --

4 REPRESENTATIVE BERNSTINE: Yes.

5 MAJORITY CHAIRWOMAN HARPER: -- it's inaccurate,
6 but the Members should keep an open mind until they hear
7 from the PMEA --

8 REPRESENTATIVE BERNSTINE: Yes.

9 MAJORITY CHAIRWOMAN HARPER: -- which is coming
10 up if we --

11 REPRESENTATIVE BERNSTINE: Sure.

12 MAJORITY CHAIRWOMAN HARPER: -- can get there.

13 REPRESENTATIVE BERNSTINE: I would share with you
14 that all the information -- and I have the documentation
15 here of every county that was pulled for tax rates, the tax
16 rates on here, of the 35 that are listed, there are 7
17 inaccuracies. Those inaccuracies are at East Conemaugh
18 Borough, Royalton, Chambersburg, Wampum, Lansdale,
19 Duncannon, Mifflinburg. So the inaccuracies are clear on
20 here. We have proof and documentation from the counties.
21 I question if someone comes up and produces false
22 information to the Committee, I guess we'll have to hear
23 what the rest of their testimony is.

24 MAJORITY CHAIRWOMAN HARPER: Representation
25 Bernstine, the purpose of a hearing is to explore the bill.

1 I understand that you take issue with the PMEA's chart, but
2 if it came from DCED, there are a lot of possibilities for
3 why your numbers and theirs vary, and I don't think we have
4 to disparage people who have not yet testified on that.

5 REPRESENTATIVE BERNSTINE: Thank you, Madam
6 Chair.

7 MAJORITY CHAIRWOMAN HARPER: Representative
8 Wheeland, anything else?

9 REPRESENTATIVE WHEELAND: No.

10 REPRESENTATIVE BERNSTINE: Thank you,
11 Representative.

12 MAJORITY CHAIRWOMAN HARPER: I have a question
13 for Mr. Bush. You live in and you own property in Ellwood
14 City, right?

15 MR. BUSH: That is correct.

16 MAJORITY CHAIRWOMAN HARPER: Okay. And you were
17 told by several State Representatives or State Legislators
18 that this was a local problem?

19 MR. BUSH: That is correct.

20 MAJORITY CHAIRWOMAN HARPER: And you're here with
21 the Local Government Committee, so I guess I would like to
22 hear from you what you did at the local level. Did you go
23 down to borough hall, talk to your elected officials? What
24 did you do to talk to your local government officials about
25 the issues that you told us about?

1 MR. BUSH: Yes, thank you. I would go to
2 meetings and talk to the mayor. One specific thing was the
3 borough -- if a tenant would not pay, they would hold the
4 landlord accountable for the nonpayment. Well, they took
5 one of my tenants and applied a budget plan for them
6 without my acknowledgement. When the tenant moved out, I
7 was absorbed with a \$900 electric bill. I had to pay that
8 in order to get a new tenant in there. This was absurd.
9 This was without my acknowledgement that they did this.

10 So I went to council meetings, to everything,
11 then to State Representative Jaret Gibbons, and said there
12 was nothing he could do. I was dumbfounded on what I could
13 do.

14 MAJORITY CHAIRWOMAN HARPER: All right. So you
15 did try to talk to your local --

16 MR. BUSH: Absolutely.

17 MAJORITY CHAIRWOMAN HARPER: -- government?

18 MR. BUSH: Absolutely.

19 MAJORITY CHAIRWOMAN HARPER: Okay. So that was
20 actually my question because I understand that the purpose
21 of making the owner of the property that got the
22 electricity responsible for the bill. I've seen that
23 elsewhere, and I don't think that that's an unusual
24 provision.

25 So you also talked about your tenants, and I'm

1 assuming that, as the landlord, that the only way that they
2 would have an inability to pay their electric bill for
3 electricity that they had obviously consumed has to do with
4 the fact that the rent that they pay you does not include
5 utilities. Am I right about that?

6 MR. BUSH: That is correct.

7 MAJORITY CHAIRWOMAN HARPER: Okay. Thanks.

8 MR. BUSH: You're welcome.

9 MAJORITY CHAIRWOMAN HARPER: Thank you very much
10 for your testimony. We'll move on.

11 REPRESENTATIVE BERNSTINE: Thank you, Madam
12 Chair, Mr. Chairman.

13 MAJORITY CHAIRWOMAN HARPER: Next up is Vance
14 Oakes, President of the Pennsylvania Municipal Electric
15 Association and Borough of Grove City Manager; and Robert
16 Thompson, the Borough of Ephrata Manager.

17 Gentlemen, consider yourselves sworn although I
18 don't have a court reporter to take testimony. And this is
19 an informational hearing. And I see Dave Woglom is also
20 there. Dave, you want to identify yourself to the
21 Committee because you're not on the list. Use the
22 microphone, and you turn it on by pressing the bottom of
23 it. See the little green light? And I'll let you go, all
24 right?

25 MR. WOGLOM: Okay. Thank you, Madam Chair. I'm

1 David Woglom. I'm the Executive Director of the
2 Pennsylvania Municipal Electric Association.

3 MAJORITY CHAIRWOMAN HARPER: Thanks. Do you guys
4 have an order in which you want to go? Fine. Then I'm
5 going to let you go. Whoever goes first, introduce
6 yourself.

7 MR. OAKES: Okay. Thank you. Good morning. My
8 name is Vance Oakes.

9 MAJORITY CHAIRWOMAN HARPER: It sounds like your
10 mike is not on. You want to make sure that green light's
11 lit?

12 MR. OAKES: How's that?

13 DEMOCRATIC CHAIRMAN FREEMAN: A little closer to
14 your mouth.

15 MAJORITY CHAIRWOMAN HARPER: Yes, that's --

16 MR. OAKES: Closer?

17 MAJORITY CHAIRWOMAN HARPER: We want to hear you.
18 Come on.

19 MR. OAKES: Okay. Thank you. I'm sorry about
20 that.

21 MAJORITY CHAIRWOMAN HARPER: Okay, great. Thank
22 you.

23 MR. OAKES: Good morning again, Chairwoman
24 Harper, Chairman Freeman, and Committee Members. My name
25 is Vance Oakes, and I'm the Borough Manager for the Borough

1 of Grove City in Mercer County, and I'm also President of
2 the Pennsylvania Municipal Electric Association. I'm
3 pleased to have the opportunity to appear before you today
4 and provide comments on the importance of municipal
5 electric systems in Pennsylvania and on the negative
6 effects House Bill 1405 would have on boroughs that operate
7 municipal electric systems.

8 Nationwide, there are more than 2,000 public
9 power systems that provide electricity to about 49 million
10 Americans, accounting for 15 percent of all electric sales
11 in the United States. Some of the Nation's largest cities,
12 including Los Angeles, Orlando, Nashville, and Seattle
13 operate publicly owned electric utilities. However, the
14 majority of public power communities are small with 3,000
15 or fewer customers.

16 Here in Pennsylvania, there are 35 such borough-
17 owned electric utilities serving approximately 165,000
18 Pennsylvanians. While the largest is Chambersburg Borough
19 serving more than 20,000 residents, the average
20 Pennsylvania public power system serves a population of
21 only 3,200 residents. Most if not all the 35 municipal
22 power systems in PA have been in the public power business
23 for more than 100 years.

24 Municipal electric systems are often referred to
25 as public power because the utilities are part of the local

1 government. They're governed by the elected borough
2 council. As a result, in public power communities, the
3 shareholders of the system and the customers are one and
4 the same. This structure allows our electric system to be
5 responsive to customer concerns and allows customers to
6 speak directly to the borough council about policies and
7 decisions that affect the municipal power system, so public
8 power is directly accountable to voters.

9 Our rates, our power supply plans, capital
10 investments, policies, and procedures are all discussed in
11 an open and transparent process at borough council meetings
12 and voted on by the elected borough council members. This
13 public power format allows the borough council to focus on
14 the long-term goals of our community and to deliver a
15 competitively priced served with reliability that is
16 aligned with community goals and sound business practices.

17 Public power revenues are then reinvested in
18 community programs and services and projects that are
19 decided and directed by the people's representative. As
20 nonprofit entities, municipal electric systems exist to
21 provide reliable, affordable electric service to our
22 customer owners.

23 Pennsylvania's municipal electric systems and the
24 rural electric cooperatives here in Pennsylvania are exempt
25 from PUC regulation because they are self-regulated by

1 their consumers. Pennsylvania municipal electric systems
2 are unique electric suppliers. As local government
3 entities, we face public accountability and transparency
4 that other suppliers do not. Our systems are subject to
5 the open-records law, the sunshine law, competitive bidding
6 requirements, conflict-of-interest standards, prevailing-
7 wage laws, and investment restrictions.

8 As nonprofit entities, borough-owned electric
9 systems prioritize reliable service. On average, system
10 outages for a borough-owned system are less frequent and
11 resolve far quicker than for State-regulated utilities.
12 For typical operations, borough-owned electric utilities
13 have an average outage time of only 13 minutes, where as
14 State-regulated utilities have an average outage time of
15 109 minutes. For major adverse weather events that occur,
16 borough-owned electric utilities have an average outage
17 time of only 42 minutes, whereas State-regulated utilities
18 have an outage time of 146 minutes.

19 Local control of rates and investment priorities,
20 openness, and transparency, public accountability, and
21 reliability and value to the community make public power a
22 very good deal for the Pennsylvanians who live in the 35
23 communities that have public power.

24 Unfortunately, House Bill 1405 would
25 significantly and negatively change public power. This

1 bill is the result of concerns raised in one borough, the
2 Borough of Ellwood City in western PA. Over the last two
3 years, some residents of Ellwood City raised concerns about
4 how the borough was running their municipal electric
5 system, and these concerns led a group of citizens last
6 year to run for borough council on a platform of change to
7 the operations of the borough's power system.

8 On November 7th, two of the four candidates on
9 the slate won. In fact, they were the top two vote-
10 getters, and those backing change almost swept borough
11 council. Now that they've been elected, the new borough
12 council members, working with those incumbent council
13 members, are free to implement the policies and change the
14 way Ellwood City runs its electric system. In fact, I
15 would say that we owe them the opportunity to do so. They
16 can do this without affecting the unique operations of any
17 other municipal system and without adopting a one-size-
18 fits-all answer.

19 Pennsylvania is a diverse and unique State. The
20 Commonwealth has a long history of relying on local
21 government to make important decisions, investing power in
22 local elected officials and local voters to determine what
23 is best for their community because what is good in Ellwood
24 City may not be what is best for Kutztown or Lansdale.

25 House Bill 1405 disrupts this time-honored

1 tradition in Pennsylvania, and it is directing from
2 Harrisburg what is good for all 35 boroughs who have public
3 power, disregarding the will of the voters.

4 I've been involved with local government my whole
5 career, and I know that decisions made at the local level
6 better address local priorities and local concerns. I
7 would urge the Committee to reject House Bill 1405 and
8 allow public power to continue to be a good deal for
9 Pennsylvania. Thank you.

10 MAJORITY CHAIRWOMAN HARPER: Thank you. We'll
11 hear from the panel before we take questions. Thanks.
12 Stick around.

13 MR. THOMPSON: Good morning, Chairwoman Harper,
14 Chairman Freeman, and Committee Members. I'm Robert
15 Thompson, Borough Manager in Ephrata, Lancaster County. I
16 want to thank my friend Vance Oakes for providing an
17 overview of municipal power and how our electric systems
18 are different from investor-owned utilities or IOUs. I
19 focus my comments for today's hearing on the practical
20 effects of House Bill 1405, specifically what House Bill
21 1405, if approved into law, would do to municipal budgets
22 and the drastic changes in operations House Bill 1405 would
23 force upon the 35 boroughs with public power.

24 In 1902, Ephrata purchased a steam generator for
25 \$7,000 to supply the borough with electricity and has

1 remained in the electric business since. Ephrata is the
2 largest borough in Lancaster County with a population of
3 13,394. As of the last tax year, 2017, Ephrata Borough had
4 the lowest real estate tax of any borough in the county at
5 2.28 mills. We have no General Fund debt, and yet we offer
6 extensive municipal services, including police, public
7 works, sanitation, water, sewer services, and great
8 quality-of-life amenities.

9 In 2017, the borough transferred \$1,523,544 from
10 the Electric Fund to the General Fund. This payment in
11 lieu of taxes, or PILOT, by Ephrata Electric System amounts
12 to 13 percent of the borough's 2017 General Fund budget.
13 This policy is not unique. In fact, most of the 2,000
14 municipalities across the country that are served by our
15 municipal electric have PILOTS.

16 Our borough council supports the policy of lower
17 real estate tax rates over lower electric rates because
18 customers can impact what they pay for electricity through
19 conservation practices, and the payment from a municipal
20 electric system broadens the revenue base to make sure that
21 even not-for-profit entities who do not pay real estate
22 taxes provide some revenue to the borough for the services
23 that they receive. This policy decision is local, made by
24 elected representatives of Ephrata. If the policy is not
25 working, I'm sure the voters of Ephrata would elect new

1 councilmembers to change the policy.

2 If House Bill 1405 was law and a PILOT or
3 transfer from the Electric Fund was prohibited in 2017, we
4 would need to increase real estate taxes from 2.28 mills to
5 6.68 mills or an average of \$696 per household to make up
6 the shortfall. Under a full repeal of the PILOT, a typical
7 residential electric customer using 1,000 kilowatt hours
8 per month would see a decrease of only \$263 per year in
9 their electric bill.

10 The Pennsylvania Municipal Electric Association
11 has projected that the average real estate tax increase for
12 the 35 municipalities as a result of the full
13 implementation of House Bill 1405 would be 379 percent.
14 Ending the PILOT as proposed in House Bill 1405 is a bad
15 deal for Ephrata taxpayers and a bad deal for other
16 taxpayers served by municipal power.

17 The Pennsylvania Municipal Electric Association
18 has provided the Committee with an analysis of the property
19 tax rate in the 35 boroughs that have municipal electric
20 system compared to the average property tax in the boroughs
21 in their home county. That analysis shows that the
22 property taxes in municipal electric boroughs are on
23 average 42.5 percent lower than property taxes in other
24 boroughs in their county.

25 We know that property tax reform or property tax

1 elimination is a key legislative issue and one that has
2 significant discussion in this chamber. House Bill 1405
3 goes in the opposite direction, requiring boroughs with
4 municipal electric companies to implement huge tax
5 increases. This bill shifts the burden of revenue
6 generation in our 35 boroughs from a mix of property taxes
7 and electric PILOT to sole reliance on property taxes. As
8 I stated previously, in Ephrata property taxes would
9 increase by \$696 per year while the average residential
10 customer would see a reduction in electric rate charges of
11 only \$263.

12 A recent report by Pennsylvania Independent
13 Fiscal Office found that, statewide, 43.8 percent of all
14 homestead property tax money is paid by those 60 and older,
15 so one of the results of House Bill 1405 will be to worsen
16 the unfair burden of property taxes facing Pennsylvania
17 senior citizens.

18 Shifting to a full reliance on real estate taxes
19 would not only hit the elderly hard but it will most likely
20 lead to the 35 boroughs who are served by municipal
21 electric to reduce expenditures and harm the borough's
22 ability to provide basic services such as police, fire, and
23 public works.

24 It will have a more drastic effect on quality-of-
25 life attributes that citizens enjoy, especially those in

1 Ephrata. These include Lancaster County's most popular
2 public library, the Sharadin Bigler Theatre for the Ephrata
3 Performing Arts Center, a first-class community pool, the
4 Warwick-to-Ephrata Rail Trail, the Whistle Stop Plaza, the
5 Ephrata Recreation Center, and the development of a central
6 business district infrastructure, which serves to attract
7 and retain businesses.

8 Over the last year, legislators in Harrisburg
9 worked hard to approve the State budget that does not
10 include broad-based taxes such as personal income taxes,
11 corporate net income taxes, and sales taxes. This year,
12 the State House voted to transfer unused funds from
13 programs in order to balance the Commonwealth's budget and
14 avoid tax increases. We understand how important it is to
15 keep broad-based taxes low, and that's why we use a mix of
16 property taxes and municipal electric PILOT to keep our
17 taxes low.

18 Some supporters of House Bill 1405 argue that
19 electric rates for municipal power are much higher than the
20 rates of the IOU in the neighboring communities because
21 municipal electric rates partially support the borough's
22 General Fund budget. While that might be the case in some
23 communities, it varies across the Commonwealth. I can only
24 speak for Ephrata, and electric rates in Ephrata are lower
25 than the surrounding IOU PPL. For a typical residential

1 customer using 1,000 kilowatt hours per month, the cost of
2 electricity in the borough is \$127.45. A PPL customer
3 using the same 1,000 kilowatt hours per month who lives
4 outside the borough would pay \$148.56.

5 Finally, last fall and over the winter there's
6 been some discussion by supporters of House Bill 1405 of
7 amending the bill to make it only affect Ellwood City and
8 carve out the other 34 municipal electric systems. I
9 strongly urge you to reject this proposal. We have a
10 borough code so there is one set of rules for all boroughs.
11 This is similar for cities and townships. It sets a bad
12 precedent to make public policy to change the rules for one
13 community, and our concern would be for future targeted
14 legislative action to resolve complaints of a few citizens.

15 House Bill 1405 is not needed and, if
16 implemented, will only lead to increased property taxes,
17 reduce municipal services, and greater problems running a
18 borough that has a municipal electric system. Simply put,
19 if it's not broke, don't fix it. I urge you to reject
20 House Bill 1405. Thank you for your time.

21 MAJORITY CHAIRWOMAN HARPER: Thank you. Dave, do
22 you have testimony or anything you want to add?

23 MR. WOGLOM: No, I'm just here to answer
24 questions, should they come.

25 MAJORITY CHAIRWOMAN HARPER: Okay. I'm sure we

1 will have some questions.

2 I want to mention -- I forgot to do this earlier
3 -- Representative Hill-Evans of York County has joined us.
4 Sorry about that. Saw you, forgot to say it, okay?

5 Now, do we have questions?

6 DEMOCRATIC CHAIRMAN FREEMAN: Yes.

7 MAJORITY CHAIRWOMAN HARPER: Chairman Freeman.

8 DEMOCRATIC CHAIRMAN FREEMAN: Thank you, Madam
9 Chair. And, gentlemen, thank you for your testimony today.
10 It seems clear from your testimony that one of the effects
11 of this legislation could be that property taxes increase
12 greatly in those boroughs that currently have electric
13 systems or provide electric. And, Mr. Thompson, you
14 mentioned that it would go in your community from a millage
15 of 2 to about 6, is that correct?

16 MR. THOMPSON: That's correct.

17 DEMOCRATIC CHAIRMAN FREEMAN: Okay. You also
18 mentioned that your electrical generation produces a
19 cheaper form of electricity than PP&L, which services
20 communities outside of Ephrata. Is that correct?

21 MR. THOMPSON: Our rates are lower. We do not
22 generate any power.

23 DEMOCRATIC CHAIRMAN FREEMAN: Right. Right.

24 MR. THOMPSON: We purchase power. But our
25 portfolio consists of products that allow our generation to

1 be less, yes.

2 DEMOCRATIC CHAIRMAN FREEMAN: So selecting your
3 providers, you obviously must have some cost savings that
4 goes into that in order to offer it cheaper --

5 MR. THOMPSON: That's correct.

6 DEMOCRATIC CHAIRMAN FREEMAN: Okay. In terms of
7 your organization, too, does it provide guidelines to
8 participating municipalities in terms of how to deal with
9 issues such as pertaining to rate settings and consumer
10 protection issues?

11 MR. OAKES: That is correct. We do. The PMEA a
12 number of years ago developed a standards of good practice
13 operating procedures for our membership, and we've provided
14 them with some guidelines on issues dealing with
15 terminations that were mentioned today and a whole host of
16 other things related to the operation of a municipal
17 electric system.

18 DEMOCRATIC CHAIRMAN FREEMAN: And would you
19 happen to know offhand how many of the 35 municipalities
20 pretty much follow those guidelines?

21 MR. OAKES: I'm sorry, I don't. We could get you
22 that information.

23 DEMOCRATIC CHAIRMAN FREEMAN: Okay. That would
24 be helpful. And my last --

25 MAJORITY CHAIRWOMAN HARPER: Fine. You can

1 submit it to my office and I'll circulate it to the
2 Committee.

3 DEMOCRATIC CHAIRMAN FREEMAN: Thank you, Madam
4 Chair.

5 MR. OAKES: Yes.

6 DEMOCRATIC CHAIRMAN FREEMAN: My final question,
7 too, I know one of the issues with Ellwood City was the
8 rapid fluctuation of rates. What is the norm in the other
9 municipalities that provide this kind of service?

10 MR. THOMPSON: In Ephrata Borough, we have a
11 fixed rate for various classes of customer, and there is
12 one item called a power cost adjustment. And the power
13 cost adjustment allows us to pass on the cost to generate
14 the energy for the products that we purchase, so if it's a
15 natural gas generator, if natural gas goes up, the cost of
16 generating that power goes up as well.

17 What you don't typically hear, however, is that
18 when the cost of the power or the fossil fuels to generate
19 go down, we pass on the credits as well. And I believe
20 we've given back in the last several years in excess of
21 \$200,000.

22 DEMOCRATIC CHAIRMAN FREEMAN: That's a
23 considerable sum. And finally, I'd ask of the prime
24 sponsor, in his legislation if a municipality would choose
25 not to follow the guidelines that he's setting out in the

1 legislation, they could follow the guidelines set out by
2 the Pennsylvania-New Jersey-Maryland interconnection.
3 Could you enlighten us as to what that organization is and
4 what they do? Are you familiar with them?

5 MR. THOMPSON: Yes.

6 DEMOCRATIC CHAIRMAN FREEMAN: Okay.

7 MR. THOMPSON: PJM basically regulates the grid,
8 the distribution system, the transmission system, the wires
9 that the energy passes over into Pennsylvania, New Jersey,
10 and Maryland. They actually have various levies if you
11 will or tariffs. They do auctions and they control the
12 cost of energy through the grid system. Typically, when
13 you talk about -- one of things we talked about was energy
14 choice today. Those that take advantage of energy choice
15 only are taking energy choice for generation of power. The
16 distribution system and the transmission costs are not
17 regulated by the generator, and therefore, they're
18 generally fixed and they're the costs that you generally
19 see go up faster.

20 In our comparison with PP&L, while the cost to
21 compare for generation might be a little lower than the
22 boroughs, their distribution costs are significantly
23 higher, and the customer does not have any control over the
24 distribution cost. They only have control over the
25 electric generation costs.

DEMOCRATIC CHAIRMAN FREEMAN: That's a very good point to make. Thank you.

I guess that concludes my questions. Thank you.

MAJORITY CHAIRWOMAN HARPER: Okay. I think, Representative Diamond, you were next, right?

REPRESENTATIVE DAY: I'm up at some point.

MAJORITY CHAIRWOMAN HARPER: I'm sorry. I missed you.

REPRESENTATIVE DAY: Put me on at some point.

Put me on.

MAJORITY CHAIRWOMAN HARPER: Okay. We'll go to Representative Day next because I missed him on the last ground, but, Representative Diamond, you have the floor. Go ahead.

REPRESENTATIVE DIAMOND: Okay. Of the roughly three dozen boroughs here, how many of them actually generate their own electricity and how many of them are purchasing it from another generator and reselling it?

MR. OAKES: There are no members of the PMEA, none of the 35 that generate 100 percent of the their electricity needs for their consumers. Chambersburg and the Borough of Berlin, they own generation assets and they can operate those when needed, but they do not supply 100 percent of the baseload needs of their community.

REPRESENTATIVE DIAMOND: So nobody solely

1 generates their own electricity --

2 MR. OAKES: That is correct.

3 REPRESENTATIVE DIAMOND: -- as far as a borough?

4 MR. OAKES: Correct.

5 REPRESENTATIVE DIAMOND: Okay. Okay. And that
6 gives me concern and part of the reason why I'm a supporter
7 of this bill is because I believe every Pennsylvanian
8 should be able to have choice. I know we don't have this
9 kind of system in my township, but we do have a monopoly on
10 cable TV, which I absolutely hate, so I understand the
11 logic there.

12 I wanted to ask you, do you have any figures,
13 Mr. Oakes, on -- when everybody touched on property taxes,
14 I can see that the base of the ratepayers is larger than
15 the base of property tax payers due to nonprofits, that
16 sort of thing. Do you have any figures you could submit to
17 the Committee of in these boroughs how many of the
18 ratepayers are not paying property taxes? Could you
19 prepare that and submit that to the Committee?

20 MR. OAKES: I'm sure that is something we could
21 provide. I don't have that information today.

22 REPRESENTATIVE DIAMOND: Okay.

23 MR. OAKES: I could tell you in my hometown in
24 Grove City Borough, we're the home of Grove City College
25 and we're the home of the local school district as well --

1 REPRESENTATIVE DIAMOND: Right.

2 MR. OAKES: -- so we see more than 60 percent of
3 the real estate in our borough as being tax-exempt --

4 REPRESENTATIVE DIAMOND: Okay.

5 MR. OAKES: -- where as those utilities are
6 provided to those entities --

7 REPRESENTATIVE DIAMOND: Yes, I think those were
8 the important figures for the Committee to see before we
9 take further action on this. And just one more comment on
10 the property tax because you both mentioned it. For me,
11 who I'm a complete supporter of the total elimination of
12 property tax, your arguments may push me a different way
13 than you think because I see some of the members of these
14 communities who may not be on my bandwagon yet, and I may
15 want to make it worse for them so that they get on my
16 bandwagon to eliminate property taxes.

17 MAJORITY CHAIRWOMAN HARPER: Well, thank you for
18 being --

19 REPRESENTATIVE DIAMOND: Be careful when you push
20 that.

21 MAJORITY CHAIRWOMAN HARPER: -- so honest,
22 Representative Diamond.

23 REPRESENTATIVE DIAMOND: Well, it's like, you
24 know, we've been trying to get support for that, and here,
25 you're giving me a reason to vote for a bill that might add

1 to the support for that. So be careful how you push that
2 issue.

3 MAJORITY CHAIRWOMAN HARPER: And be careful what
4 you wish for, Representative Diamond.

5 Okay. Representative Day.

6 REPRESENTATIVE DAY: Thank you, Madam Chair.

7 And I have two questions, the first one for this
8 panel. There's a general idea that government fees are
9 associated with the cost of the services provided for those
10 fees, and this allows for government cost to be examined,
11 compared, scrutinized by the public. You know, generally,
12 I support this bill because for transparency and it forces
13 clear delineation between the funds and what the funds are
14 used for, which I think is a good practice.

15 You know, I think that the argument of, well,
16 this will drive up property taxes, yes, that's a bad
17 political argument to have and everything, but we make
18 policy, and the policy should be clear transparency so the
19 people can then go to the local municipalities, participate
20 in the public discourse, and know exactly what the
21 comparisons are, what the metrics are.

22 There's no doubt in my mind that we have a role
23 to play here. By setting the rules for the use of funds
24 between the General Fund and the Electric Fund, I think
25 it's good policy is where I'm coming from. I think it's

1 important that I share that with you and everyone here.

2 Mixing both funds is a way to tax businesses and
3 other electric ratepayers to lower the municipal tax burden
4 to residents is something that is politically pleasing and
5 something that if I was the manager I'd probably be looking
6 to do as well if I had the ability to do that. But it's
7 something that we should definitely in the Legislature make
8 a policy on this with our eyes open.

9 So I want to just ask you my question that I need
10 to get from you is do you think municipalities should be
11 totally unfettered in the transfer of monies between two
12 different funds? Do you think it should be like, you know
13 -- in my next question you're going to see I'm going to ask
14 Representative Bernstine about, you know, if I use a
15 municipal employee to provide electric service, I think
16 there should be a small transfer of funds for that purpose
17 with an administrative fund for, you know, your management
18 of both maybe as a manager, but when all of the sudden at
19 the end of the year we decide we want to have a parade and
20 we want to spend \$150,000, where are we going to go grab it
21 from? That's what I want to kind of rein in.

22 So I'll go back to my question. Do you think
23 municipalities should be unfettered, transfer as much as
24 they want from one fund to the other?

25 MAJORITY CHAIRWOMAN HARPER: Representative, is

1 your question do you think municipalities, which are
2 subject to the Sunshine Act, the right-to-know law, the
3 Borough Code and a million other laws should be unfettered
4 within those guidelines? Because they're obviously not
5 unfettered. They do nothing unfettered to the best of my
6 knowledge. So is that your question?

7 REPRESENTATIVE DAY: Madam Chair, I would
8 appreciate the opportunity to question the people at this
9 public hearing --

10 MAJORITY CHAIRWOMAN HARPER: Okay. They can
11 answer that --

12 REPRESENTATIVE DAY: -- without a defense
13 attorney framing my question for me.

14 MAJORITY CHAIRWOMAN HARPER: They can answer
15 that, but I think that we're the Local Government
16 Committee. If we don't understand local government, that's
17 a problem. And this is an amendment to the Borough Code,
18 okay, which is the guiding document for the boroughs. You
19 can answer the question, but let's have fair questions here
20 in view of the fact that we know that local governments are
21 regulated by several statutes, and they are not unfettered
22 in anything they do. Somebody want to answer that
23 question?

24 MR. THOMPSON: So we believe that the current
25 system results in local decisions being made by local

1 officials, whether it's rates, whether it's what streets to
2 resurface, how many policemen to have, whichever the case,
3 so we don't believe we're unfettered. And in fact, while
4 there are many practices that are very common amongst our
5 35, there are some of them that take divergent paths. For
6 instance, three of our municipalities do not make any
7 transfer from the Electric to the General Fund. Three
8 different municipalities have no real estate tax. So these
9 are all local decisions being made by local officials, and
10 our position is that Pennsylvania is all about local
11 government and decentralized decision-making, and this
12 leaves all of these decisions to be made by local people
13 who live and obviously govern in each of these local
14 municipalities. And --

15 REPRESENTATIVE DAY: Thank you. I appreciate
16 your answer. Thank you very much.

17 Representative Bernstine, I wanted to ask you
18 another question. You know, borough electric companies are
19 better in provisioning of these services. They're helpful
20 in a borough in my district. The borough I believe should
21 be allowed to charge the Electric Fund for services that
22 borough employees provide to the electric service and vice
23 versa. If you use an electric service person for borough
24 activity, I think you should be able to transfer that
25 either way, plus an administrative fee 4 to 7 percent, plus

1 just another 4 or 7 percent. But I support you in what
2 you're trying to do with large amounts being transferred
3 back and forth with my definition of unfettered, not the
4 definition redirected by our Chair and the answer. You
5 guys obviously have different -- so, Representative
6 Bernstine, would you agree that some reasonable charges be
7 allowed to be charged from one fund to the other?

8 REPRESENTATIVE BERNSTINE: Thank you,
9 Representative. They are. And the way that our
10 legislation is written -- I can't look at you and talk
11 so --

12 REPRESENTATIVE DAY: Yes, that's fine.

13 REPRESENTATIVE BERNSTINE: -- because it's taken
14 away. So the way that our legislation is written is very
15 clear in the manner that should there be an employee, for
16 example, that works for the borough and then works for the
17 electric, you could charge for that particular employee.
18 So any fees or anything associated whatsoever with the
19 electric company, that would be able to -- I'm going to use
20 the word write-off. It's not how it's written in the
21 language, but a write-off in the fact that you're just not
22 allowed to transfer the profits. Those electric municipal
23 monopolies are not allowed to have a profit out of that,
24 and that's what we're trying to stop.

25 REPRESENTATIVE DAY: What would you do with the

1 profit? Would you require a reduction in rates?

2 REPRESENTATIVE BERNSTINE: It is. Correct.

3 REPRESENTATIVE DAY: Okay. Thank you, Madam
4 Chair.

5 MAJORITY CHAIRWOMAN HARPER: Thank you.
6 Representative Miller.

7 REPRESENTATIVE MILLER: Thank you, Madam Chair,
8 and thank you for your testimony.

9 A couple quick questions. The electrical
10 component that you have as part of your municipalities, is
11 that similar to an authority like a sewer authority that's
12 kind of spun off or is that considered like a department
13 within your respective boroughs?

14 MR. THOMPSON: In Ephrata Borough we have a
15 specific electric fund, so the charges and expenditures for
16 electric service go into the fund. The PILOT is the single
17 transfer that transfers from Electric Fund to the General
18 Fund, so I don't know if that --

19 REPRESENTATIVE MILLER: So does the electrical
20 component have any employees?

21 MR. THOMPSON: Yes, we have our own employees,
22 and the other piece of that is when you look at the
23 transfer is it's the same customer base within the electric
24 division as the General Fund or the geographic boundaries
25 of the borough. In many cases, water and sewer

1 authorities, the customer base extends beyond the municipal
2 boundary, and then you start comingling revenues from
3 customers that are from the borough and outside the
4 borough. So that's why we restrict the transfers only from
5 the Electric Fund to the General Fund.

6 REPRESENTATIVE MILLER: And in your
7 organizational flowchart, are you the manager over the
8 employees of the electrical component?

9 MR. THOMPSON: Ultimately, yes. We have an
10 electric division with an electric division manager, who
11 supervises linemen. We operate and maintain our own
12 electric distribution system, as well as we have a power
13 supply manager.

14 REPRESENTATIVE MILLER: Okay. And final
15 question. For both of your boroughs and maybe you can
16 speak more broadly, if this bill were to be enacted and the
17 boroughs had to switch out to what most municipalities
18 have, would your respective bottom line budget number
19 change or would it be a different pot of where the money
20 comes from?

21 MR. THOMPSON: As far as the total budget, we go
22 through a fairly extensive vetting process when we do our
23 budget, and we believe that we have a very responsible
24 budget and it is as low as it should be for the services
25 that we provide. Now, with that said is can you lower

1 expenditures? You can do so by lowering service levels.
2 You can do so by eliminating employees or lowering -- on
3 the General Fund side, approximately 75 to 76 percent of
4 all expenditures are personnel-related, so that really
5 reduces down to about 25 percent of materials and supplies
6 and outside services that you can have significant impacts,
7 and over the years, those have gone down to what we believe
8 to be minimum levels for services levels in our community.

9 REPRESENTATIVE MILLER: So forgive me, a follow-
10 up question then. So if, for instance, you have -- I'm
11 making a guess here -- 10 employees in the electric
12 division and this law were to be passed and you would have
13 to divest those employees and all, your overall budget
14 number -- let's say it's \$20 million for the borough or
15 whatever -- could potentially be the same or lower?

16 MR. THOMPSON: We would probably not divest
17 ourselves of the electric division employees. It would
18 more be General Fund employees would be impacted because
19 the real estate tax rate would go up, General Fund costs
20 would go up, and we would be looking to reduce the General
21 Fund, not the Electric Fund.

22 REPRESENTATIVE MILLER: Okay. Thank you very
23 much.

24 MAJORITY CHAIRWOMAN HARPER: Representative
25 Wheeland.

1 REPRESENTATIVE WHEELAND: Thank you, Madam Chair,
2 and thank you, gentlemen, for your testimony.

3 History tends to teach us a lot. I'm a firm
4 believer in looking back in history. So if we look back in
5 history, present day, there's 35 boroughs. What was it
6 previously? What did the Commonwealth peak out as boroughs
7 or municipalities that maintained their own electric, any
8 idea historically?

9 MR. THOMPSON: To my knowledge, it's always been
10 35.

11 REPRESENTATIVE WHEELAND: So it's been 35 --

12 MR. THOMPSON: I don't think it ever got higher.

13 REPRESENTATIVE WHEELAND: Never got higher?

14 MR. THOMPSON: No.

15 REPRESENTATIVE WHEELAND: And then the second and
16 the last question is if this is such a good deal for the
17 folks in these boroughs, which in some cases if this is
18 accurate, it is a good deal for constituents in certain
19 boroughs and maybe not so good for other boroughs, how many
20 boroughs are looking at doing like these 35? Are there
21 boroughs out there looking to do their own electrical?

22 MR. THOMPSON: It would be very, very expensive
23 for any municipality not currently in the public power
24 business to get into the public power business. First of
25 all, there would be a major expense at the entry point

1 where the public power would come into the municipal line.
2 The municipality would have to acquire, buy the poles and
3 transformers, hardware, the meters --

4 REPRESENTATIVE WHEELAND: Understood.

5 MR. THOMPSON: -- from the IOU. So there would
6 be a huge upfront cost. A municipality could borrow that,
7 spread it out over 30 years, et cetera, but it would be
8 very, very expensive now to get into the business.

9 REPRESENTATIVE WHEELAND: So basically, since the
10 invention of electricity, we've always had 35 boroughs --

11 MR. THOMPSON: Right.

12 REPRESENTATIVE WHEELAND: -- basically and
13 nobody's looking to get into the business and nobody's
14 looking to get out?

15 MR. THOMPSON: Correct. I mean, the --

16 REPRESENTATIVE WHEELAND: Fair assumption? Okay.

17 MR. THOMPSON: The 35 of these municipalities, as
18 Mr. Oakes said, all got into this at the turn of the
19 century around 1900 when power first became available.

20 REPRESENTATIVE WHEELAND: Okay.

21 MR. THOMPSON: Their elected people had the
22 wisdom --

23 REPRESENTATIVE WHEELAND: Okay.

24 MR. THOMPSON: -- to get into this business, and
25 they've stayed in the business.

1 REPRESENTATIVE WHEELAND: Thank you.

2 MAJORITY CHAIRWOMAN HARPER: Representative
3 Mehaffie.

4 REPRESENTATIVE MEHAFFIE: Thank you, Madam Chair.
5 Thank you, gentlemen.

6 A quick question: Do we have any other boroughs
7 out of the 35 that have the same problem that Ellwood City
8 has or Ellwood Borough, sorry. Is there anybody out there
9 that's having this same problem?

10 MR. OAKES: We are not aware of any concerns such
11 as what we're hearing about Ellwood City at this point.

12 REPRESENTATIVE MEHAFFIE: Okay. And a quick
13 question if you can be very quick with this is how did they
14 get into this problem, and what have you done as your
15 organization to help them get out of this problem?

16 MR. OAKES: So borough officials first spoke to
17 me as the Association President over a year ago about the
18 problem. Ellwood City has a retail rate structure that
19 varies. As Mr. Thompson said previously, they have what's
20 called a power adjustment factor that changes.

21 Mr. Bernstine made reference earlier to a greatly
22 fluctuating retail rate. So as I worked with Ellwood City
23 to help them, we put together some statistical information
24 just to see what this varying retail rate structure was.
25 And in fact over a three-year period, the most recent

1 three-year period, the retail rates fluctuated only 31
2 percent. However, the vast majority of that 30 percent
3 came during what's called a polar vortex period of only
4 three months, which took place about a year-and-a-half ago.

5 So one of the things that Ellwood City did in
6 response to this concern that some of their constituents
7 had was approximately six months ago they fixed their
8 electric rate -- when I say fixed, made it steady so this
9 power adjustment factor went away. It remained the same.
10 So for the past six months, there hasn't been any
11 fluctuation in the retail rates in Ellwood City. It's the
12 same. And our argument here is these are local decisions
13 being made by local people concerning local issues. In
14 Ellwood City, there was this concern, which borough council
15 heard from some of their constituents, and in response to
16 that, they reacted and changed their rate structure so that
17 there wouldn't be any kind of a fluctuation.

18 MAJORITY CHAIRWOMAN HARPER: Okay.

19 REPRESENTATIVE MEHAFFIE: Thank you, Madam Chair.

20 MAJORITY CHAIRWOMAN HARPER: Representative
21 Bernstine had something he wanted to say?

22 REPRESENTATIVE BERNSTINE: Yes, a couple -- and
23 I'll play rapid-fire, so quick answer, quick -- if I could.
24 First and foremost, the information on the taxes that was
25 here, from my understanding, you know, I'm a big

1 believer -- and I would refer you to -- the facts are
2 stubborn but statistics are more pliable, by Mark Twain,
3 okay? And I don't mind, but I want to point you to a
4 couple quick things.

5 Pitcairn -- and by the way, I probably totally
6 botched that, so pardon me. Is that right? Not bad. Not
7 bad for a western PA guy. Variance from county average
8 2.91 percent just over county average. Not bad, right,
9 folks, not too bad? In fact, 131 municipalities in
10 Allegheny County, these folks have the 27th highest tax
11 rate. We can go down to Middletown, 13 percent lower than
12 the average. Well, folks, once again, those stubborn
13 facts, 40 municipalities in Dauphin County, they're ranked
14 ninth, happy to be in the top 25 percent. We'll go down to
15 Watsontown Borough, 5.35 percent higher, not too bad, but
16 in fact they have another good ranking of 8th of 36 in the
17 highest tax rate. My point is, folks, the pliable figures
18 that are here and what has been done by this is inaccurate
19 and it's deceptive and it's unfortunate.

20 The other thing that I would share with you is
21 this: We have right here as we see the municipal rate
22 comparison. Now, the interesting piece about this is from
23 my understanding and my analysis this documentation is
24 right, so I appreciate you providing accurate information.
25 But here's what I find extremely troublesome. And if I

1 could, I will address just the Grove City piece if I could.
2 So \$143 to \$131, not a significantly higher rate but that's
3 a little bit more, right? But here's the part that's
4 interesting. That is if you do not have supplier choice.
5 That may not seem like a significant amount of money.
6 That's 9.2 percent. But the truth is, sir, if they
7 utilized supplier choice, it's 27.8 percent higher than
8 they would have on the open market.

9 So I have one simple question for you. In your
10 borough, sir, what else do you ask your residents to pay a
11 27.8 percent higher premium for? Gasoline, food, water,
12 transportation? What else do you ask people to pay a
13 higher rate for?

14 MAJORITY CHAIRWOMAN HARPER: Representative, a
15 little decorum and respect for people who have traveled
16 long distances to testify today would be in order for any
17 Member of this Committee at a hearing.

18 REPRESENTATIVE BERNSTINE: Thank you, Madam
19 Chair. My question was very simply the information
20 provided I was curious to know is they believe that it's
21 acceptable to pay a 27.8 percent rate higher. I was
22 curious to know what other factors --

23 MAJORITY CHAIRWOMAN HARPER: I think your
24 question is argumentative. I will allow the gentleman to
25 answer it, and we will move on. Please answer.

1 MR. OAKES: Thank you. If I may, in regard to
2 the statistics, I personally am the gentleman that put this
3 report together for the Committee, and I would invite you
4 if you go to the DCED's website, we could take out our
5 smartphone and do this right now. Local government
6 statistics are available. I downloaded an Excel
7 spreadsheet and parceled out from that spreadsheet all
8 boroughs in all counties in Pennsylvania, and I actually
9 have a printout copy of that. If you would like to share
10 that with the Committee Members, I'll make it available to
11 you. Those are the facts.

12 MAJORITY CHAIRWOMAN HARPER: Thank you. If
13 you'll give that printout to me, I'll make sure the
14 Committee gets it.

15 MR. OAKES: Certainly.

16 MAJORITY CHAIRWOMAN HARPER: And thank you for
17 your testimony. Now, we'll be moving on because we have a
18 schedule to keep and we're behind schedule.

19 Next up, Patrick Cicero from the Pennsylvania
20 Utility Law Project and Beverly Annarumo, President of the
21 Ellwood City Hospital. I know Patrick Cicero is here
22 because I saw him earlier. Is the President of the
23 hospital here? Oh, there you are. Please take a seat.
24 Thank you.

25 MR. CICERO: Good morning.

1 REPRESENTATIVE BERNSTINE: Their operations
2 director is here.

3 MAJORITY CHAIRWOMAN HARPER: Okay. Is there
4 someone else who wants to testify as part of this panel?
5 Could you identify yourself, sir?

6 MR. SANTILO: Charles Santilo.

7 MAJORITY CHAIRWOMAN HARPER: Thank you, Charles
8 Santilo. Please have a seat. Do you guys have an order
9 for your panel?

10 MR. CICERO: Whatever pleases the Committee.

11 MAJORITY CHAIRWOMAN HARPER: Whatever gets it
12 done quickly and efficiently would be my bet, so why don't
13 you go, Patrick, because you look ready.

14 MR. CICERO: Sounds great. I am ready. Thank
15 you, Chairpersons Harper and Freeman and Members of the
16 House Local Government Committee. I also want to thank you
17 and Representative Bernstine for inviting me to testify
18 today about House Bill 1405.

19 You have in your packets my written testimony.
20 I'm going to summarize that. I'm not going to go through
21 it in great detail.

22 We've heard a lot of conversation today about
23 Section 1 of the legislation in House Bill 1405. Most of
24 my testimony is going to be about Section 2. And Section
25 of that legislation are consumer protections that would

1 look to replicate some of the consumer protections that
2 exist under the Public Utility Code. And I think that
3 they're pretty important, and I'm going to talk to you
4 about why they are and hopefully be able to answer any
5 questions you have about those consumer protections.

6 So I am the Executive Director of the
7 Pennsylvania Utility Law Project or PULP. PULP is a
8 designated statewide specialty project of the Pennsylvania
9 Legal Aid Network focused exclusively on low-income utility
10 issues. For almost four decades, our organization has
11 provided legal representation and support, information,
12 consultation, and advocacy in conjunction with local legal
13 aid and community-based organizations. We represent
14 clients before the Public Utility Commission, before
15 Department of Community Economic Development, and the
16 Department of Human Services, on all matter of utility
17 issues. Much of our advocacy focuses on energy issues
18 because the ability of low-income Pennsylvanians to connect
19 to and maintain essential services, including heat and
20 light, is an ongoing concern.

21 Others today have testified about the importance
22 of flexibility on the parts of municipalities in setting
23 rates. I understand the need for such flexibility. Today,
24 however, I want to talk to you about the needs of low-
25 income electric consumers who have to pay rates they often

1 cannot afford. Each year, we represent hundreds of low-
2 income households facing the loss of critical utility
3 service. Some of these households receive electric service
4 from the 35 municipal electric utilities. Unfailingly,
5 these are among the most difficult cases for us to handle
6 because of the lack of statutory and regulatory protections
7 for these consumers.

8 When we are unable to adequately resolve
9 municipal electric issues, our clients often face drastic
10 choices: the costly and devastating eviction, foreclosure,
11 and even child dependency proceedings because of lost
12 electric services. The consequences of the loss of a
13 utility are far more significant and far more pervasive
14 than simply having the lights out.

15 The list of consumer protections provided in
16 House Bill 1405 would go a long way in terms of ensuring
17 that households receiving service from a municipal utility
18 have the tools needed to maintain service during
19 economically vulnerable periods. It is important for the
20 Committee to recognize that low-income households face
21 burdens when they're required to purchase electricity.

22 Unlike electricity provided by public utilities
23 regulated by the Public Utility Commission, municipal
24 electric providers do not generally have low-income rates
25 or programs designed to help utility consumers and low-

1 income consumers reduce their electric bills. These
2 households also do not receive the benefit of well-
3 developed regulatory and statutory protections and the
4 ability to have their dispute determined by a neutral third
5 party. Despite this, low-income households served by
6 municipal utilities face the same affordability problems.

7 I would point you to Chart 1 on page 3 of my
8 written testimony, which lists the energy burdens of
9 Pennsylvania households. This information is gathered
10 annually, and what it shows is that there are about 300,000
11 Pennsylvania households who live in what's called deep
12 poverty. Deep poverty is defined as households living
13 below 50 percent of the Federal poverty guidelines. To
14 give you a sense of context, the 2016 Federal Poverty
15 Income Guidelines -- and I'm using 2016 because the energy
16 burden data I have is 2016 data -- is about \$12,000 for a
17 family of four. There are 300,000 households in our
18 Commonwealth who live below that level.

19 You can see there are about a million-and-a-half
20 Pennsylvania households -- and that represents about 4
21 million people or 25 percent or so of our Commonwealth --
22 that live below 200 percent of the Federal poverty
23 guidelines. These households always pay a significant
24 portion of their monthly income for energy. Chart 2 on
25 page 4 gives you some of those Federal poverty levels to

1 give you context about what we're talking about.

2 Pennsylvanians with income at or below these
3 thresholds are very poor and struggle monthly. Unlike
4 other goods and services, there's no ready substitute for
5 electricity. When families cannot pay, they are simply
6 forced to go without service for periods of time, and the
7 consequences that I spoke of earlier often befall these
8 households.

9 Living without electric service is more than an
10 inconvenience. Lack of refrigeration causes food to spoil,
11 families cannot cook hot meals or take hot showers, and
12 most often, furnaces are not operational even if they run
13 on an alternative fuel such as oil or natural gas.

14 House Bill 1405 is no panacea, but it is a start.
15 In reviewing the legislation as it is currently
16 constructed, there are several changes that should be made
17 I believe to clarify certain intent. I list those changes
18 in my written testimony and won't belabor them here. They
19 deal with carrying over some language from Title 66, which
20 is the Public Utility Code, that isn't necessarily
21 applicable to municipal utilities. And so if you look at
22 my written testimony, you'll see some of the changes that I
23 believe would be necessary.

24 The only one I want to specifically talk about in
25 my oral remarks is on page 7 and lines 3 through 4. Here,

1 this would require the municipality to enter into at least
2 one payment agreement with a household. I believe the
3 intent should be clarified. Currently, the language says
4 the borough may enter into a payment agreement. I think it
5 is critical for households to have second chances. Because
6 of the nature of poverty, households often have to juggle
7 their bills each month and cannot always pay every bill on
8 time and in full. If a customer falls behind on their
9 electric bill, they should be provided a reasonable period
10 of time to catch up. I would suggest that the "may" be
11 changed to "shall" so that boroughs, like other utilities,
12 shall provide at least one opportunity for a second chance.

13 I know that some Members of the Committee are
14 concerned about the impact of House Bill 1405 on the
15 ability to generate revenue for other municipal functions.
16 I am not insensitive to concerns of municipalities in
17 managing their revenue streams to provide needed services
18 for their constituents. It is important to remember,
19 however, that electricity rates, unlike, say, property
20 taxes, are typically regressive in nature. That is, poor
21 households pay the same rate per kilowatt hour as wealthy
22 households and middle-income households but do so with far
23 less income. Property taxes tend to be measured based on
24 the value of homes. Those with more expensive homes tend
25 to pay more than those with less expensive homes.

1 Furthermore, there is no ready substitute for a household
2 to do without electricity.

3 Every rate design and rate mechanism comes with
4 positive and negative attributes in terms of bill impacts,
5 revenue, and public interest concerns. Utilities and
6 municipalities often seek rate designs and rate recovery
7 mechanisms that guarantee recovery of costs to meet other
8 needs but rarely do they recognize the need for assistance
9 programs that are designed to help economically vulnerable
10 households.

11 House Bill 1405 appears targeted to ensure that
12 utilities have the revenue needed for the public service
13 provided. With the additional consumer protections
14 contained in Section 2, as amended, or the suggestions of
15 amendment contained in my written testimony, we believe
16 that the bill goes a long way in leveling the playing field
17 for low- and moderate-income households, and with the
18 corrections suggested here, we believe it should be adopted
19 by the Committee.

20 Thank you for the opportunity to testify and
21 provide this information. I'm available to entertain
22 questions that the Committee may have after my fellow panel
23 members have an opportunity to speak to you.

24 MAJORITY CHAIRWOMAN HARPER: Thank you. Next?

25 MS. ANNARUMO: Hi. I'm Beverly Annarumo. I'm

1 the CEO of Ellwood City Hospital. We were a not-for-profit
2 hospital for greater than 100 years. We were just recently
3 sold and are for-profit now, so we will be paying taxes.

4 What I'm hearing today, I can only speak from our
5 side of it. We pay on average about \$40,000 a month for
6 our electric bill. If we take the figures that we are
7 about 25 percent higher because we can't shop our power out
8 to another source, we're paying about \$120,000 a year more
9 than what we really should. I look at that in terms of
10 what could I do with \$120,000 to help my community?

11 Now, we offer a Meals on Wheels program. We
12 service about 50 elderly folks. We do that through a
13 volunteer program. We have 60- and 70-year-olds out there
14 trying to help feed the 80- and 90-year-olds. With
15 \$120,000, I could hire a couple people and quadruple what I
16 could do with that type of money. You know, we could
17 upgrade. We have a system where we have help for elderly.
18 They push a button; they get help. We could upgrade our
19 system and offer that to more folks.

20 You know, I also look at it from the perspective
21 of if what Representative Bernstine said is true about our
22 police department, you know, my folks that I work with,
23 they haven't had wage scale adjustments in greater than 10
24 years because we, as a nonprofit hospital, couldn't afford
25 it, you know, and they're making these large amounts of

1 money.

2 The last thing that I heard today and it just hit
3 me while I was sitting here is that, you know, hospitals
4 and schools were made nonprofits for a reason. By
5 government regulations, they became nonprofits. It sounds
6 to me like these municipalities are finding a way around
7 what the government said was a nonprofit, for whatever
8 reason they became a nonprofit, to tax them anyway. It
9 just seems like it's kind of not fair. They were nonprofit
10 for a reason, and you're taxing them a roundabout way.

11 MAJORITY CHAIRWOMAN HARPER: Okay?

12 MS. ANNARUMO: Yes.

13 MAJORITY CHAIRWOMAN HARPER: I'm going to start
14 off with a question because I'm curious. If you're now a
15 for-profit hospital, do you know what your taxes will be?

16 MS. ANNARUMO: We just got our tax bill -- we
17 just got it. We just became for-profit --

18 MAJORITY CHAIRWOMAN HARPER: Yes, you would have
19 gotten your --

20 MS. ANNARUMO: -- in October.

21 MAJORITY CHAIRWOMAN HARPER: -- borough and
22 county taxes.

23 MR. SANTILO: We did not receive our borough bill
24 yet. We received our county taxes so far.

25 MAJORITY CHAIRWOMAN HARPER: So do you have any

1 idea what your borough taxes will be now that you're for-
2 profit?

3 MR. SANTILO: No, we don't know but what I've
4 heard is it's going to be around \$90,000 just for the
5 hospital building.

6 MAJORITY CHAIRWOMAN HARPER: Okay. So you'll be
7 paying -- and that's just borough taxes, and your school
8 taxes are likely to be --

9 MR. SANTILO: They're probably going to --

10 MAJORITY CHAIRWOMAN HARPER: -- much higher than
11 that.

12 MR. SANTILO: Probably going to be more. The
13 county tax is around \$88,000 from what I saw.

14 MAJORITY CHAIRWOMAN HARPER: Okay. And as a
15 nonprofit, you consume the electricity that you paid for,
16 right? I mean, hospitals are big users of electricity,
17 right?

18 MS. ANNARUMO: Yes.

19 MAJORITY CHAIRWOMAN HARPER: Okay. So you're
20 supporting Representative Bernstine's bill because you
21 would like the ability, even if your taxes will greatly
22 increase, to save money on electricity?

23 MS. ANNARUMO: Yes. And here's why: Because of
24 the --

25 MAJORITY CHAIRWOMAN HARPER: Okay.

1 MS. ANNARUMO: -- fluctuation, we never know
2 where our bill's going to be. At least with taxes, we can
3 write them off and we know what our bill's going to be.
4 There's not every month it's going to be a different amount
5 of money.

6 MAJORITY CHAIRWOMAN HARPER: Right. Okay. I'm
7 looking at your controller here. You're the controller,
8 right?

9 MR. SANTILO: No, I'm --

10 MAJORITY CHAIRWOMAN HARPER: No?

11 MR. SANTILO: -- the Facilities Director.

12 MAJORITY CHAIRWOMAN HARPER: Okay.

13 MR. SANTILO: Yes.

14 MAJORITY CHAIRWOMAN HARPER: Because it was my
15 understanding that the cost of doing business for a
16 hospital would include your electric.

17 MS. ANNARUMO: Yes.

18 MAJORITY CHAIRWOMAN HARPER: Yes.

19 MS. ANNARUMO: We are regulated, though. I mean,
20 you know, we're again, a not-for-profit for a reason I
21 think --

22 MAJORITY CHAIRWOMAN HARPER: Well, you're not a
23 not-for-profit. You are --

24 MS. ANNARUMO: We are now.

25 MAJORITY CHAIRWOMAN HARPER: -- for-profit at the

1 moment, right?

2 MS. ANNARUMO: We are. Yes.

3 MAJORITY CHAIRWOMAN HARPER: Okay.

4 MS. ANNARUMO: We are now. But not-for-profits
5 are made not-for-profit for a reason --

6 MAJORITY CHAIRWOMAN HARPER: Right.

7 MS. ANNARUMO: -- because you're mandated to keep
8 within certain guidelines, that kind of thing. But we are
9 using our electricity.

10 MAJORITY CHAIRWOMAN HARPER: Right. Okay. So I
11 guess what I'm asking is the tradeoff you're asking us for
12 is we're willing to pay much higher property taxes as long
13 as we get \$120,000 break we believe on our electricity?

14 MS. ANNARUMO: We could also write those taxes
15 off.

16 MAJORITY CHAIRWOMAN HARPER: Okay. So I see
17 where you're coming from, although I'm not sure about the
18 electricity as a cost of doing business. But that's the
19 IRS and not something I'm involved in.

20 Any other questions?

21 Chairman Freeman.

22 DEMOCRATIC CHAIRMAN FREEMAN: Given the nature of
23 the electric bill you've cited, about \$40,000 a month, have
24 you instituted any conservation measures, and if so, what
25 are those?

1 MS. ANNARUMO: I can let Charlie speak to that.

2 MR. SANTILO: Yes, sir. We have looked doing
3 some conservation measures of course. I think in our past
4 and even currently we're still not really on a positive end
5 of doing things. We've looked at measures to reduce
6 energy. We looked at changing our lighting systems out.
7 We looked at variable speed drives on equipment. We looked
8 at new equipment. The problem is we can't afford it or we
9 couldn't afford it at the time. We're kind of lost with we
10 don't have the competitive advantage we felt, too, with
11 purchasing of power. Being locked into one power grid, one
12 power system, we couldn't shop like you would typically
13 shop for energy.

14 DEMOCRATIC CHAIRMAN FREEMAN: No, I understand
15 that, but obviously, you could save some money through --

16 MR. SANTILO: We could --

17 DEMOCRATIC CHAIRMAN FREEMAN: -- the
18 implementation of conservation.

19 MR. SANTILO: We could do that if we had the
20 finances --

21 DEMOCRATIC CHAIRMAN FREEMAN: So --

22 MR. SANTILO: -- to do that, yes, sir, we would
23 do that.

24 DEMOCRATIC CHAIRMAN FREEMAN: At this point
25 you've looked at it but you haven't implemented any?

1 MS. ANNARUMO: So I know that Charlie -- I'm
2 sorry. I'm fairly new to the CEO role at the hospital, but
3 I know in the past Charlie has gone to the borough and
4 asked them for help. You know, other communities have had
5 Penn Power or whatever be able to go in and help with
6 lighting, changing out lightbulbs to more efficient
7 lighting systems. We don't have that advantage. Charlie,
8 you can speak to that.

9 MR. SANTILO: There was the Act 129 I believe.
10 It was where the energy provider would help and assist the
11 consumer with changeout of light systems and those types of
12 things.

13 DEMOCRATIC CHAIRMAN FREEMAN: I'll yield to the
14 Chair.

15 MAJORITY CHAIRWOMAN HARPER: Right. So let me go
16 back to your statement. Did you go to the borough and ask
17 them for a special rate? Many boroughs that generate
18 electricity or sell electricity have special rates for big
19 users who are also big employers and are otherwise
20 beneficial to the community. So did you go to Ellwood City
21 and ask them, "Give us a special rate"?

22 MR. SANTILO: We did. We did.

23 MAJORITY CHAIRWOMAN HARPER: Okay. So if the
24 bill passed and rates had to be uniform, you wouldn't even
25 have the opportunity to ask, albeit it didn't work for you,

1 right?

2 MR. SANTILO: No, they --

3 MAJORITY CHAIRWOMAN HARPER: That's what the bill
4 says, "uniform."

5 MR. SANTILO: Yes, I think it is uniform the way
6 they charge with the -- the bill's broken out into kilowatt
7 usage or your usage of energy, your demand, and then
8 there's a power adjustment, rate power adjustment, and
9 that's what seems to fluctuate to the point we just don't
10 know where it's going to be. Every month is kind of a
11 surprise when you get it. In the past, it's been double.
12 In the past, we've paid \$20,000 in a rate adjustment and
13 don't even know where it's --

14 MAJORITY CHAIRWOMAN HARPER: Right. So --

15 MR. SANTILO: -- how do you calculate --

16 MAJORITY CHAIRWOMAN HARPER: -- the fluctuation
17 in rates is as big a problem --

18 MR. SANTILO: Is --

19 MAJORITY CHAIRWOMAN HARPER: -- as the cost?

20 MR. SANTILO: That's correct.

21 MAJORITY CHAIRWOMAN HARPER: Good. Thank you
22 very much.

23 Representative Zimmerman.

24 REPRESENTATIVE ZIMMERMAN: Thank you, Madam
25 Chairman.

1 I'm just going to make a comment. The Chairman
2 pretty much asked my question on special rates, but I'm a
3 big believer in limiting regulations and having local
4 government, local control over these kinds of issues. And
5 I really see this bill as actually adding to regulation and
6 really taking away from local government in many ways. And
7 so it's hard for me to support a bill as it is.

8 And just looking at and hearing from Mr. Thompson
9 and Mr. Oakes, Ephrata Borough's been doing this since
10 1902, which was back before this building was built, and
11 it's been working well. They have a thriving downtown, so
12 there are some things that are really happening and being
13 done well.

14 So my question revolved around special rates,
15 whether you asked for them, and the other thing is what are
16 they saying as leadership of Ellwood City? Have they
17 spoken to any of the other municipalities that this is
18 actually working well? Do you know whether there's been
19 any dialogue with anyone else?

20 MS. ANNARUMO: I don't know.

21 MR. SANTILO: I can't speak for that, no.

22 REPRESENTATIVE ZIMMERMAN: All right. But that's
23 pretty much the content of what I wanted to say. Thanks,
24 Madam Chair.

25 MAJORITY CHAIRWOMAN HARPER: Thanks.

1 Representative Mehaffie?

2 REPRESENTATIVE MEHAFFIE: Yes, thank you, Madam
3 Chair. This is actually to Patrick if you could. You
4 talked a lot about poverty, and we have an extensive
5 program that, as State Representatives, we pass along and
6 try to help people that have problems paying their electric
7 bill. It's called LIHEAP.

8 MR. CICERO: Yes.

9 REPRESENTATIVE MEHAFFIE: And I'm sure you're
10 familiar with that. Is that something that the boroughs
11 offer? The boroughs that have electric, can they get into
12 that program?

13 MR. CICERO: Yes. Thank you for the excellent
14 question. I am familiar with the LIHEAP program. I'm
15 actually the Chair of the LIHEAP Advisory Committee to the
16 Department of Human Services. So the answer to that
17 question is, like all good answers, it depends. Certainly
18 if the electricity being provided is the primary heating
19 source for the household, then the household would be
20 eligible for the LIHEAP program, both cash and crisis
21 grant.

22 However, even if it's not the primary heating
23 source, if it's a secondary hearing source meaning if it's
24 necessary to run a furnace, for example, a natural gas
25 furnace or an oil boiler, then the household would also be

1 eligible to receive LIHEAP. And that LIHEAP grant either
2 could go to the household directly if the participating
3 municipality is not a licensed vendor with the Department
4 of Human Services, or if they are a vendor, it would go
5 directly to the utility and be applied to the household's
6 utility bill. LIHEAP is available, and it's a central
7 resource for vulnerable households.

8 I would submit, however, that LIHEAP is available
9 in addition to some of these protections for customers of
10 regulated public utilities as well, so it's also available
11 for the PPLs and the Met-Eds of the world in the same
12 fashion as I just described, primary or secondary heating
13 source.

14 REPRESENTATIVE MEHAFFIE: So the boroughs do
15 offer this, then? I mean, this is something that the
16 boroughs are -- you're able to use with the boroughs that
17 provide electric, is that correct?

18 MR. CICERO: When you say the boroughs offer it,
19 I'm not sure I quite understand your question. LIHEAP is
20 administered by the State of Pennsylvania and through --

21 REPRESENTATIVE MEHAFFIE: Correct.

22 MR. CICERO: -- the Department of Human Services.
23 All of the dollars come from the Federal Government. And
24 so the person or entity that has to apply for LIHEAP is the
25 low-income household him or herself.

1 REPRESENTATIVE MEHAFFIE: But when you said that
2 it can come right off the electric bill, that's something
3 that boroughs do -- do they have to enter into that or how
4 does that work?

5 MR. CICERO: They would have to -- and I don't
6 off the top of my head know which if any of the 35 boroughs
7 are licensed vendors, but Department of Human Services has
8 a vendor agreement for heating providers that they could
9 enter into, and if they entered into that vendor agreement,
10 then it would be directly applied to the low-income
11 household's energy bill. If the low-income household is
12 served by a provider that isn't a licensed vendor, they can
13 still get the grant, but the dollars are sent directly to
14 the household.

15 REPRESENTATIVE MEHAFFIE: So they can get it
16 either through the electric bill or through their own --

17 MR. CICERO: Correct. That is correct.

18 REPRESENTATIVE MEHAFFIE: Okay. Very good.
19 Thank you very much.

20 MAJORITY CHAIRWOMAN HARPER: Okay. Thank you.
21 Thank you all for coming, especially those of you who
22 traveled long distances. I appreciate you being here. I
23 think we had a lively discussion, and I appreciate your
24 testimony. Thank you very much.

25 MR. CICERO: Thank you.

1 MAJORITY CHAIRWOMAN HARPER: We're adjourned.

2

3 (The hearing concluded at 11:38 a.m.)

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