

Prepared Testimony of
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before the

House Consumer Protection, Technology, and Utilities
Committee

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Introduction

Good morning, Chairman Matzie, Chairman Marshall, and members of the House Consumer Protection, Technology, and Utilities Committee. I am Stephen DeFrank, Chairman of the Pennsylvania Public Utility Commission (Commission or PUC). I appreciate the opportunity to offer testimony on behalf of the PUC as you continue the important process of considering the reauthorization of Chapter 14 of the Pennsylvania Public Utility Code, commonly referred to as the Responsible Utility Customer Protection Act or Chapter 14. 66 Pa.C.S. §§ 1401-1419.

As you know, Chapter 14 includes key safeguards for Pennsylvania consumers related to public utility service. The sunset provisions of the chapter provide for the current decennial review. When the General Assembly first enacted Chapter 14 in 2004, it declared that the Commission's prior formal utility service rules did not successfully manage the issue of bill payment and that there was a need to provide protections against rate increases for timely paying customers resulting from other customers' delinquencies. Chapter 14's declared policy was to achieve greater equity by providing public utilities procedures for delinquent account collection while ensuring that service remains available to all customers on reasonable terms and conditions.

Today, I would like to highlight the pressing need to address affordability of payment arrangements for customers who have fallen behind on their current bills.

At the core of current proposals, including House Bill 1077, Senate Bill 1017, and the Commission's recommendations to the General Assembly, there is recognition that modifications related to payment arrangements (PARs) are necessary. Many customers struggling to pay their utility bills need more affordable, manageable, and effective payment terms that will help keep their households connected to essential services.

As we all know, the Commission's administration of Chapter 14 seeks to strike a balance to maintain service for income-challenged customers while trying to ensure customers pay the charges for which they are responsible. The single best tool the Commission has to ensure this happens is a payment arrangement. Sometimes these arrangements do not work and customers default, but an appropriate balance can be achieved by giving the Commission reasonable latitude within statutory parameters.

The last PUC Chapter 14 report, published in January 2020, recognized the need to amend the statute with regard to payment arrangements. The current Chapter 14 sets standards for Commission-issued payment arrangements that may be

unaffordable for a customer from the very start. Allowing more flexibility, particularly with options for extending the repayment period, is a necessary tool.

In the current post-pandemic environment, as customers work to address arrearages that may have accumulated during the extended period of economic stress, this is even more important.

At its most basic level, our data in the report indicated that a customer with arrears that is *not on a payment arrangement* is at the greatest risk for default and termination. A customer with arrears *on a payment arrangement* is more likely to keep the account active through monthly payments and is more likely to make payments to the public utility to maintain service.

Additionally, uncollectable balances written off by the utility after a defined period burden other ratepayers when the offset uncollectable amount is recovered in a later rate case. So, keeping the customer on a payment arrangement and paying toward the arrears also prevents that financial burden from being shifted to other utility customers in the future.

While House Bill 1077 and the PUC recommendations take different approaches to reform affordability and consumer protections, common proposals for amendment of the statute include:

- Giving the Commission authority to set longer repayment terms than what is currently included in Section 1405(b).
- Requiring utilities to establish longer repayment terms for reconnection of service in Section 1407.
- Modifying the definition of “change in income” (CII), and “significant change in circumstance” (SCIC) in Section 1403.
- Providing the PUC with authority to grant more than one payment arrangement.
- Extending medical certificate protections.

While the Commission’s proposals sought to take a measured approach to the recommended changes to Chapter 14, House Bill 1077 proposes additional changes including:

- Allowing verbal attestation of household income for the purposes of determining eligibility for Universal Service Programs and the provisions of Chapter 14.

- Allowing medical certificates to be implemented for up to 120 days with no limit on the number of renewals or requirement to make equitable payment.
- Allowing a licensed social worker or registered nurse to sign a medical certificate certifying that a member of the household is seriously ill.
- Introducing a summer moratorium on termination of utility service to low-income households.
- Eliminating security deposits and reconnection fees.

Closing

On behalf of the Commission, I thank the Committee for considering the process and impact of Chapter 14 on customers who struggle to pay public utility bills. I would like to recognize that the Commission and House Bill 1077 share the same priority to make the repayment of utility debt more affordable in an effort to safeguard Pennsylvania households from unnecessary loss of service, while ensuring that utilities continue to have the tools required to prevent the accumulation of uncollectable debt that impacts all rate payers. As we have stated previously in written correspondence to the General Assembly, the PUC continues to urge additional substantive recommended changes, as well as correction of technical issues within the statute, and I am happy to provide the committee those changes. The Commission stands ready to follow up with any further recommendations or suggestions regarding Chapter 14 amendatory language and looks forward to an ongoing dialogue as this process moves forward.

Access to safe and affordable public utility service is a universal and wide-reaching concern. Such access touches on economics, health, public safety, and viability of our community. We must find a way to ensure that Pennsylvania households remain safe and connected to essential public utility services while curbing the accumulation of large uncollectable past-due balances that eventually may increase the cost of service for other public utility customers.

The PUC is committed to working with the General Assembly and other stakeholders across the Commonwealth to ensure the continuation of essential public utility services to Pennsylvania's residents.