

COMMENTS OF THE CONSUMER ADVISORY COUNCIL
OF THE PENNSYLVANIA PUBLIC UTILITY COMMISSION

at the

Pennsylvania Public Utility Commission's

En Banc Hearing

on

ENERGY PRICES AND THE NEED TO "PREPARE NOW"

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By

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INTRODUCTION

Chairman Cawley, Vice Chairman Christy, Commissioner Pizzingrilli, on behalf of my colleagues on the Consumer Advisory Council and myself, THANK YOU for initiating this important hearing!

Commissioners Gardner and Powelson, thank you for agreeing to it, and for being here. We look forward to working with you on a variety of consumer issues.

For the record, my name is Rick Hicks and I currently serve as Chairman of the Consumer Advisory Council of the Pennsylvania Public Utility Commission (“Commission”). As you know, our charge is to represent the public in advising the Commissioners on matters relating to the protection of consumer interests which are under the jurisdiction of the Commission, or which, in the opinion of the Council, should be brought under the jurisdiction of the Commission. Our members are appointed by You, the Governor, the Lieutenant Governor and leaders of both caucuses in the Pennsylvania House and Senate.

Our message today is simple. People are in trouble **now** - and require the leadership of this Commission to coordinate available resources, ensure access to those resources and to help the Commonwealth of Pennsylvania help as many eligible families as possible receive LIHEAP assistance in the upcoming heating season.

There are many reasons why this must be done.

This Commission has already expressed concern about the potential for higher gas prices this winter and its “Prepare Now” Campaign offers good advice, including conservation and directing people to available resources – but from a consumer perspective, the home heating problems facing families are bigger than just gas, and LIHEAP is a critical lifeline for many people.

We acknowledge that LIHEAP is not the only resource available to Pennsylvania consumers. For example:

Low-income Rate Assistance

Pennsylvania's major gas and electric utilities are required to provide Customer Assistance Programs (CAPs), which generally provide a percentage of bill plans or a percentage of income payment plans, wherein low-income customers' utility payments are based upon their incomes and/or utility bills. Some programs include utility arrearage forgiveness; others provide flat rate discounts or bill credits. Under electric and gas restructuring legislation all electric and gas utilities are required to offer universal service programs, to include CAPs, and to continue pre-restructuring low-income programs.

Low-Income Energy Efficiency

Mandated by a 1987 PUC order, the Low-Income Usage Reduction Program (LIURP) was renewed in 1992 through 1996, and continued under universal service provisions of electric and gas utility restructuring legislation. The state's 15 major gas and electric utilities participate in LIURP with a pre-restructuring funding level of about 2/10 of one percent of each utility's total revenues. LIURP includes an education component that addresses energy savings, regular bill payment behavior and provides application assistance.

BUT LIHEAP is an essential component of this important safety net.

The Pennsylvania Low Income Home Energy Assistance Program (LIHEAP) is a federally-funded program that helps low income people pay their heating bills through home heating energy assistance grants and crisis grants.

LIHEAP is administered by the Department of Public Welfare and consists of three components: 1) cash benefits to help eligible low-income households pay for their home-heating fuel; 2) crisis payments, if needed, to resolve weather-related, supply shortage, and other household energy-related emergencies; and 3) energy conservation and weatherization measures to address long-range solutions to the home-heating problems of low-income households.

LIHEAP is not a public assistance program. Eligible low-income households will not have liens placed on their property, nor will other assets affect their eligibility for LIHEAP benefits. In addition, eligibility for public assistance and grant amounts is not affected by receipt of LIHEAP benefits.

A family of four with an annual income of up to \$31,800 can qualify for assistance.

WHAT IS THE PROBLEM?

Partially due to the efforts of this Commission, many PA consumers have already been put on notice to expect substantial increases in their home heating bills this winter. With costs leaping by as much as 30 to 50 percent this winter, millions of low-income households are facing an imminent emergency that may force them to choose between heat and other essentials like food and medicines.

Despite all of the publicity on this subject, people will still be shocked when their personal electricity bills reflect an estimated 30 to 50 percent when rate caps expire at the end of 2009 and 2010. All of this comes on top of the ever-escalating price of oil, driving up costs of gas and heating oil.

According to the Energy Information Administration's (EIA) most recent short-term energy outlook, nearly all home heating costs are expected to rise again this winter. The projections are based on a typical heating season that spans from October to March.

Specifically, the EIA projects a dramatic 49 percent increase for heating oil, bringing the average cost per season to \$2,858 per household, up from \$1,468 only two years ago. For households utilizing propane, costs are expected to jump 26 percent, representing a cost of more than \$2,116 this season. Natural gas prices are expected to increase by 43 percent, bringing the average cost up to \$1,216 per household. A mere 9 percent increase for electricity is estimated to equate to approximately \$929 in heating costs this winter.

PROGRAM SHUT DOWN in MARCH

This year, members of the Council were surprised and fearful when the Department of Public Welfare shut down LIHEAP, on March 21 despite having a \$9 to \$13 million balance.

State officials said they wanted to ensure they could begin next winter with money on hand, given the price of oil and the vulnerable state of the economy.

We believe that such an approach unnecessarily and unfairly put low-income families at risk. While utilities are barred by law from shutting off service to most low-income customers from December through March, that deadline expired about 10 days after the program was shut down, and in Philadelphia, between 70,000 and 75,000 Philadelphia Gas Works customers were in jeopardy of receiving shutoff notices, said Steven Hershey, PGW's vice president for regulatory and external affairs.

Jonathan Stein, general counsel for Community Legal Services in Philadelphia said it best: "The need for LIHEAP doesn't magically end on April 1," "In fact, it becomes greater."

Pennsylvania's LIHEAP program is fully funded by the federal government, and traditionally runs from November through March - although it has been extended many times in the past due to bad weather.

This year, depending upon how you look at it, LIHEAP either stopped taking grant applications early or on-time and finished with \$9 to \$13 million unspent. In light of the enormous need in PA, that should not have happened.

The Utility Emergency Services Fund says LIHEAP served 37,000 fewer Philadelphia families this year than last while service terminations were up 50% after the winter moratorium.

THERE IS SOME CAUSE FOR OPTIMISM

A new federal bill would add \$210 million more for PA!

On July 23, 2008, U.S. Senator Bob Casey (D-PA) held a conference call where he discussed the new bipartisan home-heating assistance legislation. The Warm in Winter and Cool in Summer Act would provide Pennsylvania with an additional \$210 million more for older citizens, low-income families with children and the disabled who struggle to pay their home energy bills.

“With energy costs, food costs and health care costs on the rise, families are struggling to make ends meet this summer and it is only going to get worse come winter time,” Senator Casey. “The LIHEAP home-heating assistance program is a proven program that works. The additional money that Pennsylvania will receive through this legislation will help thousands of older citizens and low-income families heat their homes.”

According to the Campaign for Home Energy Assistance, 400,000 Pennsylvania households received LIHEAP assistance in 2008 – but that is less than half of the eligible households. Less than one fifth of low-income households energy costs are covered by LIHEAP according to the Utility Emergency Services Fund.

Specifically, the Warm in Winter and Cool in Summer Act would nearly double the funding for the LIHEAP in Fiscal Year 2008 – taking LIHEAP from \$2.57 billion to \$5.1 billion

– a total increase of \$2.53 billion. Last year, Pennsylvania received \$183.7 million through both the base and the contingency plan. This year, it would receive \$394 million.

Senator Casey gets it! In December 2007, Senator Casey sent a letter to President Bush urging him to immediately release emergency funding and to fully-fund LIHEAP in his fiscal year 2009 budget. Later that month, he joined 36 of his Senate colleagues in sending a letter to President Bush stating: “We request that your Administration release the \$586 million in FY2008 LIHEAP contingency funds that were recently approved by Congress to help low-income seniors and families with their home energy expenses during a winter that has already seen a significant share of severe winter weather and cold conditions and promises only to get colder.”

The Warm in Winter and Cool in Summer Act is supported by AARP; the American Corn Growers Association; the American Gas Association; the Federation of Southern Cooperatives; the National Grange; the National Conference of State Legislatures; the National Community Action Foundation; the National Association of State Energy Officials; the Alliance for Rural America; the Northeast Public Power Association; the National Consumer Law Center, on behalf of its low-income clients; the Edison Electric Institute; the National Fuel Funds Network; the National Energy Assistance Directors Association; and the Petroleum Marketers Association of America.

This legislation should also be supported by this Commission, the Pennsylvania legislature and all statewide elected officials. More importantly, this Commission should take a leadership role in ensuring that this bi-partisan legislation becomes law.

SHOULD PA PERMANENTLY FUND ITS OWN LIHEAP PROGRAM?

The Pennsylvania legislative black caucus seems to think so.

In a letter dated May 1, 2006 from Thaddeus Kirkland, D-Delaware, and chair of the Pennsylvania Legislative Black Caucus to Pennsylvania Gov. Edward G. Rendell, Rep. Kirkland stated:

“There are people who are struggling to make every energy payment. Although more than 900,000 households in Pennsylvania are eligible for LIHEAP, slightly more than 300,000 are being served. This is why the Commonwealth needs to protect its low-income residents from energy hardships. This has become a social necessity; therefore, it is our responsibility to ensure that every low-income household has heat during the colder months.”

“We also strongly urge your support for legislation that would make state-funded LIHEAP permanent. Pennsylvania is one of few states that has not historically contributed to this worthwhile and lifesaving program.”

THERE IS ANOTHER BRIGHT SPOT FOR SOME IMMEDIATE ASSISTANCE

The Energy Association argues that an” energy emergency” exists under the newly-enacted SS HB1, which would permit the allocation of an additional \$10 million to DPW now for LIHEAP which must go to crisis grants for regulated utility customers. But in order for that to occur, the legislation provides that the Governor must make such a declaration first. The CAC urges this Commission to exercise its leadership role in this area, use what you learn today, and make a determination and recommendation to the Governor on this very point. **PLEASE** – decide whether an energy emergency exists now – and if not now, when.