

Rosemary Chiavetta, Secretary
Pennsylvania Public Utility Commission
Commonwealth Keystone Building
400 North Street
Harrisburg, PA 17120

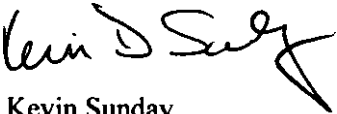
Oct. 24, 2017

RE: M-2017-2596907

Dear Ms. Chiavetta,

Thank you for your letter dated Oct. 19, 2017 informing me of the need to provide a filing with an original signature. Such a filing is enclosed.

Thanks,



Kevin Sunday
Director, Government Affairs
Pennsylvania Chamber of Business and Industry

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417 Walnut Street
 Harrisburg, PA 17101
 717 255-3252 / 800 225-7224
 FAX 717 255-3298
 www.pachamber.org

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Oct. 16, 2017

Rosemary Chiavetta, Secretary
 Pennsylvania Public Utility Commission
 Commonwealth Keystone Building
 400 North Street
 Harrisburg, PA 17120

OCT 25 2017

PA PUBLIC UTILITY COMMISSION
 SECRETARY'S BUREAU

RE: Review of Universal Service Programs & Energy Conservation Programs Docket M-2017-2596907

On behalf of the Pennsylvania Chamber of Business and Industry, the largest, broad-based business advocacy organization in the Commonwealth, I am writing in regards to the Public Utility Commission's Review of Universal Service Programs & Energy Conservation Programs (Docket M-2017-2596907).

First, as context for these comments, the PA Chamber urges the Commission, and this administration, to recognize the dramatic reduction in gas and electric prices that have been achieved thanks to a competitive energy market and expanded production and use of domestic natural resources. According to PUC data, the major gas utilities have been approved for rates that are currently 62% to 82% less than what they were ten years ago, when natural gas drilling in the Marcellus play began in earnest. According to data from the PJM Interconnection, the grid operator for thirteen states (including Pennsylvania), current wholesale prices in the PJM markets are 40% less than they were in 2008. PJM's real-time energy market prices "were lower in 2016 than at any time in PJM history since the beginning of the competitive wholesale market on April 1, 1999."¹ As the independent Energy Information Administration notes, "wholesale electricity prices are closely tied to wholesale natural gas prices."² The following chart makes that clear, with the increase in gas production volume commensurate with decreasing PJM prices. It must also be noted that many operators in Pennsylvania have sold gas in recent years at a significant discount to NYMEX pricing.

Year	PA Natural Gas Production (bcf) ³	NYMEX Average Natural Gas Settling Price (May) \$/Dth	PJM Wholesale Electric Prices ⁴ \$/Mwh
2008	198	\$11.28	\$85.00
2009	273	\$3.32	\$55.66
2010	572	\$4.27	\$66.93
2011	1,310	\$4.38	\$63.21

¹ 2016 State of the Market Report for PJM. Monitoring Analytics LLC, May 9, 2017.
http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2016/2016-som-pjm-sec1.pdf

² Electric Monthly Update: Regional Wholesale Markets. U.S. Energy Information Administration, February 2017.
https://www.eia.gov/electricity/monthly/update/wholesale_markets.cfm

³ Natural Gas Gross Withdrawals and Production. U.S. Energy Information Administration, May 2017.
https://www.eia.gov/dnav/ng/ng_prod_sum_a_EPG0_FGW_mmcf_a.htm

⁴ 2016 State of the Market Report for PJM. Monitoring Analytics LLC, May 9, 2017.
http://www.monitoringanalytics.com/reports/PJM_State_of_the_Market/2016/2016-som-pjm-sec1.pdf

2012	2,256	\$2.04	\$49.22
2013	3,259	\$4.15	\$53.93
2014	4,257	\$4.80	\$71.50
2015	4,812	\$2.52	\$56.88
2016	5,264	\$2.00	\$49.99

Prolific natural gas production has resulted in significant decrease to gas utility customers. The following table charts clearly the savings to customers as a result of developing the state's gas resources.

Purchased Gas Cost Rates (\$/Mcf)⁵

	NFG	PGW	Columbia	UGI	PECO
2008-09	\$10.86	\$13.02	\$15.93	\$13.26	\$13.15
2009-10	\$9.39	\$7.18	\$5.73	\$9.88	\$7.09
2010-11	\$5.03	\$6.51	\$5.66	\$9.16	\$6.82
2011-12	\$6.05	\$6.09	\$7.22	\$8.49	\$5.00
2012-13	\$4.82	\$4.71	\$4.16	\$6.38	\$5.49
2013-14	\$5.24	\$6.07	\$4.81	\$6.70	\$6.07
2014-15	\$6.18	\$6.56	\$5.09	\$6.43	\$5.72
2015-16	\$3.10	\$4.17	\$4.68	\$4.85	\$3.53
2016-17	\$1.92	\$3.21	\$3.64	\$5.06	\$3.41
Change since 08-09	-82%	-75%	-77%	-62%	-74%

As a result of these reductions in costs, businesses and consumers of all income classes have saved countless millions of dollars in utility costs. This includes low-income residential customers, whose average bill is significantly less than what it was ten years ago. It is then highly questionable that the allowable burden for low-income customers ought to be lowered further. As such, we contest the notion that low-income ratepayer assistance programs are in need of expanded investment financed by other rate classes.

In response to various issues and comments raised so far in this docket, the PA Chamber respectfully urges the Commission to take no further action with respect to revising regulations governing universal service and low-income utility ratepayer assistance programs. The record established by the comments of the state's electric and gas utilities and industrial user groups make clear substantial expenditures are being made each year to these programs. It is our understanding that annual spending on universal service programs totaled more than \$400 million in 2016, a substantial increase over past years.

Further, the PA Chamber strongly opposes proposals to expand cost recovery to all rate classes for these programs, as it would disadvantage the commercial and industrial sector. Our membership, numbering more than 8,500 businesses of all sizes and industrial and commercial sectors, requires affordable, reliable, and competitively priced energy to sustain on-going operations in the state. In particular, the operations of energy-intensive manufacturing are particularly sensitive to energy costs, especially given the state's already burdensome tax, regulatory and legal climate. A rider on industrial user bills to finance universal service programs would diminish the state's competitiveness to attract new investment into this sector, which would clearly run contrary to the Wolf administration's plain desire, evidenced by its policy agenda, to attract and promote new investment in manufacturing in the state of Pennsylvania. The PA


⁵ Purchased Gas Cost Rates. Pennsylvania Public Utility Commission, accessed May 16, 2017.
<http://www.puc.state.pa.us/NaturalGas/pdf/PGC.pdf>. Please note the PGC rates are those in effect at the start of the year and are subject to quarterly adjustments to reflect rate increases or decreases; in many cases, the PUC will approve rate decreases in a given quarter.

Chamber applauds the Wolf administration for recognizing the potential that expanded use of natural gas and other domestic energy resources can have for our state's economic development. However, just as we disagree with the Wolf administration with respect to the imposition of a severance tax or an expanded gross receipts tax on gas and electric service, which will dampen the state's ability to compete and cost ratepayers more each month, we oppose a policy that would require large industrial and commercial users to finance other ratepayers' bills.

Ensuring reliable and affordable access to all ratepayers is necessary to a well-functioning economy, and we appreciate efforts by the Commission to open a docket to review whether any changes are necessary to universal service programs. In view of the comments being filed, it is clear such changes are not needed. What is needed is more economic growth and continued support for competitive energy markets, which will, in a more equitable manner than some of the proposals raised in this docket, expand economic opportunity and continue to drive down energy costs.

The decisions that this state makes with respect to its energy policy have a direct result on its economy. We urge the Commission, and more broadly the Wolf administration, to establish policies that attract new investment into the state, which will result in more jobs and opportunities for all Pennsylvanians. Thank you for the consideration of these comments.

Sincerely,



Kevin Sunday
Director, Government Affairs



Kevin Sunday
417 Walnut Street
Harrisburg, PA 17101

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Harrisburg PA 17120*

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