

Pennsylvania Public Utility Commission  
Hearing on Natural Gas Price Increases  
September 18, 2003

Good Afternoon Chairman Fitzpatrick, Vice Chairman Bloom and Commissioners Thomas, Wilson and Pizzingrilli. My name is Michelle Knapik and I serve as the Director of Energy Policy for the City of Philadelphia. On behalf of Mayor Street, the City appreciates the opportunity to present testimony on the important topic of natural gas price increases.

Many energy industry analysts report that the prices for **wholesale natural gas have held at higher-than-normal levels this summer** - hovering in the \$4.00 to \$6.00 range per thousand cubic feet, instead of the more typical \$2.00 to \$4.00. A number of industry experts cite the demand and supply stresses as part of the complex answer to why prices are rising. Many analysts agree that the recent use of natural gas in power production, in conjunction with historic use of gas for space heating, is a major factor.

In the Philadelphia region alone, newspaper accounts from both the Philadelphia Gas Works and PECO Energy indicate that increases in winter gas prices could be thirty-percent (30%) higher than last heating, and perhaps higher if we experience severe weather conditions. This may result in \$50.00 or more increases in the average monthly residential bill this heating season.

The testimony from many entities this afternoon will offer evidence that discreet efforts to stabilize parts of the consumers system are occurring:

- Utilities are stepping-up low-income outreach efforts and general consumer education efforts. Some, including PGW, are entering creative partnerships with home improvement stores to offer hands-on energy conservation training.

- The City is preparing to launch a small business energy workshop pilot and continues to work with energy advocates and providers to coordinate energy assistance efforts.
- Non profit groups and concerned citizens are writing letters to the editor in an effort to raise awareness about the rising cost of natural gas and offer consumer tips for reducing utility bills.
- During the summer, the US Department of Energy held forums throughout the country regarding the rising cost of natural gas and initiated a Smart Energy Campaign.

These and other discreet measures are laudable, however **without a sustained consumer education effort from a credible source that offers high visibility, recognition and reinforcement**, the message that everyone needs to participate in energy management and conservation measures will get lost in our high media culture. Consumer education is the most immediate measure the PUC can take to help millions of people throughout the Commonwealth mitigate the impact of high heating season utility bills.

In August, the National Environmental Education and Training Foundation published its tenth study entitled, “America’s Low ‘Energy IQ’ and our Energy Future.” Survey results from more than 1,500 Americans showed that fewer than twelve-percent (12%) could pass a basic quiz on energy knowledge, yet most supported energy education, wanted to reduce their own energy consumption and believed that a sound economic future depends on energy management. The study supports the City’s contention that energy education will be a critical factor in preparing people to mitigate the impact of increased natural gas prices. The City urges the PUC to expedite the launch of a PUC sanctioned smart-energy campaign that utilizes media outlets that will equip everyone with cost saving information.

“The cheapest kilowatt is the one never used” – this saying that is gaining popularity with energy advocates and providers, but this winter it needs to be on everyone’s lips and said as often as “bundle up before you go out.” The protection from high heating bills will come in the form of energy smart consumers -- the education must be statewide and based on highly visible, recognizable, practical and reinforced messages.

We must also work to change the cultural perception of energy conservation from one of deprivation, sacrifice and burden to one of consumer savvy, fiscal responsibility and quality of life. All populations, including the following consumers, will feel the impact of higher winter gas prices:

- Vulnerable groups - critical populations that will need immediate support include the elderly, children and low-income families, where there may be both financial and health crises to address, as well as and non or limited English speaking residents that do not receive translated educational materials.
- Business sector - recent anecdotal accounts of small business contacts with the City suggest that the sluggish economy and high energy costs have already affected owners’ ability to pay utility bills. Public energy education efforts often under serve or overlook the small business sector, yet they represent a critical component of the local economy and need our support. The City, therefore, stresses a smart-energy campaign that highlights this sector of the population. Potential partners in delivering this message, disseminating information and offering support may logically include Chambers of Commerce.
- Agriculture and Agribusiness – recent news articles cites this sector as Pennsylvania’s leading industry. Efforts to focus on energy efficiency and management in this sector has gained some recent attention, but outreach efforts should be increased, especially to smaller family-run farm owners.

- Residential consumers - all residents need practical advice to make home heating bills manageable and homes comfortable this winter.
- Government entities – the budget limitations of the Commonwealth, cities, counties, school districts and other units of government is widely known. Energy awareness, education and strategies that government units can both utilize to reduce their budgets and pass on to employees and constituents needs to be a vital part of a smart-energy campaign. The City of Philadelphia strives to incorporate energy saving strategies, controls, system upgrades and utility bill monitoring to generate energy savings. Since the inception of the Municipal Energy Office in FY94, energy savings measures have kept the City’s energy costs flat through FY03, despite the gas price spike of FY01 and addition of two large City facilities: Curran Fromhold Correctional Facility, now the City’s second largest energy consuming facility and the One Parkway Building, now the City’s fourth largest energy consuming building. The City is now working to develop an energy incentive program for facility managers and supports efforts to raise energy awareness among City employees and all residents.

Without a strong smart-energy education campaign, the economic impacts of high winter gas prices may be felt long after the heating season is over. The City suggests that a smart-energy campaign include the following:

- Promotion of no cost and low cost energy strategies/tips/checklists and improvements for home & small businesses
- Identification of efficient home appliances, controls and heating and cooling systems
- Promotion of smart energy management business and agribusiness strategies
- Identification of energy efficient commercial, industrial and agricultural equipment, controls and systems
- Utilization of the Department of Energy Smart Energy materials and PSAs
- Web based materials (PUC website)
- Non-English translation of education materials

To be effective, the educational materials and messages need to be from trusted sources and be clear, visible and repeated. The City suggests that dissemination of PUC sanctioned materials include or engage:

- **News media outlets**
- PSAs
- Schools (including education materials that students take home to parents and guardians)
- Faith based organizations
- Government entities

Local warning signs are sounding from Erie to Wayne to Philadelphia to Greene and Centre Counties. Many entities are providing testimony about important medium and long-term natural gas price solutions ranging from renewable energy solutions to new technologies that may also boost economic development opportunities within the Commonwealth. Other entities will testify about energy savings opportunities presented by the adoption and enforcement of the 2003 International Energy Code component of the building code. Many entities will encourage other state agencies to seek increased LIHEAP and other energy assistance funding. The City supports many of these efforts, however, its primary goal today is to encourage the PUC to launch a PUC sanctioned smart-energy campaign. Entities that are engaged in discreet energy awareness and education activities will provide a complement to a PUC campaign and help protect consumers and utilities from negative economic impacts related to increased natural gas prices.

Thank you again for the opportunity to offer testimony on this important and time sensitive topic.