

Pennsylvania Public Utility Commission

Provider of Last Resort Roundtable Discussion

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INTRODUCTION

Good afternoon. I am Harry Geller, Executive Director of the Pennsylvania Utility Law Project (PULP) and I am pleased to participate in today's Pennsylvania Public Utility Commission's Provider of Last Resort (POLR) Roundtable. PULP works cooperatively with the Pennsylvania Legal Service network and community organizations to assist the low-income in utility and energy matters. My comments will therefore be specifically directed towards POLR matters affecting those with limited economic resources.

The Electricity Generation Customer Choice and Competition Act(Act) provides specific guidance and direction to the Commission concerning the treatment, opportunities, and protections to be afforded to all residential customers of limited means. Experience tells us that these customers will be strongly dependent upon a POLR to provide service. Their economic security, health, and welfare are delicately balanced upon the ability to remain risk averse, avoid price fluctuation, and maintain reliable service at affordable rates. They are the least likely to participate in competitive shopping. Due to obvious and basic economic limitations, the low-income will have the fewest shopping alternatives, be most subject to supplier rejection, and most vulnerable to involuntary service loss in the event of price increases due to weather, supply or other market factors. Although the requirement to maintain Universal Service and Energy Conservation Programs (Universal Service) is aimed at ameliorating many of these concerns, the programs are presently not sufficiently expansive to permit most potentially eligible low-income customers to effectively benefit by participation in CAP and/or LIURP. In addition, the diversity of the Universal Service structure and administration from one company to the next has resulted in varying levels of low-income customer security. POLR service must therefore be designed to assure success as the first and last resort for most of the consumers who are economically

challenged. It must not and cannot be designed as a high priced, complex, unattractive service designed to encourage shopping. To do so would place a burden on the low-income which they would be unable to bear.

HIGHLIGHTED POINTS:

- The incumbent electric distribution company (EDC) should serve as the POLR;
- The ability to terminate service should remain exclusively with the EDC;
- Chapter 56 protections and responsibilities must be aggressively maintained;
- Universal Service must be appropriately funded throughout the Commonwealth;
- The EDC should maintain the Universal Service responsibility;
- Consumer education must continue as high priority.

THE INCUMBENT EDC SHOULD SERVE AS THE POLR;

The incumbent EDC is the entity most particularly suited to serve as the POLR. The POLR should be a single, stable, non-competitive entity that is available to provide service to all residential customers at reasonable rates. The POLR must have demonstrated sufficient financial stability, in-state physical presence and adherence to Commission requirements such as Chapter 56 to ensure that it may safely be expected to perform its critically essential role. The services provided by the EDC and those which must be provided by the POLR are interrelated. The EDC will have both the obligation to connect all customers to the system, as well as to be the entity with the sole ability to terminate service. The EDC has and will retain the customer service functions relating to billing, credit and collection and Chapter 56 compliance. Particularly important to low-income customers will be the continued responsibility of the EDC as POLR to provide the full array of Universal Services.

THE ABILITY TO TERMINATE SERVICE SHOULD REMAIN WITH THE EDC

The ability to terminate service should lie exclusively with the incumbent EDC acting as a POLR. History and practicality dictate this result. While others enjoy the benefits and obligations established and enforced through contract, the EDC/POLR must retain the regulatory controlled responsibilities of connection and disconnection of service to the home.

CHAPTER 56 PROTECTIONS AND RESPONSIBILITIES MUST BE MAINTAINED

The Act requires that the consumer protections and responsibilities found in Chapter 56 be maintained undiminished. Over the period of a quarter of a century, incumbent EDC's have established a working relationship with the Commission regarding the requirements of Chapter 56. This relationship and understanding of the regulations and guidelines took time and patience to develop. New entrants or those recently required to adhere to Chapter 56 have required significant Commission oversight and have expressed strong resistance to having to comply with these established responsibilities. The requirement articulated by Chapter 56 to find a balance between prudent management of debt and the devastating effects on a household brought about by service termination or unaffordable monthly payments must be maintained. The economic benefits which may accrue through competition may be desirable; however, as we have pointed out, for most low-income households the risk it entails may be intolerable. Chapter 56 oversight and the ability to fashion affordable payment arrangements is essential. An EDC/POLR who has demonstrated an ability and commitment to comply with these practices would be best suited.

UNIVERSAL SERVICE MUST BE APPROPRIATELY FUNDED THROUGHOUT THE COMMONWEALTH

The Commission, under the Act, maintains continued responsibility to ensure that Universal Service programs are appropriately funded throughout the Commonwealth. As the Commission undertakes to define necessary POLR responsibilities, the question regarding the adequacy of presently existing Universal Service programs must be addressed. Census figures and service termination data are just two indicators suggesting that in many areas of the Commonwealth, Universal Service participation numbers, and /or program payment affordability criteria are inadequate.

These programs address critical needs. Well structured CAPs, CARES, LIURP and Hardship programs have demonstrated that affordable payments lead to better bill payment behavior and that individual household and community health and welfare is promoted at the same time. We need to be creative to ensure that Universal Service Programs receive adequate funding. We all benefit from a successfully run program. All customer classes should contribute; and expansion of LIHEAP funding, which is so important to individual household and aggregate program success, should be encouraged..

THE EDC SHOULD MAINTAIN THE UNIVERSAL SERVICE RESPONSIBILITY

The EDC as POLR must continue the Universal Service responsibility. EDCs have developed a unique history and understanding of the administration of Universal Service Programs. Bill payment responsibility and continued customer service have been fostered and developed by the these programs. In addition, the EDC, has a unique role in the channeling of

LIHEAP funds to help off-set the cost of Universal Service. This is an established interrelationship and interdependence which is critical to maintain. It works as follows: Pennsylvania Department of Public Welfare policy dictates that LIHEAP grants may be designated by customers only to the EDC - the entity which has control of service termination- and may not be designated to suppliers; EDCs administer Universal Service CAP programs; LIHEAP grants obtained by customers participating in Universal Services help to substantially defray the cost of Universal Service programs. It is a relationship which has a record of demonstrated success. DPW and the EDCs have worked cooperatively to streamline the payment and eligibility process.

CONSUMER EDUCATION MUST CONTINUE AS HIGH PRIORITY

Awareness that choice exists is only the first step. Consumers must also know how to shop, compare and choose wisely. They should also know what types of contracts and services to avoid. The Commission, its Communications Office, BCS and the Council for Utility Choice have succeeded in achieving a high level of consumer awareness. The Office of Consumer Advocate's Residential Electric Shopping Guide and OCA's Telephone Call Center have also significantly assisted in the effort to develop informed consumers. But a continued, greater and more substantive local, grass-roots education effort is still required. For low-income households DPW and the PUC should develop greater outreach efforts aimed to assist its common constituency obtain the benefits of LIHEAP and Universal Service. The Council on Consumer Choice should be extended, and both CUC and the Communications Office should be provided sufficient additional resources to support meaningful statewide education.