

CHERELLE L. PARKER, MEMBER  
200TH LEGISLATIVE DISTRICT

112 IRVIS OFFICE BUILDING  
P.O. BOX 202200  
HARRISBURG, PENNSYLVANIA 17120-2200  
PHONE: (717) 783-2178  
FAX: (717) 783-7548

1536 EAST WADSWORTH AVENUE  
PHILADELPHIA, PENNSYLVANIA 19150  
PHONE: (215) 242-7300  
FAX: (215) 242-7303



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Testimony

R-00061931

Pennsylvania Public Utilities Commission (PUC)  
Public Input Hearing

Re: Philadelphia Gas Works (PGW) Rate Increase Request

Presented by:

The Honorable Cherelle L. Parker  
State Representative – 200<sup>th</sup> District

March 26, 2007

SECRETARY'S OFFICE  
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Good evening Chairman Holland, Judge Cynthia Fordham and Judge Angela Jones. My name is Cherelle L. Parker and I am State Representative for the 200<sup>th</sup> Legislative District. I would first like to thank both Administrative Law Judges Fordham and Jones for conducting this hearing. I also thank Pennsylvania Public Utilities Commission (PUC) Chairman, Mr. Wendell Holland, for his presence here this evening and for the outstanding job that he and his staff is doing in operating the PUC. I am also pleased to note that this meeting is being hosted in the 200<sup>th</sup> Legislative District and gives Northwest Philadelphia residents and the community at-large an opportunity to voice their concerns regarding the Philadelphia Gas Works (PGW) Rate Increase Request.

In 2006, Philadelphia Gas Works (PGW) reported that it shut off service to almost 37,000 customers who could not or did not pay their bills. Like the winter before, we entered this past winter with more than 9,000 PGW customers whose gas service was still off and about one-third of these individuals are known to be low-income customers living below 150% of the Federal Poverty Line. To me, this is an outrage!

Public Testimony - PGW Rate Increase Request  
The Honorable Cherrille L. Parker  
State Representative – 200<sup>th</sup> District  
March 26, 2007  
Page two

At the end of February 2007, PGW gave the PUC an update on these statistics. Thankfully, 2,000 additional properties had gotten their service reconnected. Another 6,000 properties appear to be occupied, but PGW has been unable to make contact with anyone living there. Of those that are definitely occupied, many report using potentially dangerous space heaters to try to keep their family members warm.

The entire state is suffering from recent, large increases in the price of natural gas. However, Philadelphia has the dubious distinction of having the gas utility with the highest rates in the Commonwealth.

In 2004, PGW urged the state legislature and the PUC to help them improve their financial condition by tightening up customer service and collections rules, which they felt were too lenient on consumers. PGW told the House Consumer Affairs Committee they could become financially self-sufficient in four years time, using these stricter rules, in combination with supplemental state funding for LIHEAP; additional cost-cutting at PGW; and enrolling more low income customers on PGW's Customer Assistance Program, (CRP).

Well, I have news for you! Act 201 of 2004 provided PGW with the additional collection tools they wanted. PGW is now collecting 96 cents of every dollar billed – which is better than their historic rate of 92 cents on the dollar. Also, there are more customers on CRP now than ever before – almost 76,000. And, the state did

Public Testimony - PGW Rate Increase Request  
The Honorable Cherelle L. Parker  
State Representative – 200<sup>th</sup> District  
March 26, 2007  
Page three

finally appropriate about \$20 million in funds to supplement LIHEAP last year. Unfortunately, so far, that has been a one-shot deal.

But, here we are, 3 years later in 2007, facing a \$100 million rate increase request from PGW, even though thousands of poor Philadelphia residents are without gas service.

PGW customers *CANNOT* afford this type of increase. Many of Philadelphia's seniors and families are on fixed incomes or with low wage jobs that will force them to make catastrophic decisions if this rate hike is approved. Those whose incomes are not low enough to qualify for CRP are especially struggling – because they must pay the increased cost of natural gas not only for themselves, but also for the customers on CRP whose growing rate discounts are in part driving up PGW's rates. We have to find a way to make the cost of natural gas for heat, hot water and cooking more affordable for them, too.

Gas prices are up, food prices are up, clothing and other essentials are costing more and more – and income hasn't necessarily kept pace with inflation. How can we expect our most vulnerable citizens to choose between heat and food; or heat and medicine; or heat and getting to work or school. As it is, many parents living in the city have to pay bus fare to send their kids to school. Did you know that the \$13 a month more that PGW wants in rate hikes could very well mean that children will miss school more often, have to walk, or be put at additional risk.

Public Testimony - PGW Rate Increase Request  
The Honorable Cherelle L. Parker  
State Representative – 200<sup>th</sup> District  
March 26, 2007  
Page four

But the most troubling outcome that could come from this increase would be that many more Philadelphians could be cut off from one of their most basic needs.

What I find most ironic is that PGW itself is feeling the effects of increasing prices because the reasons they claim they need this rate increase include the following:

- (1) they are paying higher health insurance and pension costs for their employees, and
- (2) they need to make up for sales they are losing because customers are cutting back on their gas usage in an effort to save money!

However, increasing the rates makes it inevitable that more customers will be unable to pay their bills – potentially leaving PGW with less revenue than before the increase in its rates.

We, in the General Assembly, just fought long and hard to bring meaningful property tax relief to our senior citizens and raised the minimum wage. And now, PGW is going to eat up what extra income this vulnerable constituency may be earning.

And that is the key point. Low income and working families are struggling as it is to provide the essentials for their families. How can we expect them to pay more?

Public Testimony - PGW Rate Increase Request  
The Honorable Cherelle L. Parker  
State Representative – 200<sup>th</sup> District  
March 26, 2007  
Page five

I encourage the PUC to reject this increase and reject PGW's proposal to place an even greater burden on many of Philadelphia's most vulnerable citizens. I also urge the PUC to take leadership in finding a way to relieve PGW's customers of carrying such a disproportionately large part of the costs of ensuring access to the basic necessities of life for the most needy citizens among us.

Thank you.

R-00061931

**Statement Of Councilman-At-Large Frank Rizzo Before The Pennsylvania Public Utility Commission Public Input Hearings Mon., March 26, 2007 @ 6 p.m. - Dorothy Emmanuel Rec. Ctr.**

**Good Evening, I am Philadelphia City Councilman-at-Large Frank Rizzo. Thank you for this opportunity to testify on this very important issue, a proposed rate increase of \$100 Million.**

**I recognize the valiant effort by the current PGW Management in dealing with PGW's financial crisis, the most critical of which is their \$1 Billion Dollar Debt.**

**However, the dilemma is that PGW is a Municipally-Owned Company in a City where 25% live in poverty. It is, simply, not fair to place the burden of Customers who do not pay their bills on those who do.**

**In fact, just last week I voted for a Resolution to put the issue on the ballot, as a referendum, to urge the PUC not to increase rates. I propose two (2) alternative plans. First, spread the burden through the rest of the Commonwealth; and, Second, Increase State Funding of LIHEAP [this is the Low-Income**

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**Home Energy Assistance Program].**

**Since, I am an At-Large Member of City Council, that means I represent the entire City. That means I will be at all of the PUC Hearings throughout the City. Thank you very much.**