

**BEFORE THE PENNSYLVANIA HOUSE  
CONSUMER AFFAIRS COMMITTEE**

**Testimony of**

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**Regarding**

**House Bill 824**

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**Chairman Preston and Members of the House Consumer Affairs Committee**

My name is Sonny Popowsky. I have served as the Consumer Advocate of Pennsylvania since 1990, and I have worked at the Office of Consumer Advocate since 1979. Thank you for inviting me to testify here today regarding House Bill 824, which has been introduced by Chairman Preston and a number of other Representatives, and which would amend the utility collection and termination provisions of Chapter 14 of the Public Utility Code.

Let me state at the outset that I strongly support House Bill 824 and that I urge its prompt passage by the General Assembly.

The existing provisions of Chapter 14 were added to the Public Utility Code in 2004, largely in response to utility collection problems at one municipally owned natural gas utility – Philadelphia Gas Works (PGW). Indeed, many of the provisions of Chapter 14 apply only to PGW. Unfortunately, in my view, Chapter 14 upset the balance of utility tools and consumer protections that had previously been established in regulations by the Pennsylvania Public Utility Commission.

While I did not support the original legislation that gave rise to Chapter 14, the question now before the General Assembly is whether changes can be made that will help restore the balance between utilities and consumers in a fair and reasonable manner. I believe that the General Assembly should take such action and that House Bill 824 is the vehicle through which it should act.

The goal should be to protect consumers who cannot pay their bills on time from undue hardship, while at the same time seeking to ensure that utilities are able to collect full and prompt payment from those customers who can pay their bills but who choose not to do so. In my view, Chapter 14 swung the pendulum too far in favor of the utilities' collection efforts without giving

adequate consideration to the truly life and death needs of customers who try to pay their bills but are unable to do so in a timely manner.

Soon after Chapter 14 was passed, the number of utility terminations increased substantially. Among electric, natural gas, and major water utilities, the number of customers whose service was terminated went from 181,695 in 2004 to 283,548 in 2005. The loss of utility service is harmful to any household, but in some cases can lead to tragic results such as fires caused by candles used for light, or hypothermia or asphyxiation caused by substandard temporary heating devices.

Utilities have a right to be paid for their service, and to the extent that some customers do not pay their bills, those “uncollectible” expenses can be passed on to other customers. At the same time, the Public Utility Commission regulations traditionally sought to maximize revenue collection while treating the termination of essential utility service as a last resort for those who fail to meet reasonable payment arrangements. Chapter 14 removed much of the discretion from the Public Utility Commission and instead placed that discretion in the hands of the utilities. House Bill 824 recognizes the need for continued vigilance in ensuring payment from those customers who can afford to pay, but also would restore some of the Commission’s ability to balance the interests of the utility and the customer in the most reasonable manner.

Specifically, House Bill 824 would address several key issues in the following manner:

### **Deposits**

Under Chapter 14, a utility can demand upfront cash deposits of two months payments for many new customers applying for electric, natural gas, and water service. These combined deposits can add up to several hundred dollars for an individual or family seeking to obtain

necessary utility services. The inability to pay these large sums in advance can delay access to these vital services. Under House Bill 824, the utility would be limited to requiring a one-month deposit, and the customer would be able to pay that deposit over a 90-day period. House Bill 824 would also require PUC approval for any “credit scoring” methodology used by the utility in determining whether to require a deposit from an individual customer.

### **Payment Agreements**

Chapter 14 limits the Commission to ordering a single “payment agreement” under which a customer can pay off overdue bills without having their service terminated. This provision was interpreted by some utilities, however, as prohibiting the Commission from ordering even a single payment agreement for a customer who had received a prior payment agreement from the utility. House Bill 824 would make it clear that every customer can go to the PUC for assistance in obtaining one payment agreement from the PUC. House Bill 824 would also require the utility to inform customers who enter into payment agreements of the availability of the utility’s Customer Assistance Program (CAP), which would enable low-income, payment-troubled customers to receive a discount on their monthly bill.

### **Termination of Service**

Except during the winter months, Chapter 14 eliminated the prior PUC requirement that a utility must make personal contact with a customer before termination or, in the absence of personal contact, must post a notice at the customer’s premises that termination is about to occur. House Bill 824 would restore these notice requirements on a year-round basis.

Chapter 14 also eliminated the longstanding PUC policy that prohibited utilities from terminating service during the winter months without specific PUC approval. It should be noted that it was the death of an elderly woman in nearby Munhall whose utility service had been cut off in the winter of 1976 that gave rise to the Commission's original protections against winter shutoffs. Chapter 14 allows winter shutoffs without PUC approval for households with incomes above 250% of the federal poverty level (or above 150% of the poverty level for customers of Philadelphia Gas Works). House Bill 824 would prohibit winter shutoffs without specific PUC authorization. House Bill 824 also clarifies the protections against shutoffs where a doctor or nurse practitioner certifies that a member of the household is seriously ill or has a medical condition that would be aggravated by the cessation of utility service.

### **Reconnection of Service**

In order to obtain reconnection of service after termination, Chapter 14 requires the customer to pay a reconnection fee and, in some cases, 100% of any balance owed in full before service can be restored. House Bill 824 would limit the amount of any reconnection fee, and would give all customers at least six months to pay off any outstanding balances in order to restore service. Additional periods to pay off outstanding balances would be permitted, depending on the customer's income level.

There are other beneficial provisions in House Bill 824, some of which apply only to Philadelphia Gas Works, and others that apply to all affected utilities. But generally, as the descriptions above illustrate, House Bill 824 would modify some of the provisions of Chapter 14,

while leaving the necessary framework in place under which utilities and the PUC can assure that customers who can afford to pay their bills continue to do so in a timely manner.

Before closing, however, I would be remiss if I did not renew my efforts, which have been joined in the past by virtually every utility and every advocate for low income consumers in Pennsylvania, to urge the Pennsylvania General Assembly to establish a permanent state funding source to supplement the federal Low Income Home Energy Assistance Program (LIHEAP). The biggest problem we face, I believe, is not “deadbeat” customers who spend money on luxuries while refusing to pay their utility bills; nor is it cutthroat utilities who like to shut off utility service at the drop of a hat. The problem is that essential, life-giving utility service has become simply unaffordable for too many households in Pennsylvania. Our utilities – particularly our natural gas and electric utilities in this part of Pennsylvania – all have excellent Customer Assistance Programs to provide bill assistance to some of their lowest income customers. But the difference between what those customers pay and the balance of their full bill is paid by other customers. Indeed, the PUC has ruled in most cases that those additional costs must be borne solely by other residential customers. In my view, we need a broader funding source to provide additional support for these programs and that source should be the Commonwealth as a whole, not just the residential customers of our individual utilities. As I have done in prior testimony before this Committee, I would therefore urge the General Assembly to give serious and immediate attention to the need for a significant and permanent funding source to assist our customers and to compensate our utilities for providing necessary utility service to those who cannot afford to pay.

Thank you again for permitting me to testify here today. I would be happy to answer any questions you may have at this time.

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