

**BEFORE THE PENNSYLVANIA
HOUSE CONSUMER AFFAIRS COMMITTEE**

Testimony Of:

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**Regarding
LIHEAP and Weatherization**

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Chairman Preston, Chairman Godshall and members of the House Consumer Affairs Committee

Good Morning Chairman Preston, Chairman Godshall, and members of the Committee. My name is Tanya McCloskey and I am a Senior Assistant Consumer Advocate at the Office of Consumer Advocate. I have worked at the Office of Consumer Advocate since 1987, primarily focusing on issues regarding electric and natural gas utilities. I also serve as the OCA's representative on the LIHEAP Advisory Committee. I want to commend the House Consumer Affairs Committee on holding this hearing on the Low Income Home Energy Assistance Program and Weatherization and I would like to thank you for permitting our Office to testify on these important issues. LIHEAP and Weatherization are critical programs in assisting low income customers in Pennsylvania maintain their essential electric and natural gas service, particularly in these difficult economic times.

Several years ago before the Senate Consumer Protection and Health and Welfare Committees, the Consumer Advocate, Sonny Popowsky, set forth a framework necessary to address the energy needs of low income Pennsylvanians. The elements of that framework included 1) adequate federal and state LIHEAP funding to help all low income energy consumers who need assistance; 2) utility sponsored Customer Assistance Programs to provide affordable bills to those low income customers who have fallen behind in their bills or have failed to meet a payment arrangement; and 3) balanced customer service regulations to be administered by the Public Utility Commission regarding such issues as terminations, collections, and deposits. To that framework, I would add Weatherization, including the utility sponsored low income usage reduction programs (LIURP) and the new Energy Efficiency and Demand Response Programs being implemented under Act 129 of 2008.

Escalating energy prices have been a major concern for all Pennsylvania residential customers for the past several years. As recently as the summer of 2008, natural gas consumers in Pennsylvania were facing record wholesale natural gas prices of nearly \$13.00 per mmBTU. For a typical residential using natural gas natural gas to heat their home, a monthly winter heating bill in 2008 ranged between \$240 and \$300 for most Pennsylvania utility customers. Thankfully, there has been a significant reduction in the wholesale price of natural gas since 2008, but even at current prices the fact remains that natural gas bills present a hardship for an ever growing number of households as our difficult economic times continue.

And, of course, it is not just the gas bill, or other heating fuel bill, that this family must pay. Many households in Pennsylvania are facing significant increases in their electric bills as the wholesale price of electricity has risen over the past decade. During the energy price spike in the summer of 2008, the Public Utility Commission estimated that if electric rate caps had expired at that time, residential electric rates would have increased 73.1% on average across the Commonwealth. Fortunately, as in the case of natural gas, there has been a reduction in wholesale electric prices since that time. The Commission's current estimate based on more recent wholesale prices shows a 20.4% increase on average for residential customers. Just this year, of course, residential customers in PPL Electric's service territory saw a nearly 30% increase in their overall electric bill upon expiration of the generation rate cap.

The higher cost of energy has impacted all households in Pennsylvania, but for low income households, it is not an exaggeration to say that energy cost increases can be a matter of life and death. A year rarely goes by in which we do not read about Pennsylvania residents dying as result of fires from candles or faulty heating devices in homes where utility service has been shut off. What we don't read about as often are the hardships faced by many more

Pennsylvania residents who have to quietly choose each month between trying to pay their utility bills and buying food or needed medicine.

A nationwide survey of LIHEAP recipients by the National Energy Assistance Directors' Association issued in April 2009 found that: 80% reported that they had reduced expenses for household necessities because they did not have enough money to pay their energy bills; 28% reported that they had kept their homes at temperatures that they felt were unsafe or unhealthy; 33% used their stove or oven to provide heat; and 32% reported that they had gone without food altogether for at least one day in the last five years to help pay their energy bill. A report issued in January 2010 by Feeding America, found that 46% of their clients reported that they had to choose between paying for food and paying for utilities or heating fuel.

With this background, I would like to return to the subject of this hearing, LIHEAP and Weatherization. The federally funded LIHEAP program helps many low income customers in Pennsylvania maintain their essential utility service during the winter months necessary to heating their homes. The extent of federal LIHEAP funding, though, can change significantly from year to year, making it difficult and challenging each year to develop and administer the Program. As we move forward, it will be critical to continue to work with our Congressional delegation in Washington to keep the annual LIHEAP appropriation at or above the level authorized in the 2009 budget and to release all contingency funds.

With the uncertainty of the level of federal funding, it becomes ever more important to establish a permanent and substantial state funding mechanism to supplement the federal LIHEAP. There have been some successful efforts in recent years to provide state supplemental funding for LIHEAP, and the additional funds that were provided enabled the LIHEAP program to better serve Pennsylvania residents in those years, but there has been no

permanent annual state funding provided to the program. Even with additional funding, it is clear that only a portion of the households who qualify for energy assistance are being served and that level of assistance is not adequate for many households. One of the key benefits of the LIHEAP program from the Office of Consumer Advocate's perspective is that it is broadly funded on a societal basis through tax revenues. An adequately funded federal and state LIHEAP program is a basic foundational element for assisting low income households in Pennsylvania with their energy bills.

LIHEAP, though, is only one piece of the energy assistance available to low income, payment troubled utility consumers in Pennsylvania. Equally important has been the development of utility-sponsored, ratepayer-funded universal service programs in Pennsylvania. Particularly important has been the Customer Assistance Program, or CAP which provides bill payment assistance to low income customers who are payment-troubled. These programs help to ensure the health and safety of low income, payment troubled customers by providing more affordable bills as a means of avoiding termination or dealing with hopelessly high levels of arrearages. The CAP also has the benefit of assisting utilities in improving revenue collection and allowing them to better manage their collection costs and uncollectible expense. The CAP programs have shown that when presented with an affordable bill, low income customers increase their on-time payments.

Unlike LIHEAP, CAP programs operate year round, offering assistance at any time that the customer faces an unaffordable bill. The greatest problem now faced by the CAP programs in Pennsylvania is the rising cost of energy. As the increase in energy prices widens the gap between what a CAP customer can reasonably afford to pay and the amount the customer would ordinarily be billed, and that the utility is entitled to recover, the difference is made up by

other ratepayers. For most utilities, the difference is made up by other residential ratepayers, though our Office has argued, and other states have declared, that universal service costs should be shared by all ratepayer classes. In 2008, expenditures on CAP programs by Pennsylvania's electric and natural gas utilities totaled about \$364 million.

This widening gap between what low income customers can afford to pay and the normal bill is another critical reason why it is important to have broadly funded state and federal LIHEAP programs and why it is critically important that these programs work in concert with the CAP programs to effectively assist the greatest number of low income utility customers. To the extent that a customer (or a customer's utility) can receive LIHEAP funding, the LIHEAP grant can reduce the gap between the amount that the customer can afford to pay and the amount of the normal bill. This makes it more likely that the customer can maintain or be restored to service.

It is also important that LIHEAP maintain some level of consistency from program year to program year to facilitate the continued success of the CAP programs and to fully coordinate with other efforts by our utilities to reach customers who are in need of assistance. This year, for example, the LIHEAP Cash and LIHEAP Crisis programs did not begin together in November as they have in the past. The LIHEAP Crisis program was delayed until January, well in to the heating season. For customers of regulated utilities who may have faced termination in November prior to the beginning of the winter moratorium, these customers may have lost critical support in resolving their payment situation so that they would not lose their heat going into the winter. Utilities are also required to work throughout the Fall to identify households that are without heat or who are struggling to pay their bills. Without both the Cash

and Crisis components available, the opportunity to restore service or provide essential benefits to customers can be compromised.

While LIHEAP and CAP programs try to assist the customer with paying their utility bill, weatherization, energy efficiency and conservation efforts provide another important means for low income customers to reduce their overall utility bills. Using energy wisely is by far the best means of saving money on an energy bill for all customers. It is imperative that we use our energy resources as efficiently as possible and that consumers be able to live comfortably while using less energy and saving money on their monthly bills. Weatherization efforts, as well as our utility Low Income Usage Reduction Programs (LIURP) that have been in effect since the late 1980s are critical in assisting low income customers in their efforts to reduce their energy bill to a more manageable level.

The Public Utility Commission has identified a number of important consumer and societal benefits from our utilities' LIURP programs, which amounted to \$21.6 million for electric utilities and \$8.9 million for natural gas utilities in the year 2008. In its 2008 Report on Universal Service Programs & Collections Performance, the Commission noted with respect to LIURP that:

The list of customer, utility and community benefits includes: bill reduction; improved health, safety and comfort levels; LIHEAP leveraging (Pennsylvania receives additional funds due to the LIURP resources that supplement LIHEAP funds); arrearage reduction; reduced collection activity; improved bill payment behavior; reduced use of supplemental fuels and secondary heating devices; more affordable low income housing; impact on homelessness; and less housing abandonment.

The General Assembly renewed its efforts to address low income conservation issues in the enactment of Act 129 of 2008. As the members of this Committee are well aware, Act 129 imposed enforceable mandates on each of our electric distribution utilities to implement

programs to help their customers reduce their energy usage at times of peak use and throughout the year. The Act included a specific requirement on the utilities that their energy efficiency and conservation plans must include “specific energy efficiency measures for households at or below 150% of the Federal poverty income guidelines.” Pursuant to this requirement, PECO, for example, has submitted – and the Commission has approved – a budget of more than \$27 million over four years to provide energy efficiency and conservation assistance to approximately 20,000 additional households as well as to provide energy-efficient compact fluorescent light (CFL) bulbs to LIURP participants. PECO also will work with other Weatherization providers to supply CFL bulbs to participants in those programs as well.

In addition to these utility-administered programs under Pennsylvania law, there are other state and federal Weatherization programs that serve Pennsylvania consumers. Most importantly, the Commonwealth has received an extraordinary level of federal stimulus funding -- \$252.8 million through the American Recovery and Reinvestment Act -- which will allow a tremendous expansion of the Pennsylvania Weatherization Assistance Program (WAP), which is administered by the Department of Community and Economic Development (DCED). This funding could enable the WAP program to weatherize at least an additional 29,700 housing units over the next two to three years.

There are witnesses at this Hearing who are far more knowledgeable than I about the detailed workings of the state Weatherization program. The suggestion of our Office in this regard is to encourage the WAP program managers and subcontractors to coordinate their efforts to the greatest extent possible with the utility-funded LIURP and Act 129 conservation programs to ensure that each participating household – and the Pennsylvania economy as a whole – gets the most “bang for the buck” from these important programs. Every time a household door is

opened up to receive conservation assistance, we should try to maximize the cost-effective benefits that can be provided in that visit. Providing the maximum level of conservation assistance to as many eligible households as possible will protect the health and comfort of the participating Pennsylvania individuals and families, but it will also benefit the Commonwealth as a whole by reducing energy costs to all consumers, particularly during the coldest days of the winter and the hottest days of the summer when energy costs are at their highest.

The final element that I would like to mention today is the need for balanced customer service regulations regarding terminations, collections, deposits, and the like. In this regard, I would state that the Office of Consumer Advocate supports House Bill 98 which provides an amendment to Chapter 14 of the Public Utility Code. The amendment sets forth as a condition of receiving a LIHEAP Crisis grant that the utility not terminate service to the customer within 60 days and will enter into a payment agreement with the customer, notwithstanding Section 1405(d) regarding second or subsequent payment agreements. This amendment provides an important benefit to low income customers who are in crisis as well as ensuring the best use of LIHEAP funds. It serves no purpose to provide a LIHEAP Crisis grant to a customer and then find out that the customer is being terminated without an opportunity to use that LIHEAP grant to help make good on their payment obligations under Chapter 14. The proposed amendment would correct this problem with Chapter 14 and better ensure that the Crisis funds can truly assist the customer in maintaining service and restoring good payment, as the funds are intended to do.

Our Office would also urge this Committee to continue its efforts to revisit and revise other substantive provisions of Chapter 14. The OCA provided testimony to this Committee in support of House Bill 824 of 2007 sponsored by Chairman Preston and others.

House Bill 824 of 2007 sought to address certain concerns with Chapter 14 regarding such issues as terminations, collections and deposits in a fair and reasonable manner.

I want to commend the Committee for holding this hearing on these critical issues and thank you for inviting the Office of Consumer Advocate to participate. I would be happy to answer any questions you may have.

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