



**COMMITTEE ON TRANSPORTATION AND PUBLIC UTILITIES
PHILADELPHIA CITY COUNCIL**

Hearing on Resolution No. 181081

April 26, 2019

TESTIMONY OF ROBERT W. BALLENGER

COMMUNITY LEGAL SERVICES, INC.

Good morning Chairperson Johnson, members of the Transportation and Public Utilities Committee. My name is Robert Ballenger. I am co-director of the Energy Unit at Community Legal Services. CLS's Energy Unit advocates to ensure that Philadelphia households have access to affordable water, heat, and electricity.

At CLS, I serve as the Public Advocate, representing PGW's residential customers in matters before the Philadelphia Gas Commission. I also represent individual low income customers in restoring and maintaining utility service and groups of customers seeking improvements to affordability programs that benefit low-income utility customers. I testified previously on Bill No. 181063, which would authorize the City to finalize the terms and conditions of a project to expand PGW's gas liquefaction facilities at its Passyunk Plant. As I understand it, consideration of how PGW adapts to climate change and meets the future needs of Philadelphians is being viewed, in part, as a companion to the LNG project, which I continue to have reservations about.

Regarding Resolution 181081, I appreciate the leadership of Councilmembers Green, Reynolds Brown and Domb in starting the discussion about how PGW could change in the future. Because I believe this is the beginning of the conversation, and not a one-time event, I do not intend to provide specific ideas about the future of PGW today. Instead, I offer observations about the current state of PGW, and submit to you that PGW's residential customers should have a designated voice in structured discussions regarding potential changes to PGW's business model. I believe that PGW can and should adapt to the future needs posed by climate change, and that there are likely many good ideas among environmental advocates that can help transform PGW into an entity which promotes the City's clean energy goals.

As we discuss the future of PGW, we must also assess its present. As has long been the case, PGW already has the highest gas rates in the state. A typical residential heating customer's monthly PGW bill is \$216.48. On average, the other nine large gas utilities in Pennsylvania charge \$155.11 for the same service. At the same time, a whopping 30.8% of PGW's customers are confirmed to be low-income, and 36.4% are estimated to be low-income. Low-income is

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defined as having household income below 150% of the Federal Poverty Income Guidelines, or approximately \$37,650 per year for a family of four. Tens of thousands of customers have incomes above this threshold, but still face enormous challenges affording such high rates for PGW service.

One result of these high poverty rates and the high gas costs faced by PGW customers is that nearly 8,000 PGW customers entered this past winter without service due to a PGW shut off in 2018. Another nearly 33,000 households were terminated in 2018. These results are unacceptable. PGW runs a state-mandated low-income bill affordability program, called the Customer Responsibility Program, or CRP, which is supposed to help low income households afford their bills. CRP's current design, as approved by the Public Utility Commission, sets monthly bills at between eight and ten percent of household gross income.¹

Unfortunately, the Pennsylvania Public Utility Commission defines “affordable” annual electric and heating bills to be as much as two months gross income. That is, the maximum “energy burden” established by the PUC for combined electric and heating bills is 17 percent of income. CLS is advocating for a state-wide reduction to the energy burden, to ensure affordable bills for all low income customers. The PUC is considering this issue as part of an ongoing investigation into universal service programs in Pennsylvania. As part of this investigation, the PUC found that some PGW customers on CRP were paying even more than the already high eight to ten percent of income set out in PGW's plan. Affordable bills – bills that customers can actually afford to pay – make good business sense. Research has shown that if utility bills are affordable, household are more likely to pay them in full.²

CLS has urged the Public Utility Commission to lower the percent of income that utilities like PGW are allowed to use in designing affordability programs. Together with advocates across the state, we have urged the PUC to adopt a combined gas and electric energy burden of six percent of income, which is closer to the percentage of income paid by middle and high income households for electric and heating utility service, and is consistent with the energy burdens adopted in our neighboring states of New York and New Jersey. A truly affordable bill would mean customers would be more likely to pay their PGW bills, and would free up household income to pay for other essentials, like rents, mortgages, property taxes, food, and medicine.

I submit that the most urgent consideration before you is the unmet need for affordable service from PGW. I call on the City to join in urging the PUC to reduce the energy burdens of low-

¹ In addition, PGW charges a copay of \$5 for those customers getting arrearage forgiveness, and has a minimum bill of \$25 per month. See Pa. PUC Home Energy Affordability for Low-Income Customers in Pennsylvania, PUC Docket No. M-2017-2587711 (Jan. 2019) at 19-20 (“PUC Energy Affordability Report”).

² See Roger Colton, Water Bill Affordability for the City of Philadelphia (April 9, 2015), <http://www.povertylaw.org/files/docs/Colton%20City%20Council%20comments--April%208%202015--Final.pdf>. The PUC's Report on Energy Burdens found that from 2012-2016, only 60% of PGW's CRP bills were paid in full. PUC Energy Affordability Report at 57-58.



income Pennsylvanians. Regardless of what action the PUC takes, the City should require PGW to propose changes to its low-income program, either in its next base rate case or Universal Service and Energy Conservation Plan proceeding, to reduce the standards it currently uses to a lower percentage of household income.

I further encourage the City to be receptive to our proposals for additional direct policy actions that can be taken to assist low income customers in Philadelphia. For example, the City should subordinate PGW liens for homeowners facing foreclosure and adopt policies to compromise those debts so that low-income homeowners don't lose their homes due to an unpaid gas bill. The City should also provide increased funding for hardship grants that help low-income customers catch up on their bills. In addition, as you know, one way in which the City may be able to help PGW's customers is through improved efficiency and home repairs, dedicating funding to resolving the kinds of problems that prevent low-income families from accessing existing services. I look forward to continuing to work with others present at this hearing to frame the details of such a program.

Finally, because I anticipate many different ideas from stakeholders who want to participate in these discussions, I respectfully submit that PGW's residential customers, as a group, should have an informed voice, with adequate resources to assess the impact of proposals that may be considered. This is the role CLS has performed for many years in matters before the Gas Commission. We take great pride in having participated in Gas Commission budget review proceedings which have saved PGW customers over \$250 million in the last fifteen years. We believe the Gas Commission deserves great credit for its service.

We look forward to participating in ongoing discussions about the future of PGW and how it can adapt to meet the City's green energy goals, while providing more affordable service to those with the least capacity to pay.

Thank you for your consideration of this testimony.

Respectfully submitted,

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