

# Informational Committee Meeting on the Electric Industry

Before the  
Consumer Affairs Committee  
Pennsylvania House of Representatives

**Remarks of  
Terrance J. Fitzpatrick  
President and CEO  
Energy Association of Pennsylvania**

**February 10, 2011**



- Good morning Chairman Godshall, Chairman Preston and members of the Committee.
- I am Terry Fitzpatrick, President & CEO of the Energy Association of Pennsylvania, a trade association of electric and natural gas utilities operating in Pennsylvania.
- EAP performs two functions:
  - Advocate industry positions before state agencies (especially the PUC) and the General Assembly;
  - Education role – assist companies in sharing best practices, and sponsor conferences on operations and consumer issues that are attended by employees of members, out-of-state utilities and government.



## Electric Utilities – “Wires companies”

- Own electric distribution and transmission facilities, but do **not** own power plants.
- “Default Service” – Customers may shop for supply of electricity, but utilities buy power on wholesale market and resell it to customers who do not shop.
- Provide bills to customers and administer programs to assist low-income and payment-troubled customers.
- With the exception of transmission (federal jurisdiction) all of the above is subject to regulation by the Public Utility Commission.

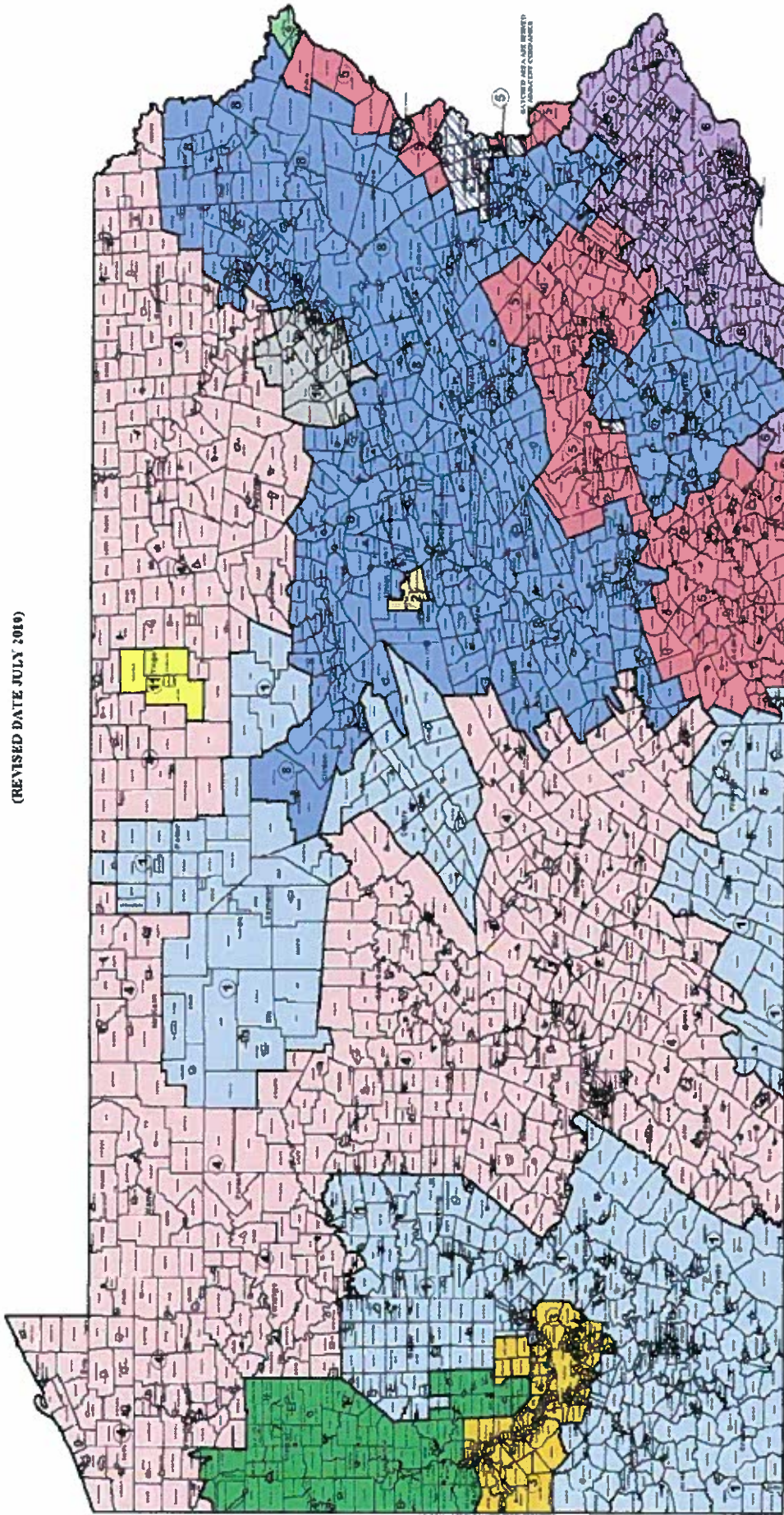
MAP OF PENNSYLVANIA SHOWING APPROXIMATE OPERATING TERRITORIES OF INVESTOR OWNED ELECTRIC DISTRIBUTION COMPANIES

(WITHOUT REFERENCE TO CHARTER OR FRANCHISE AREAS)

(R.E.A. TERRITORIES NOT INDICATED)

DISTRIBUTED BY ENERGY ASSOCIATION OF PENNSYLVANIA

(REVISED DATE JULY 2010)



- |  |   |  |
|--|---|--|
| <b>1</b> Allegheny Power               | <b>5</b> Metropolitan Edison Company        | <b>9</b> Pike County Light & Power Company |
| <b>2</b> Citizens' Electric Company    | <b>6</b> PECO Energy Company                | <b>10</b> UGI Utilities, Inc.              |
| <b>3</b> Duquesne Light Company        | <b>7</b> Pennsylvania Power Company         | <b>11</b> Wellbore Electric Company        |
| <b>4</b> Pennsylvania Electric Company | <b>8</b> PPL Electric Utilities Corporation |  |



## **EAP Electric Utility Members**

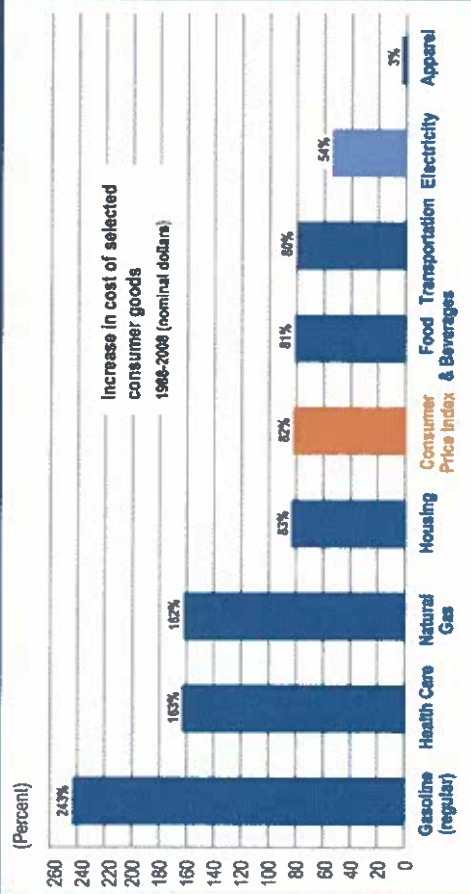
- Deliver energy to just under six million residential, commercial and industrial customers in Pennsylvania.
- Employ approximately 10,000 in their Pennsylvania operations.
- Own and operate roughly 15,000 miles of transmission lines and over 132,000 miles of distribution lines, in addition to poles, substations, transformers, etc.
- Establishing an environment that enables investment to maintain and modernize this massive electric distribution infrastructure is a major policy issue.



# Electricity: A Great Value

- The national average price for electricity today is less than what it was in 1988, when adjusted for inflation
- Even with recent price increases, the growth rate for electricity prices remains comparable to, and even lower than, other important consumer goods

Changes in Electricity Prices Compared To Other Consumer Products



Sources: U.S. Department of Labor, Bureau of Labor Statistics (BLS), and U.S. Department of Energy, Energy Information Administration (EIA).  
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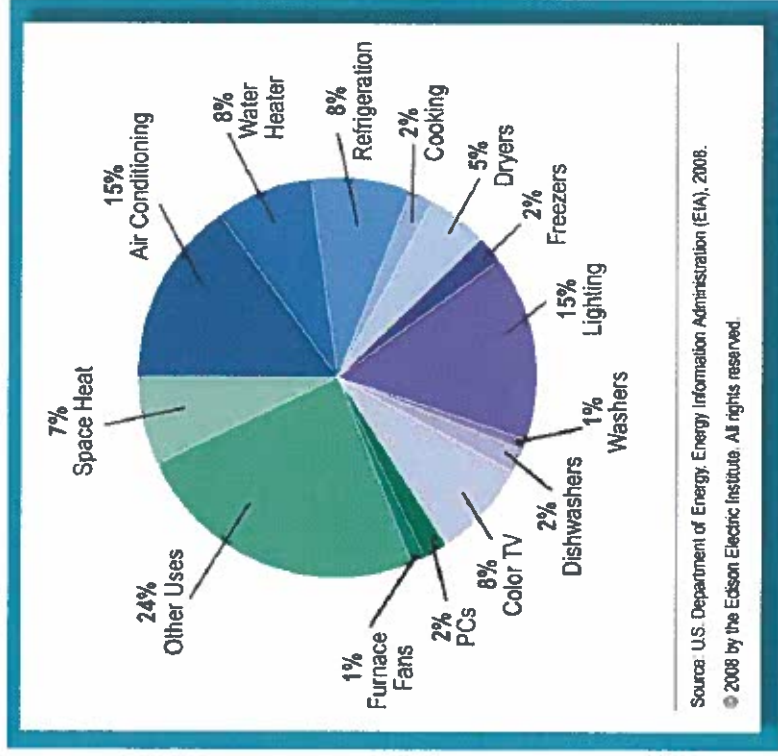
Source: 2010 Edison Electric Institute Report

# Demand for Electricity

- Electricity demand\* in Pennsylvania has grown at an average annual rate of 1% over the past 15 years.

\* Aggregate figure for industrial, commercial and residential sectors.

Source: 2010 PA PUC-issued report entitled "Electric Power Outlook for Pennsylvania 2009-2014"



The average U.S. home today is nearly 50% larger than average home in 1975.

The average U.S. household owns 23 consumer electronic products.

Source: Edison Electric Institute, "Electricity 101" (2010)

## EAP Member Universal Service Programs

- Utility programs (“safety nets”) to help low-income and payment-troubled customers access and maintain utility service.
- Total 2009 Universal Service Program (USP) spending ... \$441 million. (electric utilities: \$240 million; gas utilities: \$201 million)
- Paid for by other customers plus some utility-funded programs.
- Largest component is Customer Assistance Programs (CAP) offering reduced bills based on percentage of income or rate discount.
- More money in these programs than PA spends on its entire federally-funded Low Income Home Energy Assistance Program (LIHEAP), which encompasses ALL fuel types.

## **Alternative Energy Portfolio Standards Act (2004)**

- Requires that electricity sold to PA customers use specific percentages of alternative resources for its generation (e.g., solar, wind, hydro).
- Level of alternative energy required gradually increases annually over 15 years ... to 18% by 2021.
- Solar set-aside - .5% by 2021.
- Legislature wisely declined to increase mandates last session; doing so would have increased costs to customers and created uncertainty.

## Act 129 (2008)

- Utilities with 100,000 customers.
- Implement energy efficiency & conservation programs to reduce consumer electricity demand and peak demand.
- **Reduce energy consumption:**  
1% by May 2011; 3% by May 2013
- **Reduce peak demand:** 4.5% by May 2013
- Could result in penalties and fines to utilities.
- Some language of the Act is detailed and prescriptive, in contrast to most provisions of the Public Utility Code.

*More than \$815 million dollars of ratepayer money will be spent over a 4-year period to implement Act 129.*

## Chapter 14 (2004)

- Provides public utilities with equitable means to reduce uncollectibles and increase timely collections; provides protections against rate increases for timely-paying customers resulting from other customers' delinquencies.
- PUC, in its recently issued *Chapter 14 Biennial Report*, determined that utilities successfully implemented Chapter 14 since its passage.
- Percentage of billings written-off as uncollectible has declined.
- Additional result is the improvement of assistance programs for low-income customers, such as the annual *STAY WARM* initiative and expanded Customer Assistance Programs.

## Potential Legislative Issues This Session

- Reform ratemaking process to better achieve public policy goals such as increasing investment in infrastructure.
- Provide greater flexibility to PUC in implementing Act 129, and address cost impacts to customers from Act 129 and AEPS Act.
- Reauthorize Chapter 14.

**Thank you.**

**Energy Association of Pennsylvania**  
800 North 3<sup>rd</sup> Street, Suite 205  
Harrisburg, PA 17102  
(717) 901-0600  
[www.energypa.org](http://www.energypa.org)

