

**Before the
Democratic Policy Committee
Senate of Pennsylvania**

**Hearing on Addressing Energy Reliability & Costs for Consumers
January 23, 2025**

**Testimony of the
Energy Association of Pennsylvania**

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Good morning, Chairman Miller and members of the Senate Democratic Policy Committee. I am Donna Clark, Vice President and General Counsel of the Energy Association of Pennsylvania (“EAP” or “Association”), a trade association comprised of electric and natural gas distribution utilities operating in Pennsylvania. EAP advocates for its members before the General Assembly and state agencies, including the Pennsylvania Public Utility Commission (“PUC”), assists its members by facilitating sharing of information and best practices, and provides educational opportunities for employees of its members and others through its operations and consumer services conferences. EAP participates on behalf of its members on the Department of Human Services’ LIHEAP Advisory Council and on the Department of Economic and Community Developments’ Weatherization Advisory Policy Council. It also has facilitated information sharing and program development in connection with a number of Department of Environmental Protection projects managed by its Energy Program Office, most recently as a member of the Home Energy Rebate Advisory Group in connection with the design and implementation of state programs funded via the federal Inflation Reduction Act. Thank you for this opportunity to provide testimony today on both Pennsylvania’s outlook for future electric generation needs and reliability challenges due to forecasted demand growth on the electric grid as well as the Association’s perspective on reinstating Chapter 14 of the Public Utility Code.

Formed in 2000 with the merger of the Pennsylvania Electric Association and the Pennsylvania Gas Association, EAP's membership is comprised of the large regulated "wires" and "pipes" companies operating in the Commonwealth. Our electric distribution company (EDC) members construct, own, operate and maintain the wires, poles and other infrastructure over which electricity is delivered from the bulk power system to the homes and businesses of Pennsylvania citizens. Our natural gas distribution company (NGDC) members construct, own and operate local distribution systems which include pipelines, meters, and other infrastructure to deliver natural gas from the "city gate" to Pennsylvania homes and businesses. Both EDCs and NGDCs are charged to maintain safe, reasonable, and reliable distribution systems under the Public Utility Code. They interact regularly with their customers by, among other things, initiating utility service and responding to service issues, educating customers on safety and energy efficiency, administering "universal service" programs to assist low-income customers, and providing bills for payment. EDCs and NGDCs also serve as the "default service provider" or "provider of last resort", respectively for customers who do not purchase their electricity or natural gas from a supplier. When providing that service to customers, energy utilities purchase the commodity in a wholesale market in a manner that provides a market-based and reasonably stable price to customers over time. This service is subject to regulation and rigorous oversight by the Public Utility Commission. Utilities are assured of recovering the cost of the commodity purchased in the wholesale market to serve customers, but they do not earn a profit on that commodity cost.

The current paradigm was implemented following the enactment of the Pennsylvania Electric and Natural Gas Competition Acts in the late 1990s to introduce competition into the state's energy markets and provide customers with more choices for their energy supply. The Electric Generation Customer Choice and Competition Act (1996) separated electric generation from transmission and distribution services and enabled retail competition by allowing customers to shop for electricity from licensed suppliers, i.e., Electric Generation Suppliers

(EGSs). Transmission and distribution remained regulated by the Pennsylvania Public Utility Commission (PUC). After this point, EDCs no longer owned any generation facilities. The Natural Gas Choice and Competition Act (1999) allowed residential and small commercial customers of natural gas utilities to shop for the commodity from a number of registered suppliers, i.e., Natural Gas Suppliers (NGSs) similar to a process for large commercial and industrial customers which had been in place pursuant to federal law since the early 1970s.

I. Resource Adequacy and Reliability

As Pennsylvania strives to reduce greenhouse gas emissions while preserving and enhancing economic growth, maintaining resource adequacy for our energy system is critical. The North American Electric Reliability Corporation's (NERC) 2024 Long-Term Reliability Assessment¹ highlights growing risks nationwide of energy shortages due to accelerated retirements of coal and natural gas plants and forecasted escalating demand. NERC's designation of the PJM² region – the energy transmission system that includes Pennsylvania – as being at “elevated risk” underscores the urgent need for proactive measures.

EAP supports an “all of the above” policy that will encourage and enable the development and operation of various generation resources, including both intermittent and thermal resources, to meet Pennsylvania's growing energy demand. EAP maintains that the foundation of a workable “all of the above” policy encompasses the values of reliability, affordability, safety and sustainability. Each of these fundamental values plays a critical role in ensuring the delivery of energy to meet the needs of economic development in a modern industrial society. Favoring one value, such as sustainability, over the others arguably created the risk of imbalance that much of the nation faces currently, i.e., insufficient energy supply to sustain modern life and meet

¹ NERC, [NERC 2024 Long-Term Reliability Assessment](https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC%20Long%20Term%20Reliability%20Assessment%202024.pdf), December 2024, [https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC Long%20Term%20Reliability%20Assessment 2024.pdf](https://www.nerc.com/pa/RAPA/ra/Reliability%20Assessments%20DL/NERC%20Long%20Term%20Reliability%20Assessment%202024.pdf)

² PJM Interconnection, a regional transmission organization that coordinates the movement of wholesale electricity in all or parts of Delaware, Illinois, Indiana, Kentucky, Maryland, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania, Tennessee, Virginia, West Virginia, and the District of Columbia.

forecasted growth in energy demand from the transition to electric vehicles and development of data centers. Ensuring resource adequacy is also critical to preventing supply shortfalls that may lead to blackouts, increased costs, excessive price volatility, degradation of service, and risks to property and life.

The premature closure of thermal generation baseload resources in other PJM states based on policies that do not adequately consider the impact on reliability and/or affordability in the context of the current state of technology is a major contributor to the looming resource adequacy gap identified in the 2024 NERC Assessment referenced above and in a 2023 PJM report on the Energy Transition.³ Additionally, as made clear by the PJM Independent Market Monitor at a recent Technical Conference on Resource Adequacy sponsored by the PUC, intermittent resources such as wind and solar power, will not alone resolve the current and projected resource adequacy gap. While these resources are valuable for advancing clean energy goals, their limitations for grid reliability and resource adequacy cannot be overlooked.

Actions taken to protect existing generation resources and to ensure future adequacy must recognize that, currently, sufficient technologies do not exist at scale to replace fossil fuel generation resources without imperiling energy reliability and affordability. Resource adequacy challenges do not affect Pennsylvania in a vacuum. EAP encourages policymakers to coordinate with neighboring states and PJM to develop solutions that address cross-border energy challenges and ensure seamless integration of any new generation resources.

EAP and its member utilities have been working alongside the Pennsylvania Public Utility Commission on these issues. Following the recent Technical Conference and an open comment period, EAP suggested several regulatory solutions to this issue, including asking the PUC to: conduct an Integrated Resource Assessment to identify and address generation

³ PJM, [Energy Transition in PJM: Resource Retirements, Replacements & Risks](https://www.pjm.com/-/media/DotCom/library/reports-notice/special-reports/2023/energy-transition-in-pjm-resource-retirements-replacements-and-risks.ashx), February 24, 2023, <https://www.pjm.com/-/media/DotCom/library/reports-notice/special-reports/2023/energy-transition-in-pjm-resource-retirements-replacements-and-risks.ashx>

shortfalls; leverage EDC default service proceedings and other filings to enable proposals that will enhance resource adequacy; address ancillary issues, including the limitations of intermittent resources; encourage innovation and forward-looking resource planning to ensure Pennsylvania remains a leader in electric reliability and affordability; and establishing clear and realistic timelines for any required action on the part of EDCs, which account for existing timelines set for acquiring generation and building infrastructure. Comments of EAP and its members can be found at the associated PUC docket.⁴

II. Consumer Protections and Chapter 14 Reauthorization

Chapter 14 of the Public Utility Code has been instrumental in balancing protections for paying customers while addressing nonpayment issues. Since it was first enacted in 2004, Chapter 14 has ensured that responsible ratepayers are not unduly burdened by the costs of uncollectible expenses, and that rules for utility collections remain fair. While the PUC has put in place a policy statement to address the current lapse of Chapter 14, EAP believes it is imperative to reinstate the law so that essential guardrails remain in place.

By way of background, prior to the enactment of Chapter 14, there were no specific limits on the PUC's discretion on certain issues such as the length of payment arrangements. Over time, this led to payment arrangements in which customers were granted periods of 10, 20, 50, and even 100 years to repay past due amounts. The result of this approach was that total residential arrearages in the Commonwealth grew to over \$700 million in 2004 according to information compiled at EAP.

Given these high uncollectable expenses, Chapter 14, also known as the "Responsible Utility Customer Protection Act" established standards for key aspects of the collections process of public utilities, including the process that governs termination and reconnection of utility

⁴ *Technical Conference on Resource Adequacy in Pennsylvania*, Docket No. M-2024-3051988.

service, the winter moratorium, and medical certificate protections among others. The law also set limits on the number and length of payment arrangements that could be issued by the PUC.

The Declaration of Policy section of Chapter 14 states that the rules the PUC applied in this area prior to passage of the Chapter “. . . have not successfully managed the issue of bill payment. Increasing amounts of unpaid bills now threaten paying customers with higher rates due to other customers’ delinquencies.” This section goes on to state that “[t]he General Assembly seeks to achieve greater equity by eliminating opportunities for customers capable of paying to avoid the timely payment of public utility bills.”⁵ Chapter 14, as it existed, provided a reasonable balance, which should be preserved, between the interest of paying customers and customers who fall behind in paying their bills. Paying customers, including many who struggle but manage to pay their bills and who do not qualify for assistance programs, bear the financial burden of residential bad debt expense and pay for generous utility operated low-income assistance programs, described below.

The utility collections process under Chapter 14 contains wide-ranging protections, among the most comprehensive in the nation, for customers who fall behind in paying their bills. An effective collections process under Chapter 14 is necessary to protect customers who pay their utility bills from rate increases caused by customers who do not pay their bills. Since the law was first enacted in 2004, the percent of residential customers in debt has decreased from 14% in 2004 to 10% in 2019. Moreover, service reconnection rates have increased (57% in 2004 to 79% in 2021) – which shows the law has succeeded in encouraging customers to pay their bills.

Related, but often conflated, in the examination of customer protections available and relevant to the collection process is the issue of utility assistance to residential customers who struggle to pay for the services provided. Chapter 14 is not intended to and should not be

⁵ 66 Pa. C. S. §1402 (1) - (2).

amended to address universal service needs and/or enlarge customer assistance programs. Creating additional steps in the collection of utility bills, i.e., adding notices or allowing for repeated and longer payment arrangements does not, in fact, aid customers struggling to pay and oftentimes leads to higher and insurmountable debt for the customer.

Moreover, Pennsylvania utilities run the third-largest customer-funded assistance programs in the country. Over \$650 million of residential ratepayer money was spent on these programs in 2024, which include customer assistance programs, weatherization programs, such as LIURP, and hardship fund grants to low-income customers. Unlike our surrounding states, i.e., New York, New Jersey, and Maryland, these Pennsylvania utility programs have no annual or lifetime cap on benefits and are in addition to the federal allocation sent to the Commonwealth each year via the Low-Income Home Energy Assistance Program (LIHEAP).⁶ EAP maintains that addressing customer ability to pay energy bills will not be resolved by weakening the collection practices that were a part of Chapter 14 and urges the General Assembly to assist low-income households who struggle to pay their energy bills by adding separate state funding to LIHEAP to augment the dollars received from the federal government and complement the utility universal service programs. EAP has long advocated for state funding for LIHEAP in testimony provided annually to the Department of Human Services. In fact, Pennsylvania remains the only cold-weather state in the Northeast that does not supplement its federal LIHEAP allocation with state dollars.

While EAP would be supportive of reinstating Chapter 14 as it was at the end of the last legislative session, it recognizes that modest changes could be made to the prior Chapter 14 to improve safety for utility workers, respond to changes in technology, and improve operational efficiency. EAP looks forward to working with both parties and both chambers to reauthorize this essential statute.

⁶ Approximately \$200 million is allocated for energy assistance grants each year: <https://www.pa.gov/agencies/dhs/resources/liheap.html>

In conclusion, EAP remains committed to collaborating with the General Assembly, the Public Utility Commission, and other stakeholders to ensure Pennsylvania's energy future is reliable, affordable, safe, and sustainable. By addressing generation needs, modernizing infrastructure, reauthorizing Chapter 14, and balancing renewable integration with resource adequacy, we can position Pennsylvania as a leader in energy resilience and innovation.

Thank you for your time and consideration. I look forward to answering any questions and continuing this important dialogue.