

BEFORE THE PENNSYLVANIA SENATE DEMOCRATIC POLICY COMMITTEE



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Addressing Energy Reliability and Costs for Consumers

January 23, 2025

Greetings, Chairman Miller and Members of the Senate Democratic Policy Committee. Thank you for the invitation and opportunity to testify on matters impacting the reliability and affordability of home energy services in Pennsylvania. It is an honor and a privilege to come before you to share our perspectives on these critical issues.

My name is Elizabeth Marx, I am the Executive Director of the Pennsylvania Utility Law Project – known as PULP.¹ PULP is a statewide specialty legal services project of Regional Housing Legal Services and a member program of the statewide Pennsylvania Legal Aid Network. We provide legal representation, policy advocacy, education, and support services in furtherance of our mission to ensure that Pennsylvanians with limited economic means can connect to and maintain safe and affordable utility services to their homes. Through our work, my team sees firsthand the severe economic strain of high energy and utility² prices on Pennsylvania families, and bears witness to the profound and lasting consequences when a family cannot afford to pay for life essential services to their home.

My written testimony is focused on (1) contextualizing the scope of energy and utility insecurity in Pennsylvania, (2) explaining how existing and emerging policies exacerbate energy insecurity, and (3) identifying short-term and long-term policy solutions to help address reliability challenges and alleviate high costs. I will touch on rising energy costs, PJM capacity market failures, and the need for prevention-based reform to Pennsylvania's billing, collection, and termination standards. However, these complex issues and nuanced recommendations are not easily addressed within the confines of a single set of written testimony. Following today's hearing, I welcome further dialogue with Committee Members and staff to more fully explore the multifaceted challenges facing Pennsylvania's low income energy and water consumers, and my office stands ready to assist in crafting meaningful policy solutions that will improve the health, safety, and financial wellbeing of families across the state.

¹ Pennsylvania Utility Law Project, www.pautilitylawproject.org.

² My testimony is focused on energy affordability, given the focus of today's hearing. However, like energy, water and wastewater costs are also rising across the Commonwealth at an alarming rate, placing added financial pressure on low and moderate income families and compounding the negative impacts of high energy rates. While increased water and wastewater costs are driven in part by the cost of infrastructure investments to remove lead and forever chemicals from our water systems, excessive acquisition costs associated with the sale of public water and wastewater systems have resulted in steep increases to water and wastewater rates. **According to estimates from the Office of Consumer Advocate, water and wastewater acquisitions brought under the state's fair market value statute (Section 1329 of the Public Utility Code) have added over \$100 million to rates *each year* – substantially increasing monthly water and wastewater bills for residential consumers.** While water and wastewater bills represented a relatively small portion of household expenses a decade ago, PULP now regularly assists families facing monthly water and wastewater bills that exceed 10-20% of household income. Even a small leak or a running toilet can cause a family's water and wastewater costs to skyrocket, further burdening already overwhelmed families.

Contextualizing Energy and Utility Insecurity in Pennsylvania

Before going any further, it is important to take a step back for a moment to fully contextualize the scope of utility insecurity in Pennsylvania. Utility insecurity is pervasive across our Commonwealth and has increased in breadth and severity in recent years as energy and water prices have continually outpaced inflation.

As it stands today, many of Pennsylvania’s most vulnerable residents are already priced out of the market for safe, reliable energy services to their home. Involuntary gas and electric terminations have surged in recent years under roiling energy markets, which are increasingly tied to global economic forces.

In 2023, involuntary gas terminations increased 40% year over year following a prolonged spike in gas prices. The spike was driven by increased gas exports to Europe and shortened domestic supply. Because of Pennsylvania’s substantial reliance on gas generation, electricity terminations followed suit, increasing 25% year over year in 2024, as high gas prices from the prior year made their way into retail electric generation prices.

In 2024, 352,533 Pennsylvania households experienced an involuntary termination of gas or electric services to their home, a 15% increase over 2023.³ Compared to residential customers as a whole, low income electric customers are more than three times more likely to be terminated and low income gas customers are more than two times more likely to be terminated.⁴

Experts in utility affordability often refer to a household’s “utility burden,” the percent of gross household income spent on home utility (energy and water/wastewater) costs, to determine whether service is reasonably affordable for all consumers. On the energy side, there is general agreement across the field that, to be affordable, a combined energy burden should not exceed 6%. On average, residential energy consumers in Pennsylvania (inclusive of all income levels) typically face a combined average energy burden of between 3-4%, while low income residential consumers in Pennsylvania face much higher combined energy burdens, with average burdens ranging between 7 and 33%.⁵

³ Pa. PUC, *Terminations and Reconnections Year-to-Date November 2023 vs. Year-to-Date November 2024*, <https://www.puc.pa.gov/filing-resources/reports/terminations-for-electric-gas-water-companies/>.

⁴ Pa. PUC Bureau of Consumer Services, *2023 Report on Universal Service Programs and Collections Performance Reports* (Sept. 2024), <https://www.puc.pa.gov/filing-resources/reports/universal-service-programs-and-collections-performance-reports/>.

⁵ Fisher, Sheehan, & Colton, *The Home Energy Affordability Gap: 2022* (April 2023) (hereinafter Home Energy Affordability Gap), http://www.homeenergyaffordabilitygap.com/03a_affordabilityData.html; see also Pa. PUC, *Home Energy Affordability for Low-Income Customers in Pennsylvania* (Jan. 2019), <https://www.puc.pa.gov/pcdocs/1602386.pdf>.

Families facing such high energy burdens must make difficult choices between whether to heat their home or feed their family – this is well known as the “heat or eat” dichotomy.

In Pennsylvania, one in every four households reported having difficulty paying their energy bill in 2024.⁶ According to the federal Energy Information Administration’s Residential Energy Consumption Survey, over 20% of households nationwide report forgoing other life-sustaining necessities to pay for energy costs.⁷ When broken down by income and race, the disparities are clear: Low and moderate income families and families of color face disproportionate levels of utility insecurity, regularly forgoing food, medicine, and other basic necessities to afford energy services to their home.⁸

Disparities in energy burden and resulting energy insecurity among low income communities, communities of color, and other vulnerable or marginalized populations are driven in large measure by long-standing housing inequality and historic redlining policies that persist today. Low income families and families of color are more likely to live in inefficient homes with deferred maintenance, are more likely to be reliant on a fixed income or low-wage work, and are more likely to lack the discretionary resources necessary to invest in home efficiency and other critical repairs necessary to reduce home energy consumption.⁹

Importantly, increasing energy prices are also reaching a tipping point for large-scale affordable multifamily housing. Through 2023, PULP received multiple distress calls from affordable housing providers across the state with concerns that rising energy and water prices were threatening their ability to remain solvent as an affordable housing provider. As a result, housing providers are increasingly looking for ways to shift the cost of energy and water onto tenants, which is in turn driving up overall housing costs and exacerbating Pennsylvania’s affordable housing crisis.

⁶ US Census Bureau, Household PULSE Survey: Pennsylvania, Housing/Energy, https://www.census.gov/data-tools/demo/hhp/#/?s_state=00042&measures=ENERGYBILL.

⁷ U.S. Department of Energy, Energy Information Administration, *2020 Residential Energy Consumption Survey* (released 2022), <https://www.eia.gov/consumption/residential/data/2020/>.

⁸ *Id.*

⁹ See Xinao Mei & Bo Kyong Seo, *The Relationships Among Housing, Energy Poverty, and Health: A scoping Review*, *Journal of Energy for Sustainable Development*, Vol. 83 (Dec. 2024), <https://www.sciencedirect.com/science/article/abs/pii/S0973082624001947#:~:text=With%20regard%20to%20the%20accessibility,et%20al.%2C%202022>; Jamal Lewis, Diana Hernandez & Arline T. Geronimus, *Energy Efficiency as Energy Justice: Addressing Racial Inequities through Investments in People and Places*, *J. Energy Efficiency*, Vol. 13(3): 419-432 (March 2021), <https://pmc.ncbi.nlm.nih.gov/articles/PMC7966972/>.

The consequences of utility insecurity are vast and have reverberating impacts on individuals and the communities in which they live and work. Unresolved utility debt can serve as an immediate catalyst for eviction and/or the loss of public housing assistance and may disqualify a family from future public or private housing rental options – driving short and long-term housing insecurity and homelessness.¹⁰

When unresolved utility debt reaches the point of involuntary service termination, the loss of electricity, heat, and running water can have severe short- and long-term impacts on the health, safety, and financial stability of families and individuals – especially for seniors, individuals with a disability, and young children. The loss of refrigeration, exposure to extreme temperatures, and the inability to prepare food, bathe, or sanitize surfaces can all serve to expose household members to serious health consequences.¹¹ Involuntary service termination can also trigger other state intervention by the local health department, code enforcement, children and youth services and/or area agencies on aging.

These stark consequences of utility insecurity come at a great cost to families – as well as the local, state, and federal agencies, schools, health providers, and nonprofits that must devote increased resources to stabilize families and communities.¹²

Key Policies Driving Utility Insecurity

There are no signs of relief from rising energy and utility prices in Pennsylvania. To the contrary, we are bracing for energy and utility insecurity to get much, much worse.

Following a record number of utility base rate filings through 2024, rates for energy and water are set to increase for millions of Pennsylvanians – in turn increasing the overall cost for essential services. Over the last three months, hundreds of millions of dollars in gas, electric, and water distribution rate increases were approved for FirstEnergy, Duquesne Light, PECO Electric, PECO Gas, Columbia Gas, Peoples Gas, Veolia, and Aqua Pennsylvania service territories.¹³ Most of those rate increases are just starting to hit bills

¹⁰ Colin Middleton et al., *The Value of Utility Payment History in Predicting First-Time Homelessness*, PLOS One (Oct. 9, 2023), <https://journals.plos.org/plosone/article?id=10.1371/journal.pone.0292305>; Joint State Government Commission, General Assembly of the Commonwealth of Pennsylvania, *Homelessness in Pennsylvania: Causes, Impacts, and Solutions: A Task Force and Advisory Committee Report* (2016), <http://jsg.legis.state.pa.us/resources/documents/ftp/documents/HR550%201%20page%20summary%204-6-2016.pdf>.

¹¹ Diana Hernández, *Understanding 'energy insecurity' and why it matters to health*, Soc Sci Med. at 167: 1-10 (Oct. 2016), <https://www.ncbi.nlm.nih.gov/pmc/articles/PMC5114037/>.

¹² See Laura A. Gibson et al., *The Costs of Water Insecurity in Philadelphia*, Univ. of Penn Perelman School of Med. (May 2022), https://peachlab.org/wp-content/uploads/2022/06/PennAltatumPhillyWaterInsecurityReport_2022-05-04.pdf.

¹³ In the year prior (2023), additional rate increases were approved in UGI, NFG, PGW, Pittsburgh Water, and Pennsylvania American Water service territories.

now, when winter demand places its greatest strain on energy prices.

The introduction of hyperscale data centers and the increasing frequency of extreme weather events are driving unprecedented transmission and distribution system investments and upgrades. But infrastructure investments are just one factor driving increased rates. Commission-approved utility rates of return regularly exceed the rate of return recommended by the Commission's independent Bureau of Investigation and Enforcement (I&E) and the Office of Consumer Advocate (OCA). Reducing the utility rate of return by just 2%, consistent with the recommendations often made by I&E and OCA, would save ratepayers tens of millions of dollars each year without reducing service reliability.

The knock-out punch for energy consumers is looming just around the corner. In June 2025, the unprecedented results of the July 2024 PJM base residual auction are anticipated to produce double digit monthly bill increases – right at the start of the summer cooling season. In a letter to PJM, PPL Electric warned that the auction would increase residential bills an average of \$15/month.¹⁴ While most other Pennsylvania utilities have yet to publicly identify projected cost impacts, the Shapiro Administration concluded in its recently filed FERC complaint: “Pennsylvania ratepayers face potentially the largest unjust wealth transfer in the history of U.S. energy markets” as a result of PJM’s capacity market auctions.¹⁵

Long-standing issues in the residential retail energy market are also contributing to disparities in energy burden for low income families across the Commonwealth, and could exacerbate the financial consequences of PJM’s capacity market failures if consumers are driven hastily into the competitive market in search of lower prices. It bears mentioning here that the grid failures during the 2021 Texas Freeze were punctuated by the residential competitive market structure in Texas, causing households with variable rate supplier contracts to incur the most severe rate impacts – with some facing charges in excess of \$5,000 for just five days of power.¹⁶

¹⁴ Letter of PPL Electric Utilities to PJM, PJM Base Residual Auctions and Capacity Market Issues (delivered November 1, 2024) (on file).

¹⁵ *Shapiro vs. PJM Interconnection, LLC*, Complaint of Governor Josh Shapiro and the Commonwealth of Pennsylvania, FERC Docket No. EL25-46-000 (filed Dec. 30, 2024) (herein *Shapiro FERC Complaint*)

¹⁶ See Joshua Busby et al., *Cascading Risks: Understanding the 2021 Winter Blackout in Texas*, *Journal of Energy Research and Social Science*, vol. 77 (July 2021), <https://www.sciencedirect.com/science/article/pii/S2214629621001997>; see also Shannon Najmabadi, *Texans Blindsided by Massive Electric Bills Await Details of Gov. Greg Abbotts Promised Relief*, *Texas Tribune* (Feb. 22 2021), <https://www.texastribune.org/2021/02/22/texas-pauses-electric-bills/#:~:text=But%20how%20they'll%20accomplish,electricity%20provider%20located%20in%20Houston.>

Residential electric shopping customers in Pennsylvania are charged hundreds of millions of dollars each year in excess of the default service price. In our experience serving thousands of low income households, many do not even realize they are shopping at higher rates until they are already deep in debt. As the chart below illustrates, excessive charges in the residential retail energy markets amount to well over \$1.7 billion in under 10 years.¹⁷

Utility	Dates Analyzed	Aggregate Shopping Charges Over Default Service Price
PECO	Jan. 2018 – Dec. 2023	\$801,873,392
PPL	Jan. 2015 – April 2024	\$339,220,116
Duquesne	Jan. 2017 – May 2024	\$224,273,497
FirstEnergy	Aug. 2017 – Dec. 2021	\$431,152,822
Total		\$1,796,519,827

Excessive prices in the residential retail energy market have had a significant impact on involuntary termination rates and utility write-offs – particularly for low income consumers, who are more susceptible to promised savings and sign-on incentives.¹⁸ Notably, low income shopping customers are charged more by competitive suppliers, on average, than non-low income shopping customers. Data from PPL’s service territory recently revealed that low income shopping customers were charged an average of \$62.40 more than the default service price over a 4-month period – compared to \$19.68 in excessive charges for residential customers over the same period.¹⁹

Utility-run customer assistance programs play a critical role in alleviating utility insecurity and offer an alternative path to traditional collections for low income consumers that cannot reasonably afford service. However, existing programs are severely under-subscribed – in some cases reaching fewer than 20% of the estimated eligible population,²⁰ and can be difficult to access in time to prevent the loss of service.²¹

¹⁷ Data compiled by and on file with PULP from record data in the EDC Default Service Plan proceedings.

¹⁸ Marcus Dieterle, Energy Supplier Choice Aimed to Lower Marylanders’ Bills, But Some Customers Are Left Feeling Powerless (Dec. 28, 2021), <https://baltimorefishbowl.com/stories/energy-supplier-choice-aimed-to-lower-marylanders-bills-but-some-customers-are-left-feeling-powerless/> (providing an interactive map of door-to-door marketing activities in Maryland, which reveals higher marketing activities in predominately Black and low income zip codes); see also MA Attorney General, Are Consumers Benefiting from Competition? An Analysis of the Individual Residential Electric Supply Market in Massachusetts: 2021 Update, at viii-ix (Mar. 2021) <https://www.mass.gov/doc/2021-competitive-electric-supply-report/download>.

¹⁹ Petition of PPL Electric Utilities Corp. for Approval of a Default Service Program for the Period of June 1, 2025 through May 31, 2029, CAUSE-PA Statement 1, Exhibits 1 & 2 (June 3, 2024).

²⁰ Pa. PUC Bureau of Consumer Services, 2023 Report on Universal Service Programs and Collections Performance Reports (Sept. 2024), <https://www.puc.pa.gov/filing-resources/reports/universal-service-programs-and-collections-performance-reports/>. (herein, 2023 Universal Service Report).

²¹ While federal assistance programs such as LIHEAP also play a critical role in helping overcome high costs for some

Recommended Policy Solutions to Address Affordability and Reliability

In the coming years, energy and other utility costs will continue to rise across the state as we work to repair aging infrastructure, cope with increasingly severe storms and temperatures that threaten grid stability, and navigate the rapid transformation of our energy and utility systems. In grappling with these challenges, we must enact policies that ensure all Pennsylvanians can access life essential energy services to their home.

Without swift and well-crafted policy intervention, low and moderate income Pennsylvanians and other uniquely vulnerable groups will continue to shoulder the plethora of disproportionate harms associated with rising energy (and water) costs.

1. Establish prevention-based billing, collections, and termination standards

When Chapter 14 of the Public Utility Code was first passed in 2004, the General Assembly was explicit that its goal was “to achieve greater equity by eliminating opportunities for customers *capable of paying* to avoid the timely payment of public utility bills” – while ensuring service is “available to all customers on reasonable terms and conditions.”²² However, in practice, the law ensnared those incapable of paying. Indeed, the punitive provisions of Chapter 14 served to compound debts for low income consumers - driving increasing disparities in termination rates and resulting in a cascade of harsh consequences to the health and safety of individuals, families, and communities.

In prior testimony before the Pennsylvania [House](#) and [Senate](#), we painstakingly detailed reams of relevant data, illustrating how Chapter 14 made it more difficult for families to keep up and, in turn, exacerbated low income termination rates – without any corresponding improvement in overall collections or associated costs. While we will not repeat that detailed analysis here, we encourage you to review the data and information as you formulate policy solutions to the utility affordability crisis.

Last session, we worked hard with leaders in the legislature to develop workable reforms to Chapter 14 that would prioritize prevention-based solutions – helping families who fall behind to reasonably catch up. While proposed legislation to reauthorize and reform Chapter 14 was passed by both the House and the Senate, the measures ultimately failed

households, LIHEAP serves no more than 20%-25% of the income-eligible households in Pennsylvania in any given year. See LIHEAP Performance Measurement Website, Custom Report Tool, Percent Served by LIHEAP, Any Type of Assistance, Pennsylvania, years 2001-2023 (<https://liheappm.acf.hhs.gov>).

²² 66 Pa. C.S. § 1402(2)-(3) (declaration of policy) (emphasis added).

to garner support of the other chamber.

On December 31, 2024, Chapter 14 of the Public Utility Code sunset. While many were concerned about the ramifications of a sunset, PULP was not. The Public Utility Commission's regulations governing billing, collections, and termination standards were promulgated long before Chapter 14 was initially passed in 2004 and remain effective and enforceable law following the sunset. In late December, the Commission issued a policy statement, which we believe resolved any remaining doubt about the effectiveness of the Commission's regulations – and the enforceability of critical consumer protections.

If we continue to take a punitive approach to utility collections, layering added costs on top of unmanageable debts, utility insecurity and the associated costs to other ratepayers will only grow more pronounced over time as energy and utility costs continue to rise.

While we do not support the reintroduction of Chapter 14 as it previously stood, we do urge adoption of more targeted, prevention-based reforms to utility billing, collections, and termination practices. Specifically, we urge the legislature to:

- Reform utility payment arrangement standards to ensure debt repayment obligations do not exceed 20% of the customers' average utility bill.
- Improve protections from termination and establish comprehensive debt management programs for medically vulnerable households.
- Prohibit termination of service to vulnerable households during the hottest summer months.
- Improve access to and enrollment in utility assistance programs through routine screening and expanded data sharing across utilities and agencies, helping match consumers to assistance before they fall behind.
- Eliminate security deposits, late fees, and reconnection fees. These fees are regressive, punitive, and require households to expend limited resources that could otherwise be used to pay down utility debt or remain connected to service.
- Increase language access.
- Improve data reporting and transparency.

2. Approve state funding to supplement and/or expand LIHEAP.

In addition to improving universal service program enrollment, as identified above, we further recommend that the legislature step in to expand the availability of Low Income Home Energy Assistance Program (LIHEAP) funding, especially in the short term as we grapple with the direct and

immediate impacts of the July 2024 PJM auction and the potential for additional auctions in the near term that may result in even greater cost impacts to consumers.

Specifically, we urge members of the Committee to support a state allocation of no less than \$100 million to support the provision of grant assistance to offset high summer cooling costs that will be exacerbated by results of PJM's failed capacity market auction. Due to federal funding constraints, LIHEAP currently operates from November through early April each year. We are concerned about the potential for additional federal funding cuts that would further compress current program operation, further underscoring the need for state appropriations.

While there is broad support to operate LIHEAP through the summer to help offset rising cooling costs, the ability to do so is constrained without substantial additional resources. Thus, we urge prioritization of a state allocation for LIHEAP to help offset excessive PJM costs and to improve the availability of rate relief to address high summer cooling costs.

3. Modernize efficiency programming.

Comprehensive energy efficiency programs play an important role in addressing capacity issues by reducing both short and long-term demand while also contributing to other affirmative benefits to health, safety, and financial security.

Pennsylvania's housing stock is among the oldest in the country and is in grave need of repair. As noted above, poor housing stock is a primary driver of energy burden disparities across low income communities and communities of color. Aging housing stock is particularly vulnerable to the impacts of extreme heat and cold weather events, when energy usage is highest across the grid.

Ironically, housing in the worst condition with the highest energy usage and the greatest need for whole-home efficiency remediation is often disqualified from existing programs due to structural repair needs and health or safety issues that prevent efficiency and weatherization.

The two most pressing issues facing expansion of effective efficiency programming are (1) insufficient funding, and (2) lack of integrated, centralized programming. As it stands, there are several programs designed to address various aspects of weatherization, efficiency, and related home repair – but each program operates in a silo, preventing services from reaching those most in need and unnecessarily duplicating administrative costs.

In the coming year, we encourage the legislature to explore ways to strengthen energy efficiency funding and improve coordinated program delivery. Centralized program delivery and the use of common forms and systems for applications and energy audits would allow for more rapid adoption of innovative demand response and efficiency program innovations, helping address both reliability and affordability challenges in a cost-effective way.

4. Focus on reliability and efficiency of existing gas generation fleet.

There has been a lot of discussion about the need to build out new gas generation to address electric generation capacity issues. However, we are concerned that investment in new gas generation will not strike the right balance between affordability and reliability. Pennsylvania is already over-leveraged on gas production, with nearly 60% of our electricity produced by gas generation.²³

While Pennsylvania is a top gas producer, there is no requirement that gas produced in Pennsylvania stays in Pennsylvania and benefits Pennsylvania ratepayers. The rapid expansion of overseas gas exports since 2016 has increasingly tied the price of gas to volatile fluctuations in world energy markets.²⁴ This forces Pennsylvanians to compete with other countries for gas produced in our backyard. By 2028, EIA projects that gas exports will more than double,²⁵ further affecting gas prices and, in turn, increasing electric generation prices here at home.²⁶ In a recent statement releasing DOE's long awaited study of liquified natural gas (LNG) exports, former Department of Energy Secretary Jennifer Granholm noted that increasing exports "exposes a triple-cost increase to U.S. consumers."²⁷ Just last week, EIA's short-term outlook projected that gas prices will increase from \$2.20 to \$4 by 2026 as a result of increased LNG exports, which will in turn strain supply – similar to the challenges we faced in winter 2022-2023.²⁸

Increasing the reliability and efficiency of existing gas generation has the potential to dramatically improve system reliability, while minimizing long-term cost burdens on consumers. As Tom Rutigliano with the Natural Resources Defense Council noted in testimony before the House Environmental Resources and Energy Committee last year: "Rapid investment in the reliability of the existing gas fleet is a highly cost-effective way to address resource adequacy issues in the short term and should be fully explored before considering any greenfield investment in new power plants or gas infrastructure."²⁹ We support NRDC's recommendations regarding the need to prioritize improvements in the efficiency and reliability of Pennsylvania's existing gas generation fleet.

²³ Energy Information Administration, [Pennsylvania State Profile and Energy Estimates](https://www.eia.gov/state/analysis.php?sid=PA) (last updated December 21, 2023), <https://www.eia.gov/state/analysis.php?sid=PA>

²⁴ Energy Information Administration, [North America's LNG Export Capacity is On Track to More than Double by 2028](https://www.eia.gov/todayinenergy/detail.php?id=62984) (Sept. 3, 2024), <https://www.eia.gov/todayinenergy/detail.php?id=62984>.

²⁵ *Id.*

²⁶ Public Citizen, [LNG Exports Could Cost Pennsylvanians Up to \\$16 Billion More in Energy Costs](https://www.citizen.org/news/lng-exports-could-cost-pennsylvanians-up-to-16-billion-more-in-energy-costs/) (Nov. 25, 2024), <https://www.citizen.org/news/lng-exports-could-cost-pennsylvanians-up-to-16-billion-more-in-energy-costs/>.

²⁷ US DOE, [Energy, Economic, and Environmental Assessment of U.S. LNG Exports](https://www.energy.gov/sites/default/files/2024-12/LNGUpdate_SummaryReport_Dec2024_12pm.pdf) (December 2024), https://www.energy.gov/sites/default/files/2024-12/LNGUpdate_SummaryReport_Dec2024_12pm.pdf; see also Utility Dive, [US LNG Exports Raise Electricity Bills, Gas Prices and Emissions, DOE Report Concludes](https://www.utilitydive.com/news/us-lng-exports-raise-electricity-bills-gas-prices-and-emissions-doe-repor/735876/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202024-12-18%20Utility%20Dive%20Newsletter%20%5Bissue:68938%5D&utm_term=Utility%20Dive) (Dec. 18, 2024), https://www.utilitydive.com/news/us-lng-exports-raise-electricity-bills-gas-prices-and-emissions-doe-repor/735876/?utm_source=Sailthru&utm_medium=email&utm_campaign=Issue:%202024-12-18%20Utility%20Dive%20Newsletter%20%5Bissue:68938%5D&utm_term=Utility%20Dive.

²⁸ Energy Information Administration, [Short-Term Energy Outlook](https://www.eia.gov/outlooks/steo/) (Jan. 14, 2025), <https://www.eia.gov/outlooks/steo/>.

²⁹ See Testimony of NRDC Before the House Environmental Resources & Energy Committee, at 5 (Oct. 16, 2024), [2024_0919_0007_TSTMNY.pdf](https://www.nrdc.org/sites/default/files/2024_0919_0007_TSTMNY.pdf)

5. Improve utility and state-level integrated resource planning and include a distributional affordability analysis.

We recently recommended to the Public Utility Commission, in the context of its Resource Adequacy docket, that the Commission work to strengthen utility resource planning requirements and oversee its own statewide integrated resource planning to help ensure the Commission has effective oversight of infrastructure investment decisions. Integrated resource plans at the utility and state level should include a distributional affordability analysis – helping break down functional silos between infrastructure investments and rates. Further, to help improve planning for and response to grid emergencies, the state must work to improve communication channels with PJM to help deploy resources and facilitate an effective statewide response to stress on the grid. The legislature should work with the PUC to encourage integrated resource planning, and pursue legislation as needed to support integrated resource planning at the utility and state level.

6. Require utilities to utilize more long term contracts in the procurement of default service.

The Office of Consumer Advocate has previously recommended that the Public Utility Commission encourage the use of long-term contracts for in-state generation. We support this recommendation, as it would help to support the buildout of local resources while spreading cost impacts over a longer period of time. We urge caution, however, that the principle of long-term contracting cannot and must not come at the expense of ensuring that our default service supply is designed to be procured at least cost over time consistent with the current statutory framework.

While this recommendation does not require legislative authorization, *per se*, utilities have been reluctant to propose and the Commission has been reluctant to approve proposals to integrate additional long term contracts for in-state generation. We recommend that members of the Committee examine the issue more closely, and work to advance language that would either encourage or direct the Commission to support the expanded use of long-term contracts for in-state generation.

7. Reject calls to undermine the availability of default service as a least-cost option.

As debates around resource adequacy continue, there are some calling for fundamental changes to Pennsylvania’s default service structure, which provides a safe, stably priced option for consumers choosing not to shop for energy through the competitive market. As noted above, the residential competitive energy markets are rife with consumer abuses, costing Pennsylvanians tens of millions of dollars each year. In Texas, as noted above, the absence of a least-cost default service option led to extreme price impacts in the aftermath of the 2021 Texas Freeze.

We also caution against pursuing solutions to resource adequacy challenges that would further expand the competitive residential retail energy market or otherwise reduce consumer protections.

We encourage the legislature to take a hard look at the retail competitive market to prevent wasteful and excessive rates – ensuring Pennsylvania ratepayer dollars are invested in a just, equitable, and prudent manner that improves access to clean, safe, and reliable energy services at affordable rates.

8. Establish equitable cost allocation policies to guide the allocation of costs attributable to hyperscale data centers.

There is broad consensus that the primary factor driving reliability and resource adequacy issues – and the prime culprit of PJM’s capacity market failure – is the unprecedented onslaught of hyperscale data centers. Indeed, there are many costs embedded in consumer rates that are increasing as a result of hyperscale data centers. Low income Pennsylvanians should not be held responsible for the cost of market failures or the introduction of hyperscale energy users.

As Governor Shapiro identified in his recent FERC Complaint, PJM’s proposed capacity market auction design “will leave consumers paying up to \$20.4 billion in added costs over the next two years without receiving commensurate benefits in the form of new or retained generating capacity and increased reliability. That is unjust and unreasonable.”³⁰

Both the legislature and the Commission have a role to play to ensure costs associated with transmission and distribution system buildout to support hyperscale data centers are equitably apportioned, and do not fall to low income families. It is critically important that the legislature get ahead of this issue, and set appropriate policy now to prevent unjust and unreasonable costs from falling to Pennsylvania ratepayers.

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This concludes my written testimony. It is an honor and privilege to provide testimony to the Committee on this critically important issue, and I look forward to working with each of you in the coming weeks and months to ensure that all Pennsylvanians can establish and maintain affordable, safe, and clean energy and utility services to their home.

Respectfully,



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³⁰ Shapiro FERC Complaint at 13-14.