

BEFORE THE PENNSYLVANIA SENATE DEMOCRATIC POLICY COMMITTEE

TESTIMONY OF ELIZABETH R. MARX

Legislative Hearing

Lowering Your Electric Bill

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Rising Electricity Rates and the Resulting Consequences	4
Primary Drivers of Rising Electricity Costs in PA	9
A. Data Center Load Growth is Already Driving Up Energy Costs.....	10
B. Excessive Prices & Consumer Abuses in Residential Retail Energy Market.....	12
C. Rapid Growth of LNG Exports Force Pennsylvanians to Compete in World Market	17
D. Excessive Utility Profits (High ROE) Drive Higher Rates.....	20
E. Alternative Rate Mechanisms Shift Risk to Consumers and Undermine Efficiency	21
Solutions to Alleviate Rising Energy Insecurity.....	23
A. Prevent Cost Shifting from Data Centers to Consumers	23
(1) Require utilities to develop standardized tariff rules for large load customers.	23
(2) Adopt an explicit legal presumption that, absent actual and quantifiable evidence to the contrary, distribution and transmission costs to support data center growth are for the sole benefit of the data center.	24
(3) Require data centers to pay for universal service costs they cause.....	25
(4) Impose other critical consumer-focused protections that prioritize safe and affordable energy for Pennsylvania families.	25
B. Eliminate or Significantly Reform the Residential Retail Energy Markets.....	26
(1) Require suppliers to return customers to default service at the end of the contract period absent express verbal or written consent from the customer to enter a new contract.....	27
(2) Prohibit suppliers from charging variable rates and require all contract pricing to be offered for a minimum 12-month period.	27
(3) Eliminate the Purchase of Receivables Programs.....	28
(4) Restore PUC authority to issue direct consumer refunds.	28
C. Establish Prevention-Based Billing, Collection, and Termination Standards	29
(1) Prevent accrual of unmanageable debts and reduce collections costs by requiring utilities to improve enrollment in rate relief programs before they fall behind....	29
(2) Require utilities and the PUC to establish affordable, debt-clearing payment arrangements when households fall behind.	30
(3) Eliminate ineffective and punitive security deposits, late fees, and reconnection fees	31
D. Strengthen Protections Against Utility Termination.....	31
(1) Protect medically vulnerable households.....	31
(2) Expand seasonal protections against termination to include a summer moratorium on shutoffs.....	32

E. Advance Comprehensive Rate Reform	32
(1) Reign in excessive utility profits by imposing guardrails for establishing a fair, market-based return on equity (ROE) no higher than the actual cost of equity. ..	32
(2) Remove utility rate case expenses and association dues from rates.	33
(3) Prohibit alternative rate mechanisms (section 1330) that shift business risk to consumers and undermines efficiency.	34
(4) Bring transparency to black box settlements.	34
F. Streamline Delivery of Comprehensive Efficiency Programs	35
G. Allocate State Funds to Support LIHEAP Expansion	35
Conclusion	36

Good morning, Chairman Miller, Senator Kane, and Members of Senate Democratic Policy Committee. Thank you for organizing today's policy hearing to explore solutions to lower rapidly rising electricity costs in Pennsylvania, and for inviting me to provide testimony to help inform the Committee on this critical issue.

My name is Elizabeth Marx. I serve as Executive Director of the Pennsylvania Utility Law Project (PULP). PULP is a statewide specialty legal aid program, and is a member of the integrated Pennsylvania Legal Aid Network. PULP provides legal representation to low income individuals and eligible group clients in furtherance of our mission to ensure that Pennsylvanians experiencing poverty can connect to and maintain safe and affordable utility services to their homes. Each year, we serve hundreds of low income individuals and families and provide case consultation and technical assistance to local legal, housing, and service providers in each county of the Commonwealth, bearing witness to the deep and lasting consequences of energy and utility insecurity. My testimony today is on behalf of PULP's low income clients from all corners of the Commonwealth, who are facing the most profound impacts of rising energy costs.

In addition to leading PULP, I serve as Chair of the LIHEAP Advisory Committee to the Department of Human Services, the Weatherization Assistance Program Policy Advisory Council to the Department of Community and Economic Development, and the Climate Change Advisory Committee to the Department of Environmental Protection, and I am a member of the Consumer Advisory Council to the PUC. From these vantage points, I have developed a deep understanding of the laws, regulations, policies, and programmatic frameworks which impact access to and affordability of energy and utilities for vulnerable Pennsylvanians – and the reforms needed to stem the growing epidemic of energy insecurity.

Rising Electricity Rates and the Resulting Consequences

Energy is not a luxury, it is necessary and essential to modern life. Pennsylvanians need reliable and affordable energy to heat and cool their homes, power medical devices, cook food for their family, and connect with employers, schools, and loved ones. One simply cannot function in our modern society without it. Yet as energy costs rise sharply across the state, an increasing number of families are unable to afford their bill, precipitating a cascade of consequences to the health, safety, and financial stability of Pennsylvanians in every corner of the state.

Since December 2024, electric *generation* prices have spiked across Pennsylvania resulting in residential customers facing average price increases between 18- 52% on the generation portion of their bill.

**Residential Generation (Default Service) Rates:
December 1, 2024 vs. June 1, 2026**

	12/1/2024	6/1/2026	% Increase	Monthly Increase 500 kWh	Monthly Increase 2000 kWh
PECO	\$0.0924	\$ 0.1157	25.3%	\$8.93	\$35.70
PPL	\$0.1077	\$ 0.1315	22.1%	\$10.91	\$43.64
DLC	\$0.1085	\$ 0.1414	30.3%	\$14.50	\$58.00
MetEd	\$0.1101	\$ 0.1395	26.7%	\$9.77	\$39.10
Penelec	\$0.1047	\$ 0.1314	25.5%	\$6.37	\$25.46
Penn Power	\$0.1117	\$ 0.1348	20.7%	\$7.19	\$28.76
West Penn	\$0.0948	\$ 0.1208	27.4%	\$7.33	\$29.32
Citizens	\$0.0870	\$ 0.1322	52.0%	\$14.06	\$56.22
UGI Elec.	\$0.1064	\$ 0.1262	18.60%	\$2.88	\$11.52
Wellsboro	\$0.0914	\$ 0.1256	37.30%	\$14.48	\$57.92

Electric *distribution* rates have also increased dramatically over the same short period of time. As summarized in the table below, the PUC approved nearly \$1 billion in *distribution* rate increases since December 2024, increasing average residential bills between 2-10%.

Residential Electric Distribution Rates Increases Since July 2024			
	Approved Increase	% Increase, Residential	Effective Date
DLC	\$85,100,000	4.0%	Dec. 2024
PECO Electric	\$354,000,000	10.0%	Jan. 2025
MetEd	\$39,500,000	2.0%	Jan. 2025
Penelec	\$57,700,000	4.0%	Jan. 2025
Penn Power	\$24,800,000	4.5%	Jan. 2025
West Penn	\$102,900,000	6.2%	Jan. 2025
PPL Electric	\$275,000,000	5.0%	Jul. 2026
TOTAL APPROVED	\$ 939,000,000		

These increases in generation and distribution costs are having a disproportionate impact on low income and other vulnerable groups – including seniors, families with children, and individuals with a disability. These households are, quite literally, being priced out of the market for basic energy services – forcing an increasing number of families to forego food, medicine, medical care, child care, and other basic needs to keep energy on in their homes.¹

A critical marker of whether energy bills are unaffordable rests in the number of utility terminations and the rate of termination. **In 2025, over 387,000 Pennsylvania households had their electric or gas shut off because they couldn't pay their bills.² This is the highest number of terminations ever recorded.**

¹ According to a recent study of the National Energy Assistance Directors Association, over half (51%) of low income households reported at least one month where they reduced or went without food, medicine, and other basic needs in order to pay an energy bill – and 34% kept their home at a temperature that felt unsafe or unhealthy in order to save money on energy bills. Nat'l Energy Assistance Dir. Assoc. (NEADA), *Energy Hardship Report*, slide 10 (April 2024), available at: <https://neada.org/wp-content/uploads/2024/04/neadahardshipreportAPR24.pdf>. More than 1 in 4 Pennsylvania households report having difficulty paying their energy bill. US Census Bureau, *Household Pulse Survey: Pennsylvania, Unable to Pay Energy Bill* (April 9-29 2024), available at: https://www.census.gov/data-tools/demo/hhp/#/?measures=ENERGYBILL&s_state=00042. As a result, utility debt is soaring in Pennsylvania and across the country. Nearly 1 in 20 Pennsylvania households have past-due energy utility debt, with an average overdue balance exceeding \$1,200, far exceeding the national average. Julie Margetta Morgan, Mike Pierce & Eduard Nilaj, *Fueling Debt: How Rising Utility Costs Are Overwhelming American Families*, The Century Foundation (Nov. 17, 2025), <https://tcf.org/content/commentary/fueling-debt-how-rising-utility-costs-are-overwhelming-american-families/>.

² Pa. PUC, *Terminations and Reconnections: Year-to-Date November 2024 vs. Year-to-Date November 2025*, <https://www.puc.pa.gov/media/3758/terminations-reconnectionsyt-d-nov2024vs25.pdf>

Since 2022, involuntary terminations of residential electric and gas service have increased 27%. In fact, we have broken the record every year since 2023. The previous record was set in 2008 during the Great Recession when just over 321,000 residential households lost service.³

Involuntary Terminations, Residential Electric and Gas⁴			
	Total Electric + Gas	Total Electric	Total Gas
2022	304,188	214,793	89,395
2023	325,821	200,410	125,411
2024	361,187	251,332	109,885
2025	387,032	288,214	98,818

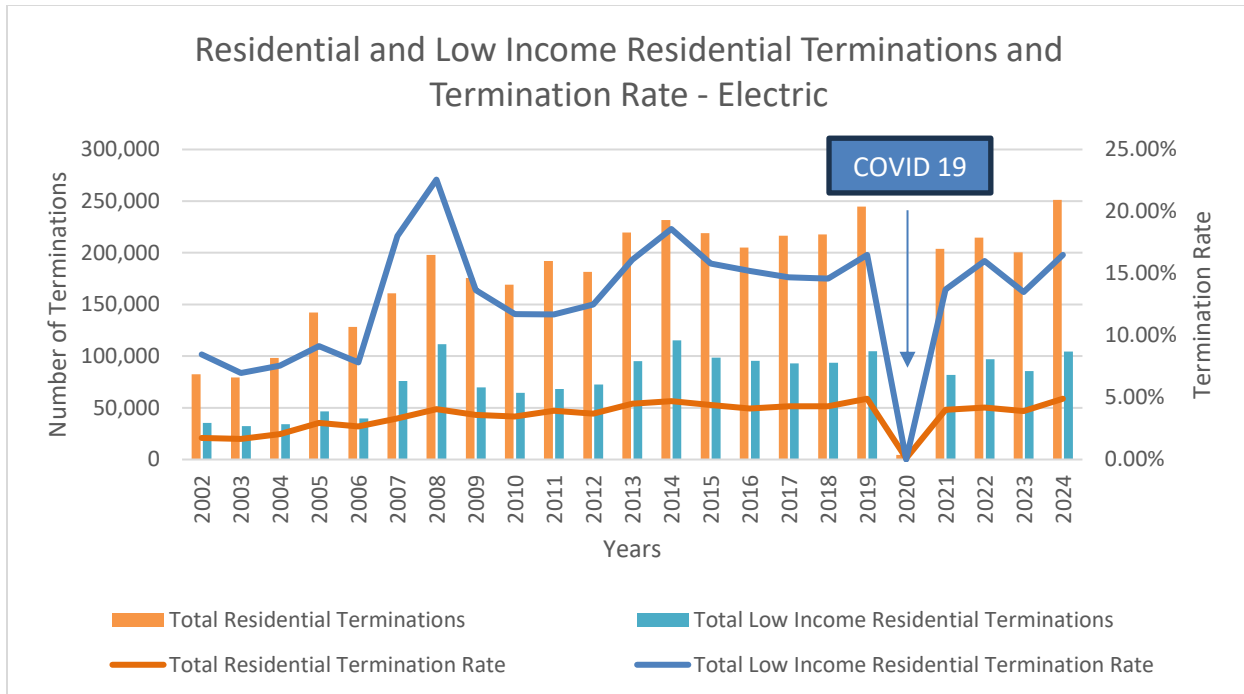
This hearing is focused on electric bills, so I have not included water and wastewater statistics; however, it bears noting that water and wastewater rates are also rising precipitously across the state, contributing to the severe strain on Pennsylvania families to afford basic needs.

Low income households are far more likely to face involuntary termination, especially in periods of economic uncertainty. In 2008, at the height of the Great Recession, electric service to more than 1 in 5 low income households was involuntarily terminated. Low income terminations spiked again in 2014 following extreme volatility in the retail energy markets as a result of the Polar Vortex.⁵ Since then, except for a brief reprieve during the COVID-19 pandemic, low income termination rates and the total number of terminations have remained persistently high.

³ Pa. PUC, Bureau of Consumer Services, *2024 Report on Universal Service and Collections Performance*, at 11 (Jan. 2026), <https://www.puc.pa.gov/media/3771/2024-universal-service-report-final.pdf>; Pa. PUC, Bureau of Consumer Services, *2008 Report on Universal Service and Collections Performance*, at 9 (Sept. 2009), https://www.puc.pa.gov/General/publications_reports/pdf/EDC_NGDC_UniServ_Rpt2008.pdf

⁴ Pa. PUC, Bureau of Consumer Services, *2024 Report on Universal Service and Collections Performance* (Jan. 2026), <https://www.puc.pa.gov/media/3771/2024-universal-service-report-final.pdf>; Pa. PUC, *Terminations and Reconnections: Year-to-Date November 2024 vs. Year-to-Date November 2025*, <https://www.puc.pa.gov/media/3758/terminations-reconnectionsyt-d-nov2024vs25.pdf>

⁵ Pa. PUC, Bureau of Consumer Services, *2014 Report on Universal Service and Collections Performance* (Oct. 2015), https://www.puc.pa.gov/General/publications_reports/pdf/EDC_NGDC_UniServ_Rpt2014.pdf.



Of particular note, low income termination rates for electric service are much higher than they were prior to 2006. In December 2004, through the enactment of Chapter 14, the General Assembly allowed utilities greater discretion to implement punitive billing, collections, and termination rules – and constrained the Public Utility Commission’s ability to grant reasonable payment terms. Following implementation of those new rules and restrictions, terminations increased dramatically – especially for low income families.

I have previously testified before the General Assembly about the impact of Chapter 14 on low and moderate income families, explaining in detail how that law incentivized terminations and compounded debts – levying junk fees on top of already unaffordable debts.⁶ Ultimately, the law failed to drive down collections costs bad debt expenses – instead making it easier to shut off service and write off debt, rather than offering reasonable opportunities for families to stay connected and paying.⁷ **In short, over 20 years of data**

⁶ House Consumer Protection, Technology, and Utilities Committee, Testimony of Elizabeth R. Marx, PULP, *The Prevention-Focused Reforms in HB 1077 will Help Ensure All Pennsylvanians Can Access and Maintain Safe and Affordable Energy and Water Services* (Jan. 17, 2023), https://www.legis.state.pa.us/WU01/LI/TR/Transcripts/2024_0487_0003_TSTMNY.pdf

⁷ As explained in my 2023 testimony before the House Consumer Protection, Technology, and Utilities Committee:

has clearly demonstrated that terminations are not an effective collections tool, and do not reduce write-offs borne by other residential consumers.

Utility shutoffs make people and communities unhealthy and unsafe. Without safe energy services, vulnerable individuals – including seniors, individuals with a disability, and young children – are at greater risk of health consequences – complicating preexisting conditions and increasing the risk of hospitalization.⁸ The risk of fire also increases dramatically, as the use of unsafe alternative heating sources is a leading cause of fatal home fires.⁹ Involuntary terminations also precipitate short and long term housing instability - triggering immediate eviction, condemnation, and the loss of public housing assistance. Indeed, the very existence of utility debt can disqualify a household from both public and private housing options – resulting in long-term housing insecurity.¹⁰

The loss of basic utility services is particularly harmful for children: Infants and toddlers face developmental delays in energy insecure households, and children in homes without heat are more than twice as likely to have respiratory illnesses and other health challenges.¹¹

Federal assistance for energy insecure households through the Low Income Home Energy Assistance Program (LIHEAP) and the Weatherization Assistance Program (WAP) has not kept pace to meet the growing need for increased assistance, driving greater reliance on

While involuntary termination rates continue to climb, there has not been a corresponding decline in uncollectible expenses since Chapter 14 was first enacted in 2004. The gross write-off ratio has remained relatively stagnant for electric utilities and increased significantly for gas utilities in most years following enactment of Chapter 14.

Id. at 9-10. **In short, over 20 years of data has clearly demonstrated that terminations are not an effective collections tool, and do not reduce write-offs borne by other residential consumers.**

⁸ Nat'l Consumer Law Ctr, *Protecting Seriously Ill Consumers from Utility Disconnections* (Feb. 2021), https://www.nclc.org/wp-content/uploads/2022/09/Serious_Illness_Rpt.pdf; Antonio Gasparrini, et al., *Mortality Risk Attributable to High and Low Ambient Temperature: A Multicountry Observational Study*, 386 *Lancet* 369-375 (July 25, 2015); Diana Hernandez, *Understanding Energy Insecurity and Why It Matters to Health*, 167 *Social Science & Medicine* (Oct. 2016), <https://www.sciencedirect.com/science/article/pii/S0277953616304658>.

⁹ US Fire Admin., *Heating Fire Safety*, <https://www.usfa.fema.gov/prevention/home-fires/prevent-fires/heating/>

¹⁰ Colin D. Middleton, Kim Boynton, David Lewis & Andrew M. Oster, *How Low-Income Customer Programs Lower Energy Costs for Everyone*, *PLoS ONE* (Oct. 9, 2023), <https://rmi.org/how-low-income-customer-programs-lower-energy-costs-for-everyone/>.

¹¹ Cecile Yama, Jordan M. Rook, Lauren E. Wisk, Rebecca Dudovitz, Diana Hernandez, David P. Eisenman & Kathryn M. Leifheit, *Expiration of the Expanded Child Tax Credit and Energy Insecurity in US Households with Children, 2021–2022*, 115 *Am. J. Pub. Health* 1312, 1312–13 (2025).

utility-run rate assistance programming to help provide reasonably affordable rates for low income families.¹⁸

These figures, evidencing stark and widespread energy insecurity across our Commonwealth, ought to shock the conscience - especially when juxtaposed to the record profits of energy utilities, generators, and suppliers.¹²

Primary Drivers of Rising Electricity Costs in PA

There are a multitude of factors driving electricity price increases in Pennsylvania, though there is one consistent theme: While Pennsylvania energy consumers struggle profoundly to keep up with rising electricity rates, energy companies are earning record profits. This dynamic has to end.

In this section of my testimony, I will provide an overview of the primary factors driving energy costs to rise across the state – though I note that each one of these factors are deeply complex and deserve deeper inquiry and interrogation to develop the right solutions. While I address these in a particular order, this should not be viewed as a hierarchy but rather an interconnected web of factors contributing to rising energy costs, and collectively compounding economic impacts for Pennsylvania families.

Before tackling the primary factors driving increasing electricity bills, it is important to identify an elephant in the room. Energy is a trillion-dollar industry, with an army of lobbyists behind it – often bought and paid for by ratepayer dollars.¹³ This fact makes it exceedingly difficult to move meaningful policy solutions to rebalance the broken scales and reign in

¹² Laila Kearney, *Prices in Biggest US Power Grid Auction Hit New Record, Signaling Higher Utility Bills Ahead*, Reuters (Dec. 17, 2025), <https://www.msn.com/en-us/money/general/prices-in-biggest-us-power-grid-auction-hit-new-record-signaling-higher-utility-bills-ahead/ar-AA1SC1t8?ocid=BingNewsSerp> (“[E]xisting power plant owners in PJM are expected to see windfalls from the recent capacity prices. Independent power producer Talen Energy said on Wednesday it expected to land more than \$1 billion in capacity revenues for the 2027-2028 planning year.”); see also Itai Vardi & Matt Kasper, Energy & Policy Institute, *As Customers Struggled, Utility CEOs’ Pay Spiked Last Year* (July 18, 2024), <https://energyandpolicy.org/as-customers-struggled-utility-ceos-pay-spiked-last-year/>.

¹³ Nick Bowlin, *Power Brokers: What’s Really Behind Your Soaring Utility Bills*, Harper’s Magazine (Jan. 2026), <https://harpers.org/archive/2026/01/power-brokers-nick-bowlin-utility-bills/>; Gabriel Straus, Energy Policy Institute, *Utility Lobbyists Host Private Gathering in Red Sox Suite for Regulators Ahead of NARUC Meeting* (Jan. 8, 2026), <https://energyandpolicy.org/edison-electric-institute-lobbyists-host-private-gathering-ahead-of-naruc/>.

excessive profits and consumer abuses all across the energy industry. In the last section of my testimony, I will offer a number of solutions that could help. But to be successful, policy makers must choose to cast aside deep pockets in favor of Pennsylvania families – countering powerful interests for principled reforms. **“Energy affordability” is not a buzz word, and meaningful solutions to this unfolding crisis demand more than mere messaging.**

A. Data Center Load Growth is Already Driving Up Energy Costs

Hyperscale data centers and other large load customers seek unprecedented amounts of energy to power artificial intelligence and other industrial-scale operations. While much of the forecasted increase in load on the grid to serve planned data centers has not yet materialized, the costs associated with the build-out are already impacting other Pennsylvania ratepayers – including hundreds of thousands of low-income households already struggling with acute energy insecurity.

The substantial increase in the cost of generation since December 2024, explained at the outset of my testimony, is chiefly attributable to data centers and other large load customers. Hyperscale data centers and other large loads are driving up capacity costs and demand the build-out of new transmission and other grid upgrades.¹⁴

According to PJM’s Independent Market Monitor, “data center load growth is the *primary reason* for recent and expected capacity market conditions, *including total forecast load growth, the tight supply and demand balance, and high prices.*”¹⁵

The current conditions are not the result of organic load growth. The current conditions in the capacity market are almost entirely the result of large load additions from data centers, both actual historical and forecast. The

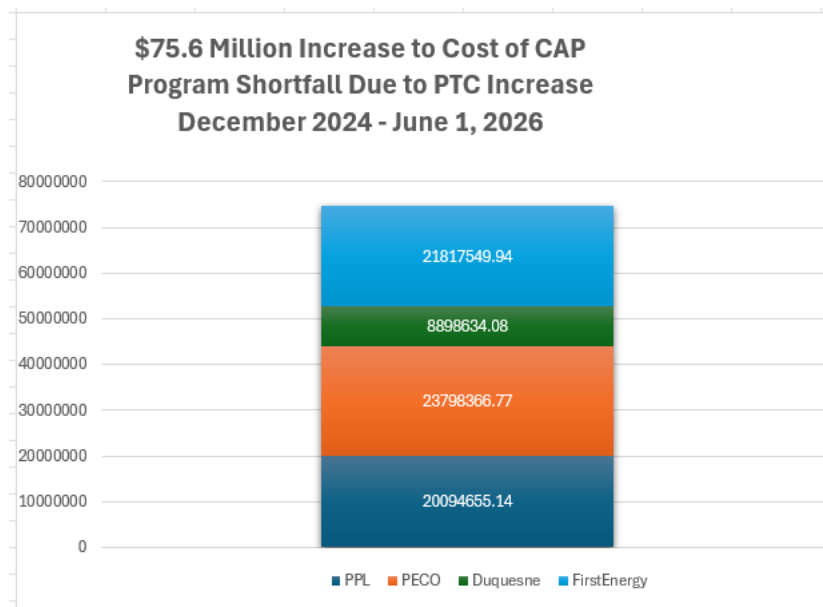
¹⁴ Cathy Kunkel, *Projected Data Center Growth Spurs PJM Capacity Prices by Factor of 10*, Inst. Energy Econ. & Fin. Analysis (July 30, 2025), <https://ieefa.org/resources/projected-data-center-growth-spurs-pjm-capacity-prices-factor-10>; Rebecca Leppert, *What We Know About Energy Use at U.S. Data Centers Amid the AI Boom*, Pew Rsch. Ctr. (Oct. 24, 2025), <https://www.pewresearch.org/short-reads/2025/10/24/what-we-know-about-energy-use-at-us-data-centers-amid-the-ai-boom/#how-could-data-centers-affect-americans-electricity-bills>.

¹⁵ Monitoring Analytics, *Analysis of the 2025/2026 RPM Base Residual Auction Part G*, at 1 (2025), https://www.monitoringanalytics.com/reports/reports/2025/IMM_Analysis_of_the_20252026_RPM_Base_Residual_Auction_Part_G_20250603_Revised.pdf (emphasis added).

growth in data center load and the expected future growth in data center load are unique and unprecedented and uncertain and require a different approach than simply asserting that it is just supply and demand.¹⁶

The massive cost shift on the generation side of the bill to power data centers is just the tip of the iceberg. As planned data centers come online, distribution and transmission costs will also rise as utilities build out the necessary infrastructure to accommodate this unprecedented growth.

We have identified and quantified one additional, substantial cost shift. As a result of the increase in default service prices, driven primarily by projected data center load growth, the cost of providing rate assistance through utility-run Customer Assistance Programs (CAPs) now cost ratepayers over \$75.6 million each year.¹⁷



This is a direct cost-shift to residential consumers, making the program substantially more expensive today than it was in December 2024.

¹⁶ *Id.* (emphasis added).

¹⁷ In performing this analysis, we used figures reported by each of the EDCs in the annual Rate Comparison Report and Universal Service Programs and Collections Performance Report. The data utilized for arriving at these projections included the overall average residential usage rate reported by each EDC, the CAP enrollment rate for each EDC, and the average CAP household income and household size. Pa. PUC, BCS, [2023 Report on Universal Service Programs & Collections Performance](#) (Sept. 2024), [2023 universal service report-final_rev041525.pdf](#); Pa. PUC, TUS, [2025 Rate Comparison Report](#) (April 15, 2025), https://www.puc.pa.gov/media/3429/2025_rate_comparison_report.pdf.

When it comes to data center load growth, there is no “due” burden for Pennsylvania families to bear. Pennsylvania families are already struggling profoundly to afford basic energy services to their home. Any costs shifted from the tech giants building massive data centers to residential consumers must be stopped.

B. Excessive Prices & Consumer Abuses in Residential Retail Energy Market

Residential retail electric shopping in Pennsylvania has made residential electric bills less affordable for tens of thousands of Pennsylvanians, exacerbating energy insecurity for economically vulnerable households across the state. Since 2015, Pennsylvania’s residential electric shopping customers were charged well over \$2.6 billion dollars in higher prices for electricity, with low income customers bearing the brunt of the economic harm.

The table below provides a snapshot of aggregate charges in the residential retail energy market in each of the four major electric utility service territories, compiled by my office through years of litigation in default service proceedings.

Total (Net) Residential Retail Energy Shopping Charges in Excess of Applicable Default Service Rate¹⁸		
Utility	Dates Analyzed	Amount of Net Excess Charge
PECO Electric	Jan. 2015 – Dec. 2023	\$1,223,246,444
PPL Electric	Jan. 2015 – April 2024	\$339,220,116
Duquesne Light	Jan. 2017 – May 2024	\$224,273,497
FirstEnergy PA	Aug. 2017 – Dec. 2025	\$888,108,774
Total Excess Charge Over Default Rate		\$2,674,848,831

¹⁸ This data is compiled from monthly shopping data obtained in each of the electric utilities’ default service plan proceedings. As such, the dates analyzed vary based on the timing of each utilities’ default service plan proceedings, as well as data constraints for individual utilities. See Petition of PECO Energy Co. for Approval of a Default Service Program for the Period of June 1, 2021 through May 31, 2025, CAUSE-PA St. 1, Exhibit 1, Docket No. P-2025-3019290 (June 16, 2020); Petition of PECO Energy Co. for Approval of Its Default Service Program for the Period from June 1, 2025 through May 31, 2029, TURN/CAUSE-PA St. 1, Exhibit 1, Docket No. P-2024-3046008 (April 25, 2024); 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 St. 1, Exhibit 1, Docket No. P-2024-3047290 (June 3, 2024); Petition of Duquesne Light Co. for Approval of a Default Service Plan for the Period of June 1, 2025 through May 31, 2029, CAUSE-PA St. 1, Exhibit 1, Docket No. P-2024-3048592 (July 12, 2024); Joint Petition of MetEd, Penelec, Penn Power, and West Penn Power Company for Approval of their Default Service Programs for the Period Commencing June 1, 2023 through May 31, 2027, CAUSE-PA St. 1, Exhibit 1, Docket No. P-2021-3030012, -13, -14, -21 (Feb. 25, 2022).

To put this information in context, these are net charges. That is, the data includes all those customers who switched to a competitive supplier and *saved* money as compared to what they would have paid on default service, and nets those savings against what customers who switched and *paid more* than the default service price. This net number is the \$2.6 billion in harm that has occurred, just during the periods analyzed.

Some of the suppliers operating in Pennsylvania, and their association, have in the past presented misleading information to the General Assembly and the PUC that purports to show monthly savings in the retail market. These reports show only a snap-shot of what a customer could save if they switch suppliers *each and every month* to the lowest advertised price offering. This of course is an absurd and unrealistic premise. Customers simply do not engage with the retail electric market this way and the so-called savings reports produced by the supplier industry are belied by the longitudinal data accumulated over years that shows billions of dollars of excessive pricing associated with retail shopping.

There is some evidence that restructuring of the electric utilities and the divestiture of generation supply has improved residential wholesale market costs in Pennsylvania – at least historically – providing benefits to all consumers, residential customers included.¹⁹ But it is important to separate out the wholesale market improvements from the disastrous results of the retail market for residential consumers. *In other words, it is not necessary to repeal restructuring to reform the retail residential energy market.*

Exorbitant prices for competitive residential electric service are not unique to Pennsylvania. Every state that has analyzed the prices charged by retail marketers has found that residential shopping customers are charged substantially more for electricity compared to those who choose to remain on default service.²⁰

¹⁹ Christina Simeone & John Hanger, *A Case Study of Electric Competition Results in Pennsylvania* (Oct. 2016), https://kleinmanenergy.upenn.edu/wp-content/uploads/2020/08/A-Case-Study-of-Electric-Competition-Results-in-Pennsylvania_0_0-1.pdf.

²⁰ In analyzing national data from the United States Energy Information Administration, a 2021 Wall Street Journal investigation revealed that residential consumers in so-called competitive market states have paid – *in the aggregate* – over \$19.2 billion from 2010 to 2019 compared to default service acquired in the wholesale markets. Scott Patterson &

Residential customers who choose to engage in the competitive electric market have reported pervasive problems, including:

- Introductory rates that quickly expire and are replaced with higher, variable rates;
- Variable rates that can be increased with no limit, and little to no advance warning
- High cancellation fees or other hidden charges;
- Automatic reenrollment (called “negative option” renewal); and
- Poor customer service, including lack of call center and fees for basic services.

Pennsylvania has implemented marketing regulations and other consumer protections intended to help improve market conditions. But enforcement is challenging due to the lack of resources and enforcement tools, the inability of the Commission to order suppliers to refund excessive charges due to a decision by the Commonwealth Court,²¹ complicated jurisdictional lines,²² and a hesitancy of state regulators to impose stiff penalties or remove licensing authority given the state mandate to support retail competition.

Competitive supply companies operate across multiple states, do business under multiple names,²³ and contract with a multitude of third-party marketing companies for door-to-door,

Tom McGinty, *Deregulation Aimed to Lower Home-Power Bills. For Many, It Didn't*, Wall Street Journal (March 8, 2021), <https://www.wsj.com/articles/electricity-deregulation-utility-retail-energy-bills-11615213623?page=16>.

Conn. Office of Consumer Counsel, *OCC Fact Sheet: Electric Supplier Market, December 2020 Through November 2021* (Jan. 11, 2022), at www.ct.gov/occ; Conn. Office of Consumer Counsel, *OCC Fact Sheet: In Support of Increased Consumer Protection for the Residential Retail Choice Electric Supply Market* (Jan. 30, 2020), at www.ct.gov/occ.

Ill. Commerce Comm'n, *Office of Retail Market Development 2020 Annual Report* (July 31, 2020), at <https://www.icc.illinois.gov/icc-reports/report/AnnualReportOfficeOfRetailMarketDevelopment>; Ill. Commerce Comm'n, *Office of Retail Market Development 2021 Annual Report* (Aug. 26, 2021), <https://www.icc.illinois.gov/icc-reports/report/AnnualReportOfficeOfRetailMarketDevelopment>;

Maine Public Utilities Commission, *Report on Competitive Electricity Provider and Standard Offer Price Comparisons* (Feb. 15, 2018); Susan M. Baldwin and Sarah M. Bosley, On behalf of the Maryland Office of People's Counsel, *Maryland's Residential Electric and Gas Supply Markets: Where Do We Go from Here?* (Nov. 2018); Massachusetts Attorney General's Office (Prepared by Susan M. Baldwin), *Are Consumers Benefiting from Competition? An Analysis of the Individual Residential Electric Supply Market in Massachusetts – 2021 Update* (Mar. 2021), at <https://www.mass.gov/doc/2021-competitive-electric-supply-report/download>; New York Public Service Commission, *In the Matter of Eligibility Criteria for Energy Service Companies*, Case 15-M-0127, et al., Initial Brief of the New York Department of Public Service Staff, at 2 (March 30, 2018).

²¹ *Blue Pilot Energy, LLC v. Pa. Pub. Utility Comm'n*, 241 A.3d 1254 (Commw. Ct. 2020).

²² *Id.*

²³ See, e.g., SEC filing of SparkHoldCo: “We conduct our business through several brands across our service areas, including Electricity Maine, Electricity N.H., Major Energy, Provider Power Massachusetts, Respond Power, Spark Energy, and Verde Energy”, at <https://ir.sparkenergy.com/websites/senergy/English/420010.html?shortDesc=Quarterly%20Report&format=convpdf&secFilingId=f1285850-0c26-43c5-9f86-18ff790d0e5e>

tele-marketing, and other high-pressure sales activities – allowing suppliers to disavow responsibility for deceptive and abusive sales practices. Many of us have encountered marketers who make big promises of bill savings while we shop for groceries or attend sporting events. No one should make a decision about their energy supplier at the same place they buy their cereal or when they are tailgating before a favorite sporting event. The decision is simply too consequential and too costly. Marketers often provide minimal or no training for salespeople, who may be pressured to use deceptive sales pitches to meet their sales targets.²⁴ Furthermore, the actual sales person who is employed by these third party agents are typically paid only for successful sales, thus providing an incentive to misrepresent or conduct a “hard sale” by scaring the customer or claiming that the utility rate is higher.

Excessive pricing and high-pressure sales practices in the retail electric markets have a uniquely detrimental impact on low income consumers. Not only do low income families most often lack the resources necessary to pay for basic life necessities, they are also more susceptible to promised savings and sign-on incentives (such as gift cards or debit cards) offered by electric generation suppliers (EGSs) - exacerbating existing disparities in energy costs driven by housing inefficiencies and undermining the effectiveness of assistance programs. There is also troubling evidence emerging that EGSs actively target low income communities, communities of color, and households with limited English proficiency for higher priced contracts, using high-pressure door-to-door and other direct marketing techniques, compounding disparities in access to basic electric services.²⁵

²⁴ See, e.g., Steve Daniels, *Inside the Lives of the Folks Knocking on Your Door to Sell You Power*, Chicago Business (Oct. 5, 2018) (reporting on wage theft and exploitation of competitive supply salespeople by the third-party marketing companies that hired them); see also Conn. Office of Consumer Counsel, *OCC Fact Sheet: In Support of Increased Consumer Protection for the Residential Retail Choice Electric Supply Market* (Jan. 30, 2020, released Feb. 20, 2020), at www.ct.gov/occ (explaining that electric suppliers “do not bring meaningful employment to CT” and noting that most marketing is based on commission and conducted via telesales from outside of CT. Door-to-door marketing agents, when used, are “bused in from out of state to solicit in CT neighborhoods for the day.”).

²⁵ 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).

Shopping data from the PPL service territory revealed that low income shopping customers are charged substantially higher rates compared to residential shopping customers. Over a four month period in winter, 2024, low income shopping customers were charged an average of \$62.40 more than the applicable default service price – *three times greater than the excessive charges faced by residential shopping customers.*²⁶

PPL Residential & Low Income Shopping Charges Over Default Price, Per Customer			
Date	Per Customer Over Default Price, Residential Shopping	Per Customer Over Default Service Price, Low Income Shopping	Difference
Jan. 2024	\$6.94	\$19.08	\$12.14
Feb. 2024	\$4.70	\$16.06	\$11.36
Mar. 2024	\$4.34	\$14.63	\$10.29
Apr. 2024	\$3.70	\$12.63	\$8.93
Total	\$19.68	\$62.40	\$42.72

To be clear, the outcome for residential shopping customers is not *better* – it is just less bad. Emerging evidence of higher charges in low income communities is deeply disturbing – especially when default energy prices are already higher than many families can afford.

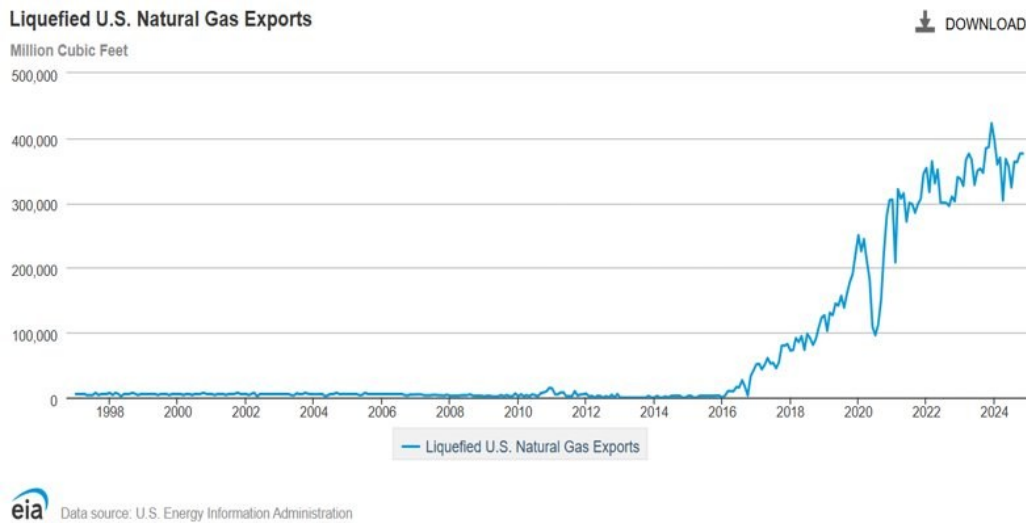
At over \$2.6 billion and counting, it is time to reevaluate residential electric competition in Pennsylvania and put an end to consumer abuses and excessive pricing in the residential retail competitive markets.

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>.

²⁶ Petition of PPL Electric Utilities for Approval of Default Service Program for the Period of June 1, 2025 through May 31, 2029, CAUSE-PA Statement 1, Exhibits 1 & 2, Docket No. P-2024-3047290 (June 3, 2024).

C. Rapid Growth of LNG Exports Force Pennsylvanians to Compete in World Market

The rapid development of liquified natural gas (LNG) export capacity in the United States is a relatively new factor driving increased energy costs here in Pennsylvania, following an explosion in export capacity in 2016 which moved the United States from a net importer to a net exporter. The chart below from the Energy Information Administration shows the increase in LNG export capacity over the last 30 years.



Gas from the Marcellus Shale has kept gas commodity costs relatively low for Pennsylvanians for most of the last decade. However, the continued expansion of LNG export capacity is forcing Pennsylvanians to compete on the world market for the gas extracted from their backyard.

In addition to increasing commodity costs for end-use gas customers, the increase in LNG exports has a significant impact on electricity rates, as 60% of Pennsylvania’s electricity is generated by gas fired power plants.²⁷ While the immediacy of the impact of gas exports on

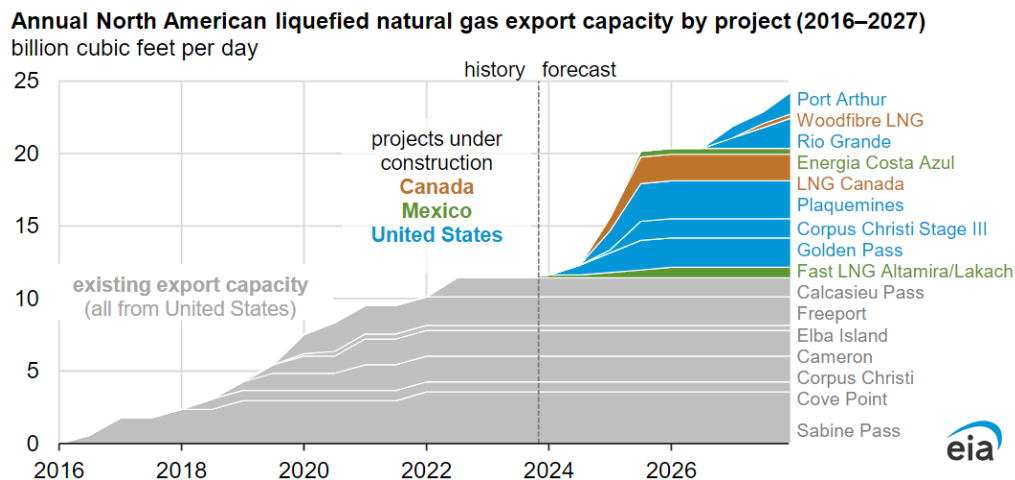
²⁷ US DOE, Office of Fossil Energy and Carbon Management, *Energy, Economic, and Environmental Assessment of US LNG Exports* (Dec. 2025), https://www.energy.gov/sites/default/files/2024-12/LNGUpdate_SummaryReport_Dec2024_12pm.pdf.

electricity rates is more gradual as a result of staggered contracting in the purchase of electricity on the wholesale market, the impact over time is significant.

The practical impact of increasing gas exports on Pennsylvania families is undeniable. Following the spike in gas rates from 2022-2023, involuntary gas terminations increased 40% year over year – resulting in a staggering number of Pennsylvania families without basic gas service.²⁸ In the year that followed, as high gas prices found their way into electric generation rates, involuntary termination rates for electricity customers followed suit – increasing 25% year over year from 2023 to 2024.²⁹

By 2027, LNG export capacity is expected to double, further exposing Pennsylvanians to instabilities in the world market for gas.

LNG export capacity from North America is likely to more than double through 2027

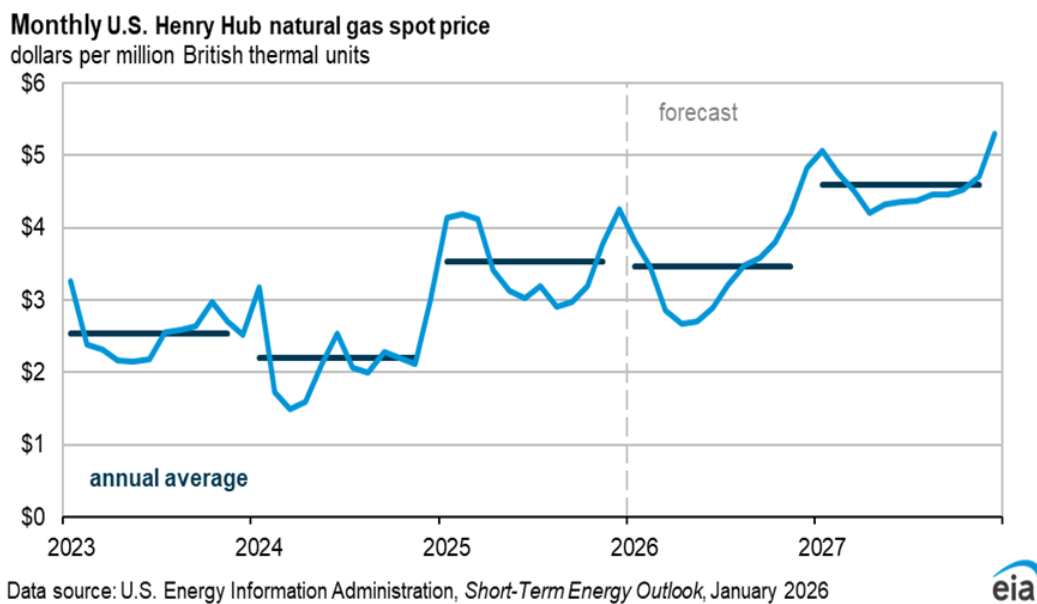


Data source: U.S. Energy Information Administration, *Liquefaction Capacity File*, and trade press
Note: LNG=liquefied natural gas. Export capacity shown is project's baseload capacity. Online dates of LNG export projects under construction are estimates based on trade press.

²⁸ Pennsylvania Public Utility Commission, Terminations and Reconnections: Year-to-Date December 2022 vs. Year-to-Date December 2023 As Reported by Utilities Pursuant to Monthly Reporting Requirements at 52. Pa. Code 56.231 (Jan. 2024), available at <https://www.puc.pa.gov/media/2735/terminations-reconnectionsyttd-dec2022vs23.pdf>.

²⁹ Pennsylvania Public Utility Commission, Terminations and Reconnections: Year-to-Date December 2023 vs. Year-to-Date December 2024 As Reported by Utilities Pursuant to Monthly Reporting Requirements at 52. Pa. Code 56.231 (Jan. 2025), available at: <https://www.puc.pa.gov/media/3309/terminations-reconnectionsyttd-dec2023vs24-v2.pdf>.

In January, the Energy Information Administration projected that gas prices will remain relatively flat in 2026 *but will increase 33% in 2027*.³⁰



EIA attributes this anticipated growth to expanded LNG capacity and higher gas consumption in the United States: “Expanding U.S. liquified natural gas (LNG) export capacity and higher natural gas consumption in the electric power sector contribute to stronger demand in 2027, pushing storage inventories below the five-year (2021–2025) average and placing upward pressure on prices.”³¹

Of course, projections of increased gas consumption are driven in large part by increased reliance on gas generation as a result of data center load growth, discussed above.

The Iran war will likely have a further destabilizing impact on US LNG exports, and the resulting energy price of both gas and electricity here at home – though the extent of that impact is not yet known.

In light of the projected increase in gas exports overseas, and the increased need for energy here at home to power the unprecedented projected load growth associated with data

³⁰ EIA, Short-Term Energy Outlook (Jan. 2026), <https://www.eia.gov/outlooks/steo/archives/jan26.pdf>.

³¹ *Id.*

centers, domestic gas prices are expected to continue rising dramatically across the state. Pennsylvania families must not be forced to compete with other countries for energy to power their basic needs.

As such, we urge caution that the solution to our current energy affordability crisis must not be further reliance on gas generation in our state. We are already over-leveraged, with 60% of our electricity from gas generation. Further reliance on gas to meet rising electricity needs, in the face of rapidly rising gas costs, would be imprudent for Pennsylvania families.

D. Excessive Utility Profits (High ROE) Drive Higher Rates

Fundamentally, the PUC’s job is to restrain the monopolistic tendencies of public utilities.³² If left unchecked by regulatory oversight, a utility could charge whatever it wanted because consumers have no other choice but to buy the utility’s product if they want service. This is an intentional system design because multiple companies running pipes in the ground to deliver gas to customers within a geographic area would not function well. Thus, in exchange for the right to serve customers without competition for its services, and the requirement and duty to provide service to all customers, utilities submit to price regulation by the Commission, including oversight as to rates, rate design, and service quality.

The Commission must permit utilities to recover prudently and reasonably incurred costs, including its cost of debt, and must afford utilities the *opportunity* to earn a fair rate of return on its shareholder investments. Unfortunately, the return that has been allowed in Pennsylvania has often been significant and excessive – regularly exceeding 10%. This exceeds the return that every other industry would project by substantial margins – with most estimates from Wall Street’s biggest money mangers projecting reasonable equity

³² This principle, that it is the job of the PUC to restrain the monopolistic tendencies of public utilities is not new or novel, but rather foundational to the role of regulators. The PUC recently reaffirmed this principle in its Fully Projected Future Test Year Final Rulemaking Order when it said: “Inherent in the ‘cost of providing service’ principle of ratemaking is the recognition that public utilities are natural monopolies and that the PUC’s oversight through cost-of-service ratemaking regulation serves as a proxy for a competitive market in appropriately restraining, or exerting downward pressure on, the profit-maximizing prices a monopoly could otherwise charge in the absence of price regulation.” Use of Fully Projected Future Test Year 52 Pa. Code Chapter 53, PUC Docket No. L-2012-2317273, Final Form Order at 4 (order entered January 8, 2025), <https://www.puc.pa.gov/pcdocs/1874340.pdf> (hereinafter “FPFTY Final Form Order”). See also, James H Cawley and Norman J. Kennard, A Guide to Utility Ratemaking, Pennsylvania Public Utility Commission (2018 Ed.) at 1-4. Available: https://www.puc.pa.gov/General/publications_reports/pdf/Ratemaking_Guide2018.pdf.

returns at less than 7%.³³ The difference between what the PUC often authorizes and what it should and could authorize costs Pennsylvania ratepayers hundreds of millions of dollars each and every year.

More often than not, this fact is obscured by virtue of a “black box settlement” that does not require the parties to litigate a specific allowed equity return, but to simply agree on an overall revenue increase. While rate proceedings are subject to litigation, the scales are not balanced by any means. Utilities deploy an army of attorneys and experts to defend their excessive rate proposals and include the costs in the rates charged to consumers – greatly outmatching the resources available to consumers and consumer groups. The settlement path in a rate proceeding offers an expedient solution to limit an overall rate increase, improve consumer protections, and make important progress on key issues. However, even that process is fraught with inequity given the relative imbalance of resources, and utilities are the ones who benefit the most from the use of black box settlements that obscure critical details about utility profits. As recommended below, this process needs significant reform.

The simple fact of the matter is that the center piece of the drama of every rate case in Pennsylvania should be the Return on Equity that a utility seeks and the Commission authorizes. The Commission should be seeking to make this return as low as possible while being fair and not confiscatory. That is, after all, what would happen in a fully competitive market which regulation is supposed to mimic.

E. Alternative Rate Mechanisms Shift Risk to Consumers and Undermine Efficiency

Traditionally, public utility commissions have followed cost of service ratemaking that is meant to serve as a substitute for the beneficial aspects of competition because it sets rates only on a forward-going basis.³⁴ In a competitive market, a business is not guaranteed a

³³ [Power Brokers](https://harpers.org/archive/2026/01/power-brokers-nick-bowlin-utility-bills/), by Nick Bowlin, Harpers Magazine (January 2026) (“While the average equity-return forecast for Wall Street’s biggest money managers is approximately 6.7 percent, the average ROE for U.S. electric utilities is about 9.6 percent.”). Available at: <https://harpers.org/archive/2026/01/power-brokers-nick-bowlin-utility-bills/>

³⁴ See FPFTY Final Form Order at 4.

profit, instead it must operate efficiently and control its costs. Regulation seeks to ensure the same thing for a utility. Rates are set at a point in time, based on the known and measurable costs and need for revenue by the utility based on data from a test year. Once set, the rates are prospective only and fixed until changed by the Commission in a subsequent rate case. This practice encourages the utility to operate efficiently because it cannot increase rates again without Commission permission. As a result, a utility faces the risk of under recovery due to normal business risks and management underperformance. Utilities also face the risk of under recovery due to the calculations about sales projections that were established in the case. This lack of any guaranteed revenue is one of the most important protections that regulation and traditional cost of service ratemaking provides to consumers.

More and more, however, utilities are proposing alternative rate designs that “decouple” performance from revenue – shifting substantial risk from utilities to consumers.

* * * * *

While there are additional drivers causing energy prices to increase, some of which I will touch on in offering solutions to the unfolding energy affordability crisis, we believe the above issues rise to the top in terms of issues within the General Assembly’s purview – and must remain front of mind when shaping policy reforms.

Solutions to Alleviate Rising Energy Insecurity

The complexity and multifaceted nature of the factors driving energy price increases requires an equally clear-eyed understanding that there is no single solution. Instead, I offer below a series of solutions for Pennsylvania that should be looked at as a whole. While each seeks to remedy a specific issue, truly addressing our affordability crisis demands bold and nuanced reform. As above, the order in which these solutions are addressed does not signify its relative importance to addressing rising energy unaffordability.

A. Prevent Cost Shifting from Data Centers to Consumers

As explained above, Pennsylvanians are already paying substantially higher costs for electricity because of projected data center load growth.

The PUC recently released a model tariff to help prevent cost shifting to residential consumers, but the model leaves room for additional costs to be shifted to residential consumers and – importantly – *it is not binding law*. The Commission has the clear authority to proceed with a formal rulemaking to establish binding norms. However, the timeframe required for the traditional rulemaking process is not conducive to regulating this unique industry and would likely lead to substantial “grandfathering” of data centers built during the multi-year regulatory rulemaking process.

It is incumbent on the legislature to protect consumers from unjust and unreasonable cost shifting. Specifically, we urge the legislature to mandate that the Commission adopt regulations on an expedited timeframe that, at minimum, enshrine the following principles:

(1) Require utilities to develop standardized tariff rules for large load customers.

The Commission’s model tariff sets forth model rules, though there is no mandate for utilities to actually develop a large load tariff to establish uniform rules for how data centers will be charged and served. This leaves open substantial opportunity for lucrative deals between utilities and data centers – without appropriately ensuring that the costs of the deal are not ultimately borne by ratepayers.

(2) Adopt an explicit legal presumption that, absent actual and quantifiable evidence to the contrary, distribution and transmission costs to support data center growth are for the sole benefit of the data center.

There is no “due” burden for residential ratepayers to bear. As such, we submit that costs associated with large load interconnection should only be socialized to other customers to the extent there is substantial and quantifiable evidence that the upgrades were otherwise necessary and would have been pursued in the absence of the interconnection large load or required for unrelated regional reliability purposes.

Some proposals to address this issue suggest a benefits-driven analysis – allowing utilities to socialize costs if a certain percentage of benefits will inure to other customers. But benefits-driven standards are easy to manipulate and difficult to apply. While distribution system upgrades necessary to support large load customers may drive ancillary benefits to other customer classes, the introduction of large load customers should not shift costs to other ratepayers to support an accelerated system upgrade before that upgrade is *needed*, without determining whether that upgrade is *affordable*, and without evidence that upgrade is *prudent* in light of other pressing needs.

Certainly, new distribution or transmission lines may increase grid stability which benefits all ratepayers to some degree. But that is not why these lines are being built. Between 2000 and 2020, electricity consumption was essentially flat.³⁵ Now demand is spiking and it is large load customers—not residential ratepayers—that are driving the increase. Large load customers are the ones demanding the rapid buildout of new infrastructure. They must not be able to claim amorphous and ancillary benefits to other ratepayers as justification for cost-shifting.

³⁵ U.S. Energy Info. Admin., *After More Than a Decade of Little Change, U.S. Electricity Consumption Is Rising Again*, (May 13, 2025), <https://www.eia.gov/todayinenergy/detail.php?id=65264>.

(3) Require data centers to AT LEAST pay for all universal service costs they cause.

The increase in generation rates caused by projected data center load growth is projected to increase the cost of utility-run Customer Assistance Programs by over \$75.6 million each year. This projected increase in CAP costs does not account for increased need and corresponding increased program enrollment driven by the recent and anticipated spike in rates. As the need for CAP assistance grows, the impact of data centers on the cost of CAP will continue to grow.

As it stands, residential customers bear the full cost of CAP and other universal service programs – which means that, absent further policy reform, data centers will not pay any of these added costs that they are causing.

(4) Impose other critical consumer-focused protections that prioritize safe and affordable energy for Pennsylvania families.

In addition to these two most critical reforms, we further recommend the following additional reforms to help protect consumers from the cost of data center growth:

- Standardize terms of service and prohibit special contracts and other incentives.
- Strengthen public disclosure requirements so that communities and policy makers know what deals utilities and municipalities are striking with data center development.
- Require minimum contract lengths and other key terms to prevent stranded costs.
- Require all data centers to participate in mandatory demand response and impose express load-shedding requirements during peak load events, before emergency situations occur and with sufficient safeguards to prevent scarcity pricing within wholesale energy markets.
- Require data centers to build and bring their own new clean energy resources to limit further pressure on gas prices (and corresponding electricity prices) resulting from increased exports and data center demand.

Each of the foregoing is nuanced and complicated in their own right. While we have not fleshed them out here, we would welcome the opportunity to discuss implementation.

B. Eliminate or Significantly Reform the Residential Retail Energy Markets

After 30 years of electric competition, and over \$2.6 billion in excessive costs, it is time to reevaluate residential electric competition and put an end to consumer abuses. The clearest and easiest way to do so is to eliminate retail market access for residential and small business customers who have been significantly economically harmed by retail energy markets. Eliminating retail market access for these mass market customers would provide building blocks that allow for other needed reforms - including many of the items that I discuss below. Critically, doing so would not deprive these customers of access to competitive electric markets because distribution utilities would still be required to buy energy in the competitive wholesale market and sell it to customers without markup and at cost. Furthermore, large industrial customers with more sophisticated buying capabilities would still retain the ability to directly access the retail markets. The General Assembly should not turn away from the fact that Pennsylvania families have paid \$2.2 billion more than they should have paid because of abuses by retail marketers.

In the absence of full repeal of direct retail market access for mass market customers, we urge policy makers to take immediate and decisive steps to curtail the most egregious practices.

While many of the suggested reforms are already within the PUC's authority, the PUC has failed to act – even when faced with clear evidence of excessive charges and other consumer abuses. In the absence of PUC action, it is incumbent on the legislature to act.

Specifically, we support the following:

(1) Require suppliers to return customers to default service at the end of the contract period absent express verbal or written consent from the customer to enter a new contract.

Consumers often lose track of contract terms over the course of a year. Consumers who choose to engage in the competitive electric market should be able to do so with the confidence that they will not be charged excessive rates if they miss a deadline. Electricity is not the same as a television streaming service or cell phone plan that automatically renews month in and month out and should not result in the same kinds of tricks and traps for those who forget to take action at the end of a contract term. Absent affirmative consent at the end of a supplier contract to either remain with the supplier under new terms or switch to a new supplier, the customer should be automatically returned to default service.

The requirement to return consumers to default service should include requirements that suppliers provide clear, prominent notice 60-90 days before contract expiration with side-by-side price comparisons of the new contract offer to the then-existing default service rate. Implementation should include a transition period allowing suppliers to adjust their business models while protecting consumers from automatic renewals at higher rates. There should be binding and enforceable penalties for suppliers who fail to comply, including binding requirements for license suspension and revocation, as well as clear and unambiguous authority for the Commission to order refunds of supplier charges for suppliers who charge customers who did not affirmatively consent to remain with the supplier.

(2) Prohibit suppliers from charging variable rates and require all contract pricing to be offered for a minimum 12-month period.

Residential consumers are often caught up in teaser rates and short-term fixed contracts that give way to variable rates that can change with little or no warning, leaving consumers to pay the price. In many cases, consumers are rolled onto a variable rate after being on a fixed price rate for several months. The PUC only requires prices to be fixed for three months to be marketed as a fixed price product, catching many consumers by surprise when their

rates suddenly revert to a variable rate after just three months of a stable price. We urge elimination of variable rate contracts to bring needed simplicity and clarity for consumers.

Residential customers should not be served by month-to-month variable rates for essential services like energy. The energy markets are too volatile, complicated, and costly for these contracts to reasonably serve mass market customers. Fixed rate contracts should last at least 12 months to allow for locked in price stability and to weed out bad actors in the supplier community who merely seek to play energy market arbitrage on short-term contracts with the hope that customers will roll over to a higher variable rates.

(3) Eliminate the Purchase of Receivables Programs.

Purchase of receivables (POR) programs in utility tariffs require utilities to purchase receivables from suppliers – in most cases on a dollar for dollar basis with little to no discount. That is, the utility has to buy the receivables from the supplier even before the utility is paid by the customer. Pennsylvania’s ratepayers must then shoulder the cost of any collections or, ultimately, uncollectible accounts. In fact, in many utility service territories, POR is one of the leading reasons why utilities have high uncollectible accounts; those accounts served by retail suppliers have significantly higher arrearages than those served by default service. POR programs are ineffective at deterring high supplier pricing, as suppliers do not suffer the consequences if their excessive charges go unpaid.

Elimination of POR programs would remove the perverse incentive where utilities collect on behalf of suppliers who overcharge customers, reducing utility involvement in problematic competitive supplier practices. Under a reformed system, utilities would still be responsible for billing for all charges, but they would not pay suppliers until the utility was paid by the consumer. The receivable would remain on the supplier’s books until paid rather than shifting risk of non-collection to the utility and its customers.

(4) Restore PUC authority to issue direct consumer refunds.

As discussed above, the Commonwealth Court in *Blue Pilot* stripped the PUC of its authority to issue direct customer refunds through the pro-se friendly PUC complaint process, leaving

aggrieved consumers without a reasonable path to relief.³⁶ The legislature must act to ensure that consumers facing egregious charges and other deceptive and misleading practices are able to access direct relief in the form of Commission ordered refunds from suppliers without the need to hire an attorney to pursue the matter in state court.

C. Establish Prevention-Based Billing, Collection, and Termination Standards

As discussed above, the current utility collections paradigm is punitive, compounding debt and resulting in increased termination. Over the last two decades, the data has shown that this approach has not meaningfully improved write-offs or collections expenses.

Under the current collections rules, residential utility customers are unable to access affordable payment arrangements and face additional hurdles to retaining and restoring service through regressive and unnecessary reconnection fees, security deposits, and late payment charges.

Ensuring long-term energy stability in a household requires proactive, prevention-based solutions to stop the snowball of utility debts and the risk of service termination that follows. To that end, we believe the following principles are critical to reforming Pennsylvania's standards for billing, collections and terminations:

(1) Prevent accrual of unmanageable debts and reduce collections costs by requiring utilities to improve enrollment in rate relief programs before they fall behind.

Utility-run rate assistance and debt management programs, known as universal service programs, must be a first line of defense. Eligible households should be referred to those programs *before* entering into a payment arrangement. As it stands, these critically important programs are chronically under-enrolled – reaching less than a quarter of the estimated eligible population.³⁷

³⁶ *Blue Pilot Energy, LLC v. Pa. Pub. Utility Comm'n*, 241 A.3d 1254 (Commw. Ct. 2020).

³⁷ Pa. PUC, Bureau of Consumer Services, *2024 Report on Universal Service and Collections Performance*, at 7, 56 (Jan. 2026), <https://www.puc.pa.gov/media/3771/2024-universal-service-report-final.pdf>.

There is ample data, collected over decades of universal service program deployment, demonstrating that enrollment in a rate assistance program benefits all consumers – reducing collections costs, improving payment frequency and coverage rates, and preventing involuntary termination of service and the many consequences that follow.

Utilities should be required to adopt routine screening and automated enrollment processes – leveraging available data from state agencies administering various forms of assistance to cut down on administrative waste and ensure eligible households are receiving the right rate before they fall behind.

(2) Require utilities and the PUC to establish affordable, debt-clearing payment arrangements when households fall behind.

Utility debt leads to cascading crises, as discussed at length above. When a consumer falls behind, utilities often offer initial short-term, formulaic payment arrangements that are not tailored to household circumstances and quickly fail. These unrealistic payment arrangements tack on several hundred dollars a month to an already unaffordable bill thus worsening utility insecurity.

Payment arrangement rules must ensure that:

- Utilities exercise good faith and diligently attempt to enter reasonably affordable payment arrangements, taking into consideration a household's income, the size of the utility debt, and other unique circumstances of the household.
- Utility and PUC-issued payment arrangements must be reasonably affordable from the start. Payment arrangements should be designed so that a household can pay their bill on time and in full each month. When a household is on a payment arrangement *and paying*, they are not accruing more debt and other customers are not paying higher bills to account for uncollectible amounts. Payment arrangements that are affordable mean that households remain connected to service, utilities receive necessary revenue to provide service, and other ratepayers are protected from uncollectible expenses.
- The PUC must have discretion to intervene. The PUC must have the discretion and flexibility to intervene, and issue an affordable payment arrangement if a utility fails to do so.

(3) Eliminate ineffective and punitive security deposits, late fees, and reconnection fees

Utility imposed late fees, security deposits, and reconnection fees have proven ineffective at improving collections, and serve to compound debt - imposing unnecessary financial burdens on households already struggling to meet basic needs. By eliminating these fees, the legislature can mitigate avoidable financial burdens and help economically, medically, or socially vulnerable residents retain or regain access to essential utility services.

D. Strengthen Protections Against Utility Termination

As discussed above, utility terminations jeopardize health and housing stability. Any approach to utility affordability must include protections to ensure vulnerable households who are currently unable to afford their bills are protected from utility service termination. The legislature can address this by strengthening protections against utility service termination for vulnerable households and expanding seasonal safeguards against termination.

(1) Protect medically vulnerable households.

Under existing medical protection rules, medically vulnerable households receive only a pause from the threat of a shutoff. Households are permitted only one thirty-day medical certification (which pauses terminations) and two renewals for the same unpaid account balances. For Pennsylvanians with chronic medical conditions, these protections are insufficient to stabilize energy costs and ensure access to life essential services.

Existing medical protection rules should be expanded to provide longer, more robust protections for medically vulnerable households. Specifically, we recommend the medical certificate rules be amended as follows:

- Authorize registered nurses to issue medical certificates.
- Extend the length of medical protections to six months.
- Improve ease of medical certificate renewal.

- Allow medically vulnerable consumers to participate in universal service programs at higher income levels.

This includes requiring utilities to extend service even where households are unable to make a utility payment due to severe financial hardship. Such protections are necessary to ensure no household faces life-threatening conditions due to a lack of utility access.

(2) Expand seasonal protections against termination to include a summer moratorium on shutoffs.

Pennsylvania’s winter shutoff protections are a vital lifeline for many households. However, life-threatening weather conditions are no longer confined to winter months. Climate change drives up summer temperatures and spikes utility bills as Pennsylvanians must use air conditioning to maintain safe living conditions at home. Protections against utility shutoffs during the summer months would play a critical role in safeguarding households against climate change-induced housing precarity, which disproportionately impacts the elderly, disabled individuals, and low-income families.

E. Advance Comprehensive Rate Reform

(1) Reign in excessive utility profits by imposing guardrails for establishing a fair, market-based return on equity (ROE) that is no higher than the actual cost of equity.

To help rebalance the scales, reduce costs, and restore fairness for consumers in ratemaking, the General Assembly should pass legislation establishing parameters for setting a just, reasonable, and prudent ROE – requiring that Pennsylvania utilities cannot exceed the actual cost of capital in financial markets, using objective measures that are widely available. This approach, as articulated in the American Economic Liberties Project framework, ensures utilities can attract capital while preventing excess returns and imprudent upgrades that fail to prioritize efficiency.

Our regulatory system has failed to protect consumers from high ROEs and by objective measures, current ROEs authorized by the Commission provide premiums to utilities that

assume their growth will continue in perpetuity, which results in unreasonably high authorized returns at or over 10%. Almost all publicly available information suggests that this is excessive and that returns should be much lower. The impact of these higher than needed utility profits means that Pennsylvanians are paying hundreds of millions of dollars more to utilities than is necessary.

Legislation should require utility operating companies that are not publicly traded to use the capital structure of their publicly traded parent company for ratemaking purposes, regardless of intermediate holding company layers. Alternatively, the PUC should be explicitly authorized to impose a capital structure that ensures just and reasonable rates. While recent legislation in New York could serve as a model,³⁸ we believe that Pennsylvania's version should include additional guardrails for a Commission-established standard to ensure the resulting capital structure prevents excessive profits and produces just and reasonable rates.

(2) Remove utility rate case expenses and association dues from rates.

Utilities are currently permitted to recover rate case expenses through rates – unnecessarily inflating rates by millions of dollars and providing a perverse incentive to file more frequent and aggressive rate requests. Quite literally, consumers are footing the bill for utilities to hire attorneys and experts to argue for increased rates. Since these costs benefit shareholders, shareholders not ratepayers should pay for them.

At the same time, utilities are also frequently approved to recover association dues through rates, based on the premise that associations provide training and help identify industry best practices. But industry associations also spend substantial resources lobbying regulators and legislators, advancing utility and shareholder interests over the interests of Pennsylvania consumers. While direct lobbying expenses are typically excluded from rates,

³⁸ NY SB S6557A.

the ability to track and account for indirect lobbying time of associations and utility employees is difficult if not impossible to isolate from other costs in a rate proceeding.

The legislature should prohibit utilities from recovering trade association dues, lobbying expenses, and rate case litigation costs through customer rates. These expenses benefit shareholders by advancing utility interests, not ratepayers who are forced to fund them. It is critical to such an initiative work to close potential loopholes, explicitly listing categories of excluded expenses and requiring utilities to demonstrate that any advocacy-related expenses directly benefit ratepayers before recovery is permitted.

Eliminating these costs from rates would save ratepayers millions annually while ensuring utilities and their shareholders bear the costs of their own advocacy.

(3) Prohibit alternative rate mechanisms (section 1330) that shift business risk to consumers and undermines efficiency.

We recommend advancing legislation to repeal Section 1330, alternative ratemaking mechanisms, or substantially limit the parameters for alternative rate mechanisms and expressly prohibit weather-dependent mechanisms, such as Weather Normalization Adjustments (WNAs), that cost consumers millions annually. These mechanisms shift weather risk and other business risks from utilities (who should manage them) to ratepayers (who cannot control them).

The legislation should return Pennsylvania to traditional cost-of-service ratemaking where utilities bear normal business risks based on historic test periods. If the legislature wishes to maintain any alternative mechanisms, they should be limited to specific circumstances with clear public interest benefits and strict PUC oversight requirements.

(4) Bring transparency to black box settlements.

We suggest introducing legislation that requires the Commission, prior to approval of a black-box settlement, to impute the approved ROE percentage and capital structure percentages to the extent these figures are not otherwise specified in the proposed settlement.

This level of increased transparency would allow for meaningful review by the appellate courts and would help the public understand what utilities are earning. It would also create precedential value, reducing uncertainty in future cases by establishing clear benchmarks rather than opaque negotiated outcomes.

F. Streamline Delivery of Comprehensive Efficiency Programs

Comprehensive home efficiency and weatherization programs are a critical tool to reduce home energy bills. Currently, Pennsylvania operates a complicated web of energy programs administered by a multitude of agencies and utilities – each with a unique set of complex rules and conditions of service. This makes it difficult for consumers to navigate – requiring multiple applications, contractors, and home audits. Given the age of Pennsylvania’s housing stock, and the extent of deferred maintenance for low and moderate income households, homes that are most in need of efficiency services to control energy costs are regularly deferred due to problems with the home like mold and moisture, leaky roofs, and other needed repairs.

We urge consolidation and coordination of efficiency, weatherization, and home repair program delivery to prevent duplication and improve delivery of comprehensive weatherization and efficiency services capable of producing lasting, long term energy and bill savings for Pennsylvania families that cannot otherwise afford to make efficiency investments.

G. Allocate State Funds to Support LIHEAP Expansion

Pennsylvania’s Low Income Home Energy Assistance Program (LIHEAP) currently relies entirely on federal funding. With limited funding, LIHEAP is generally only available from November through early April. There is no equivalent assistance for Pennsylvania households experiencing energy emergencies throughout the rest of the year. This limited program does not adequately meet the needs of Pennsylvania families to afford the cost of home energy during the winter months, let alone the rest of the year.

Because LIHEAP relies completely on federal funds, PA DHS has little flexibility and is subject to changes in federal priorities and delays caused by Congressional impasse. It is essential for the safety and stability of low-income Pennsylvania households that DHS be able to operate LIHEAP even in the face of uncertain federal funding.

A supplemental allocation of state funding would ensure that DHS has the flexibility it needs to operate LIHEAP without being fully reliant on federal funding. It would also allow DHS to provide much needed energy assistance beyond the winter months.

Conclusion

Thank you for the opportunity to provide testimony regarding the consequences, causes, and solutions to rising electricity costs in Pennsylvania. These issues are nuanced, and impossible to cover in the time allotted. As you work to advance solutions to this unfolding crisis, we are happy to serve as a resource to you and your staff – and we hope you’ll reach out to discuss. Please do not hesitate to contact me directly at emarx@pautilitylawproject.org. I look forward to answering any questions you may have.