

COMMONWEALTH OF PENNSYLVANIA



OFFICE OF SMALL BUSINESS ADVOCATE
Suite 1102, Commerce Building
300 North Second Street
Harrisburg, Pennsylvania 17101

William R. Lloyd, Jr.
Small Business Advocate

(717) 783-2525
(717) 783-2831 (FAX)

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**Testimony before the
House Appropriations Committee
regarding the FY 08-09 Budget
for the Office of Small Business Advocate**

Chairman Evans and members of the committee, thank you for the opportunity to submit testimony regarding the budget request by the Office of Small Business Advocate for the fiscal year beginning July 1, 2008.

The Office of Small Business Advocate ("OSBA") is responsible for representing the interest of small business consumers in utility matters before the Public Utility Commission, corresponding federal agencies, and the courts. The OSBA is also responsible for representing employers of all sizes before the Insurance Department and the courts when rating organizations seek changes in workers' compensation rates.

For administrative purposes, the OSBA is located in the Department of Community and Economic Development. However, the Department has no responsibility for the OSBA's litigation strategy and policy positions.

The OSBA's budget request for Fiscal Year 08-09 is \$1,203,000, which is only \$36,000 more than the General Assembly approved for the current fiscal year. The OSBA receives no money from the General Fund. Instead, the OSBA's operations are financed entirely by assessments on utilities and workers' compensation insurers.

Customer groups generally have a common interest in keeping a utility rate increase as small as possible. However, the residential, commercial, and industrial classes usually disagree over what share of a rate increase each class should bear. With a few exceptions, small business ratepayers historically have subsidized residential ratepayers and large commercial and industrial ratepayers.

The General Assembly established the OSBA in 1988 to ensure that small business customers pay no more than their fair share of the cost of utility service. In 1993, the General Assembly expanded the responsibilities of the OSBA in an effort to assure that businesses of all sizes pay no more than is necessary for workers' compensation insurance.

The most significant savings to ratepayers because of the OSBA's activities in cases decided since last year's budget hearings are as follows:

- The distribution rates set in 2004 for PPL Electric's small business customers were reduced by about \$9.3 million per year, retroactive to January 1, 2005.
- The distribution rates for small business customers in PPL Electric's 2007 rate case were set about \$11.4 million per year lower than proposed by the Office of Consumer Advocate ("OCA").
- The distribution rates for PGW's small business customers were set about \$6.8 million per year lower than proposed by the company and about \$7.3 million per year lower than proposed by the OCA.

- Business customers who buy local exchange telecommunications service from the Frontier Companies will save an estimated \$12.6 million over three years.

- Business customers who buy local exchange telecommunications service from the North Pittsburgh Telephone Company will save an estimated \$2.0 million over two years.

- Residential and business customers of Verizon Pennsylvania and Verizon North will pay at least \$2.5 million per year less for local exchange service than proposed by the company.

In addition to producing savings for utility ratepayers, the OSBA helped produce savings in the workers' compensation premiums paid by employers in the coal industry. Specifically, the premiums charged to the coal industry for the cost of medical care for injured workers and for the cost of paying wages while those workers are off the job increased by only 1.3% in 2007 rather than by the 8.8% proposed by the Coal Mine Compensation Rating Bureau.

In carrying out its mission in the next fiscal year, the OSBA will continue to be guided by the realization that every dollar a business must spend on utility service or workers' compensation insurance is a dollar unavailable for expanding that business, creating jobs, or increasing pay and benefits.

I will be happy to answer any questions you may have concerning the OSBA's budget request or any of the OSBA's activities.