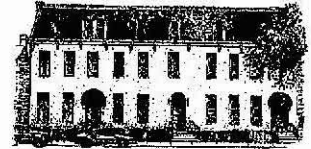




The Pennsylvania League of Cities and Municipalities



*A Century of Commitment*

September 7, 2010

The Honorable Representative Joseph Preston  
Chairman  
House Consumer Affairs Committee  
202 Irvis Office Building  
P.O. 202024  
Harrisburg, PA 17120

Re: House Bill 2619 – Municipal Aggregation of Electric Generation Supply

Dear Chairman Preston:

Thank you for the invitation to testify on House Bill 2619. Although we are unable to present remarks during the public hearings, we do wish to provide comments and ask that this letter be placed in the Committee's record of the hearings.

The Pennsylvania League of Cities and Municipalities (PLCM) enjoys the membership of 78 urban municipalities. Our members are not classified by form of government, but by the common interests and challenges of Pennsylvania's urban communities. Collectively, our local elected officials represent one-quarter of Pennsylvanians statewide.

In 1997, PLCM created the Municipal Utility Alliance with the assistance of energy consultant, Utility Solutions, Inc. The primary objective of the Municipal Utility Alliance (MUA) has been to help Pennsylvania local governments navigate their way through the complexities of electric restructuring while educating them on the current state of the energy market. Currently our MUA Program assists municipalities with the cooperative purchase of their own electricity. Our experience through the MUA provides a unique perspective on House Bill 2619.

As you know, House Bill 2619 authorizes municipalities to become aggregators of electricity as a service to their residents. The reasoning behind HB 1619 is justified -- helping consumers navigate the deregulated electric market, narrowing the options and saving constituents money are all laudable goals. While PLCM will always uphold the idea of local decision making, we are not sure municipalities will want to enter into this arena. As a municipal association, we would caution their entrance advising them to seek out professional assistance and to move slowly into this service as it is not a common municipal function.

Deregulation of utilities is not a new concept in Pennsylvania. When the telephone and natural gas industries were deregulated the competitive market quickly matured to meet the needs of the consumer. Pennsylvania did not feel compelled to give local governments the authorization to

become aggregators of these commodities. Electricity is maturing on a similar path. Today, there are over 30 licensed electricity suppliers providing many options for consumers to shop and compare prices.

Municipal aggregation will be a completely new area for local government. Those that decide to go ahead with providing the service will face a substantial knowledge and experience hurdle. Most local governments will require the services of professionals familiar with the electric market to set up, bid, and administer these programs. It does not appear from the bill that municipalities can recoup the expenses of this service through an administration fee or even through the benefit by being included in the aggregated purchase.

Finally, today's local governments are facing enormous financial burdens in the areas of public safety, pension obligations, healthcare costs, water and waste water regulations, etc. The day to day administration of full-time communities is challenging. Adopting this legislation will put pressure on already stressed local governments to offer an aggregation program to its residents when competitive electric choice programs already exist. We believe the bill potentially sets the stage for an unfunded mandate that will create a distraction from more pressing issues and outweigh any possible benefits to consumers.

As the Committee discusses this bill, we hope its members will keep our points in mind. PLCM will not oppose the bill, but as stated, if it does become law, we will counsel our members to proceed carefully and with full knowledge of their new role should they decide to proceed.

Please feel free to contact me with any questions regarding our position.

Sincerely,



Amy Sturges  
Director of Governmental Affairs  
PLCM

C: John A. Garner, Jr., Executive Director, PLCM