

COMMONWEALTH OF PENNSYLVANIA  
HOUSE OF REPRESENTATIVES

APPROPRIATIONS COMMITTEE HEARING

STATE CAPITOL  
MAIN BUILDING  
ROOM 140  
HARRISBURG, PENNSYLVANIA

MONDAY, FEBRUARY 27, 2012  
11:30 A.M.

PRESENTATION FROM  
OFFICE OF CONSUMER ADVOCATE/SMALL BUSINESS ADVOCATE

BEFORE:

HONORABLE WILLIAM F. ADOLPH, JR., MAJORITY CHAIRMAN  
HONORABLE MARTIN T. CAUSER  
HONORABLE GARY DAY  
HONORABLE GORDON DENLINGER  
HONORABLE BRIAN L. ELLIS  
HONORABLE MAUREE GINGRICH  
HONORABLE GLEN R. GRELL  
HONORABLE DAVID R. MILLARD  
HONORABLE MARK T. MUSTIO  
HONORABLE BERNIE T. O'NEILL  
HONORABLE MICHAEL PEIFER  
HONORABLE SCOTT PERRY  
HONORABLE SCOTT A. PETRI  
HONORABLE TINA PICKETT  
HONORABLE JEFFREY P. PYLE  
HONORABLE THOMAS J. QUIGLEY  
HONORABLE MARIO M. SCAVELLO  
HONORABLE CURTIS G. SONNEY

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**BEFORE (cont.'d):**

- HONORABLE JOSEPH F. MARKOSEK, MINORITY CHAIRMAN
- HONORABLE MATTHEW D. BRADFORD
- HONORABLE MICHELLE F. BROWNLEE
- HONORABLE H. SCOTT CONKLIN
- HONORABLE PAUL COSTA
- HONORABLE DEBERAH KULA
- HONORABLE TIM MAHONEY
- HONORABLE MICHAEL H. O'BRIEN
- HONORABLE CHERELLE L. PARKER
- HONORABLE JOHN P. SABATINA
- HONORABLE STEVE SAMUELSON
- HONORABLE MATTHEW SMITH
- HONORABLE RONALD G. WATERS

**ALSO IN ATTENDANCE:**

- EDWARD J. NOLAN, REPUBLICAN EXECUTIVE DIRECTOR
- MIRIAM FOX, DEMOCRATIC EXECUTIVE DIRECTOR
- HONORABLE JOHN D. PAYNE
- HONORABLE JOHN TAYLOR
- HONORABLE KATHARINE M. WATSON
- HONORABLE ROBERT GODSHALL
- HONORABLE GEORGE DUNBAR
- HONORABLE MIKE TOBASH
- HONORABLE H. WILLIAM DeWEESE
- HONORABLE DANTE SANTONI, JR.
- HONORABLE PAMELA A. DeLISSIO

JEAN M. DAVIS, REPORTER  
NOTARY PUBLIC

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1 P R O C E E D I N G S

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3 MAJORITY CHAIRMAN ADOLPH: I'd like to call to  
4 order the House Appropriations Committee Budget Hearing for  
5 the Office of Consumer Advocate as well as the Small  
6 Business Advocate.

7 Good morning, gentlemen.

8 MR. POPOWSKY: Morning.

9 MR. GRAY: Good morning.

10 MAJORITY CHAIRMAN ADOLPH: Thank you for  
11 appearing before us. A man who needs no introduction is  
12 Sonny Popowsky, long-time Consumer Advocate for the  
13 Commonwealth of Pennsylvania.

14 And someone who certainly needs an introduction,  
15 I'd like to know a little bit about Mr. Steven Gray, acting  
16 Small Business Advocate.

17 Good morning, gentlemen. We'll start with  
18 Mr. Popowsky for some brief opening comments. And then  
19 I'd like to hear from Mr. Gray.

20 MR. POPOWSKY: Thank you, Chairman Adolph and  
21 Chairman Markosek and members and staff of the Committee.

22 My name is Sonny Popowsky. I'm the Consumer  
23 Advocate of Pennsylvania. I've worked at the Office of  
24 Consumer Advocate since 1979. And I've been the head of  
25 the office since 1990.

1           As always, it's an honor and a pleasure to appear  
2 before this Committee. Our request this year is for a  
3 budget of \$5,000,173. That budget request represents a  
4 decrease, a slight decrease, of \$16,000 from our current  
5 year's budget authorization, which, in turn, represented an  
6 \$11,000 decrease from the budget authorization for the  
7 prior fiscal year 2010-2011.

8           On February 7th, the Governor announced his  
9 proposed budget for all Commonwealth agencies. And I'm  
10 pleased to report that the Governor's proposed budget for  
11 our office is \$5,000,173, which is the amount we requested.

12           I'll just briefly state that, as you know, our  
13 budget is separate and apart from the General Fund. It's  
14 also separate and apart from the Public Utility  
15 Commission's. So our funding does come from an assessment  
16 on the public utilities that are regulated by the PUC.

17           We feel that we have done a very good job over  
18 the years representing millions of Pennsylvania consumers  
19 in matters involving literally billions of dollars. We  
20 look forward to continuing our work.

21           And we certainly appreciate the support that this  
22 Committee and the members of the General Assembly have  
23 always provided to our office over the years.

24           And if you have any questions about our office or  
25 about our budget or any other matter regarding public

1 utilities, please feel free to ask them.

2 Thank you very much.

3 MAJORITY CHAIRMAN ADOLPH: Thank you.

4 Mr. Gray.

5 MR. GRAY: Thank you.

6 Good morning. My name is Steve Gray. I'm the  
7 Acting Small Business Advocate. My boss, Bill Lloyd,  
8 retired in October. And I have been with the Small  
9 Business Advocate Office since '94. I served under Bernie  
10 Ryan first and then Mr. Lloyd.

11 I have been doing litigation for the OSBA now for  
12 all these years. And so I've turned out to be the most  
13 senior individual there on the staff. And so I have been  
14 temporarily promoted to the intriguing position of Acting  
15 Small Business Advocate. So I will do my best to give you  
16 the update of how our office is doing.

17 We have submitted a budget proposal, which the  
18 Governor, I understand, adopted. And it's for \$1.286  
19 million. That is the same amount as my office asked for in  
20 the last fiscal year, which was approved.

21 And like the office of Consumer Advocate, we are  
22 not paid out of the General Fund. We are paid separately  
23 through assessments on utilities.

24 We also do some workers' compensation work. But  
25 it's a fairly minor and, frankly, specialized part of our

1 practice. Most of our time is spent on public utility  
2 matters.

3 We are very happy with our track record. This  
4 year, this last year, we were involved in your sort of  
5 classic rate cases, which happens every year. But that  
6 kind of ebbs and flows with what the companies are filing.

7 We were also involved in a lot of litigation with  
8 the access-charge issues. We were working on the default  
9 services issues, which are very, very complicated for small  
10 businesses, because what constitutes a small business can  
11 vary widely. It can be the Wendy's up on North Front. It  
12 could be the drycleaner down on North Second. It can be  
13 the Boch Snowplow Manufacturing Company down on Route 11.  
14 So we have a very broad class. And, frankly, that induces  
15 some level of complexity to our litigation.

16 So thank you for having me here. I will do my  
17 best to answer any questions you have.

18 MAJORITY CHAIRMAN ADOLPH: Thank you.

19 I guess my first question -- and really kind of  
20 obvious -- is, the small businesses part for consumers, why  
21 do we need a small business advocate and a consumer  
22 advocate?

23 And I guess you can start, Sonny, with that.

24 MR. POPOWSKY: I can take a crack at that.

25 The reason that -- our office was created in the

1 late '70s, 1976, '77. Offices like mine were created all  
2 around the country, probably 40 states and the District of  
3 Columbia, to represent consumers. We represent all  
4 consumers when it comes to trying to make sure that any  
5 rate increase is as reasonable as possible overall.

6 Now, on the other hand, there comes a point in  
7 every case where you have to divide the pie. And at that  
8 point, the interests of residential customers are not the  
9 same as the interests of small business customers which are  
10 not the same as the interests of industrial customers.

11 Industrial customers, because they use so much  
12 energy, have traditionally had their own representation in  
13 these cases. Residential customers are represented  
14 primarily by our office. But the feeling in the General  
15 Assembly was -- and I can't remember if it was 1988 -- that  
16 we needed a representation, you know, frankly, a smaller  
17 office, to make sure the interests of small business  
18 customers were represented.

19 So I'll let Steve take a shot at why that's so.

20 MR. GRAY: Thank you.

21 That's an excellent summary. As a matter of  
22 fact, when I was prepping for this, I talked to my three  
23 expert witnesses. And my telephone witness, who testifies  
24 all over the country, based in Virginia, pointed out to me,  
25 he said, don't forget to tell them -- historically, it's



1 just like Sonny described it.

2 Historically, consumer advocate, outstanding  
3 representation for the residential customers. Large  
4 industrials, deep pockets, excellent private attorneys.  
5 What's left? If PPL comes in for a \$70 million rate  
6 increase and Sonny's doing his job and Morgan Lewis is  
7 doing their job, where's the money going to go?

8 And so the answer historically, was the small  
9 businesses got hammered. And as my telephone witness told  
10 me, he said, look, Pennsylvania is one of the few states in  
11 the country that has a small business advocate. Where it's  
12 not in existence, small businesses still get hammered.

13 And depending upon whose statistics you listen to  
14 -- like, there was an American Express commercial a year or  
15 so ago that said 99 percent of businesses in Pennsylvania  
16 are small businesses.

17 Now, I don't know what their metric was to make  
18 that decision. But if that is really a legitimate makeup  
19 of the business community, then it would seem protecting  
20 them is a very wise idea. And frankly, we have been very  
21 busy.

22 MAJORITY CHAIRMAN ADOLPH: Thank you.

23 Chairman Markosek.

24 MINORITY CHAIRMAN MARKOSEK: Thank you, Chairman  
25 Adolph.

1           Maybe this question is a little bit of a reach.  
2       But we're in the era of all things Marcellus. And we've  
3       seen from Act 13 where the PUC is now involved with the  
4       operations and collections and also some of the local  
5       ordinances and whatnot concerning the Marcellus Shale  
6       industry in Pennsylvania.

7           Is there any way that you gentlemen see that  
8       either the definition of consumers would extend to perhaps  
9       municipalities or the definition of businesses, small  
10      businesses, might extend to drillers or drilling  
11      operations?

12           And I know you deal primarily with utilities.  
13      But again, do you see any expansion of perhaps the  
14      definition of utilities to somehow overlap into some of the  
15      things that you do or is your office somehow involved with  
16      these kinds of disputes?

17           MR. POPOWSKY: Well, I can take a first crack at  
18      that. We already are involved somewhat at the utility  
19      level. Each of our natural gas utilities is purchasing gas  
20      every day, every year. And several of them have made an  
21      effort to include Marcellus Shale gas in their purchases.  
22      And we've certainly tried to be supportive of that in our  
23      annual purchased gas costs filings.

24           And let me say, as Chairman Powelson said, this  
25      has just been incredible for consumers, frankly, the

1 reduction, not just for natural gas consumers, that is, the  
2 lower price of natural gas, but also for electric  
3 consumers.

4 One of the reasons we have not seen those  
5 terrible rate increases we were all worried about a few  
6 years ago for electric is because the price of natural gas  
7 has driven down the cost of producing electricity. So I  
8 think the benefits have been enormous.

9 Looking at the new law, I don't see a place where  
10 we would get directly involved on behalf of a municipality  
11 or on behalf of a driller. They are not participating as  
12 consumers. Our statute specifically says we represent the  
13 consumers of Pennsylvania. And we've tried to stick with  
14 that.

15 Certainly the statute can be amended. But right  
16 now I think our office represents -- I know our office  
17 represents the consumers of Pennsylvania, the people who  
18 use the gas, who burn the gas, not the people who drill for  
19 it and not the municipalities that have to worry about  
20 zoning and these other important issues.

21 MR. GRAY: The answer is similar because just  
22 like our statute says, small business consumer. And right  
23 now we probably could not expand our work to include those  
24 entities. But you do touch on an interesting point because  
25 of the diversity of, who is a small business? It varies

1 business to business. It varies utility company to utility  
2 company. This has always been a headache for us, quite  
3 frankly. Who do we represent?

4 And so if our statute was amended, we're used to  
5 that sort of headache. We would handle it. But right now  
6 we are certainly limited just to the consumers. And  
7 businesses are clearly benefiting from Marcellus Shale.

8 And I'll pass along what I've always heard from  
9 businesses. When we go out and do public input sessions  
10 and we talk to businesses and they show up, they have  
11 always said to us consistently what they care about is  
12 consistency in their bills.

13 If gas prices are going to be up, they don't like  
14 it. It hurts them. But if they know they're going to be  
15 up, it's much easier then to run their business. What  
16 drives them crazy is the volatility. And of course, we've  
17 seen a lot of that in electric and gas prices.

18 So I pass that along because Marcellus Shale is  
19 certainly helping them in those two areas.

20 MINORITY CHAIRMAN MARKOSEK: Just one other  
21 question.

22 And since, Sonny, you brought it up -- maybe this  
23 was a question that would have been better asked to the  
24 previous panel, the PUC. Do you happen to know what  
25 percentage of our electric generation is produced from

1 natural gas as opposed to either nuclear, coal, or oil?

2 MR. POPOWSKY: I'd say it's probably less than --  
3 and I don't know the exact number. But I think it's still  
4 probably less than 20 or 25 percent.

5 But what's critical about natural gas -- and most  
6 of it is still nuclear and coal. But the way our -- it's a  
7 little complicated. But the way our market works -- and we  
8 have competitive restructured markets -- the price at any  
9 given hour of the day is set by the most expensive unit.  
10 And that is very often during peak times. So even though  
11 natural may only be 20 or 25 percent of the gas, it is  
12 often setting the price.

13 Now, two summers ago back in 2008, it was setting  
14 the prices at 10 cents a kilowatt hour because gas was so  
15 expensive. Now it's setting the price at 3 or 4 cents a  
16 kilowatt hour. So it's a tremendous impact. The bang for  
17 the buck of these natural gas prices is just tremendous.

18 MINORITY CHAIRMAN MARKOSEK: Most of the  
19 natural-gas-produced electricity would be -- correct me if  
20 I'm wrong -- peaking?

21 MR. POPOWSKY: It used to be just for peaking  
22 power. But now we have plants that are called  
23 combined-cycle plants that operate more fully. They're  
24 very efficient. They tend to be cleaner, more efficient.  
25 And when the price of gas goes from \$15 an MCF down to \$3

1 an MCF, they are really economical. And they do operate  
2 more than just during the peaking periods.

3 MINORITY CHAIRMAN MARKOSEK: So due to the drop  
4 in the price of natural gas, Pennsylvania electric  
5 consumers should see some relief then from their rates?

6 MR. POPOWSKY: We already are. If you look at  
7 the latest PPL prices, for example, I think our default  
8 service price has gone from, I think, about 10.4 cents when  
9 the rate caps came off down to 6.9 cents next month. These  
10 are tremendous benefits.

11 MINORITY CHAIRMAN MARKOSEK: Any thoughts on  
12 where it might go?

13 MR. POPOWSKY: No. Again, no one can predict the  
14 price of gas. But this is the most persistent gas  
15 reduction that I have seen. I mean, if you look at a chart  
16 of the price of natural gas, it's all over the place. But  
17 since the summer of 2008, it has gone down and stayed down  
18 very persistently.

19 MINORITY CHAIRMAN MARKOSEK: Mr. Gray, even  
20 though your clients don't like volatility, I would guess  
21 they would be happy with the volatility when it's edging  
22 downwards?

23 MR. GRAY: Absolutely. In this direction, they  
24 like it. And by the way, there are many analytical firms  
25 out there across the nation who spend their life analyzing

1 the natural gas market and making projections. And, of  
2 course, every three days, I get e-mails saying, oh, here's  
3 what we've had.

4 Within the last six months, I've seen it twice  
5 now. They have a picture of Pennsylvania. And then they  
6 say, at the various delivery points, here's how much we've  
7 sold gas for. And a couple of times in the last six months  
8 they sold gas for under a dollar.

9 And that is not only shocking, but to give you an  
10 idea, when we were talking \$14, \$15 gas a couple of years  
11 ago, how much of a reduction. And, of course, this is  
12 filtering in to the businesses. And I'm sure they're very  
13 happy with that.

14 MAJORITY CHAIRMAN ADOLPH: Gentlemen, thank you.

15 MR. GRAY: Thank you, Mr. Chairman.

16 MAJORITY CHAIRMAN ADOLPH: Thank you.

17 I would like to acknowledge the presence of Rep.  
18 Mike Tobash, who has joined us.

19 Chairman Markosek.

20 MINORITY CHAIRMAN MARKOSEK: I'd like to  
21 acknowledge the presence of Rep. Pam DeLissio from  
22 Philadelphia.

23 MAJORITY CHAIRMAN ADOLPH: Welcome.

24 The next question will be by Rep. Gordon  
25 Denlinger.

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REP. DENLINGER: Thank you, Mr. Chairman.

And good morning, gentlemen.

MR. POPOWSKY: Good morning.

MR. GRAY: Good morning.

REP. DENLINGER: A question with regard to the --  
I'd like to move back over to electricity and the supply  
there.

Obviously, your engagement is at the point of  
tension between the suppliers and the consumer. And we  
have gone through some significant changes where in the  
free market, if you will, now and the bridge of  
electricity, I'm wondering, can you share with us, I guess,  
the flash points, if you will, of tension in that  
marketplace?

As people are contacting you and asking for your  
advocacy, what would you like to share with us about  
weaknesses in the marketplace that have been created or  
potentially to advise us in terms of future policy needs?

MR. POPOWSKY: I'll start.

Let me start by talking about the success, if I  
could, real briefly.

What people may not realize is that even though,  
let's say, 25 percent of residential customers here have  
actually switched their retail electric supplier, the fact  
is that 100 percent of those customers are getting power



1 today from competitive wholesale markets.

2 In other words, we're no longer being forced to  
3 buy our power from our local utility at whatever price they  
4 want to charge us. Because they have to go out -- under  
5 Act 129 of 2008, they have to go out and buy the lowest  
6 cost wholesale power to serve their customers.

7 So 100 percent of residential and, for that  
8 matter, small business customers are getting their power  
9 from competitive sources. That's a great success.

10 I think the biggest flash point now is, there are  
11 many customers who don't frankly want to be bothered. They  
12 don't want people coming knocking at their door to say,  
13 hey, we can get you a better deal. They might not want to  
14 get phone calls.

15 And the good thing again about the Pennsylvania  
16 model is that they don't have to buy those. They can just  
17 say, hey, we're happy continuing to get our service from  
18 PECO or PPL or Duquesne because they're out there going and  
19 getting the power for us as cheaply as they can.

20 So I think the biggest tension going forward is  
21 to try to make sure that all of our consumers understand  
22 their choices, you know, because a lot of people don't.  
23 They've never shopped for electricity.

24 We want to make sure they all understand their  
25 choices and that those customers who want to shop or switch

1 are able to do so. And like I said, I think we have the  
2 tools in place right now to succeed at that.

3 MR. GRAY: And I would agree with everything that  
4 Sonny said. Getting the drycleaner on Second Street  
5 interested in shopping when she's very busy -- she's  
6 working 12-hour days; she has a fairly steady bill -- it is  
7 a challenge, frankly, to get her interested in saying,  
8 okay, I'm going to go switch. So that's one issue. And  
9 the Public Utility Commission themselves are very aware of  
10 that.

11 The other issue is what I touched on before. The  
12 small business class from utility to utility is very  
13 different. Residentials, we all kind of painted a picture  
14 in our head what a residential consumer would look like. A  
15 large industrial, maybe same sort of thing. But small  
16 businesses are all over the map.

17 So part of the difficulty is when you've got --  
18 just like Sonny said. The companies are getting the  
19 electricity in the competitive marketplace. Now, let's say  
20 you're an EGS, a for-profit electric generation supplier,  
21 and you want to come in and you want to supply customers in  
22 the PPL area.

23 There's a tension right there. They want to come  
24 in and they want to beat PPL's price. Large industrials  
25 are very attractive because they're very high leverage.

1 Residential are attractive in their own way because they're  
2 kind of a consistent known load.

3 And then you have the small commercial  
4 industrial. Boch Manufacturing is a great example. They  
5 build snowplows versus our Second Street drycleaners. They  
6 have two entirely different usage habits, couldn't be less  
7 similar.

8 Ans so I know Bill Lloyd walked up and down our  
9 halls a lot this last year talking about the fall service,  
10 frustrated with this. This is very hard to get across to  
11 the EGSs. They want to come in here and offer one easy  
12 price and it's like you have to understand our  
13 constituency. So I'd say that's the second biggest issue.

14 Thank you.

15 REP. DENLINGER: If I may do a quick followup,  
16 Mr. Chairman.

17 The marketing of electric choices, have you run  
18 into many instances of what you would consider false  
19 advertising or scam operators?

20 MR. POPOWSKY: I wouldn't say a lot. We have  
21 seen a couple of problems where I'd say customers have  
22 bought into a low introductory price without realizing that  
23 that price was only good for a month or two and then they  
24 get hit with a much higher price.

25 We had one case where one company -- and I think

1 mistakenly, not intentionally, but was charging a sales tax  
2 to residential customers that wasn't applicable. We got  
3 that straightened out.

4 I wouldn't say it's a lot. But I think the  
5 Commission is doing an excellent job monitoring the  
6 complaints that do come in. And when consumers or  
7 legislators call us, we always try to resolve those issues  
8 as well.

9 MR. GRAY: I would say there have been one or two  
10 complaints to our office about that exact topic. And I  
11 recall probably last year, we had to do a little work on  
12 one because it was close to false advertising. There was a  
13 very low initial rate and then the lock-in rate for the  
14 subsequent years was like ten times the market or something  
15 like that.

16 And Bill and a couple of our attorneys worked on  
17 that to get that straightened out. But fortunately the  
18 good news is that's the exception. We haven't heard many  
19 problems. And, frankly, the PUC is doing a pretty good job  
20 of policing this.

21 REP. DENLINGER: Very good. Thank you.

22 Thank you, Mr. Chairman.

23 MAJORITY CHAIRMAN ADOLPH: Thank you,  
24 Representative.

25 Next question is from Rep. Tom Quigley. But

1 before Mr. Quigley asks his questions, I would like to  
2 acknowledge the presence of Rep. Bernie O'Neill from Bucks  
3 County.

4 REP. QUIGLEY: Thank you, Mr. Chairman.

5 My question is for Mr. Popowsky. Looking at the  
6 materials, I guess right now you say you currently have 28  
7 employees and 7 vacant positions?

8 MR. POPOWSKY: That's correct.

9 REP. QUIGLEY: And so the request for the funding  
10 of \$3 million, is that for everything? Is that for the  
11 full 35 or just for the current people you have?

12 MR. POPOWSKY: It's actually 28 full employees  
13 and the other 7 are only put in for one-half year. That's  
14 what we've been told to use.

15 REP. QUIGLEY: Okay. And of those 28 employees,  
16 how many are attorneys, would you say?

17 MR. POPOWSKY: There's 13 attorneys plus me.

18 REP. QUIGLEY: And what are the general  
19 responsibilities of the attorneys? Can you anecdotally  
20 describe what they do?

21 MR. POPOWSKY: We primarily represent consumers  
22 in hearings before the Public Utility Commission. So let's  
23 say if a company comes in and says they want a \$20 million  
24 rate increase, our attorneys are responsible for putting  
25 together a case against that increase, bringing in expert

1 witnesses and cross-examining witnesses, doing discovery,  
2 and appearing before Administrative Law Judges at the PUC.

3 We also participate in cases at the Federal  
4 level. We participate in matters at the PJM, which is our  
5 beginner connection. We are members of PJM. We take  
6 appeals. One of the reasons we have to be attorneys is we  
7 take appeals to the Commonwealth Court and the Supreme  
8 Court.

9 I even got to argue a case in the United States  
10 Supreme Court where we established a very important  
11 constitutional principle on a case that's cited every day  
12 in courts and Public Utility Commissions around the  
13 country. So that's what attorneys do.

14 REP. QUIGLEY: Okay. So of the seven vacant  
15 positions, you say you'll probably fill them just for the  
16 half-year positions?

17 MR. POPOWSKY: Well, the idea is that we've tried  
18 to always live within our budget. And we have managed to  
19 do that. We would like to fill at least some of those  
20 positions. And depending on how much of the budget we get,  
21 that will determine how many of the positions we can  
22 actually fill. But the idea is that we wouldn't fill them  
23 all as of the first day of the fiscal year. But we would  
24 hopefully be able to fill them over time over the course of  
25 the year.

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REP. QUIGLEY: All right. Thank you.

Thank you, Mr. Chairman.

MR. POPOWSKY: Thank you.

MAJORITY CHAIRMAN ADOLPH: Thank you,  
Representative.

I would now like to introduce the Chairman of the  
Consumer Affairs Committee, Rep. Bob Godshall, for some  
questions and comments.

REP. GODSHALL: Thank you, Mr. Chairman.

Our committee does work closely with the Sonny  
and also the Small Business Advocate. In fact, Bill Lloyd,  
I've served with him in the Legislature for quite a few  
years.

I have a question that I was specifically asked  
to ask Sonny. Your office is actively involved in rate  
cases, PUC opposing rate increases, requests to mitigate  
increased costs to customers, which is your primary  
responsibility. However, the Office of Consumer Advocate  
has not publicly taken a position on at least solar  
initiatives even though they will increase customer bills.

Would you please comment on how the Office of  
Consumer Advocate picks and chooses the issues that it will  
become involved in?

MR. POPOWSKY: That's a tough question.

We will -- certainly if you ask me to testify, I

1 have never turned down an invitation to testify. I will  
2 certainly do it if you ask me to.

3 There's some issues that I think are clear where  
4 the consumer's position is very clear. There are some  
5 issues that are more difficult.

6 I wasn't actually called on to testify in the  
7 2004 Act on the Alternative Energy Portfolio Standards.  
8 But I think in retrospect that has been a positive  
9 development for Pennsylvania consumers.

10 Because even though the cost of the kilowatt  
11 hours from sources tend to be higher up front, the hope at  
12 least, the goal at least, is that by diversifying our  
13 resources, in the long run, that will be better for  
14 consumers, particularly as we have environmental costs  
15 added to some of our other sources, like coal, for example.

16 We know that a lot of coal plants are probably  
17 going to have to shut down in the next eight or nine years.  
18 So we need other resources to replace that.

19 And I think I wrote a letter to you last year on  
20 the -- I'm sorry. It was a letter to Speaker Sam Smith on  
21 the pros and cons of the solar legislation that was coming  
22 up back then.

23 I thought on one hand there were issues that  
24 could raise costs to consumers. On the other hand, there  
25 were things that we could do to lower costs to consumers.



1 And I've talked to members of the General Assembly about  
2 that. But I believe certainly, you know, if you want me to  
3 come and testify at your committee, I certainly would do  
4 that.

5 REP. GODSHALL: I was specifically asked to ask  
6 you the question. The other thing we do know, I do have a  
7 study, as I was mentioning to the PUC, that was done by  
8 Penn State pertaining to the Alternative Energy Portfolio  
9 Act which we passed in 2004. They didn't start that from  
10 inception. They started from '12 forward.

11 So I can supply you with that. And that Act,  
12 hundreds of millions of dollars is the cost of that to the  
13 consumer until it's finalized.

14 So we do have another bill at this point right  
15 now about changing the solar requirements in the  
16 Alternative Energy Act, which we looked at. It's about a  
17 three- to three-and-a-half-billion-dollar cost to the  
18 consumer.

19 So I will be in touch with you. And hopefully we  
20 can get, you know, some support on where we're going on  
21 some of this legislation. And I do want to say, you have  
22 always been supportive in the past when I've asked for  
23 things. It's been timely responses. And I say thank you  
24 for that.

25 Thank you, Mr. Chairman.

1 MAJORITY CHAIRMAN ADOLPH: Thank you, Chairman  
2 Godshall.

3 I guess it could be appropriate to ask the  
4 Consumer Advocate, what type of heating system do you have  
5 in your house?

6 MR. POPOWSKY: I have natural gas, actually, now.  
7 I actually recently moved to Philadelphia. I'm actually  
8 commuting right now. I take the train every morning. But  
9 we have natural gas heating.

10 REP. GODSHALL: He must have known somebody to  
11 get that.

12 MR. POPOWSKY: I know Chairman Godshall has been  
13 trying to get natural gas in his neighborhood for a long  
14 time.

15 MAJORITY CHAIRMAN ADOLPH: Mr. Gray?

16 MR. GRAY: I'm a proud consumer of PPL Electric.

17 MAJORITY CHAIRMAN ADOLPH: I guess the question  
18 out there -- and you may or may not know -- what's it cost  
19 to convert from, say, oil heat to gas heat nowadays for the  
20 average homeowner?

21 MR. POPOWSKY: The key question there is whether  
22 you have gas coming right by your home. In other words, if  
23 you've got the gas company out there ready to serve you,  
24 then it's basically the cost -- depending on what kind of  
25 furnace you have and what kind of vents you have. It's a

1 few thousand dollars.

2 But let's say your furnace breaks down. You have  
3 oil heat. Maybe I shouldn't say this. But if you have oil  
4 heat and your furnace breaks down and you have natural gas  
5 available, natural gas is a real bargain right now.

6 And I think for a lot of people, needless to say,  
7 you're not going to just go out -- or a lot of people can't  
8 afford to just go out and spend thousands of dollars to  
9 replace their furnace and all their vents and all that.

10 But if the opportunity presents itself, natural  
11 gas really is a good deal right now.

12 MAJORITY CHAIRMAN ADOLPH: I'm sure, Mr. Gray,  
13 you agree with that?

14 MR. GRAY: I agree particularly because I have a  
15 friend who lives in New Tripoli, Pennsylvania. And if  
16 you're familiar with that little burg, it's kind of in the  
17 middle of nowhere on a mountain. And he actually looked  
18 into this about two weeks ago.

19 He's an oil delivery service customer. And I  
20 kept reminding him about how natural gas prices are going  
21 down. And the fellow wouldn't even give him a quote  
22 because there's no natural gas service local to him. So he  
23 doesn't have the option. It's prohibitively expensive.

24 MAJORITY CHAIRMAN ADOLPH: Thank you.

25 Chairman Markosek.

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MINORITY CHAIRMAN MARKOSEK: I just want to thank the gentlemen for their testimony. And also indicate that Rep. Ron Waters from Philadelphia and Delaware Counties has arrived.

MAJORITY CHAIRMAN ADOLPH: I want to thank both of you for your testimony. It was very informative. I'm sure we will be working with you. And as I tell all the testifiers, please try to consider the taxpayers and the ratepayers when you prepare your budget.

Thank you very much.

MR. POPOWSKY: Thank you.

MR. GRAY: Thank you.

MAJORITY CHAIRMAN ADOLPH: The next hearing will begin at 1 o'clock this afternoon. Before us is the Liquor Control Board at 1 o'clock.

Thank you.

(The hearing concluded at 12:05 p.m.)

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I hereby certify that the proceedings and  
evidence are contained fully and accurately in the notes  
taken by me on the within proceedings and that this is a  
correct transcript of the same.

\_\_\_\_\_  
Jean M. Davis  
Notary Public