



February 24, 2012

COMMONWEALTH OF PENNSYLVANIA
OFFICE OF SMALL BUSINESS ADVOCATE

**Testimony before the
House Appropriations Committee
regarding the FY 12-13 Budget
for the Office of Small Business Advocate**

Chairman Adolph and members of the committee, thank you for the opportunity to submit testimony regarding the budget of the Office of Small Business Advocate for the fiscal year beginning July 1, 2012.

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 (“PUC”), corresponding federal agencies, and the courts. The OSBA’s principal mission in these cases is to assure that small business customers pay no more than their fair share of the cost of utility service.

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. The OSBA’s mission in these cases is to assure that businesses of all sizes pay no more than is necessary for workers’ compensation insurance.

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 receives no money from the General Fund. Instead, the OSBA’s operations are financed entirely by assessments on utilities and workers’ compensation insurers.

Specifically, assessments on utilities finance about 85% of the OSBA's budget while assessments on workers' compensation insurers finance about 15% of the budget.

The Governor's budget request for FY 12-13 is \$1,286,000. That is the same amount the General Assembly approved for the current fiscal year. I urge adoption of the Governor's proposal as a way to help mitigate the cost of doing business in Pennsylvania. To demonstrate that point, I offer the following explanation.

The customer classes generally have a common interest in keeping a utility rate increase as small as possible. Therefore, to save money, the OSBA usually relies on the Office of Consumer Advocate ("OCA") to present the legal arguments and expert testimony regarding the size of the rate increase a utility should be granted.

However, the OCA and the OSBA frequently disagree when the case turns to the share of the rate increase each customer class should bear. At that stage of the proceeding, the OCA presents legal arguments and expert testimony on behalf of residential customers. The OSBA presents legal arguments and expert testimony on behalf of small commercial and industrial ("Small C&I") customers. Often, Large C&I customers are also represented at this stage of the proceeding by their own attorneys and expert witnesses.

The OSBA's participation is critical because, with a few exceptions, Small C&I ratepayers historically have subsidized residential and Large C&I ratepayers. However, because of the OSBA's representation in rate cases decided since last year's budget hearing, Small C&I customers will pay \$4.5 million less than they would have if the PUC had adopted the positions advocated by other parties, including the OCA.

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 or any of the OSBA's activities.

Steven C. Gray
Acting Small Business Advocate