

1
2 COMMONWEALTH OF PENNSYLVANIA
3 HOUSE OF REPRESENTATIVES
4 APPROPRIATIONS COMMITTEE

5 MAIN CAPITOL
6 ROOM 140
7 HARRISBURG, PENNSYLVANIA

8 BUDGET HEARING
9 PUBLIC UTILITY COMMISSION

10 WEDNESDAY, FEBRUARY 19, 2014
11 9:30 A.M.

12 BEFORE:

13 HONORABLE WILLIAM F. ADOLPH, JR.,
14 Majority Chairman

15 HONORABLE KAREN BOBACK

16 HONORABLE JIM CHRISTIANA

17 HONORABLE GARY DAY

18 HONORABLE BRIAN ELLIS

19 HONORABLE GLEN GRELL

20 HONORABLE SETH GROVE

21 HONORABLE ADAM HARRIS

22 HONORABLE THOMAS KILLION

23 HONORABLE DAVID MILLARD

24 HONORABLE MARK MUSTIO

25 HONORABLE DONNA OBERLANDER

HONORABLE BERNIE O'NEILL

HONORABLE MICHAEL PEIFER

HONORABLE SCOTT PETRI

HONORABLE JEFFREY PYLE

HONORABLE CURT SONNEY

26 HONORABLE JOSEPH MARKOSEK, Minority Chairman

27 HONORABLE MATTHEW BRADFORD

28 HONORABLE MICHELLE BROWNLEE

29 HONORABLE MIKE CARROLL

30 HONORABLE H. SCOTT CONKLIN

31 HONORABLE MADELEINE DEAN

1 BEFORE: (cont'd)

2 HONORABLE DEBERAH KULA
3 HONORABLE MICHAEL O'BRIEN
4 HONORABLE JOHN SABATINA
5 HONORABLE STEVEN SANTARSIERO
6 HONORABLE JAKE WHEATLEY

7 ALSO PRESENT:

8 HONORABLE MARTY CAUSER
9 HONORABLE SHERYL DELOZIER
10 HONORABLE ROBERT GODSHALL
11 HONORABLE DAVE MALONEY
12 HONORABLE RON MILLER
13 HONORABLE MARGUERITE QUINN
14 HONORABLE JERRY STERN
15 HONORABLE J. P. MIRANDA
16 HONORABLE GREG VITALI

17 DAVID DONLEY, MAJORITY EXECUTIVE DIRECTOR
18 MIRIAM FOX, MINORITY EXECUTIVE DIRECTOR

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P R O C E E D I N G S

1
2 MAJORITY CHAIRMAN ADOLPH: Good
3 morning, everyone. I'd like to reconvene the House
4 Appropriations Committee, our budget hearing for
5 the PUC.

6 Before we get started, we'll just go
7 over a couple little housekeeping items. I'd ask
8 all the members and testifiers and those that are
9 present to turn off your phones, your iPads, and
10 all that other IT stuff that you may be carrying.
11 It interferes with the broadcast. We certainly do
12 appreciate that.

13 I'm going to take a couple minutes and
14 introduce the members of the Appropriations
15 Committee that are present. Obviously, we're still
16 experiencing some bad weather here in the
17 commonwealth. Some of our members have not arrived
18 as of yet because I think there's some freezing
19 rain taking place throughout the commonwealth. And
20 I'm sure you're going to be receiving some
21 questions regarding that as well today.

22 Okay. So, without further ado, my name
23 is Bill Adolph. I'm the Republican chair of the
24 House Appropriations Committee. I come from the
25 165th Legislative District in the heart of Delaware

1 County.

2 Thank you.

3 Chairman.

4 MINORITY CHAIRMAN MARKOSEK: Thank you,
5 Chairman.

6 There's a news flash: freezing rain.

7 Anyway, welcome, everybody. Glad
8 everybody made it here safely. I'm state
9 representative Joe Markosek, 25th Legislative
10 District. I live in Allegheny County and represent
11 part of Allegheny County as well as part of
12 Westmoreland County.

13 To my immediate right is Miriam Fox,
14 who is the executive director of the Democratic
15 Appropriations Committee in the House of
16 Representatives.

17 Thank you.

18 CHAIRMAN ADOLPH: As is custom for the
19 budget hearings, Chairman Markosek and I, we always
20 invite the chairmen of the various standing
21 committees. And today it's our pleasure to have
22 with us the Republican chair of the Consumer
23 Affairs Committee, Chairman Godshall.

24 Chairman, you want to say hello to
25 everybody? They all know you pretty well.

1 REPRESENTATIVE GODSHALL: Thank you.
2 And do I have a few minutes?

3 MAJORITY CHAIRMAN ADOLPH: Not just
4 yet.

5 REPRESENTATIVE GODSHALL: Okay.

6 MAJORITY CHAIRMAN ADOLPH: I'm going to
7 hold you back, Tiger, for a little bit.

8 Okay. All right. We are going to
9 start right from behind me. If you'd like to start
10 introducing yourself and the county that you
11 represent.

12 REPRESENTATIVE BOBACK: I'm Karen
13 Boback. I represent House District 117, which
14 includes parts of Luzerne, Wyoming, and Columbia
15 Counties.

16 REPRESENTATIVE OBERLANDER: Good
17 morning. Representative Donna Oberlander,
18 representing Clarion, Armstrong, and part of
19 Forest.

20 REPRESENTATIVE GRELL: Good morning.
21 Glen Grell, Cumberland County.

22 REPRESENTATIVE PEIFER: Good morning.
23 Mike Peifer, 139th District, Pike, Wayne, and
24 Monroe Counties.

25 REPRESENTATIVE O'NEILL: Top of the

1 morning to you. Representative Bernie O'Neill,
2 Bucks County, 29th Legislative District.

3 REPRESENTATIVE PYLE: Good morning.
4 State Representative Jeff Pyle, 60th Legislative,
5 Armstrong, Indiana, and soon to be Butler Counties.
6 Good morning.

7 REPRESENTATIVE SONNEY: Good morning.
8 Curt Sonney, 4th Legislative District, which is
9 eastern Erie County.

10 REPRESENTATIVE DEAN: Good morning.
11 Madeleine Dean, Montgomery County.

12 REPRESENTATIVE SABATINA: Good morning.
13 John Sabatina, Philadelphia County.

14 REPRESENTATIVE KULA: Good morning.
15 Deberah Kula, Fayette and Westmoreland Counties.

16 REPRESENTATIVE CARROLL: Good morning.
17 Mike Carroll, Luzerne and Monroe Counties.

18 REPRESENTATIVE O'BRIEN: Good morning.
19 Mike O'Brien, Philadelphia.

20 REPRESENTATIVE CONKLIN: Scott Conklin,
21 Centre County.

22 REPRESENTATIVE WHEATLEY: Jake
23 Wheatley, Allegheny County, city of Pittsburgh.

24 MAJORITY CHAIRMAN ADOLPH: Okay. Thank
25 you, members.

1 I'd also like to acknowledge the
2 presence of Representative Sheryl Delozier, who has
3 joined us.

4 And without further ado, Chairman
5 Powelson, would you like to introduce your fellow
6 board members and some brief opening comments.

7 CHAIRMAN POWELSON: Thank you, Chairman
8 Adolph and Chairman Markosek. It's a pleasure to
9 be here this morning with my colleagues.

10 Start with some brief introductions.
11 To my left, our vice chairman, John Coleman, from
12 Centre County; to his left, we have Commissioner
13 Jim Cawley, from Dauphin County; to my right,
14 Commissioner Pam Witmer, from Cumberland county;
15 and our newest colleague, who probably needs no
16 introduction to this group, after a stellar career
17 in the Pennsylvania state Senate, our newest
18 colleague, Commissioner Gladys Brown, from Dauphin
19 County.

20 And, Mr. Chairman, I will honor the
21 tradition of not reading all fifteen pages of our
22 testimony here this morning because I certainly
23 understand that the members of this committee have
24 a number of questions for us, and we know Chairman
25 Godshall was ready to go here, so I don't want to

1 eat into his time.

2 But let me start off with the PUC's
3 fiscal year 2014-2015 budget request. In
4 accordance with the Office of the Budget, the PUC
5 budget document was submitted on October 1st of
6 2013. And it entails the following budget
7 request: 65.5 million dollars in state funds and
8 3.7 million dollars in federal funds, for a total
9 of 68.3 million dollars. The 3.7 million dollars
10 in federal funds are moneys that come into the
11 commission for gas safety and motor carrier
12 services.

13 I'm proud to report here this morning
14 that this budget represents -- the state budget
15 request represents a 2.3 percent increase in state
16 funds. And these are to cover costs associated
17 with the contractually mandated salary increases
18 for employees, employee benefits, and followed by a
19 modest increase in nondiscretionary vendor
20 services.

21 Mr. Chairman, overall, we are
22 maintaining the line on spending and have already
23 reduced seventeen positions from our last budget
24 appropriations meeting, where we were approved for
25 a complement of five hundred and twenty. We are

1 now down to five hundred three.

2 Year over year, the entire budget
3 increase -- that's federal and state dollars --
4 represents a .5 percent increase year over year.

5 Now, keep in mind, committee members,
6 we had to implement over the last three years, we
7 had Act 13 of 2012, we've had Act 127, which is new
8 pipeline safety requirements of 2011, and Act 11 of
9 2012, which is the Distribution System Improvement
10 Charge initiative. And we're prepared to take on
11 new responsibilities with the PA One Call
12 initiative and our newly created electric safety
13 division.

14 And I'm proud to report here this
15 morning that our electric safety division chief,
16 Brent Killian, is up and running with his new
17 department. And I think my colleagues and I are
18 joined together here this morning in saying without
19 question that a key part of the commission's
20 mission is providing safe and reliable service, and
21 having an effective electric safety division is
22 part of that.

23 Let me conclude, Mr. Chairman, by
24 saying, the last couple months have been extremely
25 challenging times, both in terms of electric

1 outages, price spikes in wholesale power markets,
2 and numerous gas distribution related issues. In
3 fact, I think it's fair to say that each of us here
4 this morning in this hearing room have been
5 impacted by one of the weather-related events.

6 And many of you have contacted us over
7 the last month regarding some of the price spikes
8 associated with these variable-rate supply
9 contracts, and I stand with my colleague here today
10 to assure you that we are proactive in addressing
11 these issues -- I know we're going to take some
12 questions here this morning -- in making sure that,
13 one, there are ample off ramps for consumers to go
14 to in terms of getting away from these contracts,
15 and, more importantly, I want to assure you that
16 our Office of Competitive Market Oversight is
17 already in the process of looking into some of
18 these issues.

19 Year to date -- and you'll hear, after
20 us today, from the consumer advocate -- we have
21 over four hundred informal complaints that have
22 been filed regarding these variable-rate products.

23 I want to take this opportunity to
24 commend Chairman Godshall.

25 Chairman Godshall, you sent a document

1 out to all members outlining this whole issue. And
2 I want to commend you, because what you set up in
3 that document was the fact that we don't regulate
4 the pricing of those supply contracts. We approve
5 those suppliers to do business here, but we don't
6 approve the pricing models. And we'll talk a
7 little bit about that here this morning.

8 And I notice there's been a dozen or so
9 media reports, editorial boards, and I can assure
10 you that the commission, through our Office of
11 Communications, has been proactive in, one,
12 participating in these media calls and media
13 outreach efforts; more importantly, we send media
14 alerts out. Up on our PA Power Switch website
15 there's an informational piece for consumers.

16 And I think it's important to mention
17 that my colleagues and I have reached out to the
18 Retail Energy Supply Association, RESA, and put
19 them on notice that there needs to be more rigorous
20 oversight or what we call self-policing of bad
21 actors and that corrective action needs to take
22 place.

23 At the end of the day, I want to assure
24 you that we are committed to providing safe,
25 affordable, and reliable utility service to

1 consumers here in Pennsylvania. And this certainly
2 requires us to monitor situations that arise. And
3 it also requires us to take action against entities
4 that don't play by the rules.

5 Speaking of not playing by the rules,
6 year to date, this commission has issued over two
7 million dollars in fines and penalties against
8 firms who violated the Public Utility Code, and we
9 will do so again. Whatever it is, if it's an
10 electric or gas safety violation or an electric
11 generation supplier issue, we will not tolerate bad
12 actors in the marketplace.

13 And, again, Mr. Chairman, I want to
14 thank you for having us here this morning. And we
15 look forward to questions that members may have, be
16 it a question related to an economic development
17 project in your district or a consumer constituent
18 issue.

19 So, with that, I'll turn it back over
20 to you, Chairman Adolph.

21 MAJORITY CHAIRMAN ADOLPH: Thank you,
22 chairman.

23 I'd just remind the panel that you can
24 move your mics around to whoever's going to answer
25 the question. And the closer you can get to the

1 mic, the better. Thank you.

2 We're going to follow the same protocol
3 as usual. I will now present to you, Chairman
4 Markosek, and then followed by Chairman Godshall.

5 MINORITY CHAIRMAN MARKOSEK: Thank you,
6 Chairman.

7 Good morning.

8 And my question -- and I'm a consumer
9 of the Pittsburgh area media market. And the hot
10 topic back there is the little vehicles with the
11 mustaches in the front of them, the so call Lyft
12 vehicles. And I know our new mayor back there
13 is -- seems to be a supporter. And I know there's
14 an issue there with exactly what these are, how
15 they work, and who regulates them. You know, is it
16 a taxi service? Is it not?

17 And I guess, since you're here today,
18 I'll just ask you to kind of fill in the committee
19 on what exactly this whole operation is, in your
20 opinion, and how it is or should be regulated.

21 CHAIRMAN POWELSON: Surely. And I have
22 also, Chairman Markosek, seen those media reports,
23 and I will be in Pittsburgh on Monday and hopefully
24 reach out to the newly elected mayor to have a
25 discussion on this issue.

1 Let me set this up. This is really a
2 new dynamic model that's emerging across the
3 country, Uber, founded and funded by Google,
4 started in the Silicon Valley. And basically what
5 it is, it's a service that's rendered to customers
6 that could be in major markets, like Pittsburgh,
7 Philadelphia, Washington, Dallas, Texas. There's
8 about twenty-five different areas of the country
9 where Uber has set up operations.

10 Basically, what the service is, it's
11 a -- by the way, it's an iPhone app, and you can
12 basically get in a vehicle and you can move across
13 a jurisdiction to get to point A to point B. It's
14 very similar to what they call in the jet --
15 Learjet industry, dead legging. So, they want
16 utilization of those certified vehicles -- notice I
17 used the word certified. It could be a Boston
18 coach. It could be a mid Atlantic limousine. It
19 could be one of the carriers that are approved by
20 the commission out in Pittsburgh.

21 So, what we're coming across, though,
22 with these -- with these new services -- and by the
23 way, California and Colorado have been two states
24 where the Public Utility Commission has been very
25 aggressive in making sure that if you get in that

1 vehicle, that, one, there's a safety check, and
2 that that carrier is physically fit in terms of
3 their insurances and every other Public Utility
4 Commission transportation requirement.

5 Now, in Philadelphia, Uber is regulated
6 by the Philadelphia Parking Authority, not the
7 Public Utility Commission.

8 So, right now, we are going to be
9 reviewing their operations, to make sure that
10 they're compliant with the licenses that they've
11 submitted with us.

12 Lyft is -- I'm going to be very direct
13 with you -- is not certified in Pennsylvania. And
14 we've been talking with the company about PUC
15 compliance. And I think what we need to do, as an
16 agency, is work cooperatively -- this is my
17 personal view, by the way -- work cooperatively to
18 bring players like that to the marketplace. At the
19 end of the day, it's good for consumers, so long as
20 those protections are in place. And that's simply
21 what we're doing.

22 And I got to be honest with you, the
23 taxi cab industry sometimes has monopolistic
24 tendencies where they don't want competition like
25 this. This is disruptive competition in the

1 marketplace. But I can tell you, I've used Uber.
2 It works. You -- you can -- you have functionality
3 to get around places. And people are using it.
4 And areas like Pittsburgh, with new corporations
5 moving in, a very active student body at University
6 of Pittsburgh, Carnegie Mellon, these are the kind
7 of services that are cropping up, and I think it's
8 good for the market. But we, too, as an agency,
9 recognize this new shift in the marketplace and
10 make sure we don't sacrifice in our role in getting
11 out there and properly monitoring it.

12 MINORITY CHAIRMAN MARKOSEK: Okay.
13 Just so I'm clear in my mind, the current operation
14 in Pittsburgh, is it or is it not regulated by the
15 PUC?

16 CHAIRMAN POWELSON: Uber is. Uber is.
17 Lyft, as I understand, is not certificated here in
18 Pennsylvania, and we have to address that issue.

19 MINORITY CHAIRMAN MARKOSEK: So, Lyft
20 is not.

21 CHAIRMAN POWELSON: Correct.

22 MINORITY CHAIRMAN MARKOSEK: Okay.

23 CHAIRMAN POWELSON: And Lyft, as I --
24 if someone wants to correct me here -- is kind of
25 like a ride-share concept, and you can -- you can

1 ride with other people, and you do a review after
2 the ride, then you pay that vendor for the service
3 rendered.

4 MINORITY CHAIRMAN MARKOSEK: Who owns
5 the vehicles? If I have a vehicle, can I volunteer
6 mine to be in that service?

7 CHAIRMAN POWELSON: You can signed --
8 at Uber, you can do that. I'm not so certain about
9 Lyft.

10 MINORITY CHAIRMAN MARKOSEK: So,
11 it's -- we don't know whether it's like a fleet
12 service or it's individuals who just come forward
13 and say, you know, "I'd like to be part of this" or
14 how exactly --

15 CHAIRMAN POWELSON: So, in the Uber
16 model, you could have a company as big as Boston
17 Coach -- they're in all markets -- where their
18 vehicles, on a down run, meaning they've already
19 dropped somebody off and they just happen to be by
20 the Pittsburgh airport, someone could hit that app
21 and they can take that person and get them to
22 downtown on Pittsburgh. That vehicle is certified
23 by the Public Utility Commission. That operator
24 already has a certificate. And that's where, kind
25 of, you know, states like California had an example

1 of -- and it was a horrific example, on that drive,
2 that pick-up, a gentleman hit a six-year-old and
3 killed her. Okay.

4 Here's the issue, the insurance company
5 is not going to pay that claim, and the operator,
6 let's say -- it's not Boston Coach, but the
7 operator that owns the vehicle is kind of putting
8 that -- that employee out there as they were
9 subcontracted out to do this on their own. So,
10 you've got this issue. And the California example
11 is one that we need to look at. So --

12 MINORITY CHAIRMAN MARKOSEK: Let me
13 just summarize my question -- and you might get
14 some other questions on this, too -- but, for the
15 consumer that gets on their app and is on a street
16 corner in Pittsburgh today and calls up Lyft and
17 they come and pick that person up, is -- is he or
18 she safe? And are they covered in an accident?

19 CHAIRMAN POWELSON: Based on the
20 information I have, which is they're not certified
21 in Pennsylvania, that means that our transportation
22 bureau, the safety bureau, the transportation folk
23 in our commission, have not looked at those
24 vehicles.

25 MINORITY CHAIRMAN MARKOSEK: Okay. So,

1 rider beware.

2 CHAIRMAN POWELSON: I would say rider
3 beware, yes.

4 MINORITY CHAIRMAN MARKOSEK: All
5 right. Thank you, Mr. Chairman.

6 I'd like to acknowledge the presence of
7 a few legislators that have arrived:
8 Representative Brian Ellis, Representative Quinn,
9 Representative Santarsiero, and Representative
10 Brownlee. Welcome.

11 Next question will be by Chairman
12 Godshall.

13 REPRESENTATIVE GODSHALL: Out of
14 courtesy -- excuse me -- out of courtesy to the
15 members, I'm going to be very brief, and,
16 hopefully, we'll reserve some time at the end.

17 I just want to comment about some of
18 the things that are -- the issues that are really
19 important at this point.

20 The seven hundred fifteen -- seven
21 hundred fifteen thousand outages in Philadelphia.
22 You know, you know, I've gotten inundated in my
23 office on this. People want to see more tree
24 trimming, or they want to see underground, you
25 know, lines. And this is happening. It's

1 happening again and again. And it usually, in
2 fact, happens to the same people. And it's the
3 trees down the road that are causing the outages up
4 here. So, that has got to be looked at.

5 And I do want to compliment PECO on
6 their response to those outages. Philadelphia
7 Business Journal did a poll, and 83 percent of the
8 people responding to the poll found PECO's response
9 acceptable to excellent, which was, you know, an
10 unbelievable poll response. They had sixty-five
11 hundred people on -- in the field addressing those
12 outages, which is a monumental task in itself,
13 sending crews out here, crews out here, knowing
14 where all the crews are. So -- but something has
15 got to be looked at, you know, when we have seven
16 hundred fifteen thousand outages in one storm, it's
17 -- that's immense.

18 Another thing is, I just want to
19 mention, some of the things, Chairman Powelson, you
20 did mention the DSIC bill. UGI is using that
21 immensely as far as their gas, you know,
22 development, as far as their lines. Chapter 14,
23 which is -- at this point, without Chapter 14,
24 Philadelphia Gas Works wouldn't be in existence
25 today. And it's now -- I think the price tag on it

1 is about two billion dollars. And that's stalled,
2 apparently, over in the Senate.

3 The One Call bill, you know, I know
4 what you want to see on the One Call bill, but that
5 is not necessarily what a lot of the members here
6 want to see, as Chairman -- or Commissioner
7 Coleman, I think, understands at this point.

8 But the other thing that I really want
9 to look at and has to be looked at are these
10 variable rates. You addressed that, you know, to
11 some degree.

12 I had a Vietnamese gentleman come into
13 my office, could barely speak English, who was
14 crying. He was looking at a hundred dollar bill,
15 normally a little over a hundred dollars, he went
16 to five hundred fifteen dollars in one month, and
17 there's no way he can pay it. And there's no way
18 he can get out of the contract. You know, and even
19 if he could get out of the contract in a couple --
20 it would take two more months in order to do it.
21 And he is -- where's he going to come up with the
22 next thousand dollars? So, it's a problem.

23 And I do know that Representative
24 Scavello brought me the same thing up in his area.
25 It was a woman who owned a small business, was

1 paying nine hundred dollars a month for
2 electricity, and all of a sudden gets a bill for
3 twenty-six hundred dollars. And, you know, she
4 can't afford it and stay in business.

5 So, we've got to do something here.
6 It's unacceptable the way it's going. And I know
7 you license these individuals, and I know they
8 could charge pretty well what they want, but, you
9 know, something has got to be done. And I know the
10 committee's probably going to be looking at it.

11 So, but that is one of the bigger
12 issues that we have today. You have little people
13 that are really -- that are really hurting. And
14 they -- especially with the weather that we've been
15 having, which is the cause of some of this, but,
16 you know, it's something that's going to have to be
17 looked at, and it's going to have to be looked at
18 quickly rather than -- sooner rather than later.

19 So, Chairman, you know, I appreciate
20 it.

21 CHAIRMAN ADOLPH: Thank you, Chairman
22 Godshall.

23 Next question will be by
24 Representative Scott Conklin.

25 REPRESENTATIVE CONKLIN: I want to

1 thank you all for being here today.

2 Thank you, Mr. Chairman.

3 I am going to jump on Mr. Godshall's --
4 what he started with with this electric
5 deregulation.

6 We are getting inundated with horror
7 stories. There's one horror story, a small
8 business paying eighteen hundred a month for
9 electric; last month, five thousand dollars, the
10 bill was. They can't get out for another two
11 months. The name of the company's American Power
12 something Gas of Pennsylvania. They're also
13 something of New York. They're also something of
14 Connecticut.

15 They advertised 6.1. The lady called.
16 They promised her they'd be competitive. She was
17 half a cent less than she was paying. The rate now
18 on their website, they have 7.4 listed. Well,
19 they're charging fifteen cents.

20 This is -- I was in the construction
21 business for years. This is bait and switch,
22 classic bait and switch. These people are going
23 bankrupt. These people are nothing but sharks in
24 the state of Pennsylvania. They look on
25 PAPowerSwitch.com. They look at that, and they

1 think that it's a government-regulated website,
2 that it should be honest and fair, and they should
3 be protected; they're not. This isn't a matter of
4 people being charged a little over. This is
5 absolutely unethical tactics that are being done.

6 We have to do something. I want to
7 work with you. I see in Connecticut where they
8 want to put a fifteen-day notice before a rate can
9 be changed. Can we put a review on this website,
10 that people can put a review in to let other
11 customers know that these customers -- by the way,
12 this particular customer is based in -- I mean,
13 based in Florida. This is absolutely despicable
14 tactic.

15 In fact, the one individual that came
16 in, they switched, thinking they were okay, found
17 out they got another bill, found out this company
18 they switched to couldn't accept them, even though
19 they were on your website, they went on -- or not
20 your website, the PAPowerSwitch website -- went on
21 that website, switched power to try save their
22 business to find out they weren't switched because
23 the company couldn't switch them, they hadn't
24 gotten around to sending it.

25 I called this company personally,

1 myself, and they told me, with the least amount of
2 tact I've ever heard in my life, "Too bad. Tell
3 the woman to pay her bill. The PUC," quick air
4 quotes, "cannot regulate us because we're
5 strictly," what they do they call themselves, "a
6 brokerage firm. We don't fall under their
7 jurisdiction. Tell the lady to pay her bill. Too
8 bad."

9 What are we going to do about this?
10 We, as a legislative body, made this happen. And
11 now we have our customers and Pennsylvania citizens
12 are going bankrupt, losing what they have because
13 of unscrupulous business tactics.

14 What can we do to stop this? It's out
15 of control, and we have to stop it. And we have to
16 go after these companies somehow to bring them into
17 line, because they are literally ripping off the
18 public legally, from what they're telling me.

19 Is this true, that it's legal? That
20 they can go up a hundred twenty percent in one
21 month and actually rip the people off? If they
22 don't pay their bill, that their electricity is
23 shut off. What can we do?

24 CHAIRMAN POWELSON: So, let me say, I
25 agree with a lot of -- and I sense your emotion is

1 dealing with this issue. We've had over -- you
2 heard me say -- four hundred informal complaints.
3 Our Office of Competitive Market Oversight is
4 taking those complaints. Many of you have called
5 us. Some of those informals will go formal, and
6 that will require an investigation.

7 Let me give everybody kind of a root
8 cause analysis what's going on here, so this view,
9 Representative Conklin, that this price spike
10 that's hit, that it's going to go into perpetuity,
11 and customers aren't going to be shielded from
12 this.

13 First of all, in the marketplace now,
14 there is 2.2 million customers, give or take, that
15 are out there shopping. There is a segment that
16 signed up for variable-rate products. Okay. Now,
17 look, what we're going to find out through this
18 process, if we get into investigations, is the
19 truth-in-advertising piece, the
20 customer-notification piece, and if there was bait
21 and switch, I can assure you -- I can assure you
22 that we will make a loud and clear statement:
23 You're not welcome to do business in Pennsylvania.
24 And that's licensed -- we will revoke a license.

25 Let me just share with you, this is

1 what's driving it. This is the root cause. I know
2 I'm going to get a question about these weather
3 events. So, on January 6, polar vortex one hit.
4 The price of wholesale power was moving around
5 seventy to eighty dollars per megawatt hour. That
6 parlays into about seven to eight cents per
7 kilowatt hour for customers.

8 On January -- excuse me. This is a
9 note, October, November flash cut.

10 Polar vortex one hits on January 7th,
11 and wholesale power prices jump up to two hundred
12 fifty dollars per megawatt hour.

13 On January 21st, prices go up to four
14 hundred fifty dollars per megawatt hour. And on
15 January 28th those prices maxed out at five hundred
16 dollars per megawatt hour. That's fifty cents per
17 kilowatt hour. And then prices come down now, as
18 of today, back around seventy.

19 Here's -- so you had the perfect storm
20 of weather-related events, customer on
21 variable-rate product -- by the way, I'm locked
22 into a three-year fixed product with First Energy
23 Solutions, paying 7.8 cents. I am immune to this.
24 Those customers -- I understand what you're
25 saying. Look, if there was bad marketing

1 practices, we're going to find that out, and we're
2 going to send that message.

3 Well, what some of the -- some of the
4 better actors, I'll call, that I've heard use an
5 example, supplier offering refunds to those
6 impacted customers, but if you're a good supplier
7 and you put -- and that customer's on that variable
8 rate, you don't want to lose them. So, what do you
9 want to do? You want to actively work to retain
10 them. And so, some suppliers are offering refunds.
11 Some suppliers are rolling back the rate.

12 By the way -- and I'm going to share
13 this with you -- another little dirty secret in
14 this discussion is because of utility back office
15 antiquated systems, i.e. PECO, PPL, Met-Ed,
16 Duquesne, it takes customers sixteen to thirty days
17 to make a switch. By the way, in Texas, you can do
18 that in ten minutes. So, that customer that I want
19 to get out, that you want to get out from that bad
20 product, is going to wait sixteen to thirty days in
21 Pennsylvania's marketplace. That is unacceptable.

22 REPRESENTATIVE CONKLIN: They're
23 rolling over to a second one, so rather than have
24 one month, they're ending up with three.

25 CHAIRMAN POWELSON: Yes.

1 REPRESENTATIVE CONKLIN: Get the bill.
2 Pay the bill.

3 CHAIRMAN POWELSON: Why can't we --
4 with smart meters being deployed, why can't we
5 require utilities to get that switching period down
6 to an acceptable period, so I can take -- let's
7 assume, I got four hundred complaints right now,
8 that I can take four hundred impacted customers, my
9 colleagues and I, and instantaneously either get
10 them into a standard offer, which is a 7 percent
11 immediate discount program, that they can call
12 their local utility right now and get on that
13 product, or they can go back out in the market.
14 But, right now, they're going to wait sixteen to
15 thirty days.

16 REPRESENTATIVE CONKLIN: How do we do
17 it?

18 CHAIRMAN POWELSON: We've got to fix
19 it. I need the legislative fix.

20 REPRESENTATIVE CONKLIN: Will you sit
21 down with us and write --

22 CHAIRMAN POWELSON: I absolutely will.
23 We all will.

24 REPRESENTATIVE CONKLIN: That's what we
25 need. Because this absolutely -- I've never seen

1 anything like this. It's something from the wild,
2 wild west.

3 COMMISSIONER WITMER: If I could just
4 follow up on that, we are actually looking at
5 changing our regulations to make it much more of an
6 instantaneous switch. But as the chairman had
7 indicated, we're feeling some pressure, some
8 backlash from the existing utilities who are
9 indicating that it's too difficult or it's too
10 costly to do that. But, in the meantime, you have
11 customers who are hanging out there --

12 REPRESENTATIVE CONKLIN: Oh, yeah. You
13 have customers that are on the verge of bankruptcy
14 or small businesses that will most likely have to
15 fold.

16 COMMISSIONER WITMER: So, we are doing
17 a couple of things. We're looking at our
18 regulations and trying to push the utilities to
19 give us better information on how we can shorten
20 that time frame to, as the chairman mentioned,
21 within minutes rather than days.

22 REPRESENTATIVE CONKLIN: That sounds
23 good.

24 I want to work with you. I know the
25 chairman wants to work with you.

1 And I may get in trouble, if I can just
2 switch gears just for one more quick question. It
3 basically has to do with complaints I'm getting
4 about Global Tel and the vendors connect with
5 families being charged in the prison system,
6 telephones.

7 Is there anything that the PUC can do
8 to help that?

9 COMMISSIONER CAWLEY: Representative,
10 the Federal Communications Commission, as it
11 happens, just took action on that, because the
12 rates that were being charged were exorbitant.
13 Well, that's not within our jurisdiction, but it's
14 in the Federal Communication Commission's
15 jurisdiction. So, I think there's relief on the
16 way. It's a very timely question, though.

17 REPRESENTATIVE CONKLIN: Thank you.
18 Thank you.

19 My complaint wasn't with the PUC. You
20 all -- you can only do what we give to you, but it
21 was just venting for these poor folks.

22 Yeah, anything we can do, Chairman
23 Godshall, myself, we all need to sit down and this
24 needs, really, immediate action.

25 CHAIRMAN ADOLPH: Okay. Thank you.

1 Representative Jeff Pyle.

2 REPRESENTATIVE PYLE: Thank you,
3 Mr. Chairman.

4 And thank you for being here,
5 commissioners.

6 I have kind of a wide pallet of
7 questions for you, so we're just going to lead you
8 in with kind of a segue from Chairman Godshall's
9 question. When the great ice storm took the east,
10 it's understood that all those people were without
11 power, mostly from lines going down; correct?

12 Can we -- let me ask a question that's
13 kind of indirectly related to that. Last year, we
14 shut down six coal-fired plants, and I'm real
15 curious as to how much load we've taken off the
16 grid that our people can access. We learned that
17 another plant may be forced down, and I, for one,
18 don't notice my air getting any better. But I do
19 know laws of simple supply and demand. Now, we
20 just cut our supply significantly. How much was
21 that? That's my question.

22 CHAIRMAN POWELSON: How much load?

23 REPRESENTATIVE PYLE: How much
24 gigawattage did we take off the PJM grid?

25 CHAIRMAN POWELSON: So, in the last two

1 capacity auctions, fossil-based, coal-based
2 generation, we probably have lost about ten
3 thousand megawatts of coal-fired generation here in
4 the PJM footprint. And one of the things,
5 Commissioner Witmer and I have been participating
6 in hearings with the announcements of the Hatfield,
7 Mitchell closures.

8 REPRESENTATIVE PYLE: Right.

9 CHAIRMAN POWELSON: You go back to
10 reliability analysis, and with those plants
11 closing, are there going to be reliability issues
12 in those areas? At this point in time, the grid
13 operator, PJM, has assured us at this point,
14 there's no what we call reliability must-run
15 contract needed in those.

16 But I want to say this to you,
17 Representative, we talk about this "all of the
18 above" strategy. We just came back from our
19 national conference in Washington. I'm not getting
20 the sense that there is an "all of the above"
21 strategy. You talk to any CEO of any utility
22 generator, there's not going to be a coal plant
23 built in this country, but, yet --

24 REPRESENTATIVE PYLE: Understood.

25 CHAIRMAN POWELSON: But, yet, we still

1 are going to need coal. It's still 47 percent of
2 our energy mix. It's great that we have Marcellus
3 shale. It's great that we have renewables. It's
4 all integrated in our grid. By the way, that story
5 got us through this. We hit a winter peak, when
6 this polar vortex one and two hit, of close to a
7 hundred and thirty-eight thousand megawatts across
8 the thirteen-state interconnect were deployed. And
9 I can tell you, that's a stress point.

10 You heard these, in Philadelphia, PECO
11 had to announce these emergency load reductions.
12 And it was -- it was tested. This grid was tested
13 because of these weather events. And we're giving
14 a message that, you know, these coal plants are not
15 going to be needed, and I don't want to be in that
16 boat if lights flicker in Philadelphia, Pittsburgh,
17 or Erie.

18 REPRESENTATIVE PYLE: We have just
19 gotten word that we may lose another plant. Does
20 that compromise our reliability?

21 CHAIRMAN POWELSON: So, we'll continue
22 to do further analysis with PJM. I wouldn't be
23 shocked if you see more announcements.

24 The other interesting thing, one of our
25 generators, NRG, has looked at -- and I think it's

1 a really -- a nice best practice, if you have
2 ability to access an interstate pipeline -- is
3 coal-to-gas switching, which is taking place. It's
4 kind of an under-the-radar-screen development in
5 the marketplace.

6 REPRESENTATIVE PYLE: Sure.

7 CHAIRMAN POWELSON: But let me put it
8 to you this way, and we're all -- we all probably
9 have 401Ks or defined benefits. You wouldn't put
10 all your eggs in Google or, you know, whatever
11 stock. So, that portfolio, that diversification is
12 critically important.

13 And I'm just going to say this -- it's
14 not a partisan statement -- not sure I'm seeing
15 that out of the -- out of the time I spend in
16 Washington, that there's a commitment to have an
17 all-of-the-above, including gas, including nuclear
18 integration of renewable. I didn't get that warm
19 and fuzzy.

20 I'll turn it over to one of my
21 colleagues, if they want to chat about that.

22 COMMISSIONER WITMER: I think, you
23 know, having participated with the chairman in some
24 of the hearings on the Hatfield and Mitchell
25 stations closure, which are very concerning,

1 especially to, you know, folks that lost jobs as a
2 result of that.

3 REPRESENTATIVE PYLE: Quite a few.

4 COMMISSIONER WITMER: Absolutely. And
5 to have some more, you know, pending is even much
6 more concerning.

7 Having said that, I think there are
8 some companies out there, as the chairman
9 mentioned, NRG, that is looking at dual field, with
10 coal and natural gas.

11 REPRESENTATIVE PYLE: It's exciting
12 technology, this gasification. Good stuff.

13 COMMISSIONER WITMER: Right. Because
14 it is all of the above and below.

15 I think some of things that we have to
16 be concerned about is, as we look at integrating
17 into the grid, some of the additional renewable
18 output, is how does the grid handle that? And
19 that's something that we have to, you know,
20 continue to take a look at, because of the
21 fluctuations that result with that movement of the
22 renewable --

23 REPRESENTATIVE PYLE: Thank you. I
24 don't want to belabor the committee, but I have
25 about another hour's worth of questions on that

1 line.

2 Let's switch gears. One Call, you want
3 to reach back in the pipelines that have been in
4 the ground for fifty, sixty years and make them dig
5 those things up and map them. Now, in Armstrong
6 County, we have seventeen thousand shallow wells
7 that have been there since roughly after the turn
8 of World War II -- or, pardon me, fourteen
9 thousand; Indiana has seventeen thousand.

10 Do we have a program or something to
11 pay for this? Because that is going to drive
12 companies right into bankruptcy.

13 COMMISSIONER COLEMAN: I think there
14 are a couple of things that are noteworthy in
15 this. The first is, this is a transition of an
16 enforcement responsibility from Labor and Industry
17 to the Public Utility Commission, and at this point
18 -- and Chairman Godshall can correct me -- but I
19 don't know that we've heard anybody that's saying
20 that this is not a good thing. This is really
21 about trying to change behavior in Pennsylvania to
22 address what are over six thousand hits to
23 utilities on an annualized basis. So, that's
24 really where we start from.

25 The point of exemptions, the current

1 law has a number of exemptions in them, some of
2 them that are impacting safety more than others.
3 Some of them are impacting the funding that the
4 commission receives for enforcement. The
5 commission's position is, first and foremost, that
6 the exemptions have to be eliminated. If the
7 legislature feels that there are exemptions that
8 are worthy of continuation, that's a decision that
9 the legislature can make.

10 In the case of the gas lines that are
11 in the ground, the current draft is suggesting that
12 mapping is prospectively. It's not going back.

13 REPRESENTATIVE PYLE: Going forward,
14 not ex post facto?

15 COMMISSIONER COLEMAN: Correct.

16 REPRESENTATIVE PYLE: Thank you. That
17 was my next question.

18 COMMISSIONER COLEMAN: And reason for
19 that is that we recognized that there are a lot of
20 investments in the ground that have not been mapped
21 and that have been there for decades, some for
22 centuries.

23 REPRESENTATIVE PYLE: Um-hum.

24 COMMISSIONER COLEMAN: And that trying
25 to map those is a Herculean effort, at best.

1 So, the current draft of the
2 legislation is prospectively, in saying that
3 anything that you're putting into the ground from
4 the date of enactment, going forward, we are asking
5 that that be put into the One Call mapping system,
6 so we know where those things are, going forward.

7 REPRESENTATIVE PYLE: Thanks for that
8 answer.

9 I need to go back to the original line
10 of questioning, grid reliability. I understand
11 there's a, for lack of better words, plan, scheme,
12 whatever you want to talk about, to make people
13 come out and declare who their electric providers
14 are. And if they do not, they'll be placed under
15 an electric provider, and then the state gets money
16 for it.

17 What do you do in underserved areas
18 that don't have a great amount of choice of
19 electric providers?

20 CHAIRMAN POWELSON: So, I think --

21 REPRESENTATIVE PYLE: I'll be honest
22 with you, Commissioner. Here's where I'm coming
23 from. I'm Armstrong County. We mine coal. We
24 used to have a resale power plant which, along with
25 Hatfield and Mitchell and Sunbury and Shawville,

1 all of them shut down. Okay? It's just -- from
2 the heart, it's just insult to injury to shut us
3 down, take our jobs, with no appreciable air
4 quality increase, and then tell us, we're going to
5 have to separate ourselves from the electric
6 company we've done business with for forty years.
7 I think that's not realistic, sir.

8 Your input?

9 CHAIRMAN POWELSON: Sure. And let me
10 give you kind of the apples-to-apples comparison.

11 REPRESENTATIVE PYLE: Sure.

12 CHAIRMAN POWELSON: I know where you're
13 coming from, and I respect the fact you're speaking
14 from the heart.

15 This would -- this is on the retail
16 side, nothing would change with generations. This
17 is retail customers that would go out into the
18 market and shop. And right now, as you heard me
19 say, Representative Pyle, we have 2.2 million
20 customers. That's 40 percent of the marketplace
21 that is in a product -- fixed, variable,
22 renewable.

23 What Senate Bill 1121 -- by the way, we
24 have no formal position on this legislation. What
25 it does is, it takes the 60 percent of the

1 customers that are not shopping, and my colleague
2 to the left here calls the "nudging" them to the
3 marketplace. Look, if done correctly, which, by
4 the way, you legislate, as Chairman Godshall often
5 reminds me, it's a hundred and two, twenty-six, and
6 one. And we understand that. But if there was a
7 legislative construct that would move the 60
8 percent of nonshopping customers out into the
9 market and suppliers would bid for the opportunity
10 to supply that customer, and the construct is the
11 customer would get a fifty-dollar rewards
12 incentive, plus, in a reverse auction, the
13 suppliers would bid lowest cost wins. Meaning,
14 customer gets fifty bucks and lowest cost drives
15 the supplier of choice for that customer. And it's
16 a one-year, fixed product.

17 Now, keep in mind, if I just paid a
18 hundred fifty dollars to acquire you -- by the way,
19 there's two dollars in there for needed customer
20 education. But if I paid that kind of money to
21 acquire you, the last thing I want to do, after
22 paying that kind of money to participate in this
23 reverse auction, is lose you as a customer.

24 That's what this is about. This is
25 a -- this does no disruption to the current

1 generation fleet. What it does is, it supports
2 the -- it would move the 60 percent of nonshopping
3 customers away from the utility -- which, by the
4 way, I think we all agree. I want my utility,
5 PECO, to Chairman Godshall's point, I want them
6 focused on transmission and distribution. I want
7 them to be the best of class when the ice storm
8 comes through, and I want them to be the best of
9 class putting the smart meter on my home. I'm not
10 so sure I want them in some supply business. But
11 that's going to be a discussion that the
12 legislature will have. And if you guys decide that
13 there's a hundred and two, twenty-six, and one,
14 we'll do what we always do, and that's implement
15 effectively.

16 REPRESENTATIVE PYLE: Thank you,
17 Mr. Chairman.

18 And thank you, commissioners.

19 MAJORITY CHAIRMAN ADOLPH: Okay. Thank
20 you.

21 Just want to remind members that this
22 is our first hearing and not our only hearing on
23 the day.

24 And the next question will be by
25 Representative Jack Wheatley.

1 REPRESENTATIVE WHEATLEY: Thank you,
2 Mr. Chairman. I'm not sure if you were aiming that
3 towards me or not. I will try to be quick.

4 Welcome this morning, commissioners.
5 Can I go back to Chairman Markosek's question for a
6 moment, because twelve years ago, when I came into
7 the general assembly, in Pittsburgh, we have
8 something that is unique but I think is probably
9 similar things happening all over the commonwealth,
10 called jitneys. And they service underserved
11 neighborhoods and, particularly in Pittsburgh, it
12 was a call because the major taxi service providers
13 typically didn't come to serve neighborhoods, so
14 these were necessities that people used to get back
15 and forth to grocery stores or wherever they need
16 to be.

17 And, I guess, back then, before the
18 Ubers of the world and Lyfts of the world and
19 whatever came into line, the jitney was there. And
20 we were very concerned because, at any moment,
21 being unregulated, any moment these types of
22 services could be challenged. And we didn't want
23 the ability to lose these services under
24 challenge. So, they've been around.

25 So, help me understand the difference

1 between the jitneys of the world and the Ubers of
2 the world.

3 CHAIRMAN POWELSON: I'm going to defer
4 to one of my colleagues to take. It's a good
5 question.

6 I mean, at the end of the day, I'll
7 answer it this way: I want the customer to have
8 peace of mind, they get in that vehicle, that it's
9 been inspected, it's insured, and when I pick you
10 up and take you from point A to point B and
11 something happens, that you've got the proper
12 insurance coverages.

13 By the way, there is another good
14 example of this in Lancaster County, where there's
15 these sixteen-passenger vans that move Amish
16 farmers around. And it's, quote, a jitney
17 service. I want to have peace of mind, again, that
18 your constituent gets in that vehicle and something
19 happens, that they're certificated with us and that
20 you should have the peace of mind that we're out
21 there inspecting and making sure they're doing the
22 right thing, because, God forbid, there is an issue
23 and something happens. So, that's the way I
24 approach it.

25 I'll let any one of the colleagues jump

1 in.

2 COMMISSIONER WITMER: Representative,
3 that is, in fact, the difference. With the
4 jitneys, they're not certificated, meaning we don't
5 know whether or not they have license or insurance
6 in case something goes wrong. We haven't inspected
7 the vehicles to determine their fitness.

8 We do do that with the Amish carriers,
9 those that we are aware of. We understand that
10 most of the jitneys may be providing a service.
11 It's from our perspective, it's just making sure
12 that they are operating appropriately to protect
13 your constituents.

14 REPRESENTATIVE WHEATLEY: And so, the
15 reason I'm asking that question, I need to say
16 this, because if anybody's listening to this or
17 this shows up on TV, I don't want the jitney
18 drivers and those who are supporting jitney drivers
19 to think that Jake Wheatley is trying to get rid of
20 them; I'm not. And the point I was making back
21 then, because I would say the same thing today, I
22 think our commission has to understand the totality
23 of how people transport themselves. And there
24 needs to be ways by which we can appropriately
25 provide these services without providing a hardship

1 on those who are trying to provide the service and
2 not providing a hardship on those who are seeking
3 the service, knowing that there are different ways
4 to enter into our system.

5 And, you know, I'm hoping that as we
6 work through the Uber and all that other stuff that
7 we do recognize that one is not the same. You
8 know, there are differences in jitney services and
9 Uber. In my mind, Uber is a coordinated national
10 type of movement, model. Jitneys aren't. They're
11 more independently operated type and probably more
12 in line with the Lyfts of the world, probably will
13 be more of an analogy.

14 But I would hope that as you, as a
15 commission, start to work about this and think
16 about this, that we really understand there are
17 some differences in how these things operate and
18 that they're not treated all the same in the way
19 that you're looking at it.

20 So, anyway, that being said, I want to
21 jump right into another bitter piece that I've been
22 kind of harping on for years and years and years
23 and hopefully you've done something about. I look
24 at you as an economic generating body in the sense
25 that a lot of the employers across the commonwealth

1 who are utilities, that they come before you and
2 they're asking for all types of things, rate
3 increases, abilities to consume other competitors,
4 and so on and so forth.

5 Do you have a diversity inclusion type
6 of policy that not only you follow internally but
7 externally as these companies come before you, that
8 they have to show you some diversity and inclusion
9 in the way they employ people and contract with
10 people?

11 CHAIRMAN POWELSON: So, through our
12 national association, NARUC -- and this is a very
13 hot topic right now -- is really trying to get -- a
14 lot of utilities, believe it or not, are embracing
15 diversity in not only the workforce but diversity
16 in contractor in selection. I could get back to
17 you with who's doing what in Pennsylvania, but I
18 know PECO's been very active, PPL, Duquesne, but
19 let me go back and catalog who's doing what, give
20 you a little bit of peace of mind where we stand in
21 Pennsylvania.

22 REPRESENTATIVE WHEATLEY: Thank you.

23 And one last question, Mr. Chairman,
24 is, again, back in my younger days as a legislator,
25 I have interceded on behalf of my community when

1 EQT, was then Equitable Gas, was interested in
2 buying People's. And we came to a settlement. And
3 in that settlement, there was some things that they
4 were supposed to perform. To my knowledge, not all
5 of those things had happened.

6 And I'm wondering, from your
7 perspective, as you look at what is being done out
8 there, I would particularly be interested in
9 finding out what EQT, as an institution, has done
10 as it relates to employment and contracting with
11 minorities and women.

12 CHAIRMAN POWELSON: Well. Right now,
13 you know, EQT, as you know, the gas distribution
14 company, is now part of People's Gas, which is run
15 by, I believe, Morgan O'Brien, who's very active in
16 the civic affairs of Pittsburgh. Again, I'll
17 circle back with you, as part of the merger, what
18 they're doing in and around Pittsburgh with hiring
19 and contractor selection.

20 REPRESENTATIVE WHEATLEY: Thank you.
21 Thank you, Mr. Chairman.

22 CHAIRMAN ADOLPH: Thank you.

23 I'd like to acknowledge the presence of
24 members Representative Millard, Harris, and Grove
25 that have joined us.

1 And next question will be by
2 Representative Karen Boback.

3 REPRESENTATIVE BOBACK: Thank you,
4 Mr. Chairman.

5 My questions center around pipeline
6 safety. Increasing Marcellus shale drilling
7 activity has made distribution of natural gas a
8 critical safety issue, critical safety issue in
9 this commonwealth. Act 127 expanded your authority
10 to enforce pipeline safety regulations.

11 Which categories of pipelines do you
12 oversee?

13 CHAIRMAN POWELSON: So, under Act 127,
14 it's class two, three, and four -- which, by the
15 way, that designation is based on population
16 density. Four being major metropolitan areas like
17 Pittsburgh or Philadelphia. And I believe we have
18 class one, gathering.

19 And I want to report to you, and I
20 asked for this update from our gas safety folk. We
21 believe -- I believe we've hired four gas safety
22 inspectors year to date. I'm going to tell you
23 this, and it's a continual theme that's been
24 promoted here. We'll go out and recruit a gas
25 safety inspector. This gas safety inspector will

1 go through a training program that takes probably
2 two years, and it's taken -- it takes place in
3 Oklahoma City. There's only one area of the
4 country that has this training.

5 Another area that's unfolding right
6 now, we had a couple -- especially during the
7 winter months, where there's leak detection, and
8 need to get gas samples done, I'm finding out that
9 a lot of these gas samples are taken out of state
10 to labs outside to get -- to get properly assessed,
11 and then that data comes back. Our operations, our
12 boots on the ground are telling us, they would love
13 to see Pennsylvania move in the direction of we
14 could have a lab, whether it's in Pittsburgh or
15 Philadelphia, where we can get that data done
16 in-state and it can be real time.

17 So, I will tell you, the emergence of
18 Marcellus shale pipeline development is going to be
19 a critical function of the commission, and I want
20 to assure you that gas safety is something we will
21 not compromise on.

22 REPRESENTATIVE BOBACK: I appreciate
23 that.

24 Can you help me understand, with
25 class-one pipeline -- I'm from a very rural area,

1 and there's no oversight then? You do with the
2 gathering, but because it's not a densely populated
3 area, you don't oversee class one?

4 CHAIRMAN POWELSON: There's no, we'll
5 say, boots on the ground. That's a PHMSA
6 oversight. And I will tell you, Senator Baker has
7 reached out to us on this issue as well. What
8 needs to be done to kind of ramp up safety
9 inspection, and I bet you at numerous public input
10 sessions you may have had with constituents, we've
11 had, anecdotally, some compressor stations that
12 have gone, that there's this growing concern that
13 why is there this disparity between, you know,
14 class four seems to get fair treatment, class three
15 and two. What about a little segment of class one,
16 transmission, and how do we address that.

17 I'd be more than willing to sit down
18 with you with our gas safety director, Paul Metro,
19 and talk about that.

20 Again, Senator Baker's also been in
21 active discussions with us on this.

22 REPRESENTATIVE BOBACK: I would
23 appreciate sitting down with you, and I do
24 represent a portion of the senatorial district
25 where Senator Baker is, so, from the House

1 standpoint, please count me in.

2 May ask I, now, how do you feel the
3 provisions in the act, do you think they're
4 sufficient for your commission to ensure pipeline
5 safety? You answered that in part, but is there
6 anything else, aside from going to category one
7 pipeline, that we can do for you?

8 CHAIRMAN POWELSON: Well, I won't be
9 shy in asking this. It's about allocation of
10 resources in dollars. You've heard me present here
11 this morning 3.7 million dollars in federal funds
12 to help, a portion goes to gas safety. I can
13 assure you, and it's great having Chairman Shuster
14 as the Transportation chairman, but Washington is
15 not doling out huge sums of money to support these
16 initiatives. So, we would rely on the state. And,
17 you know, so I would put my lobbying hat on and
18 say, more resources would help, and they're
19 monetary resources.

20 I would love to have my former
21 colleague, to his credit -- I still question why --
22 and, by the way, we have preferred status to get
23 these inspectors through that program. By the way,
24 we're competing with industry. We're competing
25 with DEP for this human capital. My former

1 colleague, Commissioner Wayne Gardner, lobbied very
2 hard, and to his credit, about getting a gas safety
3 training facility here in Pennsylvania, which would
4 benefit the entire mid Atlantic region.

5 REPRESENTATIVE GODSHALL: And I do
6 agree with that. I like the idea of having a lab
7 here in Pennsylvania.

8 Last question, how do you work with
9 FERC as far as pipeline safety, the federal
10 government?

11 CHAIRMAN POWELSON: Well, as you know,
12 there is a huge delineation in roles there, where
13 FERC has jurisdictional oversight of the siting of
14 the interstate lines. We have a very, I'll say,
15 proactive working relationship with FERC. FERC
16 relies on us, especially in wholesale power
17 markets. And we have a -- kind of within the
18 commission, we have an oversight group that does
19 all of our FERC interfacing, but I would -- on the
20 pipeline front, they really take on the big -- the
21 lion's share of the siting, the public input
22 sessions, they drive that process.

23 REPRESENTATIVE BOBACK: Thank you,
24 Commissioner. I look forward to working with you.
25 And, again, I emphasize critical safety of pipeline

1 in northeastern Pennsylvania and any part of PA
2 that we have these pipeline safety issues.

3 So, thank you.

4 CHAIRMAN POWELSON: Thank you.

5 REPRESENTATIVE BOBACK: And I'll be in
6 contact.

7 CHAIRMAN ADOLPH: Thank you.

8 Representative Gary Day has joined us.

9 And the next question will be by
10 Representative Santarsiero.

11 REPRESENTATIVE SANTARSIERO: Thank you,
12 Mr. Chairman.

13 And, commissioners, welcome. I'm over
14 here.

15 I don't have so much a question -- I'm
16 sure the chairman would be happy to hear -- as I do
17 a request. Last week, when the director of PEMA
18 came before us, he told us that you all would be
19 having a meeting with him as well as the utilities,
20 including PECO about some of the outage issues
21 we've had with these extraordinary storm events.

22 And I want to amplify what Chairman
23 Godshall said earlier, first, to say, that, under
24 very trying circumstances, I think PECO, as well as
25 all of the other utilities with whom they have a

1 mutual assistance agreement, did a terrific job
2 with the last event as well as with Sandy under
3 very trying circumstances.

4 My concern, going forward, is that
5 these extraordinary events seem to be more
6 ordinary. At least three have happened now within
7 the last two and a half years. So, I do think it's
8 now incumbent upon us all in the state to be
9 thinking about what we need to do to address these
10 types of events going forward. And that seems to
11 go directly to the question of infrastructure.

12 Now, I know in case of PECO -- and I
13 can't speak for the other utilities throughout the
14 state -- they've been very aggressive about
15 vegetation trimming in the last couple of years,
16 and that's really had a very positive impact,
17 particularly on the more minor storm events.

18 But in the case of these more
19 extraordinary events, I think that what we really
20 are looking at are more of the traditional
21 infrastructure issues. And as I said last week
22 when PEMA was here, I recognize that burying lines
23 on a massive scale would be an astronomical cost,
24 and that's not a realistic thing in the short term,
25 maybe over many years it could be. But what I

1 would really urge you to do -- and I will say, to
2 PECO's credit, I've talked briefly with PECO's CEO,
3 Craig Adams, about it, and he is open to this
4 discussion -- really urge you to look at the other
5 aspects of infrastructure changes that are more
6 doable, whether it's circuitry changes, whether it
7 is repositioning of existing above-ground lines,
8 whether it's just the way the things are laid out
9 currently, as a way of minimizing these outages,
10 and when the outages occur, as a way of shortening
11 the amount of time in which customers are out of
12 power.

13 These things are probably much more
14 cost effective and could have a real impact on the
15 system in the long term. And, I would -- when you
16 sit down and have that meeting, I would urge to you
17 do that, and then come back to us with any help
18 that perhaps we, as the legislature, the state
19 government, can provide. Because this is, I think,
20 going to become an increasing problem for our
21 constituents through the commonwealth. And I'm
22 sure -- while I'm familiar with the southeast
23 because that's where we are, I'm sure these issues
24 exist throughout the commonwealth of Pennsylvania.
25 So, it seems to me, as important as some of these

1 other issues in terms of rates are, this issue of
2 having the infrastructure that can withstand more
3 serious storm events is one that we have to
4 prioritize in the commonwealth and all work
5 together, the utilities, the commission, as well as
6 the legislature.

7 CHAIRMAN POWELSON: You bring up an
8 excellent point. And the weather patterns, I mean,
9 we're all -- I think we're becoming veterans at
10 this now. Think about it. Tropical Storm Lee,
11 Hurricane Irene, Hurricane Sandy. I'll be honest
12 with everybody on the panel, I didn't know what a
13 derecho was until a couple years ago, and I didn't
14 know what a polar vortex was, but these are weather
15 patterns that are coming our way. They're coming
16 quickly. They're causing huge outages.

17 I want to say this, what Chairman
18 Godshall and Chairman Daley did with the passage of
19 DSIC legislation sets up a framework now for what I
20 call modern utility infrastructure. The
21 traditional way of kind of capturing all that --
22 those capital requirements was done in a long,
23 drawn out, expensive rate case proceeding, now we
24 have this DSIC mechanism, which I think -- well, I
25 know this, all of the utilities have filed these

1 long-term infrastructure plans with us, so that
2 network grid modernization is a key portion of
3 that. But I do think it's a work in progress.

4 And I want to assure everybody here on
5 the committee, because I know I was with some of
6 you in Montgomery County. It was an absolute war
7 zone when we walked those streets with the governor
8 and the patience that your constituents showed, but
9 the reality of it is, you know, people, especially
10 with this weather pattern, they're really
11 frustrated right now. And we're sensing that.

12 And the other point I will make to you
13 is the after-action -- I know we're all giving PECO
14 kudos, but let me assure you, the commission has a
15 job to do, and that job is the after-action. And
16 we're going to do that. And we're going to do it
17 with PEMA. The governor has been very direct: I
18 want an after-action, and I want it done in thirty
19 days.

20 We will host public input sessions. I
21 can assure you -- I live in Chester County. There
22 is going to be one in York County. There's going
23 would be one in Montgomery County. And we'll be
24 reaching out to you on that.

25 This is, you know -- I think, again, we

1 want to hear from constituents what needs to
2 improve.

3 I will wrap up on this point. One of
4 the biggest issues is collaboration with our EEOCs,
5 our 911 call centers, and I heard, anecdotally, in
6 MontCo and ChestCo, there was a huge frustration
7 with PECO's ability to deploy resources and to
8 trust the information that was coming out of those
9 EEOCs. Well, the EEOCs have that real-time data.
10 They know where roads are down. And they were
11 frustrated because the utility wouldn't deploy
12 those resources adequately.

13 So, if you're a local mayor, you're a
14 township supervisor, you're saying, When are these
15 crews coming? We heard that. So, how do we
16 improve that going forward?

17 I want to say one last thing. We're
18 very proud of the work our commission staff, the
19 work that they have done. It's been remarkable.
20 You heard me say we have an electric safety
21 division. But there's two gentleman in our agency,
22 Darren Gill and Dan Searfoorce, that are at this
23 twenty-four/seven, and all the volunteers that are
24 going over to the state EPLO center on sixteen-hour
25 shifts to work to get the restoration done. We're

1 very proud of them.

2 REPRESENTATIVE SANTARSIERO: That is
3 all good to hear, and I appreciate that.
4 Certainly, you know, there are two issues. There's
5 the action, how it happens, when you have these
6 events, but the first point that you address in
7 terms of the changes going forward. And the only
8 thing I would say is to really underscore the need
9 to make those changes more quickly. So, whatever
10 the assumed schedule was previously, I think we
11 have to rethink that now, in light of the -- I
12 think probably going forward, that these types of
13 events are going to become more frequent, and,
14 therefore, you know, we are going to have to
15 address it more quickly.

16 I know, as we said, people who have
17 dealt with these storms now have been very
18 patient. I do think that that patience will run
19 out if we continue to have these events on an
20 annual basis, and we have prolonged outages of the
21 type that we've seen.

22 So, I just -- I would urge you to try
23 to move that schedule up, that time frame up,
24 whatever was being contemplated before, on a much
25 more expeditious way.

1 And I want to put in a plug for Bucks
2 County, if you want to have one of those after-
3 actions in Bucks County, we'd be grateful for that
4 as well. Thank you.

5 COMMISSIONER COLEMAN: Representative,
6 you make a very good point that there really are
7 two different pieces to this. One is a storm
8 restoration effort, and then there is the post
9 storm activity and actions. And the commission has
10 focused on that. We have asked the utilities to
11 examine those worst performing circuits, where they
12 have a frequency of outages on a regular basis as a
13 result of storms.

14 We've also seen where there are two
15 EDCs that are relatively close but yet they are not
16 interconnected. So, we begin to look at those
17 types of opportunities. Is there a way to
18 interconnect where power can be restored more
19 efficiently post storm? So, there are a number of
20 those actions that the commission is looking at
21 presently.

22 REPRESENTATIVE SANTARSIERO: That's
23 great. And, again, those are the more
24 cost-effective approaches that can really have a
25 significant impact on outages and duration of

1 outage.

2 Thank you very much.

3 Thank you, Mr. Chairman.

4 MAJORITY CHAIRMAN ADOLPH: Thank you.

5 Just to add to that, obviously, getting
6 the power back on is the most important thing. It
7 can be life threatening for some of our seniors and
8 so forth. But, also, more now than ever, we have
9 people that make their livelihood out of their
10 homes. And in addition to the utilities, we need
11 the Internet in there. So, a lot of my
12 constituents were not only without utilities, they
13 were without making a living for, you know,
14 anywhere between a week and ten days.

15 So -- and, it's very difficult to try
16 to coordinate all this. And I heard, firsthand,
17 from many of the out-of-state utilities that joined
18 us, our infrastructure in my neck of the woods,
19 which is, you know, couple hundred years old, you
20 know. So, our poles need to be updated. We had
21 poles snapping all over the place.

22 So, that legislation that was passed
23 couldn't have come any sooner. I'm glad to hear
24 what I am hearing today.

25 COMMISSIONER WITMER: Representative, I

1 think, you know, what you just touched on is
2 something that we have taken to heart from prior
3 storms. And so, we have created an
4 interoperability working group. We bring in all
5 the different utility sectors so that we can talk
6 about and so that they can talk amongst themselves
7 about how they handled within the storm situations
8 and how to prioritize, you know, where they're
9 critical, so that they can actually talk the same
10 language when you get in these kinds of situations.

11 MAJORITY CHAIRMAN ADOLPH: Thank you.
12 Representative Tom Killion.

13 REPRESENTATIVE KILLION: Thank you,
14 Mr. Chairman.

15 Welcome.

16 Mr. Chairman, being from the southeast,
17 I'm sure you can remember the panic that set in
18 when we heard we were losing two refineries in
19 Marcus Hook, Delaware County, and the thousands of
20 jobs at stake. And through the efforts of Governor
21 Corbett as well as many others in the region and
22 throughout the commonwealth for that matter, we
23 were able to save those refineries and thousands of
24 jobs in the process.

25 I'm curious, what's the update or give

1 me an update or status of the Mariner East pipeline
2 project and what you think that will mean for those
3 refineries and for the folks at Delaware County and
4 Marcus Hook Borough.

5 CHAIRMAN POWELSON: Thank you for that
6 question, Representative Killion.

7 First off, you were involved,
8 Congressman Meehan and, obviously, Governor
9 Corbett, leadership effort. To think where we were
10 thirty-six months ago with the trainer facility,
11 Marcus Hook in southwest Philadelphia, now where we
12 are with the emergence of Bakken crude coming to
13 Philadelphia.

14 Vice chairman and I were recently at
15 Monroe Energy and getting a progress report on what
16 they're doing. But Mariner East, I think, is a
17 true game changer in the sense that it now allows a
18 shipment of seventy thousand barrels of ethanes and
19 propanes to move into the Marcus Hook facility in
20 the short run for export. And by the way, that
21 export market for moving those ethanes at four to
22 five dollars down the pipeline and taking to the
23 European market about fourteen to fifteen dollars.
24 That's a huge opportunity.

25 I think, in talking to people like

1 Senator Pileggi and others, and Congressman Meehan
2 and the governor, the need to potentially or the
3 opportunity to potentially bring some type of
4 ethylene cracker facility. It's -- I hate to say
5 this. It was a pipe dream probably thirty-six
6 months ago. It's not a pipe dream. It's a
7 reality. And I remind everybody, this is an
8 opportunity. What's emerging in the Philadelphia
9 marketplace is now -- people are seeing the
10 downstream benefits and this revitalization around
11 Marcellus. And I think it's a great story.

12 I had -- recently, I had dinner with
13 the president of US Steel. US Steel has lost money
14 the last five years, but guess what unit in US
15 Steel is making money: tubular steel production.

16 So, if we can continue to get the gas
17 to market -- we have an ample port facility there,
18 as you know as former chairman of the Delaware
19 County Council, the dredge port, the forty-five
20 feet presents a tremendous opportunity.

21 I also want to commend Mike Hennigan,
22 the CEO of Sunoco, the work that he's done. He's a
23 true visionary. He understands pipeline safety,
24 understands doing things the right way.

25 And I think -- by the way, there's

1 Mariner East, the -- it's an interstate -- by the
2 way, it's an interstate pipeline. So, we don't
3 technically touch the pipeline, but the reality is
4 they're going to what they call an open season, and
5 there's another announcement -- I think it's
6 Consol, has agreed to put shipment of ethanes. So,
7 if you're in that downstream Marcus Hook, Trainer
8 area, it is a very bright horizon.

9 Thank you for the question.

10 CHAIRMAN ADOLPH: Representative Dean.

11 REPRESENTATIVE DEAN: Thank you,
12 Mr. Chairman.

13 Thank you, commissioners. Thank you,
14 Chairman.

15 And I'm in Montgomery County, so not to
16 belabor it, but just simply to echo and to
17 reinforce the need for taking a look at what
18 happened, how restoration was accomplished, very
19 heroically in many, many instances. In my
20 township -- one of my townships, twenty-two
21 thousand of twenty-three thousand homes lost power,
22 many, as you know, for many, many days.

23 So, what can people expect in the
24 after-action? We're hoping to have one in our
25 district, a hearing with PUC, PECO, PEMA

1 stakeholders, legislators, concerned citizens.
2 What can people expect in the review and in the
3 looking forward?

4 And one thing I'm afraid of is this
5 notion that -- I don't want us to be governed by,
6 well, it's an unpredictable weather event. Well,
7 in some ways, yeah, you're right. Mother Nature's
8 going to do that to us. But in some way, we're
9 seeing houses, pockets that are continually getting
10 knocked out, so it not so completely unpredictable.

11 And also, I hate to default, but it's
12 simply too expensive. We're in an old grid. It's
13 simply too expensive to do the kinds of things,
14 infrastructure changes, that you're talking about.
15 Maybe it is, but maybe it isn't if we do it very
16 systematically over long periods of time, like the
17 burying of lines.

18 So, what could consumers hope for from
19 a review of what happened and looking forward in
20 the report that you're planning to come up with for
21 the governor and for all of us?

22 CHAIRMAN POWELSON: Sure. Just a quick
23 synopsis. Obviously, we want to hear from the
24 public, your constituents. Obviously, there's
25 going to be a little bit of -- for those that went

1 beyond, I'll say, a three-day period, a little bit
2 customer fatigue, customer outrage.

3 Let me also speak to something I know
4 the vice chairman always talks about, is we didn't
5 have one incident, one safety incident to those
6 linemen and women that were out there doing the
7 restoration in very harsh conditions. We didn't
8 have one hiccup here in Pennsylvania. That's a
9 success story.

10 But in answering your question, what do
11 we want to see? One is the deployment of mutual
12 assistance. Those numbers -- and I'll just give
13 them to you so you have them. So, in the PECO
14 story, in Sandy, you had eight hundred fifty
15 thousand outages; in the ice storm, you had seven
16 hundred fifteen thousand. You had mutual
17 assistance crews. So as that -- we've got to check
18 that data to make sure those crews were on the
19 ground.

20 You heard me mention earlier that
21 coordination, especially in Chester County, with
22 Mr. Sullivan, and Mr. Atkins in Chester County.
23 And I had to go over to Chester County on a
24 Saturday morning. There was a lot of frustration
25 with PECO not coordinating with EEOCs.

1 By the way, you all participate in
2 those daily conference calls. That was an
3 outgrowth of our efforts with Hurricane Irene and
4 Tropical Storm Lee. You need information to give
5 to constituents. Local mayors need information.
6 So, those daily calls, which I think are helpful.

7 We want to see metrics on the use of
8 social media. By the way, social media has been a
9 nice little game changer, a silver lining story
10 here, about how customers are getting real-time
11 information. How do we improve that communication,
12 as Commissioner Witmer talked about.

13 The collaboration -- I'll tell you
14 another issue that came up. There were a lot of
15 trees down. So, you'd go down a route and someone
16 would say, well, that's not a PECO line; that's
17 Comcast, and why isn't it being cut down, and what
18 do we do with more -- is there a need for more
19 coordination around vegetation management? So,
20 these are kind of the issues that we'll get into.

21 But I will say, I mean, the IVR system,
22 when you call in, no hiccups there. It worked very
23 well. PECO was very responsive.

24 One of our utilities, Met-Ed,
25 offering -- I don't think you need dry ice when

1 it's five degrees out, but outreach with bottled
2 water and making sure customers had resources.

3 Another silver lining to this is the
4 work of the Red Cross, these warming centers. West
5 Chester University, I went over to see the students
6 there that helped set it up. It's remarkable the
7 volunteer effort that took place.

8 But our after-action will kind of get
9 into, operationally, what was reported to us, does
10 it jive with our electric safety folk, and how do
11 we improve it. That's what you want to hear from
12 us. How are we going to make that -- I won't make
13 promises on cutting restoration times down to
14 twenty-four hours, but I think we want to -- how do
15 we continue to make these processes better so the
16 customer frustration level, the customer
17 experiences, they understand things better. We're
18 getting there.

19 By the way, a lot of states are leaning
20 on us now, say, Hey, Pennsylvania, you know, we're
21 hearing a lot of good -- these best practices, and
22 our energy associations involved in that, how do we
23 continue -- they're leaning on us to take some of
24 our best practices.

25 REPRESENTATIVE DEAN: Appreciate that.

1 And I do hope that we'll really have some future
2 thinking kinds of recommendations that will come
3 out of that review, and I would like to be part of
4 it.

5 CHAIRMAN POWELSON: Right.

6 REPRESENTATIVE DEAN: Thank you.

7 CHAIRMAN ADOLPH: Thank you.

8 I'd like to acknowledge the presence of
9 Representative Petri and Representative Mark
10 Mustio. They have joined us.

11 And the next question will be by
12 Representative Donna Oberlander.

13 REPRESENTATIVE OBERLANDER: Thank you,
14 Chairman.

15 Good morning, Chairman, commissioners.

16 Given the recent polar vortexes, will
17 you share your thoughts on the importance of the
18 backup generators participating in PJM's demand
19 response program?

20 CHAIRMAN POWELSON: Sure. First off,
21 without the backup generation, makes our jobs very
22 difficult, as you have what we call critical care
23 facilities, hospitals, tier-one customers, that --
24 sewer plants -- that need immediate -- they need
25 power on their systems. And demand response, when

1 you heard you me mention earlier, when we hit peak
2 of a hundred thirty-seven thousand megawatts,
3 demand response was very critical to customers --
4 excuse me -- for stabilizing and creating a little
5 bit of grid reliability.

6 I know there is a piece of legislation
7 that's moving forward here -- I think
8 Representative Cutler is sponsoring, Representative
9 Ross is sponsoring. We have taken no position on
10 that legislation, but your question about demand
11 response and backup generation was absolutely
12 critical for grid reliability and keeping nursing
13 homes, you know, up and running, critical care
14 facilities, PA American was reaching out to us with
15 some of their stories and how PECO was helping them
16 with their Coatesville system. So, I will answer,
17 it's very, very important -- played a very
18 important role. Excuse me.

19 REPRESENTATIVE OBERLANDER: Thank you,
20 Chairman.

21 I understand you're not taking a
22 position on that bill, but the bill does require
23 that you would perform blind audits, compliance
24 audits. Have you done any figuring on what that
25 might cost you, and are you supportive of the

1 piece?

2 CHAIRMAN POWELSON: As, again, Chairman
3 Godshall will often remind me, if it's legislated,
4 we do a pretty good job implementing it. And if
5 that's the wishes of the general assembly, we'll
6 make it happen.

7 And I understand that there is a strong
8 concern that, you know, some of these diesel
9 generators are putting particulate, dirty air and
10 being treated differently than coal plants that are
11 being pulled off line because of things like the
12 MATS boiler, the 316(b) regulation from the EPA. I
13 get that. And it's a fairness issue. Now,
14 granted, this debate all goes away if they were all
15 fired on natural gas. That would be a nice story
16 to tell.

17 But the intent in terms of -- or the
18 ability in implement, I think we can do it. It's
19 going to be -- by the way, it's going to require us
20 to coordinate activities with DEP, which we do
21 fairly well, so I think we'll be able to implement
22 it.

23 REPRESENTATIVE O'BRIEN: But you don't
24 have a cost associated with it.

25 CHAIRMAN POWELSON: I don't, no.

1 REPRESENTATIVE O'BRIEN: Thank you.

2 Thank you, Chairman.

3 CHAIRMAN ADOLPH: Thank you.

4 I've been advised that Representative
5 Matt Bradford, from Montgomery County, has also
6 joined us.

7 And the next question will be by
8 Representative Bernie O'Neill, from Bucks County.

9 REPRESENTATIVE O'NEILL: Thank you.

10 And good morning.

11 And I apologize. I got a cold getting
12 out from the snow, I think.

13 First of all, for my constituents out
14 there, I had a neighbor come to me when I was
15 plowing -- actually plowing my neighbor's driveway,
16 and said I was told to thank you for us not losing
17 our power with you being in the neighborhood. So,
18 not a problem. Just remember that on election
19 day.

20 Anyway, the reason I bring that up is
21 because I live in a neighborhood where everything's
22 underground, but we tend to lose our power all the
23 time, and for some reason we didn't this time. We
24 were very fortunate. And all my neighbors around
25 me are above ground, and they usually don't lose

1 their power. I think was without power, what it
2 was, the storm before Sandy, Hurricane --

3 COMMISSIONER BROWN: Lee and Irene.

4 REPRESENTATIVE O'NEILL: That's it.
5 Yes. We were without power for seven days.

6 I guess my question is, what is your
7 opinion, because I'm hearing in other states, like
8 New Jersey, Maryland, some other states are for
9 seeing the utilities to go underground because of
10 the impact of some of these storms. What is your
11 opinion of that, the pros and cons about going
12 underground versus staying above ground? And I
13 know the cost. I understand that.

14 But is there any other things that you
15 can add to that that are the pros and cons to the
16 system we have now as opposing to go underground,
17 especially, in some, like my neighborhood, that
18 constantly is losing power and we're underground.

19 CHAIRMAN POWELSON: Well, I bet you
20 might get five opinions on this, and if you want,
21 I'll start. Look, it's a million dollars a mile.
22 It's great when you have a new subdivision being
23 built and you can go underground.

24 Pennsylvania, you know, the second
25 oldest state in America, and if you could -- I will

1 say this to you, if you can stomach trenching
2 neighborhoods and the work that goes with it, it's
3 an engineering marvel if it could be accomplished.
4 I'm not -- I've seen -- the District of Columbia is
5 embarking on this, with Pepco. It's upwards to a
6 billion-dollar spend because the city and the mayor
7 want to move in this direction.

8 I -- I tell you, it would not come
9 without a lot of heartburn, my personal view. And
10 I'll turn to over to any colleague that wants to
11 take it. It sounds really good, but the reality of
12 trying to do it and fund it is a big price tag.

13 REPRESENTATIVE O'NEILL: Well, what
14 about new development?

15 CHAIRMAN POWELSON: New development, it
16 probably makes sense, but, I mean, all your
17 existing infrastructure to -- I'll answer it this
18 way. On going forward, where it makes a fit in
19 certain areas of the state, they ought to look at
20 it, if it's a best practice and it's cost
21 effective.

22 REPRESENTATIVE O'NEILL: Well, I guess
23 my question is then, if you're building a new
24 neighborhood, like in my area, growth is
25 unbelievable over the last ten years, a lot of new

1 neighborhoods, is it up to the township or the
2 builder if they want to go underground, or can you
3 force the new --

4 CHAIRMAN POWELSON: I don't think we
5 can force PECO to do that.

6 REPRESENTATIVE O'NEILL: You could.

7 CHAIRMAN POWELSON: No, we could not.

8 REPRESENTATIVE O'NEILL: Oh, you could
9 not. Okay. So it's a local builder versus the
10 township thing.

11 CHAIRMAN POWELSON: It's PECO's ability
12 to, you know -- PECO would go forward, working with
13 the developer, on how they want to plan out that
14 community.

15 REPRESENTATIVE O'NEILL: Okay. My next
16 question, real quick, is smart meters. I get a lot
17 of phone calls in my office about smart meters and,
18 you know, they're going into my area. You know,
19 they're usually from people who are against them,
20 and, you know, there have been some fires in our
21 area lately -- and when I say lately, within a year
22 ago -- and some issues with them. They've probably
23 scared a lot of people.

24 Can you tell me -- I'm getting
25 robocalls now from you, telling me that you're

1 going to be coming to my house soon. Can you tell
2 me what's -- give us a update on the smart meters
3 and that sort of thing?

4 CHAIRMAN POWELSON: Sure. So, the
5 smart meter deployment was set forth in Act 129 of
6 2008. And Pennsylvania will move forward with full
7 deployment, under the statute, I think, sometime
8 in -- is it 2020? A lot of companies, like
9 PECO and PPL, are way ahead of the curve. Why?
10 They see the benefits when you're dealing with
11 restoration of having these meters deployed.

12 The vice chairman often likes to joke
13 with me. In my old blackberry, I had a picture of
14 my -- of my smart meter. And he said, you don't
15 have any pictures of your kids. I'm getting a
16 little nervous.

17 I signed up --

18 REPRESENTATIVE O'NEILL: Your wife
19 better be nervous.

20 CHAIRMAN POWELSON: Yes.

21 Our house hasn't caught on fire. The
22 functionality of that meter, whether it's storm
23 restoration -- by the way, right now, what do you
24 do when your power goes out? You're on an analog
25 meter and you call the IVR. You call the 800

1 number and get in that queue. That's going to
2 change under this deployment schedule.

3 By the way, there are customers out
4 there that will be able to use those meters --
5 industrial customers are doing it already -- that
6 could take -- and there's a product that will be
7 rolled out, that can take their usage patterns, and
8 they can real time, if they want to run the -- sign
9 up for real-time pricing option, and run the
10 dishwasher or major appliance when the price of
11 wholesale power is three cents 8 o'clock at night
12 versus ten cents at 8 o'clock in the morning.
13 Customers will have that ability behind that
14 meter.

15 I know that there is a movement afoot
16 amongst certain political groups that this is a
17 violation of one's civil liberties, the data on the
18 meter is being shared with third parties, Google
19 knows, the Department of Energy knows. Let me just
20 debunk that right now. The information on that
21 meter is the information owned by the customer and
22 shared with the customer by the utility. That is,
23 in no way, ever violated when we're doing this
24 deployment.

25 So, I share that with you because I

1 know many of you are getting these -- these groups
2 out there that are rebel rousing about these smart
3 meters. And, by the way, there are states like
4 Texas, Georgia, and California, that they have full
5 deployment of these meters.

6 REPRESENTATIVE O'NEILL: Great. Thank
7 you very much. I appreciate it.

8 CHAIRMAN ADOLPH: Chairman Godshall,
9 for some closing thoughts.

10 REPRESENTATIVE GODSHALL: I'm not going
11 to reiterate what we've gone through. I think
12 we've had a good discussion on a lot of issues.
13 But I want to say, on the smart meters, the word is
14 "harassed." You know, it's not being called -- the
15 people are out there very -- they just don't
16 realize that these meters are not going to burn
17 your house down or kill your bushes, you know,
18 outside.

19 But, anyway, getting off of that, I
20 wanted to ask you one final question. Other states
21 are looking at the alternative energy situation.
22 And in Pennsylvania, I know that the PJM was at the
23 very limits in the last storm.

24 And what are your thoughts of the
25 renewable energy requirements of the AEPS impacted

1 the Pennsylvania's coal plant closures that we've
2 had to date? And what do you feel that the further
3 requirements of that same act are going to have on
4 the closure of reliable plant-specific coal in the
5 future? And how is this going to affect the
6 overall reliability -- and I want to use
7 "reliability" in capital letters -- of PJM?

8 CHAIRMAN POWELSON: Great question.
9 And I think all five of us will, again, have an
10 opinion there.

11 Look, Commissioner Witmer's point, all
12 of the above, all of the below. You have a state
13 law. It's harness the development of renewables.

14 You'll hear companies talk about it.
15 There needs to be a movement afoot to eventually
16 phase out the federal production tax credit. If
17 we're going to talk a grid parity, where a coal
18 plant competes with a solar installation or a wind
19 farm, that they're competing on equal footing. I
20 get that.

21 The impact of renewals, well, Exelon
22 will tell you that, in the midwest, where there's a
23 high concentration of wind farms -- and, by the
24 way, there's strong wind capacity factors, up to 50
25 percent -- that wind, those wind turbines that are

1 spinning at night are creating negative pricing.
2 It's wreaking havoc for their nuclear plants that
3 run on twenty-four/seven cycles.

4 But I'm going to say this to you, you
5 can't -- with Marcellus shale, with a continued
6 ramp-up in renewables, you got to deal with battery
7 storage. You've got to deal with the intermittency
8 of these new sources, or it's going to wreak havoc.
9 I agree with your thesis.

10 PJM is deeply concerned about that.
11 There is no real, full-scale battery storage out
12 there. And that's going to be part of this
13 equation. But I'd turn it over to my colleagues.
14 I'm sure they have opinions as well.

15 Or maybe not.

16 COMMISSIONER WITMER: I would really
17 echo more what the chairman has just said. We do,
18 in fact -- there is a role, I think, for each one
19 of the elements to play within our reliability
20 structure. However, when -- there are some real
21 concerns that have to be addressed as -- if you're
22 going to increase the percentage that would be
23 required of the EDCs to purchase of certain types
24 of renewals. And that really is the reliability of
25 the grid and the ability of the grid to absorb that

1 power when it's prevalent in absence of battery
2 storage.

3 REPRESENTATIVE GODSHALL: Well, that is
4 happening with, you know -- you know, right now.
5 We are increasing the requirements of the
6 renewables, so, you know, and I -- do you have any
7 idea what that has played at this point in coal
8 plant closures?

9 COMMISSIONER CAWLEY: Representative, I
10 think what's driving the coal plant closures are
11 two things. The first is EPA requirements, which
12 are much more strict, which were not anticipated by
13 the industry. And, secondly, of course, Marcellus
14 and Utica supply of gas, which is unavoidably
15 causing the whole generation industry to move to
16 natural gas because it's much cheaper. It's even
17 jeopardizing the existence of nuclear plants at
18 this point. Exelon is about to close one of its
19 nuclear plants, and it may more, in the future.

20 The alternative energy portfolio
21 standards act was enacted, I believe, in 2008, and
22 with the goal over a period of twenty years to --
23 to increase the diversity of our generation supply
24 to the extent of 15 percent. It's unlikely that
25 that is going to have any immediate effect on

1 reliability. The only issues we've seen so far is
2 with wind generation, and slowly but surely the
3 industry is dealing with that across America.

4 So, I don't think we need to worry
5 about the AEPS Act affecting our reliability. It's
6 going to affect a very small percentage of our
7 generation, and the legislature will have plenty of
8 time, in the next fifteen years, over the life of
9 that act, to modify the law, if it, in fact, does
10 demonstrate that it's adversely affecting our
11 reliability.

12 COMMISSIONER COLEMAN: Chairman, I'd
13 also add to Commissioner Cawley's point that in the
14 last PJM auction, the other factor here that made a
15 significant impact were imports into PJM. And so,
16 I think the lesson learned for all of us is that
17 this is an incredibly dynamic marketplace, and that
18 it's really about balance. How do we strike the
19 balance among all of those various resources that
20 we can't find ourselves out of balance where coal
21 plants are deactivated, nuclear plants are shut
22 down, and that we find ourselves in crisis, to your
23 point of reliability? And I think we can get there
24 if you're not careful about making sure that we
25 strike the right balance here and make sure that

1 all of those resources are taken into account as we
2 look at grid reliability.

3 REPRESENTATIVE GODSHALL: I know other
4 states are looking at that right now, you know, of
5 where they are and just what the effects are going
6 to be.

7 In the last three, four weeks, we
8 didn't have a lot of sunshine, you know, up there
9 for as far as solar is concerned. And if it
10 wouldn't have been for the reliable energy, as I
11 said, we were stretched to the limit in the last
12 storm with what we have.

13 So, all I want to say, in conclusion,
14 is that we have a lot of important issues that are
15 coming up, you know, and we have a lot of work to
16 do, and I do appreciate your cooperation on what we
17 have to do, especially on what we have for the
18 variable, you know, energy -- I'm sorry, the
19 variable contracts that are out there, because
20 something there has got to be done, and it's got to
21 be done fairly quickly.

22 Thank you, Mr. Chairman.

23 MAJORITY CHAIRMAN ADOLPH: Thank you.

24 Chairman Powelson, just to wrap this
25 hearing up, I'd just like to ask you to inform this

1 Appropriations hearing how Act 13 and your
2 responsibility to be put on the PUC regarding
3 assessing, collecting, disbursing the Marcellus
4 shale impact fee and what are your -- what is your
5 advice to us, as the legislature? How can we
6 improve what we did? How is the PUC handling its
7 responsibility?

8 And maybe mention, since it is an
9 appropriations hearing, how much money that you
10 have disbursed or collected as a result of Act 13.

11 CHAIRMAN POWELSON: Surely, Chairman.

12 First off, the commission has
13 disbursed, since the implementation of the act,
14 four hundred seven million dollars. By the way,
15 the moneys have been disbursed across sixty-seven
16 counties. Those areas that obviously have a higher
17 concentration of wells, production, are bigger
18 beneficiaries of the fund.

19 I am very proud of the work that our
20 team has done, Bob Gramola, our director of
21 administration, and his team. We were given a
22 legislative construct and given less than a
23 twelve-month window in which to implement this.
24 I'm proud to report that our website didn't crash.
25 Moneys went out the door. There were no issues.

1 There's a little uncertainty right now
2 with the court decision, so let me just speak to
3 that for one moment. Because of the uncertainty
4 with the courts, the -- the commission will
5 continue to receive dollars or the producers will
6 submit dollars on April 1st, as required under the
7 statute, and on July 1st, dollars will be sent out
8 to sixty-seven counties across the state.

9 So, that's -- the only issue that's
10 held up right now is the court, with the -- using
11 the environmental protection clause of the
12 constitution, there's no such thing as a model
13 ordinance to support the industry. I don't care
14 where you come down on it. I do think it's going
15 to put Pennsylvania at a disadvantage if Utica
16 really gets up and running. And Governor Kasich,
17 in Ohio, is out there. He's very aggressive in
18 talking about this uncertainty that was created by
19 the state supreme court.

20 We will continue to -- you know, we're
21 going to -- again, dollars will come in on April
22 1st, and there'll be dollars going out the door on
23 July 1st.

24 MAJORITY CHAIRMAN ADOLPH: Okay. Thank
25 you.

1 And thank you for your work you did,
2 and this was a very informative hearing. I
3 appreciate the members' questions and your frank
4 answers. Looking forward to working with you
5 between now and June 30th.

6 And for the members' information, we
7 will reconvene in about ten minutes for our next
8 hearing.

9 Thank you.

10 (Whereupon, the hearing concluded at
11 11:11 a.m.)

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REPORTER'S CERTIFICATE

I HEREBY CERTIFY that I was present upon the hearing of the above-entitled matter and there reported stenographically the proceedings had and the testimony produced; and I further certify that the foregoing is a true and correct transcript of my said stenographic notes.

BRENDA J. PARDUN, RPR
Court Reporter
Notary Public