

**BEFORE THE PENNSYLVANIA
HOUSE COMMERCE COMMITTEE**

Testimony Of

**TANYA J. McCLOSKEY
ACTING CONSUMER ADVOCATE**

**Public Hearing On:
“What Comes Next... The Impacts of Covid Crisis”**

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**Office of Consumer Advocate
555 Walnut Street
Forum Place, 5th Floor
Harrisburg, PA 17101-1923
(717) 783-5048 - Office
(717) 783-7152 - Fax
Email: tmccloskey@paoca.org
296289**

**Chairwoman Delozier, Chairman Galloway
and Members of the House Commerce Committee**

Thank you for inviting me to testify today regarding the impacts of COVID-19 on Pennsylvania utility consumers. My name is Tanya McCloskey and I am the Acting Consumer Advocate for the Office of Consumer Advocate. Let me first introduce the Members of the Committee to the Pennsylvania Office of Consumer Advocate (OCA). The OCA was established by the General Assembly in 1976 to fill a gap that had long existed in the representation of utility consumers – particularly residential consumers – before the Pennsylvania Public Utility Commission (PUC) and other state and federal agencies and courts that regulate the activities of Pennsylvania’s public utilities. Traditionally, utilities have always been well-represented at the PUC by lawyers and expert witnesses who could advocate for utility investors in matters such as rate increase requests for utility services. Our Office was created so that the consumers who have to pay those utility bills would be represented by professional attorneys and experts who could advocate for the consumer interest.¹

I recognize that this hearing has a primary focus on the impacts of COVID-19 on homeowners and renters. But I commend the Committee for including the topic of utility service in this important discussion. Utility service is essential to the health and safety of all residents and businesses in the Commonwealth. It is particularly essential to homeowners and renters in

¹ In addition to our litigation activities, the OCA helps to educate consumers on matters involving their utility services. The Consumer Liaison and other members of the OCA staff help to plan and participate in consumer presentations, roundtables, and forums across the Commonwealth to help educate consumers about changes in the utility industry and to advise them about cases that affect them. The OCA has an active social media presence to provide consumers with helpful information about their utility service and we have a small staff of consumer service representatives who can assist individual consumers with utility problems. The OCA also serves as a resource to members of the General Assembly by responding to constituent concerns and by providing our views on how proposed legislation would affect the interests of Pennsylvania consumers.

maintaining a safe and habitable place to live. Next to the mortgage or the rent, the utility bill is one of the most important bills that a household faces. In a survey by the National Energy Assistance Directors' Association conducted in 2011 that included Pennsylvania, it was found that in order to pay the utility bill, 24% of LIHEAP (Low Income Home Energy Assistance Program) recipients went without food for at least one day, 37% went without medical or dental care, 34% did not fill a prescription or took less than prescribed and 23% kept their home at a temperature that was unsafe or unhealthy.² Customers go to great lengths to pay their utility bills as they recognize the importance of maintaining utility service.

The impact of the loss of utility service cannot be overstated. The loss of electric or natural gas service has led to fatal fires in Pennsylvania as families try to use candles for light or alternative, unsafe sources of heating. The loss of water and wastewater service compromises necessary sanitation and cleanliness. These impacts are greatly heightened during this pandemic where a critical part of slowing the spread of the pandemic is to have citizens stay at home as much as possible for health, safety, school, and work. Homes can become quickly uninhabitable from the loss of utility service, and the loss of utility service can place renters in violation of lease agreements that could lead to eviction. When this occurs, families are often forced to seek shelter with family and friends resulting in crowded living arrangements, to move into congregate emergency shelters, or to be homeless. In essence, the loss of utility service can “evict” a customer from his/her home even if an eviction moratorium would exist.

Utility arrearages can also have long term negative impacts on customers, even before a termination of utility service. Several of our utilities report late utility payments to the credit reporting agencies which can negatively impact a customer's credit score. A lowered credit

² 2011 National Energy Assistance Survey, Summary Report, National Energy Assistance Directors' Association, October 2011. (<https://neada.org/program-policy-reports/liheapsurvey/>)

score can have negative impacts for years to come on a customer's ability to secure housing, either through rental or ownership. A lowered credit score can also make it more costly for a household to secure necessary items or make necessary repairs to homes and apartments. For municipal utility debt, the municipality is often able to place a lien on the property for the amount of the arrearage, which can jeopardize homeownership. The PUC regulates two large municipal entities – the Philadelphia Gas Works and the Pittsburgh Water and Sewer Authority – that have this authority as municipal entities.

Despite customers' recognition of the importance of keeping current on their utility bills, we know that it has become even more challenging for customers during this pandemic to pay those utility bills. While my Office does not have complete information from the utilities, some public reporting of information to the Public Utility Commission reveals that it is becoming harder and harder for households to keep current on their utility bills. From information provided to the Commission in June of 2020, there were approximately 800,000 electric and natural gas customers eligible for termination.³ In addition, recent information provided to the Commission indicated that there were approximately 50,000 regulated water/wastewater customers eligible for termination.⁴

I want to pause for a moment and emphasize the point that these numbers only represent customers whose service is regulated by the Public Utility Commission. For water/wastewater customers in particular, the great majority of customers do not receive service from a PUC-regulated entity but are served by municipal water/wastewater entities or municipal authorities. I

³ See, COVID-19 Customer Service, Billing, and Public Outreach Provisions Request for Utility Information, PUC Docket M-2020-3020055.

⁴ See, Public Utility Service Termination Proclamation of Disaster Emergency – COVID-19, PUC Docket No. M-2020-3019244, Comments of National Association of Water Companies (Pennsylvania), <http://www.puc.state.pa.us/pcdocs/1673583.pdf>

do not have information on how many customers of municipal entities or authorities, or rural electric cooperatives serving electric customers, may be facing termination. Recent press reports, however, indicate that some of the municipal entities have resumed termination of water service.

While the data on termination and arrearages varies by utility, recent data provided to the Commission about arrearages for electric and gas utilities showed that for the March, 2020 to June, 2020 time frame, the dollars in arrears increased for residential customers by about 39% and for non-residential customers by about 54% compared to the same time period a year ago.⁵ For most utilities, customers were deeper in debt than they were a year ago, that is, the average amount of the arrearage had increased making it more difficult for a customer to pay off the debt.

It does not appear that the economic circumstances for households will improve very soon. Unemployment remains at about 13% across Pennsylvania.⁶ Based on U.S. Census Bureau Household Pulse Survey, by the week ending August 31st, nearly 50% of Pennsylvania households reported a loss of at least some employment income since March 13th.⁷ The Household Pulse Survey also found that more than 22% of Pennsylvania's workforce expected to suffer additional income loss during the upcoming four-week period (i.e., September 1-29).⁸

⁵ See, Public Utility Service Termination Proclamation of Disaster Emergency – COVID-19, PUC Docket No. M-2020-3019244, Energy Association of Pennsylvania Comments, <http://www.puc.state.pa.us/pcdocs/1673734.pdf>

⁶ Office of Unemployment Compensation, Unemployment Compensation Claim Statistics & COVID-19, <https://www.uc.pa.gov/COVID-19/Pages/UC-Claim-Statistics.aspx>

⁷ U.S. Census Bureau, Measuring Household Experiences during the Coronavirus Pandemic Household Pulse Survey, 2020, <https://www.census.gov/programs-surveys/household-pulse-survey.html>

⁸ The U.S. Census Bureau survey also found that the lower a household's income, the greater the impact of the pandemic on the loss of income. Similarly, households categorized as being Black, Hispanic, or Asian were much more likely to have experienced an income loss and to expect additional income loss than are households headed by White and non-Hispanic persons.

The U.S. Census Bureau also surveyed small businesses beginning in May, 2020. By September 5th, more than 50% of Pennsylvania businesses said they would not return to normal operations for six months or expected to never return to the pre-pandemic level of operations.⁹

A recent survey conducted by the Electric Power Research Institute (EPRI) confirmed that customers are concerned about being able to afford their electric bills during this time. About two-thirds of customers reported this concern, and approximately 20% of the survey respondents reported that their energy bills were higher because of the pandemic. The survey also found that more than 25% of the people who lost their jobs were planning to skip at least one utility payment.¹⁰

Without assistance for both regulated and non-regulated utility service providers, and a fair and comprehensive plan to address utility arrearages, the utility arrearage and termination issues could impact homeowners and renters for many years to come. I am sure that my colleagues here today have identified the need for state and federal assistance for rent and mortgage payments, but equally important will be state and federal assistance to address utility arrearages. Without such financial assistance, eviction moratoriums, or even assistance to allow homeowners and renters to get current on rent or mortgage payments, will be for naught.

For this reason, I strongly support the use of a portion of the federal CARES Act funding for reducing utility arrearages, as has been proposed in recent Bills. In my view, it will be critical for any state and federal assistance to be broadly based as our traditional definition of a low income household, that is, a household with an income at or below 150% of the Federal

⁹ U.S. Census Bureau, Small Business Pulse Survey, <https://www.census.gov/data/experimental-data-products/small-business-pulse-survey.html>

¹⁰ Omar Siddiqui and Min Long, Impact of COVID-19 on Consumer Energy Use & Outlook: Results of EPRI National Survey (April 29, 2020), http://mydocs.epri.com/Docs/public/covid19/COVID-19_survey_report.pdf. pages 4, 7, and 12.

Poverty Level, does not capture many of the struggling families in Pennsylvania. For much of Pennsylvania, a sustainable income for a household is nearly 250% of FPL. One in four Pennsylvania households, over 846,000 households, lack the necessary income for self-sufficiency.¹¹ For a household of 3 (including 2 adults and one school age child) in Philadelphia County, the household would need a gross annual income of \$53,820 for sustainability. For the same household in Allegheny County, the household would need a gross annual income of \$46,366.¹² Households below these income levels are not considered self-sufficient, yet many of them do not qualify for additional assistance such as LIHEAP, utility Customer Assistance Programs or utility Hardship Funds.

Existing state and federal assistance alone is not likely to return arrearages to pre-pandemic levels or to enable many Pennsylvanians to retain essential utility service. I must stress, though, that the burden of the COVID-19 pandemic cannot fall solely on customers of the utility, whether residential, small business, large commercial or industrial. All consumers are greatly affected by this pandemic, whether through loss of income, increased utility bills due to work and school conducted from home, or health issues that have increased the expenses of daily living. It must be recognized that the proper balancing of interests in setting just and reasonable rates may require a close scrutiny of any request for a rate increase or cost recovery, and a sharing of this burden between utility shareholders and consumers. A fair and equitable sharing of the burden, along with a comprehensive plan for addressing utility arrearages would be in the public interest.

¹¹ https://pathwayspa.org/wp-content/uploads/2020/01/PA2019_OverlookedUndercounted_Web.pdf

¹² <https://pathwayspa.org/2020standard/standardbycounty/>

Before closing, I would be remiss if I did not acknowledge the assistance that many of our utilities have voluntarily provided to customers, such as waiving late payment and reconnection fees, extending payment arrangement time frames, offering payment arrangements to small business customers, simplifying the enrollment and certification requirements for assistance programs, expanding the eligibility criteria for Hardship Fund assistance, and providing additional shareholder contributions to the Hardship Funds. These voluntary actions are commendable and have assisted many consumers. In recent Comments filed by my Office with the Public Utility Commission, we have recommended that the Commission require a full suite of consumer protections and a comprehensive plan for addressing utility arrearages to ensure that all consumers are treated fairly and equitably across the Commonwealth. I have included a link to these comments, filed at Docket No. M-2020-3019244, in the footnote below.¹³ If the Commission finds it is without authority to provide these protections, I would respectfully urge the General Assembly to consider providing such authority to the Commission.

Thank you again for having me here today to provide information on this important topic. I look forward to continuing to work on these important issues.

¹³ Public Utility Service Termination Proclamation of Disaster Emergency – COVID-19, PUC Docket No. M-2020-3019244, Comments of the Office of Consumer Advocate, <http://www.puc.state.pa.us/pcdocs/1673691.pdf>