



COMMONWEALTH OF PENNSYLVANIA

**SENATE DEMOCRATIC POLICY COMMITTEE
POLICY HEARING: ELECTRIC RELIABILITY
TUESDAY, SEPTEMBER 29, 2020**

**TESTIMONY OF JOHN R. EVANS, SMALL BUSINESS ADVOCATE
PENNSYLVANIA OFFICE OF SMALL BUSINESS ADVOCATE**

Good morning, Chair[wo]man Boscola, Senators, and colleagues. I am John Evans, Small Business Advocate for the Commonwealth of Pennsylvania; and I appreciate the opportunity to participate in this important discussion.

Similar to the Office of Consumer Advocate, the Office of Small Business Advocate¹ (OSBA) was also created as an independent agency² to “fill a consumer protection void” – but this time, to specifically ensure the seamless representation and defense of Pennsylvania’s critical small business utility customer class.

The OSBA’s statutory mandate is narrow and specific - to ensure that our small businesses, so crucial to the Commonwealth’s economy, pay only fair and reasonable rates for the provision of safe and reliable utility services. Certainly, the assurance of electricity reliability, and compliance with the Commission’s related governing Laws and Regulations, is critical to this mission, and part of the OSBA’s vigilant analyses of the variety of petitions and reports filed at the Commission and in the courts by Pennsylvania electric [*and other*] utilities. OSBA focuses our limited, specialized resources and efforts on matters where our small businesses are differentially and unfairly treated relative to other customer classes, or where OSBA determines that issues or policies affecting all ratepayers are not being fully addressed by the Commission or other parties in Pennsylvania.

¹ OSBA was originally established by the General Assembly in 1988 under the Small Business Advocate Act (Act 181 of 1988, December 21, 1988. P.L. 1871, No. 181, 73 P.S. 399.41., et seq.).

² OSBA is funded for its regulatory utility legal defense work outside the General Fund via annual assessments levied on Pennsylvania utilities at the PUC.

My colleagues have discussed numerous electricity reliability assurance processes already in place at the Commission to ensure that Pennsylvania's electric utilities provide safe and reliable services. Additionally, and despite these challenging times, we *{the industry leaders, experts and advocates}* have successfully achieved many new and positive collaborations, agreements, settlements and solutions, on behalf of our individual charges and classes, to ensure the seamlessness of safe, affordable and reliable utility services across the Commonwealth. Also, the Commission has long-established, firm standards for performance [measured against reported industry statistics], and swiftly responds when any utility fails to meet Pennsylvania's quality standards.

As a regulatory matter here in the Commonwealth, OSBA asserts that our electric utilities are notably protected against major winter storm losses via allowable regulatory deferral account mechanisms.³ While this may seem *generous* at times⁴, OSBA experts appreciate that there also needs to be a careful balance between *requiring* electric utilities to maintain *gold standard* reliability performance - to minimize outage costs for ratepayers - and *requiring* those utilities to actually *build* gold-plated distribution systems - with excessive capacity and redundancy - that ratepayers will ultimately need to finance for decades. Thus, invested parties have learned over the years that given Pennsylvania's other regulatory concessions, such policies often do keep related costs down over the long haul.

We can all appreciate that today's electric systems are comprised of complex interconnection systems of generation, transmission and distribution – systems that will continually evolve with the advancement of innovation and technology. And the quality structure of the grid, along with coordination of the electric company operations within the network, helps to make electricity reliability – and resiliency - a reality for consumers across the Commonwealth. Prior to the onset of this novel virus and its disastrous demands and impacts, the Commonwealth was advancing many new and innovative industry technologies, policies and long-term

³ Electric base rates generally include a provision for major storms; however, any costs incurred above that level for major storms are generally deferred for future recovery - subject to prudence review, of course.

⁴ Pennsylvania's utilities continue to enjoy high return on equity they currently earn on capital.

infrastructure improvement projects designed to further strengthen Pennsylvania's electricity [*all energy, utility*] grid, generation and distribution systems.

As Pennsylvania's small business advocate, I've joined other state and national association and industry leaders in the development of many focused reports, including one specific to this very matter published by the Critical Consumers Issues Forum regarding Reliability and Resilience of our Electricity Grids.⁵

We recognize that our state, national, and global energy and regulatory utility sectors are undergoing dramatic transformations of historic proportions. And Pennsylvania is still poised to remain a leader in this energy production and distribution arena - *provided* we stay focused on the survival and recovery of **all our classes** of customers.

The OSBA understands the critical role we play to ensure the continued fairness and stability of utility rates and structures for our crucial small business customer class, especially during times of great uncertainty. And while we are attentive to the costs associated with ensuring the continual reliability and resiliency {and development and advancement} of our electricity networks, OSBA must remain acutely focused on the grave need to minimize any further impacts on Pennsylvania's critical small business class. Any new and significant utility rate increases levied upon our small businesses at this time will surely have a negative, if not crushing, impact on both the marginal costs and continued health and operation of their businesses. And we at the OSBA are especially concerned that any further stall or decline in small business growth across the Commonwealth would seriously impact the overall health of our economy for many years to come.

Like I said, Pennsylvania's future can remain bright *provided* we stay focused on the survival and recovery of **all our classes** of utility customers.

⁵ CCIF 2020 Report: <http://www.cclforum.com/wp-content/uploads/2020/07/CCIF-Resilience-Report-July-2020-Final.pdf>

Thank you again for your time and attention today. I welcome any questions or comments you may have in response to this testimony.

Respectfully,

/s/ John R. Evans

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