



Pennsylvania Manufacturers' Association

Testimony before the:
PENNSYLVANIA HOUSE LOCAL GOVERNMENT COMMITTEE

In support of:
HOUSE BILL 1405

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When it comes to purchasing electricity for manufacturers in Pennsylvania, competition is key. When looking at an expense sheet for major manufacturing firms, electricity is usually third on the list, directly following equipment/plant, and payroll. That's because all manufacturing uses power resources, and a lot of them, to turn raw materials into finished goods at the hands of skilled workers in our commonwealth.

We at the Pennsylvania Manufacturers' Association support House Bill 1405, placing restrictions on the few existing municipal electricity monopolies. There are 35 municipalities that supply electricity to residential and industrial users in Pennsylvania. Using electric bills as a form of taxation is especially harmful to the manufacturing sector and every effort ought to be made to ensure that this practice does not occur.

**Calling upon manufacturers and business owners that operate within
municipal electric monopoly jurisdiction.**

In surveying the manufacturers that operate within the boroughs that supply electricity, it was apparent that there is a lack of manufacturing activity in these areas. Many surveyed by our association indicated that there used to be a foundry, grinding facility, or production plant within the borough, that eventually moved out. New investment from manufacturers does not seem to be realized within these borough boundaries. While this may not be directly because of an electricity market monopoly, it does beg the question of how this system impacts site selection for potential manufacturers. Likewise, if a manufacturer is looking to locate in our commonwealth and chooses one of these 35 municipalities as a final site location, we don't want high or uncertain energy costs to thwart that potential investment, not just from that immediate region, but from Pennsylvania as a whole. Losing potential business investment is a chance that we simply cannot take – especially when it's entirely avoidable.

While not all manufacturers said their rates were higher than those in the open market, the vast majority of those contacted felt that they could achieve savings if allowed to shop for lower rates. In several instances, local business owners were willing to share their current prices and experiences. In one case, a small print-shop said that his total electricity bill was \$275 for the month of January. If they used the same amount of electricity and their supplier was PPL, even if he ran all hours at “peak” rates, his monthly bill would have been \$100 less. This same business owner said that the only major manufacturer in the town left five years ago and cited high energy costs as a reason for leaving. His business serviced that business and is on the verge of closing as well. The price per-kilowatt hour they are paying is nearly double the state average. Imagine the savings if he was able to enter into a long-term contract with a competitive supplier.

In this same jurisdiction, it was reported by another business that though they operate seasonally, they are charged as if they had business operations for energy consumption they did not use. They were told that even though they were closed that the power authority purchased the electricity in bulk and in advance of the seasonal closing. The authority did not want to sell the power back at a loss so the business was given a much higher bill. This is not fair or just for the employers of our commonwealth and it's not competitive economic policy.

In a different jurisdiction, a local manufacturer informed me that the price per kilowatt-hour was absent from her bills. While this business owner thought that her price was relatively competitive, she also said, “energy costs are my most expensive monthly bill.” She indicated that the ability to shop for energy could lower this monthly cost, but that it was difficult to know just how impactful shopping could be without first knowing the full breakdown of what she is paying now.

**Competitive energy prices means enhanced business
competitiveness for Pennsylvania.**

We at PMA always want it to be the goal of Pennsylvania policymakers to make it the smart business decision for employers to locate, expand, and hire here in this commonwealth rather than in one of our competitor states. If electricity rates drive a manufacturer out of a municipality, we don't want that investment leaving Pennsylvania.

To be competitive, Pennsylvania businesses must be able to procure plentiful, reliable, and affordable energy. The prices must be predictable and competition with the ability to enter into long-term contracts provides the stability needed for large industrial energy users to expand, hire, and plan for the future. Thus, competition is key to the success of predictable low electricity rates. While this competition is not fully realized in House Bill 1405, we believe that the provisions here will at least add to the stability and predictability of electricity prices within these jurisdictions. We therefore support this legislation and ask for an affirmative vote by the Pennsylvania House Local Government Committee.