

**Eric Joseph Epstein's Direct Testimony
on Behalf of Eric Joseph Epstein**

**BEFORE THE
Pennsylvania Public Utility Commission**

Petition of PPL Electric Utilities :
Corporation for Approval of a Default :
Service Program and Procurement : Docket No. P-2008-2060309
Plan for the Period January 1, 2011 :
through May 14, 2014 :

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Issues Addressed:

PPL should implement a program for senior citizens on fixed incomes who will be forced into a "hardship class."

PPL should implement a program to decrease the dramatic rise in customer terminations.

Dated: December 22, 2008

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Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

Eric Joseph Epstein, EFMR Monitoring Group Incorporated located at 4100 Hillsdale Road in Harrisburg, Pennsylvania, 17112.

Q. PLEASE PROVIDE A SUMMARY OF YOUR EMPLOYMENT POSITION.

A. I am the principal of the EFMR Monitoring group, a nonpartisan community based organization established in 1992. EFMR has established itself as a leading advocate for community investment, economic development, and universal service in south central Pennsylvania.

Q. PLEASE SUMMARIZE YOUR BACKGROUND, EXPERIENCE AND EDUCATION.

A. I have over twenty-years of experience in publishing, researching and testifying before the Pennsylvania Public Utility Commission and the Nuclear Regulatory Commission on numerous issues including universal service and community investment.

Q. HAVE YOU PREVIOUSLY TESTIFIED IN REGULATORY PROCEEDINGS ON RATEMAKING OR RULEMAKING?

A. Yes, in numerous cases and proceedings before the the United States Nuclear Regulatory Commission and the Pennsylvania Public Utility ("PUC") Commission involving rate making tariffs.

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I was actively involved in the Petition of PP&L, Inc., For Permission To Defer, For Future Recovery, A Portion of Its Transition Charges, or In The Alternative, To Exceed the Rate Caps Pursuant to 66 Pa. C.S. § 2804(4)iii(G); Docket No: P-00991780, and an Active Party in the Petition of PPL, Inc. Petition asking for Issuance of Determination Under Section 329(c) of PUCHA, 15 USC Section 79z-5a9(c); Docket No. P-00991787.

I was also an Active Party in PPL Electric Utilities Corporation ("PPL" or the Company" 2002 Reconciliation Filing with the Pennsylvania Public Utility Commission, participated in PPL Electric Utilities Corporation Intangible Transition Charge Reconciliation Filings dated back to 2001, and involved in the Petition of PP&L, Inc., For Permission To Defer, For Future Recovery, A Portion of Its Transition Charges, or In The Alternative, To Exceed the Rate Caps Pursuant to 66 Pa. C.S. § 2804(4)iii(G); Docket No: P-00991780; and,

I filed a Petition to Intervene and Answer in Opposition to the Petition of PPL Electric Utilities Corporation for Authority to Defer for Accounting and Financial Purposes Certain Losses from Extraordinary Storm Damage and to Amortize Such Losses: Docket No. P-00032069.

In addition, I was an Active Party and Witness in PPL Electric Utilities 2004 application with the Pennsylvania Public Utility Commission requesting an increase in base rates to increase annual jurisdictional base revenues for electric transmission and delivery (T&D) utility service.

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I was actively involved in PPL Electric Utilities Corporation's proposed Supplement No. 38 to Tariff Electric PA Public Utility Commission No. 201, and participated in PPL Electric Utilities Corporation's Request or Approval of a Competitive Bridge Plan Docket No. RP-0006227.

More recently, I was an Active Party in PPL Electric Utilities 2007 application with the Pennsylvania Public Utility Commission for an annual increase for distribution rates.

Q: WHAT IS THE PURPOSE OF YOUR TESTIMONY?

A. My review of the PPL's testimony, Filings, Responses to Interrogatories and Informal Discovery Data Requests from Active Parties clearly demonstrate that the proposed POLR is not in the "public's interest," and could expose senior citizens on fixed incomes to additional costs without improving the quality or reliability of electric service.

Q: WHAT ARE YOUR SPECIFIC CONCERNS?

A: PPL is proposing to increase its residential rates on an aging population dependent on a fixed income levels, and has no plan in place to stem the rising tide of shutoffs and terminations.

¹ PPL refuses to define "public interest" and stated that this "term" should be "defined" by the PUC 's Working Group. (PPL POLR, Response to Epstein Interrogatories, Set II, Q. 4, D.A. Krall, October 16, 2008)

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Either the PUC must reexamine the economic impact of the rate increase on senior rate payers, or address how increasing rates on an aging community is compatible with PUC's mission to "ensure safe, reliable and reasonably priced electric...service for Pennsylvania consumers , by regulating public utilities and by serving as responsible stewards of competition."

PPL is seeking to raise electric rates under a new protocol which would adversely impact an aging population dependent on fixed income levels. There has to be a better way. With health insurance outpacing inflation and electric rates poised to spike, can elderly consumers endure another another rate hike?

Q: WHAT DO YOU MEAN WHEN YOU SAY ANOTHER RATE HIKE?

A: In addition to PPL's transmission and distribution rate increases over the last four years, effective January 1 through December 31, 2009, Blue Cross Northeastern Pennsylvania will increase its premiums by 4% for Blue Care Senior Medical Plan or subscribers *without* prescription coverage. A 9.9% increase will kick in for Blue Care Senior Medical Plan subscribers or senior citizens *with* prescription coverage.

Q: CAN YOU PLEASE SUMMARIZE YOUR RECOMMENDATIONS?

A: I am suggesting programs to mitigate the impact of "rate shock" on senior citizens, low-income and vulnerable families, and faith based energy users.

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1) Senior Rate:

Behaviors for seniors are fixed, and we need to make available a senior relief program - "Senior Rate" - based on needs and an eligibility composite derived in part from Lessons Learned from the PGW senior rate debacle. Among the hurdles associated with a "Senior Rate" are the age band and concerns relating to a "discriminatory rate."

Mr. Epstein proposes a tariff that is activated for a senior household based on age and fixed income level. Eligibility begins when a rate payer household reaches 62-67. The variable is the amount of household's fixed income as a percentage of a federal poverty level.

"Senior" eligibility should necessarily fit a precise definition. Eligibility could start with the federal social security eligibility level:

"You can start to receive partial benefits at age 62 and persons who delay retirement beyond age 65 receive higher benefits. [[Details from SSA](#)]... In general, the sooner you apply for benefits after reaching age 62, the less you will receive. For details, refer to this chart: [Social Security Full Retirement and Reductions by Age](#) (By the year 2027, the age for receiving full benefits will increase from 65 to 67.)"

There is no KWH consumption scale proposed for the program. This program is limited to residential consumers, and Mr. Epstein proposes that the tariff should be linked to historic consumption patterns or a base formula. The objective is to reduce uncollectible accounts. Over consumption and behaviors inconsistent with the "intent" of Act 129 will be defeated by activating the "normal rate" once a senior household exceeds a consumption level which is no different than current tariff formulas.

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2) Green Weekend Rates:

Similar availability will be offered under “off peak” and “time of use” rate schedules for qualifying religious and nonprofit entities.

3) Space Heater Exchange Program:

Trade in an old unit in for an efficient certified model based on the lawn mower exchange model.

The program could be funded through the collaboration of non-profits and the DEP, e.g., landfill avoidance rebate. There is no free lunch - consumers would be expected to pay up to half of the cost. In addition, the qualifying churches and non-profits would offer support through programming and storage. Earned Income Tax Credit (“EITC”) applications and counseling would be available at exchange locations that would allow low income customers to pump up their credit, and perhaps reestablish their standing with PPL without an excessive down payment protocol.

Most of the “space heater” accounts end up as uncollectible, and are subject to disconnection due to their inability to pay. Eligibly for the rebate would be based on an EITC application and energy counseling.

Green Weekend rates would be predicated on qualifying churches and non-profits providing energy counseling.

PPL should implement a program for senior citizens on fixed incomes who will be forced into a “hardship class.”

PPL should implement a program to decrease the dramatic rise in customer terminations.

Pennsylvania is the third oldest state in the nation, and its fastest growing population segment is octogenarians. An aging population base has unique and sensitized needs that were not factored, considered, or analyzed in the PPL’s POLR request.

By its own admission PPL’s plan to raise electric prices by at least 34.5% on January 1, 2010 which will devastate fixed-income and aging populations. (2) , yet “rate shock” is not considered as a socioeconomic impact in PPL’s testimony.

The retirement of Baby Boomers will affect the US economy, “possibly in dramatic ways. For example output will suffer...payroll benefit costs will balloon to finance increasing retirement and health care.” (3)

While PPL and the PUC have spent large sums of money and countless hours examining the effects of POLR purchases on generic customer classes, the neither the Company entity or PUC have examined the impact of “rate shock” on aging human beings dependent on fixed income.

² Petition of PPL Electric Utilities Corporation for Approval of a Competitive Bridge Program, Pa PUC, Docket No: P00062227, 2006)

³ “The Talent Bubble,” *Public Utilities Fortnightly*, February 2004.

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In Luzerne County the population declined 1.8% between 2000 and 2003, and Columbia experienced a .9% increase. The U.S. Census Bureau reported that the average population of 65 years or older per county is 12.4%. However, the percent in Luzerne is 19.7% and in Columbia it is 15%. In Salem Township, host to the nuclear plant, the percentage of residents over 65 years of age is 19.6%.

Columbia and Luzerne Counties are two of six counties in the 29 county rate base “above the system average percentage of the poverty level.” The data PPL uses is supplied by the Census Bureau and PA PUC’s Bureau of Consumer Services, and indicate that 22.8% of the Luzerne County and 23% of the Columbia County populations qualify as “low-income households” eligible for energy assistance, i.e., living at or below the federal poverty levels.

People are not abstract hypotheticals that attorneys in Harrisburg can rework into a neat formula. Older Pennsylvanians in PPL’s 29 county rate base are less likely to adapt to “rate shock.” These senior citizens will be concurrently paying higher electric rates, higher health care costs, and steep property taxes.

The Company has not anticipated or planned to address the hardships it has created for the 65+ community: “PPL Electric has conducted no polling to gauge residential customers’ awareness of rate caps and the impact that the removal of those caps would have on electric rates.” (PPL EU, Pa PUC, Bridge to Competition, 2006; PPL)

And, “There are no programs specifically targeted to senior citizens or that are available only to seniors...PPL Electric has no work papers , data or statistics on senior citizens (60 years of age or older) (PPL POLR, Response to Epstein Interrogatories, Set I, D.A. Krall, October 16, 2008)

The PPL rate base is dominated by an aging population with a significant portion of its residents living in poverty and facing “rate shock.” If the Company can marshal the resources to seek approval to increase its rates for the POLR plan, than it can find the time and resources to prepare an analysis to assess the impact of “rate shock” on the most vulnerable populations residing in its own backyard.

Failure to survey the impacts of “rate shock” on an aging community is a stunning indictment of the PUC’s inability to grasp the meaning of their mission statement to “ensure safe, reliable and reasonably priced electric...service for Pennsylvania consumers , by regulating public utilities and by serving as responsible stewards of competition.”

PPL also failed to note that millions of dollars in regulated tax revenues are recovered by charging rate payers, i.e., \$245 million (2007) and \$265 (2006), and both entities ignored the transition costs PPL sucks out of the same rate payer, i.e., \$574 million (2007) and \$884 (2006). (4)

Last year PPL reported over a \$1 billion profit on \$6.5 in revenue, yet could find no time or resources ot evaluate, create, and implement a program for senior citizens living on a fixed income.

4 “PPL Corporation 2007 Annual Report,” Summary of Significant Accounting Polices, p. 64.)

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Between January 1 and August 31, 2008, "PPL cut electricity to 28,561 customers" according to the Pennsylvania Public Utility Commission. "That's a boost of 111% over the number of PPL customers whose power was shut off during the same period in 2007. The number of people who've lost electricity statewide is up as well versus the same period last year, but only by 24%. (5)

PPL's response relating to the impact of the POLR plan on customer shutoffs was an odd mix of disinterested and distant vagueness: "Because the Company cannot project what effect the program will have on rates, it cannot predict the program's effect, if any, on the number of delinquent customers." (PPL POLR, Response to Epstein Interrogatories, Set II, Q. 18, D.A. Krall, October 16, 2008)

Q. DO YOU HAVE ANY OTHER ISSUES YOU WISH TO ADDRESS?

A. My additional concern is the precedent the PUC establishes by ignoring the economic impact of increasing rates on an aging community. The amount of the proposed rate increase will cause an undue financial burden on PPL's 1.4 million residential distribution customers.

Clearly, the Company can continue to deliver quality and reliable service without causing "rate shock" and economic dislocation. We need to find an alternative to creating a "hardship class" of senior citizens living on a fixed income.

Q. DOES THIS COMPLETE YOUR DIRECT TESTIMONY.

A. Yes.

CERTIFICATION OF SERVICE

I hereby certify that I have this day served a true and correct copy of the foregoing document upon the active participants named below by US mail or hand delivery in accordance with the requirements of 52 Pa. Code § Section 1.54.

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