



PENNSYLVANIA STATE ASSOCIATION OF BOROUGHES

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PENNSYLVANIA PUBLIC UTILITY COMMISSION

v.

METROPOLITAN EDISON COMPANY
Docket No. R-2016-2537349

PENNSYLVANIA ELECTRIC COMPANY
Docket No. R-2016-2537352

PENNSYLVANIA POWER COMPANY
Docket No. R-2016-2537355

WEST PENN POWER COMPANY
Docket No. R-2016-2537359

Public Input Session held August 18, 2016

STATEMENT OF

CHRIS CAP

Executive Director

Pennsylvania State Association of Boroughs

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SECOND VICE PRESIDENT
Carl Cox

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EXECUTIVE DIRECTOR
Christopher Cap

Introduction

Good Afternoon your Honor and members of the Pennsylvania Utility Commission. I am Chris Cap, Executive Director of the Pennsylvania State Association of Boroughs (PSAB).

PSAB has been the primary advocate for Pennsylvania borough governments since 1911. We are a statewide non-profit association that presently represents 919 local governments across the Commonwealth of Pennsylvania. More than 2.6 million Pennsylvanians reside in borough communities and our members strive to deliver vital public services through effective local leadership. The more than 9,000 elected and appointed borough officials across Pennsylvania are some of the finest public servants you will find anywhere across America.

I appreciate the opportunity to provide comments about the recent requests to the PUC by First Energy. This formal proposal would cumulatively carry a very significant \$439 million dollar rate increase across a wide service area across Pennsylvania.

We applaud the PUC Commission's unanimous decision on June 9, 2016 to investigate First Energy's consolidated requests for Penn Power, Penelec, Met-Ed, and West Penn Power to determine if these rate increases are justified. Further, the suspension of these requests by the PUC for up to seven months and their assignment to the Office of Administrative Law Judge for public hearings is a welcome step that is in the public interest.

Our borough community leaders are actively seeking policy measures to help keep taxes low for residents. They generally offer exceptional public services that include police protection, road maintenance, and local administration to name a few. Borough leaders often improve economies of scale through various inter-municipal and joint-purchasing agreements that serve as cost-saving strategies.

Costs for police services and necessary infrastructure upgrades for example, have certainly increased in recent years. Local governments provide a long list of vital public services to taxpayers, yet are consistently confronted with outside factors that can challenge the accomplishment of these well-intentioned goals.

Pennsylvania's Boroughs Promote Energy Conservation Through Installation of LED Street Lighting

Reduced energy consumption is another method by which municipalities have sought to reduce budgetary costs. Appropriate street lighting is vital to promoting safe conditions in public settings and local governments must therefore appropriate significant budgetary resources to this area. Business and historic downtown districts heavily rely on municipal lighting to facilitate a visitor-friendly experience. Parking lots, common areas and parks also require a consistent supply of sufficient light.

LED street lighting has been a major savings option under consideration by municipalities as a further means by which to reduce energy consumption, minimize maintenance requirements, and improve overall visibility for residents. The prospects of greater efficiency improvements and competitive cost structures have recently attracted a growing number of municipalities to utilize LED lighting in their

communities. In fact, our Association in cooperation with state agency officials has recently offered free workshops around the Commonwealth to educate local officials on the cost and energy conservation benefits of this new lighting strategy.

There are approximately 166,000 public lights in use across the First Energy service footprint related to this request. Met-Ed (40,000), Penelec (59,000), Penn Power (10,000), and West Penn Power (57,000) each have varied levels of light counts in their service areas.

The Proposed Rate Increases Will Have a Significant Impact on Local Budgets

The impact of increased tariffs would be very far-reaching as hundreds of municipalities would be impacted. Met-Ed serves a 3,300 square mile area of eastern and south central Pennsylvania, while Penelec serves 17,600 square miles of western, northern and south central Pennsylvania. Meanwhile, Penn Power and West Penn serve a combined 11,500 square miles across parts of western, central, and southwestern Pennsylvania.

Quantifying potential cost savings and understanding transition costs to newer technologies such as LED's can be a challenging task. Local officials must understand distribution and energy cost variables then factor those considerations into their operating budget projections. This process becomes more complex when default or alternate supplier rates must also be considered. Each lighting fixture has a PUC- approved KWH rate, which is also a major variable that determines if a municipality will choose to utilize this energy conservation strategy.

The sudden rate increase request by First Energy soon after a growing number of municipalities have converted to this technology is very disappointing to say the least. If these rate increases were to be approved by the PUC, then future projected local budgetary savings would be significantly reduced. Further, the projected savings equation by which these local decisions were made by local officials would be significantly skewed and would have a domino effect on other public service areas important to the public.

Local Government officials take great pride in stretching the public dollar on behalf of residents in an effort to keep taxes at reasonable levels. Any rate increase would only hamper cost-saving strategies for local governments and perhaps discourage local leaders from seeking further well-intentioned energy conservation strategies.

Conclusion

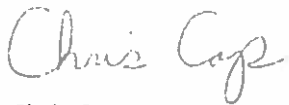
In closing, our reasonable assumption has been that local governments can be partners with energy providers to help promote worth-while energy conservation strategies. We can and have lead by example through the use of various new technologies that benefit our local residents in many ways. Savings from these efforts can often allow local governments to expand discretionary spending in other vital areas of public interest (ex. road, bridge maintenance, police, fire service).

In theory and in practice, local government participation in energy conservation strategies can significantly help companies like First Energy fulfill their corporate missions across various service areas and promote conservation efforts.

We respectfully request your careful consideration of these points. Local governments continuously gain the highest survey grades for their responsiveness to issues impacting the public. Borough leaders around the Commonwealth are especially successful in serving the public because we are the form of government that is closest to the people. Local officials take great pride in promoting exceptional services that make our communities viable.

I thank you for the opportunity to appear before you today and appreciate the PUC's willingness to review this rate request more closely. I would welcome any questions you may have on this matter.

Respectfully submitted,

A handwritten signature in cursive script that reads "Chris Cap".

Chris Cap

Executive Director

PA State Association of Boroughs