

Don't single out utility customers to pay more for state government

Pennsylvania's natural gas and electric utilities recognize the difficult choices facing lawmakers as they struggle to balance the state budget. In developing solutions, care should be taken to spread the burden of paying for state government fairly among citizens.

Tax legislation recently approved by the Pennsylvania Senate does not accomplish that goal. Two-thirds of the additional revenue under that bill (over \$400 million) comes from taxes on public utilities, including a new tax on the gross receipts of natural gas utilities and an increase in the current gross receipts tax on electric utilities. Since regulated utilities have a right to recover their state tax payments, these new taxes are—in substance if not in form—taxes on utility customers.

Using utilities as collection agents for state government isn't good policy. First, it lacks transparency as costs of state government are presented to citizens on their utility bills rather than their tax bills. Second, it does not spread the burden of paying for state government fairly. Just over half of Pennsylvania's citizens heat their homes with natural gas and they will see their bills increase. Citizens who heat their homes with heating oil, on the other hand, will escape these payments. Similarly, citizens who are served by municipal electric systems avoid the tax paid by customers of electric utilities.

Energy intensive utility customers will also bear a disproportionate burden. Some manufacturers will pay hundreds of thousands, and even millions, of dollars more due to the legislation, according to the Pennsylvania Chamber of Business and Industry. This will be another drag on economic growth and job creation. Local government will feel the pain too. School districts that use natural gas to heat their buildings could see utility bills increase by tens or hundreds of thousands of dollars.

Balancing the budget by raising energy costs for consumers isn't a good strategy in a state seeking to boost its competitiveness through the strength of its energy resources. Singling out utility customers to pay the lion's share of new taxes isn't transparent or fair.

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