35 BOROUGHS WHICH OWN ELECTRIC SYSTEMS OPPOSE NEW PROPOSAL

Harrisburg – There are thirty-five boroughs throughout Pennsylvania which operate home-town municipal electric systems. One state legislator from Western Pennsylvania has made it his business to introduce legislation to wreck the finances of these small towns. The pending legislation is from newly elected state representative, Aaron Bernstine (Beaver and Lawrence Counties). Representative Bernstine is advocating a number of changes in how Pennsylvania municipal electric systems operate.

The Pennsylvania Municipal Electric Association (PMEA) is a non-profit cooperative group representing these thirty-five small towns. According to Vance Oakes, Borough Manager in Grove City Borough, Pennsylvania, and President of the PMEA, "The current legislative action to change the operation of Borough owned electric systems benefits neither the Pennsylvania Boroughs nor their citizens; it will hurt the very people it is intended to help." Oakes went on to explain, "Borough electric systems, generally, have similar or better rates, much better reliability than investor owned utilities, are managed by local elected officials, are responsive to local concerns, employ local employees, buy local services, do not send tax money to the state, and operate far superior and much more reliable electric systems than our for-profit competitors."

Bernstine's proposed legislation would have adverse and unintended consequences.

  [A] **Dramatic real estate tax increases and reductions of critical municipal services including devastating cuts to Borough police and fire services.**
  [B] **Higher interest rates and higher borough borrowing costs.**
  [C] **Potential job losses for municipal workers and hometown businesses.**

Bernstine seems particularly confounded by the current and legal practice of internal payments in lieu of taxes (PILOT) from a borough's electric fund to its general fund. These PILOT payments are allowable under state law and have been used in Pennsylvania, and in 83% of municipal electric systems nationwide for generations.

According to the American Public Power Association (APPA), the national group representing towns with electric systems, similar PILOT payments are widely permitted by the approximately 2,000 municipal electric systems across the nation.

PILOT payments are a local choice, which help to keep real estate taxes low, and promote economic development.

Local democratic control of borough electric rates is preferable. The Bernstine legislation would improperly interfere with the local control of the Borough Council over a borough's electric rates. Many of these boroughs have owned and operated their electric systems successfully for over a hundred years, providing reliable electric service at reasonable and comparable rates.

Overregulation by the State is unnecessary. This legislation would place unnecessary state government regulation on municipal electric systems. If the electric consumers in a borough are dissatisfied with electric rates, service or policies, they have direct democratic control to make any changes they desire through the elected Borough Council. This local control remedy, and the direct accountability of the Borough Council to the voters, makes any such additional state government regulation unnecessary.

Municipal organizations unanimously oppose the legislation. For the above reasons, the legislation is opposed by municipal organizations, including:
> PA State Association of Boroughs (PSAB);
> PA Municipal Electric Association (PMEA);
> PA Municipal League; and
> American Public Power Association (APPA).

PMEA has asked all thirty-five boroughs to resist this unnecessary state control of local borough systems. At the recent Pennsylvania State Association of Boroughs conference in Hershey, the group of 965 boroughs decided to back the resistance of these thirty-five, and to fight the Bernstine proposal.

For more information, contact Mr. David Woglom, PMEA Executive Director at (610) 330-5856.