

**PENNSYLVANIA HOUSE OF REPRESENTATIVES  
HOUSE APPROPRIATIONS COMMITTEE MEETING  
WEDNESDAY, MARCH 11, 2015 (11:00 AM)**

**TESTIMONY OF JOHN R. EVANS, SMALL BUSINESS ADVOCATE  
PENNSYLVANIA OFFICE OF SMALL BUSINESS ADVOCATE**

Good morning, Chairman Adolph, Chairman Markosek, and distinguished members of the House Appropriations Committee. Thank you for this opportunity to present testimony relative to the Office of Small Business Advocate (OSBA) and our requested Budget for Fiscal Year 2015-16.

As many of you know, my name is John Evans, and I serve as Pennsylvania's Small Business Advocate. It is my pleasure to be here today to provide the Committee with an brief overview of the OSBA, and to discuss how our proposed FY2015-16 Budget of \$1,404,000 will provide the necessary funding to ensure for the continued - and critical - role that the OSBA plays in representing the interests of Pennsylvania's small business consumer class (our job creators).

Pursuant to the Small Business Advocate Act, [Act 181 of 1988, 73 P.S. § 399.41 *et seq.*, (the Act)], the OSBA is charged with representing the interests of small business consumers of utility services in any proceedings before the Pennsylvania Public Utility Commission (PUC), comparable federal regulatory agencies, and in the courts. The Small Business Advocate may also monitor all cases before corresponding regulatory agencies of the United States, including the Federal Communications Commission (FCC) and the Federal Energy Regulatory Commission, which impact the interests of Pennsylvania small business consumers, and may formally participate in those proceedings that are judged to warrant such participation.

*For purposes of the Act, a small business consumer is defined as "a person, sole proprietorship, partnership, corporation, association or other business entity, which employs fewer than 250 employees, and which receives public utility service under a small commercial, small industrial or small business rate classification."*

Because of its overwhelming success throughout the years in utility litigation, additional duties were assigned to the OSBA as part of the 1993 reforms to Pennsylvania's Workers' Compensation Act. Specifically, Article XIII of that revised statute, 77 P.S. §§1041.1 *et seq.*, authorizes the Small Business Advocate to represent the interest of employers in proceedings before the Insurance Department that

involve filings made by insurance companies and rating organizations with respect to the premiums charged for workers' compensation insurance policies.

Since inception, the OSBA's principal mission has been to ensure that Pennsylvania's small business customers pay no more than their fair share of the cost of utility services here in the Commonwealth. The OSBA has demonstrated an invaluable expertise in such legal representation, and we have done so each year with a rationalized annual budget. Additionally, the OSBA successfully collaborated with the PUC to develop and promote a mediation program for small businesses to resolve informal complaints directed to the PUC, without the need for costly litigation.

As prescribed by the Act, the OSBA is actually an independent office with regard to its statutorily-assigned functions; however, we are *administratively* situated within the Department of Community and Economic Development (DCED). The OSBA is supported by annual utility and insurance company assessments, which are collected by the PUC and Insurance Department, and held in trust under General Fund Appropriation line 149/16297 (Small Business Advocate), and 185/16315 (Workers' Compensation-SBA) for the sole purposes of funding the OSBA, with approximately 85% in our funding coming from SBA, and approximately 15% from Workers' Compensation.

For Fiscal Year 2015-16, the OSBA requests a combined appropriation of \$1,404,000 to support its activities (\$1,210,000 under the SBA line item, and \$194,000 from the 185 Special Fund for Workers' Compensation line item). This is the fifth straight year that the OSBA has maintained a flat operating budget, aside from the personnel and benefits costs, which are beyond our control. The complement is currently budgeted and remains at 7 total positions.

Each year, any operational funds provided to the OSBA - that are not actually used to support our specific operations during the year - are returned to the utilities or insurance companies in the form of credits, to be applied toward any assessments made to support the OSBA's operations in future fiscal years.

Given the evolutionary dynamic of state, national, and global utility and energy industries, and the growing number of related proceedings that come before our regulatory agencies each year, the Small Business Advocate is granted broad discretion when determining whether or not to actively engage in any particular proceedings. In exercising this discretion, my team and I carefully consider the

greater public interest, the resources required and available, and the substantiality of the effect that any particular proceeding will have on the interests of Pennsylvania's small business consumers.

In calendar year 2014, the OSBA conducted comprehensive reviews of thousands of utility-related proceedings filed with the Pennsylvania PUC, and determined that active engagement on behalf of Pennsylvania's small business consumers was appropriate in 55 new cases, involving a variety of proceedings across the electric, gas, telecommunication, water, and steam arenas.

**OSBA's participation in these 55 cases resulted in an estimated \$34.5 million in savings realized by Pennsylvania's small business utility customers.**

Pennsylvania small business employers in these, and many other types of critical utility proceedings have benefitted greatly over the years from the active involvement of the OSBA. Traditionally, customer classes generally have a common interest in keeping a utility rate increase as small as possible. Thus, the OSBA may often work collaboratively on case proceedings with our colleagues at the Office of Consumer Advocate (OCA) toward the successful achievement of common goals. However, the OSBA and OCA can frequently disagree when a proceeding focuses on the actual share of any rate increase that each customer class should bear. Thus, the ongoing work of the OSBA is critical to ensure the fair representation of our small business customer class, guaranteeing that the commonwealth's small businesses do not subsidize large commercial and industrial, or even residential ratepayers.

The relationships that I, along with our attorneys, expert witnesses and professional staff, have developed across all arenas – including our colleagues at the OCA, PUC, various utility and energy corporations, and in the court systems – demonstrates our collaborative spirit toward the achievement of common goals; and more importantly, ensures the continual and successful resolution of *hundreds* of potentially explosive litigation proceedings that may negatively impact future costs and operations for Pennsylvania's small business class – our critical job creators.

Pennsylvania's Office of Small Business Advocate is the only one of its kind nationally; and thus, serves as a benchmark of excellence for other states endeavoring to equitably represent the interests of

their own small businesses and ratepayers relative to utility and energy matters. As state, national, and global utility and energy-related industries continually evolve, so does Pennsylvania and its OSBA.

As Pennsylvania's Small Business Advocate, I represent our Commonwealth at various national industry forums, affording Pennsylvania the latest information from United States federal policymakers, business and consumer advocates, and industry officials and stakeholders, including updates on the Environmental Protection Agency's Clean Power Plans, updates on grid modernization, natural gas safety, utility interdependencies, and more.

This ongoing engagement at both the state and national level ensures that the OSBA – and Pennsylvania as a whole - remains knowledgeable and responsive to critical national discussions regarding the best regulatory practices and how to confront numerous challenges facing the regulated utility and workers' compensation insurance sectors.

As Small Business Advocate, I will continue to lead the critical missions of the OSBA with distinction, and will monitor state and national activities relative to our work. As always, I will be guided by the realization that every dollar a business must spend on utility services or workers' compensation insurance is dollar unavailable for expanding that business here in the commonwealth.

Again, thank you for your time and attention. I respectfully request your Committee's consideration of our Fiscal Year 2015-16 Budget request, and welcome any questions or comments you may have.

Respectfully submitted,

John R. Evans  
Small Business Advocate  
300 North Second Street, Suite 202  
Harrisburg, PA 17101  
(717) 783-2525  
[jorevan@pa.gov](mailto:jorevan@pa.gov)  
[www.osba.state.pa.us](http://www.osba.state.pa.us)