

## MEMORANDUM

Date: June 7, 2010

To: The Honorable Members of the House Environmental Resources & Energy Committee

From: Gene Barr, Vice President, Government & Public Affairs, PA Chamber of Business and Industry  
George Ellis, President, PA Coal Association  
David Kleppinger, Counsel, Industrial Energy Consumers of PA  
Pamela Witmer, President, PA Chemical Industry Council  
Douglas Biden, President, Electric Power Generation Association  
Terrance Fitzpatrick, President, Energy Association of PA  
Rolf Hanson, Executive Director, Associated Petroleum Industries of PA  
Kathryn Klaber, President & Executive Director, Marcellus Shale Coalition  
Brian Rider, President, PA Retailers Association  
Patrick Conway, President, PA Restaurant Association  
Randolph St. John, Sr. Vice President, PA Food Merchants Association/PA Convenience Store Council  
David Taylor, Executive Director, PA Manufacturers Association  
Kevin Shivers, State Director, National Federation of Independent Business  
David Patti, President, Pennsylvania Business Council  
Ralph Pontillo, President, Manufacturer and Business Association  
Louis D'Amico, President, PA Independent Oil and Gas Association

Re: HB 2405, Amends the Alternative Energy Portfolio Standards Act

On behalf of our thousands of Pennsylvania employers, representing more than one half of private sector jobs, we write in opposition to HB 2405, amending the Alternative Energy Portfolio Standards Act (AEPS Act), scheduled for consideration by the House Environmental Resources and Energy Committee on June 8. Supporters of HB 80 sought a new prime sponsor and bill number when it was apparent HB 80 couldn't pass the House. HB 2405 was introduced as an alternative to HB 80, however the core elements of HB 80 still remain in HB 2405. HB 2405 increases the Tier I requirement from 8% to 15% (as opposed to the increase to 18% in HB 80) and increases the solar share from .5% to 3%. While the Tier 1 increase under HB 2405 is less than in HB 80, the increase in the solar share is the same in both bills.

After careful review of the new legislation, we still oppose the provisions inherent in HB 2405 for the following reasons:

- The original mandates for alternative energy enacted in Pennsylvania in 2004 have not yet been fully implemented. It makes sense to wait until we see the effect of that action.
- The federal government is poised to pass climate and energy legislation. We ought to wait until there is some resolution on that front. Going beyond federal requirements would have an adverse impact on Pennsylvania's competitive climate and will cost us jobs.
- By increasing the AEPS targets from 18 to 28 percent, the legislature would be sending out a clear and negative signal to conventional resources in Pennsylvania, such as nuclear, coal and natural gas. In an industry where a single percentage-point decrease in market share is very significant, a law that effectively reserves a third of the market for certain politically-favored technologies – regardless of price -- creates a very powerful disincentive for investment in

any other resource that does not qualify under the proposed legislation. We are concerned that reduced investment in conventional generation in Pennsylvania, and possible plant retirements, will be a serious unintended consequence in Pennsylvania that will more than offset any energy or jobs benefits from this legislation.

- With electricity rate caps having come off for many consumers, and the remaining caps scheduled to come off next year, and the uncertainties in the market due to that event, now is not the time to increase the mandates for more expensive forms of energy. Estimates are that the additional mandates contained in HB 80 could add as much as **\$8 - \$12 billion** to the cost of electricity purchases in future years at a time when job creators and residents can least afford it. We are still assessing the cost impacts of HB 2405.
- The increased mandates contained in HB 2405 are likely to lead to higher energy costs for both producers and consumers, and could negatively impact the reliability and adequacy of Pennsylvania's electric generation supply.
- Pennsylvania is a net exporter of electricity. Proponents claim HB 2405 will give Pennsylvania energy independence- this is simply not true.
- A report was recently released by Energy Ventures Analysis (EVA) countering the assumptions made by a Black & Veatch study that claims an increase in the AEPS to 15 percent will provide for a \$26.2 billion advantage in output, a \$5.5 billion advantage in earnings, and the creation of approximately 129,000 job years, while only resulting in a negligible monthly increase for ratepayers. If it takes about 15,000 jobs to maintain current energy production in Pennsylvania, then it is foolish to believe that greater reliance on renewable energy sources would create 129,000 job years. EVA confirms the flawed assumptions contained in the B&V report in respect to both the cost and jobs claims. For example, EVA pointed out in its analysis that the B&V study assumed the imposition of a large carbon tax (up to \$50 per ton) on the energy sector, which artificially inflates the cost of energy generated by more conventional sources, making solar and wind appear to be more competitive. In addition, B&V measured cumulative job years as job gains which is a bit disingenuous because when you translate B&V's "129,000 job years" into actual sustainable jobs created, you have 7,500 jobs.
- Proponents of HB 2405 will tell you that if PA doesn't expand its AEPS, PA will be behind other states with more aggressive AEPS. In fact, many states with more aggressive AEPS are looking to roll back their requirements because they are finding out that these alternative energy mandates are much more costly than any benefits associated with these mandates. As an example, lawmakers in Connecticut are contemplating cutting their renewable portfolio standard by half. This would put Connecticut, which now has one of the highest portfolio standards in the nation, to near the bottom of the list of RPS states. Reasons cited for considering rolling back Connecticut's RPS include the concern that Connecticut lacks strong wind energy resources, so it will need to rely on imports, sending money and jobs to other states and Canada. Further, utilities have warned it will be expensive to meet the portfolio standard. In all, New England will likely need to build \$10 billion in new transmission and \$20 billion in generation for the states to reach 2020 portfolio goals.

The Office of Small Business Advocate has said of HB 2405's predecessor, HB 80, that HB 80, "would increase default service electric rates for small business ratepayers, at least in the near term."

Additionally, the Public Utility Commission published its AEPS Act of 2004 Annual Report for 2007, and recommended that, "Because of the extremely short compliance period and the limited number of EDCs and EGSs having initial compliance obligations, the PUC does not recommend any changes or program improvements at this time."

All of the facts beg the question- Why is the Pennsylvania legislature even considering legislation that will saddle their constituents with higher energy bills at a time when they can least afford it?

We urge you to vote "No" on HB 2405.

Thank you for your consideration.