

MEMORANDUM

Date: December 7, 2009

To: The Honorable Members of the PA House of Representatives

From: Gene Barr, Vice President, Govt. & 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
Doug Biden, President, Electric Power Generation Association
J. Michael Love, President, Energy Association of PA
Rolf Hanson, Executive Director, Associated Petroleum Industries of PA
Stephen Rhoads, President, PA Oil and Gas Association
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

Re: HB 80, Amends the Alternative Energy Portfolio Standards Act

On behalf of our thousands of Pennsylvania employers, from sole proprietors to Fortune 100 companies, we write in opposition to HB 80, amending the Alternative Energy Portfolio Standards Act (AEPS Act), scheduled for second consideration by the House. The omnibus amendment drafted by the proponents of the bill has not changed our position, and we still oppose HB 80 for the following reasons:

- The original mandates for alternative energy enacted in Pennsylvania in 2004 have not yet begun to be implemented. It makes sense to wait until we see the effect of that action.
- With electricity rate caps coming off for many consumers next month 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 could add as much as **\$9 - \$12 billion** to the cost of electricity purchases in future years at a time when job creators and residents can least afford it. This equates to at least a 10% to 13% increase in electric rates.
- 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.
- The increased mandates contained in HB 80 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.
- By increasing the AEPS targets from 18 to 31 percent, the legislature would be sending out a clear and negative signal to conventional resources in Pennsylvania. In an industry where a single percentage-point decrease in market share is very significant, a law that effectively eliminates 31 percent of the market – 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.

The Office of Small Business Advocate has said 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.”

Does the legislature really want to go down the path of adding to the cost of energy during a deep recession, with the economy shrinking and unemployment rising?

We urge you to vote “No” on HB 80.