

**BEFORE THE PENNSYLVANIA
HOUSE CONSUMER AFFAIRS COMMITTEE**

Testimony of

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Hearing on House Bill 1580

**Harrisburg, PA
January 11, 2012**

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Good morning, Chairman Godshall, Chairman Preston and Members of the Committee. I am Terry Fitzpatrick, President and CEO of the Energy Association of Pennsylvania (“EAP” or “Association”), a trade association comprised of electric and natural gas distribution companies operating in Pennsylvania. Thank you for this opportunity to testify on behalf of EAP’s electric distribution company (“EDC”) members¹ regarding House Bill 1580, which would amend the Alternative Portfolio Standards Act (“AEPS Act”) to increase the mandates for solar energy.

By way of background, the AEPS Act requires companies that make retail sales to customers in Pennsylvania— both EDCs and Electric Generation Suppliers (“EGSs”) – to purchase increasing amounts of alternative energy as part of their portfolios, so that a total of 18% of sales come from such sources by the year 2021. Of this amount, 10% must come from “Tier II” sources such as waste coal and hydropower, and 8% must come from “Tier I” sources, which are renewable sources such as wind, biomass, and solar. Within both of these tiers, the eligible sources compete on a basis of cost, except that solar power is given a preference in that 0.5% of total sales must come from solar photovoltaic (“PV”) sources by 2021.

HB 1580 would make two changes to the AEPS Act: 1) accelerate the mandated purchases of solar PV energy in years 2013, 2014, and 2015; and, 2) amend the eligibility requirements so that after January 1, 2012, registration of solar PV installations will be restricted to those directly distributing electricity to Pennsylvania’s distribution network. These changes are intended to remedy an oversupply of solar energy resulting from government subsidies - grants, rebates, and tax credits - over the last several years. These subsidies have caused the amounts of solar supply to exceed the mandated level of purchases. This oversupply has caused

¹ EAP Electric Distribution Company Members: Citizens’ Electric Company; Duquesne Light Company; Metropolitan Edison Company; PECO Energy Company; Pennsylvania Electric Company; Pennsylvania Power Company; Pike County Light & Power Company; PPL Electric Utilities Corporation; UGI Utilities, Inc. (Electric Division); Wellsboro Electric Company; and, West Penn Power Company.

the value of solar renewable energy credits (“SRECs”), which are purchased by EDCs and EGSs to comply with the AEPS Act, to drop, which has apparently led to financial distress for some solar developers.

House Bill 1580 is intended to bolster SREC prices by accelerating the mandated level of demand for solar energy while simultaneously restricting the geographic scope of solar projects eligible to meet this demand.

EAP believes that this legislation will significantly increase the cost to customers for complying with the AEPS mandates, which will leave families and businesses with less disposable income and negatively impact Pennsylvania’s overall financial health. While the precise amount is not certain, EAP estimates that if HB 1580 is passed, the solar mandate could cost Pennsylvania ratepayers between \$2.3 and \$3.4 billion dollars through 2021, and the increased costs will continue for as long as the mandates remain in place. The amount of increase attributable to HB 1580 over the nine year period is estimated to be between \$1.3 and \$2.3 billion dollars.

In collecting and compiling data from surrounding states with similar in-state eligibility requirements, EAP notes that a direct relationship exists between SREC prices and the balance between the supply and demand for these credits. The greater the difference between solar PV requirements (demand) and eligible solar PV supply, the higher the SREC price.

The preferential status that HB 1580 gives to solar energy will be harmful to consumers. EAP believes that artificially stimulating demand by accelerating the AEPS solar PV generation requirements, and limiting demand by closing PA’s borders, removes the investment risk from the solar industry investor and unfairly places it on the consumer. This policy is the direct opposite of the policy that applies to other generation sources, which are required to compete on

the basis of cost. Competitive energy markets benefit consumers by encouraging efficiency and innovation in the generation sector, while the policy behind HB 1580 encourages inefficiency and complacency.

In addition, restricting eligibility to in-state projects is poor public policy, and may even be unconstitutional. This provision of HB 1580 favors the interests of in-state solar developers over the interest of consumers. On its face, it appears designed to restrict the flow of interstate commerce, which is regulated by the federal government under the U.S. Constitution.

Finally, EAP has a separate concern with the language in subsection 4(b) on page 4 of House Bill 1580. As written, the language could be construed to render ineligible solar projects involving roof top facilities where all of the electricity produced is consumed on-site and is not delivered to the electric distribution system in Pennsylvania. If this interpretation is correct, the provision would discourage the building of these facilities.

In summary, EAP believes HB 1580 is not in the public's interest. HB 1580 promotes poor public policy by unfairly favoring one industry's interests over consumers which, in turn, will increase Pennsylvania's electricity rates. Moreover, the proposed restrictions to interstate commerce may be illegal.

Thank you for the opportunity to provide testimony on this legislation.