



## Testimony

Submitted on behalf of the  
Pennsylvania Chamber of Business and Industry

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### **Public Hearing on HB 1580 Solar Renewable Energy Credits**

Before the:  
**House Consumer Affairs Committee**

Presented by:

Gene Barr  
President and CEO

Harrisburg, PA  
December 8, 2011

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## *Introduction*

Chairman Godshall, Chairman Preston and members of the committee, thank you for the opportunity to testify before you today regarding H.B. 1580. My name is Gene Barr, President of the Pennsylvania Chamber of Business and Industry. The PA Chamber's membership comprises thousands of statewide businesses of all sizes and all industry sectors, representing nearly 50 percent of the private workforce.

The PA Chamber's membership includes energy distributors, generators and consumers. For this reason, the PA Chamber opposes any legislation that would increase costs for users. Clearly, abundant and affordable energy is critical for Pennsylvania's job creators and its citizens; and the Commonwealth must take reasonable steps to ensure adequate supplies at affordable prices in the future.

## *House Bill 1580*

The Pennsylvania Chamber of Business and Industry opposes the amendments to the Alternative Energy Portfolio Standards Act contained in House Bill 1580, which attempt to prop up the solar market by providing price support to improve the declining solar energy credit market.

In recent years, Pennsylvania taxpayers have funded \$100 million in solar energy grants through the Pennsylvania Sunshine grant program. This industry subsidy resulted in a significant decrease in the price of solar energy credits. The goal of H.B. 1580 is to improve the failing solar credits market by increasing the value of the credits. It seeks to do this by accelerating AEPS' solar requirements for years 2012 -15 and by requiring electric generation and distribution companies to purchase credits from in-state providers only. The acceleration of requirements, as well as the restriction on competition through the in-state requirement, would adversely impact all consumers and will hurt energy intensive businesses.

### ***Government should not pick winners and losers in the system***

The PA Chamber has long opposed legislative action that picks “winner and losers” in the marketplace. We opposed the original AEPS legislation in 2004 for this reason. As we understand it, the ultimate goal of solar producers has always been to make solar competitive with other energy sources. Now that prices have declined, the industry is requesting assistance in the form of price supports. This request comes after the industry has received assistance in the form of billions of dollars of grants and subsidies through state and federal grant programs.

By accelerating AEPS targets and requiring producers and generators to purchase solar from in-state providers, the legislature would be sending out a clear, negative signal to conventional resources in Pennsylvania, such as nuclear, coal and natural gas, which participate in the broader regional PJM market.

In an industry where a single percentage-point decrease in market share is very significant, a proposed law that clearly intends to prop up one portion of the market creates a very powerful disincentive for investment in any other resource that does not qualify under the proposed legislation. It has consistently been our view that Pennsylvania should steer clear of government mandated energy requirements, and that promoting competition in the energy sector will best benefit energy consumers.

### ***Cost estimates are too high***

The solar industry estimates the cost of the change to be \$166 million. Other estimates indicate the total three year cost of the bill could be as high as \$416 million. If this legislation is passed, taxpayers would be required to foot the bill for a specific energy sector that must be able to stand on its own without subsidies and artificially created markets. Moreover, the cost that consumers would be required to pay would only



serve to benefit existing solar installations. The increased costs paid by consumers would fail to advance the creation of additional solar installations.

***Investment risks should remain with investors, not paid for by consumers***

While House Bill 1580 would provide a safety net to those that invested in the solar market, as with other investments, those risks should remain with the investor. Consumers should not be forced to invest more money in to a product that has not yet proven to be able to sustain itself. House Bill 1580's reasoning is the direct opposite of the public policy that applies to other energy generation sources.

***Conclusion***

The PA Chamber recognizes that alternative energy sources are an important part of the energy portfolio. However, the inclination to again provide cover to an industry that to this point has not been able to offer meaningful return to investors and that consistently requires additional support to maintain is not wise energy policy.

The PA Chamber opposes additional mandates on the industry that will prove costly to consumers. We also oppose insulating the solar industry from the market by providing price support to improve the declining solar energy credit market. We respectfully ask you to do the same by rejecting House Bill 1580.

Again, thank you for giving me the opportunity to present remarks on behalf of the PA Chamber. I am happy to answer any questions you may have at this time.

December 5, 2011

The Honorable Robert Godshall, Chairman  
PA House Consumer Affairs Committee  
429 Irvis Office Bldg., Harrisburg, PA 17120-2145

Dear Chairman Godshall:

On behalf of the thousands of Pennsylvania employers represented by our organizations, we write in opposition to H.B. 1580, which would amend the Alternative Energy Portfolio Standards Act. We understand that this legislation is scheduled to be reviewed by the House Consumer Affairs Committee on Dec. 8, 2011.

As you know the 2004 AEPS Act mandated all electric utility companies to source 18 percent of their energy from alternative sources by 2020. In summary, this legislation seeks to do the following:

- 1) Accelerate SREC purchase requirements for electric distribution companies (EDCs) and electric generation suppliers (EGSs) in years 2012-13, 2013-14 and 2014-15.
- 2) Require EDCs and EGSs to purchase these credits from in-state solar facilities. If SRECs are purchased from out-of-state providers, credits will not qualify for Pennsylvania's AEPS standards.

After careful review of the legislation, we oppose H.B. 1580 for the following reasons:

- **H.B. 1580 would result in increased costs to consumers.** Through the acceleration of AEPS and in-state purchase requirement on EDCs and EGSs, the cost of solar credits will increase. While an increase would benefit those who have invested in the solar market, it would ultimately result in higher electric rates for consumers. Simply put, higher SREC costs mean higher bills for consumers.
- **Restricting eligibility to in-state projects is poor public policy.** This provision favors the interest of in-state solar developers over the interest of consumers. If consumers are forced to pay higher electricity rates, they will have less disposable income available to purchase other items. This is bad for our state's overall economic health.
- **Consumers have already subsidized the solar market.** Pennsylvania taxpayers have already subsidized this industry to the tune of \$100 million in grants through the Pennsylvania Sunshine Program. This legislation would provide a second subsidy to the solar market, and again, result in increased costs to consumers. It is estimated that the total cost of acceleration and the in-state requirement will cost \$416 million.



- Revisiting a component of the AEPS Act at this early stage of full implementation will have a snowball effect.** Because EDCs and EGSs did not have to comply with the AEPS Act mandates until rate caps expired, this is the first year of full, statewide implementation for the Act. If we start revisiting the goals now, developers of all types of eligible projects will look for opportunities to increase their credit compensation in the future, to the detriment of consumers. The Legislature must draw the line now to prevent repeated requests.

Clearly, abundant and affordable energy is critical for Pennsylvania's job creators and its citizens. The Commonwealth must take reasonable steps to ensure adequate supplies at affordable prices in the future. Our belief is that renewable energy plays a critical part in that long-term picture. Many of the member companies of the organizations listed above recognize this, and are making great strides on their own to develop and use alternative energy sources. Unfortunately, we are concerned that provisions in H.B. 1580 will lead to higher energy costs for both producers and consumers, and will negatively impact the reliability and adequacy of Pennsylvania's electric generation supply.

We urge you to oppose H.B. 1580.

Thank you for your consideration.



Gene Barr, President and CEO  
 Pennsylvania Chamber of Business and  
 Industry



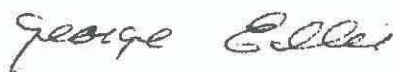
Kevin Shivers, Executive Director National  
 Federation of Independent Business



Doug L. Biden, President  
 Electric Power Generation Association



Jeffrey Peters, President  
 Pennsylvania Chemical Industry Council



George Ellis, President  
 Pennsylvania Coal Association



Brian Rider, President  
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Pennsylvania Independent Oil & Gas  
Association



Kathryn Klaber, President & Executive  
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