



COMMONWEALTH OF PENNSYLVANIA
OFFICE OF THE GOVERNOR
HARRISBURG

THE GOVERNOR

January 9, 2012

The Honorable Robert W. Godshall, Chairman
House Consumer Affairs Committee
150 Main Capitol Building
Harrisburg, PA 17120

Dear Chairman Godshall:

I am writing to share with you several concerns regarding House Bill 1580, which is currently before your committee for consideration. This legislation proposes significant changes to the current solar share provisions of the state's Alternative Energy Portfolio Standards (AEPS) Act.

Pennsylvanians can be proud of the important role the solar energy industry and its employees play within the Commonwealth's energy portfolio. By any measure, Pennsylvania's ratepayers and taxpayers have been extraordinarily generous in their support for the solar industry, both through direct subsidies in the form of grants, loans and rebates, and indirectly through higher electric prices to support the mandated purchase of solar renewable energy credits (SRECs) under the AEPS Act. It is important to note that solar photovoltaic energy is the only energy source which has a guaranteed share of the electric markets within the Commonwealth.

As you know, the Alternative Energy Investment Act of 2008 set aside \$180 million for grants, rebates and loans to support solar, including \$100 million under the PA Sunshine Program for residential and small business owners to install solar units and \$80 million for commercial-scale solar production projects through the Commonwealth Finance Authority. An additional \$11 million was added from several other funding sources, including federal economic stimulus grants. All told, 5,976 projects have been completed under the PA Sunshine Program, generating in excess of 82 million kWh annually. An additional 84 projects have been approved by the Commonwealth Finance Authority, generating in excess of 65 million kWh annually.

House Bill 1580 seeks to further subsidize the installation of solar energy by increasing the solar photovoltaic mandate for compliance years 7 – 9 (June 1, 2012 – May 31, 2015) above and beyond the schedule currently contained within the AEPS Act. Specifically, the solar photovoltaic mandate would increase approximately 300% in compliance year 7; 100% in year 8; and 50% in year 9. The intent of the legislation is to increase SREC prices, which have declined substantially over the past year, in order to make those solar projects, which are heavily dependent on SRECs for financing, more viable.

Because of the volatility of SREC prices, it is difficult to predict exactly how much more HB 1580 would cost ratepayers. The Energy Association of Pennsylvania, which represents the electric distribution companies subjected to the AEPS Act, estimates this cost at more than \$2 billion through 2021. Without question, it is a significant amount that would be directly passed on to the employers and ratepayers of Pennsylvania. Indeed, if HB 1580 did not result in a substantial increase in SREC prices, it would not accomplish its stated public policy goal of incentivizing, and therefore encouraging, additional deployment of solar projects throughout the Commonwealth. I do not support increasing costs on Pennsylvanians through additional government mandates.

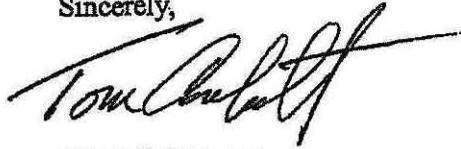
I also have significant concerns regarding the legality of the proposed addition (b) to Section 4 of the Act. This new provision seeks to require that any additional solar photovoltaic technology must deliver its electricity directly to an electric distribution company operating within Pennsylvania. In essence, this provision seeks to restrict eligible solar projects registered after January 1, 2012, to those projects situated within Pennsylvania. I am concerned that this aspect of the bill runs afoul of the interstate commerce clause because it is intended to provide in-state economic benefits at the expense of out-of-state competitors. This runs contrary to prior court precedent on this subject.

Additionally, while understandable to encourage deployment of solar within the Commonwealth, this provision would also raise SREC prices, translating into higher costs for ratepayers, by further constraining the supply of SRECs available for use in complying with the AEPS Act. Finally, by requiring eligible electricity to be delivered to an electric distribution company, this provision may restrict projects that utilize solar energy on site from being eligible to sell SREC credits under Pennsylvania's AEPS law.

I share the desire of you and your colleagues in promoting a strong and sustainable solar industry within the Commonwealth. A key component of being sustainable is establishing – and adhering to – predictability within the market. Our current AEPS Act accomplishes this goal. Periodic legislative “fixes” to align demand with a government-mandated supply discourages innovation and improved efficiencies within the energy market, shifts risk away from capital investors and onto consumers, and stifles competition within the solar industry itself.

1580. Thank you for your consideration of my comments as your committee reviews House Bill

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Corbett", with a long horizontal flourish extending to the right.

TOM CORBETT
Governor