

HOUSE CONSUMER PROTECTION, UTILITIES & TECHNOLOGY COMMITTEE

Testimony of Geoffrey Bristow *Chief Operating Officer, Pennsylvania Energy Development Authority*

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Good morning, Chairman Matzie, Chairman Marshall, and members of the House Consumer Protection, Utilities and Technology Committee.

I am Geoff Bristow, Chief Operating Officer of the Pennsylvania Energy Development Authority (PEDA). I came to this position after having served for nearly two years as PEDA's Acting Executive Director. As an employee of the Pennsylvania Department of Environmental Protection (DEP) since 1991 and the longest serving current employee of DEP's Energy Programs Office, I have had the privilege of spending most of my career managing, developing, and implementing clean energy programs.

On behalf of PEDA, thank you for the opportunity to provide testimony in support of House Bill 2338, which was recently introduced by Representative Elizabeth Fiedler to modernize PEDA. PEDA is fortunate to have Representative Fiedler as an active and supportive member of our board of directors. We appreciate her interest in PEDA and the obvious hard work that she has put into the legislation. We especially appreciate her willingness to consider and incorporate our feedback based on our review of drafts and ongoing conversations between our offices over the past year.

For my testimony, I would like to provide a brief introduction to PEDA, summarize the most significant provisions of House Bill 2338, and explain what enactment of the bill could mean for enhancing PEDA's capabilities to increase energy investment in the Commonwealth of Pennsylvania.

PEDA's governing statute was signed into law by Governor Dick Thornburgh as Act 280 of 1982. There were several minor amendments during the 1980s, so the law is largely in the same form today as when it was enacted 42 years ago. Act 280 created PEDA as "a public corporation and governmental instrumentality exercising public powers of the Commonwealth" to finance energy and energy-related projects. Act 280 allows the governor to decide which state agency is responsible for providing administrative support to PEDA. Through an executive order in 2004, Governor Ed Rendell transferred that role from the Department of Community and Economic Development to DEP. While PEDA is staffed and assisted by DEP employees, it operates under the guidance of a nineteen-member board of directors comprised of individuals from the public and private sectors.

It is important to understand that Act 280 was developed and enacted within the context of the energy crisis of the late 1970s and early 1980s, which explains why the law focuses on giving the governor the power to declare a state of emergency due to an oil shortage posing serious threats

to the public health, safety, and welfare. Of greater relevance for our purposes, PEDDA's main powers and duties under Act 280 are to:

- ✦ finance projects by awarding grants, loans, and loan guarantees, issuing bonds and notes, and entering into contracts;
- ✦ accept grants from public and private sources;
- ✦ issue an annual report of PEDDA's activities and finances; and ✦ develop and implement an Energy Development Plan.

The Energy Development Plan is undergoing a five-year cyclical update, but the most recent version explains that PEDDA's mission is to:

- ✦ expand the market for Pennsylvania's clean, diverse, indigenous energy resources; ✦ contribute to energy conservation, energy efficiency, resiliency, and development;
- ✦ help to mitigate the impacts of climate change through the reduction of greenhouse gas emissions; and
- ✦ support energy projects that improve public health and protect the environment, while strengthening economic development and job creation in Pennsylvania.

For the past four decades, PEDDA has operated efficiently, but with a small staff and without a dedicated revenue source since the executive authorizations provided via the Environmental Stewardship and Watershed Protection Act, commonly referred to as "Growing Greener," in the mid-2000s. Nevertheless, PEDDA has shown success over the years developing and deploying periodic grant programs with one-time funding that have been used by businesses, local governments, and other organizations to develop clean energy projects, including, among others, energy efficiency, biofuels, renewables, and combined heat and power.

While we are proud of the work that has been done under these grant programs, PEDDA has recently shifted its focus to offer clean energy financing products that leverage PEDDA's funds or other public funds to attract third-party capital for project investment. This increases the availability of funds, de-risks private investment, and allows for repaid funds to be recycled into future projects. We refer to this as PEDDA's Energy Accelerator Program (EAP). The first financing product under the EAP, the KEEP Home Energy Loan, was launched for Pennsylvania homeowners in April 2024, and a second financing product, designed to assist local governments, launches today, June 3rd.

At the same time that PEDDA has been developing the EAP, new federal funding, primarily through the Infrastructure Investment and Jobs Act (also known as the Bipartisan Infrastructure Law) from 2021 and the Inflation Reduction Act of 2022 (IRA), has made billions of dollars available for clean energy investment. This new funding presents both a reason and an opportunity to revitalize PEDDA and make significant investments in clean energy projects throughout the Commonwealth. This is the right time to amend Act 280 of 1982, and I thank Representative Fiedler for leading that charge.

In addition to generally updating the language of a 42-year-old law, House Bill 2338 would make the following significant changes to Act 280:

- ✦ Expand the types of projects that PEDDA can pursue and support;
- ✦ Reduce the size and change the composition of PEDDA's board of directors; and
- ✦ Extend the existence of PEDDA beyond the original 50-year term.

Let me briefly elaborate on the first, and most important, point. The Inflation Reduction Act provides for the largest ever U.S. investment in clean energy, with an estimated 70% coming in the form of tax credits to project owners. The IRA's elective payment provision allows states, local governments, and non-profit organizations – entities that were previously ineligible for energy tax credits – to claim certain tax credits for clean energy projects. Because those types of entities do not pay federal taxes, they can claim the tax credits by filing Form 990-T, the “Exempt Organization Business Income Tax Return,” with the Internal Revenue Service (IRS). The IRS will then credit the tax credit against the entity's tax liability of zero dollars, resulting in an overpayment that will generate a refund to that entity. The whole point is to incentivize investments in clean energy projects by reducing the amount of money needed to finance them.

However, only the owner of a project is eligible to receive a tax credit. Because Act 280 does not currently allow PEDDA to own projects except in very rare and specific circumstances, the Commonwealth will lose out on federal funds that would otherwise help pay for projects; without the federal contribution, some projects will not be able to go forward at all. But if PEDDA could own clean energy projects that are eligible for federal tax credits, we could achieve so much more for the benefit of Pennsylvania families and taxpayers.

For example, PEDDA could offer a financing option in the form of a lease where PEDDA provides the capital needed for a project under favorable lease terms, and then PEDDA, as the owner of the asset, could recover a significant portion of project costs through the tax credits, on average 30% to 50% depending on the details of the project. The tax credits could then be applied to the principal or invested in additional projects.

Another opportunity if PEDDA were able to own projects is that PEDDA, with the help of IRA tax credits, could invest directly in clean energy projects, perhaps even on state-owned brownfields or lands previously impacted by coal mining. PEDDA could invest the time and resources needed to overcome the hurdles that often deter private investment in these types of properties. Then, once a project reaches productivity, the project could be sold or leased, with the proceeds then available to be invested in additional projects.

In sum, House Bill 2338 would promote clean energy projects in Pennsylvania by bringing more federal funds into the state, which would, in turn, create good jobs, reduce energy costs for consumers, and improve energy resilience. Modernizing PEDDA through a much-needed update to

Act 280 of 1982 would be a game-changer for the Commonwealth, and that is why I urge this committee to support the legislation.

Thank you again for your time and consideration. I would be happy to answer any questions or provide any other assistance that would help move the bill toward enactment into law.