



Testimony of

**Jacob Finkel, Deputy Secretary of Policy**

**Governor's Policy Office**

Before the

**House Environmental Resources & Energy Committee**

**Public Hearing on HB 2277**

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Chair Vitali, Chair Causer, Members of the Committee:

Thank you for the opportunity to testify today regarding the Pennsylvania Reliable Energy Sustainability Standards, or PRESS, introduced as House Bill 2277 and Senate Bill 1190. Before I begin, I want to acknowledge Representative Otten and Senator Santarsiero, the prime sponsors. The Administration appreciates their leadership on this issue and the opportunity to collaborate with them and the 83 co-sponsors on this legislation.

PRESS embodies Governor Shapiro's all-of-the-above energy philosophy. The Governor has consistently laid out a three-part test for new energy policy: it must protect and create energy jobs, take real action to address climate change, and ensure reliable, affordable power for consumers in the long term. PRESS meets all three parts of the Governor's test. First, PRESS will accelerate economic development and grow our energy workforce. Second, PRESS will enhance reliability and resiliency while lowering emissions. And third, PRESS will help control costs for consumers in the long run. But PRESS does more than just pass the Governor's test—it is a key competitive tool in the race to modernize our energy grid and to ensure the next generation of energy resources gets built here in Pennsylvania.

Each of these is a strong reason on its own to support PRESS, but taken together, you can see why organized labor, the environmental movement, and Pennsylvania's Consumer Advocate all stand together alongside the Governor embracing this proposal.

### **Competitive Landscape:**

Twenty years ago, Pennsylvania led the nation with our Alternative Energy Portfolio Standards (AEPS). That law sent a signal to energy developers across the country that we were open for business and that innovative technologies had a home in Pennsylvania, building on the Commonwealth's history of energy leadership. The last two decades have proven AEPS' value and effectiveness. It has met its targets each year and today it is maxed out, with 18% of Pennsylvania's in-state energy coming from AEPS sources, which range from agricultural digesters to hydropower dams and wind turbines. But the targets in AEPS plateaued after 2021, so the standard is now stuck in time. By contrast, our neighboring states have all caught up to us and leapt ahead.

This matters because we live in a competitive regional electricity market. In fact, nearly a century ago, Pennsylvania was a founding member of our regional grid operator, PJM. Today our grid is still physically connected to the 13 other states in PJM, and since electrons can flow freely anywhere on that grid, the Cordia Energy plant 1,200 feet away from where we're sitting has to be prepared to compete with power plants in Indiana and North Carolina. The Governor announced PRESS at that Cordia plant because he wants to see that plant, and others like it all over Pennsylvania, compete successfully with energy producers across PJM.

Yet at the same time as the AEPS targets have plateaued, PJM states around us have surged ahead in building new energy sources. Some of them have enacted aggressive portfolio standards with targets that far exceed those in the AEPS. Others have rejected the portfolio standard approach but are actively courting new energy projects through other incentives. Pennsylvania has done neither in recent years, and as a result, we are losing out on new investments.

As we sit here today, the Lawrence Berkeley National Laboratory [tells us](#) there are an unprecedented number of new energy projects queued to be developed in our region, powered by remarkable federal incentives. The queue allows us to see what may be built in the future and where—right now, it shows 97.8% of future PJM projects will be renewable or energy storage and that, too often, those projects are skipping over Pennsylvania. Looking at our neighboring states, we have less queued capacity than [Illinois](#), less than [Indiana](#), less than [New Jersey](#), less than [Ohio](#), and less than [Virginia](#). In [West Virginia](#), the amount of queued renewable energy is growing eight times faster than it is here in [Pennsylvania](#).

If we do not act, we risk losing the mantle of energy leadership Pennsylvania has proudly carried since the 1800s. If we do not signal to the marketplace that we want new generation built here, those resources will *still be built*, but in *other* states.

PRESS is engineered to meet this challenge. It is a uniquely Pennsylvanian solution with an all-of-the-above approach. Unlike other states that have put their thumbs on the scale, choosing winners and losers in the marketplace, PRESS was designed with a more technology agnostic philosophy—we believe that within each Tier, the marketplace, not the government, should decide what technologies make the most sense, are the cheapest, and are the best fit for Pennsylvania. So we stripped away the complicated carve-outs you’ll find in other states’ approaches in favor of a single target for each broad Tier of technologies. This sends a signal to the marketplace: by 2035 we expect to see 35% of our energy coming from Tier I sources, 10% from Tier II, and 5% from Tier III, but we leave it up to the market to decide how to get there. This streamlined approach creates more liquidity for PRESS credits, making the program cheaper and more efficient over time.

### **Economic Development:**

At its heart, PRESS is a key economic development driver. It will bring billions of dollars in new energy investments to communities all over the Commonwealth and create and sustain thousands of good-paying energy sector jobs.

PRESS does this by including many new types of energy that don’t qualify under AEPS: 21 in total. We’ve added next generation technologies, like small modular reactors and fusion, because we want Pennsylvania to remain at the forefront of energy innovation. For the first time, we’re also including natural gas and coal facilities that are built or upgraded to support co-firing with clean hydrogen—for instance, from one of Pennsylvania’s two hydrogen hubs—or equivalent sources that utilize carbon capture to reduce emissions in compliance with federal standards.

To illustrate the opportunities this unlocks, our two largest remaining coal power plants, Keystone and Conemaugh, are slated to retire in 2028. PRESS makes it easier for those sites, and the 17 other legacy facilities that have closed since 2010, to reinvent themselves as the energy sources of tomorrow. We want to see that happen and think PRESS is an important part of the solution.

At the same time, every technology eligible for AEPS credits today will continue to be eligible for PRESS credits—no existing type of energy is excluded while many new types will become eligible. We’ve also included a special mechanism to support our public schools: any school that installs a PRESS Tier I power source can receive up to twice the normal credit. This will help lower utility bills for schools all over Pennsylvania while creating new energy jobs.

In fact, enacting PRESS into law will create thousands of new energy sector jobs, which is why you’ve seen such strong support from organized labor. For any developer, whether you’re building an advanced nuclear reactor, a hydropower dam, a solar field, or a next-generation gas plant, PRESS makes your project more valuable and gets you closer to shovels in the ground, dollars in the pockets of Pennsylvania communities, and reliable energy on our grid.

### **Reliability:**

Reliability is at the core of PRESS. We know that the next two decades are going to hold unprecedented challenges: demand for electricity is increasing—PJM recently [tripled](#) its estimate for electricity demand by 2034—legacy generation sites are retiring, and extreme weather that puts pressure on the grid is growing more common.

PRESS is designed to meet these challenges and to promote a reliable grid. First, as we've been discussing, it encourages the construction of a lot more power resources that will supply what's most needed: more sustainable electrons. Second, it ensures those resources are not all the same. Over-reliance on one or two sources of power makes it easier for extreme weather events to topple even the best-planned grid. Just look at states, like Texas, which have seen catastrophic blackouts during extreme weather. Texas responded in part by expanding the share of diverse sources on its grid in the last three years. PRESS takes the same approach, expanding the two Tiers of power sources under AEPS into three Tiers and requiring that minimum amounts of all three types exist in Pennsylvania. Overall, PRESS includes 21 different sources of energy across those three Tiers. This ensures we will grow the diversity of power sources on our grid in the years ahead.

PRESS also strongly encourages the development of baseload resources. It provides a dual credit for long-term battery storage. That will incentivize advanced batteries that can supply power in the moments when they're most needed. PRESS also directs Alternative Compliance Payments towards resilient resources like geothermal and distributed generation for the first time.

Further, PRESS improves reliability by ensuring the long-term viability of our existing nuclear fleet. In 1958, Pennsylvania became home to the first commercial reactor in the United States, and we continue to benefit from the second largest amount of nuclear power in the nation. PRESS builds on the example set by several other states in allowing our Public Utility Commission to provide a zero emission credit (ZEC) to support existing nuclear facilities if that becomes needed due to market conditions after 2032. The ZEC is essentially an insurance policy, helping to preserve nuclear energy as a clean, reliable source of baseload power for many years to come.

### **Lower Costs:**

Finally, PRESS is cost conscious. We have designed PRESS to be the best value energy portfolio standard in the nation. It has built-in cost control mechanisms that ensure prices remain within defined bands for each Tier of energy. Those price limits, the Alternative Compliance Payments (ACPs), get triggered if the cost of energy in a given Tier exceeds reasonable amounts. This refines the existing ACP model used by the AEPS, allowing us to more precisely control the maximum price point for different forms of energy. We also have limited the Public Utility Commission's ability to raise those cost limits for the first five years, and only in small increments after that if it is found to be in the public interest.

Equally important, many of the resources that qualify under PRESS are low or zero-marginal-cost, meaning that once they are built, the fuel is free. That includes wind and solar, as well as geothermal and advanced nuclear power. As I mentioned, Texas has increased the amount of renewables on its grid; in fact, it now has more wind and grid-scale solar power than any other state and [studies](#) have shown that those zero-marginal-cost resources are saving Texas consumers close to a billion dollars per month. Similarly, deployment of these resources at greater economies of scale in Pennsylvania will reduce our electricity prices, lowering utility bills for everyone.

### **Conclusion: A Common-Sense Energy Policy for Pennsylvania**

PRESS sends a crucial signal to the marketplace: Pennsylvania wants new energy projects here. It incentivizes 21 diverse types of energy, ensuring that the next generation of energy resources will be built in Pennsylvania.

Overall, the Governor's two energy policy proposals, the Pennsylvania Climate Emissions Reduction Act (PACER) and PRESS, will unlock billions of dollars in investment in communities across the Commonwealth, create tens of thousands of jobs, and save consumers \$252 million in the first five years. These proposals exceed every metric of the Governor's three-part test, and their widespread benefits are why organized labor, the environmental movement, and Pennsylvania's Consumer Advocate all stood together alongside the Governor to announce this common-sense energy plan.

As Governor Shapiro said on that day, we are immensely proud of Pennsylvania's legacy as an energy pioneer. We look forward to PRESS growing that legacy for decades to come. Thank you for the opportunity to explain why PRESS makes so much sense for Pennsylvania and I look forward to answering your questions.