



Industrial Energy Consumers of Pennsylvania

The Voice of Large Energy Consumers

Before the Pennsylvania House Environmental Resources &
Energy Committee

Testimony of

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Public Hearing on House Bill 2277 – PRESS Legislation

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Good morning, Chairmen Vitali and Caser and members of the House Environmental Resources & Energy Committee. I am Rod Williamson, Executive Director of the Industrial Energy Consumers of Pennsylvania (IECPA). IECPA is a trade association of energy intensive large manufacturing companies with one or more facilities in the Commonwealth of Pennsylvania with employees across the state. Formed in 1982, IECPA is the recognized voice of large energy consumers in Pennsylvania and played a critical role in the restructuring of both the electric and natural gas industries. IECPA member companies provide good paying jobs to over 25,000 Pennsylvanians. We write to provide additional feedback regarding House Bill 2277 sponsored by Rep. Danielle Friel Otten.

Many of Pennsylvania's large industrial manufacturing customers are energy-intensive, trade-exposed manufacturers. An 'energy-intensive' business is one whose production processes require so much energy that small changes in energy price translate into large changes in costs. As a result, IECPA members, while energy intensive, are putting energy efficient measure into place to reduce their energy consumption. A 'trade-exposed' business is one competing against many similar businesses in other states and/or in other countries for the same customers. A 'trade-exposed' business cannot even pass small cost increases on to its customers without risking the loss of that business to a competitor with a better price. Therefore, Pennsylvania's large industrial customers maintain a laser focus on labor, raw materials, capital and all other production costs, but especially energy.

While a Pennsylvania specific clean energy plan and program would be better than joining a regional program such as the Regional Greenhouse Gas Initiative (RGGI), IECPA has several concerns regarding bills introduced known as PACER and PRESS. Specifically, regarding the PRESS plan in H.B. 2277:

- **There is no need for a PA specific ZEC program:** IECPA certainly believes that nuclear energy is an important electricity supply resource. However given the existing federal Civil Nuclear Credit Program ("CNCP") created under the Bipartisan



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Infrastructure Law (“BIL”), enacted in 2021 and the new federal zero-emission nuclear power production tax credit (“Zero Emission PTC”) for existing nuclear power plants under Section 45U of the Inflation Reduction Act (“IRA”) Code, IECPA has serious concerns regarding the need for a PA specific ZEC program that would place the cost of supporting nuclear energy only on PA electric customers. Energy intensive trade exposed customers like IECPA members cannot afford to pay higher electricity prices in PA versus their competitors in other states.

- **Requires significant increases in the use of PRESS energy sources.** The bill picks specific generation resources that receive a financial incentive. This selection of resources by the state interferes with Pennsylvania participating in the PJM market. While the bill provides an off ramp if sufficient PRESS energy resources are not reasonably available, there is no consideration or off ramp regarding reliability impacts from the early retirement of baseload generation. PJM published a recent analysis entitled Energy Transition in PJM: Resource Retirements, Replacements, and Risks that addresses the potential imbalance between increasing load and accelerating retirements through 2030 – many of which are being driven by Federal and State policy just like HB 2277 rather than economics. In fact PJM’s analysis shows that 40 GW of existing generation are at risk of retirement by 2030. This figure is composed of: 6 GW of 2022 deactivations, 6 GW of announced retirements, 25 GW of potential policy-driven retirements and 3 GW of potential economic retirements. Combined, this represents 21% of PJM’s current installed capacity.

While these concerns are significant, IECPA does appreciate the following aspects of HB 2277:

- Consideration and addition of demand-side management including industrial by-product technologies along with combined heat and power systems and distributed generation systems as PRESS energy sources.
- Consideration of natural gas or coal generation which incorporates clean hydrogen co-firing or equivalent carbon reduction technologies.

In summary, regarding any energy and climate policy, IECPA seeks a plan that enhances the existing industrial and manufacturing base and promotes employment and economic growth in Pennsylvania. We want to make sure lawmakers are ensuring that Pennsylvania has not only a cost effective, clean energy supply, but, most importantly, a reliable energy supply to support Pennsylvania’s large energy users.



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General Principles Regarding Energy & Climate Policy

- For any new energy or climate policy, the following must be developed and considered:
 - a) Must obtain and fully consider testimony from PJM regarding how the policy would impact reliability and cost;
 - b) The Independent Fiscal Office (IFO) must provide revenue projections along with analysis of fiscal, economic and budgetary issues impacting the broader Commonwealth;
 - c) A specific economic analysis of the cost impact on businesses and economic development (e.g., cost impact on capitol complex could be modeled as a proxy);
 - d) An analysis of how the policy would increase or decrease the number of manufacturing jobs in the Commonwealth including migration of industry out of Pennsylvania;
- Twelve months' notice must be provided to PJM prior to the implementation of any energy or climate policy;
- Any energy or climate policy does not discourage the use of natural gas generation to increase the reliability of intermittent generation resources;
- Any energy or climate policy does not discourage an industrial customers ability to install and utilize combined heat and power (CHP);
- Given the higher efficiencies, include industrial combined heat and power (CHP) as a low carbon energy supply source to meet any clean energy standard;
- Any carbon cap and trade program or similar initiative must not increase the electricity costs to energy-intensive industrial companies; and
- Industrial customers should have the option to participate in any energy efficiency program and associated charges.

We appreciate your consideration of my testimony and IECPA looks forward to working with you to formulate an energy plan that keeps industrial consumers in the Commonwealth.