

MEMORANDUM

Date: September 20, 2010

To: The Honorable Members of the Senate Consumer Protection & Professional Licensure Committee

From: Gene Barr, Vice President, Government & Public Affairs, PA Chamber of Business and Industry
George Ellis, President, PA Coal Association
David Kleppinger, Counsel, Industrial Energy Consumers of PA
Pamela Witmer, President, PA Chemical Industry Council
Douglas Biden, President, Electric Power Generation Association
Terrance Fitzpatrick, President, Energy Association of PA
Rolf Hanson, Executive Director, Associated Petroleum Industries of PA
Kathryn Klaber, President & Exec. Director, Marcellus Shale Coalition
Brian Rider, President, PA Retailers Association
Patrick Conway, President, PA Restaurant Association
Randolph St. John, Sr. Vice President, PA Food Merchants Association/PA Convenience Store Council
David Taylor, Executive Director, PA Manufacturers Association
Kevin Shivers, State Director, National Federation of Independent Business
David Patti, President, Pennsylvania Business Council
Ralph Pontillo, President, Manufacturer and Business Association
Louis D'Amico, President, PA Independent Oil and Gas Association

RE: Vote "No" on Alternative Energy Portfolio Standards (AEPS) - Expansion of Solar Mandate Amendment

It is our understanding that the Senate Consumer Protection and Professional Licensure Committee may soon be considering an amendment to HB 1128 that would expand the solar mandate under the AEPS Act from .5 to 1.5 percent, tripling Pennsylvania's solar mandate under an accelerated timeframe. On behalf of our thousands of Pennsylvania employers, representing more than one half of private sector jobs, we write in opposition to this amendment.

We oppose the solar amendment for the following reasons:

- With electricity rate caps having come off for many consumers, and the remaining caps scheduled to come off next year, and the uncertainties in the market due to that event, now is not the time to increase the mandates for more expensive forms of energy. Estimates are that expanding the solar requirement from .5 to 1.5 percent will cost consumers **\$4 billion**. This will add to the cost of electricity purchases in future years at a time when job creators and residents can least afford it.

- The proposed increase in the solar mandate will likely lead to higher energy costs for both producers and consumers, and could negatively impact the reliability and adequacy of Pennsylvania's electric generation supply.
- The original mandates for alternative energy, including solar, enacted in Pennsylvania in 2004 have not yet been fully implemented. It makes sense to wait until we see the effect of that action.
- By increasing the AEPS solar mandate from .5 to 1.5 percent, the legislature would be sending out a clear and negative signal to conventional resources in Pennsylvania, such as nuclear, coal, and natural gas. In an industry where a single percentage-point decrease in market share is very significant, a law that effectively reserves a piece of the market for certain politically-favored technologies, regardless of price, creates a very powerful disincentive for investment in any other resource that does not qualify under the proposed legislation. We are concerned that reduced investment in conventional generation in Pennsylvania, will be a serious unintended consequence in Pennsylvania that will more than offset any energy or jobs benefits from this legislation.
- According to PJM, existing mandates from 9 states within its footprint will require 200 million megawatt-hours of renewable generation by 2025 and more than 56% of the currently planned generating capacity is renewable. For reference, PA's total generation is 225 million megawatt-hours. Clearly, more mandates are not necessary to spur the market.
- PA has no comparative economic advantage in generating electricity with solar. If it did solar would not require mandates. Thus, mandated solar percentages will rob jobs from electricity sources in which PA does have a comparative advantage. The net effect of such mandates must therefore be a net reduction in jobs – not an increase as alleged by proponents.
- Proponents say that if PA doesn't expand its solar requirement, PA will be behind other states with more aggressive solar requirements. In fact, many states with more aggressive AEPS are looking to roll back their requirements because they are finding out that these alternative energy mandates are much more costly than any benefits associated with these mandates. Examples: In Massachusetts, the state's Department of Energy Resources has estimated that solar power procurement mandates could increase the overall costs of electricity to consumers by \$250 million a year;

In Arizona, which has a 15% renewable energy mandate and a specific carve-out for solar (similar to what is proposed in the solar amendment) the compliance costs are projected to be \$2.4 billion; Connecticut, which now has one of the highest portfolio standards in the nation, is considering legislation to reduce its 20% renewable goals by half; In New Mexico, electricity prices have soared due to renewable power mandates, such as solar. Electricity providers are paying higher than market rates to purchase residential solar power in order to meet the mandate. Consumers must ultimately bear these costs.

All of the facts beg the question- Why is the Pennsylvania legislature even considering legislation that will saddle their constituents with higher energy bills at a time when they can least afford it?

We urge you to vote “No” on the solar amendment.

Thank you for your consideration.