

**BEFORE THE PENNSYLVANIA
HOUSE DEMOCRATIC POLICY COMMITTEE**

Testimony of

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Regarding

Renewable Energy Legislation

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**Chairman Sturla
and Members of the House Democratic Policy Committee**

My name is Tanya McCloskey. I am serving as the Acting Consumer Advocate of Pennsylvania since the retirement of Sonny Popowsky at the end of October of 2012. I have worked at the Office of Consumer Advocate since 1987 with a primary focus on energy issues. I am pleased to testify here today regarding the proposed Renewable Energy Legislation, an issue of great importance for Pennsylvania electricity consumers.

In representing Pennsylvania's utility consumers, my primary responsibility is to try to ensure that Pennsylvania consumers enjoy safe and reliable electric service at a reasonable price. From this perspective, our Office has supported the renewable and advanced energy portfolio standards that have been implemented by the General Assembly since 2004. These standards have been beneficial to Pennsylvania consumers, particularly as the generation rate caps began to expire a few years ago at a time of high electricity prices and high natural gas prices. At that time, the types of generation developed through the alternative energy portfolio standards served to mitigate the impact on consumers of price increases from the volatility in the price of fossil fuels that are used to power most of our current generation resources.

I am concerned with not just price, but also the reliability of service to Pennsylvania's electricity consumers. Here, too, I think the greater diversity of resources, including renewable and advanced energy resources, can be beneficial. First of all, many types of renewable generation resources are relatively small and can be spread throughout the grid, thus improving the reliability of the grid. Second, an over-reliance on natural gas generation can be particularly problematic during the coldest days of the winter, when demand for natural gas is, of course, also at its highest for winter heating purposes.

This brings me to the proposals being discussed here today to increase the Tier I requirement of the Alternative Energy Portfolio Standards Act of 2004, including the solar carve out, and to permanently fund the Pennsylvania Sunshine Solar Program. As I mentioned earlier, my job is to represent consumers, but the General Assembly has to balance the concerns of consumers and the environment as well as the economic well-being of the Commonwealth. The proposed amendment to the Alternative Energy Portfolio Standards Act would 1) increase the Tier I requirements of the AEPS Act of 2004; 2) increase the solar carve out; 3) establish a solar alternative compliance payment schedule beginning at \$250/MWh and declining by \$25 per year until it reached \$50; and 4) establish a requirement that solar must come from Pennsylvania. The most critical question from the perspective of consumers is the cost to the consumer of these additional requirements and whether the benefits expected would be likely to exceed those costs.

If I had been asked to testify on this proposal a few years ago when natural gas prices were much higher, the analysis might have been much different. That is, increasing the renewable portfolio standard may well have had merit for both cost reasons and environmental reasons in a time of sustained high natural gas prices. As natural gas prices have declined significantly in the past several years with the development of Marcellus Shale in Pennsylvania and throughout the region, a much more precise analysis of the costs and benefits of renewable resources to consumers compared to traditional fossil fuel resources is needed. That is not to say that the General Assembly cannot find, for example, that the environmental and other societal benefits of such standards outweigh the additional cost to consumers, but clearly there is a more difficult tradeoff between those costs and benefits.

That is also not to say that dramatic or persistent increases in the price of natural gas, coal, and oil could not again combine to make renewable resources more attractive on economic grounds as well. This is particularly true if one believes that the United States will eventually take action to address the issue of global climate change. Also, recent forecasts from the U.S. Energy Information Administration project increases in the cost of natural gas in 2013 from the low levels seen in 2012. Our Office has long argued that it is not reasonable to rely upon a single source of generation. Pennsylvania should always be in the position of being able to deal with the varying circumstance arising from the volatile energy markets. Appropriate diversity of resources is a tried and true method of ensuring that costs to ratepayers remain reasonable over the long term.

I think it is important for consumers that the proposed legislation provides a critical measure of protection by including a solar alternative compliance payment of \$250/MWh for 2013-2014, with that payment declining to \$50/MWh when the solar carve out reaches its maximum of 1.5%. This provision addresses an uncertainty in the current law that sets the alternative compliance payment for solar at twice the market price, an unknown value. The alternative compliance payment schedule will help to ensure that the cost of the solar credits to electric distribution companies and electric generation suppliers will remain within specific boundaries. I would note that it may be necessary to amend the “force majeure” language of the statute to make it clear that the EDCs and EGSs do not have to purchase these credits when the costs are higher than the alternative compliance payment. In other words, if the cost is too high, the EDCs and EGSs should not have to make the purchase and should not be penalized for failing to make a purchase.

I also wanted to briefly address the proposal to permanently fund the Pennsylvania Sunshine Solar Program. The amount and source of funding for this Program is beyond my area of representation, but I have had some experience with the benefits of this program from my work with electric utility consumers who have utilized it as a source of funding for their residential solar installations. I have also had some experience with the program through my role as the Office's representative on the Pennsylvania Energy Development Authority. In my view, the Program has provided important support for the development of small scale solar systems that benefit both the individual residential utility consumer installing the system and the utility system as a whole.

In closing, I want to commend this Committee for its continuing efforts to address this important issue in a manner that will benefit electricity consumers as well as the environment and the economy of the Commonwealth as a whole.

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