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Testimony of

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before the

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on the PA Economy**

Committee on Appropriations

Pennsylvania House of Representatives

Valley Forge Military Academy and College

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Mr. Chairman and members of the Committee, thank you for this invitation to testify on this most important topic. PennFuture is a statewide public interest membership organization, working to enhance Pennsylvania's environment and economy, with offices in Harrisburg, West Chester, Philadelphia and Pittsburgh.

Pennsylvania is at an energy crossroads. The business as usual road would keep Pennsylvania chained to dirty, expensive fossil fuels that are fouling our environment and crippling our economy with skyrocketing prices. On this road jobs and investment will be lost. Right now Pennsylvania remains on the business as usual road.

The alternative is the clean energy road where energy is cleaner, the environment is healthier, and new clean energy industries create tens of thousand of jobs and bring billions of dollars of investment. Good policy is indispensable for Pennsylvania to get on the clean energy road and to win the race for jobs and investment that is now taking place between the states and America and its global competitors.

Pennsylvania is entering a time of new energy challenges. Among these challenges are the removal of electric rate caps; rising fuel costs; global warming and potential carbon constraints; and energy security.

To address these concerns and to start traveling on the clean energy road, Pennsylvania must diversify its sources of energy by boosting renewable energy sources like solar, wind, biomass, geothermal and low-impact hydro as well as increase energy conservation.

Unfortunately Pennsylvania currently is at a major competitive disadvantage to many other states which are competing for alternative energy investment and jobs for the simple reason that other states have large, well-funded programs to attract companies and energy projects. Pennsylvania each year distributes about \$20 million in grants and loans to support renewable energy and energy conservation projects.

By comparison New York offers per year \$363 million, New Jersey \$235 million, and California has over \$1 billion for renewable energy and energy conservation. Those states with which Pennsylvania competes for renewable energy and energy conservation investments raise funds by collecting a fee on each kilowatt-hour of electricity to finance qualifying projects and California currently has a procurement requirement boosting their energy conservation funding.

Renewable Energy Funding:

Investments in renewable energy benefit both our environment and economy. States that provide funding towards renewable energy technology typically see rewards through the creation of new jobs, tax revenues, and new technologies. Additionally, since most renewable energy technologies rely on home-grown resources, most of the energy dollars can be kept in the state.

Pennsylvania, through its Alternative Energy Portfolio Standards Act, has demonstrated the economic benefits of a strong commitment to renewable energy. Spanish wind energy giants Gamesa and Iberdrola Renewable Energies have moved into the state, and Germany-based

Conergy AG, the world's largest solar power integration company, choose Pennsylvania for the East Coast operations of its solar engineering and installation subsidiary, SunTechnics.

With renewable portfolio standards in place across the region in New York, New Jersey, Maryland and Delaware, availability of funding can be the crucial competitive advantage to attract new investments and jobs into a state. As shown in Chart 1, with New York and New Jersey providing \$36.4 million and \$102 million respectively in renewable energy funding, Pennsylvania clearly has some catching up to do in order to remain competitive.

Chart 1: Approximate 2008 Renewable Energy Funding Levels		
State	Funding (\$ Million)	Funding Source
CA	\$440	SBC
CT	\$20	SBC
MA	\$25	SBC
NJ	\$102	SBC
NY	\$36.4	SBC

(Source: CESA and state annual reports)

Pennsylvania, without any solar rebate program, is at a competitive disadvantage compared to other states. For example, New Jersey has \$273 million available for solar rebates from 2005-2008; NYSERDA has \$22.9 million available from 2002-2007; and lastly California has designated \$3.2 billion in solar incentives over the next ten years.

Solar funding is especially important as solar photovoltaics create more jobs per megawatt of capacity than any other energy technology - 20 manufacturing and 13 installation/maintenance jobs per installed megawatt. The New Jersey Public Interest Research Group reports that if only 10 percent of the homes in the Mid-Atlantic States used some solar power, 25,390 jobs would be created, with a payroll of \$364 million by 2014.

Fortunately, current legislation in the General Assembly would help Pennsylvania become more competitive. Special Session House Bill 1 (SHB1) would provide \$850 million in clean energy funding. SHB1 will make Pennsylvania competitive for solar industry jobs and investment by containing a \$200 million carve-out for solar of which 65% must go to solar rebates for installations. The remainder would be available to attract solar manufacturing. SHB1 also contains \$25 million for Green Buildings; \$30 million for wind energy; and \$56 million for the Ben Franklin Technology Fund.

Without this increased funding for renewable energy, Pennsylvania will lose billions of dollars of investment and tens of thousands of jobs. Other states are aggressively moving to capture the clean energy opportunity and it is time for Pennsylvania to do the same.

Energy Efficiency Funding:

Energy efficiency is a reliable, cost-effective resource that can lower costs to electric consumers; ease the growing strain placed on our electric transmission and distribution system; mitigate the need for costly expansion; and global warming pollution.

States that have made strong commitments to energy efficiency have great benefits to show for their efforts. For example, New York, New Jersey, Connecticut and Massachusetts have had large-scale ratepayer funded energy efficiency programs in place since the year 2000, helping to avoid hundreds of megawatts and billions of dollars in more costly electricity supply.

California's electricity use per person has remained relatively flat over the past 30 years – while national consumption has increased by 45 percent – thanks to cost-effective energy efficiency investment by utilities. Additionally, Efficiency Vermont has saved enough electricity to offset load growth since 2005, and is now poised to help Vermont achieve negative load growth for the foreseeable future. All of these savings have been achieved in a cost-effective manner compared to the cost of avoided supply.

Not surprisingly some states are almost doubling funding for energy efficiency. Chart two included in this testimony highlights proposed 2008 energy efficiency budgets for states in our region and California. It is most important to note that neighboring states New York and New Jersey are investing \$327 million and \$133 million respectively each year. Whereas, according to the American Council for an Energy-Efficient Economy's (ACEEE) 2006 report, Pennsylvania ranks 37th in the nation for state spending on rate-payer funded energy efficiency programs.

Underinvestment in energy efficiency means higher bills for electric customers and less jobs. PennFuture's report, *Building Pennsylvania's Energy Future: Efficiency Means Real Gains for Security, the Economy, and the Environment* shows that if Pennsylvania were to offset all electric demand growth with cost-effective energy conservation, the state could achieve a net-savings around \$9 billion dollars in avoided new generation and transmission lines. Investments in energy efficiency can help lower the cost of living and doing business in Pennsylvania and create jobs at the same time.

A strong commitment to energy efficiency can also attract a whole new sector of companies and jobs. Thousands of jobs are created in the energy conservation sector; however, without any commitment to energy efficiency in Pennsylvania, jobs in the region are flowing to neighboring states like New York and New Jersey. For example, According to the 2006-2007 New York State Energy Research and Development Authority (NYSERDA) Annual Report, The New York Energy Smart program has as contributed to the creation or retention of more than 3,700 jobs per year.

**Chart 2:
Proposed 2008 Energy Efficiency Budgets**

State	Budget (\$ Million)	Funding Source
CA	\$659	40% SBC 60% new resource procurement
CT	\$85.9	SBC
ME	\$12.8	SBC
MA	\$125	SBC
NH	\$18.5	SBC
NJ	\$133	SBC
NY	NYSERDA \$188	NYSERDA SBC
	NYPA \$103	NYPA Shared Electric Bill Savings
	LIPA \$36	LIPA SBC
	Total \$327	
RI	\$22	SBC
VT	\$29	SBC

(Source: state annual report and plans)

In 2007 the Connecticut legislature ordered state utilities to acquire “all available energy efficiency and demand reduction resources that are cost-effective, reliable and feasible”. The state’s two largest utilities have already filed draft plans in accordance with this requirement. Environment Northeast, a non-profit research and policy organization, estimates that implementation of the draft plans would result in a tripling of current efficiency spending in Connecticut over the next five years. Massachusetts also is currently investigating legislation that would require utilities to acquire all cost-effecting energy efficiency.

New York State, which already has an impressive level of funding for both energy efficiency and renewables, is in the process of implementing a robust energy efficiency portfolio standard that will reduce electricity usage 15% by 2015.¹ The New York Department of Public Service indicates in its straw proposal that an additional \$313.8 million would be made available from a system benefits charge to meet the 15% reduction goal. Specifically, NYSERDA would receive an additional \$167 million annually and the utilities would receive \$146 million. The report forecasts that if the 15% reduction is met by 2015, wholesale costs in the NYISO region could be reduced by 20.25%.

New Jersey and Maryland are also examining the possibility of implementing aggressive energy efficiency portfolio standards. Maryland Governor O’Malley has set a goal of reducing per-capita electricity usage in the state 15% by 2015. The Maryland General Assembly is currently considering this proposal. A recent study conducted by the American Council for an Energy-Efficient Economy (ACEEE) indicates that this goal is indeed feasible and can be reached in a cost-effective manner. ACEEE concludes that meeting the 15% target will not only offset

¹ New York Public Service Commission Case 07-M-0548 - Proceeding on Motion of the Commission Regarding an Energy Efficiency Portfolio Standard (EPS)

electric load growth but could cut participating customer's electricity bills by a net \$860 million and create 8,067 jobs in 2015.

Pennsylvania lags behind in the region in investments in energy efficiency. House Bill 2200 addresses this issue by requiring the creation of conservation programs in all parts of Pennsylvania to reduce electricity use by 2.5 percent of the projected 2012 total demand by 2013 and requires a minimum reduction in peak demand of 4 percent of current levels by May 31, 2012. The sooner this bill is passed, the sooner Pennsylvania can make up for lost time, helping to reduce electric costs to consumers in the state and injecting those savings into our economy.

Conclusion:

Pennsylvania is currently being out-funded in both renewable energy and energy efficiency by others that are also competing to recruit new clean energy investments and jobs. States like New York, California, New Jersey are making substantial investments to win this competition. The next two years could be decisive in determining whether or not Pennsylvania will become a leader in the alternative energy industry. Companies are making decisions now that will determine their investments over the next decade and time is running short for Pennsylvania to make the necessary public investments that will attract the private capital and jobs here and keep them going mostly to competing states.