

## **PA House Republican Policy Committee – February 20, 2024**

### **Testimony – Joe Delmar – Cogentrix Energy**

Good afternoon. Thank you to Chairman Rowe, Representative Flick, and members of the Committee for the invitation to be here today. I appreciate the opportunity to speak about the energy industry and the challenges facing generators in today's market and more importantly the Commonwealth of Pennsylvania.

My name is Joe Delmar, and I am the director of governmental affairs for Cogentrix Energy. I have 25 years of experience working in government affairs and policy including the past 16 years in energy. Most of this energy experience is in states that are part of the PJM regional grid, most specifically Pennsylvania, New Jersey and Maryland.

Cogentrix has approximately 5,000 MW of generation including two natural gas-fired, combined-cycle power plants in Pennsylvania.

The Patriot Generation Plant is located in Lycoming County with a base capacity of 870 MW. It's a brief 20-minute drive from where we are today. In addition, the Liberty Generation Plant is located in Bradford County with a base capacity of 870 MW as well. Together, these baseload plants produce enough electricity to power more than one million homes.

While surrounding states like New Jersey and Maryland promote energy policies that challenge resource adequacy, Pennsylvania has supported the development of 27 natural gas-fired power plants over the past 25 years to create an additional 20,000 MW of energy capacity approximately.

Due to the availability of natural gas in Pennsylvania, the Commonwealth is uniquely positioned to support the development of additional natural gas-fired power plants. However, market signals and recent actions by the Commonwealth continue to discourage new development.

Consistent PJM capacity pricing is a critically necessary signal to encourage companies like Cogentrix and others to pursue building new natural gas plants. Without consistent capacity pricing, investment in new generation projects is not

an option. For generators, maintaining the integrity of the competitive wholesale markets administered by PJM is also critical to facilitating future development.

A well-functioning competitive market is critical to keeping prices down and to allow for consumer choice. Recent changes, such as the agreement reached between PJM and Governor Shapiro to artificially cap auction prices, can have unintended consequences and have the opposite effect than intended.

Forcing changes to the competitive market under the banner of consumer protection can further undermine electricity markets, thereby raising consumer costs and threatening resource adequacy.

This agreement has had a chilling effect throughout the generator community. In the past, many of us in the generator community focused our time on energy policies in New Jersey and Maryland. We didn't worry about Pennsylvania.

That's not the case anymore. Pennsylvania's energy policy is at a major crossroads. If I could, I would like to offer some feedback to you today.

First, joining the Regional Greenhouse Gas Initiative, better known as RGGI, would be bad for Pennsylvania and more importantly bad for its residents and the major manufacturers that drive the Commonwealth's economy.

We view RGGI as a tax. A tax that will be passed on in monthly utility bills. It leads to higher prices and will continue to do so for the immediate future.

I am not a RGGI expert but if I could, I would like to explain at a very high-level how RGGI works. Generators like Cogentrix are required to purchase CO<sub>2</sub> allowances for every short ton of CO<sub>2</sub> that they emit.

RGGI conducts quarterly allowance auctions each year and the allowance pricing fluctuates even between auctions. As an example, CO<sub>2</sub> allowance pricing last week was approximately \$22 per allowance.

Our Patriot and Liberty plants are both relatively newer plants making them more efficient than older plants that continue to operate. Based on the emissions of each plant and that \$22 CO<sub>2</sub> allowance, the added cost for each megawatt we produce would be an additional \$8.30 per megawatt with RGGI. This additional cost is added on when we sell the electricity into the market.

As we all know, prices historically go up too.

S&P Global Commodity Insights, which monitors the energy industry, examined RGGI recently and as expected are forecasting RGGI allowance pricing to go up significantly. As an example, they are forecasting RGGI's CO2 allowance pricing to rise to approximately \$40 per allowance by 2040, 15 years from now.

Again, this cost will be passed onto consumers, both residential and business users. I would like to thank Senator Yaw for his legislation that recently passed the Senate, to repeal Pennsylvania's participation in RGGI.

While many of us continue to focus on RGGI, it is equally important to recognize that the governor's proposed alternative, the Pennsylvania Climate Emissions Reduction Act, better known as PACER, is not the solution.

Like RGGI, it is a cap-and-trade program, but it would be specific to Pennsylvania generators. It will also lead to higher electricity prices.

And like RGGI, PACER sends the wrong signal to encourage new investment in the development of new natural gas plants within Pennsylvania.

Another key factor that is a signal to generators on investment decisions is regulatory certainty. This leads to another topic important to generators. Permitting reform.

Given the difficulty with siting new infrastructure, optimizing existing resources is the most efficient and cost-effective way to obtain new resources necessary to accommodate economic growth.

Pennsylvania should encourage generators to upgrade equipment and increase output where possible. We applaud the Administration's efforts thus far on permitting reform and the steps that the Governor and DEP have taken toward streamlining the process.

However, in our own experience, the PADEP permitting process is still cumbersome with multiple requests for additional information beyond the original application.

Permitting delays and difficulties can not only impede new investment, but they can significantly impact projects like ours to upgrade and enhance existing

generation. While the capacity upgrade is modest in comparison to building new generation, every megawatt of capacity increases supply and reduces consumer costs.

Like RGGI and PACER, the permitting process discourages generators from building new power plants or doing a minor uprate at an existing facility. We stand ready to work with all of you to continue removing burdens to an efficient permitting system in Pennsylvania, which will in turn remove roadblocks to investment.

I would like to thank the committee for providing me with the opportunity to speak today and I would welcome the opportunity to answer any questions you might have.