Testimony of Elizabeth Stelle, Vice President of Policy
Commonwealth Foundation
House Republican Policy Committee, Joint Hearing on Energy Reliability and Affordability
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Good morning Chairman Rowe and members of the committee and lawmakers from neighboring states. My name is Elizabeth Stelle, Vice President for Policy at the Commonwealth Foundation. Thank you for the opportunity to provide brief remarks on Pennsylvania's energy future. The Commonwealth Foundation promotes market-driven solutions that will benefit all Pennsylvanians. These policies must prioritize reliability, affordability, fairness, competition, and innovation so we can unlock our energy resources and full economic potential.

I want to focus on three things this morning, Pennsylvania's record of affordable energy, challenges to affordability, and policy solutions to address rising rates, declining production, and fragility of the grid we all share.

Pennsylvania's Record of Affordable Electricity

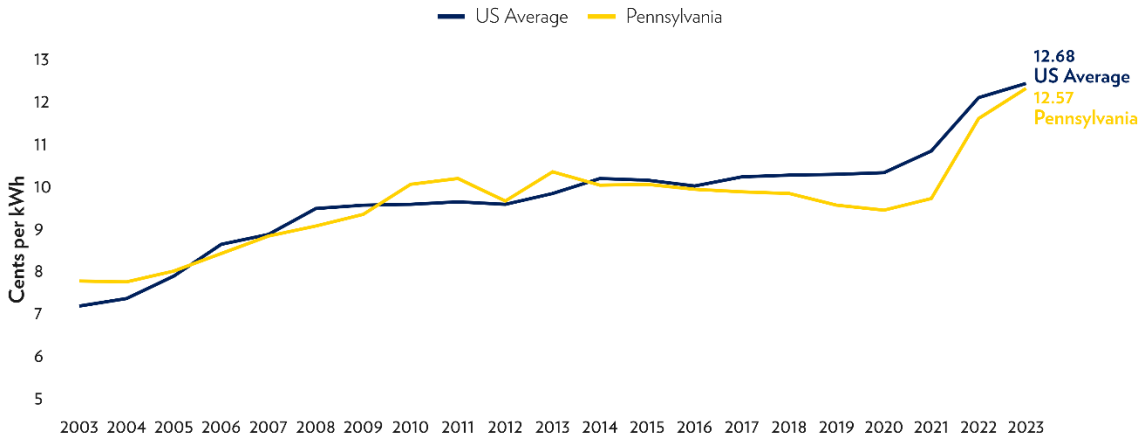
First, the experience of Pennsylvania consumers. Over the past two decades, Pennsylvanians have enjoyed relatively slow growth in electricity rates. According to the Energy Information Agency (EIA), the average retail price of electricity for all consumers increased from 8.02 cents per kWh in 2003 to 12.57 cents per kWh in 2023. Since 2021, consumers have begun experiencing a steeper increase in rates, though still remaining below the national average.

Homeowners are taking note of these increases. In our September polling, 78 percent of Pennsylvanians reported their electric bills increased over the past year

Notably though, other states—particularly those with carbon taxes and more reliance on so-called "alternative energy"—have experience greater energy price increases. Consider rates in neighboring New Jersey, which soared from 9.48 in 2003 to 15.27 cents per kWh in 2023, far above the national average.

Average Retail Price (cents per kWh)

Over the past two decades consumers experienced stable retail prices until 2021.



Source: Energy Information Agency, State Electricity Profiles, https://www.eia.gov/electricity/state

Self-imposed Challenges to Affordability

Today's challenges to affordability are in many cases self-imposed. Consider household electric bills. Within the distribution charge are hidden government-mandated costs for the universal service program and Act 129 energy efficiency programs. Consumers may see a solar requirement charge to comply with the Alternative Energy Portfolio Standards (AEPS) mandates, and on top of that will pay a gross receipts tax.

In fact, the AEPS cost ratepayers an estimated $702 million last year, according to the Public Utility Commission (PUC).

Add to these policy decisions fluctuations in the price of natural gas, a regulatory environment that discourages new generation, and dramatic opaque load growth forecasts; it's no wonder rates are on the rise.

In short, Pennsylvanians are facing affordability challenges because our state policies stand in the way of unlocking our full energy potential. As PJM noted in earlier testimony before the Senate Consumer Protection and Professional Licensure & Environmental Resources and Energy Committees, states should consider cost increases to consumers as a natural by-product of state policy decisions.

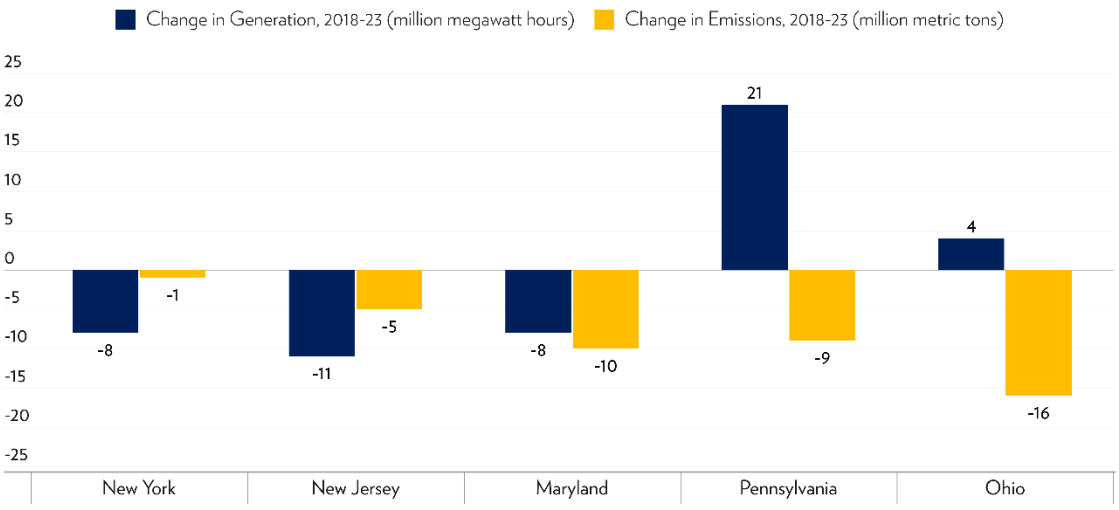
Policy Solutions to Rising Rates, Declining Production, and Fragility of the Grid

Where do we go from here? We need a two-fold approach. First, removing policies that raise the cost of energy by giving special privileges to certain energy sources via carbon taxes or mandates. This begins with removing Pennsylvania from RGGI (which 72% of Pennsylvanians oppose, according to the Commonwealth Foundation's latest polling) and eschewing Gov. Shapiro's "Lightning Plan", which will dramatically increase the costs of energy and reduce the reliability of our electric grid.

Specifically, the governor's acronymed PACER and PRESS proposal (which 74% of Pennsylvanians oppose) would have an extreme impact on energy costs. Our recent study finds these programs would double residential electric bills, forcing $157.2 billion in additional costs over the course of ten years.

These new taxes and mandates are unnecessary. While Pennsylvania has been increasing its electricity production—and become the number one exporter of electricity—it has simultaneously *reduced* carbon emissions.

Carbon Emissions from Electricity Generation, 2018-2023



Source: Pennsylvania Independent Fiscal Office, "Pennsylvania Electricity Update," March 7, 2024, http://www.ifo.state.pa.us/releases/755/Pennsylvania-Electricity-Update/

Second, lawmakers should advance policies that promote energy production—including comprehensive permitting reform, reliability standards, and market-driven solutions to navigate rising electricity demand.

Ohio is a good model to consider. House Bill 15, passed last spring, sends a clear message that competitive markets are the best way to deliver affordable and reliable power to residents. It also worked to end subsidies that damage markets and encourage new energy production by lowering taxes, not by corporate welfare.

In addition, Ohio's equivalent to the PUC adopted rules to proactively address the challenge of accurately forecasting load growth from large users like data centers. It's imperative that Pennsylvania takes the same proactive stance to avoid expensive overbuilding with rate payers left in the lurch. Forthcoming legislation from Senator Yaw and Miller to strengthen the PUC's oversight of load forecasting is worth serious consideration.

Finally, lawmakers could consider a form of reliability standards to ensure existing, reliable generation is not removed from the grid until an equivalent amount of reliable MWHs are ready to replace them.

Pennsylvania must be able to lean into its comparative advantage as the powerhouse of the Northeast in delivering affordable and reliable generation.

Conclusion

A people-first approach to energy policy prioritizes reliability and affordability. Market-driven policies and a pro-energy regulatory approach are the best pathway to these duel goals. Such policies will help make Pennsylvania a leader not just in energy production, but in prosperity and economic growth, while also provide for American energy security.

Thank you for the invitation to testify, and my thanks to the rest of the committee for your attention to this issue. I look forward to your questions.