

Testimony Before the House Republican Policy Committee
Pennsylvania Energy Affordability and Customer Relief

Chairman Rowe, Representative Kutz, and members of the Committee. Thank you for the opportunity to testify today.

My name is Shelby Linton-Keddie, Sr. Director of Public and External Affairs for PPL Electric Utilities. We deliver electricity to 1.5 million customers in 29 counties across eastern and central Pennsylvania.

As we all are acutely aware, Pennsylvania families today are facing a real affordability challenge. Customers are managing higher costs for housing, groceries, healthcare, and transportation, while electric bills overall have also increased significantly in recent years. The supermajority of that increase is being driven by factors outside of a utility's control, particularly rising wholesale electricity and capacity costs in the PJM market, due to the market's failure to provide enough generation supply to meet forecasted demand. As policymakers, regulators, utilities, generators, and consumer advocates, we have a need and a responsibility to have an honest conversation about how we got here and what solutions are available to ensure reliability while maintaining just and reasonable rates for customers going forward.

First, eliminating Pennsylvania's Gross Receipts Tax on electricity would provide meaningful and immediate relief to customers. For the average PPL Electric residential customer, the savings would be approximately \$12 per month, or roughly \$150 per year. For our small commercial customers, this tax amounts to \$10.27 per month. At a time when many families are carefully managing household budgets to meet their basic expenses, this type of direct, transparent and permanent tax relief should not be dismissed. The Gross Receipts Tax is one of the few components of a customer's bill that can be addressed immediately through state policy.

PPL EU supports the elimination of this tax because it would have immediate positive impacts for our customers. At the same time, we should acknowledge that \$12 monthly savings, while important, does not fully address the larger affordability challenge facing Pennsylvania consumers due to the lack of needed generation in the PJM region. Recent discussions before the General Assembly have highlighted that generation supply rates have increased dramatically over the past several years, with capacity market costs becoming an increasingly significant driver of electric bills. In fact, capacity price increases over the past two years have increased an average PPL EU residential customer's bill by \$22 each month, which is more than the savings from GRT elimination.

That is why Pennsylvania needs a broader affordability agenda, like you are discussing here today.

We also need a broader approach to ensure affordable and reliable energy for the Commonwealth. One area worthy of serious consideration is reform of the Alternative Energy Portfolio Standards Act. The AEPS Act creates renewable energy procurement obligations that

directly affect customer costs and are constrained, in some instances, by only looking within the Commonwealth for compliance, rather than throughout the PJM region. Any future changes to AEPS should be designed carefully to avoid unnecessary market scarcity, unequitable subsidies for technologies that wouldn't compete but for those subsidies, protect customers from excessive costs, and ensure reliability remains a central objective.

Second, we should continue reviewing and reforming Pennsylvania's retail electric shopping framework when clear evidence shows that it is not working for customers. Both consumer advocates and industry representatives have identified situations where customers can end up paying more than necessary through certain retail supply arrangements, particularly where customers are thrust on high variable rates rather than returning to their default service provider at the completion of a contract. Recent legislative discussions have focused on reforms, such as those included in HB 2131, that could better protect customers while preserving competition and retail choice.

Third, we need an honest conversation about PJM's capacity market. Pennsylvania customers have paid and continue to pay billions of dollars into PJM's capacity markets with the expectation that those payments would both signal and finance the timely construction of new generation resources to ensure reliability going forward. Yet today we continue to face resource adequacy concerns, rising prices, and growing uncertainty regarding future supply. Customers are asking a simple question: if they are paying more, can they count on enough electricity being available when needed? What is Pennsylvania doing to ensure that the answer to that question is yes? This conversation deserves continued attention from policymakers at both the state and regional levels.

Finally, Pennsylvania should seriously entertain the idea that utility-owned generation should be part of the solution. Legislation such as HB 1272 would provide electric distribution companies with the option to invest in generation resources to address resource adequacy concerns and help mitigate volatility for customers only in the case of a resource inadequacy. This is a backstop. Importantly, if the market is able to match needed supply with forecasted demand, electric distribution companies wouldn't do anything different than today. Whether this ultimately becomes an additional option is for policymakers to decide, but given the challenges facing the competitive market today, rising bills for customers and the impending resource adequacy crisis, it is a conversation that must occur openly and honestly. Pennsylvania cannot afford to take potential solutions off the table while affordability and reliability concerns continue to grow.

In closing, eliminating the Gross Receipts Tax would provide meaningful relief to customers and demonstrates that policymakers are listening to affordability concerns. But it should be viewed as a first step, not the final step on energy affordability. Pennsylvania must have a broader conversation about the policies driving rising costs in electric bills, including AEPS reform, retail market reforms, PJM capacity market performance, and resource adequacy solutions for the commonwealth, such as HB 1272.

Our customers deserve affordable, reliable electricity, and that will require a willingness by every one of us to examine every component of the bill and every policy contributing to rising costs.

Thank you, and I look forward to your questions.