

Pennsylvania Clean Energy and Green Jobs Bill

House Bill 2405

*Info for Pennsylvania businesses and consumers
supporting responsible increases in the use of renewable energy sources*

Background

In 2004, Pennsylvania passed the Alternative Energy Portfolio Standards (AEPS) Act which, among other things, established that certain percentages of the electricity sold in Pennsylvania must come from “green” sources. These alternative energy sources were broken down into two categories—Tier 1 and Tier 2—and percentages were set for each category, escalating each year until 2021. A specific percentage, called the “solar share,” is designated for the amount of electricity that must come from photovoltaic (PV) sources.

Companies that sell electricity in Pennsylvania are required to meet the “green” percentages set forth by the AEPS or face penalties. The mechanism for proving that the required amount of electricity is “green” is the Alternative Energy Credit (AEC). Called AECs in PA, these are the same as Renewable Energy Credits (RECs) elsewhere.

An AEC is certification of electricity’s green attributes. An AEC is not the electricity itself. AECs are earned by the owner of a green energy generator (solar, wind, etc.) at the rate of 1 AEC per 1,000 kWh of green electricity generated.

AECs have market value and may be bought and sold. Companies who sell electricity in Pennsylvania buy enough AECs each year to meet the green percentages required by the AEPS. The higher the AEPS percentages, the higher the demand for AECs.

In 2009, the weighted average price for AECs was \$3.65 (Tier 1), \$0.36 (Tier 2) and \$260.19 (Solar Share). For more information, see “PA AEPS” on the web.

A bill to amend the 2004 AEPS Act is currently before the House. Called the Clean Energy and Green Jobs Bill, it is House Bill 2405. Sponsored by Eugene DePasquale, this bill replaces a bill introduced last year called House Bill 80.

HB 2405 Summary

The full text of HB 2405 is attached. You are encouraged to read the details, but keep in mind there may be some changes before final passage. The underlined portions are new (relative to the 2004 Act). As currently written, here are highlights:

1. The definition for “solar share” resources is expanded to include PV and solar thermal energy (p 11, line 27). “Solar thermal energy” is defined as technology utilizing solar energy for water heating or generating energy (p 9, line 25).
This is a significant escalation. Under the current Act, solar thermal is Tier 2.

2. The AEPS percentages are increased as shown below (p 12 line 15 – page 15 line 4)

		Tier 1 Total	PV and Solar Thermal	Tier 2
June 1, 2006	May 31, 2007	1.5013%	0.0013%	4.20%
June 1, 2007	May 30, 2008	1.5030%	0.0030%	4.20%
June 1, 2008	May 31, 2009	2.0063%	0.0063%	4.20%
June 1, 2009	May 31, 2010	2.5120%	0.0120%	4.20%
June 1, 2010	May 31, 2011	3.0203%	0.0203%	6.20%
June 1, 2011	May 30, 2012	3.5504%	0.5040%	6.20%
June 1, 2012	May 31, 2013	4.0752%	0.7520%	6.20%
June 1, 2013	May 31, 2014	4.6218%	0.1218%	6.20%
June 1, 2014	May 31, 2015	5.4516%	0.2016%	6.20%
June 1, 2015	May 30, 2016	6.0500%	0.3000%	11.20%
June 1, 2016	May 31, 2017	6.6600%	0.4100%	11.20%
June 1, 2017	May 31, 2018	7.2500%	0.5000%	11.20%
June 1, 2018	May 31, 2019	7.8700%	0.6200%	11.20%
June 1, 2019	May 30, 2020	8.7500%	0.7500%	11.20%
June 1, 2020	May 31, 2021	9.7200%	0.9700%	13.00%
June 1, 2021	May 31, 2022	10.8500%	1.3500%	13.00%
June 1, 2022	May 31, 2023	12.1500%	1.9000%	13.00%
June 1, 2023	May 30, 2024	13.4500%	2.4500%	13.00%
June 1, 2024	thereafter	15.0000%	3.0000%	13.00%

Under current Act, 8.00%
Under current Act, 0.50%
Under current Act, 10.00%

3. PV and solar thermal AECs must come from systems in PA (p 15, line 20).
Under the current Act, AECs used for compliance in PA can come from 13 states and DC (the PJM region). For example, NJ can sell AECs to PA, but PA cannot sell to NJ.
4. The compliance life of AECs is extended to the year of generation plus four reporting years (p19 line 19).
Currently, AECs are only “good” for year of generation plus two reporting years.
5. Contracts by electric distribution companies to procure AECs must:
- be for 10 years or longer, for solar and wind (p22 lines 8 & 13, p23 line 6),
 - allow for aggregation of solar energy systems with capacity of 200 kW or less (page 22, line 28 – p 23 line 1) and
 - not impose financial security requirements on developers and other sellers that would render solar energy projects infeasible (p 23 line 4)
- This is all new language from the current Act. The ability to monetize AECs with certainty is a significant factor in the financial viability of proposed renewable energy projects.*

6. The non-compliance penalty for failure to meet solar (PV and thermal) requirements is \$450 per AEC in 2011, then reduced by 3% each subsequent year. (p 25 line 9-13) Non-compliance penalty for all others is \$45 per AEC. (p 24 line 29)
This is a new approach relative to the current Act. These values will, in effect, act as market caps on future AEC prices.
7. To qualify for AECs, new and upgraded PV and solar thermal installations must be installed by DEP-approved contractor (same as Sunshine list), use a locally licensed electrical contractor for the final electrical connection (if the municipality licenses electricians) and comply with applicable codes. (p 26 line 19 – p 27 line 18)
8. For solar thermal, AECs will be calculated based upon a formula established by the PUC and DEP and shall consider such things as standard BTU to kWh equivalency. (p 27 lines 19 - 23).

Opposition to the HB 2405

A common argument against this bill is that it will “raise electricity prices.” The price of AECs is set by auction. When this is done in a manner approved by the Public Utility Commission, companies buying AECs for AEPS compliance are allowed to recover the AEC procurement costs through rate increases. (p11 L13-26) This “cost recovery” mechanism is not new. However, it is this potential for rate increases based on AEC costs that gives rise to the idea that HB 2405 will cause prices to increase.

The DEP strongly disputes the notion that electricity prices will rise and has issued a Fact Sheet supporting the position that this bill reduces prices and benefits consumers.

This fact sheet (attached) presents results from a range of highly credible sources including Black and Veatch, PJM, PECO/Exelon, New York State Energy Research and Development Authority, and Tudor, Pickering, Holt & Co. All provide evidence that electricity prices drop as renewable sources are added to the mix.

The logic is basically this: In grid operation, a certain set of generators runs all the time to satisfy baseload electricity usage. As demand increases, additional generators are “fired up” to meet the new demand, adding additional cost. When renewables are added in sufficient amount, they delay the point at which the additional generators are needed.

Furthermore, the price of electricity is the blended price of all the generation sources contributing at any one time. Renewables have zero fuel costs. When they are in the mix, the blended price is reduced.

The DEP presents a strong case that the price of electricity paid by all consumers and businesses in PA will drop with the passage of this bill, *even after the costs of AECs are taken into account.*

Arguments against the bill, ostensibly on the basis of rising electricity prices, are coming primarily from those very entities who have an interest in keeping electricity prices high and higher—namely corporations who generate electricity that is sold to PA consumers.

Nearly every utility in PA is part of a larger corporation that has an electricity generation business unit using energy sources that are not covered by this bill.

Other opponents to this bill see it as a challenge to their specific business interests or ideological beliefs and make general claims that it is “big government” or “bad for businesses.” To the contrary, this bill is expected to strongly support local businesses and economies.

The construction and installation of renewable-energy generation facilities in the state of Pennsylvania is good work that cannot be outsourced to other parts of the country or world. A recently released study Black & Veatch (an old, well-respected international engineering, construction and consulting firm) estimates that this bill will create 129,000 job-years in Pennsylvania. This study’s Executive Report is attached.

Time Frame—Time to Act is NOW

Governor Rendell is a *very* strong supporter of this bill. In light of the current election cycle, the goal is to have it to him before the summer recess. Legislators are working to get it through the House by the end of May and through the Senate by the end of June.

What You Can Do

Opposition to this bill is well funded and well organized by “old businesses” that know the game well. For this bill to pass, lawmakers need to hear from “new businesses” in their districts that this bill is good for your business: it creates reliable markets for renewable energy producers and a competitive business climate, attractive to investors and startups.

Lawmakers also need to hear from voting residents in their districts that this bill is good for you as a consumer: it will lower prices, create jobs, improve the environment.

Contact your House Rep and State Senator

To find yours, visit www.legis.state.pa.us/ and click on “Who’s My Legislator?”

*Let them know that you want the **Clean Energy and Green Jobs Bill** to pass.*

Visit their office in Harrisburg (Mon-Wed) or the local office (Thur-Fri).

Call them, mail a letter or send email (this is least effective because of spam filters).

Encourage others to do the same.

Also, businesses please contact your local Chamber of Commerce and voice support for this bill as good for your business. (The State Chamber is expressing opposition.)

Visit the PennFuture website, www.pennfuture.org/. Under Special Campaigns, click on Green Energy and Clean Jobs bill.

Please direct questions or comments regarding this document to vera.cole@themarea.org.