

Senate Democratic Policy Committee Hearing
DCED Testimony
March 31, 2025

Good morning, Chairman Miller, and distinguished members of the Senate Democratic Policy Committee. My name is Adam Walters, and I serve as the Senior Energy Advisor for the Pennsylvania Department of Community and Economic Development (DCED).

It is an honor to speak with you today, and I am excited to address this committee about some of the innovative features of Governor Shapiro's Lightning Plan – a six-point, all-of-the-above set of legislative initiatives that will help to continue the Commonwealth's long-standing national leadership in energy. As the state's lead agency on economic development, DCED is encouraged by the Governor's commitment to leverage our energy strengths to create good jobs, reduce costs for consumers, and position Pennsylvania as a national energy leader for decades to come.

Before discussing some of the specifics of the plan, I would like to discuss the state of the electricity market which is undergoing extraordinary changes. Demand for electricity in PJM and across the nation is projected to increase considerably. This is due, in large part, to electrification throughout our economy and the anticipated proliferation of power-intensive data centers to support emerging technologies like generative artificial intelligence (AI). Unsurprisingly, rising energy consumption has led to a supply demand imbalance and the cost of power as indicated by the PJM capacity market has spiked. The auction held in July 2024 resulted in a more than 800% increase from the previous year. These cost increases from last year's auction will ultimately flow to utility customers in Pennsylvania and beyond.

Thankfully, Governor Shapiro acted by filing a complaint with the Federal Energy Regulatory Commission and worked directly with PJM to reach an agreement that will prevent further significant spikes over the next two years to save Pennsylvanians billions of dollars annually on their electric bills. The agreement with PJM is a step in the right direction, but the longer-term threat to consumers – businesses and residents alike – persists. It also underscores the urgent need for state action to bring power resources to market quickly to prevent further cost increases once the Governor's agreement with PJM expires.

The Governor's Lightning Plan is designed to do just that, and I would like to address each of the six pieces of the plan. Each will help bring additional clean power generating resources onto the grid in the Commonwealth.

Community Energy

Currently, Pennsylvania law does not allow for multiple customers to directly purchase clean energy from a single source. If you put solar panels on your home, you are credited for using that power but would be prohibited from building a slightly larger facility and sharing that energy with your neighbors. Community energy will allow communities across Pennsylvania to participate collectively in energy resources that can both lower costs and emissions based on what makes the most sense for individual communities. For example, if you're a farmer, it's expensive to buy your own methane digester to process waste into useful energy and fertilizer—

but through Community Energy, you and your neighbors could invest in a shared system and jointly reap the savings.

RESET Board

Pennsylvania is one of only 12 states in the nation that does not have a centralized authority for approving key energy projects. The Reliable Energy Siting and Electric Transition (RESET) Board will provide an optional centralized and streamlined process for developers to avoid severe project delays and increase investor confidence. The RESET Board will greatly speed up the permitting process by reducing red tape and will support the buildout of much needed power generation resources.

Reliable Energy Tax Credit

Pennsylvania's Economic Development for a Growing Economy (PA EDGE) program was established in 2022. However, due to limitations in its original design, to date, has not been used. This is an untapped resource that could leverage billions in economic development projects for the state, particularly in the power generation sector. The proposed revisions to PA EDGE would fix this powerful tool in Pennsylvania's development arsenal, unlocking up to \$100 million for three years per project to build or expand large reliable energy generation and storage projects in the Commonwealth. These are the dispatchable projects the energy grid sorely needs to keep the lights on and keep costs low for consumers.

Act 129 Reform

Act 129 was signed into law in 2008 and incentivizes through financial rebates the purchase of energy efficient appliances and energy efficiency upgrades to existing buildings. If you have ever seen your utility offer a coupon or discount for the purchase of an Energy Star refrigerator, that would have been a function of Act 129. However, the program's budget and structure has been stagnant for over 15 years. The Governor proposes to update the law to modernize and enhance rebates for consumers, reduce the cost of energy efficient appliances and home improvement projects, and lower utility bills. This proposal tackles the PJM supply-demand imbalance from the demand side, meaning that fewer expensive new generating resources will be needed.

The Pennsylvania Reliable Energy Sustainability Standard (PRESS).

The Governor has also proposed modernizing Pennsylvania's outdated energy standards - known as the Alternative Energy Portfolio Standards or AEPS, by incentivizing innovation in nuclear and renewable energy, including battery storage, to remain competitive with other states. Pennsylvania is currently ranked near the bottom – 48th out of 50 states – for renewable energy growth and adoption in the United States. PRESS will help ensure that even as we bring new baseload power to the grid, we also have diversity in our energy supply.

Pennsylvania Climate Emissions Reduction Act (PACER)

Finally, the Governor believes that doing nothing to address climate change is not an option. PACER would establish a cap-and-invest program to set a PA-specific limit on Pennsylvania's carbon pollution and invest in reducing electricity costs. Under PACER, 70 percent of the revenue generated would be returned to Pennsylvanians as rebates on their electric bills. Under the Governor's plan, no Pennsylvania consumer would pay a single dollar for the PACER program, and many Pennsylvania consumers would see significant bill reductions. PACER would leverage Pennsylvania's position as a net exporter of electricity to help protect and create nearly 15,000 energy jobs, lower electricity costs for Pennsylvanians, and take meaningful action to address climate change. These initiatives would save Pennsylvania ratepayers over \$600 million in the first ten years, while generating \$11.2 billion in direct investment to clean, reliable energy sources.

Each of these pieces of the Lightning Plan seeks, in multiple ways, to address the fundamental challenge I noted at the outset – the power market is not generating optimal outcomes for Pennsylvanians. A failure to act now will jeopardize Pennsylvania consumers through runaway costs on their utility bills and put us in a competitively disadvantaged position for attracting new businesses. Luckily, we currently have a unique opportunity to play a key role in bringing stability.

I would like to reiterate my appreciation for the opportunity to speak with you this morning and I am happy to answer questions that you may have.