Testimony before the:
Pennsylvania Senate
Environmental Resources and Energy Committee and
Community, Economic and Recreational Development Committee

Joint Public Hearing: Economic Impacts of RGGI

Shawn Steffee, Business Agent, Boilermakers Local 154

Chairmen Yaw and Yudichak, Chairwomen Cappelletti and Comitta, my name is Shawn Steffee, Business Agent for Boilermakers 154. Thank you for the opportunity to testify today in opposition to Governor Wolf's proposed RGGI ELECTRICITY TAX and to urge the Pennsylvania Senate to:

- Support House Bill 637 and Senate Bill 119; and,
- Support the override of Governor Wolf's veto of Senate Concurrent Regulatory Review Resolution #1.

Your vote in support of the Senate override would simply delay the implementation date for the disastrous RGGI TAX. This will provide additional time to consider a meaningful alternative to RGGI that will actually address climate impacts without harming workers and consumers. Attorney General Shapiro was right when he said he had "real concerns about the impact it will have on consumer prices, hurting families at a time when many are struggling really to put food on the table." I believe most Democrats and Republicans feel the same way.

It's been two-and-a-half years since Governor Wolf first proposed the RGGI ELECTRICITY TAX. Much has changed during this time. Pennsylvanians suffered through the COVID pandemic and related recession, from which we are still struggling. In addition, families are being smothered by historic and escalating inflation across all areas of the economy. This is especially the case for energy bills, where increasing costs far exceed the overall inflation rate. Now we find ourselves reacting to a war in Eastern Europe largely fueled by Europe's failure to maintain its energy independence.

In light of these significant developments, how is it possible that we are now just a few weeks away from the implementation of a regulation, not a legislative enactment, which will cause immeasurable and irreparable harm to Pennsylvania workers, consumers and employers?

The RGGI ELECTRICITY TAX will fundamentally restructure electric generation in Pennsylvania. It will eliminate dozens of coal and natural gas plants that, today, provide two-thirds of our state's generation capacity. These plant closures will wipe out thousands of family sustaining, union jobs who operate and maintain those plants, including my union brothers and sisters who would otherwise be able to work at these plant for another 5-10 years. If Pennsylvania joins RGGI, they could lose their jobs in under a year.

Based upon the most recent RGGI auction, which is managed by a New York City-based corporation and directed by several Northeastern states with nothing in common with Pennsylvania, the RGGI ELECTRICITY TAX will also increase electric bills by as much as $800 million annually (or $6.6 billion by 2030). For Pennsylvania families, including union retirees, and low- and fixed-income families who pay 40 percent more than the average of all electric consumers, the RGGI TAX will increase monthly electric bills by as much as 30 percent or more than $300 per year. This is on top of the PUC's recent announcement that electricity costs would increase by up to 50 percent, which would be on top of the RGGI electricity cost increase.

RGGI will also effectively prohibit the construction of any future new natural gas plants in Pennsylvania. Right now, as the attached map illustrates, Ohio is building a half dozen new natural gas plants along Pennsylvania's border, incentivized by not having a RGGI TAX. This is a major loss to our state. In the ten years prior to the Governor Wolf's RGGI announcement in 2019, Pennsylvania Building Trades, like me and my friend Warren Faust in Northeastern PA, built $14 billion in new natural gas plants. We have not built one since and, under the RGGI TAX, it is highly unlikely we will build another in Pennsylvania.

Not unlike Europe's dependence on Russian natural gas, RGGI would require Pennsylvania to rely increasingly upon electricity generated in non-RGGI PJM states, like Ohio and West Virginia, whose coal and natural gas plants will be subsidized by the Pennsylvania RGGI TAX on electricity. Governor Wolf's own modeling confirms this - <u>99 percent of all CO_2 reductions from the forced and premature closure of nearly a third of Pennsylvania's generation capacity will be offset by increased generation and emissions from fossil fuel plants in our upwind neighboring states (otherwise known as "leakage")</u>.

In recent weeks, Russia invaded Ukraine because of Europe's dependence on Russian natural gas, which stems from an irresponsible energy policy like RGGI that favors unreliable, intermittent electricity over reliable and affordable electricity. As a result, Europe was powerless to do anything about Putin's ruthless designs on Ukraine.

In recent months, Pennsylvania families, like mine and all of your constituent voters, watched their spending power disappear in the midst of the worst inflation in more than 40 years. There appears to be no end in sight. Electricity prices alone, especially in Pennsylvania, increased much higher than average inflation as we learned in December with the PUC announcement.

And, as we learned earlier today from the Independent Fiscal Office (IFO), virtually all of the core RGGI modeling assumptions relied upon by the Wolf Administrations to justify the RGGI ELECTRICITY TAX are simply wrong! Nothing is more fundamental to that modeling than an assumption of future RGGI allowance prices, which is, essentially, the RGGI tax rate.

The Wolf Administration modeling, done by a consulting firm that thrives on contracts for modeling for other RGGI states, estimated the RGGI TAX would remain well below $4 ($3.62 to be precise) through 2030. <u>Today, the RGGI TAX is $13.50 when it was projected to be $3.24 in 2022 - a nearly a 400 percent increase. Is that an honest mistake or a calculated bait-and-switch</u>? Since the Wolf Administration refuses to pause the RGGI regulation and update its modeling to reflect the devastating economic impact to Pennsylvanians, it sure feels like a bait and switch.

Two weeks ago, the IFO reported that Pennsylvania is currently exporting 35.3 percent of our electricity. This is what energy independence looks like. Energy independence is a big deal. Just ask Europe.

While you're at it, ask the other RGGI states what happened to generation within their borders?

Since RGGI was implemented in 2008, RGGI state electricity imports nearly tripled. In fact, it is particularly ironic that one of the largest coal fired plant in Pennsylvania – Homer City – has a direct transmission line that feeds directly into New York state, which along with New Jersey, are huge proponents of Pennsylvania joining RGGI. Why? Because they take the electricity we generate.

Where do we go from here?

Organized labor supports a compromise RGGI alternative. In fact, we worked closely with the House to develop an amendment to HB 637. This amendment was adopted in the House Appropriations Committee and, if enacted, would appropriate $250 million in American Rescue Plan fund dollars for: carbon and methane reduction projects (e.g., hydrogen hub); assistance for my union brother and sisters and their communities to facilitate a just transition from plant closures (e.g., Cheswick, TMI); and; flood and storm water mitigation projects. All of which would be subject to prevailing wage.

Unlike RGGI TAX revenue, which most likely will be tied up in court for years and likely repealed under the next Governor, regardless of party affiliation, these funds – hundreds of millions of dollars - would be available immediately. This, too, will provide more time to develop a responsible, longer-term energy policy that protects workers and consumers, and better prepares Pennsylvania to address impacts of climate change.

Unfortunately, Governor Wolf remains the biggest obstacle to a bipartisan compromise, but he won't be here next year. If the legislature or courts don't stop the RGGI ELECTRICITY TAX, be assured that the result will be disastrous for Pennsylvania - including thousands of lost jobs, much higher electric bills, the devastation of entire communities and the end to Pennsylvania's energy independence.

I am proud to stand with a broad coalition of labor and business leaders opposed to the RGGI TAX. On numerous occasions, organized labor, including AFL-CIO President, Rick Bloomingdale, Pennsylvania Building Trades President, Frank Sirianni, and regional labor leaders Like Tom Melcher (Pittsburgh), Warren Faust (Northeast PA) and Ryan Boyer (Philadelphia) have urged Governor Wolf to consider an alternative to RGGI that doesn't harm workers and consumers. Unlike many of you, Governor Wolf does not have to answer to the voters in November. The only way to convince the Governor to negotiate a RGGI alternative is for House and Senate Democratic leaders to work with their willing Republican counterparts and tell him enough is enough. Certainly, as outlined above, there are plenty of compelling reasons to do just this.

To do that, however, will require some additional time; and courage. If the Senate overrides the Continuing Resolution, Republican and Democratic leaders will have more time to work this out with the Governor.

On behalf of organized labor, we urge you:

PLEASE OVERRIDE THE RGGI RESOLUTION VETO AND PLEASE NEGOTIATE A REASONABLE COMPROMISE BEFORE THE RGGI TAX WIPES OUT OUR JOBS.

RGGI DRIVING JOBS AND CAPITAL INVESTMENT TO OHIO

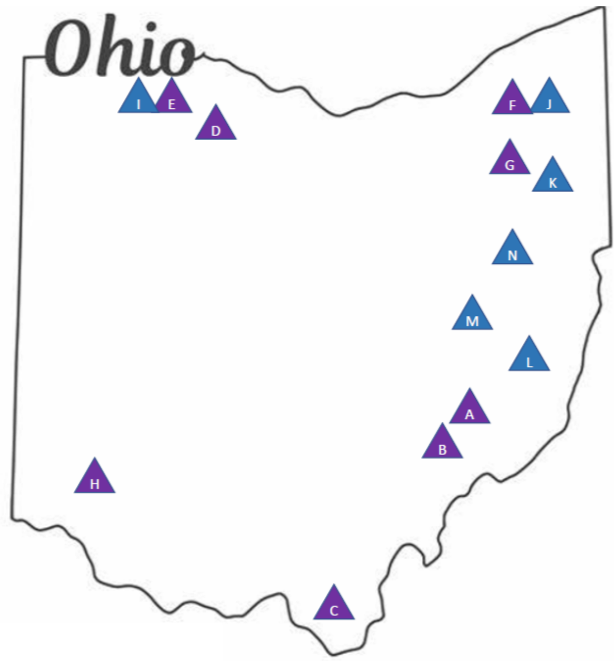
Natural Gas Combined Cycle Plants In Ohio (11/3/17)

Operating Facilities
A) Washington Energy Facility (Beverly, OH), 715 MW
B) Waterford Plant (Waterford, OH), 921 MW
C) Hanging Rock Energy Facility (Ironton, OH), 1430 MW
D) Fremont Energy Center (Fremont, OH), 740 MW
E) Oregon Clean Energy Center (Oregon, OH), 1060 MW
F) Clean Energy Future Lordstown (Lordstown, OH), 962 MW
G) Carroll County Energy, LLC (Washington Twp., OH), 832 MW
H) NTE Ohio, LLC - Middletown Energy Center (Middletown, OH), 544 MW

Total – 7204 MW

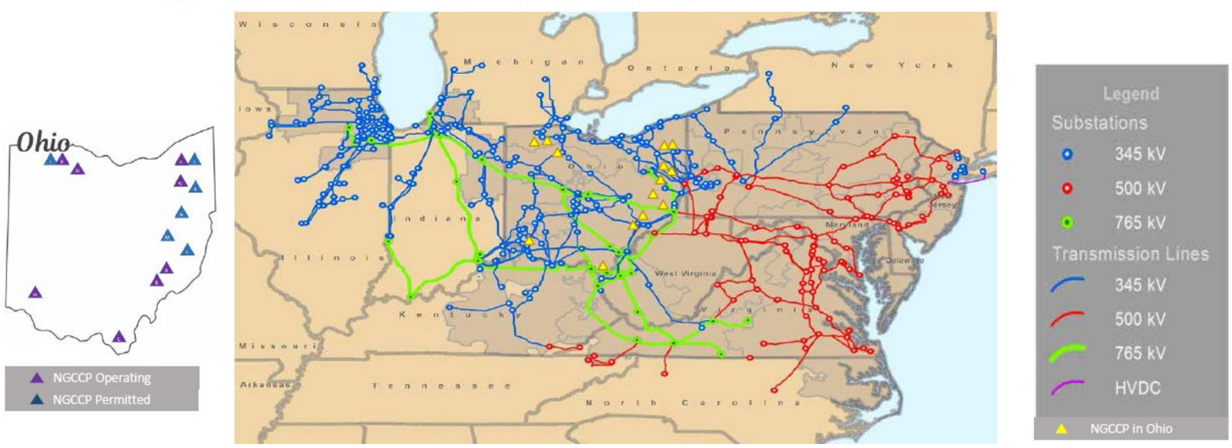
Recently Permitted Facilities
I) Oregon Energy Center (Oregon, OH), PTI issued March 2020, 955 MW net
J)Trumbull Energy Center (Lordstown, OH), PTI issued Feb 2020, 940 MW
K) South Field Energy (Wellsville, OH), PTI issued Sept 2016, 1150 MW – Broke Ground May 2019
L) Hannibal Port Power Station (Hannibal, OH), PTI issued Nov 2017 (Long Ridge Energy Generation LLC – Hannibal Power), 485 MW – Broke Ground May 2019
M) Guernsey Power Station (Byesville, OH), PTI issued Oct 2017, 1650 MW
N) Ohio River Partners LLC: Harrison Power (Cadiz, OH), PTI issued April 2018, 1000 MW

Total – 6180 MW



We don't know if PA joining RGGI will result in regional reductions of CO_2 or any other emissions!

PJM Service Territory – All or portions of PA, NJ, DE, MD, VA, NC, WV, KY, OH, Il, IN, MI, TN and DC



We know RGGI implementation typically results in less generation of electricity in the RGGI participating states!

The RGGI History 5.8% imported to 15.9% imported electric sales:

State	2008 Total Electric Sales (MWh)	2008 Net Total Electric Generation (MWh)	2008 Net Total Electric Generation vs Total Electric Sales - Import or Export (%)	2018 Total Electric Sales (MWh)	2018 Net Total Electric Generation (MWh)	2018 Net Total Electric Generation vs Total Electric Sales - Import or Export (%)
CT	30,956,544	30,409,473	-1.8	28,833,925	39,453,552	26.9
DE	11,748,783	7,523,839	-36.0	11,773,100	6,240,644	-47.0
MA	55,884,105	42,505,478	-23.9	53,285,029	27,172,882	-49.0
MD	63,325,777	47,360,953	-25.2	62,086,455	43,809,646	-29.4
ME	11,673,673	17,094,919	31.7	12,354,819	11,280,700	-8.7
NH	10,977,289	22,876,992	52.0	11,046,284	17,087,156	35.4
NY	144,052,936	140,322,100	-2.6	149,929,851	132,520,498	-11.6
RI	7,818,594	7,387,266	-5.5	7,583,339	8,375,257	9.5
VT	5,741,204	6,820,216	15.8	5,530,948	2,178,915	-60.6
RGGI Total	342,178,905	322,301,236	-5.8	342,423,750	288,119,250	-15.9
NJ	80,519,543	63,674,789	-20.9	76,016,762	75,033,600	-1.3
PA	150,400,589	222,350,925	32.4	148,976,731	215,385,830	30.8

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AMENDMENT ADOPTED TO HB 637 -$250 m in ARP Funds to CFA for:

- Fifty percent ($175 million) for carbon and methane reduction projects for both generation and manufacturing.
- Twenty five percent ($62.5 million) to assist workers and communities transitioning from generation and manufacturing plant closures, such as Cheswick and TMI.
- Twenty five percent ($62.5 million) for flood and storm water mitigation projects.
- All subject to Prevailing Wage

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LEGISLATIVE REFERENCE BUREAU

AMENDMENTS TO HOUSE BILL NO. 637

Sponsor: Struzzi #62

Printer's No. 594

Amend Bill, page 1, line 5, by inserting after "emissions"

; and making an appropriation

Amend Bill, page 1, lines 9 and 10, by striking out "Pennsylvania Carbon Dioxide Cap and Trade Authorization" and inserting

Energy Sustainability and Investment

Amend Bill, page 7, by inserting between lines 6 and 7

Section 6. Energy sustainability and investment projects.

(a) Appropriation of Federal funds.--For fiscal year 2022-2023, $250,000,000 from the COVID-19 Response Restricted Account is appropriated for transfer to the Commonwealth Financing Authority and is allocated as follows:

(1) The sum of $125,000,000 is allocated for the purpose of research, development, construction or site development of carbon dioxide and methane reduction technologies for electric generation and manufacturing, including, but not limited to, micro-grid nuclear power plants, carbon capture utilization and sequestration, development of hydrogen fuel projects, securing Federal funds for a regional hydrogen hub and battery storage. At least $12,500,000 of this allocation shall be used for methane abatement projects from plugging abandoned natural gas wells.

(2) The sum of $62,500,000 is allocated for the purpose of sewer and water infrastructure and storm water mitigation projects, including riparian planting for carbon dioxide reduction, stream buffering and streambank restoration.

(3) The sum of $62,500,000 is allocated for the purpose of assisting workers and communities impacted by electric generation or manufacturing plant closures, including, but not limited to, apprenticeship and training projects, extensions of unemployment compensation benefits and investments in projects to redevelop the closed plant sites.

(b) Applicability of prevailing wages.--A capital project that directly or indirectly receives money appropriated under this section shall be subject to the act of August 15, 1961

(P.L.987, No.442), known as the Pennsylvania Prevailing Wage Act.

(c) Nonlapsing appropriation.--Money appropriated under this section shall not lapse.

(d) Applicability.--The provisions of section 111-C(g) of the act of April 9, 1929 (P.L.343, No.176), known as The Fiscal Code, shall not apply to the amount appropriated under this section.

Section 7. Applicability.

The department shall proceed through the process described under sections 4 and 5 for a measure or action taken by the department designed to abate, control or limit carbon dioxide emissions or to establish a greenhouse gas cap-and-trade program, even if the measure or action is in effect on the effective date of this section. A measure or action taken by the department or the Environmental Quality Board on behalf of the department that does not proceed through the process is abrogated to the extent of any inconsistency with this act.

Amend Bill, page 7, line 7, by striking out "6" and inserting

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