HB 1272 Pushes Pennsylvania's Utility Generation Backward

As energy policy debates continue in Pennsylvania to meet rising energy demand while keeping consumer prices affordable, we cannot lose sight of the fact that competitive markets have greatly benefited consumers for decades. Restoring power generation monopolies for utilities runs counter to common sense because competition is working.

Utilities already have the ability to create a nonregulated affiliate company to build new power generation now. Instead, they want captive utility customers to pay for it.

Customer electricity rates are consistently below the national average and independently owned competitive power generators have created a massive in-state surplus of electric power and solely bear the costs and risks of building new power generating plants.

Among the numerous reasons to oppose this legislation are these <u>four key points</u>:

1. It dismantles a successful competitive market.

Since Pennsylvania restructured its electricity markets, the state has seen lower rates, improved emissions and enhanced reliability. HB 1272 would undo this progress. Allowing utilities to generate power within a market framework distorts price signals, undermines private investment, and reduces overall market efficiency which, ultimately, will harm consumers.

This legislation overrides Pennsylvania's current restructuring statute (Title 66, Chapter 28), setting a dangerous precedent for state-based intervention in regional wholesale competitive markets.

2. It shifts the financial risk from utilities to ratepayers.

HB 1272 would allow utilities to build, own and rate-base new power plants – something that Pennsylvania utilities have been unable to do for 30 years. The risks associated with new power generation investments would be transferred from investors to utility ratepayers. This creates a risk-free financial environment for utilities while obligating ratepayers to subsidize generation projects, regardless of performance or market competitiveness.

In contrast, competitive generators rely entirely on market forces, assume all performance and financial risks and do not have guaranteed cost recovery.

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3. It forces Pennsylvanians to pay for out-of-state shortfalls.

Pennsylvania currently produces significantly more power than it needs to meet peak demand. This enviable surplus means Pennsylvania nearly always exports power to neighboring states with generation deficits, no matter how much demand fluctuates.

Despite having a surplus of power generation, Pennsylvania ratepayers would be on the hook to pay for new generation to make up for the shortfalls from other states.

4. It removes important consumer protections.

By shifting the Commonwealth back toward a cost-of-service model that favors vertically integrated utility ownership, HB1272 rolls back decades of progress and consumer protections that have resulted from deregulation. The bill also would lock in a rate of return for the utilities' rate-based generation, which affords the Public Utility Commission no flexibility to account for other factors that could lower costs to consumers. Equally troubling, it replaces the standard that supply for default service be at "a least cost to consumers" with a "reasonable cost" to consumer expectation. However, it provides no definition for a "reasonable cost."

The bottom line is that competitive power markets have been an enormous success story in Pennsylvania, and there is no reason to jeopardize that success.

Pennsylvania's competitive power markets have proven to be remarkably resilient and beneficial for all consumers. They have endured recessions, polar vortexes, inflation, high and low interest rates, pandemics, and natural disasters. All while delivering data-verified value to consumers through low rates, unprecedented investment and remarkable emissions reductions.

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