Energy Independence Strategy: The price of delay

By State Representative Greg Vitali, D-Delaware

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It has been almost a year since Gov. Rendell announced his Energy Independence Strategy (EIS), a far-reaching plan for the promotion of renewable energy and conservation. Regrettably, the Pennsylvania General Assembly has enacted little of this plan.

Environmental considerations aside, there is a very real economic price to be paid for delay: higher electricity bills when rate caps expire and the loss of jobs and industry in the renewable energy sector to competing states.

When the General Assembly returns to session on Jan. 14, it should immediately work towards passage of this plan. The chief legislative components include: Special Session H.B. 31 (conservation), S.S. H.B. 38 (smart metering), and S.S. H.B. 1 (energy independence fund).

Perhaps the most important component of EIS is the conservation bill. Special Session H.B. 31 (Ross) would reduce the demand for electricity by creating a system whereby energy service companies (ESCO) would go into homes and businesses and find ways to conserve electricity. These ESCOs would give families and businesses the tools and programs to reduce consumption of electricity by 20 percent or more.

Conservation will put downward pressure on electricity prices. This is particularly important in light of potential rate spikes as electricity rate caps are lifted in 2010 and 2011.

Pennsylvania utility rates have been capped since Jan. 1, 1997 as part of a utility deregulation agreement. PPL Corp, Pennsylvania’s second-largest utility, has warned its customers to expect a 30 percent increase when its rate caps expire in 2010. PECO Energy consultant Michael Schnitzer has estimated that electricity rates could increase as much as 26 percent from 2010 to 2011 in PECO Energy’s service territory when caps are lifted on Jan. 1, 2011.

Measures in the Ross bill will take about a year to get up and running. With the anticipated electricity price increases approaching, this legislation should be passed as soon as possible.

Another component of EIS which attempts to reduce consumer demand for electricity is smart metering. Special Session H.B. 38 (Freeman) would require utility companies to replace existing electric meters on all Pennsylvania homes with “smart meters” within the next nine years.

Smart meters would allow customers, if they chose, to be billed for electricity at its actual cost based on the time of day they use it. Electricity is much more expensive during times of peak demand (e.g. two o’clock on a hot August afternoon). With smart metering, consumers could save money and conserve energy by using less electricity during these peak times and deferring some electricity usage to a less expensive time of day.

There are approximately 5.6 million electric accounts in Pennsylvania. Approximately 1.3 million smart meters have already been installed. Every year we delay enacting S.S. H.B. 38 will result in about 400,000 less smart meters in place when rate caps are lifted.

Whereas conservation and smart metering attack our energy problem from the demand side by reducing overall and peak demand for electricity, the EIS fund bill approaches the energy problem from the supply side by attempting to increase the supply of renewable energy.

The energy independence fund bill, S.S. H.B. 1 (DePasquale), would provide $850 million for, among other things, venture capital, grants and loans to attract renewable energy companies to Pennsylvania. An expanded renewable energy industry in Pennsylvania will translate into an increased energy supply.

Not only would expanding the renewable energy industry in Pennsylvania help keep electricity prices down by increasing the supply of renewable energy, it would also help Pennsylvania's economy by creating jobs.

It is important that Pennsylvania's EIS fund be sufficient and timely because Pennsylvania is in fierce competition with other states for these emerging renewable energy companies and jobs. New York and New Jersey are now each spending about $200 million a year and California is spending about $500 million a year.

Special Session H.B. 1 would provide about $150 million a year over the next five or six years. The competing senate proposal, S.S. S.B. 1 (White), would provide only about $65 million a year and stretch it over 10 years. This bill, which was approved by the Senate on Dec. 12, would be too little too late.

Every year Pennsylvania delays implementing this $150 million investment, $1 billion in private investment is lost along with 10,000 to 15,000 jobs, estimates PennFuture President John Hanger

With higher electricity prices looming and jobs and industry being lost to other states, it's time for the Pennsylvania General Assembly to act. Since all of Pennsylvania's state House seats and half of the state Senate seats are on the ballot this year, your representatives will most likely be more sensitive to your concerns. Call them and ask them to support these bills. Let them know there will be a price to be paid if they delay.