HOUSE CONSUMER PROTECTION, UTILITIES & TECHNOLOGY COMMITTEE

Testimony of Geoffrey Bristow
Chief Operating Officer, Pennsylvania Energy Development Authority

June 3, 2024

Good morning, Chairman Matzie, Chairman Marshall, and members of the House Consumer Protection, Utilities and Technology Committee.

I am Geoff Bristow, Chief Operating Officer of the Pennsylvania Energy Development Authority (PEDA). I came to this position after having served for nearly two years as PEDA's Acting Executive Director. As an employee of the Pennsylvania Department of Environmental Protection (DEP) since 1991 and the longest serving current employee of DEP's Energy Programs Office, I have had the privilege of spending most of my career managing, developing, and implementing clean energy programs.

On behalf of PEDA, thank you for the opportunity to provide testimony in support of House Bill 2338, which was recently introduced by Representative Elizabeth Fiedler to modernize PEDA. PEDA is fortunate to have Representative Fiedler as an active and supportive member of our board of directors. We appreciate her interest in PEDA and the obvious hard work that she has put into the legislation. We especially appreciate her willingness to consider and incorporate our feedback based on our review of drafts and ongoing conversations between our offices over the past year.

For my testimony, I would like to provide a brief introduction to PEDA, summarize the most significant provisions of House Bill 2338, and explain what enactment of the bill could mean for enhancing PEDA's capabilities to increase energy investment in the Commonwealth of Pennsylvania.

PEDA's governing statute was signed into law by Governor Dick Thornburgh as Act 280 of 1982. There were several minor amendments during the 1980s, so the law is largely in the same form today as when it was enacted 42 years ago. Act 280 created PEDA as "a public corporation and governmental instrumentality exercising public powers of the Commonwealth" to finance energy and energy-related projects. Act 280 allows the governor to decide which state agency is responsible for providing administrative support to PEDA. Through an executive order in 2004, Governor Ed Rendell transferred that role from the Department of Community and Economic Development to DEP. While PEDA is staffed and assisted by DEP employees, it operates under the guidance of a nineteen-member board of directors comprised of individuals from the public and private sectors.

It is important to understand that Act 280 was developed and enacted within the context of the energy crisis of the late 1970s and early 1980s, which explains why the law focuses on giving the governor the power to declare a state of emergency due to an oil shortage posing serious threats to the public health, safety, and welfare. Of greater relevance for our purposes, PEDA's main powers and duties under Act 280 are to:

- finance projects by awarding grants, loans, and loan guarantees, issuing bonds and notes, and entering into contracts;
- accept grants from public and private sources;
- issue an annual report of PEDA's activities and finances; and ✦ develop and implement an Energy Development Plan.

The Energy Development Plan is undergoing a five-year cyclical update, but the most recent version explains that PEDA's mission is to:

- expand the market for Pennsylvania's clean, diverse, indigenous energy resources; ✦ contribute to energy conservation, energy efficiency, resiliency, and development;
- help to mitigate the impacts of climate change through the reduction of greenhouse gas emissions; and
- support energy projects that improve public health and protect the environment, while strengthening economic development and job creation in Pennsylvania.

For the past four decades, PEDA has operated efficiently, but with a small staff and without a dedicated revenue source since the executive authorizations provided via the Environmental Stewardship and Watershed Protection Act, commonly referred to as "Growing Greener," in the mid-2000s. Nevertheless, PEDA has shown success over the years developing and deploying periodic grant programs with one-time funding that have been used by businesses, local governments, and other organizations to develop clean energy projects, including, among others, energy efficiency, biofuels, renewables, and combined heat and power.

While we are proud of the work that has been done under these grant programs, PEDA has recently shifted its focus to offer clean energy financing products that leverage PEDA's funds or other public funds to attract third-party capital for project investment. This increases the availability of funds, de-risks private investment, and allows for repaid funds to be recycled into future projects. We refer to this as PEDA's Energy Accelerator Program (EAP). The first financing product under the EAP, the KEEP Home Energy Loan, was launched for Pennsylvania homeowners in April 2024, and a second financing product, designed to assist local governments, launches today, June 3rd.

At the same time that PEDA has been developing the EAP, new federal funding, primarily through the Infrastructure Investment and Jobs Act (also known as the Bipartisan Infrastructure Law) from 2021 and the Inflation Reduction Act of 2022 (IRA), has made billions of dollars available for clean energy investment. This new funding presents both a reason and an opportunity to revitalize PEDA and make significant investments in clean energy projects throughout the Commonwealth. This is the right time to amend Act 280 of 1982, and I thank Representative Fiedler for leading that charge.

In addition to generally updating the language of a 42-year-old law, House Bill 2338 would make the following significant changes to Act 280:

- Expand the types of projects that PEDA can pursue and support;
- Reduce the size and change the composition of PEDA's board of directors; and
- Extend the existence of PEDA beyond the original 50-year term.

Let me briefly elaborate on the first, and most important, point. The Inflation Reduction Act provides for the largest ever U.S. investment in clean energy, with an estimated 70% coming in the form of tax credits to project owners. The IRA's elective payment provision allows states, local governments, and non-profit organizations – entities that were previously ineligible for energy tax credits – to claim certain tax credits for clean energy projects. Because those types of entities do not pay federal taxes, they can claim the tax credits by filing Form 990-T, the "Exempt Organization Business Income Tax Return," with the Internal Revenue Service (IRS). The IRS will then credit the tax credit against the entity's tax liability of zero dollars, resulting in an overpayment that will generate a refund to that entity. The whole point is to incentivize investments in clean energy projects by reducing the amount of money needed to finance them.

However, only the owner of a project is eligible to receive a tax credit. Because Act 280 does not currently allow PEDA to own projects except in very rare and specific circumstances, the Commonwealth will lose out on federal funds that would otherwise help pay for projects; without the federal contribution, some projects will not be able to go forward at all. But if PEDA could own clean energy projects that are eligible for federal tax credits, we could achieve so much more for the benefit of Pennsylvania families and taxpayers.

For example, PEDA could offer a financing option in the form of a lease where PEDA provides the capital needed for a project under favorable lease terms, and then PEDA, as the owner of the asset, could recover a significant portion of project costs through the tax credits, on average 30% to 50% depending on the details of the project. The tax credits could then be applied to the principal or invested in additional projects.

Another opportunity if PEDA were able to own projects is that PEDA, with the help of IRA tax credits, could invest directly in clean energy projects, perhaps even on state-owned brownfields or lands previously impacted by coal mining. PEDA could invest the time and resources needed to overcome the hurdles that often deter private investment in these types of properties. Then, once a project reaches productivity, the project could be sold or leased, with the proceeds then available to be invested in additional projects.

In sum, House Bill 2338 would promote clean energy projects in Pennsylvania by bringing more federal funds into the state, which would, in turn, create good jobs, reduce energy costs for consumers, and improve energy resilience. Modernizing PEDA through a much-needed update to

Act 280 of 1982 would be a game-changer for the Commonwealth, and that is why I urge this committee to support the legislation.

Thank you again for your time and consideration. I would be happy to answer any questions or provide any other assistance that would help move the bill toward enactment into law.

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Testimony Before the
Pennsylvania House Consumer Affairs Committee
June 3, 2024
Modernizing the Pennsylvania Energy Development Authority (PEDA)

TESTIMONY BY: Robert S. Bair – President
Pennsylvania Building & Construction Trades Council

Thank you, Mr. Chairman and members of the committee for hearing my testimony today. I want to talk today about modernizing the Pennsylvania Energy Development Authority (PEDA) and the impact it could have on Pennsylvania's economy, our workers, and our status as the leader in electrical generation. PEDA was established in 1982 to finance energy and energy efficiency projects but it has languished for quite some time and now is the time to make some changes, reauthorize the Agency, and allow it to capitalize on the federal dollars that the IIJA and the IRA are making available. Those funds, when captured by PEDA, have the potential to create thousands of jobs in construction and permanent jobs in the energy sector. Six other states have brough energy financing authorities into operation recently. More states have either introduced or passed legislation to create energy financing authorities and some states have been infusing their existing authorities with cash to prepare for the federal dollars available.

We have an existing authority, we just need to clarify its mission (direct PEDA to apply for any and all funds or tax credits available through the IIJA and the IRA), reauthorize its ability to continue past 2032, and make some changes administratively that streamline the authority's ability to invest in energy projects in our commonwealth.

As a building trades leader, I support an all the above energy strategy and having an agency that can invest in energy projects such as wind, solar, hydro, geothermal, carbon capture, coal gas methane and more evolving technological energy projects sends a signal that Pennsylvania is committed to our legacy of energy production and is committed to securing good paying jobs for our next generation of energy workers.

I look forward to working with both sides of the aisle and both Chambers in our capitol to get legislation across the finish line that will accomplish all these goals and jump start a new era in energy development here in the commonwealth.

Philadelphia Green Capital Corp.

Testimony for the Pennsylvania House Consumer Protection, Technology and Utilities Committee

Regarding HB 2338

June 3, 2024

Good morning, Chairman Matzie and members of the Committee. Thank you for the opportunity to come before you today to speak in support of HB2338 and accelerating Pennsylvania's energy production. I am Maryrose Myrtetus, Executive Director of the Philadelphia Green Capital Corp. (PGCC). House Bill 2338 will modernize the Pennsylvania Energy Development Authority (PEDA) and position it to maximize federal energy funding opportunities for Pennsylvania while creating jobs and cutting costs for consumers.

PGCC is a 501c3 non-profit green bank focused on developing financial solutions for clean, efficient, and affordable energy projects. We work by leveraging capital from public, private, and philanthropic sources, offering credit enhancements, and facilitating partnerships. We have adopted these best practices from state and local green banks across the county. We are also an affiliate of the Philadelphia Energy Authority (PEA), a municipal authority with whom we work to connect projects to capital to drive a robust, equitable, clean energy market in the Philadelphia region.

PGCC and PEA together have executed many of the programs and projects that serve as examples of all that PEDA can do with the modifications proposed in HB 2338, including projects such as Philadelphia's recent \$91MM LED streetlighting project, which is cutting the city's electricity bills by 9%; and the \$250MM+ of energy efficiency projects in Philadelphia's public schools, which not only save the school district money but also create safer, more comfortable learning environments. We also run programs such as Solarize Philly, which has helped over 3,000 households go solar, and Built to Last, which serves as a model for the statewide Whole Home Repair Program.

Our work spans across sectors – residential, commercial, municipal – but two common threads are that we build programs and financial products that help take a project from an idea to a reality, which means we conduct market education to build demand for projects, provide technical assistance, structure financial products, and guide the projects through to completion. And we also braid and layer funding sources to stretch government dollars farther and leverage funding from third parties.

PEDA is well-suited to do the same market-building and project-generating work statewide, particularly with its modernization via HB 2338.

This matters now more than ever because of the opportunities presented by the Inflation Reduction Act - an unprecedented energy funding bill from the federal government that includes hundreds of billions of dollars for energy-related funding. Most large federal spending bills come to states in the form of grants, with a state's funding amount determined by specific, preset formulas. However, the Inflation Reduction Act is different. Over two-thirds of the IRA funding comes in the form of tax credits. There's no preset formula for allocating tax credits to states. Rather, it is project driven. Which means the optimizing this opportunity means working differently from how states are used to drawing down federal dollars.

The key to setting Pennsylvania ahead of the pack in terms of IRA funding is having a vehicle – PEDA – that can support projects across sectors (residential, commercial, institutional) at scale, because a business or homeowner or municipality or nonprofit can only take advantage of the tax credits once a project is completed. The states that are priming project pipelines now are the ones primed to help their businesses and residents benefit most from the IRA. We see this firsthand at PGCC, as we belong to a growing coalition of green banks that includes many new state entities that have been created to do exactly what PEDA is already primed to do for Pennsylvania, especially with HB 2338 to unlock PEDA's full potential to be an energy accelerator and job creator.

Our goal at PGCC is to attract at least $5 billion of federal funds to Southeast PA through a combination of grants, tax credits, rebates, and lending capital, which could create up to 50,000 jobs. Statewide, Pennsylvania could achieve multiples of what can be done in Philadelphia and the surrounding counties – so long as the proper structures are in place. HB 2338 will allow PEDA to take full advantage of this historic investment and the opportunity to attract billions of dollars to the Commonwealth. That's why this bill is so timely, and so very important.

In Southeast PA, we plan to reach this goal by building off the success of the Philadelphia Energy Campaign, a pledge to invest $1 billion in energy efficiency and clean energy projects to create 10,000 jobs over 10 years. From the inception of the campaign in 2016 through 2023, PEA and PGCC have supported $904 million in projects and programs, and helped create over 7,600 jobs. Again, that is $904 million invested and over 7,600 family-sustaining jobs. This initiative works as designed, and is almost to its $1B goal more than 2 years ahead of schedule. For every dollar the City has invested in PEA, PEA and PGCC have generated $132 in economic development. To generate an economic impact of 132 times greater than the investment is practically unheard of, and through PEDA as a fully-equipped energy accelerator, Pennsylvania has the opportunity to have a similar state-wide impact.

Two key approaches from the Philadelphia Energy Campaign relate well to PEDA's ability to be an energy accelerator and job creator for the state:

First, PEA has assisted the City of Philadelphia and the Philadelphia School District with large-scale energy efficiency and renewable energy projects. For them, PEA procures, holds long term contracts (which are common and often necessary for energy projects), and in some cases finances projects, such as the 70 MW Adams County solar project, now supplying 25 percent of the City's power, the LED replacements for all of the City's streetlights, and major energy efficiency renovations for City Hall and other municipal buildings. The administrative changes put forth in HB 2338 will empower PEDA to hold similarly long contracts and allow it to better support the Commonwealth's energy objectives, job creation targets, and resiliency efforts.

Second, PEA and PGCC together have established programs that bring energy efficiency and other needed home repairs to low- and moderate-income families and bring solar installations to Philadelphia homeowners. The former, the Built to Last program, served as the model for Pennsylvania's whole home repair legislation. The latter, the Solarize Philly program has installed over 16 MW of solar systems for over 3,000 homeowners, more than 45 percent of whom are low- or moderate-income. HB 2338 will support PEDA's ability to expand these models and other programs throughout the Commonwealth.

As we've seen in the Philadelphia Energy Campaign, funding for energy projects translates directly to job creation and consumer savings. As I mentioned, the Energy Campaign has spurred 7,500 jobs through its $904 million of projects. For example, PEA has supported $250 million in energy saving capital projects across 23 schools in partnership with the School District of Philadelphia. This has created over 4,000 jobs and generated over $220MM net savings for the school district, leveraging its ability to better invest in maintenance and upgrades for its students. The federal funding opportunities at hand mean this model could be replicated in cities and towns across the commonwealth. This historic economic development investment and subsequent multiples of impact could realize tens of thousands of new jobs coupled with significant utility bill savings for customers across the state.

In addition to our work with the Philadelphia Energy Authority, PGCC has worked in close partnership with the PEDA, particularly on the $156 million Solar For All grant recently awarded by the U.S. Environmental Protection Agency. Through Solar For All, PGCC and PEDA will provide solar access and 20% electricity bill savings to over 14,000 low- and moderate-income households across the Commonwealth and will build on the work PEA and PGCC have already done with Solarize Philly. Through this program, PEDA will be able to provide job growth and cost saving opportunities to residents in every corner of the state, including former coal communities.

With the necessary administrative updates proposed in HB 2338, PEDA will be better equipped to catalyze economic development across the Commonwealth and take full advantage of other significant sources of federal funding, such as the National Clean Investment Fund and the Department of Energy's Loan Programs Office financing programs – both of which have billions of dollars to deploy through partners such as PEDA. Each of these funding opportunities offers billions of dollars for the improvement of lives and livelihoods across the Commonwealth.

In closing, PGCC strongly supports HB 2338. I urge the committee to support PEDA and ensure that the clean energy economy works for all Pennsylvanians. Thank you for your time and consideration today.

TESTIMONY OF THE NATURAL RESOURCES DEFENSE COUNCIL

Robert M. Routh, Esq.
Pennsylvania Policy Director
Climate & Energy Department

on House Bill 2338

Before the House Consumer Protection, Technology & Utilities Committee

Harrisburg, Pennsylvania

June 3, 2024

Chairman Matzie, Chairman Marshall, and honorable members of the House Consumer Protection, Technology & Utilities Committee, thank you for the opportunity to testify in support of Representative Fiedler's House Bill 2338, P.N. 3171. This bill would modernize Pennsylvania's independent public financing authority, the Pennsylvania Energy Development Authority (PEDA), and meaningfully accelerate Pennsylvania's energy production by further leveraging private capital and the historic investment opportunities created by the federal Inflation Reduction Act (IRA) and Bipartisan Infrastructure Law (BIL).

My name is Robert Routh, and I am a senior attorney with NRDC (Natural Resources Defense Council), an international non-profit organization with over three million members and online activists. Since 1970, NRDC's lawyers, scientists, and other environmental specialists have worked to protect our natural resources, public health, and climate. As Pennsylvania Policy Director for the Climate & Energy Department, my job is to advocate for Pennsylvania laws and policies that reduce emissions of greenhouse gasses (GHG) and other air pollutants to create an equitable, sustainable, and prosperous clean energy economy for all.

NRDC strongly supports HB 2338 and urges its swift adoption. PEDA's enabling statute dates back over 40 years ago (via amendments to the Administrative Code enacted in 1982), and the authority experienced nearly a decade of relative dormancy before being revitalized by an April 2004 Executive Order. Throughout, PEDA's mission has been to expand the market for Pennsylvania's clean, diverse energy resources and to make contributions to energy conservation, energy efficiency, resiliency, and development. Given the ongoing energy transition both in Pennsylvania and across the country, coupled with the unprecedented competitive federal funding opportunities rolling out now and in the years ahead, it is past time for PEDA's authority to be updated and clarified. That's exactly what HB 2338 would do. Specifically, the bill would:

- Clarify and expand the definitions of "Cost" and "Project" to better align with federal grant programs;

- Reform PEDA's board of directors by reducing the number of members appointed by the Governor;
- Remove the sunset provision that would otherwise terminate PEDA in 2032; and
- Provide critical fixes and updates to Section 2806-C, relating to PEDA's powers and duties, to better align with federal programs. For example, it would allow PEDA to own projects that it creates, thereby allowing it to apply directly for IRA tax credits from the U.S. Treasury Department. NRDC modeling projects Pennsylvania will see over $20 billion in federal clean energy tax credits flow into the state over the next two decades.

These are straightforward amendments that will better position Pennsylvania to compete and succeed in the coming decades. In particular, I want to highlight one provision included in the IRA, the U.S. Environmental Protection Agency's (EPA) Solar for All competition.

Greenhouse Gas Reduction Fund (GGRF) and the Solar for All (SFA) competition

The historic GGRF is the single largest non-tax investment within the IRA, providing a massive $27 billion in grants. This financing program represents an unprecedented investment in climate action and communities, directing long-overdue funding to projects that will reduce pollution, lower energy costs for families across the United States, and create good-quality jobs – all while catalyzing a significant wave of private sector investment. And the Solar for All competition is one of three GGRF programs announced by EPA; it dedicates $7 billion to create and expand solar programs that deliver meaningful benefits to underserved and disinvested communities throughout the country.

One hundred percent of the Solar for All awards are meant to benefit communities defined by EPA as low-income and disadvantaged, or LIDAC (communities with low incomes, limited access to resources, and disproportionate exposure to environmental or climate burdens)**.** Low-income households have thus far been disproportionately left out of our country's clean energy transition – they face an average energy burden three times higher compared to non-low-income households and are disproportionately less likely to adopt solar. Solar energy is also not reaching communities of color equally, as majority Black and Hispanic neighborhoods see significantly less rooftop solar installed compared to majority white neighborhoods. Many of these same communities have long lived with the wide-ranging and detrimental effects of environmental injustice, whether it be high levels of air pollution, water contamination, or the disproportionate siting of industrial facilities.

PEDA served as the lead applicant for the Commonwealth (as part of a two-member coalition that included the Philadelphia Green Capital Corp) in seeking a Solar for All award. And six weeks ago, on April 22, EPA announced the 60 awardees for those $7 billion in grants, which included 49 state-level awards with **Pennsylvania expected to receive $156.12 million**.[1] EPA is currently negotiating agreements with SFA awardees (with the goal of starting to deploy SFA dollars later in the fall/winter) but these awardees are estimated to bring the benefits of distributed solar to **900,000 low-income households** in all 50 states, the District of Columbia, territories, and Tribal lands—saving consumers **over $350 million on utility bills** in the first five years of operation. EPA estimates that SFA will collectively deliver four gigawatts (4 GW) of solar energy in communities nationwide while reducing 30 million metric tons of carbon dioxide equivalent (CO_2e) emissions cumulatively.

PEDA and other awardees must use SFA funds to provide grants, low-cost financing, as well as project-deployment technical assistance (which can include workforce training, customer education and outreach, and siting, permitting, and interconnection support) to support residential rooftop and residential-serving solar projects. Dollars can also be used to invest in "enabling upgrades," defined by EPA to include energy efficiency improvements, electrical system upgrades, and structural building repairs – all of which will help to maximize the

[1] EPA also announced five innovative multi-state awards, including $156.12 million to the Industrial Heartland Solar Coalition. This non-profit, headquartered in Ohio, unites 31 communities spanning eight states, including municipalities located in southwestern PA.

potential of this program. Awardees are expected to ensure their programs deliver "meaningful benefits" to LIDAC, defined as:

1. Household savings – delivering a minimum of 20% of household savings to all households served under the program;
2. Expanding equitable access to solar generation to a diversity of households;
3. Increasing resilience of power generation during grid outages;
4. Facilitating community ownership models that allow LIDAC to access economic benefits of clean energy asset ownership; and
5. Investing in workforce development, delivering prevailing wage jobs, and supporting women and minority-owned businesses and contractors.

HB 2338 can help clarify PEDA's authority to deploy these SFA dollars consistent with congressional intent and to maximize their impact. Again, EPA is negotiating with awardees and plans to finalize contract agreements later this year. Importantly, EPA has given awardees up to a year for program planning, so now is the time for stakeholders to engage with PEDA on effective program design and implementation. Likewise, PEDA should be engaging and co-planning with stakeholders to ensure the benefits of their programs appropriately flow to the communities and households prioritized by EPA.

Given other complementary policies included in the IRA like elective or "direct" pay, transferability, and renewable energy bonus credits, as well as the other $20 billion in GGRF dollars awarded to nonprofit lenders and the $4.6 billion in Climate Pollution Reduction Grants, it is important that Solar for All programs maximize the resources available to deliver tangible benefits to households, such as significant energy cost reductions, energy asset ownership, and more.

Conclusion

Federal funds from the IRA and BIL have the potential to transform historically underinvested areas. It is an exciting time in the climate and energy space as money is beginning to flow to states, communities, and entities like PEDA with authorization to implement the funds. But how transformative this funding can be—and how much progress we can make toward a sustainable, resilient, and equitable future—will significantly depend on how ready state governments are to receive this money and put it to work.

To that end, HB 2338 represents a commonsense approach to seize and maximize federal investments in Pennsylvania. It will help attract additional private investment, upgrade and revitalize the Commonwealth's infrastructure, enhance our status as an energy powerhouse, promote grid reliability, create family-sustaining jobs for the future, and make progress on Governor Shapiro's commitment to long-term energy affordability.

Thank you again for the opportunity to testify.

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