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Thank you Senator Argall, Chairman of the Senate Majority Policy Committee, and Members of the Committee for hosting this important hearing today. My name is Debbie Jennings, Senior Policy Manager of the National Taxpayers Union Foundation (NTUF). NTUF is the nonprofit research arm of the National Taxpayers Union (NTU), America's oldest active taxpayer advocacy organization.

In light of the ongoing data center buildout, NTUF is increasingly focused on pro-growth and pro-taxpayer energy policy. The American economy runs on energy–from powering household appliances to running factories, farms, and small businesses. Furthermore, nearly every American taxpayer is also an electricity ratepayer. The Energy Information Administration estimates that there are nearly 150 million residential electricity customers nationwide, while IRS data shows that there are also around 150 million U.S. taxpayers.

With economic growth and innovation fueling rising electricity demand, Pennsylvania is well situated to meet the moment. As the nation's second-largest total energy producer and third-largest net energy exporter, Pennsylvania embodies an "all-of-the-above" energy profile that is critical for grid resilience and state competitiveness, ranking second in both natural gas production and nuclear generation.

Abundant resources should help lower electricity prices, but the data shows that current generation is insufficient to meet growing needs. PJM estimates that summer peak load growth will average 3.6% over the next ten years while winter peak load growth averages 4.0% over the same period. At the same time, PJM warns that electricity supply may not be able to keep pace.

The balance of supply and demand is a critical factor in determining electricity price spikes during peak conditions. However, on a day-to-day basis, government policies also factor into the final bill. The most obvious example is Pennsylvania's gross receipts tax on electricity generation and distribution, imposed at a headline rate of 5.90% with an effective rate passed on to consumers of 6.27%. Thankfully, leaders in Harrisburg are working to eliminate this line item on consumers' electricity bills. Legislators can go further by revisiting the decision to decouple from the federal tax treatment of full and immediate expensing. This would allow generators and utilities to fully deduct costs of capital investments when those costs are incurred, properly aligning the timing of investment with the timing of deduction.

Other government-induced costs are less visible. Permitting delays, interconnection queues, regulatory uncertainty, lengthy litigation, and technology-specific mandates all work to increase daily prices for electricity consumers. The time required to navigate these hurdles raises financing costs and results in uncertainty, which can ultimately stop projects altogether. In neighboring Virginia and West Virginia, the Atlantic Coast Pipeline project was canceled after projected costs skyrocketed from $4.5 billion to $8 billion largely due to National Environmental Policy Act (NEPA) lawsuits. When projects fail to move forward, consumers lose the potential price benefits of additional energy supply and market competition.

Mandates for specific types of energy, such as renewables, also raise costs. Clean energy mandates require utilities to procure specified resources even when lower-cost or more reliable alternatives are available, reducing grid flexibility needed to respond to changing market conditions. While environmental concerns are valid, permitting and interconnection challenges often delay renewable energy projects more than insufficient capital or demand.

Technology-specific mandates increase input costs and favor technologies that can quickly become obsolete, therefore hampering efficiency innovation. Governments likewise choose winners and losers through the tax code, whether by subsidizing renewable energy resources or denying deductions for intangible drilling costs. These policies distort investment decisions and cause elevated baseline electricity bills, worsening the impact of price spikes. Again, reforms to government permitting and other regulatory edicts would do more over the long run to build a sustainable renewable energy sector than targeted tax interventions.

As higher prices reach households and businesses, governments often respond by increasing public benefits rather than addressing costs at the source. The federal response to the COVID-19 pandemic is a useful example of the consequences of this type of intervention. In early 2021 after the passage of five bipartisan relief bills and at a time when the economy was already recovering, the American Rescue Plan Act authorized another $1.9 trillion to be spent on cash benefits and federal programs well beyond what was necessary. The fiscal stimulus slowed employment gains and overheated the economy, leaving families feeling the brunt of elevated inflation for long after the pandemic ended. At the same time, rapidly rising federal spending also fueled the national debt, which has deleterious economic impacts on its own.

Pennsylvania has the resources to remain an energy leader while keeping electricity affordable for families and businesses. Sound policy can help ensure those resources translate into reliable supply, economic growth, and lower costs for taxpayers and ratepayers alike. It can also prevent governments from feeling pressured to intervene after costs have already risen, further burdening taxpayers.

Thank you again for the opportunity to testify today. I am happy to answer any questions the Committee may have.


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