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**Senate of Pennsylvania**

February 24, 2022

**COMMITTEES**

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CHAIRMAN

Matthew Knittel, Director  
Independent Fiscal Office  
Rachel Carson State Office Building  
2nd Floor  
400 Market Street  
Harrisburg, PA 17105

Dear Director Knittel:

On behalf of the Senate Environmental Resources & Energy Committee and the Senate Community, Economic and Recreational Development Committee, we are writing to request that the Independent Fiscal Office (IFO) review and audit modeling conducted by ICF International, including the underlying assumptions and estimations, relied upon by the Environmental Quality Board (EQB) to justify Pennsylvania's participation in the Regional Greenhouse Gas Initiative (RGGI). Our committees intend to hold a joint public hearing later next month and would also request the IFO to participate in the hearing and discuss its findings.

Attached is a copy of a letter that was sent to Patrick McDonnell, DEP Secretary, requesting him to testify at a public hearing on January 18, 2022 to address significant, increasing concerns over the outdated and inaccurate RGGI modeling performed by ICF. He refused the invitation. The purpose of the public hearing was to determine how the ICF/EQB modeling inaccurately estimates the impact on electricity customers; the workers that operate, supply and serve coal-fired and natural gas-fired electric generating plants; Pennsylvania's status as a net exporter of electricity due to the effective economic ban on constructing new natural gas plants; and, the increased generation in other non-RGGI participating PJM states resulting in the continued and increased emissions of CO<sub>2</sub> and other pollutants in neighboring PJM non-RGGI states.

By way of example, one of ICF's core assumptions included within the EQB Regulatory Analysis Form (RAF) was that the RGGI allowance price - a carbon tax on CO<sub>2</sub> emissions from all coal and natural gas electric generation plants (which comprise two-thirds of in state generation capacity) - would be \$3.24/ton of CO<sub>2</sub> in 2022 and remain below \$4/ton

through 2030.<sup>1</sup> Today, the price is \$13/ton. This underestimates the current carbon tax by more than 400 percent. To make matters worse, according to market experts, the RGGI carbon tax on electricity is projected to increase<sup>2</sup> dramatically in the months and years ahead.

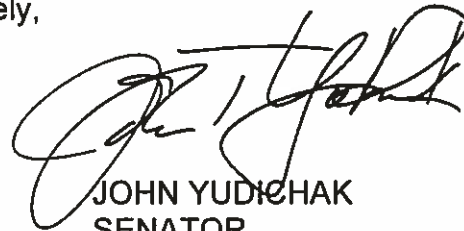
As a result of the erroneous assumptions that underlie the RGGI impact modeling conclusions, as outlined in the letter to Secretary McDonnell, Pennsylvania will likely be confronted with the following outcomes: “much higher electric rates for all residents, especially our most vulnerable; far more premature retirements of coal and older, less efficient natural gas plants, and related job elimination; a likely insurmountable bar to the construction of new natural gas plants in the state and larger incentives for building these plants in non-RGGI, PJM states as we have seen recently; and, potential grid reliability issues, which were cited by PJM when it recently mandated on-site fuel storage.”

Unless the General Assembly can override the Governor’s veto of Senate Concurrent Regulatory Review Resolution 1, which would terminate the RGGI regulation, the regulation will take effect within a matter of weeks. We are hopeful that the IFO can assist the General Assembly in obtaining a more accurate and up-to-date understanding of RGGI’s likely impacts on Pennsylvania families, workers, businesses and communities.

Sincerely,



GENE YAW  
SENATOR



JOHN YUDICHAK  
SENATOR

cc:

Hon. Kim Ward, Senate Majority Leader  
Hon. Pat Browne, Chair, Senate Appropriations Committee  
Hon. Kerry Benninghoff, House Majority Leader  
Hon. Stan Saylor, Chair, House Appropriations Committee  
Hon. Daryl Metcalfe, Chair, House Environmental Resources & Energy Committee

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<sup>1</sup> Regulatory Analysis Form, IRRIC Number 3274, “CO<sub>2</sub> Budget Trading Program.” The EQB’s modeling assumes a CO<sub>2</sub> allowance will cost \$3.24 in 2022, and that a CO<sub>2</sub> allowance will fluctuate in cost between \$3.24 and \$3.62 between 2022 and 2030. See RAF at page 43, table 7.

<sup>2</sup> California Carbon, “RGGI prices show strength close at \$14.33.” February 8, 2022, <https://www.californiacarbon.info/rggi-prices-show-strength-close-at-14-33-pennsylvania-dep-sues-state-agency-for-refusing-to-publish-rggi-rule/>

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**Senate of Pennsylvania**

January 13, 2022

**COMMITTEES**

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**THE CENTER FOR RURAL PENNSYLVANIA  
CHAIRMAN**

Hon. Patrick McDonnell, Secretary  
PA Department of Environmental Protection  
400 Market Street  
P.O. Box 2063, 16th Floor  
Rachel Carson Office Bldg.  
Harrisburg, PA 17101

Dear Secretary McDonnell:

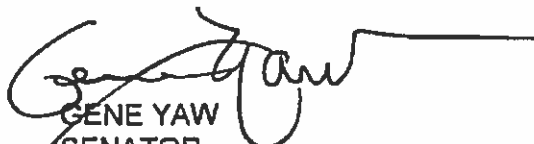
Earlier today, I was told that you and staff from the Department of Environmental Protection had opted out of our January 18<sup>th</sup> hearing to review the skyrocketing RGGI allowance prices. This is disappointing. I would like to remind the Department that the proposal to have Pennsylvania take part in the Regional Greenhouse Gas Initiative was initiated by Governor Wolf, not the Legislature.

The modeling performed by ICF International at the Department's request is already outdated. Information provided to the Environmental Quality Board, the Independent Regulatory Review Commission and the General Assembly has been proven wrong, most notably the RGGI credits. The Department authorized over \$400K in taxpayer-funded money to pay for this modeling, questions need to be asked and answers need to be provided. Given recent developments, historic RGGI carbon tax inflation, overall inflation pressures, recent default service rate increases, the time is now to discuss this issue.

At present, we are looking at the following outcomes: much higher electric rates for all residents, especially our most vulnerable; far more premature retirements of coal and older, less efficient natural gas plants, and related job elimination; a likely insurmountable bar to the construction of new natural gas plants in the state and larger incentives for building these plants in non-RGGI, PJM states as we have seen recently; and, potential grid reliability issues, which were cited by PJM when it recently mandated on-site fuel storage.

I am extremely disappointed you are not willing to appear before our Committee and I would like to ask you to reconsider this position.

Sincerely,

  
GENE YAW  
SENATOR

pc: Members, Senate Environmental Resources & Energy Committee