

**Testimony of the Energy Association of Pennsylvania
Pennsylvania Senate Energy and Environment Committee**

April 28, 2026

Andrew S. Tubbs, President and CEO

I. Introduction

Good morning, Chairman Yaw, Chair Comitta, and members of the Senate Energy and Environment Committee. My name is Andrew Tubbs, and I am the President and CEO of the Energy Association of Pennsylvania. I appreciate the opportunity to testify today on the critically important issues of energy affordability, generation adequacy, and Pennsylvania’s energy future.

EAP represents Pennsylvania’s electric and natural gas distribution utilities: the “pipes” and “wires” companies that distribute energy throughout our commonwealth. Our member companies are committed to providing safe, reliable, and energy at reasonable rates to nearly 9 million Pennsylvania families and businesses.

I want to commend this Committee for your focus on energy affordability. Rising energy costs are affecting Pennsylvania families and businesses, and it is vital that we understand the root causes of those increases and work together on meaningful solutions for our customers and your constituents.

Pennsylvania families and businesses are facing real affordability challenges. Energy costs are rising, and the reasons are more complex than much of the current debate suggests. Understanding those reasons accurately is the only way to design solutions that work. This testimony addresses what is driving cost increases on customer bills, why generation adequacy is a central affordability issue and why accountability is pivotal, what Pennsylvania utilities are investing in communities across this Commonwealth, and what specific policy actions should be pursued to make a meaningful difference for customers.

II. What Drives Costs on Customer Bills

To address energy affordability effectively, it is essential to understand what drives the costs that appear on a customer’s bill. This distinction matters because much of the public debate has focused on utility distribution costs while other more significant cost drivers have received less attention.

Customer electricity bills include four major categories of costs:

- **Distribution charges** cover local infrastructure like poles, wires, and substations, and the investments made to operate and maintain the facilities that deliver electricity to homes and businesses. These charges also recover the cost for critical functions like customer service activities, vegetation management and employee/union salaries.
- **Transmission charges** cover the regional high-voltage grid that moves electricity across larger distances from generation sources to local distribution systems; these are set by the Federal Regulatory Energy Commission (“FERC”), not by Pennsylvania utilities or the Pennsylvania Public Utility Commission (“Commission”).
- **Generation supply charges** are the actual cost of wholesale electricity, including energy and capacity costs determined through PJM auctions, the rules of which are regulated by the FERC, as well as retail electricity costs determined through default service plans and auctions regulated by the Commission.
- **Policy-driven costs and mandates** are state programs passed through to customers; as of January 2025, the collective effective of these mandates for PPL Electric comprise approximately 10.5 percent of the monthly residential bill and approximately 19 percent of the monthly small commercial bill. These costs include costs associated with low-income programs, Alternative Energy Portfolio Standards, net-metering and Act 129 energy efficiency and conservation programs.

For regulated utilities, distribution costs vary but usually make up less than 50 percent of the customer bill. Several major cost components are direct pass-throughs that utilities cannot control. This distinction is critical, because generation costs, which utilities pass to consumers without markup, typically account for 40 to 60 percent of a customer’s total monthly bill. When these pass-through costs increase, they flow directly to customer bills.

The role of natural gas in Pennsylvania’s energy affordability is an essential part of the discussion. When electric rate caps lifted in the mid-2000s, many feared a dramatic spike in energy costs. What moderated those fears, and what continues to be one of Pennsylvania’s greatest economic advantages, is the Marcellus Shale. Pennsylvania sits atop one of the most productive natural gas formations in the world, and the development of that resource has kept natural gas prices significantly lower than they would otherwise be, benefiting both gas heating customers directly and electric customers indirectly, since natural gas is the dominant fuel for power generation on the PJM grid. This Commonwealth’s energy affordability story cannot be told honestly without acknowledging that Pennsylvania’s natural gas abundance is a structural advantage that

should be protected and built upon, not taken for granted or eroded. To manage the affordability of electric supply, Pennsylvania needs to look to increase generation from all viable fuel sources that can be brought online.

The cost of power from the PJM wholesale market rose approximately 70 percent¹ last year alone, according to Monitoring Analytics, PJM's independent market monitor. That increase flowed directly into customer bills across every Pennsylvania utility service territory, not because utilities sought rate increases and not because utilities earned any profit from increases, but because these are passed through to customers. The steep climb in Pennsylvania utility bills over the past two years has been driven primarily by generation cost increases, not increased distribution rates.

A complete affordability picture must also include policy mandates that reach beyond the utilities, including what Pennsylvania residential customers pay to competitive retail suppliers above what the utility would charge for supply through default service. According to data collected by Pennsylvania's electric and natural gas distribution utilities, residential customers paid approximately \$350 million above what they would have paid had they continued to buy their energy from their local utility in 2024 alone. That figure does not appear in average retail rate comparisons, but it appears on customer bills. Any affordability analysis that omits it is incomplete.

III. Utility Investment and Pennsylvania's Economic Foundation

Despite rapidly growing electricity costs, Pennsylvania is experiencing generational economic growth. The transmission and distribution infrastructure investments made by utilities across the Commonwealth, large and small, rural and urban, enable safe, reliable energy that is critical to that growth.

Pennsylvania's regulated utilities have made and are continuing to make substantial infrastructure commitments across this Commonwealth. PPL Electric has already invested \$13 billion in its Pennsylvania grid since 2013 and has committed more than \$8 billion in additional investment through 2029. PECO is investing nearly \$10 billion over the next five years.² FirstEnergy's Pennsylvania subsidiaries have committed over \$1.4 billion in their most recent five-year infrastructure improvement plan approved by the Commission. Together, EAP's member companies represent billions in committed Pennsylvania infrastructure investment, every dollar reviewed, approved and authorized through an open and transparent regulatory process.

¹ [Market Monitor Report](#)

² In 2023 alone, PECO helped secure 16 new commercial projects set to add 4,448 jobs and more than \$10.1 billion in local investment.

Pennsylvania's electric and gas utilities are economic engines beyond simply powering homes and businesses. Our member companies employ thousands of Pennsylvanians in well-paying jobs, including line workers, engineers, customer service representatives, and skilled tradespeople. Beyond direct employment, utilities support thousands of additional jobs through contractors, suppliers, and local businesses.

Pennsylvania's position as a destination for major economic investment does not exist independent of its utility infrastructure, it depends on it. When a pharmaceutical manufacturer, semiconductor facility, or advanced manufacturer evaluates a potential site against hundreds of others, reliable and affordable energy service is among the first criteria reviewed. A major manufacturer does not announce a billion-dollar Pennsylvania facility without confidence that the utilities serving that site can deliver the power, reliability, and interconnection timeline the project and corresponding investment required. Every EAP member company plays this role in its service territory, often in pre-announcement conversations that never make headlines but determine whether the investment comes to Pennsylvania or goes elsewhere.

Utility infrastructure investment across this Commonwealth is not simply maintenance spending, nor is it "gold plating. It is the consistent, reliable foundation on which Pennsylvania's economic development strategy rests. That investment is visible, as Pennsylvania residents see utility crews in their neighborhoods daily putting capital to work in Pennsylvania, and it is also responsible for improved reliability. That visibility is accountability, and it is the standard Pennsylvania holds its utilities to every day.

Pennsylvania needs financially healthy utilities to support this growth. When utilities face financial stress from inadequate or delayed cost recovery or through an inconsistent regulatory environment, the consequences fall on customers through deferred investment, delays in system modernization lowering reliability, and higher borrowing costs, which are ultimately passed through to customers through higher long-term costs.

IV. PJM, the Capacity Market, and the Accountability Question

EAP and its members have a constructive relationship with PJM Interconnection and recognize the important and complex work PJM performs in managing the grid to maintain reliability across thirteen states and the District of Columbia. PJM testified before the House Energy Committee in January 2026 that Pennsylvania cannot address energy affordability without addressing both supply and demand. EAP agrees with that assessment. The question before this Committee is what accountability must accompany the capacity payments that are supposed to solve that supply problem.

Before turning to the specifics of the capacity market, this Committee should understand one foundational fact about how capacity costs flow: regulated distribution utilities collect capacity charges from customers through their monthly bills and remit those funds directly to generators. Pennsylvania's electric distribution utilities earn no return on capacity payments, carry no capacity on their balance sheets, and have no ability to negotiate the prices PJM auctions produce. Pennsylvania's electric distribution companies are also prohibited from owning generation. However, every dollar of the more than \$30 billion paid over the last two delivery years passed through utilities directly to generation owners. The utilities are the collection mechanism. The accountability question must focus on what the recipients of those funds have done with these profits to address long-term affordability and availability of energy supply.

The PJM capacity market was designed on a straightforward premise: competitive generators, responding to price signals, would build sufficient new generation to meet growing demand, and ratepayers would pay for the capacity commitments those generators made. After nearly fifteen years, this Committee is entitled to evaluate how well this system is working, particularly when the market was established at a time of leveled demand, and not designed to address the spike in growth that we are now experiencing.

A. A Decade of Inadequate Investment

From approximately 2016 through 2024, PJM capacity auction clearing prices ranged from \$16 to \$100 per megawatt-day, below the Net Cost of New Entry required to justify new generation construction. The competitive market and leveled usage produced a price signal for nearly a decade that did not justify building new generation. During this period, aging generation retired, aggressive decarbonization public policy goals triggered further retirements, reserve margins eroded, and PJM's own adequacy projections grew increasingly concerning. As early as March 2023, PJM started warning of a projected imbalance by 2030.

Pennsylvania ratepayers paid capacity charges throughout this entire period. Those payments funded existing generators' profitability but did not result in new supply the market was supposed to attract. This is not an accusation of wrongdoing. It is a description of a market design that has not delivered to customers, and where Pennsylvania ratepayers have no mechanism to recover what they paid for generation that has not been timely-delivered.

B. The Price Correction and What It Has Cost

The July 2024 capacity auction cleared near the Net Cost of New Entry for the first time in two decades. Capacity prices rose from \$28.92 per megawatt-day in the 2024/2025 delivery year to \$269.92 in 2025/2026, a nearly tenfold increase in a single auction. The

2026/2027 auction cleared at \$329.17 per megawatt-day, the FERC-approved cap. The 2027/2028 auction cleared at \$333.44 per megawatt-day, again at the cap.

In total dollars, PJM ratepayers paid \$14.7 billion in capacity costs in 2025/2026, compared to \$2.2 billion the prior year. Capacity costs rose further to \$16.1 billion in 2026/2027. That is more than \$30 billion in two consecutive delivery years, with a third year locked in at record prices. This represents a substantial transfer of wealth from Pennsylvania electricity consumers to generation owners.

The companies receiving those payments include some of the largest owners of Pennsylvania generation, including Constellation Energy, Talen Energy, and Vistra among them, with each operating facilities in Pennsylvania with thousands of megawatts of capacity collecting these elevated payments.

EAP presents these figures not to suggest these companies have acted improperly. They have participated in a market designed over time by Pennsylvania, PJM, other stakeholders, and authorized by the Federal Energy Regulatory Commission. The question before this Committee is whether the accountability framework governing those payments is adequate, and whether the reinvestment of those payments in Pennsylvania generation supply has been commensurate with what ratepayers have paid. If it has not delivered the value the Pennsylvania ratepayers expected, then this Committee should also evaluate ways that Pennsylvania can correct this to benefit its own energy needs and the needs of its constituents.

That question is made more pressing by one additional fact. PJM's own independent market monitor found that generators had sufficient market power to trigger mitigation protocols in capacity auctions.³ Market power mitigation was applied in each case, and prices still cleared at the FERC-approved cap. This Committee should ask: what is the appropriate accountability framework for billions of dollars in capacity revenues collected under conditions that PJM's own independent monitor has flagged for market power concerns?

C. What New Supply Has Been Built

Some new generation has been announced following the price correction, and EAP and its members welcome every megawatt. But this Committee should examine the supply response carefully. A significant portion of announced Pennsylvania generation is behind the meter, serving data center customers rather than the broader grid. As a result, it will not relieve grid capacity obligations for residential and commercial customers. The largest announced projects have in-service dates years away. PJM's own peak load forecast

³ [PJM market design flaws add billions to latest capacity auction costs: market monitor | Utility Dive](#)

shows demand growing nearly 30 percent through 2032/2033, driven entirely by data center load, while traditional residential and commercial load remains essentially flat.

Critically, much of the new generation investment that is occurring is being underwritten not by capacity market revenues but by long-term bilateral power purchase agreements between generation owners and technology companies. Those multi-year agreements provide the revenue certainty that today's capacity market is not. This Committee should ask the independent power producers appearing before it to specify how much of their announced investment is supported by capacity revenues paid by Pennsylvania ratepayers, and how much depends on bilateral contracts with data center customers that will serve those customers' needs rather than the broader grid.

The market may be showing a limited response, but years after the need, at a cost ratepayers have already borne, and with the most critical new supply still years from completion. Meanwhile, the 2027/2028 capacity auction failed to procure enough power to meet the reliability requirement for the first time in PJM's history.

D. PJM's Reliability Backstop Proposal

On April 10, 2026, PJM released its Reliability Backstop Proposal. On the heels of a joint White House/13 Governor proposal, this action represents PJM's own acknowledgment that the competitive market cannot guarantee reliability without structural intervention. Under the proposal, PJM would encourage bilateral contracts between load-serving entities and generators from September 2026 through March 2027. If a capacity shortfall persists through March 2027, PJM would procure capacity and assign the associated costs to regulated utilities whose service territories remain short. A FERC filing is anticipated in June 2026.

The accountability structure embedded in this proposal warrants this Committee's attention. When the competitive market fails to produce adequate capacity, the financial obligation potentially flows to regulated utilities and their ratepayers, while generators who collected capacity payments throughout the period of market underperformance bear no corresponding obligation when the market falls short. Pennsylvania should actively engage in the FERC process surrounding this proposal to ensure that accountability flows in the same direction as the payments that funded it.

V. Retail Energy Shopping and Consumer Protection

Pennsylvania helped pioneer retail competition in the 1990s with the promise that competition would drive down prices and benefit consumers. Although it did not work as initially conceived, energy restructuring did contribute to lower prices for customers across a sustained period. However, nearly three decades later, we are seeing consumers

suffering the negative impacts of prices and predatory behavior by some competitive suppliers, which are impacting affordability and deserving attention.

According to data reported by Pennsylvania's electric and natural gas distribution utilities, a small fraction of residential customers paid approximately \$350 million above what they would have paid for default service from their local utility through retail shopping in 2024. This outcome warrants examination, as the market was designed to financially benefit consumers through competitive forces.

This figure deserves to be understood in economic terms, not just consumer protection terms. Pennsylvania's regulated utilities are required by law to invest in Pennsylvania infrastructure, employ Pennsylvania workers, and submit every dollar of that investment for PUC review. The \$350 million that Pennsylvania residential customers paid for above market energy supply went instead to the bottom lines of unregulated retail suppliers with no obligation to invest in Pennsylvania, limited workforce here, and no accountability to this legislature or the PUC. It is not a small number. It is money that left Pennsylvania households, bypassed Pennsylvania investment, and produced no benefits for the customers who paid it.

EAP members have observed several concerning patterns involving retail sales practices. Vulnerable customers, including seniors and low-income households, sometimes receive aggressive or misleading supplier marketing. Supplier materials can lack clear, accessible pricing information. Some suppliers use bait and switch tactics with low introductory offers that lead customers to pay double what the customer would have paid their local utility for default supply. The overall market structure may not be delivering optimal outcomes for all customer segments.

We believe the retail market can and should work better for Pennsylvania consumers. Enhanced consumer protections and targeted reforms could improve outcomes while preserving genuine choice for customers who wish to participate. We commend members who have announced legislation to enhance consumer protections for retail shopping customers and look forward to working with this Committee on that important legislation.

VI. Commitment to Vulnerable Customers

Pennsylvania's electric and natural gas distribution utilities remain deeply committed to ensuring that all customers, including the most vulnerable, have access to essential energy services.

Pennsylvania's universal service programs provide critical assistance to low-income customers struggling with energy bills. The Customer Assistance Programs provide

reduced bills and debt forgiveness, helping hundreds of thousands of Pennsylvania families keep their lights and heat on. The Low-Income Usage Reduction Programs invest in weatherization and energy efficiency improvements for low-income households. As of 2024, these programs represent \$589 million in annual residential ratepayer spending specifically targeted to help Pennsylvania's most vulnerable residents.

Pennsylvania remains the only cold-weather state in the nation without state funding to supplement the federal LIHEAP allocation. LIHEAP is a lifeline for Pennsylvania families, and we strongly support both enhanced funding and creation of a state supplement for this vital program.

VII. What This Committee Should Do

The following recommendations are not abstract policy preferences. Each represents a direct, achievable reduction in what Pennsylvania families and businesses pay for energy, or a protection against costs that would otherwise be shifted onto them. EAP comes before this Committee with a constructive agenda, and we urge this Committee to pursue each of the following actions.

- **Request Answers from Independent Power Producers.** This Committee should ask the independent power producers appearing before it a direct question: now that Pennsylvania has removed the uncertainty associated with its participation in the Regional Greenhouse Gas Initiative, and now that capacity payments and forecasted demand have signaled the need for more generation, what are their specific plans to invest in Pennsylvania generation that will be available to the grid, not just to data center customers? How will independent power producers bring new generation to any upcoming Reliability Backstop Auction or other PJM capacity market processes? How are independent power producers reinvesting profits from capacity and energy market revenues?
- **Advance Retail Market Consumer Protections.** Pennsylvania residential customers paid approximately \$350 million above the Price to Compare in 2024 through retail shopping. That money did not fund grid investment, support Pennsylvania workers, or benefit the customers who paid it. Enforceable consumer protections, stronger affirmative consent requirements, clearer comparative pricing disclosure, and enhanced protections for vulnerable customers, would retain that spending in Pennsylvania households where it belongs. Legislation currently being advanced by members of this Committee would be an important step, and EAP strongly supports it.

- **Reinstate Chapter 14.** The Responsible Utility Customer Protection Act was allowed to sunset in 2024, eliminating important consumer protections related to service termination, payment arrangements, and utility service access. While utilities continue to abide by the provisions of Chapter 14, the law is uncertain and leaves both utilities and customers vulnerable. These protections should be reinstated, and continue to appropriately balance customer protection against other residential customers paying for the costs attributable to other customers. Pennsylvania customers should not have lost these safeguards.
- **Close the Merchant Generator Net Metering Loophole.** Current net metering rules in Pennsylvania allow large solar developers to receive full retail rate compensation despite minimal on-site consumption, a benefit designed solely for customer generators. This loophole shifts costs onto other ratepayers who should not be bearing them. Closing it would reduce an inequitable cost shift and ensure that distributed generation customers contribute fairly to the distribution system costs they continue to rely upon. In a rare display of unanimity, Pennsylvania’s regulated utilities, the Public Utility Commission, the Office of Consumer Advocate, and the Office of Small Business Advocate have all testified that this loophole is causing real and growing harm to residential and small business customers. Addressing this issue should not wait; it will have immediate effects on improving affordability for customers.
- **Reopen the AEPS Tier II Border.** Pennsylvania’s Alternative Energy Portfolio Standard currently applies a closed border policy for Tier II credits. Reinstating an open border would significantly reduce the price of Tier II credits for Pennsylvania ratepayers by expanding the pool of eligible resources. This is a direct, achievable cost reduction for customers.
- **Support Policies that Encourage Investment in Pennsylvania.** Pennsylvania’s position today as the largest net electricity exporter in the nation is not an accident. It is the result of decades of investment in generation, transmission, and distribution infrastructure. Policies that support a stable, predictable investment environment for all generation in Pennsylvania, regulated and competitive alike, protect that position and protect the customers who depend on it.
- **Support Connect and Manage Efforts.** Data is coming in from other parts of the country confirming that when new datacenter load is connected to the grid, it can help drive down costs for all customers. In California, Pacific Gas & Electric has cut rates by 11% over the last two years because of data center growth and has represented that it can reduce customer bills by about 1% for each gigawatt of new load on its system. Similarly, Entergy has announced \$5B in projected customer

savings for 2.3 million customers in Arkansas, Louisiana and Mississippi because of datacenter customer agreements in those states. Pennsylvania has a unique opportunity to be at the forefront in PJM leading the efforts to implement policies that facilitate proper connection of new large loads as well as the infrastructure necessary to cost-effectively support both new and existing customers.

This includes facilitating siting and permitting efforts for necessary transmission, distribution and generation as well as rejecting legislation that would cap utility returns on equity through the legislative process rather than relying on the regulatory process that has worked successfully to the benefit of customers for nearly a century. The focus on utility distribution rate cases reflects real and understandable frustration with rising bills. But as the evidence above makes clear, the steep climb in Pennsylvania utility bills over the past two years has been driven primarily by generation costs, pass-through costs that utilities do not set and cannot control. Capping utility returns on equity does not address the issues I have identified above, but it would send a chilling signal to infrastructure investors at precisely the moment Pennsylvania needs increased capital to produce economic results in Pennsylvania, while leaving the major cost drivers untouched. This would result in higher borrowing costs for utilities and ultimately higher costs for customers' overtime. The PUC rate case process already scrutinizes utility earnings with full participation by the Office of Consumer Advocate, Office of Small Business Advocate, Commission prosecutorial staff through the Bureau of Investigation and Enforcement, large industrial customers, low-income advocates and other stakeholders. That process is working and should be supported, not circumvented or diluted by legislation that would send an unpredictable signal to every infrastructure investor considering Pennsylvania.

VIII. Conclusion

Pennsylvania faces significant energy affordability challenges that require thoughtful, comprehensive solutions. Those solutions require looking honestly at every cost driver, not just the ones that may seem to offer short-term assistance, but fail to deliver meaningful long-lasting solutions to the underlying systemic problems that have eroded affordability. They require holding every market participant to the same standard of accountability. And they require asking hard questions about whether more than a decade of capacity payments have produced the generation investment Pennsylvania ratepayers were promised.

EAP supported competitive markets in 1996 and we support them today. That support has always been grounded in the expectation that markets would deliver results for customers. When they fall short, it is not an attack on competitive markets to say so. Accountability is required to ensure those markets function well over time.

Pennsylvania's electric and gas utilities have delivered safe, reliable service to every customer in their regulated territories for over a century. They have done so not because the operating circumstances were always economically optimal, but because they proudly carry an obligation to serve this Commonwealth that is enforced by this legislature and the PUC. That obligation should be standard for every participant in Pennsylvania's energy market.

Regulated. Accountable. Invested in Pennsylvania. Those are the standards this Commonwealth holds its utilities to. These are the standards that every participant collecting Pennsylvania ratepayer dollars should be held to as well.

EAP members are committed to delivering safe, reliable service at reasonable rates and to being a constructive partner as this Committee works toward comprehensive solutions that improve energy affordability and ensure reliability for the Commonwealth. We stand ready to work with the Governor, the General Assembly, the Public Utility Commission, and all other stakeholders on reforms that benefit Pennsylvania customers while ensuring the reliable, resilient, and modern energy infrastructure our Commonwealth needs.

Thank you for your leadership and the opportunity to testify. I welcome your questions.