

I would respectfully request the following be admitted into the record and for consideration by the workgroup members gathered under the auspices of Senate Concurrent Resolution No. 28. I formally submit this testimony as a co-sponsor of SCR 28, and a member of the House Energy Committee.

If we are going to move forward with the multi-state Greenhouse Gas Initiative we should address some specific and extremely important details. There are different opinions on the effectiveness of Cap and Trade credits in reducing Greenhouse Gas emissions. I personally subscribe to the theory that it is more of an inspirational or motivational technique to ultimately cajole and /or encourage emission reduction. That being said I think that our responsibility is to take advantage of every opportunity we have to pressure industry into beneficial modifications of current and future practices regarding emissions that threaten our planet and will endanger the safety of future generations. I find myself supporting the concept and think this is the appropriate time to discuss some of the immediate particulars and plan for the future consequences.

The compromise offered by the generators and industry to hold 50% of auction credits and distribute the other 50% in a preset (5year) diminishing amount to industry is, in my opinion, a reasonable request and I would offer my support for that.

The matter of fund accumulation and distribution is another matter entirely which I believe should be planned with caution and forethought. Responsible behavior would dictate that we not suggest nor legislative distribution of the bulk of this accumulation until some specific statistics have been gathered and serious thoughts given to effective spending.

We should direct that the funds be held in escrow for at least a year, save for a set amount of operational funds needed by DNREC to administer the program. This would enable us to get an idea of the value of the assets, the consistency of the assets and the sustainability of the assets. The Green Energy Fund has seen a legislated increase last year and the SEU, a brilliant initiative, passed with what was purported to be adequate revenue partially supplied through the Green Energy Fund. I see no urgency to move the fund accumulation, (resulting from RGGI auctioning of credits), at this time into the Green Energy Fund or to enhance the revenue resources of the SEU since it has its own sustainable revenue stream.

I would suggest that after a responsible gathering of information as to the aforementioned escrow intention, (to gauge consistency and sustainability of any incoming money), and in light of the fact that it is ultimately the ratepayers contributions that will sustain any revenue pool we, (the legislature), decide distribution at a future date. Suggestions for distribution should include consideration of funding a sustainable Affordable Utilities Program to assist seniors on fixed incomes and low to moderate income working families with their energy costs. In light of the fact that current LIHEAP funds were exhausted two weeks ago, this money contributed by the ratepayers should benefit those ratepayers most vulnerable in these harsh economic times. We should also seriously consider dedicating some funds to “green/geo-thermal etal” construction of new schools as they qualify for matching State money. There is currently a waiting list for

matching funds from the State (due to budgetary constraints) for already referendum approved school construction and capital improvement needs. To get ahead of the curve while dealing from a deficit in available money we should consider programs to build “green” as a responsible allocation of any funds accumulated through RGGI. The planning and consideration given to these and other proposals should not be constrained by any false sense of urgency or limited to parochial consideration.

This workgroup should also heed other considerations that will further complicate the discussion on proceeding with RGGI at this time. There is a strong likelihood that a successful conclusion to the Offshore Wind-farm proposal (signing of the PPA and construction of the facility) could affect the anticipated revenue stream for the SEU. Although the SEU has been documented as sufficiently funded for success, by virtue of last years legislation, it is possible that the BWW project could lessen the Alternative Compliance Penalty revenue available to the SEU and even devalue the RECs that the SEU seems to be reliant on. If that is the case then it is certainly reasonable to presume that we should hold revenue distribution in abeyance at this time. It is also reasonable to suggest that now is not the time to move forward at all with RGGI until we can capture some idea as to how the situation will develop. It is certainly a difficult decision to impose a further economic burden on the ratepayers of Delaware if we intend to add an additional and substantial revenue resource to the SEU which has been presented, by its own taskforce members and sponsors, as sufficiently funded to meet its goals without taxpayer subsidies (RGGI revenue). This presents a very real dilemma if we are to expect the public’s confidence in asking them to pay for a program that was presented and passed on the basis that it would be self-sufficient and not reliant on any public revenue. Nothing in SCR 28 permits or guarantees a distribution of the RGGI revenue to the SEU and the utility itself was crafted and presented as not needing those funds to function successfully. We only have to look at questions that arise regarding the DSWA to realize we should decide cautiously in these matters.

I respectfully disagree with Secretary Hughes that any legislation, regarding the SEU as a state-designated service provider, offered or pledged any additional taxpayer subsidies to the utility. In fact the SEU was presented and had the substantial support of the General Assembly because it was represented as an effective, self-sustaining entity. To change that description of intentions and/or sustainability of the SEU at this time would be inappropriate and might be considered by some as a “bait and switch”. As a member of the House Energy Committee and a Representative of the ratepayers and citizens of Delaware I would have to seriously consider not supporting the entire RGGI process and working against it, if the recommendation and legislation from this group does not advise a moratorium on fund distribution and/or safeguards are in place to determine beforehand how much the SEU will be disaffected financially by any pending projects. Especially since it was offered as independent of those circumstances.

Thank you,  
State Representative John Kowalko 25<sup>th</sup> District