

**TESTIMONY  
PRESENTED TO THE  
PA HOUSE CONSUMER AFFAIRS  
COMMITTEE**

**BY**

**Keith Masser, Chief Executive Officer  
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and  
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Good morning. Chairman Godshall and members of the committee, my name is Keith Masser, Chief Executive Officer of Sterman Masser Inc. and Keystone Potato Products where we farm over 4000 acres of crops, ship over 300 million pounds of packaged and processed potatoes annually and employ over 300 people.

I am here today to speak on behalf of myself and the Pennsylvania Farm Bureau to express our support for the intended objectives of House Bill 1580, introduced by Representative Chris Ross, and the bill's effort to resolve a significant problem for farmers who have committed significant capital for development of alternative electrical generation systems on their farms.

Pennsylvania Farm Bureau represents over 53,000 farm and rural family members across the state. I have the privilege of currently serving on our organization's Board of Directors.

While many of you in the room today may be familiar with the potential for government regulation to drive up costs and challenge the economic viability of family business operations such as mine, you may not very aware of the pressures and impacts of non-economic demands that are often placed on businesses by our customers and the economic impact that these demands have in increasing costs. Not only are many larger regional and national businesses trying to attain higher profits and greater returns for their shareholders. They are also trying to get the public to positively view their businesses and those affiliated with their businesses as good neighbors and as businesses that operate with highest degree of community service and environmental responsibility.

In their effort to achieve a strong and positive customer image, larger businesses can place increased pressures and demands on other businesses selling to or buying from these businesses to perform increased environmental and community measures that go well beyond what these businesses are legally required to perform. And many of these measures that businesses are being pressured to implement are costly, and cannot be implemented by many smaller businesses without incurring a significant debt load.

In 2009, my businesses were facing increased electrical costs as a result of electrical utility deregulation. My family was also feeling increased pressure from customers and marketers of our products that we make changes in infrastructure and operations that demonstrate our businesses are achieving greater environmental "sustainability." Some of our customers and marketers developed "sustainability scorecards" that reflected the degree of effort and achievement in sustainability that were normally expected for businesses with which they were commercially engaged. Action by a major customer to apply its "sustainability scorecard" to our business operations was driving force behind our decision to develop and finance a solar energy system. We did not want to run the risk of losing the 300 jobs resulting from our business and supply of potato product to the customer's wholesale distribution centers.

Another significant factor in our decision to develop a solar energy generation system was the availability of financial incentives made possible through public grants. After extensive

research, I was able to put together a funding package using a \$1 million CFA grant combined with a \$1.4 million US Treasury Grant and a PNC bank equipment finance loan to partially finance the \$5 million system I now have operating.

That still left a \$3.6 million debt for the project that the family businesses needed to finance from other sources. Relying solely on income from our current business operations to finance the debt would be difficult. Loans for this solar energy project require us to make a monthly payment of \$42,000 per month.

At the time we decided to go through with the project, there was a meaningful opportunity to secure much of the additional financing needed to manage the debt through marketing of Solar Renewable Energy Credits (SREC) from electricity to be generated from the solar system. The price for the SREC credit at that time would allow us to finance this project in seven years – a loan term that would allow us to reasonably manage the costs incurred for such a debt level. My system was commissioned in May of 2011 and has produced 64% of the anticipated power generation in the first five months of operation.

However, the selling price for SRECs by Pennsylvania generators of electricity has sharply dropped to the point where we are falling \$300,000 below the annual revenues we reasonably projected would be returned through SREC credits, breaking bank covenants and placing serious strains on cash flow and profitability of our businesses.

A largely contributing factor in the sharp drop in price for Pennsylvania SREC is the disparity in marketing opportunity between Pennsylvania generators of alternative electricity and generators operating facilities outside the Commonwealth. Many of the neighboring states whose laws require utilities to purchase minimum levels of electricity from solar and other alternative energy sources have limited the types of electricity that qualifies for marketing as SREC credit to “home grown” electricity generation. These “portfolio” states have maintained SREC values for their solar energy producers by restricting out-of-state solar energy producers from qualifying for SRECs in their state. Pennsylvania, however, places no similar restrictions on generated electricity qualifying for Pennsylvania SREC credits. Generators in “portfolio” states outside of Pennsylvania have been able to dump excess SREC credits into Pennsylvania markets, increasing the supply-demand imbalance and depressing prices of SREC credits for Pennsylvania generators.

Provisions in HB 1580 will help to bring the SREC market in line with surrounding states by requiring solar production to take place in the state to qualify for SRECs. The bill as proposed to be amended also temporarily steps-up the alternative energy portfolio requirements in Pennsylvania, while essentially capping SREC values to assure consumers of electricity are not paying inflated rates as a result of the adjusted SREC qualifications. The provisions of HB 1580 as proposed to be amended will provide those who have already committed the significant debt risk for solar electrical generation the necessary revenue to keep the systems already developed

in Pennsylvania viable while insuring there will be very minimal costs to consumers. In fact, power customers are already paying an SREC component on their electrical bills with the power companies banking the revenue due to the exceeding low values of SRECs in the state.

Pennsylvania Farm Bureau believes the Commonwealth made a commitment in 2004 to assuring investments would be made within the borders of Pennsylvania to develop clean energy production such as solar with the passage of the Alternative Energy Portfolio Standards Act. Now that financial commitments have been made in solar energy generation by many across the state, including farmers, amendments to the Act contained in HB 1580 are essential to supporting those who followed the lead of the state in investing in solar technology only to be undermined by the actions of neighboring states. We urge the legislature to take prompt action in passing HB 1580 as it is proposed to be amended to level the playing field of competition that drives the values of SRECs that are vital to the economic viability of Pennsylvanians recovering investments in solar technology.

Thank you for the opportunity to briefly testify before you today. I hope you have been provided with a little more insight as to the importance of HB 1580 and how it will bring some much needed stability to solar energy development in Pennsylvania. I will be happy to take your questions.