



***Benefits of and Challenges to Energy Access in the 21st
Century: Electricity***

Testimony of

**Karen Kerrigan
President & CEO**

Small Business & Entrepreneurship Council

Before

**Subcommittee on Energy and Power
Committee on Energy and Commerce
U.S. House of Representatives**

**The Honorable Ed Whitfield, Chairman
The Honorable Bobby L. Rush, Ranking Member**

301 Maple Avenue West • Suite 690 • Vienna, VA 22180 • (703)-242-5840

Protecting Small Business, Promoting Entrepreneurship

www.sbecouncil.org

Summary Points of Testimony:

- Our nation is blessed with abundant natural resources and innovative capacity.

This should make all of us very optimistic about the opportunities in meeting our energy needs moving forward in the 21st century. Public policy, however, must not deter opportunities for innovators, investment or place excessive cost burdens on the small business or private sector.

- All businesses use electricity, and for some, electricity costs rank among the highest expenses. Sensible policy that strives to help make electricity more affordable and reliable should be the goal of our elected officials. However, policies are not, for the most part, moving in a direction to lower or stabilize costs.

- A key challenge is for policy to strike a balance between incentivizing technological innovation, without mandating unrealistic outcomes that waste private sector resources needed for more productive uses – like jobs, for example, or other investments an entrepreneur needs to make to stay competitive.

- The United States is doing incredibly important work abroad to encourage entrepreneurship and business growth. Many of these countries need the basics, like electricity. Placing demands on countries to accept unrealistic mandates in the case of public financing for power plant construction undermines our important work abroad to lift people out of poverty.

- The harsh winter weather and capacity required to maintain a reliable supply of electricity through this period should be a wake up call to government, specifically misguided regulations that will take existing coal plants offline or prevent construction of new plants.

Complete Testimony:

Chairman Whitfield, thank you for hosting this important hearing and for your invitation to provide testimony. SBE Council and its membership appreciate the work of the Subcommittee in helping to ensure small business owners and entrepreneurs have reliable access to affordable energy. I look forward to discussing energy access benefits and challenges with all subcommittee members today.

My name is Karen Kerrigan and I am president and CEO of the Small Business & Entrepreneurship Council, an advocacy, research and education organization dedicated to promoting entrepreneurship and protecting small business. For twenty years SBE Council has focused on developing and advocating for policies, resources, and initiatives that support a strong and healthy ecosystem for business startup and growth. Since its founding, access to affordable and reliable energy has been a central issue as it touches all entrepreneurs and small firms.

With respect to the topic of the hearing today – energy access, specifically electricity, our nation is blessed with abundant natural resources and innovative capacity. This should make all of us very optimistic about the opportunities in meeting our electricity needs moving forward in the 21st century. However, public policy must not deter opportunities for innovators or place more burdens and barriers on the small business sector. The economic recovery remains weak and cost pressures across the board make it very difficult to be competitive in the global economy.

All businesses use electricity, and for some, electricity costs rank among the highest

expenses. Sensible policy that strives to help make electricity more affordable and reliable should be the goal of our elected officials. However, policies are not, for the most part, moving in a direction to lower or stabilize electricity costs. Imprudent regulation and taxes put ratepayers on the hook for policies and mandates that are not realistic and feasible. So a key challenge is for policy to strike a balance between incentivizing technological innovation, without mandating unrealistic outcomes that waste private sector resources needed for more productive uses – like jobs, for example, or other investments an entrepreneur needs to make in order to stay competitive and grow.

Access to electricity is critical to every enterprise, and as I travel the globe - mostly in undeveloped or emerging nations - to work with business leaders and government officials on initiatives that foster entrepreneurship and economic development, the issue of access is much different. The United States is doing incredibly important work abroad to encourage entrepreneurship and business growth. In many of these countries, the basics are still needed – like electricity – if their citizens are to have opportunities to start businesses and rise out of poverty. Just as U.S. domestic policies should not impose unrealistic mandates that raise electricity costs on American small businesses, it is important that we not impose these mandates on other countries in the case of public financing for power plant construction. Such demands undermine our productive work abroad. Meanwhile, other developed countries (our competitors) have demonstrated flexibility and realism in financing such projects.

Back in the U.S., as SBE Council listens to its members and reviews state data and competitiveness issues as they relate to electricity costs, we find wide disparities in costs. Higher energy costs, along with taxes and other government burdens, are pushing more businesses to relocate. Government-imposed costs are also becoming a greater factor in where many entrepreneurs decide to set up and start his or her enterprise. SBE Council's "Small Business Policy Index" (in its 18th year) as well as our "Energy Policy Index" track and rank the states on policy measures and costs. Regulation, taxes, and renewable portfolio standards (RPS) mandates all contribute to higher costs. High cost states such as New Jersey, New York and California are losing businesses to low-cost and more business-friendly ones. Business and capital vote with their feet, and access to affordable electricity – particularly for manufacturers – is becoming more critical in business location decision-making.

Federal mandates and regulations – including proposed and forthcoming regulations on new and existing power plants - will only serve to pile on costs. So, for most businesses, options for relocation will be limited once the cost impact of these regulations hit – that is, there will be no place to hide from higher energy costs.

The proposed carbon rules on power plants come on top of other costly rulemakings. The National Association of Manufacturers found that the cumulative cost of six major Environmental Protection Agency (EPA) rules affecting our nation's power sector (Utility MACT Rule, the Boiler MACT Rule, the Coal Ash Rule, the Coal Combustion Residuals Rule, the Cooling Water Intake Structures Rule, the Cross-State

Air Pollution Rule, and the anticipated new National Ambient Air Quality Standards for Ozone) could total up to \$111.2 billion by EPA estimates and up to \$138.2 billion by industry estimates. With respect to total capital expenditures, EPA estimated \$111.2 billion, while the industry estimated up to \$138.2 billion. (*A Critical Review of the Benefits and Costs of EPA Regulations on the U.S. Economy, NAM, November 2012*) Businesses, including many small businesses, will pay for these costs. And job creation, competitiveness and investment will all suffer.

The harsh and frigid weather across much of the country this past winter challenged the electricity grid, as well as the pocket books of consumers who will be hit with higher bills. Prices rose and consumers were asked to reduce usage to avoid service disruptions. As more coal plants retire, some experts predict that there will be an increase in occurrences of price spikes. In a recent fourth quarter earnings call, AEP Chairman and President Nick Akins reflected on the brutal cold snap and the company's response: "Looking at the physical side, when 89% of our coal capacity slated for retirement in mid-2015 is called upon and running, natural gas delivery is challenged, and voltage and load reductions are occurring, it is another reminder that we should carefully plan and design this social safety net we call the electric grid to meet extreme requirements." (*SNL Financial, January 27, 2014.*)

It's unfortunate that, through extreme federal regulation, the U.S. is taking its most affordable domestic fuel source off the table, which would help maintain reliable and affordable electricity and meet growing as well as unexpected demand.

Again, for small businesses and startups even “small” increases in costs matter to their bottom line and ability to survive. It’s tough being a business owner these days.

Regulators and all elected officials need to understand the impact of their actions on small businesses. People want to start businesses, but are afraid to take the risk. They realize that the environment is not a good one for business ownership. Entrepreneurship and business startup activity remain very low, yet the tidal wave of regulations from Washington all work to foster an unfriendly environment for starting and growing a business.

The general public realizes that extreme regulation is getting in the way of job creation and economic growth. In a recent SBE Council survey conducted by our Center for Regulatory Solutions, 64% of Americans said that regulations are “created in a way that does not consider their real-world impact.” And, 72% believed that regulations are “created in a closed, secretive process.” Americans feel they have no voice in the process, and 68% believe regulations are created by “out-of-touch” people trying to push a political agenda.

In this very trying economic period when running or starting a business is difficult, when financial resources are uncertain for families and entrepreneurs alike, and when people are living on tight budgets, regulators and elected officials need to think deeply and seriously about the impact of their policies and rules. Access to affordable energy and electricity is a critical element of business growth and competitiveness. If the federal government would play a more collaborative and positive role in supporting all our business sectors, innovation and investment across the board would flourish – including

within our energy sector where a more affordable and reliable supply would boost all businesses.

Thank you and I look forward to your questions.