

OUTCOMES, CONCLUSIONS AND RECOMMENDED ACTIONS

from Energy Summit 2006: Generating Ideas for Southwestern Pennsylvania

October 20, 2006

ABOUT THE SUMMIT

Energy Summit 2006: Generating Ideas for Southwestern Pennsylvania was a half-day conference hosted by the Allegheny Conference on Community Development and the Pittsburgh Technology Council on October 20, 2006. Attendees from manufacturing firms, alternative energy technology companies, and the civic and business community were joined by economic development professionals and local, state and federal government leaders. In addition to plenary speakers and a keynote address by former U.S. Secretary of Energy Spencer Abraham, two panels of business representatives discussed solutions for regional energy competitiveness challenges and regional economic energy opportunities.

See the end of this report for a complete list of speakers.

OUTCOMES FOR ACTION

Emerging from two productive panel discussions, as well as several informative speakers, was the clear message that our ability to compete globally depends upon ensuring competitive regional energy costs and that southwestern Pennsylvania has significant economic growth potential stemming from core competencies in advanced materials and energy technology. There were six key messages that emerged from the discussion, along with recommended actions for improving our regional power market:

1. *Uncompetitive electricity prices ruin the environment for new investment and jobs*

Uncompetitive electricity prices in southwestern Pennsylvania are an obstacle for new investment and to keeping and creating jobs in the region. This complex issue must be addressed to minimize the price hikes and fluctuations occurring at different times across the state, which have already been harmful to large electricity consumers in southwestern Pennsylvania. The long-term solution will require supply-side improvements such as the development of a portfolio of diverse energy strategies, including alternative technologies, along with proven advances in the use of coal and nuclear energy. On the demand side, increasing the transparency of the true cost of electricity for consumers in the deregulated market (through demand response programs, for instance) could dampen some of the peaks in demand. Under the current market structure, this would benefit consumers of all types – from residential to industrial – by lowering the market-clearing price. Energy efficiency and conservation initiatives, in addition to lowering the demand for electricity, could also increase the demand for locally manufactured green products and therefore be a source of economic growth for the region. Regional businesses of all types are affected by energy prices, and all need to get involved in the dialogue with elected officials at every level of government to make their priorities known.

ACTION: Encourage a more comprehensive energy plan for southwestern Pennsylvania.

2. *Long-term, fixed-rate contracts are key to improved competitiveness*

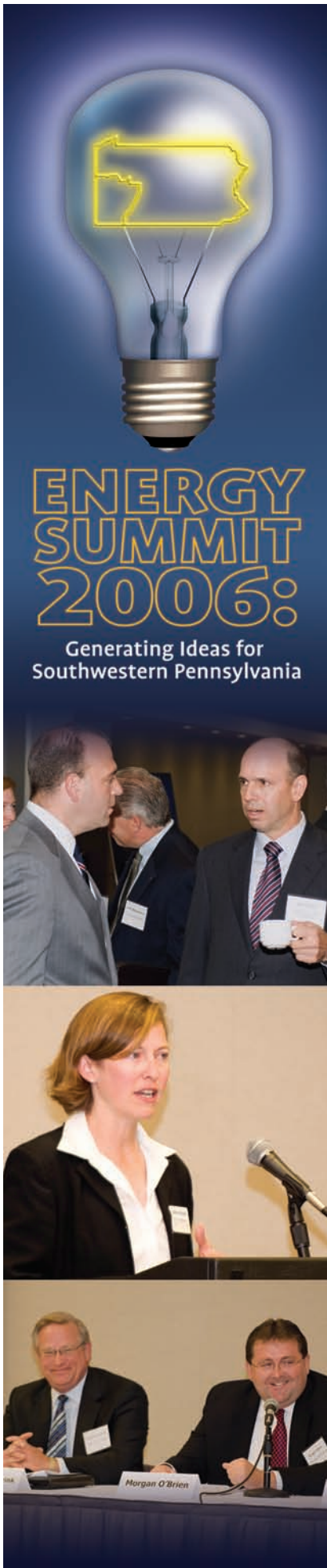
Large industrial electricity users and new energy companies stressed the importance of broader access to long-term, fixed-rate contracts in order to make Pennsylvania's electricity market more competitive. Our current regulatory structure limits electricity utility providers from entering into long-term contracts with new generation companies and end users. The result is that prices remain high and volatile for end users, and new market-driven solutions are thwarted. This also obstructs financing for new projects and limits the entry of new generation into the market. A re-evaluation of the electricity market in southwestern Pennsylvania is needed to encourage capital investment by large manufacturers. Failure to address this problem will discourage capital investment to the detriment of our regional economy.

ACTION: Develop a legislative solution to allow the broader use of long-term, fixed-rate contracts among electricity producers, distributors and users.

3. *A long and complex permitting process stifles innovation*

New energy companies and companies exploring new powering technologies spoke about the cumbersome permitting processes that slow the development of their facilities and make access to investment capital more difficult. To be a competitive location for new and innovative generation, and to become a world leader in developing technologies by capitalizing on emerging opportunities as soon as they are available, the permitting process in the region must be more predictable and efficient. Environmental permitting should not preclude advancements in the development of alternative energy ventures.

ACTION: Significantly improve predictability and timeliness in the permitting process, including municipal permitting and environmental permitting by the state and Allegheny County.





4. *The region is ripe for energy industry job growth*

All of the speakers mentioned the Pittsburgh region's abundance of resources and innovations that provide job growth opportunities. The energy industry is one that can create new jobs. Companies in the region should take full advantage of all available state resources for alternative energy technologies, such as those from the Pennsylvania Energy Development Authority. Accessing federal funds, like Small Business Innovation Research grants, could also increase the number of regional start-up companies. With our plentiful coal resources, the region is positioned as a leading generator of new, cleaner energy opportunities, such as coal gasification and coal liquefaction. Economic development partners across the 10-county region should continue to support one another to benefit the regional energy industry as a whole.

ACTION: Leverage our assets related to job creation in the energy industry by pursuing economic development opportunities across the region, including clean coal technology.

5. *The aging workforce creates potential for a talent shortage*

To be a center of energy innovation, southwestern Pennsylvania needs to ensure that the regional workforce has the right skills to fill positions in the energy industry. Research conducted in May 2006 by the Three Rivers Workforce Investment Board and the Center for Economic Development at Carnegie Mellon University showed that the utility, mining, petroleum and coal industries have some of the oldest workforces in the region. Shortages of civil and mechanical engineers, along with other well paying jobs in the energy industry, are likely if no action is taken.

ACTION: Collaborate with high schools and universities to match training to the skills and knowledge needed by energy industry employers. Incorporate the energy sector into the Pittsburgh Regional Compact.

6. *There is common ground for all stakeholders*

Panelists and attendees found areas of common interest and identified mutually beneficial business opportunities at the summit. The breadth of interest and knowledge relating to energy issues was showcased by the broad set of attendees at the Summit. For example, there are opportunities for both alternative energy projects and manufacturers to benefit from discussions of new energy technology solutions for manufacturing facilities, which could lower energy costs across the board and help to retain and create jobs in southwestern Pennsylvania.

ACTION: Continue to build a regional energy network to enable companies in the region to share ideas and information and to find mutually beneficial business partnerships that address energy issues.

SPEAKERS

Spencer Abraham, Chairman and CEO of The Abraham Group LLC, Former U.S. Secretary of Energy

Daniel J. Desmond, Deputy Secretary, Office of Energy & Technology Development, PA Department of Environmental Protection

The Honorable Mike Doyle, U.S. House of Representatives

Bill Flanagan, EVP, Corporate Relations, Allegheny Conference on Community Development

Rebecca Flora, Executive Director, Green Building Alliance

John H. Goodish, COO, United States Steel Corporation

The Honorable Melissa Hart, U.S. House of Representatives

Thomas Hoffman, VP, External Affairs, CONSOL

Douglas A. Kittenbrink, EVP, Allegheny Technologies, Inc.

Kathryn Z. Klaber, EVP, Competitiveness, Allegheny Conference on Community Development

Scott M. Klara, Director, Office of Coal and Power R&D, National Energy Technology Laboratory

Morgan O'Brien, President and CEO, Duquesne Light Company

The Honorable Dan Onorato, County Chief Executive, Allegheny County

Kevin Reilly, President, CTI Biofuels

Dick Rosey, CEO, Solar Power Industries

John P. Surma, Jr., Chairman & CEO, United States Steel Corporation

Joshua Tosteson, President, HydroGen

Thomas W. Trimm, Partner, Pepper Hamilton

Steven Zylstra, President & CEO, Pittsburgh Technology Council

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The Allegheny Conference on Community Development and its Affiliates – the Pittsburgh Regional Alliance, the Greater Pittsburgh Chamber of Commerce and the Pennsylvania Economy League of Southwestern Pennsylvania – work together to stimulate economic growth and improve the quality of life in the region.