



Climate Change Legislation

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Consumer-owned utilities in the Northwest are directly responsible to the electricity ratepayers who pay the bills. These individual and business customers have led the nation in commitment to achieving energy efficiency savings and use of renewable energy.

Hydropower is a clean, renewable source of energy that should be recognized as such in federal and state policy.

- Under any climate proposal, the Northwest's historic investments in non-carbon resources should be recognized. Under a cap-and-trade system, this can be accomplished by allocating significant emission **allowances to local distribution utilities based on actual retail sales**. In contrast, a system that allocates allowances solely based on historic emissions would be harmful to the Northwest. The power our members purchase from BPA has a carbon content that is about one-tenth of the national average. But, under BPA's new post-2011 power contracts, most utilities will need to invest in **new resources to meet load growth**. Since the portfolio of federal hydropower is fully subscribed, it is likely that some new resources will need to be fossil-fired in order to firm variable resources like wind and provide needed base-load power. ***If a cap and trade scheme remains the mechanism moving forward, PPC urges support for an allocation in line with the "EEI Compromise" that allocates allowances based equally on historic emissions and retail sales.***
- **EPA should not intrude in utility decisions on resources, programs and rates.** Any new regulatory scheme should aim to provide flexibility and to minimize costs for complying with targeted reductions in greenhouse gas emissions. Unfortunately, a last-minute change to the House-passed climate bill (which was retained in the Kerry-Boxer bill) undermines these goals. Specifically, EPA is to promulgate regulations to ensure that no local utility receive more allowances "than is necessary to offset any increased electricity costs to such company's retail ratepayers". This seemingly simple prohibition introduces profound uncertainty into utility planning, removes the intended flexibility from the cap-and-trade program, exposes consumers to the risk of unexpected rate increases, and undermines traditional utility regulation. Unanticipated reductions in the output of low-carbon generation plants – because of equipment malfunction or a bad water year that reduces hydro generation – could result in utilities being "short" allowances subsequent to the EPA determination. Moreover, this provision grants EPA the ability to second-guess utility resource decisions, program levels and rate design by determining that those decisions were "wrong" and, as a result, the utility

doesn't "need" as many allowances. ***If EPA is to retain a role in reviewing utility allowance allocations, then clear guidance is needed to limit the reach and scope of this authority.***

- If a cap and trade scheme is pursued, any allocation formula should allow changes in the baseline over time in order to **encourage energy efficiency**; it should also take into account the annual and seasonal variability of hydropower (including possible new impacts from climate change).
- As the Senate takes up climate change legislation, we remain concerned about the potential impacts of this legislation on Northwest consumers. We see considerable potential for **price volatility** (even in regions with a low carbon footprint), and opportunities for speculation and market manipulation by participants that have no compliance obligation or load serving responsibility. In any proposal, an adequate **safety valve or price collar is critical to protect our ratepayers/consumers.**
- Any climate change legislation should preempt state laws in order to minimize conflicts and confusion, and similarly should preempt regulation of greenhouse gases under the Clean Air Act.
- Any legislation should minimize regulatory burdens on utilities and their consumers. If an allowance mechanism is used, it should specifically allow **assignment by utilities of allowances and reporting obligations to other entities.**

In any approach to carbon regulation, we urge Congress to mitigate consumer costs, set realistic targets and timelines, and recognize our enormous past and current investments in clean generation and energy efficiency.