



WILL climate change legislation AFFECT the affordability of electricity?

BY MEGAN MCKOY AND SCOTT GATES

Hard economic times have folks on edge, forcing many to make difficult choices on what bills to pay each month. To complicate things, Congress has begun debating national energy and climate change policies that, if poorly developed, could dramatically increase the cost of electricity.

In all of this, electric cooperative members across the country agree on one thing: there's not enough money to go around. Every week, news reports focus on families who can't afford to pay their power bills.

Why are electric rates rising?

You can compare the factors behind rising electricity rates to buying a car, which burdens a household budget – but generally only for a short time. While major repairs may be needed occasionally and gas remains a regular expense, the vehicle continues to provide reliable transportation for many years after the last payment is made.

Costs for generating electricity are similar. It's expensive to build a power plant. But once it's paid for, consumers can rely on a facility that will continue to churn out reliable, affordable electricity for decades to come.

The United States last went through a power plant building surge – and a corresponding spike in electric rates – during the late 1970s and early 1980s, as the nation struggled to make itself energy independent when it came to electricity.

“Back then, everyone built power plants, and a couple of things happened,” says John Holt, senior principal of generation and fuel for the National Rural Electric Cooperative Association.

“The growth in demand for electricity didn't quite materialize as expected, resulting in the industry overbuilding baseload generation. As a result, most utilities didn't need additional power plants for 20 or so years, and the cost of electricity leveled out.”

When more electricity was needed in the mid- to late 1990s, “peaking” units were installed to produce power only when large numbers of consumers needed it. The majority of these units were fueled by natural gas, a fast and cheap way to generate the needed power.

“Electric co-ops alone constructed more gas-fired turbines in five years than they had during the first 50 years of the rural electrification program,” says Holt.

Energy policy will change

With demand for electricity rising once more and capacity maxed out, utilities need to build power plants once again. Over the next decade, co-ops must build 21,000 megawatts of new generating capacity just to meet the demand and keep the lights on.

However, what worked in the past may not get the job done for 2009 and beyond. Unfortunately, energy and climate change policies under consideration in Washington, D.C., may limit the diversity of fuels available. This could present electric cooperatives with the greatest challenge they've ever faced.

“When you look at the Obama administration and the makeup of Congress, there's not much question they're going to take up a climate change bill – and they likely will pass one,” explains Glenn English, CEO of the National Rural Electric Cooperative Association. “It's clear that on the federal level – as well as in many states – lawmakers simply do not want to see any more coal-fired power plants built until we can cost-effectively remove and store the carbon emitted. This opposition will likely spill over to any generation using carbon-based fuels such as natural gas.

“Co-ops recognize that to ensure a reliable supply of power there are going to be substantial increases in costs,” he adds. “The question then becomes: ‘What can we do to minimize those increases? And what can we do to help our members continue to afford electric power?’ ”

Co-ops lead efficiency efforts

One thing is certain for the future of energy in America: Electric cooperatives, while raising concerns about increases in cost, are committed to working closely with Congress to get climate policy solutions right and to minimize the impact these changes will have on members.

English believes that energy efficiency, which will reduce overall demand for electric power, is

one key to meeting new energy policy challenges while maintaining affordably priced electricity.

“We’ve got to tap government programs to help reduce the amount of power low-income consumers need,” says English. “These folks, who have the hardest time paying electric bills, also have the least-efficient homes.”

An emphasis on energy efficiency is an integral part of the electric co-op way of doing business. Across the country, roughly 92 percent of all electric co-ops actively promote energy efficiency or conservation in some fashion. In Iowa, every electric cooperative has energy-efficiency programs in place.

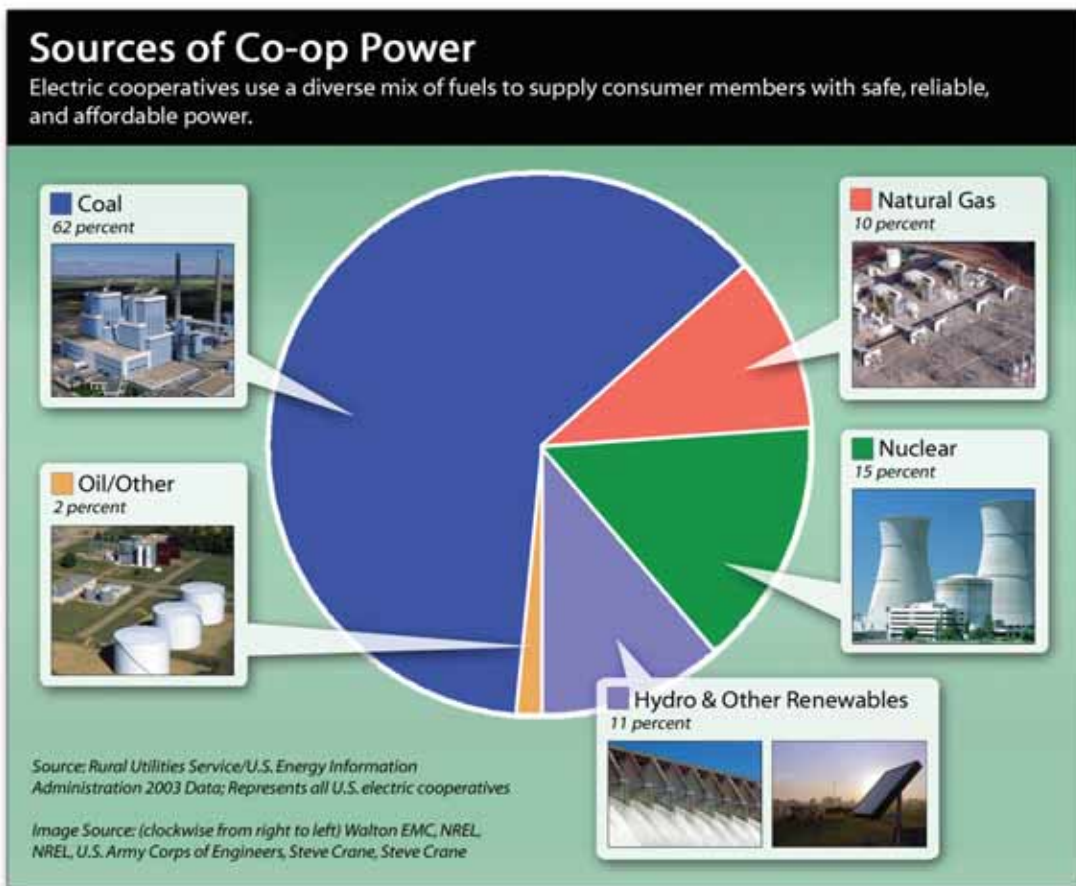
According to the U.S. Energy Information Administration, the nation’s electricity consumption is growing annually at a rate of 1.07 percent. This means that by 2030 demand will have shot up a full 26 percent.

Energy-efficiency efforts can shave this growth dramatically. The Electric Power Research Institute, a Palo Alto, Calif.-based nonprofit research consortium made up of electric utilities including electric cooperatives, estimates that a concentrated national focus on efficiency involving all classes of consumers – residential, commercial and industrial – could result in an annual energy savings of 22 percent by 2030.

You need to contact Congress today

Affordability plays a key role in the Our Energy, Our Future™ awareness campaign introduced last year by the National Rural Electric Cooperative Association. The effort, which seeks participation from millions of co-op consumers (including you), focuses on educating Congress about the need to craft energy and climate change policies that will support a diverse mix of power generation while keeping electricity reasonably priced.

“We’ve always counted on our consumers being part of the solution,” says English. “It’s not a case where you can sit back and expect somebody to take care of you. It’s a case in



which we’ve all got to work together. Electric co-op consumers provide a tremendous amount of political strength that helps us take a lot of rough edges off of legislation. There may be provisions we have to encourage our friends in Congress to change, and that will require a great deal of political strength.”

This year, the Our Energy, Our Future program focuses on having co-op consumers ask their U.S. representatives and senators to work with electric cooperatives to make sure reliable power remains available at a price consumers can afford.

“If consumers don’t get engaged, then obviously electric bills are going to be far higher than they should be and people will suffer,” says English. “Without our consumers’ help, local co-ops will not be able to stop it. Consumers could even find themselves in a situation where reliable electric power may not be so reliable. The stakes are enormous, both from a standpoint of affordability and from a standpoint of availability.”

To get involved with the campaign, fill out and send in the coupon on Page 4 of this issue, or go online to www.ourenergy.coop.

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