

Watt's Up

A View of the Electric Utility Industry

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Understanding How Cap and Trade Will Affect Everyone

Cap and Trade is a term you are often hearing in the news. It is a type of emissions trading program that is intended to reduce greenhouse gases and other pollutants that are released into the air. This sounds like a new concept but what people may not realize is that emissions trading has actually been around for over 25 years. There are different forms of trading but the most talked about type today that is being looked at by Congress is called cap and trade.

Understanding Cap and Trade

Cap and Trade can be used for any types of emissions but right now the emphasis is on greenhouse gas emissions, particularly carbon. Emissions are broken down into measurable units. Then there is a determination made on the number of units allowed to be emitted by a source for a compliance period. (An example of a source would be an electric power generating plant.) This unit allowance is capped so that overall emissions will be reduced from current levels. Any source that exceeds their allowed emissions units during a compliance period must purchase additional allowable units (credits) from a source that was able to reduce their number of emission units and has extra credits to sell.

Regulators like the cap and trade type of program because the potential to limit emissions is high while the cost to administer the program is relatively low.

The Good and the Bad

You will find scientists that state greenhouse gas emissions are a huge factor in the global warming debate and you will find scientists that state global warming is a myth. Either way, the issue is how much are we willing to pay to reduce these emissions.

The technology to reduce power plant emissions is costly and anyone who pays an electric bill will help pay for this technology. Also a market is being created by allowing companies to buy and sell their emissions credits. Units will go to the highest bidder, again causing additional expenses that the end user will ultimately pay for.

Another school of thought is that if the source of the emission pays for the excess greenhouse gas it produces, then it takes away from the stigma of contaminating the environment.

As the cap and trade program causes the expense of generating electricity to increase, it will not only put a burden on homeowners but on manufacturing facilities as well. If the price of electricity increases enough, manufacturers may be forced to

relocate to other countries that don't have cap and trade policies.

There will be pros and cons to anything related to greenhouse gas emissions and global warming. Oconto Electric Cooperative only asks that legislators, regulators and the public think carefully about the mandates they force on the electric utility industry. Will the goal be accomplished... will the outcome be worth the cost... in the end will "so called" global warming be avoided? ■

"The Way I See It"

by Byron Nolde, Oconto Electric Cooperative CEO



The concern I have with cap and trade is that we must make sure proper oversight is put in place so the markets can not be manipulated causing harm to our members. If you remember the Enron debacle, it was similar in that there was minimal regulatory oversight so the company was free to manipulate the market causing the price of electricity to skyrocket in places such as California.

The one thing I can say for sure is cap and trade will cause your power bills to go up. How much they will increase, no one knows for sure. In a Wall Street Journal article dated October 6, 2007, titled Some

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Obama Plans to Implement Energy Policy Soon

Reprinted from the Action Committee for Rural Electrification newsletter.

A new president and new administration will bring a change in dynamics and interesting challenges for electric cooperatives as the Democrats regain control of the White House.

As some industries scramble to adapt to new political environments, electric cooperatives are poised to make a smooth transition thanks to a long history of bipartisanship and strong relationships with members of both parties.

During the campaign, President Barack Obama outlined a “New Energy for America” plan. While we wait to see how the new president and his Cabinet develop agendas on energy and environmental concerns, we can be sure that their decisions will impact electric cooperatives.

As detailed in his campaign platform, Obama plans to move toward a clean energy future by requiring that 25 percent of our electricity is produced from renewable sources by 2025 and investing \$150 billion over the next 10 years in plug-in hybrids, the development of clean coal technology, and encouraging energy efficiency.

Electric cooperatives support immediate investments and a substantial partnership between government and industry to develop and deploy new technologies.

In a recent video presentation at the Governors’ Global Climate Summit in California, Obama pledged to move quickly and work with state and corporate leaders to reduce greenhouse gas emissions.



Obama praised state officials for “true leadership in the fight to combat global warming.”

“...but too often, Washington has failed to show the same kind of leadership. My presidency will mark a new chapter in America’s leadership on climate change that will strengthen our security and create millions of new jobs in the process,” said Obama.

Obama supports reducing carbon emissions to 80 percent below the 1990 levels by 2050. To achieve

this, Obama will work with Congress to pass federal legislation requiring an economy-wide “cap and trade” program. A federal cap and trade program sells permits to emit a specified amount of carbon. Under Obama’s plan, all permits would be auctioned to the highest bidder, leaving not-for-profit electric cooperatives at a significant disadvantage against large, profit-driven companies.

Electric co-ops have faced the potential of a federal cap and trade program before. In 2008, the Senate debated climate change legislation establishing annual emission limits and auctioning permits. The bill, introduced by Senator Joe Lieberman (I-CT) and outgoing Senator John Warner (R-VA), ultimately failed last summer, but with the stronger majority in the Senate and a cap and trade program on Obama’s agenda, we expect to see legislation move again in 2009.

As co-ops look toward the first two years of an Obama administration and new Congress, grassroots activism and communication with elected officials will continue to be an integral part of the legislative efforts in Washington, DC.

The National Rural Electric Cooperative Association expects to continue its spirit of bipartisan as co-ops work to maintain strong relationships and find new supporters within the Obama administration.

Rail-Reform Proposal Gathers Support

Legislation aimed at restoring federal antitrust coverage to the nation's railroads continues to gain momentum, as the antitrust section of the American Bar Association (ABA) last month urged adoption of a bill authored by Wisconsin Representative Tammy Baldwin.

Baldwin and U.S. Senator Herb Kohl rolled out their proposal for reintroduction in the new Congress, which opened on January 6th. The



Congresswoman Tammy Baldwin

measure repealing the exemption would give railroads the same antitrust treatment as the trucking, aviation and telecommunications industries, the Wisconsin lawmakers said.

In December, the ABA group provided a 13-page analysis to leaders of both parties in the House of Representatives spelling out its support for Baldwin's bill and urging Congress to "move forward quickly to dismantle the antitrust exemption for the railroad industry, through the Railroad Antitrust Enforcement Act, and to consider additional legislation to eliminate antitrust exemptions applicable to other industries.

In November, Baldwin asked House leadership to consider including her bill in an economic stimulus package. In a letter to Speaker Nancy Pelosi (D-CA), Baldwin said the railroads' unrestrained pricing power over America's consumers is hurting our economy and our country, and must be addressed.

change, since it puts its primary cost on companies, which then pass that burden on to consumers via higher prices. It's a hidden tax, he says, which is precisely why so many politicians like it."

We will all have to wait and see what type of legislation is proposed. I will be diligent in keeping you informed on bills that are introduced. Let's do the right thing for the right reasons, not because someone is trying to scare us into making changes that we don't know will work.

Don't Think CO2 Regulation Will Affect You?

If the Environmental Protection Agency (EPA) moves ahead with proposed regulation of carbon dioxide under the Clean Air Act, more than one million non-utility businesses will be affected, according to a study prepared by the U.S. Chamber of Commerce.

Pending rule revisions would regulate as a "stationary source" any business that emits 250 tons of CO2 annually.

By analyzing Energy Information Administration and U.S. Census data, the study found the proposed changes would make at least one million mid-sized to large commercial buildings, nearly 200,000 manufacturing operations, and about 20,000 large farms subject to new EPA regulations, monitoring, controls and enforcement.

Titled "A Regulatory Burden: The Compliance Dimension of Regulating CO2 as a Pollutant," the study notes that many businesses might shift to more electric, rather than fuel-burning, technologies to get below the 250-ton threshold.

That strategy, the study warned, would further strain the electric supply system and aggravate problems associated with utilities switching to natural gas as a primary generation fuel.

Crossing the threshold and coming under new EPA regulation would be one-fifth of all food service businesses, one-third of health care facilities, half of the lodging industry, and 10 percent of all houses of worship, the study found.

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Inconvenient Truths, talks about House member John Dingells reluctance to hurry any climate change proposals. The article states, "Mr. Dingell notes how easy it is to rig a system like [cap and trade], and points out that the market for CO2 emissions that Europe set up has already fallen apart..." The article goes on to say, "[Dingell] adds that a cap and trade system alone doesn't convey the real cost of climate



Our Energy, Our Future

A Dialogue With America

The electric utility industry in general and electric cooperatives in particular are concerned about the fact that the U.S. will soon not have enough power to meet the growing market demand and with some of the climate change goals being discussed in the legislature, the cost for electricity is going to skyrocket over the next decade.

In a grassroots effort to make sure legislators understand these concerns and take them into consideration when making decisions that will affect the public for many years to come, the National Rural Electric Cooperative Association (NRECA) has developed a website that makes it easy to get the dialog going with your legislators. This effort is called Our Energy Our Future – A Dialog With America. Go to the website, www.ourenergy.coop, and follow the instructions to get the dialog going. Over a million and a half

emails have already been sent but it isn't enough - you need to be part of this grassroots effort.

Please log on to www.ourenergy.coop and send an email. Remember, it is not us against them, we are ALL in this together and we have to take a stand together as people concerned about our future.

About This Publication...

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