



**EDISON ELECTRIC  
INSTITUTE**

THOMAS R. KUHN  
President

July 26, 2007

Dear Representative:

We understand that Representative Tom Udall and others plan to offer an amendment to impose a 20-percent mandatory federal renewable portfolio standard (RPS) on electric utilities during House floor consideration of the energy bill. While we share the goal of promoting the development of renewable sources of electricity generation, we are strongly opposed to this amendment and urge you to vote against it.

Renewable energy clearly is an important component of a diversified energy mix. Utilities are making major investments in renewables, with the result that wind energy is the fastest growing source of electricity generation, on a percentage basis. In addition, states are establishing renewable portfolio standards based on their own unique resource bases and economies. EEI and its member companies strongly support at least a five-year extension of the renewables production tax credit, and extending, expanding, and revising the investment tax credit (ITC) for solar and geothermal energy for eight years, including eliminating the utility exclusion for the solar ITC. We believe these tax proposals are the most direct and efficient ways for the federal government to spur the development of renewable energy resources.

However, we are deeply concerned about the impact of a 20 percent federal RPS mandate by 2020 on electricity costs paid by consumers and on the state RPS programs that already exist in 24 states and the District of Columbia. Energy costs are critically important to residential consumers, as well as to American business, which must remain competitive in world markets if our economy is going to continue to grow.

Because the renewable resources covered by the amendment are unevenly distributed across the country, this will result in a significant wealth transfer from regions without renewable resources to those with such resources. Electric utilities operating in regions without significant renewable resources will be forced to make a choice: either purchase renewable energy or renewable energy credits from generators in renewable-rich areas or make compliance payments to the U.S. Department of Energy. At the same time, those utilities must still ensure they have sufficient reliable, dispatchable power to meet their consumers' energy needs. For those utilities, a

federal RPS mandate is little more than an electricity tax that their consumers will pay on top of what they are paying for the generation they actually use.

The federal RPS amendment also conflicts with, and preempts, state RPS programs. States have designed their RPS programs based on their own available resources and unique circumstances, and they should retain their ability to do so. However, in approximately 11 of the 25 jurisdictions with an RPS program, the amendment would preempt timelines and percentage requirements. And, every state has some eligible resources under their RPS program that would not qualify for federal credit under the amendment, including fuel cells, municipal solid waste, and energy efficiency. If one of the goals of a federal RPS is to make our generation portfolio cleaner, for example, there is nothing more clean than energy saved. Cost-effective energy efficiency measures can help delay the need to build new generation and help reduce the cost of an RPS, particularly in those regions of the country that are not blessed with abundant renewable energy resources.

The amendment's 20 percent RPS requirement also ignores very difficult realities facing utilities in their attempts to increase the amount of renewable resources in their generation portfolios. The Energy Information Administration (EIA) estimates that non-hydro renewable generation currently makes up 2.3 percent of total generation. When EIA assumes full compliance with the state RPS programs, non-hydro renewable generation increases to 4.8 percent of total generation by 2030. The RPS amendment, requiring 20 percent renewable generation by 2020, would require a four-fold increase in renewable generation above EIA's estimates for 2030, and require it 10 years earlier.

Utilities often must build new high-voltage transmission lines to move electricity from remote renewable energy facilities to where the power is needed. These transmission expansions can cost approximately \$1 million to \$3 million per mile to build and take years to complete. Unfortunately, there has been significant criticism of the modest transmission siting incentives in the Energy Policy Act of 2005, intended to help get needed transmission constructed, even though those provisions have not even been utilized. Second, renewable resources are just as vulnerable to the "Not In My Back Yard" (NIMBY) syndrome as any other energy facility. Many renewable energy projects, particularly large-scale wind developments, have been rejected or seriously delayed due to significant local opposition.

Finally, the amendment creates inequities among utility customers by specifically exempting all rural electric distribution cooperatives and government-owned utilities from the RPS mandate. This exemption also will result in a major competitive advantage for those exempted utilities. Of course, it also means the mandate will result in substantially less renewable generation than if all utilities were covered. Ironically, many of those exempted utilities are located in the regions with the richest renewable resources.

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Again, 24 states and the District of Columbia have implemented RPS programs that suit their unique circumstances, and numerous other states are considering enacting their own programs. These programs should not be preempted. Rather, the federal government can help by continued research and development to bring down the cost of these technologies and improve their performance, and by extending the relevant tax credits.

For these reasons, we strongly urge you to oppose the RPS amendment when it is considered on the House floor. While we do not support this amendment, we do look forward to continuing to work with Congress to assure that our nation's electricity needs are met as cleanly, efficiently and economically as possible. Thank you for your consideration.

Sincerely,

A handwritten signature in black ink, appearing to read "Tom Kuhn". The signature is fluid and cursive, with a large initial "T" and "K".

Thomas R. Kuhn

TRK:ks