



## CARBON REDUCTION POLICY

*We need to get it right*

### LEARN MORE

[www.nreca.org](http://www.nreca.org)

The National Rural Electric Cooperatives Association has voiced strong concerns about the government's plan. Check out their web site for more information.

[www.ourenergy.coop](http://www.ourenergy.coop)

Show your support for thoughtful solutions by engaging with your elected officials. Ask key questions about the process for finding and funding solutions that work for all Americans.

[www.us-cap.org](http://www.us-cap.org)

The U.S. Climate Partnership, a coalition of environmental groups and large businesses, has a Blueprint for Legislative Action on climate change.

[www.naruc.org](http://www.naruc.org)

The National Association of Regulatory Utility Commissioners says that customers will benefit if no-cost allowances are given to local electric utilities.

### SITUATION

Currently, the federal government is considering how best to reduce our collective carbon footprint - the amount of greenhouse gas emitted by industries, power plants, transportation and other sources. More than one proposed solution would cause power prices to inflate dramatically.

On June 28, 2009, the House of Representatives passed the American Clean Energy and Security Act (HR 2454) by a vote of 219 to 212. The legislation, introduced by Chairman Henry A. Waxman and Sub-Committee Chairman Edwin J. Markey, will now move to the U.S. Senate for approval.

Although improvements were made by the House to the initial bill, the National Rural Electric Cooperative Association (NRECA) has significant concerns about the legislation. Under this plan, Midwest consumers would see the largest increase in electric rates.

Under a cap and trade plan, electric utilities would have to buy allowances (the right to emit one ton of carbon) from the government through an auction process. The pool of allowances would be reduced over time, so the price of allowances would be expected to increase as they become scarce. Of course, if new or different technologies emerge to displace the need for carbon-emitting fuels, the price of allowances would probably decrease.

If Wabash Valley Power, Citizens' power supplier, had to purchase carbon allowances at \$20 per ton (a conservative estimate), a typical household using 1200 kilowatt-hours a month would see a \$24 increase in their monthly bill. Industry would see significant cost increases, too. This is one more economic hit - and potentially more job losses occurring while our economy is struggling to recover.

NRECA wants to assure that the approach we take as a nation treats the members of our electric cooperatives fairly. The best solution will be good policy that doesn't burden consumers and actually reduces carbon emissions sooner rather than later.

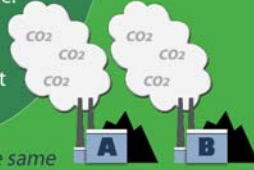
Call your Senators to get involved in the decision making process: Senator Christopher Bond at (573) 334-7044 or Senator Claire McCaskill at (573) 651-0964.

## THERE IS A BETTER WAY

Tackling climate change won't be cheap or easy. Wabash Valley Power Association (WVPA) has been working hard to provide cleaner alternatives by investing in wind, landfill gas, and other cost-effective renewable resources, as they make financial sense. They are exploring new generation technologies and developing demand response programs as part of their strategy.

### The Cap-and-Trade Tax

Cap-and-trade systems have been used to successfully control certain power plant emissions in the past; one may soon be applied to carbon dioxide. In its most basic form, the process begins when a limit is set on the amount of CO<sub>2</sub> a source can emit over a given time. Allowances for emissions can be given for free or auctioned off; if auction prices aren't carefully regulated, high costs will be passed to consumers.



Plants A and B emit the same amount of carbon dioxide gas before the cap

After a cap is set, Plant A invests in technology to reduce its emissions; Plant B continues with business as usual...

#### THE CAP

unused carbon dioxide allowance

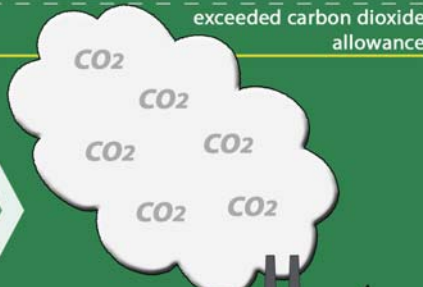


#### THE TRADE

Plant A reduced emissions to below the capped level, and now has extra allowances that can be sold, or "traded"...



...to Plant B, which was unable to reduce emissions. Technology options for doing so are limited and expensive, and perhaps decades away from prime time.



exceeded carbon dioxide allowance

Source: National Rural Electric Cooperative Association

One solution to the cap and trade allowance auction would ease the financial burden on businesses, industries and individual consumers. By granting carbon emission allowances to local electric utilities at the program's outset, smaller local utilities would be protected from price gouging at auction.

As WVPA reduces the carbon footprint of their generating resources through clean alternatives, they could sell back the allowances they don't need and return the benefit to their cooperatives' members. After all, if members must pay the cost of carbon penalties through their power bills, it's only fair that the benefits flow directly to them as well.

## OUR GOAL MUST BE CLEAR: BUILD A BRIDGE TO A LOW-CARBON ECONOMY

Climate change legislation can't be considered a success if consumers can't afford to heat or cool their homes, or if businesses can't afford to keep the lights on and the machinery humming. Done right, it won't do further harm to our economy. Done wrong, customers will see their power bills spike, the program will ultimately fail, and we will be forced to go back to square one.

## We'll help you take the first step to speak out

The challenge before Congress is to make sure we have affordable electricity while meeting climate change goals.

The solutions won't be easy, but America's electric co-ops are ready to work with Congress to implement an energy plan we can all afford.

Ask your elected officials to work with America's consumer-owned, not-for-profit electric co-ops. Ask them what they plan to do to increase electric generation while keeping rates affordable. Start a dialogue with your legislators now at [www.ourenergy.coop](http://www.ourenergy.coop).

By working together, we can find the right solutions with the right balance and build a brighter future.

Start the Dialogue by going to

[www.ourenergy.coop](http://www.ourenergy.coop) or returning this form!

Name \_\_\_\_\_

Home Address \_\_\_\_\_

City \_\_\_\_\_ State \_\_\_\_\_ Zip \_\_\_\_\_

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I am a member of Citizens Electric Corporation

Member Signature \_\_\_\_\_

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Citizens Electric Corporation \* P.O. Box 311  
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