

ELCON REPORT

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ELCON Helps Derail Decoupling

Earlier this year, when Congress first began to consider the American Recovery and Reinvestment Act – better known as the stimulus package – a group of environmental organizations and investor-owned utilities began to promote revenue decoupling – that is the separation, or decoupling, of a utility’s earnings level from its volumetric sales. The specific idea was to make energy efficiency and conservation funding to states contingent on adoption of decoupling.

In a strongly worded letter, ELCON and the National Association of State Utility Consumer Advocates (NASUCA) wrote congressional leaders that “man-

dating all states to adopt a single specific regulatory policy like revenue decoupling could delay the implementation of the stimulus package.”

After many drafts, the final congressional language, which was later signed into law, directed governors to certify that they were taking steps to increase energy efficiency in order to receive the extra funds, but it did not require decoupling.

Proponents of decoupling continued to lobby Congress to include it in energy or climate change bills being considered.

In what ELCON Vice President Marc Yacker called a “pre-emptive strike,” ELCON helped to put together a consumer coalition, including such diverse groups as the Consumer Federation of America, the National Consumer Law Center, Public Citizen and the American Forest & Paper Association, as well as ELCON, in opposition to any “mandatory national

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Anderson Testifies at House Hearing

ELCON President John Anderson, invited to testify on energy efficiency improvements by the House Subcommittee on Energy and the Environment, said Congress should realize that “most large industrial facilities are beyond the point where substantial savings can be achieved through plug-and-play measures such high efficiency light bulbs, insulation or motors.”

Rather, he pointed out, efficiency gains

for industrial facilities come when “processes are retooled or rebuilt, and fuel substitution options” like CHP are pursued.

The testimony came as the full Energy and Commerce Committee prepared to consider its comprehensive energy legislation. (See related story, p. 3).

Anderson’s testimony focused on energy efficiency, including an energy efficiency resource standard, revenue decoupling,

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ELCON Spring & Fall Workshops

FERC’s Wellinghoff Pushes Renewables

FERC Chairman Jon Wellinghoff, the keynote speaker at ELCON’s Spring Workshop in Washington, strongly pushed for greater reliance on renewable energy and energy efficiency, while others advocated different approaches.

Wellinghoff took a federalist’s approach to the issue, recommending that

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October Workshop On Energy Policy

ELCON’s next Workshop, scheduled October 20 in Washington, DC, will focus on the latest energy policy developments.

“Energy policy is a moving target right now,” said ELCON President John Anderson. “But what happens in Washington has the potential to affect every manufacturing facility in the United

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The Policy Makers' Dilemma

By Jim Hoyt,
ELCON
Chair

As policy makers in Washington begin to discuss energy and climate change legislation in earnest, I think it is becoming apparent that they have to decide exactly what their objectives are.

On one hand I see those who want to reduce greenhouse emissions (forcibly, if necessary), mandate production of electricity by renewable resources, and encourage – or perhaps require – large and small consumers to use less energy and less electricity.

On the other hand I see policy makers who want to provide energy and electricity at the lowest possible cost to large and small consumers.

I think both groups are well intentioned, but I don't believe that their arguments are equal.

Here's why.

At the outset let me state that I favor the use of cost-effective renewables. I am willing to concede that Americans may be using more energy than is necessary and that energy efficiency should be encouraged in our homes and businesses.

But I still think consumers' primary objective is to have lower priced energy. We saw consumer outrage over record high gasoline prices last summer, and I saw how residents of my state, Illinois, reacted when our utilities proposed electricity price increases of unprecedented magnitude.

And, from the manufacturers' perspective, I know what happens to factories in almost any industry when faced with increased electricity costs. They close. This has already happened in several instances. In fact the companies involved specifically stated that increased power costs were the primary reason they shut down factories and eliminated hundreds or thousands of high paying jobs.

The conflicting objectives that I mentioned become especially evident when you look at some of the sub-issues in today's energy policy debate.

One that is probably gaining the most attention is the Renewable Energy Standard, or RES. The premise is to require

electricity suppliers to ensure that a specific percentage of their power comes from a renewable resource by a date certain.

Yet every study I have seen shows that renewable electricity is more expensive than electricity generated from convention sources.

One reason is that almost all renewable electricity is intermittent – you can't be certain when it will be available. (Just ask the folks in Texas about what happened last year.) So you need at least some new backup generation, and consumers then pay twice, first to build the wind farms and then to build and maintain the backup generation. And, because wind farms are usually located far from the customers they serve, lots of costly new transmission lines must be built, again paid for by consumers.

Given those facts, I was intrigued by a recent Wall Street Journal article pointing out that the U.S. is sitting on 2,200 trillion cubic feet of natural gas reserves – enough to satisfy 100 years of current domestic demand. Since natural gas produces half the carbon dioxide as coal to produce the same amount of energy, it may be possible that we can reduce carbon emissions without an RES requirement in a seemingly much less expensive way. We should at least explore that and other options.

Another part of the electricity debate is what people call Smart Grid. I have seen many definitions, but basically it is a grid that allows two-way communications between suppliers and consumers. I have also seen many cost estimates, and they are all high -- as high as \$2 trillion!

Although government grants and loans may pay a small portion of that, most of the cost will be borne by large and small consumers. But what are the benefits for those ratepayers?

As a homeowner and father, I am pretty sure that preparing dinner at 3 p.m. or 8 p.m. in a non-peak time period is not a choice my family would make. From the industrial side, those companies that want

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Anderson Published In *Electricity Journal*

The April 2009 edition of *The Electricity Journal* included a paper submitted by ELCON President John Anderson entitled, "Electricity Restructuring -- A Review of Efforts around the World and the Consumer Response."

Anderson researched restructuring efforts in the United Kingdom, Spain, Germany, France, and Australia, and the European Union generally. In almost every instance, consumers greeted restructuring enthusiastically but changed their views as policies were implemented. A similar reaction to policies occurred in the U.S., he wrote.

Anderson drew 10 "lessons learned" from the research:

- Overall, and perhaps most important, restructuring has emphasized and highlighted the different perspectives of suppliers and load – or those profiting and those paying the bills.
- Restructuring has not resulted in "real" or "true" competition.
- Restructuring has brought higher electricity prices.
- Technological innovation has not been realized.
- Significant market power prevails.
- Single-price, bid-based auctions are easy to game and difficult to police.
- It is very difficult to negotiate reasonable long-term contracts.
- Resource adequacy is not assured.
- There is inadequate transparency and cooperation among regional markets.
- Up to now, regulators have not protected consumers from the problems of restructuring.

Anderson called it "striking" that consumers around the world agree today's restructured markets "have failed to achieve the stated goals and provide net benefits to consumers."

"While ELCON and ELCON members have not concluded that 'real' competition is impossible to achieve," he wrote, "it has not been achieved in any market we have examined." He wrote he believes consumers around the world are coming to the same conclusion. E

Energy Legislation Progresses But Outcome Is Far from Certain

Energy legislation is on the agenda in both the House and Senate, but the timing and the content of the final product – if there is one – are far from certain.

In the House, Henry Waxman (D-CA), Energy and Commerce Committee chairman, and Ed Markey (D-MA), Energy and Environment Subcommittee chairman, drafted HR 2454, the American Clean Energy and Security Act, a comprehensive bill with provisions addressing energy efficiency, renewable energy mandates, and greenhouse gas emissions. Overcoming several hurdles, the two chairmen pushed the bill through a full committee markup in four days, fulfilling Rep. Waxman's promise to complete action before the Memorial Day recess. The final vote was 33-25, with four Democrats voting no and one Republican voting yes.

The bill would mandate, by 2020, use of renewable energy resources for 20 percent of each electricity supplier's power, although one quarter of that requirement could come from energy efficiency improvements (and those thresholds could be modified to 12 percent renewable and 8 percent efficiency upon petition by a governor). The bill also provides numerous incentives for energy efficiency, smart grid advancement, reduced pollution in the transportation sector, and transmission planning, among other issues.

The most contentious section by far was the language to reduce greenhouse gas emissions. The bill would establish a cap-and-trade approach to reduce emission levels to 80 percent of 2005 levels by 2020 and to 17 percent of 2005 levels by 2050. Entities emitting carbon or other greenhouse gases would need "allowances," some issued for free, others auctioned in a market administered by the Environmental Protection Agency (EPA). During the committee's four days of markup, several compromises were struck granting free allowances to investor-owned utilities, energy-intensive, trade-sensitive industries, oil refineries, and others.

After several weeks of negotiating internally, as well as the release of a longer (over 1,400 pages) revised version, the Democratic leadership fulfilled its pledge and brought the bill to the House floor where it passed just prior to the commencement of the July Fourth Recess.

In the Senate, markup proceeded at a much slower pace. Energy Committee Chairman Jeff Bingaman (D-NM) developed a number of drafts, and the Committee began by approving less controversial issues.

The committee approved a renewable energy standard of 11 percent by 2021, with an additional 4 percent in energy savings to come from energy efficiency. Several Democrats have stated that they will attempt to increase those numbers on the Senate floor.

Eventually, by including some language promoting additional energy exploration and production, the committee approved the bill by a vote of 15-8 with four Republicans in support and two Democrats opposed. In addition to the renewable energy standard, the bill increases energy efficiency in building and creates a new Clean Energy Deployment Administration. Twelve environmental groups opposed the bill as being too weak.

During committee consideration, the transmission issue proved extremely complicated, with Chairman Bingaman trying to provide a new mechanism allowing more federal authority to site needed transmission, especially in the face of state opposition or inaction. His efforts were opposed both by those who wish to retain present state authority and by those who are trying to tie expanded federal authority to new environmental requirements – usually that a certain percentage of new transmission must be dedicated to carrying electricity generated from renewable sources. The bill as approved by committee did not include transmission language, leaving the issue to be resolved on the floor which Majority Leader Harry Reid (D-NV) has said he thought would occur in the fall.

ELCON is concerned that many of the provisions, including a renewable energy standard, incentives for the construction of a "smart grid," and the cap-and-trade approach in the House bill could increase electricity rates for all consumers.

"America's manufacturers cannot afford higher power bills," asserted ELCON President John Anderson. "In many industries, even if electricity is not among the higher costs, it may be the largest controllable cost. Any increase in operating expenses could well drive manufacturing facilities off-shore. That is not good for our manufacturing base and it is not good for our country." E

ELCON Presses For CHP Incentives

ELCON has joined with the U.S. Clean Heat and Power Association (USCHPA) and others in urging Congress to promote more efficiently generated electricity "by expanding the investment tax credits for combined heat and power (CHP) systems.

The current 10-percent investment tax credit for CHP systems applies only to the first 15 megawatts of a project, and projects cannot exceed 50 megawatts. The ELCON/USCHPA letter recommends applying the credit to the first 25 megawatts of a qualified project and lifting the cap on the total project size altogether.

The letter noted that the Oak Ridge National Laboratory estimates CHP could provide 20 percent of U.S. generating capacity by 2030 while reducing CO2 emissions by more than 800 million metric tons per year.

ELCON President John Anderson observed, "Many ELCON member cogenerate, and some could expand their on-site power production capabilities. We are hopeful, that as Congress considers energy legislation, that the potential for CHP is recognized and appropriate incentives are offered." E

ELCON Spring Workshop

FERC's Wellinghoff
From page 1

each state develop its own program for renewable energy. He said his home state, Nevada, included energy efficiency in its state renewable energy standard, a provision he supported because the “cheapest thing to do is energy efficiency.”

The Chairman also strongly recommended the harnessing of wind energy. He noted that although 75 percent of the electricity load in the United States is within 150 miles of a coast, the “most economic” wind energy is found in the Midwest, particularly North and South Dakota. He said he supported building new transmission lines to bring that energy to population centers like Chicago, although he recognized that building new transmission and allocating the cost of that transmission would be troublesome.

A different perspective came from Tyson Slocum, an energy advocate for Public Citizen representing residential ratepayers. He stated unequivocally that, although citizens want cleaner energy, their “first priority is affordability.”

There are “fairly significant divisions” within the Democratic members of the House of Representatives on how to address energy and greenhouse gas (GHG) issues, he said, adding that some members are slowly recognizing that regulating GHG emissions could have a huge cost impact on homes and businesses.

He noted that the budget President Obama submitted to Congress earlier in the year projected \$650 billion in revenue from an auction-based cap-and-trade program for reducing GHG emissions. As a consumer advocate, Slocum said he preferred that costs for residential customers not be increased even if they were to fund other social programs. (After the workshop, the House of Representatives approved a cap-and-trade approach with most allowances awarded without charge.)

Slocum recommended that Congress consider energy policy apart from climate policy, saying it would be a “mistake” to link the two. He said he found sound

analysis of the GHG issue still lacking, and that, unfortunately, both sides “go to the extremes.”

That view was echoed by Shelly Fidler, a long-time Democratic energy analyst on Capitol Hill and in the Clinton Administration who is now a principal and managing director for environmental and governmental resources at the Van Ness Feldman law firm in Washington. She recommended that “Congress should consider separating climate change from energy policy,” and then bluntly asserted that “Congress has forgotten how to legislate,” citing both parties’ predilection to send partisan messages rather than pass legislation. “We need to find people in the middle,” she said.

Fidler was also mindful of the cost impact of reducing GHG emissions, stating that we need “energy policies in place to mitigate price increases.”

The cost issue was also addressed by Garry Brown, who chairs both the New York Public Service Commission and NARUC’s Electricity Committee. He made it clear he had no doubt that achieving environmental objectives “means higher costs for consumers.” In New York, he said, wind and solar power simply “are not cost effective when compared to conventional sources of generation.”

Agreeing with that view was David Conover, counsel to the Bipartisan Policy Center, a veteran Capitol Hill aide, and an alumnus of the recent Bush Administration. “Most people,” he said, “understand that clean energy is more expensive than conventional energy.” He said that is why Congress will address a number of energy issues this year such as a renewable energy standard, fuel economy, and energy efficiency, but not climate change -- a “much heavier lift.”

Disagreeing with a number of speakers, George Sterzinger, executive director of the Renewable Energy Policy Project, stated that “federal policy needs to integrate climate change and energy policy.” But he did not predict speedy action – in fact, he guaranteed that the “issue will not be solved in this legislative session.”

He indicated he shared concerns about the cost of climate change legislation and

the tremendously varying impacts from state to state. Because of a heavy reliance on carbon-based fuels, ratepayers in Ohio would see their electricity rates go up about 29 percent under most cap-and-trade proposals, while ratepayers in Washington State, with a much lower reliance on carbon (due to plentiful hydroelectric resources), would see little if any increase, he said.

Sterzinger also pointed out that the renewable energy market is in reality “multiple markets” that vary by region and available types of renewable fuel sources.

He was skeptical about claims that increased renewable energy use would increase jobs. The stimulus package passed earlier this year gives only a limited time frame for expenditures to promote renewable energy. Because of limited domestic capacity, this could push some jobs off shore, he said. E



ELCON Spring Workshop

Building New Transmission No Easy Task, FERC Chairman Tells ELCON Workshop

FERC has limited authority to do transmission planning and needs more “authority to do planning across regions,” FERC Chairman Jon Wellinghoff told ELCON’s spring workshop.

There are three components to building new transmission, “planning, siting, and cost allocation,” Wellinghoff said, indicating his frustration at the lack of authority to get more transmission – especially to move power from new renewable energy projects to areas where it is needed.

Garry Brown, chair of New York’s Public Service Commission and NARUC’s Electricity Committee, shared some of

Wellinghoff’s views but differed with others. He saw a need for federal regulators to “step in under certain circumstances,” but he noted that “the real issue is cost allocation.” He said he thought state regulators, not federal regulators, were best equipped to determine who is going to pay.

“I don’t want someone else deciding who’s going to pay and what’s going to happen,” He noted. He also opposed granting too much authority to FERC as a result of a major lesson he learned as a regulator that “one size does not fit all.”

Brown was a strong advocate of the “Smart Grid,” a proposal to enhance the computer capabilities within the grid, including the creation of two-way communication between suppliers and consumers. Brown found some humor in the fact that his children can send photos to each other via cell phones, but a utility has to send out a truck to find a power outage.

Steve Widergren, the administrator of the GridWise Architecture Council (GWAC), which is chartered by the Department of Energy, provided more details. While admitting that the definition of Smart Grid depends on one’s perspective, the basic objective is to “improve the reliability, security and efficiency” of the

electricity system through advanced technologies, he said.

He cited a variety of potential system benefits, including “better coordination of generation and balancing for reliability.” He referred to a pilot program in Washington State where peak load was reduced by 75 percent and occasional reductions of 50 percent of total load were achieved.

The GWAC’s ultimate objective, according to Widergren, is “interoperability, ensuring that all components of the bulk power system can communicate.” He noted that the path to achieving that objective would not be simple, due to the complex systems and variety of technologies now in use. E



Facing page: FERC Chairman Jon Wellinghoff with ELCON’s John Hughes (top), David Conover, Bipartisan Policy Center. *This page:* Garry Brown, New York Public Service Commission (top); Shelly Fidler, Van Ness Feldman; Tyson Slocum, Public Citizen

Speakers Recognize Market Malfunctions

Several speakers at ELCON’s Spring Workshop noted that today’s wholesale electricity markets continue to be dysfunctional, though no one thought that the issue would be high on the Obama Administration’s agenda.

Shelly Fidler, who has spent over 30 years working on energy issues on Capitol Hill and in the White House, summed it up well: “restructuring was probably the worst thing that ever happened” in the utility industry.

Tyson Slocum of Public Citizen observed that residential consumers and industrial consumers have similar dissatisfaction with today’s organized markets.

Only New York Public Service Chairman Garry Brown had kind words for restructured markets. The “good thing about restructuring is that it shifts some risk away from consumers” and makes utilities more accountable, he observed. He recounted incidents in his state where, before restructuring, utilities would claim to need lengthy time periods for maintenance and repair. After restructuring utilities had an incentive to complete those projects much more quickly and did so, he said.

But Brown was not a booster of the status quo. We have “no real markets,” he said, “just models.” E

October Workshop From page 1

States. ELCON members will again have the opportunity to hear from both policy makers and important stakeholders so they are better informed for their own planning purposes.

“We intend to be part of the policy process,” said Anderson. “If you are not at the table you could be on the menu.”

ELCON Workshops are for ELCON members and for employees of companies seriously considering ELCON membership. For more information contact ELCON (202-682-1390 or elcon@elcon.org).

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ELCON Activities Before The Federal Energy Regulatory Commission

ELCON weighs in on “Smart Grid” Implementation

ELCON filed two sets of comments at FERC on implementation of a “Smart Grid” program in response to FERC’s Proposed Policy Statement on Smart Grid which was issued in March.

Smart Grid development – basically upgrading the bulk power system to enable greater communication between suppliers and customer and greater use of advanced technologies to maintain grid operation – was mandated by the Energy Independence and Security Act of 2007, and FERC was given a considerable role to play in the development of policies and standards relevant to Smart Grid technologies.

ELCON’s comments noted many potential benefits for consumers from the implementation of Smart Grid technologies. But the comments also expressed ELCON’s fear that FERC’s proposed interim rate policy “could result in wasted investments and, therefore, in higher rates for consumers without sufficient offsetting benefits.”

Specifically, ELCON noted that “Smart Grid technology has considerable potential, particularly in relation to demand response.” ELCON’s comments went to add that “expedited development of Smart Grid standards...can assist in achieving the benefits of demand response that FERC has recognized such as: reduction of wholesale prices and price volatility; flattening of an area’s load profile and thereby shifting the distribution of generator types toward lower-cost base load generation; and reducing generator market power.”

ELCON raised the point that “FERC’s Smart Grid Policy and Standards should uniformly recognize the ultimate goal of the grid – reliable and cost-effective service for end-use customers,” adding that “the Smart Grid should serve and enhance the commercial interests of industrial customers, and not force industrial customers to change their behavior for the convenience

of suppliers and grid operators.” ELCON believes that it is important for Smart Grid to be implemented “in a manner that complies with the traditional principles of a least-cost portfolio of resources and maintenance of reliability of customers.”

ELCON faulted FERC on its proposed interim rate policy for not articulating “a clear explanation as to why it is necessary or reasonable to deviate from [FERC’s] long-standing presumption in favor of standard ratemaking procedures.” The commission has not explained “why it is necessary to invest heavily in technologies that are still under development,” ELCON said.

The comments were particularly critical of FERC’s proposal allowing utilities to seek a single-issue ratemaking process to fund Smart Grid expenses. The policy is “unnecessary and counter to FERC practice,” and neither of FERC’s two stated reasons for allowing single-issue ratemaking “holds water,” ELCON said. The early stage of development of the Smart Grid technology argues for “measured consideration, not hasty incentives.”

ELCON added comments on the issue in response to FERC’s request after the Department of Energy announced funding opportunities for some Smart Grid projects that could supply up to 50 percent of the necessary expenditures.

ELCON pointed out that “although DOE funding should be pursued to the fullest extent possible, nothing should distract FERC from its statutory obligation to ensure that utility investments are prudently incurred and have net benefit to ratepayers.” ELCON encouraged DOE funding of Smart Grid investments, but insisted that FERC approval of rate increases sought by utilities for Smart Grid expenditures should meet a two-step test – “that the proposed Smart Grid investment satisfies stringent criteria relating to the efficacy of

the technology, followed by a FERC prudence review.”

“Smart Grid technologies are still being developed,” said ELCON President John Anderson. “Consumers expect to pay for some of the costs, but we need to be sure that what we pay for is necessary and useful. FERC must ensure that consumers do not pay for technologies that will soon be obsolete or replaced by more efficient alternative technologies.” E

Anderson Offers Smart Grid Concerns

The National Institute of Standards and Technology (NIST) has been tasked by the Energy Independence and Security Act of 2007 with developing a framework for the “interoperability” of the developing Smart Grid – in other words, ensuring the components of the bulk power system can communicate with each other as new technologies are developed and used.

As NIST began the development process, ELCON President John Anderson offered a consumer perspective. Consumers are not opposed to a Smart Grid, but they have concerns about “what specific consumer benefits can they expect to see when a Smart Grid is fully operational.”

Anderson pointed out what consumers do not want. “They do not want utilities to be able to reach inside their homes and businesses and restrict power flow without their permission. They do not want new pricing mechanisms, adopted under the guise of efficiency, that raise their bills. And they do not want to pay for supposedly new technology that is then quickly superseded by newer technology, meaning that they pay twice – or more.” E

Sen. Mikulski Weighs in with FERC, Forwarding Letter from ELCON, Allies

Sen. Barbara Mikulski (D-MD) has forwarded to FERC a letter signed by 22 state and national organizations, including ELCON, stating that the FERC-approved “organized markets” have “not produced the benefits of competition promised and instead has hurt consumers and the economy.” The letter was coordinated by the Campaign for Fair Electric Rates, a broadly based coalition formed by the American Public Power Association. ELCON is on the coalition’s

Steering Committee.

ELCON was part of a small contingent that met in the Senator’s office to discuss the problems in the organized markets. Shortly thereafter the Senator agreed to forward a list to FERC of the coalition’s concerns with a cover letter asking for FERC’s response.

The letter pointed out the “market structure has created opportunities for excessive returns for some owners of power generating plants, high electricity rates for con-

sumers, and insufficient infrastructure investments to support future reliability.” It noted that FERC is tasked under the Federal Power Act with ensuring that wholesale electricity rates are “just and reasonable” and suggested that FERC “undertake an investigation of whether the rates produced in the RTO-run markets meet the just and reasonable standard.”

As part of the Campaign for Fair Electric Rates, ELCON is continuing to meet with Members of Congress and their staffs to bring attention to the problems in the organized markets. E

Anderson Testifies

From page 1

demand response and combined heat and power (CHP).

Anderson warned against relying on utility-administered programs for energy efficiency improvements. He emphasized that such programs are particularly inappropriate for achieving energy efficiency gains in the industrial sector because they “simply cannot be designed to meet the specific needs of a large industrial facility where energy efficiency improvements are intertwined with complex industrial processes and the facility’s unique operational characteristics.”

He urged the committee, if it considers an energy efficiency resource standard, to recognize that “making manufacturers subject to artificial mandates will only diminish their ability to increase efficiency.”

On revenue decoupling, which the Committee had approved as part of the Economic Stimulus package passed earlier in the year, Anderson questioned the wisdom of separating – or decoupling – a utility’s earnings from its volumetric sales. He stated that ELCON members believe utilities “have an obligation to serve and be given the opportunity to recover prudently incurred costs and earn a return that reflects the risk they incur – but no more.”

ELCON members have long advocated increased demand response, and Anderson

asserted that greater success in this area “has been stymied and thwarted, primarily by parties on the supply side that view demand response as a threat to their generation.”

He went on to say that “each kilowatt and kilowatt-hour of avoided consumption is equivalent to – and much more efficient than – a kilowatt or kilowatt-hour of additional generation.” Therefore, “it should be compensated accordingly.”

Anderson also asked the committee to consider language promoting combined heat and power. He said that FERC had recently promulgated a rule that discourages CHP and suggested that Congress could promote CHP by addressing that issue through legislation. E

Chairman’s Column

From page 2

to know the “real time” price of electricity already have that capability. Those companies that want to reduce their consumption at times of peak demand already can – the problem more often than not is that utilities simply don’t provide appropriate compensation.

I understand why the utilities and their suppliers support Smart Grid, but I see few discernible benefits for large or small customers.

However, I do see higher bills.

I could cite other issues as well, but the bottom line would be the same. As an ordinary consumer, given the economy, my family and I are now making decisions

with a definite eye toward cost cutting. We do not want or need an increase in our utility bills. And, as an industrial energy manager, my company is reacting to the downturn in the economy in a number of ways – and higher energy costs would be a huge setback.

So on behalf of ELCON members and America’s manufacturing base, I ask policy makers to look at these issues carefully. There are arguments on behalf of an energy policy that translates into long-term environmental gains. And there at least equal arguments for keeping energy prices reasonable for our homes and businesses. I hope nobody thinks this is an easy choice. Because it is not.

Jim Hoyt is Director, Purchasing Americas & Global Energy, Tate and Lyle

Decoupling Derailed

From page 1

rate structure to drive energy efficiency improvement, such as revenue decoupling, which may unnecessarily raise the cost of electricity and natural gas.”

The coalition met with senior House and Senate staff and made clear that inclusion of revenue decoupling in any of the energy bills being considered would be strongly opposed by consumer groups as well as state energy officials and state regulators. None of the legislation that progressed in House the and Senate included any such language, but, as Yacker said, “Decoupling advocates never give up.” E

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WHAT IS ELCON?

- DATE ORGANIZED: January 15, 1976
- WHO WE ARE: The Electricity Consumers Resource Council (ELCON) is the national association representing large industrial consumers of electricity. ELCON was organized to promote the development of coordinated and rational federal and state policies that will assure an adequate, reliable and efficient supply of electricity for all users at competitive prices. ELCON's member companies come from virtually every segment of the manufacturing community.

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