

HENRY A. WAXMAN, CALIFORNIA
EDWARD J. MARKEY, MASSACHUSETTS
RICK BOUCHER, VIRGINIA
EDOLPHUS TOWNS, NEW YORK
FRANK PALLONE, Jr., NEW JERSEY
BART GORDON, TENNESSEE
BOBBY L. RUSH, ILLINOIS
ANNA G. ESHOO, CALIFORNIA
BART STUPAK, MICHIGAN
ELIOT L. ENGEL, NEW YORK
ALBERT R. WYNN, MARYLAND
GENE GREEN, TEXAS
DIANA DEGETTE, COLORADO
VICE CHAIRMAN
LOIS CAPPS, CALIFORNIA
MIKE DOYLE, PENNSYLVANIA
JANE HARMAN, CALIFORNIA
TOM ALLEN, MAINE
JAN SCHAKOWSKY, ILLINOIS
HILDA L. SOLIS, CALIFORNIA
CHARLES A. GONZALEZ, TEXAS
JAY INSLEE, WASHINGTON
TAMMY BALDWIN, WISCONSIN
MIKE ROSS, ARKANSAS
DARLENE HOOLEY, OREGON
ANTHONY D. WEINER, NEW YORK
JIM MATHESON, UTAH
G.K. BUTTERFIELD, NORTH CAROLINA
CHARLIE MELANCON, LOUISIANA
JOHN BARROW, GEORGIA
BARON P. HILL, INDIANA

ONE HUNDRED TENTH CONGRESS

U.S. House of Representatives
Committee on Energy and Commerce
Washington, DC 20515-6115

JOHN D. DINGELL, MICHIGAN
CHAIRMAN

May 24, 2007

JOE BARTON, TEXAS
RANKING MEMBER
RALPH M. HALL, TEXAS
J. DENNIS HASTERT, ILLINOIS
FRED UPTON, MICHIGAN
CLIFF STEARNS, FLORIDA
NATHAN DEAL, GEORGIA
ED WHITFIELD, KENTUCKY
BARBARA CUBIN, WYOMING
JOHN SHIMKUS, ILLINOIS
HEATHER WILSON, NEW MEXICO
JOHN B. SHADEGG, ARIZONA
CHARLES W. "CHIP" PICKERING, MISSISSIPPI
VITO FOSSELLA, NEW YORK
STEVE BUYER, INDIANA
GEORGE RADANOVICH, CALIFORNIA
JOSEPH R. PITTS, PENNSYLVANIA
MARY BONO, CALIFORNIA
GREG WALDEN, OREGON
LEE TERRY, NEBRASKA
MIKE FERGUSON, NEW JERSEY
MIKE ROGERS, MICHIGAN
SUE MYRICK, NORTH CAROLINA
JOHN SULLIVAN, OKLAHOMA
TIM MURPHY, PENNSYLVANIA
MICHAEL C. BURGESS, TEXAS
MARSHA BLACKBURN, TENNESSEE

DENNIS B. FITZGIBBONS, CHIEF OF STAFF
GREGG A. ROTHSCCHILD, CHIEF COUNSEL

ADDRESS

Dear :

As the Committee on Energy and Commerce considers legislative proposals intended to assist our Nation in a transition to cleaner, more efficient energy supplies, we have frequently received the recommendation that Congress enact a "portfolio standards" bill requiring the Nation's retail electricity industry to obtain a target percentage of the power it delivers from designated generation sources. This mechanism was initially advocated to promote renewable energy, but versions of it now have been proposed to include clean energy of all sorts, and some also include energy efficiency gains.

Bills proposing renewable portfolio standards have passed the Senate three times, but have twice failed to receive sufficient votes to emerge from our Committee. We believe that the Committee's ability to understand the merits, benefits, and costs of a "portfolio standard" bill, and perhaps the energy community's ability to reach consensus on what such a bill should provide, would be enhanced if we better understand the range of perspectives, concerns, and objectives reflected in such proposals.

We, therefore, pose the questions that are attached to this letter, and invite you and other interested parties to respond to them. These responses will allow us to more fully understand these proposals, and can assist the Committee in planning hearings or other further steps we judge appropriate. In order to be able to take any such actions during this Congress, we ask that all responses be received by June 15, 2007, and plan to make them available for general public review.

We look forward to having your input and views on this potentially significant energy policy measure.

Sincerely,

John D. Dingell
Chairman

Rick Boucher
Chairman
Subcommittee on Energy and Air Quality

1. **Purpose of Portfolio Standards Proposals**

- a. Do you believe that adopting one or more Federal “portfolio-standard” requirements applied to sources of retail electricity, mandating that a given percentage of the power sold at retail come from particular sources, is an advisable Federal policy? Why or why not?
- b. Is it appropriate for Government to impose generation-source conditions or energy savings requirements on load-serving utilities in order to serve public-policy purposes such as promotion of renewable energy production, energy efficiency, and reduction of carbon emissions? Why or why not?
- c. If you favor such a policy, how would you define its specific purpose?
- d. If Congress were to adopt an economy-wide policy mandating reductions in emissions of greenhouse gases, including the electricity industry, would such a portfolio standard policy remain necessary or advisable?
- e. What analysis has been done of any portfolio standards requirement you endorse to demonstrate:
 - i. Its economic costs to consumers, nationally, and in various regions, in electricity rates?
 - ii. Its benefits in greenhouse gas emission reductions?
 - iii. Its implications for electricity reliability, security, and grid management?
 - iv. Its implications for jobs and economic development?
 - v. Its implications for utility capital investment?
 - vi. Other relevant factors?

2. **Portfolio Inclusions and Exclusions**

- a. What is the principle that should determine inclusion or exclusion of any energy source from an adopted portfolio standard? (i.e., excludes all fossil-fired generation, includes all generation that emits no GHG, excludes all generation below given energy-conversion efficiency, etc.)
- b. What generation sources for retail electricity supplies (including efficiency offsets) should be included and should be excluded from any mandatory

portfolio requirement that is adopted? Please provide your reasons for excluding any sources.

- c. To the extent that multiple renewable energy sources and efficiency or other sources are eligible for inclusion, should any tiers among them or separate sub-requirements be adopted?
- d. Should there be any distinction between existing and new sources of generation eligible for inclusion in the portfolio? If so, what would be the threshold date for eligibility?
- e. Would the electricity equivalent of useful thermal energy from eligible sources be credited against the requirement? Why or why not?
- f. To the extent energy efficiency is included:
 - i. How would the required savings be measured and verified?
 - ii. Against what base consumption period (historic or projected)?

3. Percentage Requirement and Timing

- a. What target percentage of total retail power deliveries should be achieved by the required portfolio?
- b. What is the target year for reaching the ultimate mandated portfolio percentage?
- c. Should there be a straight-line, accelerating, or other form of “ramp-up” to the ultimate target percentage?
- d. Should there be any “off-ramps” or other built-in automatic changes in requirements as a function of contingencies? If so, what should they be? (e.g., price or cost thresholds, contingencies for natural or climate conditions, lack of adequate transmission, etc.)

4. Relationship to State Portfolio Standards and Utility Regulation

- a. Should an adopted Federal portfolio standard set:
 - i. A minimum standard, allowing States to set or maintain higher targets?
 - ii. A preemptive standard, prohibiting States to set higher or different targets?

- iii. Merely a mandate for a standard, allowing States to set their own targets at any level?
 - iv. Merely a given percentage target, allowing States to elect generation or efficiency sources eligible to meet it?
 - v. A standard applying only to States without prior portfolio requirements, grandfathering all prior standard programs?
- b. Can and should State regulatory agencies be required to pass through the costs of complying with Federal portfolio standards requirements in retail rates?

5. Utility Coverage

- a. Should any retail sellers of electricity be exempt from the portfolio requirement? (e.g., municipal utilities, rural cooperatives, utilities selling less than a minimum volume of power, unregulated marketers in States with competitive retail markets, etc.)
- b. Should any standard apply to wholesale power markets or sales?
- c. Should there be any basis for discretionary exemptions of certain States or utilities?

6. Administration and Enforcement

- a. Should a Federal Government entity enforce the requirement and decide on any exemptions?
 - i. If so, which one? (e.g., the Environmental Protection Agency? The Department of Energy? The Federal Energy Regulatory Commission? A newly created office or entity?)
 - ii. If not, should enforcement be delegated to the States or to regional transmission or electric-system-operation entities?
- b. How should Federal and State enforcement be coordinated in States with their own portfolio requirements?
- c. What penalties should apply for failure of utilities to meet the percentage mandate?

7. **Credits and Trading**

- a. Should tradable credits for qualifying generation be utilized as the mechanism for establishing compliance?
- b. Should credit trading be permitted or required on a national basis in order to achieve least-cost compliance with the portfolio standards?
- c. Should there be a cap on credit values to limit costs?
- d. As between a utility purchaser and a qualifying power generator, to whom should the portfolio standard credits be initially allocated?
- e. What relationship, if any, should portfolio standard credits have to other State and Federal credit trading programs for SO₂, greenhouse gases, or biofuels?
- f. What requirements, if any, would there be concerning the length of contracts for qualifying generation and ownership of credit rights?

Mr. Ben Yamagata
Executive Director
Coal Utilization and Research Council
1050 Thomas Jefferson Street, N.W., Suite 700
Washington, D.C. 20007

Mr. Thomas Kuhn
President
701 Pennsylvania Avenue, N.W.
Washington, D.C. 20004

Mr. Alan Richardson
President and CEO
American Public Power Association
2301 M Street, N.W.
Washington, D.C. 20037-1484

Mr. Joe Beal
Chairman
Large Public Power Council
99 Canal Center Plaza, Suite 310
Alexandria, VA 22314

Mr. Glen English
Chief Executive Officer
National Rural Electric Cooperative Association
4301 Wilson Boulevard
Arlington, VA 22203

Mr. Jack Gerard
President and CEO
American Chemistry Council
1300 Wilson Boulevard
Arlington, VA 22209

Ms. Juanita D. Duggan
Chairman
American Forest and Paper Association
1111 19th Street, N.W., Suite 800
Washington, D.C. 20036

Mr. Thomas J. Donohue
President and CEO
U.S. Chamber of Commerce
1615 H Street, N.W.
Washington, D.C. 20062

Mr. J. Steven Larkin
President
The Aluminum Association
1525 Wilson Boulevard, Suite 600
Arlington, VA 22209

Mr. Louis L. Schorsch
Chairman
American Iron and Steel Institute
1140 Connecticut Avenue, N.W., Suite 705
Washington, D.C. 20036

Mr. Bob Dinneen
President and CEO
Renewable Fuels Association
One Massachusetts Avenue, N.W., Suite 820
Washington, D.C. 20001

Mr. John Engler
President
National Association of Manufacturers
1331 Pennsylvania Avenue, N.W.
Washington, D.C. 20004-1790

Mr. John E. Shelk
President and CEO
Electric Power Supply Association
1401 New York Avenue, N.W., 11th Floor
Washington, D.C. 20005-2110

Mr. Ted Michaels
President
Integrated Waste Services Association
1331 H Street, N.W., Suite 801
Washington, D.C. 20005

Mr. Jonathan Pershing
Director, Climate and Energy Program
World Resources Institute
10 G Street, N.E., Suite 800
Washington, D.C. 20002

Ms. Linda Church Ciocci
Executive Director
National Hydropower Association
One Massachusetts Avenue, N.W., Suite 850
Washington, D.C. 20001

Mr. Paul N. Cicio
President
Industrial Energy Consumers of America
1155 15th Street, N.W., Suite 500
Washington, D.C. 20005

Mr. John Skinner
Executive Director and CEO
Solid Waste Association of North America
1100 Wayne Avenue, Suite 700
Silver Spring, MD 20910

Ms. Lisa Jacobson
Executive Director
The Business Council For Sustainable Energy
1620 I Street, N.W., Suite 501
Washington, D.C. 20006

Mr. Gregory S. Wetstone
Director of Governmental and Public Affairs
American Wind Energy Association
1101 14th Street, N.W., 12th Floor
Washington, D.C. 20005

Mr. John F. Byrne
Chair, National Parks and Monuments Committee
Sierra Club
2801 Oakton Manor Court
Oakton, VA 22124

Mr. Frances Beinecke
President
Natural Resources Defense Council
1200 New York Avenue, N.W., Suite 400
Washington, D.C. 20005

Mr. Douglas Phelps
President and Chairman
US PIRG
218 D Street, S.E.
Washington, D.C. 20003

Mr. Kevin Knobloch
President
Union of Concerned Scientists
1707 H Street, N.W., Suite 600
Washington, D.C. 20006-3962

Mr. Philip E. Clapp
President
National Environmental Trust
1200 18th Street, N.W., Fifth Floor
Washington, D.C. 20036

Mr. Gary Cook
Director
U.S. Climate Action Network
1326 14th Street, N.W.
Washington, D.C. 20005

Mr. Larry Schweiger
President and CEO
National Wildlife Federation
11100 Wildlife Center Drive
Reston, VA 20190

Mr. Fred Krupp
President
Environmental Defense
1875 Connecticut Avenue, N.W., Suite 600
Washington, D.C. 20009

Mr. Ned Helme
President
Center for Clean Air Policy
750 First Street, N.E., Suite 550
Washington, D.C. 20002

Ms. Eileen Claussen
President
Pew Center on Climate Change
2101 Wilson Boulevard, Suite 550
Arlington, VA 22201

Mr. John F. Byrne
Chair, National Parks and Monuments Committee
Sierra Club
2801 Oakton Manor Court
Oakton, VA 22124

Mr. John Coequyt
Energy Policy Specialist Greenpeace
702 H Street, N.W., 300
Washington, D.C. 20001

Ms. Barbara Bauman Tyran
Director, Washington Relations
Electric Power Research Institute
2000 L Street, N.W., Suite 805
Washington, D.C. 20036

Mr. William R. Prindle
Deputy Director, American Council for
an Energy-Efficient Economy
1001 Connecticut Avenue, N.W., Suite 801
Washington, D.C. 20036-5525

Mr. John A. O'Donnell
Director, Federal Public Affairs
Xcel Energy
701 Pennsylvania Avenue, N.W., Suite 830
Washington, D.C. 20004-2608

Ms. Jana Gastellum
Associate Director, Energy
Energy Future Coalition
1800 Massachusetts Avenue, N.W., Suite 400
Washington, D.C. 20036

Mr. Kraig Naasz
President and CEO
National Mining Association
101 Constitution Avenue, N.W., Suite 500 East
Washington, D.C. 20001-2133

Mr. William T. Pound
Executive Director
National Conference of State Legislators
444 North Capitol Street, N.W., Suite 515

Mr. Charles Gray
Executive Director
National Association of Regulatory and
Utility Commissioners
1101 Vermont Avenue, N.W., Suite 200
Washington, D.C. 20005

Mr. John Sweeney
President
AFL-CIO
815 16th Street, N.W.
Washington, D.C. 20006

Dr. Raymond C. Scheppach
Executive Director
National Governors Association
444 N. Capitol Street, S. 267
Washington, D.C. 20001-1512

Ms. Kateri Callahan
President
Alliance to Save Energy
1850 M Street, N.W., Suite 600
Washington, D.C. 20036