

**Appendix H
Letter from
Senator Lamar Alexander**

LAMAR ALEXANDER
TENNESSEE

United States Senate

WASHINGTON, DC 20510

May 17, 2007

The Honorable Guy Caruso
Administrator
U.S. Energy Information Administration
1000 Independence Avenue, S.W.
Washington, DC 20585

Dear Mr. Caruso:

I am writing to request that the Energy Information Administration (EIA) conduct an analysis of federal subsidies of the electricity industry, including a comparison of subsidies for the different fuel types (e.g., coal, natural gas, petroleum, nuclear, wind, solar, etc.). I am interested in learning – for each fuel type – both (1) the overall annual cost of those subsidies, and (2) the annual cost per unit electricity generated (e.g., cost per kilowatt-hour). My staff is familiar with the EIA report *Federal Financial Interventions and Subsidies in Energy Markets 1999: Energy Transformation and End Use* and understands that this new analysis will serve as an update of significant portions of this prior analysis with a focus on subsidies available to electricity and primary fuels used in electricity generation.

To expedite its completion, the analysis should be limited to subsidies provided by the federal government, those that are energy-specific, and those that provide a financial benefit with an identifiable federal budget impact. Broad policies or programs that are applicable throughout the economy need not be considered. The analysis should include the following types of subsidies: tax expenditures (such as deductions, credits, and loan guarantees); direct expenditures (such as direct grant programs and the Low Income Home Energy Assistance Program); federal research and development programs targeting electricity and its fuel inputs; and federal electricity programs (such as support for the Bonneville Power Administration).

The report should include an estimate on the size of each subsidy over a recent, representative year. Where there has been a significant change in the amount or scope of a particular subsidy since the 2000 report, it would be useful for the report to provide an explanation for the change. If a valid methodology can be developed, a forecast of subsidy impacts would be very informative as well. To be most helpful, I would appreciate it if the report could be completed by November 30, 2007.

Thank you for your assistance with this matter. If you have any questions, please contact Mr. Jack Wells of my staff at (202) 224-9504 or jack_wells@help.senate.gov.

Sincerely,



Lamar Alexander
United States Senate