



**EDISON ELECTRIC
INSTITUTE**

August 2, 2002

TO: Power Partners Company Contacts

SUBJECT: **CLIMATE ACTIVITIES UPDATE, AND RESPONSE
REQUESTED ON POSSIBLE INDUSTRY INITIATIVES**

EEL is writing to you as your company's principal climate representative in order to update you and your CEO on recent activities and to request your response on possible industry-wide initiatives.

Much has occurred to give further impetus to voluntary climate change activities subsequent to the April 22 letter to EEL member company CEOs from the co-chairs of the EEL Policy Committee on Environment (PCE), James Rogers and Alan Noia, and EEL President Thomas Kuhn. At the June EEL CEO meetings, the Board of Directors accepted the recommendations of the PCE that EEL continue to 1) support the President's climate plan to reduce greenhouse gas intensity and flexible, cost-effective, voluntary climate programs; 2) facilitate company designation of a climate program director to work with EEL, with the Department of Energy on Power Partners, with the Environmental Protection Agency on Climate Leaders, and with other federal agencies; and 3) develop a solid foundation for the probable formation in the near future of a CEO-level Climate Change Task Force that will increasingly interact with senior Administration officials.

We are pleased to report that 34 member companies and the Tennessee Valley Authority (TVA) have designated representatives (see enclosed list) thus far. EEL has also worked with the six other power sector groups under the Electric Power Industry Climate Initiative (EPICI) umbrella to form seven working committees (see enclosed description of committee structure and membership). Additional volunteers for the EPICI committees are welcome.

EEL anticipates that the White House and federal agencies will launch a fall rollout of a package of climate actions, including federal government science, technology R&D and international initiatives, as well as "Business

Challenges" such as Power Partners. We expect this package of events to occur as early as October, with the involvement of several CEOs and trade association heads.

It is imperative that EEI and our member companies continue to demonstrate leadership on this issue, in light of the upcoming rollout of the Administration's climate package, the uncertain climate titles in the energy bill, and legislative proposals that would effectively implement the Kyoto Protocol.

A detailed report of all of the activities described in this letter will be presented and discussed at the EEI CEO meetings in early September in Colorado. At those meetings we expect to call for the formation of an EEI CEO Global Climate Change Task Force.

EEI Activities and Possible Industry Initiatives

On the reporting side, EPICI, EEI and member companies have been extremely active, filing a voluminous set of comments in response to the DOE notice of inquiry in June and preparing for the upcoming revisions of the Energy Policy Act 1605(b) guidelines.

On the program side, EEI is 1) developing and will provide to you shortly for your review a draft workbook of good practices and options for member company voluntary climate activities and 2) establishing a range of collaborative, industry-wide initiatives open to any company. The EPICI Options and Initiatives Committee will meet later this month to help EEI staff develop the options workbook and to promote industry initiatives.

EEI, Allegheny Energy and EPRI currently have three industry initiatives under way, which are described in the enclosed one-pagers: 1) "UtiliTree II," an initiative to fund tree planting projects in the Lower Mississippi River Valley; 2) "Resource Wise," a program to encourage greater use of fossil fuel combustion by-products; and 3) a program to reforest abandoned mine land.

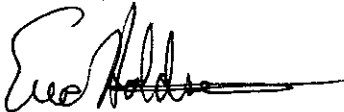
We are currently evaluating seven additional, possible industry initiatives that focus on renewables and retail energy services. Six of these scored the best in a consultant study conducted for EEI; a seventh initiative was added based on preliminary indications of strong member company interest. An executive summary of the Navigant Consulting study, plus brief analyses of the seven possibilities, are enclosed.

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If warranted, EEI would like to select the best of these possibilities to round out a diverse menu of industry initiatives for member company consideration. *We are only asking you for expressions of interest at this time, not firm commitments.* If some of these potential initiatives pass this "test marketing" phase, we will then come back to you to ask for your participation and support. **Accordingly, please fill out the enclosed "Climate Initiatives Response Form" and fax it back by C.O.B. Friday, August 16, 2002.**

If you have any questions, please contact me at 202-508-5617 (bfang@eei.org) or Eric Holdsworth, Director, Climate Programs, at 202-508-5103 (eholdsworth@eei.org). We look forward to your responses and to your continued participation in support of voluntary climate programs.

Sincerely,



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Deputy General Counsel
and Climate Issue Director

Enclosures (7)

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