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January 10, 2003

The Honorable Spencer Abraham
U.S. Department of Energy
1000 Independence Avenue, S.W.
Washington, D.C. 20585

Dear Secretary Abraham:

Last year President Bush announced a new approach to the challenge of climate change—an approach that is long-term, emphasizes economic growth, and takes advantage of American technology, innovation, and efficiency. The President set an environmental goal for economic growth, to reduce the ratio of U.S. greenhouse gas emissions to economic output by 18 percent over the next 10 years. As part of his plan for meeting that goal, the President challenged American businesses to reduce the greenhouse gas intensity of their operations and emissions.

The National Rural Electric Cooperative Association (NRECA), representing more than 900 electric cooperatives serving 36 million people in 47 states, supports the President's climate policies and the call for *voluntary* actions to slow the growth of greenhouse gas emissions. As a vital part of the electricity sector, cooperatives deliver 9 percent of the total kilowatt-hours sold in the U.S. and generate 5 percent of the electricity produced each year. Cooperatives, as part of the electricity sector, can contribute to the President's goal by increasing the greenhouse gas efficiency of their operations.

First, in order to formulate a sector-wide approach to President Bush's Global Climate Change Initiative, NRECA participates in the Electric Power Industry Climate Initiative (EPICI), a coalition of seven electric power groups. EPICI has developed a voluntary climate partnership with the U.S. Department of Energy (DOE) called *Power Partners*. *Power Partners* includes a range of actions for the short, medium and long terms including a *Power Partners Resource Guide* to enhance the efficiency and reduce emissions of electricity generation, transmission and distribution, several carbon sequestration initiatives and long-term research and development. All generation and transmission cooperatives participate in *Power Partners*.

Looking toward the future, electric cooperatives are also investing in the development of clean coal technologies. While half of the nation's overall electric generation is coal-based, more than two-thirds of the electric cooperatives' generation is from coal. Since

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fossil fuels will remain essential to electricity generation for the foreseeable future, new "near-zero emission" technologies are needed. Electric cooperatives recognize the importance of accelerating the development of affordable technologies and are working with *Power Partners* and the Electric Power Research Institute (EPRI) to evaluate carbon capture and sequestration.

Power Partners will help to focus the electric sector's efforts to increase emissions efficiency as its contribution to the President's goal. As part of EPICI, NRECA will pursue a Memorandum of Understanding with DOE for *Power Partners* over the next several months to formalize this public-private partnership.

Second, in addition to *Power Partners*, NRECA is developing a Memorandum of Understanding with the U.S. Department of Agriculture (USDA) during 2003 to identify opportunities to reduce greenhouse gas emissions. Potential areas for cooperation include the development of renewable electricity, e.g., wind, solar, biomass (cofiring with coal and waste-to-energy including landfill methane, use of methane digesters for manure, etc.), continued development and testing of new technologies such as fuel cells and microturbines, and the use of biofuels (bioethanol and biodiesel) and other bioproducts. NRECA and USDA will look for ways to remove technical and market barriers to the use of renewables for electricity generation in rural areas and commercialize other emission-efficient technologies.

Third, electric cooperatives are also committed to expanding their research and development of new electric technologies. They have recently produced *Electric Technology Cooperative Solutions*, a strategic vision and roadmap for cooperatives and consumer-members. Electric cooperatives spend more than \$15 million annually on the research and development of new technologies that produce, deliver, or more efficiently use energy at rural electric consumers' homes and businesses. For example, through the work of the Cooperative Research Network, a consortium of electric cooperatives dedicated to research, and the commitments by cooperatives to EPRI, cooperatives have been successful in developing tools and technologies that have resulted in the following successes:

- **Distribution System Line Losses.** Resistance to the flow of electrical current in the distribution and transmission system causes a portion of energy, typically 7 percent, to be lost in the form of heat, resulting in higher emissions for the same amount of delivered electricity. Data from the USDA's Rural Utilities Service (RUS), show that cooperative distribution system line losses were consistently around 6% from 1994 to 2000, well below the industry norm. In fact, RUS reported cooperative line losses at 4.96% during 2001. While electric cooperatives serve 12% of all electric consumers, they maintain nearly half (2.3 million miles) of the nation's distribution miles of line. With their consumers widely dispersed (6.6 consumers per mile compared to 34 for investor-owned

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utilities and 44 for municipals), cooperatives have maintained a high degree of distribution efficiency under very challenging conditions.

- **Load Management.** Load management technologies allow generation companies to better manage the timing of their customers' energy use, and thus help reduce the large discrepancy between peak and off-peak demand. Although this approach does not reduce the overall consumption of electricity, it can reduce the need to build new power plants simply to serve customers during periods of peak demand and reduces emissions associated with using fossil fuels to meet those peak electrical demands. The nation's electric cooperatives have a strong commitment to load management devices and control infrastructure. Energy Information Administration (EIA) data for 2000 show that cooperatives have more than 2,500 MW under control. That represents more than 25% of all actual peak reduction MW for the U.S. Because 60% of cooperative sales are to residential consumers, much of their load management activity has been targeted to residential load reduction. There the cooperative contribution has been even more dramatic, with more than 1,500 megawatts under control, more than 40% of all residential actual peak reduction MW for the nation.
- **Renewable Energy.** Nearly a quarter of all distribution cooperatives currently offer Green Power from wind and biomass to their consumer-members. This number has grown dramatically due to consumer demand. Because cooperatives are owned by the consumers they serve and are part of their local communities, they will continue to respond promptly to consumer demands for renewable energy.

Lastly, in addition to the commitments with DOE through *Power Partners*, the Memorandum of Understanding with USDA and the continued expenditure of research and development dollars for electricity efficiency technologies, electric cooperatives are uniquely positioned to pair U.S. electric cooperatives with cooperatives around the world to increase energy efficiency. NRECA International—a non-profit international program that provides technical assistance to developing countries for clean, efficient electrification—is investigating ways to reduce greenhouse gas emissions overseas.

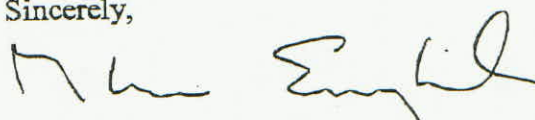
The International Program teams U.S. electric cooperatives with electric cooperatives in countries such as the Philippines, India, Costa Rica, and Bolivia to identify and implement opportunities for creditable projects that reduce or avoid greenhouse gas emissions. The most promising efforts involve energy loss reduction and efficiency improvements on cooperative distribution systems; fuel substitution projects such as hydropower plants, wind, solar and other renewables to reduce cooperative dependency on thermal power; carbon sequestration in tropical areas; and energy conservation.

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NRECA believes that credible, voluntary actions can increase the economic efficiency of business operations, strengthen U.S energy independence, and enhance our environment. The President's plan to provide incentives for investments in clean technologies, increased conservation and energy efficiency can help electric cooperatives maintain affordable and reliable electric service for our consumers. Policies that provide incentive for *all* electricity generators to develop clean energy will move America toward cleaner, more efficient electricity generation.

NRECA looks forward to working with you on this important energy and environment issue.

Sincerely,



Glenn English
Chief Executive Officer

cc: The Honorable Ann Veneman
Secretary, U.S. Department of Agriculture

The Honorable James Connaughton
Chairman, White House Council on Environmental Quality