

FOR IMMEDIATE RELEASE THURSDAY, JUNE 25, 2009

CONTACT: Mike Owen or Teresa Galluzzo, (319) 338-0773, ipp@Lcom.net

Utility-Generated Spin Could Cost Consumers CBO, EPA Analysts: Lower Costs, More Benefits of Climate Policy

IOWA CITY, Iowa (June 25, 2009) — As Congress prepares to consider legislation Friday to cap greenhouse gas emissions and impose costs on pollution, Iowa Policy Project analysts warned some interests are distorting information on how the legislation affects consumers.

“Iowa electric customers deserve better treatment in this very important debate,” said David Osterberg, executive director of the nonpartisan Iowa Policy Project, which has not taken a position on the legislation itself. “One thing has not changed as legislation has evolved in Congress over the past several months: The worst thing we can do for energy consumers, particularly low-income consumers, is fail to move forward with effective climate policy.”

“Critics of the current proposals present a false choice between protecting the environment and protecting consumers. Rather, we need to recognize that while new climate policy moves us away from dependence on polluting forms of energy, we can do this in a way that assures low-income people don’t experience increased costs,” Osterberg said.

The American Clean Energy and Security Act, or ACES, is expected to come to a vote Friday or Saturday in the U.S. House of Representatives.

IPP Research Associate Teresa Galluzzo noted the Congressional Budget Office (CBO) last week estimated the cost in 2020 of the proposed cap-and-trade program would be \$22 billion, or about \$175 per household, in 2010 dollars.

“It’s also important to note CBO estimates that, because of relief provisions in the bill, the lowest-income households will actually see an increase in their annual income under this proposal, and that changes to the bill could benefit even more Iowans,” Galluzzo said.

The CBO analysis projected that — when considering provisions to target some proceeds from the sale of emissions permits to lower-income households — the lowest-income 20 percent of households would post an average net gain of \$40. The next quintile would see a net cost of the same amount, on average, while the middle quintile would see added costs of \$235. The next quintile would see about \$340 in additional costs, and the highest quintile, about \$245.

An analysis released by the Environmental Protection Agency on Tuesday took into account some of the energy-efficiency provisions of the ACES bill that were not included in the CBO study and found that average household costs were even lower, between \$80 and \$111 in 2030.

— m o r e —

“Neither of those estimates account for the benefits that would come from reducing the impacts of climate change, which good legislation may accomplish,” Galluzzo said. “We know those benefits are substantial, and we know they would make a big difference in the health and livelihoods of Iowans.”

Osterberg said recent comments in the media from utility executives are attempting to pit region against region, and making inaccurate conclusions about the consumer impact of proposed climate policy.

Iowa utilities actually are making better power generation decisions than some in other states, which makes the recent comments from utility executives frustrating, Osterberg said. He noted the Alliant decision to pull back from a coal-fired plant at Marshalltown, and the growth of wind power by MidAmerican that has helped to boost wind to 15 percent of Iowa’s share of electric generating capacity.

The Iowa Policy Project is a nonpartisan public policy research and analysis organization in Iowa City. IPP reports on energy and the environment, economic opportunity issues and budget and tax policy are available at www.IowaPolicyProject.org.

#