

ELECTRICITY
CONSUMERS
RESOURCE
COUNCIL



The West Tower
1333 H Street, N.W., 8th Floor
Washington, DC 20005
(202) 682-1390

John A. Anderson

President & Chief Executive Officer

October 15, 2007

The Honorable Rick Boucher
US House of Representatives
Washington, DC 20515

Dear Rep. Boucher:

ELCON, the national association of large industrial electricity users, vigorously applauds your recent comments, as reported in *Restructuring Today*, about ensuring that energy price increases attributable to greenhouse gas cap-and-trade legislation be “digestible.”

America’s manufacturing community is very aware of the threat posed by increased greenhouse gas emissions. ELCON’s members are active in a wide number of associations and coalitions seeking solutions to the increase in greenhouse gas emissions and the problems that these increased emissions can cause.

But too often we hear about proposals that either (1) limit the emissions of greenhouse gases to such an extent that energy prices generally, and electricity prices in particular, could only increase dramatically or (2) are based on assumptions regarding increased nuclear power and carbon capture and sequestration (often relying on integrated gasification combined cycle) that are politically questionable (in the case of increased nuclear power) or not yet technologically achievable (for CCS). The result of enacting such proposals without having adequate documentation as to their impact on energy prices could spell catastrophe for America’s manufacturers which have already borne the brunt of increased fuel costs.

From 1995-2005, America lost more than 3 million manufacturing jobs. Some of these – an aluminum plant in Maryland, a chemical plant in Delaware, and a steel plant in New Jersey – were directly due to increased electricity costs that rendered the facilities non-competitive in the global marketplace.

Yet respected energy analysts and many state and federal legislators continue to offer proposals to reduce greenhouse gas emissions seemingly without a thought as to their impact on energy prices and, by extension, on manufacturing jobs. Industrial electricity users foresee increased rates resulting from a number of factors:

- An analyst from EPRI, the respected research arm of the electric utility industry, suggested that current proposals on greenhouse gases could increase electricity costs from \$10 to \$25 per megawatt hour. Since current prices are \$10 or less in most regions, that translates into rate increases in the 100-250 percent range.
- Traditionally, the widely used Integrated Gasification Combined Cycle electric generating plant cost \$1,000 /kW of capacity. Yet a recent report by Moody's Investors Service stated that new nuclear plants, which had been estimated to cost \$3-4,000/kW of capacity, would now be more likely to cost \$5-6,000/kW. Nuclear power used to be labeled "too cheap to meter" – now it may be too expensive to use.
- Rate caps are coming off in several states and "legacy" contracts are expiring – so in many regions rates will be going up anyway.

Again, we appreciate your efforts, as reported, to keep energy price increases "in the single digits" as a percentage increase. Even that will certainly create hardships. Anything more will invite disaster.

Sincerely,

/s/ John Anderson