

CARBON REDUCTION POLICY

We need to get it right

LEARN MORE

www.nreca.org

The National Rural Electric Cooperatives Association has voiced strong concerns about the government's plan. Check out their web site for more information.

www.ourenergy.coop

Show your support for thoughtful solutions by engaging with your elected officials. Ask key questions about the process for finding, and funding, solutions that work for all Americans.

www.fairpowernow.com

By supporting the Partnership for Fair & Affordable Energy, you'll encourage elected officials to set achievable energy goals and assure fair and affordable power for everyone.

www.us-cap.org

The U.S. Climate Partnership, a coalition of environmental groups and large businesses, has a Blueprint for Legislative Action on climate change.

www.naruc.org

The National Association of Regulatory Utility Commissioners says that customers will benefit if no-cost allowances are given to local electric utilities.

SITUATION

We need to solve climate change. But the fix has to be fair, and work for all Americans.

Currently, the federal government is considering how best to reduce our collective carbon footprint - the amount of greenhouse gas emitted by industries, power plants, transportation and other sources. More than one proposed solution would cause power prices to inflate dramatically.

There is no question that a cleaner environment will cost money - and a cleaner environment is important - but there is more than one way to get there. Wabash Valley Power wants to ensure that the approach we take as a nation treats the members of our electric cooperatives fairly, especially in today's challenging economy. The best solution will be good policy that doesn't burden consumers and actually reduces carbon emissions sooner rather than later.

CARBON PENALITIES: HURTING THOSE ALREADY STRUGGLING

Everyone will benefit from a reduction in greenhouse gas emissions. But not everyone will pay equally under some plans proposed by Congress.

Under a cap and trade plan, electric utilities would have to buy allowances (the right to emit one ton of carbon) from the government, through an auction process. The pool of allowances would be reduced over time, so the price of allowances would be expected to increase as they become scarce. Of course, if new or different technologies emerge to displace the need for carbon-emitting fuels, the price of allowances would probably decrease.

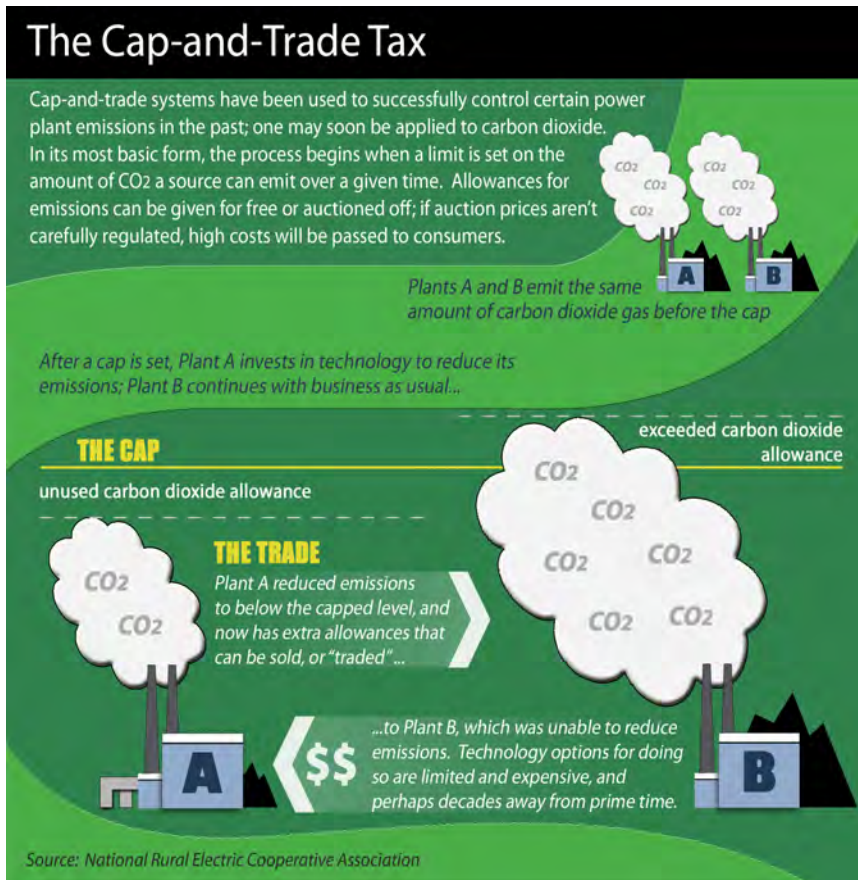
As a cooperative wholesale power producer, we have no choice but to increase the cost of power to the user to cover these allowances, or penalties. In fact, the penalties are being imposed for the very choices that have been approved under utility regulation for decades. We haven't done anything wrong, but are now paying the price for a new set of rules.

For example, if Wabash Valley Power had to purchase carbon allowances at \$20 per ton (a conservative estimate), a typical household using 1200 kilowatthours a month would see a \$24 increase in the monthly bill. Industry would see significant cost increases, too. This is one more economic hit - and more job losses - timed to occur while our economy is struggling to recover.

This approach is just plain bad economic policy. Instead, we need a program that provides a fair transition period for all states, including those that rely on coal.

THERE IS A BETTER WAY

Tackling climate change should be one of our highest priorities. At Wabash Valley Power, we know it won't be cheap or easy. We have been working hard to provide cleaner alternatives by investing in wind, landfill gas, and other cost-effective renewable resources, as they make financial sense. We are exploring new generation technologies and developing demand response programs as part of our strategy.



One solution to the cap and trade allowance auction would ease the financial burden on businesses, industries and individual consumers. By granting carbon emission allowances to local electric utilities at the program's outset, smaller local utilities like Wabash Valley Power would be protected from price gouging at auction.

As we reduce the carbon footprint of our generating resources through clean alternatives, we could sell back the allowances we don't need and return the benefit to our cooperatives' members. After all, if members must pay the cost of carbon penalties through their power bills, it's only fair that the benefits flow directly to them as well.

OUR GOAL MUST BE CLEAR: BUILD A BRIDGE TO A LOW-CARBON ECONOMY

Climate change legislation can't be considered a success if consumers can't afford to heat or cool their homes, or if businesses can't afford to keep the lights on and the machinery humming. Done right, it won't do further harm to our economy. Done wrong, customers will see their power bills spike, the program will ultimately fail, and we will be forced to go back to square one.

The world is watching to see how the U.S. handles the climate change issue. We hope these facts help you better understand and compare potential legislation, as decision-makers grapple with the details.

TAKE ACTION.

Visit FairPowerNow.org or text **FAIRPOWER** to **30364**.

