



SIERRA ELECTRIC COOPERATIVE, INC.

MEMBER NEWSLETTER June 2009

Eagles don't flock-----you have to find them one at a time.

H. Ross Perot

At our annual meeting, we talked about the probability of legislation to come about aimed at limiting the level of carbon emissions that come from industry's smoke stacks. Certainly, there is nothing wrong with helping to keep our environment clean and healthy but as we stressed then, we need to understand all of the ramifications of these actions.

On May 21, The House Energy and Commerce Committee, in Washington adopted a bill written by Henry Waxman, D-Calif., and Edward Markey, D-Mass aimed at adopting a cap-and-trade system for the electric industry to reduce carbon emissions. The bill would "set aside tradable permits to emit carbon that could end up in the hands of companies whose energy has little or no carbon content" according to the National Rural Electric Cooperative Association's newsletter. There is a formula in the bill that sets allowances for carbon emission to be based partially on the quantity of electricity sold and not on the amount of carbon that comes from the production of electricity.

The bill sets aside 35% of all emission allowances for the electric utility industry. Five percent goes to commercial power producers and holding companies, which own investor owned utilities, and the remaining allowances going to local distribution organizations based on a formula of 50% of annual carbon emissions and 50% due to electricity sales.

This would mean that organizations who sell large quantities of electricity could end up with the lion's share of these allowances that will be made available. Coops whose customer base, and energy use per customer, is typically much smaller than the investor owned utilities would receive a much small allocation of the tradable carbon allowance because of the 50% portion allocated to sales. Allocating allowances based on sales and not on carbon content would mean that the Cooperatives could be subsidizing the areas with high energy sales such as the large cities of the coastal areas such as Los Angeles and Boston. Also, because companies with high sales volumes could receive sufficient allowances that they end up with a surplus of allowances that could be placed on the open market for the smaller organizations such as Cooperatives to have to purchase, in order to meet mandated levels, at greatly inflated prices.

This practice is not fair or equitable to the smaller organizations and will tend to cause the price that we will have to pay for a carbon allowance to be higher than what others have to pay. We will have to keep vigilant on what happens. You should keep informed so you will know how the costs to your Cooperative, and to you, may be impacted. Sierra has included a card for you to complete, telling your elected officials that you want them to remember you and the cost of electric service when they vote on cap and trade or carbon allowance. You can return the card to Sierra Electric. Sierra has included a card for you to complete, asking your elected officials that you want them to remember you and your cost of electric service when they vote on cap and trade or carbon allowance. Please return the card to Sierra Electric, and we will forward it to Washington.