

**AARP**  
**Consumer Federation of America**  
**National Consumer Law Center, on behalf of its low-income clients**  
**Public Citizen**  
**Chesapeake Climate Action Network**

**Essential Consumer Protections:  
Critical Improvements to the House Climate Change Bill**

July 22, 2009

Dear Members of the Senate Environment and Public Works Committee:

We appreciate your leadership on protecting residential consumers in the drafting of climate change legislation. Reducing greenhouse gas emissions is an important challenge and an opportunity that will transform many aspects of everyday life for the average consumer.

President Obama proposed in February a climate plan that featured a 100% auction, thereby ensuring ample rebates to consumers and investments in clean energy technologies. But the American Clean Energy & Security Act that passed the House abandoned this equitable approach by giving 85% of the emission allowances away for free to utilities, oil refiners and manufacturers. These free allocations deny the government access to revenues to ensure that most consumers are held harmless, will result in windfall profits for many large polluters, and will delay our transition to cleaner energy technologies.

Our clear preference is to provide a greater percentage of allowances for auction with more of the revenues used for direct consumer relief. However, to the extent that the Committee builds on the House-passed bill, we ask you to establish a stronger system of consumer protection. Specifically:

- (1) Ensure residential electric and natural gas consumers directly receive the benefit of the electric and natural gas local distribution company (LDC) allowances provided to mitigate consumer cost impacts in the following manner:
  - The electric and natural gas local distribution companies (LDCs) must pass through the ratable share of the value of the emissions allowances to residential consumers to reduce the costs impacts on residential consumers. No more than 25% of the value of these allowances can be used for cost-effective, measurable and verifiable energy efficiency measures that include low-income ratepayers.

- Ratepayer benefits from the LDC emission allowances shall be distributed among ratepayer classes ratably based on revenues to each class.
- (2) Ensure consumer representation in the implementation of the climate change bill in the following manner:
- Establish an Office of Consumer Advocate within the federal agencies tasked with implementing the long-term climate change policy.
  - Facilitate consumer participation in federal and state utility commission proceedings through intervener fees funded through the emission allowances.
- (3) Ensure that fixed-income, seniors and working families are not left behind by dedicating more than 15% of emission allowances to distribute to a greater number of households.
- (4) Improve protections against windfall profits funded at the expense of consumers by reducing the amount and number of years over which allowances are given freely to corporations. Of particular concern are free allowances granted to merchant coal power plants charging market-based rates and generators with long-term power-supply contracts. Since these generators are not exposed to international competitiveness problems, it is unclear as to why they require free allowances. Clearly, the House bill fails to provide adequate protections for consumers against windfall profits by these generators.

We look forward to working with your offices to develop climate change legislation that provides meaningful mitigation of utility cost increases for all consumers, especially those on fixed-incomes, seniors and the working poor.

Sincerely,

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