

# Electric Co-ops Influence Final Energy Bill by Putting Consumers First

**Energy soothsayers** and even President Bush told us that the newly enacted energy bill wouldn't bring quick relief at the gas pump, but the chief spokesman for the nation's consumer-owned electric cooperatives says there are benefits in the new law for co-ops and their member-owners.

"Cooperatives emerged in a great position after years of struggle developing this national energy policy," observed Glenn English, CEO of the National Rural Electric Cooperative Association. "We will be much better able to handle the energy challenges that come up as this century unfolds."

The new law recognizes and preserves the historic role of co-ops in their communities, English said, and it also positions co-ops to take on more responsibility in an America searching for cleaner coal technologies, renewable energy sources and an expanded, more reliable power grid.

English said the Energy Policy Act of 2005 is futuristic, designed to jump-start innovation with \$12.3 billion in incentives over 10 years.

Nevertheless, state and local co-op leaders, as well as national policy analysts, are focused on the here-and-now, English said. The law is a massive work of 1,724 pages that weighs about five pounds. "Legislation is painted with a broad brush,"

English said. "Always, the next task is to make sure the regulations are consistent with the intent of the law and the cooperative principles we fought for."

The 2005 Energy Policy Act came from at least nine years of struggle by co-op directors, staff and member-consumers from all over the country. The effort was not far removed from the conflicts of 1930s that wrested the Rural Electrification Act from the opposing forces of investor-owned power companies and conglomerates that exercised tremendous influence in the halls of Congress.

English said the most recent fight began in 1996, with congressional hearings

on legislation targeted at making electricity just another bulk commodity that could be bought and sold like soybeans or corn and repackaged with costly retail markups to ordinary consumers.

At the same time, he said, many lawmakers dismissed co-ops as "dinosaurs" – a throw-back to the Roosevelt era, unable to keep pace with the emerging modern energy markets.

"It was clear that cooperatives were in a struggle that could have caused significant difficulties, even our own survival," English said.

Year after year while the clash rattled on, various events began unmasking the weaknesses of the new energy climate. First, came escalating prices of electricity in some states despite the notion that prices would tumble as a result of early moves to deregulate the electric industry, English recalled.

That was followed by market-caused rolling blackouts in California and the Northwest in the summer of 2000, exposing millions to misery. The unraveling of the giant energy multinational Enron Corp. in 2001 exposed the greed of unchecked marketeering, potential harm to consumers and real financial injury to employees and shareholders.

Lawmakers, still trying to forge an energy policy, shifted their support from market-based deregulation to providing investor-owned power companies with ways to invest in transmission and independent or nonutility generation while shifting costs onto consumers.

Then the massive 2003 blackout in the East and Midwest demonstrated the vulnerability of the grid.

"Through all of this, co-ops remained unified and focused. We stuck to our core business and the co-op values prevailed," English said, adding that co-ops concentrated their strengths at grassroots levels to explain to policymakers the consumer-focused mission of electric co-ops and how co-ops differed fundamentally from others in the electricity sector.

The breakthrough for co-ops occurred after their annual legislative conference in spring 2003. More than 2,000 co-op leaders, incensed by legislation that had already passed the House, appealed directly to lawmakers explaining how proposed legislation before the Senate Energy and Natural Resources Committee could hurt their consumer-owners.

"Our state co-op associations and individual co-op members mastered the issues and went straight to the lawmakers. It was so much more effective to have a gasoline station owner, or a teacher, or an

by George Stuteville



The Energy Policy Act of 2005 provides tax incentives for homeowners to improve their home's energy efficiency.

insurance agent from a co-op board talk knowledgeably about electricity to the lawmakers. And they did so from the standpoint of American consumers,” English said.

As a result, Sen. Pete Domenici, R-N.M., chairman of the committee, amended the electricity portion of his original Senate bill. NRECA gave unqualified support for the Domenici version. That effort ended because of a serious divide between the House and Senate over political and regional differences.

A renewed effort in 2004 ground to a halt with the elections, but the hurricanes that demolished Florida and much of the Southeast gave legislators a lesson in the competence and resilience of co-ops, according to English.

“The response to these disasters throughout our cooperative family only added to our credibility. It showed what we knew all along – that we already built and paid for almost 50 percent of the power lines in this country, that we represented 37 million Americans and that we could always get the job done,” he said.

For co-ops, much of the significance in the law centers on what is not in it.

“Through the entire legislative process, we adjusted our legislative tactics to stop provisions that would harm electric cooperatives and their consumers,” English said.

For example, federal mandates, which locally owned co-ops generally oppose, have not been written into the standards ordering electricity generators to adhere to a “one-size-fits-all” policy on renewable fuels. Also deleted from the law were the once popular, unregulated “anything goes” price incentives for building new transmission lines eagerly sought by the big power companies, English said.

The law, however, includes provisions co-ops fought for on behalf of their consumers.

One of the most important gains, English said, is a provision for Clean Renewable Energy Bonds that gives co-ops comparable standing with private developers and investor-owned utilities in obtaining economical financing for qualified renewable energy projects. It strengthens co-ops’ investment opportunities in power generation from wind, hydropower, sun and biomass, such as landfill methane, animal waste and ethanol.

Bottom line, said English, is a new broad policy that encourages energy diversity, technology development, energy efficiency and electricity reliability.

“What we have done here is a tribute to the legacy of cooperative electrification. We have come out stronger,” English said. “We’ve not only defended the mission but we’ve achieved recognition of our responsibilities and accomplishments. I can say that co-ops and the consumers they serve have every reason to be proud.”

*George Stuteville is senior writer for **Electric Co-op Today**, a weekly trade newspaper.*



## Energy Efficiency in the Energy Policy Act of 2005 – A Sampler

**Most provisions become effective** 120 days after Aug. 8, when the new law was signed, meaning they will take effect in early February. Regulations spelling out specifics in the law are currently being written.

### In Your Home

- Consumers can receive a credit of up to 30 percent of the cost – up to \$2,000 – for installing solar-powered hot-water systems used exclusively for purposes other than heating swimming pools and hot tubs.
- Consumers can receive tax credits up to \$500 to upgrade thermostats, to caulk leaks or to stop energy waste.
  - Consumers can receive up to \$200 credit for installation of new exterior windows; a \$300 credit for purchases of a highly efficient central air conditioner, heat pump or water heater and a \$150 credit for installation of a highly efficient furnace or boiler.
  - Contractors who build energy-efficient homes and manufacturers who make energy-efficient appliances are eligible for credits.
  - In 2007, the start of daylight-saving time moves from the first Sunday in April to the second Sunday in March and is extended by one week to the first Sunday in November.

### For Your Vehicle

- In 2006, purchasers of hybrid-cars or “lean-burn” technology vehicles will be eligible for tax credits ranging from \$1,700 to \$3,400.
- Vehicles powered by fuel cells are eligible for a range of credits.
- Taxpayers can claim a 30 percent credit for the cost of installing clean-fuel vehicle refueling property to be used in a trade or business of the taxpayer or installed at the principal residence of the taxpayer. Clean fuels include any fuel at least 85 percent of the volume of which consists of ethanol, natural gas, compressed natural gas, liquefied natural gas, and hydrogen and any mixture of diesel fuel and biodiesel containing at least 20 percent biodiesel.
  - Requirement for refiners to use 7.5 billion gallons of ethanol annually by 2012, doubling current production.

### For Energy Industries

- A \$1.8 billion program to promote clean coal research and development.
  - Expands the Strategic Petroleum Reserve by 300 million barrels to 1 billion barrels.
  - Gives Federal Energy Regulatory Commission, not the states, exclusive authority to approve liquefied natural gas import terminals.