

Congress of the United States

House of Representatives

Washington, DC 20515

May 18, 2009

The Honorable Henry Waxman
Chairman
Energy and Commerce Committee
2125 Rayburn Building
Washington, DC 20515

The Honorable Joe Barton
Ranking Member
Energy and Commerce Committee
2322-A Rayburn Building
Washington, DC 20515

Dear Chairman Waxman and Ranking Member Barton:

We are writing because we are concerned about the negative impact of the proposed American Clean Energy and Security Act (ACESA) on the fragile economy of our home state of Alabama and our nation.

While measures to promote and encourage clean and efficient electric energy should be included in any energy legislation, the current version of the Energy Efficiency Resource Standard (EERS) would require that electric and natural gas utilities undertake programs to substantially increase their use of renewable energy by 10-15% by 2020. These standards would stifle any attempt at reviving our economy and getting back on the path to economic growth, making it nearly impossible for new industries to move into the U.S.

The Renewable Electricity Standard (RES) included in this bill would impose a requirement that power companies obtain a certain percentage of the electricity they sell from what the bill defines as “renewable” sources. Significantly, the RES doesn’t include hydroelectric power, the renewable resource that is most abundant and reliable in the Southeast, or nuclear power in its definition of “renewables.” Despite the Energy Information Administration of the U.S. Department of Energy ranking Alabama sixth in the U.S. and first in the southeast in renewable energy generation, our state will not meet proposed federal standards. Unfortunately, the Southeast is not blessed with what the bill does define as renewables – wind, solar, geothermal, and limited biomass – in large or economical quantities.

The proposed RES mandate would unfairly penalize southern states, like Alabama, simply because of our geography. While other states have the ability to make electricity from wind and solar power, Alabama lacks the natural resources to meet these mandates due to cloud coverage and little wind. Although Alabama does have substantial biomass resources, in order to fully meet the proposed federally mandated RES using biomass, as much as 35% of our state’s commercial pine forest land would be required. This could cause the prices of wood and paper to rise enormously similar to how the price of corn rose when it was converted from a food crop to an ethanol crop.

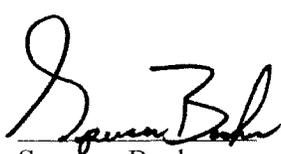
States like Alabama that do not meet the RES requirement will be forced to purchase renewable fuel credits, the cost of which will inevitably be passed along to the consumer in the

form of higher utility rates. For the 1.4 million customers of Alabama Power Company the cost of the proposed RES to customers would be roughly \$300 million annually by 2020. Cost increases associated with an RES will pose special challenges for low- and moderate-income households as these consumers tend to spend a larger share of their budgets on energy related products and services. This is simply unfair.

Last, but not least, the citizens of Alabama and our nation would be faced with large increases in energy prices due to the carbon cap and trade provisions of the ACESA. This bill will require near-term greenhouse gas reductions of 17% by 2020, growing to over 40% by 2030. It is widely accepted that electric utilities do not currently have the technology to meet these targets, and, until those technologies are available, the impact on our citizens will be large increases in electricity, natural gas, and petroleum prices. Studies of the similar Lieberman-Warner legislation considered in the Senate last year predicted electricity and natural gas rate increases of over 25% by 2020, with even higher gasoline price increases. Coming along with these energy price increases are millions of predicted job losses, even when so-called “green jobs” are taken into account, and losses in GDP and other indicators of economic health. Importantly, many of the job losses are predicted in the already hard-hit manufacturing sector as more of our nation’s manufacturing employment base moves to countries that refuse to adopt greenhouse gas emissions caps.

The ultimate goal of this legislation should be to continue to improve air quality, lower carbon emissions in the atmosphere and encourage the generation of clean, economical and dependable electric energy. Why not include all clean electricity generation technologies in the equation -- solar, wind, hydro, biomass, landfill methane, nuclear, coal with carbon capture and sequestration, and geothermal among others -- and let the marketplace determine the most affordable technology? Unfortunately, this legislation as currently written proposes only limited clean energy technologies and sets targets and timetables that are simply unattainable without further damaging the U.S. economy. Please consider the potential consequences for the state of Alabama before moving forward on this legislation.

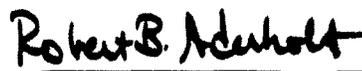
Sincerely,



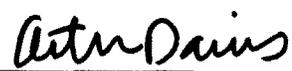
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