

To: Chairman Jerry Schnoor
From: Cathy Woollums (Investor Owned Utilities), Roxanne Carisch (Rural Electric Cooperatives), and Julie Smith (Municipal Utilities)
Re: Barriers to Consensus with the Final Report
Date: December 3, 2008

The electric utilities of Iowa have followed the developments of the Iowa Climate Change Advisory Council with great interest. Several representatives of Iowa electric utilities participated in Iowa Climate Change Advisory Council proceedings and appreciated the opportunity to serve and voice our thoughts concerning the process, analysis and feasibility of the policies developed under the facilitation of the Center for Climate Strategies (CCS). Our goal in this discussion has been, and continues to be, to provide guidance on what is technically feasible and the associated costs to implement policies. We support, and are ready to implement, global climate change policies that are technically possible and do not result in significant financial impacts on customers, especially on low-income customers.

Iowa electric utilities can not stand behind the quantification of emissions reductions or policy costs put forth by CCS in the final report. In many instances “placeholder” figures became the final figures without being thoroughly vetted. The quantification work by CCS has not been peer reviewed or subjected to more rigorous economic scrutiny such as the independent review undertaken of the economic analysis by the California Air Resources Board in its assessment of the impacts of California’s greenhouse gas reduction options.¹ There has been no analysis of transition or short-term costs associated with making the significant investments necessary to achieve the policy options, nor has there been any analysis of potential impacts on Iowa’s competitiveness through the implementation of any of these policies. Furthermore, the presentation of “*net present value*” or “*cost per ton*” does not communicate to Iowans what the impact of the policies on their monthly household energy costs, price at the gas pump, or cost of doing business or manufacturing goods will be. Such information is fundamental to making good policy and business decisions for Iowans.

The process and analysis utilized by CCS failed to adequately address feasibility. While numerous policy options in the final report indicate a sizeable cost savings, consumers and businesses are not presently implementing them. This suggests that there are likely market and technology barriers to achieving the intended results of the policy. Without an in-depth discussion of the market and technology barriers facing many of the policies, policy makers can not develop adequate strategies to address them, nor can the costs of implementing the policies be reasonably calculated.

¹ See, http://www.arb.ca.gov/cc/scopingplan/economics-sp/peer_review_comments_arb_responses.pdf. Notably, the independent expert review, by six economists commissioned by the State of California, suggested that the models were flawed and that the costs of implementing California’s climate change plan were underestimated and the benefits were overstated.

In summary, Iowa electric utilities believe that the final report authored by CCS for the Iowa Climate Change Advisory Council does not achieve the objectives of identifying which emissions reductions policies are feasible and clearly communicating the cost of the policies to Iowans. Attachment A includes a specific listing of barriers to consensus for individual policy options for inclusion in the final report of the ICCAC. We will continue to seek opportunities to help develop a climate policy where feasibility and costs are properly considered. We welcome the opportunity to discuss our thoughts in more detail, appreciate your consideration of our comments, and look forward to continued participation in future stakeholder discussions. In that regard, Attachment B is a copy of the joint utility position on climate change policy, which we released last year to the Iowa legislature.

Note from Marnie: The comments on specific pages of the draft final report submitted by Woollums/Smith/Carisch have been cut and pasted into the Word documents summarizing all comments received.

Global Climate Change Position Statement

by

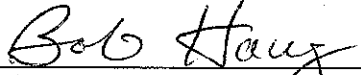
Iowa's Electric and Natural Gas Utility Providers

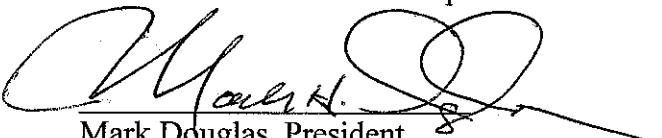
Iowa's electricity and natural gas utilities, including investor-owned utilities, municipal utilities and rural electric cooperatives have provided safe, reliable and reasonably-priced energy to Iowans for more than a century. The issue of climate change presents significant challenges and opportunities for our customers and utilities, the magnitude of which has not been seen since we began providing energy to Iowans. The expertise to evaluate mankind's current and future impact on the global climate is not readily available at our utilities today. However, we must be an integral part of the policy dialogue on this issue since we proudly accept responsibility for providing the energy that drives Iowa's economy and our customers depend on every day. We are committed to working with policy-makers to address this issue, and believe the following points should be considered:

- Climate change policies should be at the national level, be economy wide, applying to all industry sectors and covering all greenhouse gases; they must recognize the many differences in energy providers, including: size; geographic location; customer profiles; generation mix; and, governance structure. Laws and regulations flowing from climate change policies must provide adequate flexibility so that utilities can develop solutions that are in their customers' best interests. A "one size fits all" approach would surely be counter-productive for many energy providers.
- We support the development of policy that addresses global climate change and we are all involved with efforts to develop policy that ensures reasonably priced energy for customers. The impact of bad decisions will be reflected in higher energy prices, not only negatively affecting Iowa business and industry, but with serious impacts on the poor, elderly and those on fixed incomes.
- In the short-term, we are continuing to invest in renewable generation sources and energy efficiency programs for customers to help meet new demand for electricity, while addressing environmental concerns. However, at this time, no cost-effective, commercial-scale technology is available to reduce greenhouse gas emissions from existing generation sources used to meet historical energy demand.
- To achieve the significant carbon emissions reductions by 2050 that policymakers desire, we need the vision and commitment Congress demonstrated with the Apollo program in 1961. In the next 10 years, a significant public and private investment must be made in research and development to create and field-test technologies that are commercially viable and that will accomplish carbon reductions. The technology then will be implemented over the following years so the desired reductions in carbon emissions can be realized by 2050.

- Technology investment should then be followed by a program to reduce carbon dioxide emissions. If carbon-reduction requirements are implemented prematurely, or in the specific case of a cap-and-trade program, if emissions reductions targets and timelines are out of synch with technology availability, then we will see increases in energy prices without accomplishing the policy's intended objective of reducing emissions. Near-term GHG reductions must assure compliance timelines consistent with the development and deployment of needed technology solutions and allow for cost recovery from utility customers. Without sufficient technology development, a carbon-reduction policy becomes nothing more than a tax on emissions, while allowing the same emission levels to exist.
- Such policies should employ market-mechanisms to secure cost-effective GHG reductions:
 - provide full credit for early reductions;
 - acknowledge use of a broad range of offsets; and,
 - include an economic safety valve provision for customers.
- Regional initiatives should focus on understanding the geographic differences in the potential to cost-effectively reduce greenhouse gas emissions. Such programs, if enacted, must be designed to align with the above principles in order to collect information that supports the development of national climate change policy.
- We believe this approach is the lowest-cost model capable of delivering the targeted carbon emissions reductions that have been adopted or discussed by lawmakers in Congress and in many states.
- Finally, we must keep in mind that this is a global issue, which requires global solutions. Iowa should not move forward with aggressive policies in isolation from other states or the federal government. To do so would have little or no impact on the global climate and could be very harmful to Iowa's economy.


Brian Kading, Executive Vice President and General Manager
Iowa Association of Electric Cooperatives


Bob Haug, Executive Director
Iowa Association of Municipal Utilities


Mark Douglas, President
Iowa Utility Association

About the Iowa Association of Electric Cooperatives

The Iowa Association of Electric Cooperatives, www.iowarec.org, is the Des Moines-based statewide association, representing 37 distribution cooperatives in Iowa and six generation and transmission cooperatives. Phone: 515-276-5350.

About the Iowa Association of Municipal Utilities

The Iowa Association of Municipal Utilities, www.iamu.org, is a nonprofit organization whose members include 136 municipal electric and 49 municipal natural gas utilities. Phone: 515-289-1999.

About the Iowa Utility Association

The Iowa Utility Association, www.iowautility.org, is the state organization of investor-owned electric and natural gas companies with energy facilities in Iowa. Phone 515-282-2115.

TO: Chairman Jerry Schnoor and Marnie Stein

FROM: Nile Lanning (IBEW)

RE: Comments and barriers to consensus

DATE: December 3, 2008

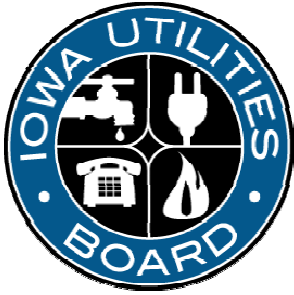
I have requested input from other labor groups about their concerns with the Final Report. This will take more time than we have allowed in this process. There probably should have been more labor groups represented on this committee in the original legislation, in order to have a broader perspective.

I also contacted the representatives from Iowa's electric utilities and received copies of their proposed submissions to the council.

I, as an individual member of the ICCAC, support the documents that will be submitted by Cathy Woolums, Roxanne Carisch and Julie Smith.

All citizens need to recognize we must pollute less. The transition will require lots of innovation, determination, money and most of all time. We did not arrive here in 50 years and we will likely not remove the last 50 years easily.

We will need to move forward with due diligence on many fronts; environmental, economical, societal, political and internationally to name just a few.



CHESTER J. CULVER, GOVERNOR
PATTY JUDGE, LT. GOVERNOR

JOHN R. NORRIS, CHAIRMAN
KRISTA K. TANNER, BOARD MEMBER
DARRELL HANSON, BOARD MEMBER

TO: ICCAC
FROM: Krista Tanner, Amy Christensen, John Pearce, Gordon Dunn, Joe Keefer
DATE: December 3, 2008
RE: Iowa Utilities Board comments on the Draft ICCAC Final Report

IUB COMMENTS ON PROCESS:

The IUB notes that CCS posted the draft final report on the website after normal business hours on Wednesday, November 26, the day before Thanksgiving, and comments from the ICCAC are due Wednesday, December 3, 2008. Therefore, although it is possible the IUB would have had additional comments had more time for review been provided, we are offering these suggestions regarding the draft final report. In addition, at the last ICCAC meeting, a schedule was provided to the ICCAC showing the ICCAC would have another chance to review the draft final report after the December 10 telephone meeting. The IUB notes that this opportunity is not listed on the website. The IUB would appreciate having another opportunity to review the draft final report after the December 10 meeting and after CCS has incorporated the ICCAC's comments, but before the final report is sent to the Governor and Legislature.

IUB COMMENTS ON SUBSTANCE OF FINAL REPORT:

General comments:

1. The IUB would be more comfortable calling the options policy "options" as opposed to policy "recommendations." The IUB believes the ICCAC has approved the policy options as options for the reduction of GHG emissions to be forwarded to the Governor and Legislature for their consideration. It was clear throughout the ICCAC process that ICCAC members believed some policy options were more attractive than others, however, there was not time to rank or weigh the policy options. Likewise, the ICCAC did not create sets of options to meet the various target scenarios as originally envisioned. Therefore, the IUB requests that CCS change all references to policy "recommendations" in the report to policy "options," and where appropriate, to state that they are "policy options to be forwarded to the Governor and Legislature for their consideration." This method clarifies that the ICCAC expects the Legislature to pick and choose from among the forwarded options rather than adopt all recommendations.

2. The IUB is not comfortable stating that the ICCAC prepared the Emissions Inventory and Projections (EI) or the Final Report. Rather, the report should state that CCS prepared the EI and the Final Report for the ICCAC's consideration. The IUB also notes that CCS states in several places that the ICCAC approved the EI. (See pages ES-3 and D-1.) That is not correct. At the meeting on November 10, 2008, the ICCAC voted to receive and file the EI and will forward the

EI to the Governor and Legislature for their consideration. Therefore, the IUB requests that CCS change these references in all places in the report.

Similarly, the IUB suggests that at the December 10 meeting, the ICCAC vote to receive and file the final report and forward it to the Governor and Legislature for their consideration, rather than "approve" the report. The report should reflect that this was the action taken by the ICCAC whenever the ICCAC's action is mentioned in the report.

3. Throughout the report, CCS refers to numerical estimates of GHG emissions, GHG emissions reductions, and various cost estimates. In each such reference, the report should state that the estimates are CCS's estimates, not the ICCAC's. While the IUB acknowledges that members of the ICCAC provided some Iowa-specific data, the estimates are still CCS's. The ICCAC and subcommittee members did not have the resources necessary to analyze the numbers provided by CCS to any meaningful degree. Therefore, the estimates are CCS's and the report should state this in each place where the estimates are referred to and at the top of each table in the report.

4 In addition, the IUB is concerned that CCS provided preliminary GHG emission reduction estimates and preliminary cost estimates, and then ran out of money so further analysis could not be done. Therefore, on page ES-2, at the end of the Background section of the Executive Summary and immediately before the Key Recommendations section, the IUB suggests that the following paragraph be inserted:

"The State of Iowa did not pay for the services of CCS. Instead, funding was provided by a number of organizations, including those named on the Acknowledgments page of this report. After CCS performed its initial quantification and provided its preliminary estimates of GHG emissions reductions and costs of the options to the subcommittees and the ICCAC, CCS told the ICCAC that it had run out of funds and additional quantification could not be done, except with respect to one scenario in policy option EEC-1. Therefore, all numbers in this report should be regarded as initial estimates."

5. The IUB has concerns regarding the summaries of the policy options in Chapters 3 – 7. The summaries appear to be CCS's work and opinions and not the ICCAC's or the subcommittees'. CCS is providing its interpretation of some of the options. The IUB does not know where some of these opinions or interpretations came from, and has not previously seen them. In addition, the IUB is concerned that by mentioning some options and not others in the summaries, CCS is giving weight to some options over others. This is particularly troubling in light of the fact that the ICACC did not have an opportunity to rank or weigh policy options and therefore had no input on the weighing of the options. Finally, the IUB is concerned that the chapter summaries' inclusion of data from the EI elevates the data to findings of fact by the ICCAC. That is, the inclusion of EI data suggest that that ICCAC approved the EI report when, in fact, the ICCAC only voted to receive and forward the report.

Note from Marnie: IUB's comments on specific pages of the draft final report have been cut and pasted into the Word documents summarizing all comments received.