



Industrial Energy Consumers of America
The Voice of the Industrial Energy Consumers

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February 18, 2009

Members of the U.S. House of Representatives and the U.S. Senate

H.R.1 the American Recovery and Reinvestment Act of 2009 – Major Policy Shift Could have Removed Market Incentive to Conserve Energy, While Protecting the Profits of Utility Companies

The Industrial Energy Consumers of America (IECA) is very troubled by a provision in H.R. 1, Section 410, "Additional State Energy Grants" that if the conferees had adopted the House or Senate versions, could have deprived manufacturers of financial incentives to invest in their own energy efficiency measures.

These provisions would effectively have encouraged states to change the long-standing practice on how states establish prices consumers pay for electricity and natural gas and how utilities recoup investment costs and receive payment for energy provided.

At its heart, the provisions aimed to "decouple," – that is, to separate the natural relationship between the volume of electricity and natural gas that a customer purchases and the price they pay for that energy supply. The net effect being, that if a consumer reduces consumption of electricity or natural gas their bill will not go down, because the price per unit purchased will go up. The windfall beneficiary of this policy change is the monopoly utility company.

Fortunately, the outcry from state regulators, consumer groups and IECA apparently convinced the conferees to modify the final language to include the principle that any policy revisions sought from the language be done in a way "that sustains or enhances utility customers' incentives to use energy more efficiently." The ability of manufacturers to invest in energy efficiency and conservation measures – paid for with savings from lower utility bills – is among the most efficient energy policy the United States can promote.

We do not think this is the end of the decoupling issue and suspect it will likely be an issue in upcoming energy and climate change legislation. For the manufacturing sector, decoupling electricity and natural gas volume from the price we pay is a direct disincentive for new investment in energy efficiency projects that improve competitiveness, maintain jobs and reduce greenhouse gas emissions. We urge Congress to avoid any such dramatic change of energy policy that was up to now considered reserved to the states, as it would have counterproductive consequences throughout the entire U.S. economy. IECA will work to ensure the principle long established in state laws that if consumers conserve energy or use it more efficiently, then their bills will reflect commensurate savings.

Sincerely,

Paul N. Cicio
President

The Industrial Energy Consumers of America is an association of leading manufacturing companies with \$500 billion in annual sales and with more than 850,000 employees nationwide. It is an organization created to promote the interests of manufacturing companies for which the availability, use and cost of energy, power or feedstock play a significant role in their ability to compete in domestic and world markets.