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

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July 22, 2015

The Honorable Ed Whitfield
Chairman
Subcommittee on Energy and Power
U.S. House of Representatives
Washington, DC 20515

The Honorable Bobby Rush
Ranking Member
Subcommittee on Energy and Power
U.S. House of Representatives
Washington, DC 20515

Re: H.R.____: Title I, Modernizing and Protecting Infrastructure

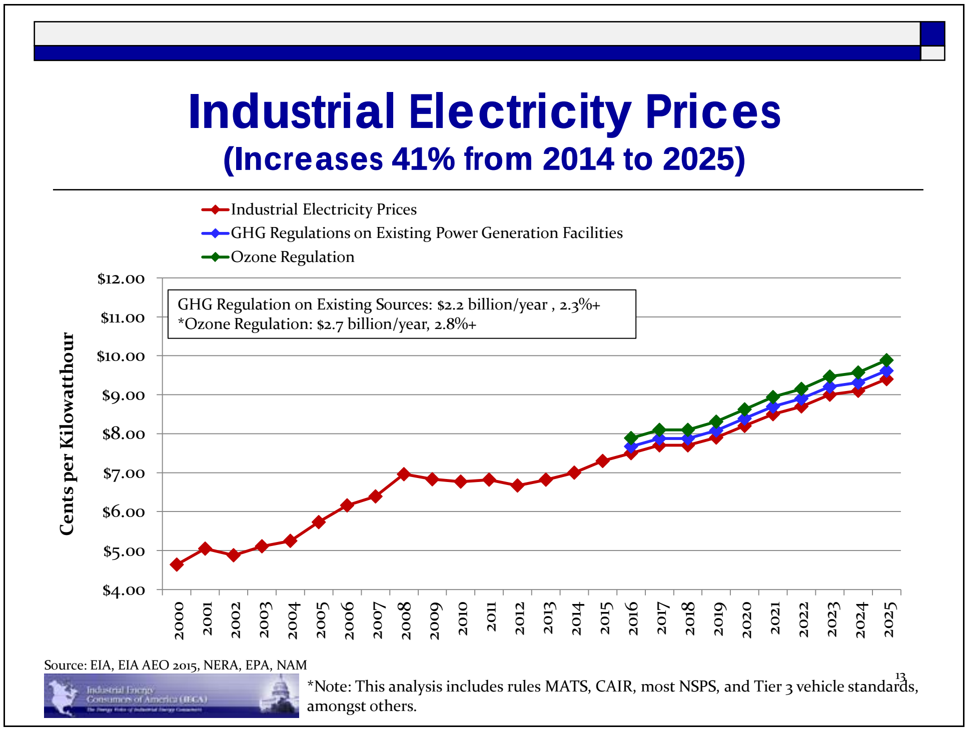
Dear Chairman Whitfield and Ranking Member Rush:

The Industrial Energy Consumers of America (IECA) encourages the House Subcommittee on Energy and Power to exclude (6) Cost Recovery of Section 215A, Critical Electric Infrastructure Security and (C) Cost Recovery of Section 1107, State Coverage and Consideration of PURPA Standards for Electric Utilities. This is a federal mandate that is duplicative and unnecessary, and would open the door to cost recovery abuse and increases in electric rates. The provision attempts to solve a problem that does not exist. Congress should not give FERC new authority for cost recovery. States have full and sufficient authority and decision making to determine whether costs are prudent and just and reasonable for cost recovery. To our knowledge, no state regulatory authority has requested this provision.

IECA is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales, over 2,900 facilities nationwide, and with more than 1.4 million employees worldwide. IECA membership represents a diverse set of industries including: chemical, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, brewing, independent oil refining, and cement.

This provision is very troublesome. Electric rates are rising rapidly across the country as illustrated in Figure 1. The provision avoids state scrutiny, yet the state consumer is still going to pay for the higher costs. FERC is not a substitution for state public service commission oversight.

FIGURE 1



IECA opposes this provision because it provides for a new and separate cost recovery mechanism. The fundamental underlying issues of 'cost-causation' and the beneficiary-pays principle are ignored. The language of Section 215 would allow costs incurred to serve retail customers to be recovered from wholesale and transmission customers. That is, if a state-regulated investor-owned utility (IOU) cannot recover the costs in retail "regulated rates or market prices," it can recover costs under a FERC rate. Cost shifting and cross-subsidization would be allowed, even required.

We look forward to working with the Subcommittee to resolve this important issue.

Sincerely,

Paul N. Cicio
President

cc: House Committee on Energy and Commerce

The Industrial Energy Consumers of America is a nonpartisan association of leading manufacturing companies with $1.0 trillion in annual sales, over 2,900 facilities nationwide, and with more than 1.4 million employees worldwide. It is an organization created to promote the interests of manufacturing companies through advocacy and collaboration 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. IECA membership represents a diverse set of industries including: chemical, plastics, steel, iron ore, aluminum, paper, food processing, fertilizer, insulation, glass, industrial gases, pharmaceutical, building products, brewing, independent oil refining, and cement.