

# RURAL AMERICA SOLUTIONS GROUP



Co-Chairs: Rep. Frank Lucas (R-OK) Rep. Sam Graves (R-MO) Rep. Doc Hastings (R-WA)

June 18, 2009

**TO: House Republican Colleagues**

**FROM: Rep. Frank Lucas (R-OK)  
Rep. Doc Hastings (R-WA)  
Rep. Sam Graves (R-MO)  
*Co-Chairs, Rural America Solutions Group***

**RE: Waxman-Markey Impact on Your District & State**

As you know, Speaker Pelosi (D – San Francisco) and Chairman Waxman (D – Hollywood) plan to rush their Cap and Trade legislation to the floor next week. As such, we wanted to bring to your attention new data that demonstrates the regional inequities of this very flawed legislation. **In a nutshell, this information shows that Waxman-Markey is nothing more than a huge National Energy Tax that will transfer wealth from rural communities to the West Coast and Northeast.**

Under H.R. 2454, the Democrat’s National Energy Tax, emission “allowances” are allocated to electricity providers based on a formula that takes into account both the total amount of electricity generated and the amount of CO2 emissions. The end result of this is that utilities that are more dependent on coal to generate electricity receive significantly fewer allowances than providers with more hydro or nuclear generation. For many congressional districts/states, this means that only 60% or less of emissions will be covered and utilities will have to purchase CO2 offsets or more allowances to cover the other 40% of their emissions. The cost to purchase offsets will simply be passed along to families, farmers, small businesses and other ratepayers on their monthly electric bill.

Two documents are attached. The first is a [map](#) that *conservatively* estimates the first-year impact of Waxman-Markey on the electricity rates of all 50 states (source: [National Mining Association](#), using CBO and EIA data). As you will see, ratepayers in Texas will see their electric bill increase by \$1.16 billion in 2012. For Ohio it is \$642 million, Missouri \$428 million and for North Dakota it is \$257 million. And this is only electricity rates and does not begin to account for the cost of gas and diesel, farm inputs, manufactured goods and food – all of which will increase in price dramatically as a result of the Democrat’s National Energy Tax. Also worth noting is that California – the home state of Speaker Pelosi and Rep. Waxman – is a net-winner under their allocation formula.

The second document is a spreadsheet that breaks out the impact by congressional district and state on the ratepayers of rural electric co-ops. It is important to note that this is only for rural

electric co-ops (REC's) and does not include investor owned utilities and public utilities. So, with this data you can explain what the rate increase will be for REC customers but not your entire district/state. Regardless, it is very illustrative and will help you detail to your constituents what this legislation will mean to rural America – and, again, this is only the impact on electricity rates of your rural co-ops and does not factor in all of the other ways this legislation will devastate rural America. Another interesting note is that the authors of this legislation – Speaker Pelosi and Reps. Waxman and Markey – do NOT have a single rural co-op in their district.

Using IL-12 as an example, you will see that the 8 REC's in the district have annual emissions of 1.09 million metric tons of CO2 and will be awarded offsets for 602,000 tons, or only 55% of total emissions. This means the REC's will have to buy offsets or additional allowances for the other 490,000 tons of emissions. At \$15 per ton, a conservative estimate on what the price of carbon will be in the early years of the bill, this will cost rural ratepayers of the 8 co-ops in IL-12 \$7.36 million in the first year. This can be considered a conservative estimate because the estimates of the price of CO2 have ranged from \$5/ton to \$50/ton and higher. Here's the formula for determining what the impact will be on your rural co-op customers:

$$\text{CO2 Emissions} - \text{Allowances} \times \$15/\text{ton} = \text{RURAL ELECTRIC RATE HIKE}$$

The data in the spreadsheet is from the [National Rural Electric Cooperative Association](#) (NRECA). Former Democrat Congressman Glenn English, currently the CEO of NRECA, testified before the House Agriculture Committee last week – his [prepared testimony](#) provides more information and background on the regional inequities created by the allowance allocation in HR 2454. The Capitol Hill newspaper *The Hill* also explained the situation in a June 10<sup>th</sup> [story](#).

For more information, please call (202) 225-0184.

