



Partnership Update

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Ninety-five percent of the electricity consumed in Indiana comes from coal, which means Hoosier consumers have enjoyed some of the lowest rates in the nation. In tough economic times like these, affordable electricity is something we can't do without. Yet a bill that has made its way through the U.S. House of Representatives threatens to rob our consumers of that very necessity. On June 26, the U.S. House of Representatives approved H.R. 2454, the American Clean Energy and Security Act 2009 (ACES), otherwise known as the Waxman-Markey cap and trade bill. The measure passed by a marginal vote of 219-212, indicating how diverse views are on this issue. While improvements were made to the bill before it passed the House, Indiana's not-for-profit consumer-owned municipal and cooperative power providers have serious concerns about the impact this legislation will have on residential, commercial and industrial customers in Indiana.

One improvement in the bill was an adjustment from a 100 percent auction of carbon emission allowances to a partial auction, with some free allowances being given to carbon emitting entities. However, Indiana utilities are being "shorted" more than 35 percent beginning in 2012. Too many allowances are being provided to non-emitting sources and special interest groups, such as merchant generating plants that do not directly serve customers. The end result is a redistribution of wealth from the Midwest, which is heavily reliant on coal for electricity generation, to the East and West coasts, which are not. The distribution of allowances to East and West coast states and merchant plants will do nothing to reduce carbon emissions and will dramatically increase Indiana electric rates.

Under the current allowance allocation formula, Indiana's not-for-profit utilities receive less than 65 percent of allowances needed to meet consumer needs, requiring us to purchase more than 35 percent of the allowances in an unregulated and speculative trading market.

As it now stands, the ACES Act could have a devastating effect on Indiana ratepayers and our state economy. Electric rates would increase at least 23 percent by 2012, and could double by 2026. This would be an undue hardship for our economy, industry and fixed income residential customers.

As further debate takes place, we continue to recommend:

- That the emissions formula be fixed to provide allowances only to entities that directly serve consumers with power from carbon emitting resources.
- That utilities receive up to 100 percent of the allowances needed to comply with the mandate in order to minimize the rate impact of the cap and trade program. Allowance prices should have a "safety valve" to mitigate price spikes.

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- That the unrealistic emissions reduction mandate of 17 percent below 2005 levels by 2020 be amended to a reasonable and achievable level. Such a revision is necessary to provide breathing room for utilities to invest in carbon reduction technology without dramatically increasing our Indiana electric rates, hopefully preventing the further loss of business and industry.
- That Congress fund research and development into carbon reduction technologies in order to meet the carbon cap mandates.

We are not opposed to climate change legislation; we simply seek to protect our members and their consumers, the ratepayers of Indiana. The current ACES Act does not safeguard against unfair price increases to Indiana consumers. We encourage you to engage your congressmen on this issue. We will continue spreading the message of this bill's negative effect on Indiana and keep doing our part to protect Indiana's electric rates. We urge consumers to contact Senators Richard Lugar and Evan Bayh and voice their support for a fair, balanced and affordable approach to climate change legislation. Learn more about the issue at www.fairpowernow.org.

Raj Rao, President & CEO, Indiana Municipal Power Agency

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The Indiana Municipal Power Agency (IMPA) is a not-for-profit wholesale electric generation and transmission organization serving 52 municipal communities in Indiana. Hoosier Energy and the Wabash Valley Power Association (WVPA) are not-for-profit generation and transmission cooperatives serving 17 and 21 rural electric cooperatives respectively in Indiana. The Indiana Statewide Association of Rural Electric Cooperatives (ISA) is the membership organization for state electric cooperatives. Together, we serve more than 1 million Hoosiers. Our goal is to provide our customers with low cost, reliable, and environmentally responsible electricity, without costing jobs, manufacturing and industry in communities we serve. More information about IMPA, Hoosier Energy, WVPA, and ISA can be found at www.impa.com, www.hepn.com, www.wvpa.com and www.indremcs.org.

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