ASSURING AFFORDABLE
And
RELIABLE ELECTRICITY

The Next Decade's Daunting Challenge

Electric cooperatives, as well as the entire electric utility industry, face a significant challenge in the next decade. Surplus electric generation built in the late '70s and early '80s is virtually exhausted. The Department of Energy forecasts that U.S. economic growth will drive a 17 percent increase in demand between 2006 and 2020, requiring a capacity increase of 118,000 MW. By 2030, the needs will have increased 30 percent - or 264,000 MW. Overlaying this immediate need to build generation and implement aggressive efficiency strategies is the environmental concern of climate change. Electric cooperatives must make power supply and efficiency investments to provide our growing consumer base affordable, reliable electricity while meeting new environmental goals and standards.

All Power Supply Options are Essential

No one "silver bullet" can solve this problem. In addition to conventional power sources, we must make full use of renewable resources and energy efficiency. All options will be more expensive under the best of circumstances. Each has advantages and disadvantages in terms of availability, cost and environmental impacts; but to meet expected demand in the next decade and beyond, we need to use all options and ensure we use them cost-effectively.

"Within 10 to 20 years…prices for electricity and home heating could be four times what they are today because of fuel scarcity. Or you could flip a switch and nothing would happen because the local utility's fuel source is in a foreign country that has become an unreliable supplier." April 5, 2008, The Washington Post quoting Dennis Meadows, author of Limits to Growth, in support of increasing efficiency measures.

A Crisis is Coming

Affordability - In the next decade, U.S. consumers will be significantly exposed to rising and volatile electricity prices beyond anything experienced to date. Until now, consumers have only experienced these kinds of effects at the gas pump and for home heating because of oil and natural gas price leaps. Currently, the need for baseload generation is large, and with coal plants being stopped due to carbon constraints and nuclear power slow to be built, the nation is turning to natural gas, the only fuel available in the next decade to meet the scale of the need.

Natural gas prices are rising dramatically well beyond historic levels, 93 percent since August 2007. As more electricity is produced with gas, consumers will start to experience price shocks on their electric bills and in the marketplace, where many products have natural gas components or are manufactured using natural gas. If electricity and other energy costs skyrocket, the country will have to consider large new welfare programs to help poor and moderate income groups afford these spiraling costs.

Reliability - Rapidly thinning capacity means that technicians and operations personnel whose daily behind-the-scenes efforts keep the electric grid intact are already seeing reliability "near-misses" when key lines or power plants go down. These events haven't resulted in widespread blackouts and so far, haven't received attention in the press or from policymakers. But, if we fail to address our growing energy infrastructure and technology development needs, some regions face increasing probabilities of brownouts and blackouts in the near future.

Traditional and New "Public Goods" Must be Balanced
In the 20th century, government and the people collaborated to bring every citizen electricity. Affordable and reliable electricity were designated "public goods," because market forces alone would not deliver these commodities to all. Today, some policymakers want to define greenhouse gas mitigation as another public good. Again, markets alone can't accomplish the goal of reducing carbon emissions in order to stem global warming. To strike the right policy balance among these three public goods, policymakers must step back and view the climate change debate in the context of our long term electricity and energy needs.

Carbon mitigation policies done well can direct investment into new technologies for electric generation, transmission and efficiency. But done poorly, the policies will result in no net emission reductions, skyrocketing electricity costs and reduced reliability. Done poorly, the policies will diminish all three public goods.

The Details of Climate Change Policy Matter
If consumers are saddled with a poorly designed plan for lowering greenhouse gas emissions, electricity affordability and reliability will erode significantly over the next decade. Without a balanced approach that uses all available technologies, electricity reliability will be uncertain, saddling consumers with risk. If a carbon market emerges without adequate structure and oversight, large commercial entities with no interest in consumers will dominate the market with speculation. A poorly designed carbon reduction plan will result in a political backlash – and make carbon reduction strategy politically unsustainable over the many decades needed for success.

Consumers Want Policies which Promote All Three Public Goods
The electric cooperative industry promotes public policies that assure its forty million consumers have affordable and reliable electricity. This critical mission has never changed for NRECA, one of the nation's largest consumer organizations. At the core of the electric cooperative business model, people bring common sense, expertise and local community commitment into business and policy decisions about electricity. The electric cooperative industry will do the same for decisions about carbon reduction.

Electric cooperatives recognize that Congress is focused on the effects of climate change 50 to 100 years from now. But elected officials and the public must focus on the electric power crisis coming over the next decade as we design policies to mitigate carbon long-term.

As consumer-owned cooperatives, we believe all energy and climate legislation should be evaluated to determine its ultimate costs to consumers and its realistic contribution to environmental goals. In the end, we will support energy and climate legislation that helps keep the lights on, the economy strong and electric power affordable.

America Can Do What's Necessary for Our Energy Future
What's needed is a sustainable electric power policy that balances the need for new generation resources and infrastructure, the state of available technology, costs to consumers and climate change goals.

Achieving this balance will require a significant and sustained plan and constant efforts to innovate. Faced with serious challenges in the past, the nation has forged partnerships between government and industry to get the job done. The next decade's energy challenges require collaboration once again with the scope, vision and leadership that accomplished rural electrification and construction of the interstate highway system.