

United States Senate

WASHINGTON, DC 20510

November 12, 2009

The Honorable Harry Reid
Senate Majority Leader

The Honorable Barbara Boxer, Chairman
Committee on Environment and Public Works

The Honorable Max Baucus, Chairman
Committee on Finance

The Honorable John Kerry, Chairman
Committee on Foreign Relations

Dear Senators Reid, Boxer, Baucus and Kerry,

As the Senate formulates and debates energy and climate change legislation, it is clear that revamping our energy systems with alternative energy resources and technologies will be fundamental to our strategy for achieving energy security and reducing greenhouse gas emissions. A transition of this magnitude will take years to accomplish and will incorporate major changes to the way we produce and use energy. Both the House-passed "American Clean Energy and Security Act" (H.R. 2454) and the recently introduced "Clean Energy Jobs and American Power Act" (S. 1733) recognize the importance of helping individuals and firms by alleviating potential financial impacts as this transition takes place. This assistance, in the form of the allocation of greenhouse gas emission allowances, is an important tool for protecting consumers and businesses as we move to adopt new energy systems and decrease greenhouse gas emissions. To be fair and effective, any legislation must equitably allocate these allowances to individuals and across states and regions and economic sectors.

The House bill falls short of that equitable distribution goal with its formula for allocating allowances to local distribution companies based 50 percent on emissions and 50 percent on sales. Unfortunately, the Senate bill currently under consideration includes the same 50/50 allocation provision. Under the proposed 50/50 formula, utilities that are more coal dependent will need to purchase even more allowances than they would have if all allowances were allocated based on emissions, and those higher costs will be passed on to their customers. Meanwhile, many utilities with relatively lesser emissions will receive sufficient allowances to completely cover their initial requirements. Thus, their customers will experience no price increases resulting from the legislation.

We believe it is essential that we strive to formulate legislation that equitably distributes transition assistance across individuals, as well as states and regions and economic sectors. We urge you to ensure that emission allowances allocated to the electricity sector – and thus,

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electricity consumers -- be fully based on emissions as the appropriate and equitable way to provide transition assistance in a greenhouse gas-regulated economy.

We thank you for your efforts to build consensus on the critical issue of energy and climate legislation. The change we recommend would contribute to a more balanced and equitable bill for the Senate's consideration, and a better strategy for America.

Sincerely,



Tom Harkin
United States Senate



Al Franken
United States Senate



Roland Burris
United States Senate



Byron Dorgan
United States Senate



Herb Kohl
United States Senate



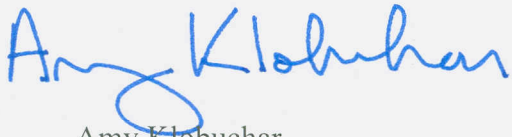
Russell Feingold
United States Senate



Kent Conrad
United States Senate




Michael Bennet
United States Senate




Amy Klobuchar
United States Senate



Mark Udall
United States Senate



Robert Byrd
United States Senate



Carl Levin
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Debbie Stabenow
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Sherrod Brown
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