



# The Role of Utility Regulators in U.S. Climate Policy

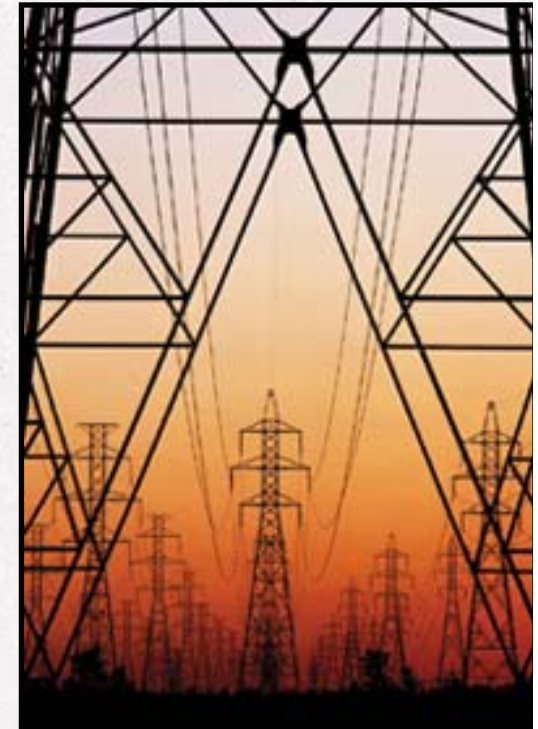
Rick Morgan  
Commissioner, Public Service Commission of  
the District of Columbia

- World Forum on Energy  
Regulation IV  
Athens, Greece

# Some facts & figures about U.S. carbon footprint

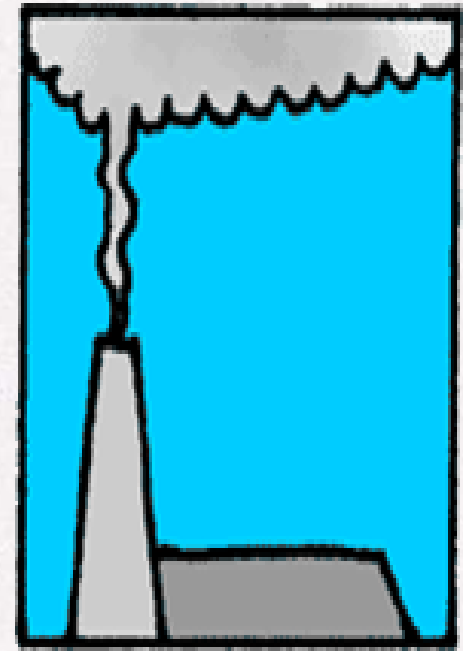


- U.S. contributes ~22% of worldwide CO<sub>2</sub>
- Energy industries dominate U.S. CO<sub>2</sub>
  - 40% from electricity generation
  - 14% from retail natural gas
- ~½ of U.S. electricity from coal
- ~70% of retail electricity delivered by regulated private utilities
  - Economic regulation by 51 state PUCs
  - Mix of competitive markets & traditional regulation
  - State PUCs have some environmental responsibilities



# Likely structure of U.S. GHG regulation (per House “ACES” bill)

- Energy industries subject to cap & trade (C&T), not carbon tax
- Point of regulation applied to electric generators & natural gas distributors
- Phase in auction over time, with transitional free allowances to soften impacts
  - How no-cost allowances allocated will be critically important
- Cost containment via allowance reserve, offsets





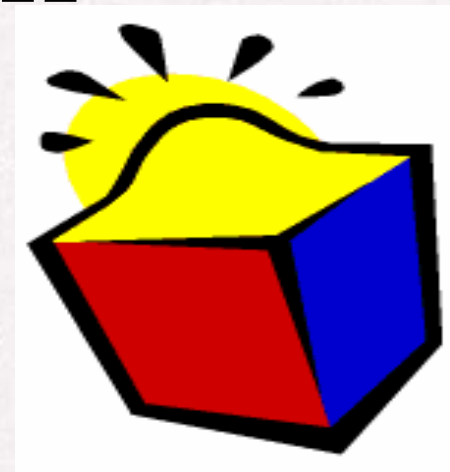
# Climate policy challenges for U.S. regulators

---



- Upward pressure on customers' utility bills
  - Potential for economic dislocations
- Cleaner generation technologies years away
  - Awaiting commercialization of CCS, advanced nuclear
- Barriers to energy efficiency
  - Market forces don't deliver cost-effective EE
- Barriers to renewables
  - e.g., grid rules, transmission constraints

→ *Time to think 'outside the box'!*



# NARUC addresses climate policy

---

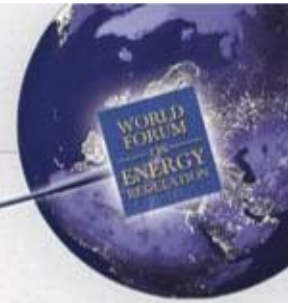


- NARUC supports well-designed federal program to limit GHG emissions
  - Economy-wide
  - Minimize adverse impacts on consumers, industry
  - Cap & trade principles, including allocation to regulated local distribution companies (LDCs)
- Critical roles for state regulators
  - Regulatory approval for financing & cost recovery
  - Appropriate selection of energy resources
  - Balancing of costs & climate risks

# NARUC's Task Force on Climate Policy

---

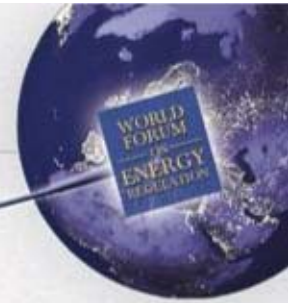
- Formed 2007 to coordinate NARUC's climate policy
  - 10 appointed state commissioners
- Represent NARUC in national & international climate discussions
- Educate NARUC membership via climate forums, conferences, issue papers
  - <http://www.naruc.org/committees.cfm?c=58>
  - 2<sup>nd</sup> national NARUC climate conference: 2-4 December in Dallas, Texas





# Highlights of U.S. House of Representatives' "ACES" bill

---



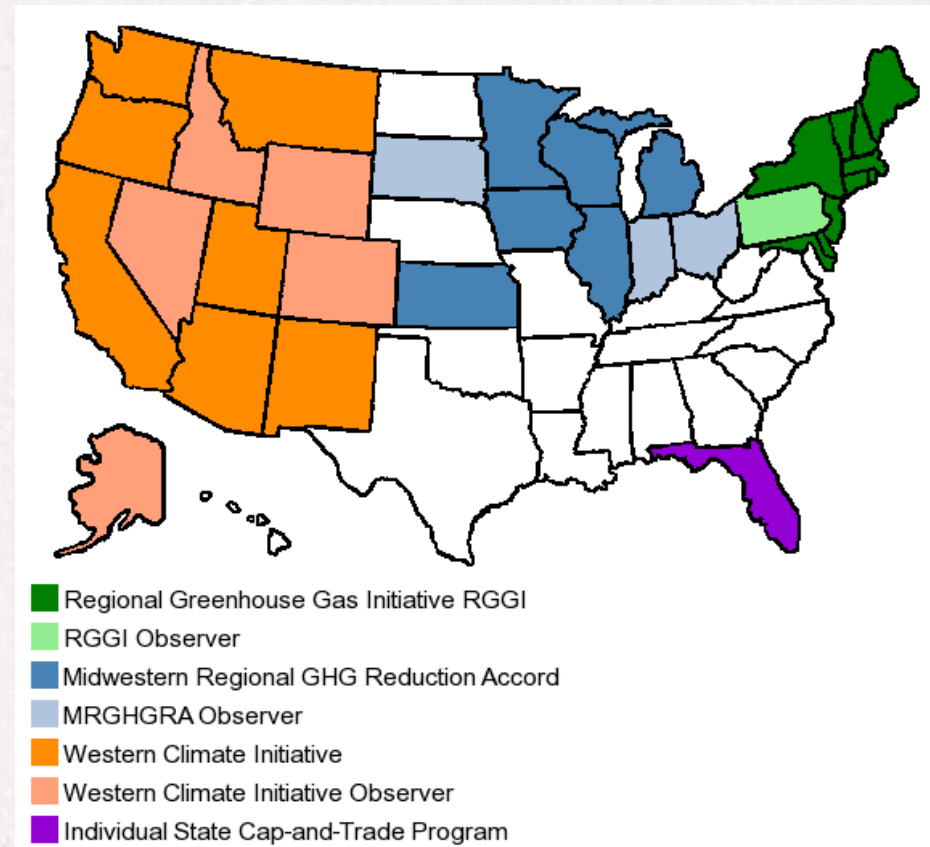
- Reduce U.S. GHGs from 2005 levels:
  - 17% by 2020
  - 83% by 2050
- Cap & trade w/ transitional allowance allocation
  - 35% to electric sector; 9% to natural gas
    - Mostly to distribution utilities on behalf of consumers
    - Restrictions on PUC disposition of utilities' allowance proceeds
- Incentives for renewables, efficiency, CCS



# State & regional climate initiatives



- Undertaken due to federal inaction
- Demonstrate viability of C&T mechanisms
  - States would prefer comprehensive federal program
  - Regional C&T programs suspended for 6 years under ACES





# Pricing carbon is not enough!

---



- Only a very high carbon price will induce changes in U.S. generation fleet
- Energy efficiency spending is more cost-effective per ton reduced than price signals
- State clean energy programs are an essential foundation for electric sector C&T

→ *Investing utilities' allowance proceeds in EE can reduce compliance costs!*





Courtesy of SunPower Corporation

Thank  
you!

Rick Morgan - World Forum on Energy Regulation IV - Athens, Greece - October 18-21, 2009

