



By Electronic Mail

June 13, 2007

The Honorable John D. Dingell
Chairman, Committee on Energy and Commerce
U.S. House of Representatives
Washington, DC 20515-6115

The Honorable Rick Boucher
Chairman, Subcommittee on Energy and Air Quality
U.S. House of Representatives
Washington, DC 20515-6115

Dear Chairman Dingell and Chairman Boucher:

**Responses of MEAG Power¹ to Your May 24, 2007 Letter
on "Portfolio Standards" Legislation**

MEAG Power is pleased to respond to your May 24, 2007 letter on "portfolio standards" legislation that the Committee on Energy and Commerce is considering. Attached are our responses on a question-by-question basis. In summary:

- MEAG Power firmly believes that it is not an advisable Federal policy to require that retail electricity suppliers meet a Federally-mandated "portfolio standard."
- Individual states are in the best position to design and implement policies to promote energy efficiency, to lower emissions from electricity generating facilities within their borders, and to enhance fuel diversity.
- An appropriate role for the Federal government is to direct or encourage states to examine their local energy resources and other relevant factors, and then to direct or encourage the states to develop goals and programs appropriate to local conditions.
- Any "portfolio standard" directed or encouraged by the Federal government should include all types of non-emitting technologies, including new and incremental nuclear power generation.

¹ The Municipal Electric Authority of Georgia ("MEAG Power" or "MEAG") is the third largest electric power supplier in Georgia. As a public power corporation, MEAG Power's primary purpose is to generate and transmit reliable and economical wholesale electric power to 49 Georgia communities – including approximately 600,000 citizens and many large and small businesses. MEAG Power has a very substantial interest in seeing that energy and environmental policies and proposals are considered in a manner that fully consider the impacts to the communities in Georgia that we supply.

-2-

Why States Should Be Directed or Encouraged to Take the Lead

Individual states and not the Federal government should be in charge of developing, evaluating, and implementing "portfolio standards" alternatives. States are in the best position to tailor "portfolio standards" to ensure that electricity reliability is not compromised and that the lowest-cost options are considered.

The states are better suited to this task because they understand and will take into account local conditions such as energy resources available in their areas, the existing fuel mix of electricity providers, and available infrastructure. For example, the *State Energy Strategy for Georgia* released in December 2006 calls for a thorough analysis of energy efficiency and the renewable energy potential in Georgia, as components of a comprehensive statewide strategy that "balances options for economic growth and sustained development with environmental concerns."

Why a Federal RPS Would Be Harmful to Georgia and Other Southeastern States

Renewable Portfolio Standards (RPS) legislation that has been proposed to date would treat utilities and states (and particularly Georgia) inequitably. RPS legislation would result in higher electricity costs for the residents and businesses of the 49 Georgia communities that MEAG supplies, and could also cause reliability problems.

A Federal RPS would affect regions and states unequally because proposals are largely based on a presumption of equal availability of wind energy resources in all states. However, the availability of wind energy varies widely from state to state and region to region – with the southeastern states including Georgia having the least wind resources within the continental United States.

Wind energy development in Georgia would be costly to consumers because of the infrequent presence of wind speeds needed to produce electricity. The infrequent winds also mean that wind turbines cannot be relied upon to produce electricity when needed the most. Offshore wind offers some potential for Georgia, but also raises other concerns including vulnerability to severe storms and hurricanes, impacts on shipping, and visual impacts.

Full Credit Should Be Given to All Types of Non-Emitting Energy Sources

Any "portfolio standard" proposal by Congress should be considered in the overall context of a national energy policy that includes increasing the use of emissions-free nuclear energy, promoting ever-cleaner domestic coal generation, and expanding natural gas supplies. In promoting electric generation alternatives, it is important that Congress not lose sight of those issues most important to our customers – cost and reliability.

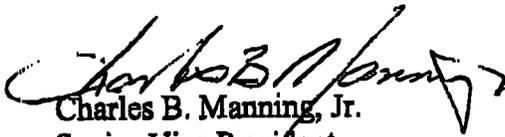
The recently released *State Energy Strategy for Georgia* supports the expanded production of electricity from nuclear generation within the state, as a strategy for encouraging investment in "clean, viable next generation electricity technology".

-3-

MEAG Power and the 49 communities we supply are currently evaluating the addition of two new nuclear units at the existing Plant Vogtle nuclear plant in Georgia.² We are also planning efficiency and capacity improvements for the two existing nuclear units at Plant Vogtle. The two new nuclear units and the capacity/efficiency improvements at the two existing nuclear units would supply emissions-free electricity but receive no credit under Federal RPS proposals to date. Any "portfolio standard" legislation should insure that all new and incremental nuclear generation be given full credit for the emissions-free electricity that the technology produces.

Thank you for your consideration. Please contact us if you have any questions.

Sincerely,



Charles B. Manning, Jr.
Senior Vice President
Participant and Corporate Affairs

Enclosure

Cc: The Honorable Nathan Deal
U.S. House of Representatives
2133 Rayburn House Office Building
Washington, DC 20515-1009

The Honorable John Barrow
U.S. House of Representatives
213 Cannon House Office Building
Washington, DC 20515-1012

² MEAG Power is a joint owner of four existing nuclear units – two at Plant Vogtle and two at Plant Hatch. These non-emitting units provided 43% of MEAG Power's electricity generation in 2006.

**Responses of MEAG Power¹ to May 24, 2007 Letter
from U.S. House of Representatives, Committee on Energy and Commerce
on "Portfolio Standards" Legislation**

1. Purpose of Portfolio Standards Proposals

a. Do you believe that adopting one or more Federal "portfolio-standard" requirements applied to sources of retail electricity, mandating that a given percentage of the power sold at retail come from particular sources, is an advisable Federal policy? Why or why not?

MEAG Power firmly believes that it is not an advisable Federal policy to require that retail electricity suppliers meet a Federally-mandated "portfolio standard."

- **A Federally-mandated "portfolio standard" would have adverse and inequitable impacts among the states and retail electricity suppliers.**
- **A "portfolio standard" will result in overall higher costs to consumers, as it will force many retail electricity suppliers to obtain their electricity from generation sources that do not represent least-cost resources.**
- **A "portfolio standard" could cause electricity reliability problems in some areas because of the poor availability of and the inability to dispatch qualifying "portfolio standard" resources.**
- **In particular, Federal Renewable Portfolio Standard (RPS) proposals to date rely heavily on an assumption that wind energy would be widely available to supply a substantial portion of the required renewable energy requirement. However, the availability of wind energy varies widely from state to state and region to region. The southeastern United States, where much of the nation's economic growth occurs, is one of the least windy areas in the nation. Reliance on wind resources that are seldom available could adversely affect electricity reliability. See attached wind resource maps showing that Georgia and other states in the southeast have minimal onshore and offshore wind resources.**

MEAG Power believes that, if a Federal "portfolio standard" bill is deemed necessary by Congress, the bill should direct states to examine their local energy resources and other factors – rather than setting mandated portfolio

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-2-

standards applicable to all electricity providers. The bill should then direct states to develop goals and programs appropriate to local conditions.

Individual states are in a better position than the federal government to tailor programs to promote efficiency, energy source diversity, and environmental considerations in their locales. For example, the state of Georgia recently released a comprehensive *State Energy Strategy for Georgia* that considers the availability of renewable, nuclear, and other energy resources, the existing energy mix of electricity suppliers, available infrastructure (e.g. rail lines) and natural resources (e.g. water supplies), and cost and employment impacts to residents and businesses. The Georgia *Strategy* supports the expanded production of electricity from nuclear generation within the state, as a strategy for encouraging investment in “clean, viable next generation electricity technology.”

b. Is it appropriate for Government to impose generation-source conditions or energy savings requirements on load-serving utilities in order to serve public-policy purposes such as promotion of renewable energy production, energy efficiency, and reduction of carbon emissions? Why or why not?

MEAG Power believes it is not appropriate to impose Federally-mandated generation-source conditions or energy savings requirements on load-serving utilities. Individual states are in a better position than the Federal government to evaluate and tailor conditions and requirements applicable to load-serving utilities within their borders. For example, imposing “generation-source conditions” on every load-serving utility in the United States (e.g. that every retail supplier’s source of generation had to meet a greenhouse gas emissions standard) would not recognize state and regional differences in energy resources, and therefore would be costly and pose reliability risks to many states and regions. Likewise, imposing nationwide “energy savings requirements” on every load-serving utility would not recognize state and regional differences in weather, demographics, economies, and other factors.

c. If you favor such a policy, how would you define its specific purpose?

As stated above, MEAG Power does not favor Federally-mandated policies for a “portfolio standard” or for imposing conditions/requirements on load-serving utilities.

d. If Congress were to adopt an economy-wide policy mandating reductions in emissions of greenhouse gases, including the electricity industry, would such a portfolio standard policy remain necessary or advisable?

If Congress were to adopt an economy-wide policy mandating reductions in greenhouse gas emissions, a separate “portfolio standard” policy would be

-3-

superfluous. At their option, individual states could consider, as they do now, whether to have state-level portfolio standards.

e. What analysis has been done of any portfolio standards requirement you endorse to demonstrate:

- i. Its economic costs to consumers, nationally, and in various regions, in electricity rates?**
- ii. Its benefits in greenhouse gas emission reductions?**
- iii. Its implications for electricity reliability, security, and grid management?**
- iv. Its implications for jobs and economic development?**
- v. Its implications for utility capital investment?**
- vi. Other relevant factors?**

As stated above, MEAG Power does not endorse any Federally-mandated "portfolio standard" requirements.

Because of the lack of wind energy resources in Georgia and the other southeastern states, it is clear that any RPS requirements placed on MEAG Power or the communities we serve would have to be met by purchasing renewable energy credits from the Department of Energy (if authorized by the legislation) or from out-of-state wind generators. Electricity customers in the Georgia communities supplied by MEAG Power would therefore pay for the credits at whatever cost would be set by the legislation or by the market. These electricity customers would receive no actual electricity or environmental benefits for their payments.

2. Portfolio Inclusions and Exclusions

a. What is the principle that should determine inclusion or exclusion of any energy source from an adopted portfolio standard? (i.e., excludes all fossil-fired generation, includes all generation that emits no GHG, excludes all generation below given energy-conversion efficiency, etc.)

If a "portfolio standard" were to be adopted, the key principle would be whether the energy source is non-emitting.

b. What generation sources for retail electricity supplies (including efficiency offsets) should be included and should be excluded from any mandatory portfolio requirement that is adopted? Please provide your reasons for excluding any sources.

Consistent with the above key principle, any adopted "portfolio standard" should specifically include all new and all incremental nuclear power projects, because nuclear power is a totally emissions-free source of

-4-

electricity generation. Nuclear power is a reliable, economical, and dispatchable electricity generation source, and can be operated at high utilization (capacity factor) to avoid or reduce substantial amounts of regulated and greenhouse gas emissions.

c. To the extent that multiple renewable energy sources and efficiency or other sources are eligible for inclusion, should any tiers among them or separate sub-requirements be adopted?

Generally, MEAG Power believes that compliance options for any Federally-mandated "portfolio standard" or efficiency standard should not be differentiated by tiers or sub-requirements. Tiers and sub-requirements (e.g. differences in creditability based on type of resource or location) would be based on subjective or political judgments, in contrast to the clearer and objective single-tier emissions-free test.

d. Should there be any distinction between existing and new sources of generation eligible for inclusion in the portfolio? If so, what would be the threshold date for eligibility?

Any Federally-mandated "portfolio standard" should be prospective in nature. MEAG Power recommends that qualifying new generation sources, including new nuclear, should consist of those commencing operation on or after January 1, 2007. For existing generation sources of qualifying types, qualifying incremental generation, including incremental nuclear, should consist of those projects commencing operation on or after January 1, 2007.

e. Would the electricity equivalent of useful thermal energy from eligible sources be credited against the requirement? Why or why not?

From an energy efficiency perspective, credit for new (post-enactment) cogeneration and combined heat and power (CHP) would be appropriate if a Federally-mandated "portfolio standard" is adopted.

f. To the extent energy efficiency is included:

i. How would the required savings be measured and verified?

ii. Against what base consumption period (historic or projected)?

For energy efficiency at existing fossil-fuel generating units, MEAG Power would not support setting Federally-mandated energy efficiency standards, as efficiencies of such units are a function of their original design. However, efficiency improvements at such units should be creditable towards complying with any Federally-mandated portfolio standard. Evidence to support such improvements could

-5-

consist heat input data (from existing Continuous Emissions Monitoring requirements) and net electricity generation data already reported to EIA. A MWH credit could be determined by multiplying the MWH generated in the current year by the improvement in heat rate (Btu/KWh) from a base year or period. A rulemaking would be advisable to handle the details.

The rulemaking should also provide credits for efficiency or capacity improvements at existing nuclear units, using improved heat rate or capacity as the basis for determining the credits.

Using a historic base period (e.g. 3-5 year average heat rate, ending with the year of enactment) would avoid the uncertainty of projecting uncertain future values. Because installation of pollution control equipment to meet Clean Air Act requirements can degrade fuel efficiency, adjustments to the baseline heat rate should be allowed following such installations.

A current barrier to improving fuel efficiency improvement projects at existing fossil-fuel generating units is the Clean Air Act's New Source Review (NSR) program. To encourage fuel efficiency improvements, Congress should consider a statutory exemption from NSR for efficiency improvement projects.

3. Percentage Requirement and Timing

a. What target percentage of total retail power deliveries should be achieved by the required portfolio?

If a Federal "portfolio standard" mandate is adopted, it should not specify an across-the-board target percentage applicable to every retail electricity supplier. Instead, each state should be directed to assess its local energy resources and other factors, and determine an appropriate target percentage.

b. What is the target year for reaching the ultimate mandated portfolio percentage?

If a Federal "portfolio standard" mandate is adopted, the target year for reaching the ultimate percentage should be established by each state, considering factors such as facility permitting/licensing, rate commission/board approvals, and construction schedules.

c. Should there be a straight-line, accelerating, or other form of "ramp-up" to the ultimate target percentage?

-6-

If a Federal "portfolio standard" mandate is adopted, each state should determine the appropriate schedule for implementation, considering factors such as facility permitting/licensing, rate commission/board approvals, and construction schedules.

d. Should there be any "off-ramps" or other built-in automatic changes in requirements as a function of contingencies? If so, what should they be? (e.g., price or cost thresholds, contingencies for natural or climate conditions, lack of adequate transmission, etc.)

If a Federal "portfolio standard" mandate is adopted, the legislation should enable each state to change its requirements to reflect contingencies, changes in economics, siting problems, or other factors.

4. Relationship to State Portfolio Standards and Utility Regulation

a. Should an adopted Federal portfolio standard set:

- i. A minimum standard, allowing States to set or maintain higher targets?
- ii. A preemptive standard, prohibiting States to set higher or different targets?
- iii. Merely a mandate for a standard, allowing States to set their own targets at any level?
- iv. Merely a given percentage target, allowing States to elect generation or efficiency sources eligible to meet it?
- v. A standard applying only to States without prior portfolio requirements, grandfathering all prior standard programs?

If a federal "portfolio standard" mandate is adopted, option (iii) (allowing States to set their own targets at any level), would be the appropriate approach. Option (iii) would enable States to set the level at a level of stringency to reflect the ability to utilize State-determined qualifying resources within their borders.

b. Can and should State regulatory agencies be required to pass through the costs of complying with Federal portfolio standards requirements in retail rates?

MEAG Power is a not-for-profit a public power electricity provider. As such, our costs to comply with Federal mandates such as a "portfolio standard" would become part of the electricity costs of retail customers in the communities that we supply.

5. Utility Coverage

a. Should any retail sellers of electricity be exempt from the portfolio requirement? (e.g., municipal utilities, rural cooperatives, utilities selling less than

-7-

a minimum volume of power, unregulated marketers in States with competitive retail markets, etc.)

Smaller municipal utilities including many or all of the communities supplied by MEAG Power would find it especially burdensome to comply with a Federally-mandated "portfolio standard." The relatively low energy efficiency or environmental benefits that a "portfolio standard" would yield do not merit including such municipal retail utilities within the scope of a standard.

b. Should any standard apply to wholesale power markets or sales?

MEAG Power, which generates and transmits wholesale electric power, believes that no Federally-mandated "portfolio standard" should apply to wholesale power markets or sales – for the same reasons discussed above on applying such a standard to retail sales.

c. Should there be any basis for discretionary exemptions of certain States or utilities?

Exempting states that do not have sufficient qualifying resources for a "portfolio standard" and/or that have a recent statewide energy plan (e.g. the *State Energy Strategy for Georgia* released in December 2006) would be an option for Congress to consider.

6. Administration and Enforcement

a. Should a Federal Government entity enforce the requirement and decide on any exemptions?

i. If so, which one? (e.g., the Environmental Protection Agency? The Department of Energy? The Federal Energy Regulatory Commission? A newly created office or entity?)

If a Federally-mandated "portfolio standard" is adopted, the U.S. Department of Energy (USDOE) would be the appropriate agency to enforce requirements and decide on exemptions. The "portfolio standard" would be an energy supply policy directive (not an environmental program), so USDOE would be the appropriate implementing agency.

ii. If not, should enforcement be delegated to the States or to regional transmission or electric-system-operation entities?

If, as recommended as an option by MEAG Power above, the legislation directs or encourages each state to examine its local energy

-8-

resources, and then to develop and implement state-specific goals, each state would be the appropriate enforcement entity.

b. How should Federal and State enforcement be coordinated in States with their own portfolio requirements?

If, as recommended as an option by MEAG Power above, the legislation directs or encourages each state to examine its local energy resources, and then to develop and implement state-specific goals, each state would be the appropriate enforcement entity for both the Federally-mandated program and state-level portfolio requirements.

c. What penalties should apply for failure of utilities to meet the percentage mandate?

Unlike health-based environmental standards, a policy-based "portfolio standard" mandate would not have measurable or certain adverse effects. Congress should consider this distinction as it considers the legislation.

7. Credits and Trading

a. Should tradable credits for qualifying generation be utilized as the mechanism for establishing compliance?

If a Federally-mandated "portfolio standard" is adopted, a mechanism will be necessary so that utilities in areas without sufficient qualifying "portfolio standard" resources can comply with requirements. Tradable credits would be a workable mechanism.

b. Should credit trading be permitted or required on a national basis in order to achieve least-cost compliance with the portfolio standards?

If a Federally-mandated "portfolio standard" is adopted, credit trading should be permitted on a national basis to achieve least-cost compliance. The legislation should insure that such credits can be freely traded, without state-imposed restrictions, to achieve national goals.

c. Should there be a cap on credit values to limit costs?

Congress should consider a cap on credit values, and/or provide USDOE with the ability to sell credits at a reasonable cost. The design of the program should insure that sufficient credits are available in the market so that the market price on credits does not rise to the cap or DOE sale price.