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SOUTHERN ENVIRONMENTAL LAW CENTER

December 20, 2023

Chairman Bruce Westerman Ranking Member Raúl Grijalva Committee on Natural Resources 1324 Longworth House Office Building Washington, D.C. 20515

By e-mail

Re: Southern Environmental Law Center's Opposition to H.R. 5482's Protections of the Fossil Fuel Industry

Dear Chairman Westerman and Ranking Member Grijalva,

We write in opposition to H.R. 5482 because it would protect fossil fuel interests at the expense of America's most vulnerable communities. Energy poverty is a real, urgent issue that merits the attention of policymakers at every level of government. But protecting the fossil fuel status quo will not offer everyday Americans the access to affordable energy and healthy communities that they need and deserve.

1. The Southern Environmental Law Center is a nonprofit, nonpartisan defender of the environment and the people who live here.

The Southern Environmental Law Center's mission is to protect the basic right to clean air, clean water, and a livable climate; to preserve our region's natural treasures and rich biodiversity; and to provide a healthy environment for all. SELC is a nonprofit and nonpartisan defender of the environment which draws upon the expertise of our lawyers, policy, and issue experts. Our work is rooted in the South, so we have a keen awareness of the South's history of racism and the resulting environmental harms faced by communities of color here. We have stood alongside our Southern neighbors who have faced the hazardous impacts of fossil fuel pipelines and polluting industries. We also have a committed, persistent presence in Public Utilities Commissions across the Southeast to advocate for ratemaking, policies, and programs that address the disproportionate energy burden borne by households with low incomes and communities of color.

2. The Southern Environmental Law Center opposes H.R. 5482.

It is with this deep policy knowledge of the causes of and solutions to energy burden in the South that we write in opposition to H.R. 5482. We enthusiastically support Congress' acknowledgement of its important role in recognizing and mitigating energy burden and working towards access to affordable energy for all Americans. But addressing environmental injustice—and specifically, disproportionate energy burden—cannot happen by further entrenching the fossil fuel status quo that fostered these inequities, which is what this legislation would do. This bill creates administrative red tape that would limit the United States' ability to creatively, competitively, and nimbly meet the needs of residents with the highest energy burden. And this bill does not offer any assurances that the studies of energy poverty it commissions will holistically consider the causes of and alternative solutions to addressing energy poverty.

First, this bill relies on the false assumption that additional investment in fossil fuels is an effective energy poverty solution. In the South, alternatives to fossil fuels—like solar energy—are more cost-effective energy sources, according to our energy utilities.¹ Equally important, though, is that H.R. 5482 fails to account for fossil fuels' outsized contributions to energy inequity due their price-instability, energy unreliability, climate impacts, and public health burdens.

Second, this legislation relies on an oversimplistic view of the causes of and solutions to energy poverty. The residential American's energy bill is many layers of policies, policy-makers, and regulations removed from the individual executive actions that may affect the fossil fuel industry. The crisis of energy poverty is real, and it must be addressed. But it is a far more complex problem than H.R. 5482 appears to suggest. Energy poverty arises from low incomes, drafty housing with inefficient appliances, a lack of access to energy efficiency programs, inequitable billing practices, extremely hot and cold days, and so on.² Fuel prices are an important factor, like the rest of the contributing factors, but it is only one of many.

a. H.R. 5482 fails to account for cheaper energy alternatives, and it offers no assurances that its asymmetrically mandated reports will consider the price-instability, energy-unreliability, climate impacts, and public health burdens of fossil fuels, all which exacerbate energy inequity.

For the reasons explained below, the Southern Environmental Law Center cannot support federal policies that discourage or delay investments in our most cost-effective carbon-neutral resources, and H.R. 5482 does just that by creating new, stringent reporting requirements for actions that roll back fossil fuel reliance. To truly evaluate the impact of fossil fuels on energy equity, H.R. 5482 would have to require studies to explicitly consider the numerous externalities of fossil fuels that exacerbate energy inequity as well as potential alternative investments. Commissioning reports of the impact of a fossil fuel policy without considering the full extent of the harm those fuels have caused to our most vulnerable communities does not serve everyday Americans' financial interests.

H.R. 5482 incorporates the erroneous assumption that maintaining the fossil fuel status quo promotes energy equity. It does not. Not only are fossil fuels not the most affordable option for energy production, but their extraction and combustion for energy has resulted in innumerable harmful impacts on the country's most vulnerable communities.

i. Fossil fuels are not the cheapest energy option for households.

Fossil fuels have been eclipsed as the most cost-effective energy investments due to American ingenuity and market-driven investments in clean energy technology. In the South, at least, investments

¹ See, e.g., Zach Bright, Southern Co. eyes renewables surge after Vogtle milestone, ENERGYWIRE (Aug. 4, 2023, 6:44 AM), <u>https://subscriber.politicopro.com/article/eenews/2023/08/04/southern-co-eyes-renewables-surge-after-vogtle-milestone-00109701</u>.

² Sonal Jessel et al., *Energy, Poverty, and Health in Climate Change: A Comprehensive Review of an Emerging Literature,* 7 FRONTIERS IN PUBLIC HEALTH 357, Dec. 12, 2019,

https://www.frontiersin.org/articles/10.3389/fpubh.2019.00357/full.

in modern, carbon-neutral energy infrastructure are the more cost-effective path forward. Southern Company's chief financial officer recently called solar the "most viable technology" for the Southeast.³ And Georgia Power has described solar as "the most cost-effective energy resource addition available in Georgia."⁴ Similarly, energy efficiency programs, which reduce the amount of energy demanded from the grid, are typically the lowest cost energy resource compared to supply-side investments.⁵ The cheapest electron is that which you do not use. In fact, ACEEE has compiled data showing that saving energy through "energy efficiency programs generally can be achieved at one-third to one-fourth the cost of fossil-fuel based supply-side alternatives."⁶



In stark contrast, Georgia Power, for example, acknowledges that nearly all of its long-term coal investments are "no longer in the best interest of customers."⁷ And as described further below, methane gas prices are unpredictable, and the risk of those price spikes fall almost entirely on customers.

ii. The volatility of methane gas prices creates a tremendous burden for pricesensitive homes.

Fossil fuel prices are unpredictable, and because of common rate-making practices in the United States, customers are the ones who are on the hook when fossil fuel prices spike.⁸ A cardinal principle of

- ⁵ Energy Efficiency as a Resource, AMERICAN COUNCIL FOR AN ENERGY-EFFICIENT ECONOMY, https://www.aceee.org/topic/ee-as-a-utility-resource.
- ⁶ Id.

³ Bright, *supra* note 1.

⁴ Georgia Power 2022 Integrated Resource Plan at 13-90, No. 44160 (Ga. P.S.C. 2022),

https://www.southernenvironment.org/wp-content/uploads/2023/10/2022-IRP-Main-Document.pdf.

⁷ Georgia Power 2022 Integrated Resource Plan, *supra* note 4 at L-187, <u>https://www.southernenvironment.org/wp-content/uploads/2023/10/2022-IRP-Main-Document.pdf</u>.

⁸ Joe Daniel et al., *Strategies for Encouraging Good Fuel-Cost Management: A Handbook for Utility Regulators*, RMI (2023) ("Utilities typically handle fuel costs through fuel adjustment clauses. Under these policies, *100 percent of the cost of fuel is passed onto customers*. When fuel costs spike, *only utility customers take the hit."* The report notes that this creates a major problem: "It creates no financial incentive for utilities for manage their fuel costs

rate design for Public Utilities Commissions is to avoid rate shocks "that can especially burden lowincome households who would find it difficult to afford utility services and other necessities."⁹ But unpredictable fuel prices lead to unpredictable bills, and that burden is felt most severely by households with the tightest budgets.

Methane, or "natural," gas, especially, is notorious for price shocks, as international events can lead to a sudden and severe spike in wholesale commodity prices.¹⁰ In states where those prices are passed directly to the billpayer, that can cause massive bill shock for each household. For example, this spring, Georgia Power billed its customers \$2.6 billion in overspending on fuel costs due to spikes in gas prices.¹¹ As a result, the average residential bill increased by \$15.94 a month.¹² Georgia Power testified to the Georgia Public Service Commission that the costs would have been even higher if not for the downward pressure from renewables.¹³

iii. Fossil fuel resources were our least reliable resources when the Southern grid needed them most.

Fossil fuel resources were our least reliable resources when the Southern grid needed them most. During the January 2014 "Polar Vortex," fossil fuel failures accounted for the vast majority of the energy that was unavailable to power lights and heat homes.¹⁴ Seven years later, fossil fuels again were not reliable. During Winter Storm Elliott – the extreme cold weather event occurring between December 21 and 26, 2022 – over 127,000 megawatts of generation was unavailable, representing 18% of the total generation in the Eastern Interconnection. Southeastern grid operators were forced to undertake "the largest controlled firm load shed recorded in the history of the Eastern Interconnection."¹⁵ Eighty-six

¹⁴ NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION, POLAR VORTEX REVIEW at 13 (Sept. 2014),

carefully." Although this is the current status quo, there are several ways regulators can act to relieve fuel-cost burdens across America, outlined in the report.) (emphasis added).

⁹ Ken Costello, *Multiyear Rate Plans and the Public Interest*, NATIONAL REGULATORY RESEARCH INSTITUTE, Report No. 16-08 at 42 (Oct. 2016) <u>https://pubs.naruc.org/pub/FA86999D-D03F-2858-7228-A6353560E5B9</u>.

¹⁰ Ana Maria Jaller-Makarewicz, *Seesawing gas market dominated by fear and volatility*, INSTITUTE FOR ENERGY ECONOMICS AND FINANCIAL ANALYSIS (Sept. 6, 2023), <u>https://ieefa.org/resources/seesawing-gas-market-dominated-fear-and-volatility</u> ("Gas markets are becoming riskier—gas and LNG prices are increasingly volatile and greatly affected by global factors. The uncertainty of future events that could affect gas supply makes it extremely difficult to predict how the supply and demand could be balanced and how much prices could escalate by. As seen in last year's events in Europe, the only way that importing countries can mitigate that risk is by reducing their internal consumption.").

¹¹ Georgia Power's Fuel Cost Recovery Application, Direct Testimony of Sarah P. Adams and Adam D. Houston on behalf of Georgia Power Company at 4, No. 44902 (Ga. P.S.C., February 28, 2023) ("As of December 31, 2022, this under-recovered fuel balance was \$2.1 billion, and is projected to be \$2.6 billion by May 31, 2023.").

¹² Georgia Power Company's Rebuttal Testimony of the Panel of Sarah P. Adams and Adam D. Houston at 3, No. 44902 (Ga. P.S.C., April 24, 2023).

¹³ Georgia Power's Fuel Cost Recovery Application, Direct Testimony of Sarah P. Adams and Adam D. Houston on behalf of Georgia Power Company, *supra* note 11 at 15 ("Generation from renewable resources . . . lowers the cost of fuel").

https://www.nerc.com/pa/rrm/January%202014%20Polar%20Vortex%20Review/Polar_Vortex_Review_29_Sept_2_014_Final.pdf ("Coal plants accounted for 26 percent of the outages. Natural gas represented over 55 percent of the total outages during the polar vortex.").

¹⁵ FEDERAL ENERGY REGULATORY COMMISSION AND NORTH AMERICAN ELECTRIC RELIABILITY CORPORATION, INQUIRY INTO BULK-POWER SYSTEM OPERATIONS DURING DECEMBER 2022 WINTER STORM ELLIOTT: FERC, NERC AND REGIONAL ENTITY STAFF REPORT at 6 (Oct. 2023).

percent (86%) of the unplanned lost energy production was due to the failure of fossil fuels in the cold.¹⁶ On Christmas Eve alone, 1.6 million homes in that region lost power.¹⁷



iv. The production and extraction of fossil fuels disproportionately harm the communities H.R. 5482 is drafted to protect.

The health burdens of fossil fuels are disproportionately borne by communities of color and communities with lower incomes.¹⁸ Fossil fuel infrastructure, from extraction to combustion, creates dangerous air pollution that harms both the environment and human health.¹⁹ Nearly 18 million Americans live within 1 mile of an active oil or gas well, "including disproportionately large numbers of communities of color, people living below the poverty line, older individuals and young children in many counties with active drilling across the US."²⁰ Adhtza Dawn Chavez of the Naeva Education Project explains that methane gas' "[s]pills, leaks, venting and flaring are taking a toll on our air, water and

¹⁶ *Id.* at 17 (see Figure 6b, which shows that natural gas units accounted for 63% of the loss, and coal accounted for 23% of the loss).

¹⁷ Peter Behr, *Bomb cyclone sparks fierce debate over grid readiness*, ENERGYWIRE (Jan. 3, 2023, 6:47 AM), <u>https://www.eenews.net/articles/bomb-cyclone-sparks-fierce-debate-over-grid-readiness/</u>; Erwin Seba and Scott Disavino, *Storm cuts U.S. oil, gas, power output, sending prices higher*, REUTERS (Dec. 23, 2022, 8:13 PM), https://www.reuters.com/business/energy/storm-cuts-us-oil-gas-power-output-sending-prices-higher-2022-12-23/.

¹⁸ Lara J. Cushing et al., *Historical red-lining is associated with fossil fuel power plant siting and present-day inequalities in air pollutant emissions*, 8 NATURE ENERGY 52-61 (Jan. 2023).

¹⁹ Timothy Q. Donaghy et al., *Fossil fuel racism in the United States: How phasing out coal, oil, and gas can protect communities,* 100 ENERGY RESEARCH AND SOCIAL SCIENCE at 4 (May 2023) (Figure 3 depicts an overview of the fossil fuel lifecycle, which shows that extraction, processing, transport, and combustion of fossil fuels all lead to hazardous air pollutants, criteria air pollutants, and greenhouse gases).

²⁰ U.S. Tightens Limits on Oil and Gas Methane to Address One of Nation's Largest Pollution Sources, ENVIRONMENTAL DEFENSE FUND (Dec. 2, 2023), <u>https://www.edf.org/media/us-tightens-limits-oil-and-gas-methane-address-one-nations-largest-pollution-</u>

sources#:~:text=Environmental%20Defense%20Fund%20research%20on,line%2C%20older%20individuals%20and% 20young. Jeremy Proville et al., *The demographic characteristics of populations living near oil and gas wells in the* USA, 44 Springer Nature Population and Environment 1- 14 (2022).

health," and "rural communities, tribal communities, children and the elderly are especially at risk."²¹ And recent research has demonstrated that we have been underestimating the danger of coal: "Coalfired power plants killed at least 460,000 Americans during the past two decades, causing twice as many premature deaths as previously thought...."²²

v. H.R. 5482 entrenches fossil fuels at a time when we should be accelerating away from them.

As the impacts of climate change become more severe and our timeline to tackle it more urgent, it is irresponsible to double down on fossil fuels when utilities should be aggressively pursuing renewable energy options. Americans are experiencing more frequent and severe natural disasters, temperature extremes, rising seas, ecosystem loss, species extinction, food and water insecurity, and economic disruption, in large part due to the climate change contributions of fossil fuel extraction and use for energy production.

As noted above, these consequences are disproportionately borne by communities of color and low-wealth communities. Further, according to the Fifth National Climate Assessment, the energy system *itself*, from supply to delivery to demand, is vulnerable to extreme events. ²³ "Extreme temperatures increase energy demands and stress electricity operations, leading to outages that disrupt societal services."²⁴

Rather than entrench fossil fuel reliance, the U.S. must accelerate the transition to carbon-free energy. The current rate of declining greenhouse gas emissions in the United States is not sufficient to meet our critical commitments and goals.²⁵

b. H.R. 5482 does not address the complex roots of energy inequity and energy poverty.

Energy poverty is the product of two factors: depressed incomes and inflated energy bills. Clearly, the sources of depressed incomes and poverty, generally, are the result of complex, intertwined governmental, societal, and individual factors. Less commonly understood, however, is the tremendous complexity of electricity bills.

The number at the bottom of a residential electric bill is the product of energy usage, energy costs, and many layers of decision-making about how to allocate the costs of energy, generally, among ratepayers. Fossil fuel prices are important, but they cannot be viewed in isolation.

²⁴ Id.

²¹ Study Explores Demographics of Communities Living Near Oil and Gas Wells, ENVIRONMENTAL DEFENSE FUND (June 21, 2022), https://www.edf.org/media/study-explores-demographics-communities-living-near-oil-and-gas-wells.

 ²² Nina Lakhani, US coal power plants killed at least 460,000 people in past 20 years – report, THE GUARDIAN (Nov. 23, 2023), <u>https://www.theguardian.com/environment/2023/nov/23/coal-power-plants-deaths-pollution</u>.

Lucas Henneman et al., *Mortality risk from United States coal electricity generation*, 382 SCIENCE 941-946 (2023). ²³ U.S. GLOBAL CHANGE RESEARCH PROGRAM, THE FIFTH NATIONAL CLIMATE ASSESSMENT, Section 5.2: Compounding Factors (2023).

²⁵ *Id.* at Section 1: Overview ("US net greenhouse gas emissions remain substantial and would have to decline by more than 6% per year on average, reaching net-zero emissions around midcentury, to meet current national mitigation targets and international temperature goals; by comparison, US greenhouse gas emissions decreased by less than 1% per year on average between 2005 and 2019.").

Georgia Power, for example, proudly repeats that it offers customers some of the lowest energy rates (meaning, cost per unit of energy used) in the country. And yet, individuals do not pay energy rates—they pay bills. And residential Georgia Power customers pay some of the highest bills in the country.

Georgia's high bills (despite lower-than-average energy rates) can be explained in part by high energy usage in the increasingly hot South, and they are also a product of ratemaking policies. Energy usage is often driven by factors like climate, home-efficiency, and lifestyle. Ratemaking policies can further drive-up energy bills in ways that are beyond a household's control, like by requiring customers to pay for outsized monopoly utility profits or by incorporating large fixed costs. For example, approximately 20% of the average bill paid by Georgia Power's residential electricity customers goes toward Georgia Power's profit margin (return on equity) and debt financing that has been approved by the Georgia Public Service Commission.²⁶ And there are significant segments of the bill (nearly \$18/month) that cannot be avoided by reducing energy usage, but instead are effectively "fixed charges" for items like coal ash clean up, large nuclear construction costs, and shared electricity infrastructure like transformers and overhead lines.²⁷ There are also policies embedded in rate making that allow Georgia Power to make risky investments in volatile fuel sources (like methane gas) and not pay a penny more if gas prices spike; instead, the Georgia Public Service Commission allows Georgia Power to charge its customers for those unpredictable prices.²⁸

The complexity of energy poverty and energy bills is well illustrated by a 2020 literature review for the Oak Ridge National Laboratory, which found that there are five primary categories of "causes and correlates" of high energy burden: location and geography, housing characteristics, socio-economic situations, energy prices and policies, and behavioral factors.²⁹ The price of energy is only one factor in a complex web of policies and practices that result in energy burden, as illustrated in Table 2.1, copied below. And the focus of H.R. 5482, how any single federal policy or practice may impact the price of residential fuel, is even far more removed.

²⁶ Direct Testimony of Mark E. Ellis on behalf of Georgia Interfaith Power & Light at 81, No. 44280 (Ga. P.S.C. Oct. 20, 2022) ("Based on analysis of Georgia Power's general rate case filings, its proposed combined rate of return for both debt and equity, the latter grossed up for taxes, accounts for more than 25% of its revenue requirement."). A Southern Environmental Law Center energy consultant determined that 25% of revenue requirement equates to approximately 20% of the total bill paid by customers.

²⁷ See, e.g., Direct Testimony of Justin Barnes on behalf of Georgia Interfaith Power & Light at 14, No. 44280 (Ga. P.S.C. Oct. 20, 2022).

²⁸ See Joe Daniel et al., supra note 8.

²⁹ Low-Income Energy Affordability: Conclusions from a Literature Review, ORNL-TM-2019-1150 (Mar. 2020), *available at* https://info.ornl.gov/sites/publications/Files/Pub124723.pdf

Location and	Housing	Socio-economic	Energy Prices	Behavioral Factors
Geography	Characteristics	Situation	and Policies	
 Rural, urban, Native American, remote community, island territory Climate Population density Urban morphology (affecting access to jobs and efficient appliances) 	 Thermal integrity of building Type, age and size: single- family, manufactured, multifamily) Owner-occupied vs rental and public housing Age and type of appliances Type of thermostat: WiFi, smart, programmable, touch screen 	 Income Ethnicity/Racial background Immigrant vs native-born Number of occupants, children, elderly, and handicapped 	 Energy prices Energy rate designs Energy mix and access to natural gas Availability and effectiveness of low-income energy programs and appliances 	 Lack of knowledge Misplaced incentives/ principal-agent problems (especially in multifamily homes) Lifestyle cultural factors Lack of control over energy bills High non- monetary costs

Table 2.1. Causes and Correlates of High Energy Burden

Furthermore, this same study provides a menu of illustrative programs and policies that directly target the problem of high energy bills, as seen in Table 3.1, copied below. And ultimately, this study acknowledges that "[a] coordinated approach to home energy, health, safety, and housing that integrates programs across geographies could reduce low-income energy burden while delivering numerous other benefits to both current and future generations."³⁰

³⁰ *Id.* at 59.

	Energy Bill Assistance	Financial Incentives	Energy Information	Regulations
Electric and Gas Utilities	 Bill forgiveness programs Budget billing Prepaid electricity services Payment plans 	 Direct installation of efficiency measures Round-up assistance programs On-bill program designs 	 Goal setting for low- income programs Installation of home energy management systems Real-time appliance and premise level feedback 	 Rates and rate design Shut-off and reconnection policies Integrated resource planning Adders for cost- effectiveness tests Minimum requirements for low- income programs
Federal Agencies	 Low Income Home Energy Assistance Program (LIHEAP) HUD assisted housing utility allowance subsidies USDA housing utility allowance subsidies 	 Weatherization Assistance Program (WAP) LIHEAP weatherization Energy Efficiency and Conservation Loan Program (EECLP) Low-Income Housing Tax Credit (LIHTC) program HUD HOME/CDBG home repair funding 	 WAP includes education of clients as an allowable activity WAP Technical Assistance and Training HUD Utility Benchmarking guidance 	 Subsidized housing regulations Federal Housing Administration (FHA) Duty to Serve Environmental Protection Agency (EPA) energy justice and climate regulations Federal Energy Regulatory Commission (FERC) affordable power for all regulations
State Agencies	 Implementation of federal bill assistance programs State administered ratepayer funding for bill assistance 	 Implementation of federal low-income energy efficiency programs including support for local, state and regional initiatives State and county funds supplement WAP 	 Technical assistance Tools Case studies Peer exchange Goal setting Convening Stakeholder engagement 	 Subsidized housing regulations Minimum requirements for low- income utility programs
Local Government, Community- Based Entities, and NGOs	 Bill forgiveness programs 	 Weatherize Campaigns Home repair financing 	 Healthy housing programs CDC Lead Control Building codes and ordinances Community education, outreach Community convening Pilot projects 	 Subsidized housing regulations Building and energy codes and standards

Table 3.1 Illustrative low-income energy policies and programs

So, while SELC applauds the Committee's recognition of the real impacts of energy poverty and energy burden on everyday Americans, we urge Congress to consider the entire scope of causes of this issue, which can then inform meaningful options for relief.

c. Conclusion.

H.R. 5482 does not require consideration of the complexity of factors impacting energy burden, and instead seeks to promote an industry—fossil fuels—that has contributed significantly to energy inequity across the South. For these reasons, the Southern Environmental Law Center writes in opposition to H.R. 5482.

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