Public Citizen * Consumers Union

April 13, 2015

RE: Ratepayer Protection Act

Dear Representative,

We urge you to oppose Representative Whitfield's Ratepayer Protection Act. The Act permits states to opt out of the EPA's proposed carbon pollution rule, known as the Clean Power Plan. It would also would delay the rule's implementation until every lawsuit challenging it has completed, a process that could take decades. The Act is framed as a consumer protection measure, but it is the opposite. It permits a state to opt out of the Clean Power Plan if the governor finds that implementing the Clean Power Plan would "have a significant adverse effect" on ratepayers, taking into account "rate increases" or reliability problems due to the Plan.

The Act misconstrues the Clean Power Plan, which is good for consumers. And it is mistaken to focus on electricity *rates*, which may rise modestly under the Plan, rather than consumers' actual electricity *bills*, which should go down.

The Clean Power Plan will benefit consumers. Climate change poses a severe threat to American consumers, and in particular to vulnerable populations. A few of the most salient risks include:

- higher taxes and market prices to cover the costs of widespread damage to property and infrastructure from extreme weather;
- diminished quality and higher prices for food and water, heightening food insecurity for America's most vulnerable populations; and
- increased illness and disease from extreme heat events, reduced air quality, increased food-borne, water-borne, and insect-borne pathogens.[1]

By curbing carbon pollution, the Clean Power Plan will benefit consumers by mitigating these harms.

The Clean Power Plan will *lower* consumers' electricity bills. As a general matter, the Clean Power Plan is likely to lower consumer costs, not raise them, because it will spur improvements in energy efficiency. Although electricity prices may rise modestly under the Plan, consumers will use less electricity, resulting in lower bills overall. The EPA projects that the Plan will lower consumer bills by 8.4 percent by 2030.[2] A Public Citizen analysis suggests that the EPA estimate is conservative, overestimating the cost of efficiency programs and underestimating how much

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[1] *See* U.S. GLOBAL CHANGE RESEARCH PROGRAM, HIGHLIGHTS OF CLIMATE CHANGE IMPACTS IN THE UNITED STATES: THE THIRD NATIONAL CLIMATE ASSESSMENT 8-9, 12-13, 33-47 (2014).

[2] EPA, REGULATORY IMPACT ANALYSIS FOR THE PROPOSED CARBON POLLUTION GUIDELINES FOR EXISTING POWER PLANTS AND EMISSION STANDARDS FOR MODIFIED AND RECONSTRUCTED POWER PLANTS Table 3-43 (2014).

progress the states can make on efficiency. Consumer costs are likely to decline by even more than the agency projects.[3]

States should serve their consumers and protect vulnerable populations. If these consumer benefits do not materialize, then it is likely the states, not the EPA, who will bear responsibility. The states can take a lead role in implementing the Clean Power Plan by writing their own compliance plans. State policymakers can choose to implement the Plan in a manner that benefits or harms ratepayers. The Act is wrong to excuse the states from those duties and suggest that the responsibility for harming consumers lies with section 111(d) of the Clean Air Act, a statute that protects the public by safeguarding our health.

We strongly encourage members to oppose the misnamed Ratepayer Protection Act and to support the Clean Power Plan. Thank you for considering our views.

Sincerely,

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Public Citizen's Climate Program

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[3] *See* PUBLIC CITIZEN ET AL. COMMENTS ON CLEAN POWER PLAN, 7-10 (2014), http://pubc.it/1tT1Az2.

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Consumer Costs and the EPA Clean Power Plan

Opponents of the Clean Power Plan argue that it will harm consumers by raising electricity costs. This claim is false. The Plan will be incredibly beneficial to consumers and the economy generally. This document sets the facts straight.

The Clean Power Plan Will Lower Consumer Bills, Not Raise Them

The EPA estimates that electricity bills will be 8.4 percent lower in 2030 due to the Clean Power Plan, largely because of energy efficiency improvements.[1]

Public Citizen's analysis suggests that the EPA is being too cautious, and the consumer benefits will be far greater. The agency overestimates the cost of efficiency programs and underestimates how much progress the states can make on efficiency.[2]

Opponents of the Clean Power Plan argue that it will hurt consumers by raising electricity prices.[3] The claim is misleading. The Plan will raise electricity prices modestly, but its efficiency gains will more than offset the price increases. As a result, consumer *bills* will decline.[4]

The Clean Power Plan Will Benefit the Economy, Not Cost It

The EPA estimates that the Clean Power Plan will cost just $5.5 to $8.8 billion per year, in exchange for $32 to $93 billion in benefits.[5] In other words, the rule effectively won't cost anything. **Rather, it will *contribute* $26 billion to $84 billion to the economy per year—or $260 billion to $840 billion over 10 years.** After 10 years, the vast majority of the rule's costs will have been incurred, but many of its benefits will continue in perpetuity.

Failing to Mitigate Climate Change Is Far More Expensive Than Combatting It

Extreme weather related to climate change is already damaging property and infrastructure.[6] This damage will only increase with time. All consumers—all Americans—bear the cost of repairs through higher taxes and market prices.

- A 2008 analysis found that costs of climate change from four factors—hurricane damage, real estate losses, energy-sector costs, and water costs—would range from $271 billion in 2025 to $1.9 trillion in 2100.[7]
- A 2014 analysis projects costs of $525 billion over the next 15 years just from climate-change-related damage to coastal property and infrastructure.[8]
- The same study found that, on our present course, $238 billion to $507 billion worth of property will simply be below sea level by 2100.[9]
- A 2014 White House analysis concluded that warming of 3°C instead of 2°C would cause an additional drag of 0.9 percent on the global economy.[10]

Climate change also raises food prices and diminishing food security because it harms agriculture through extreme weather, increased weeds, pests and disease, and increased demand for energy and water.[11]

Infrastructure Improvements to Combat Climate Change May Cost Little More Than Business-as-Usual

The U.S. energy infrastructure is aging, and much of it will need to be replaced in the near future. For example, the average U.S. coal plant is more than 42 years old,[12] while the expected life of a coal-fired electricity generator is 30 years.[13]

Upgrading our infrastructure on a slightly faster timetable and in a more climate-friendly manner may costs little more than business-as-usual. A 2014 study by the Global Commission on the Economy and Climate found that an ambitious plan to combat climate change worldwide would cost only 5 percent more than the amount we are likely to spend to upgrade infrastructure anyway.[14]

Energy efficiency and renewables are already far cheaper than fossil fuels when one is considering new construction. Energy efficiency costs $25 per MWh of electricity saved. On-shore wind farms and utility-scale solar cost $59 and $79 per MWh to build, respectively. Combined-cycle natural gas plants, coal plants, and nuclear plants, cost $94, $108.50, and $112 respectively.[15]

The Clean Power Plan Will Boost Public Health

In addition to its pure economic benefits, the Clean Power Plan will help consumers by boosting their health. A recent study of a scenario similar to the EPA plan found that each year it would prevent:

- 3,500 premature deaths (nine each day);[16]
- 1,000 hospital admissions for heart and lung disease;[17] and
- 220 heart attacks.[18]

EPA estimates that the annual economic value of the quantifiable health co-benefits of its Plan will range from $14 to $37 billion in 2020 and $23 to $58 billion in 2030.[19] There are many more health benefits that the agency did not attempt to quantify or monetize, such as reductions in cancer and lost IQ points.[20]

ENDNOTES

[1] EPA, REGULATORY IMPACT ANALYSIS FOR THE PROPOSED CARBON POLLUTION GUIDELINES FOR EXISTING POWER PLANTS AND EMISSION STANDARDS FOR MODIFIED AND RECONSTRUCTED POWER PLANTS Table 3-43 (2014) (*hereinafter* "RIA").
[2] *See* PUBLIC CITIZEN ET AL. COMMENTS ON CLEAN POWER PLAN, 7-10 (2014), http://pubc.it/1tT1Az2.
[3] *See, e.g.*, David Arkush, *A Junk "Study" from the 60-Plus Association*, CITIZENVOX, Oct. 6, 214, http://pubc.it/1sZEeOa; David Arkush, *Another Junk "Study" from 60 Plus on the EPA's Clean Power Plan*, CITIZENVOX, Nov. 11, 2015, http://pubc.it/1zhuP3v.
[4] *See id.*
[5] 79 Fed. Reg. at 34,943-44.
[6] *Id.* at 12-13, 38-41.
[7] FRANK ACKERMAN ET AL., THE COST OF CLIMATE CHANGE v (2008). The figures given are in 2006 dollars.
[8] RISKY BUSINESS, THE ECONOMIC RISKS OF CLIMATE CHANGE IN THE UNITED STATES 3 (2014).
[9] *Id.*
[10] EXECUTIVE OFFICE OF THE PRESIDENT, THE COST OF DELAYING ACTION TO STEM CLIMATE CHANGE 2 (2014).
[11] *Id.* at 8, 33, 46-47.
[12] Steven Mufson, *Vintage U.S. Coal-Fired Power Plants Now an 'Aging Fleet of Clunkers'*, WASH. POST, June 13, 2014.
[13] *See* Union of Concerned Scientists, Ripe for Retirement: The Case for Closing America's Costliest Coal Plants (2012), http://www.ucsusa.org/clean_energy/smart-energy-solutions/decrease-coal/ripe-for-retirement-closing-americas-costliest-coal-plants.html#.VQdG0Y7QXig.
[14] *See* GLOBAL COMMISSION ON THE ECONOMY AND CLIMATE, BETTER GROWTH BETTER CLIMATE (2014).
[15] LAZARD'S LEVELIZED COST OF ENERGY—VERSION 8.0 2 (2014).
[16] JOEL SCHWARTZ ET AL., HEALTH CO-BENEFITS OF CARBON STANDARDS FOR EXISTING POWER PLANTS 3 (2014), http://pubc.it/1rnbw2J.
[17] *Id.*
[18] *Id.*
[19] RIA Table ES-6.
[20] RIA at ES-11-12.