

October 13, 2009

By Electronic Filing October 13, 2009

**IOWA UTILITIES BOARD
NOI-2009-0002**

Ms. Judi Cooper
Executive Secretary
Iowa Utilities Board
350 Maple Street
Des Moines, Iowa 50319-0069

RE: Docket No. NOI-2009-0002, In re: The American Clean Energy and Security Act of 2009

At the Iowa Utilities Board workshop on September 18th, the Iowa Policy Project commented on the impacts of H.R. 2454, the American Clean Energy and Security Act of 2009 (ACES). We focused our comments on the impact of the bill on low-income Iowans and on job creation.

In particular we noted that ACES includes direct consumer relief to low-income Iowans and general relief to all consumers through their utilities bills. These combined provisions fully offset the price increases associated with a cap and trade system for low-income households. We know you are aware of the July 16th Congressional Budget Office study showing that the average low-income household would see an average net annual income increase of \$40 in 2020.

Board staff asked us specifically if Iowans would fare differently because of regional variation in the price effects of ACES. We relied on two sources summarized in a Congressional Budget Office letter demonstrating that regional price variations are not that significant. This is because regional differences in the price of a cap and trade system goes well beyond electricity and natural gas prices. From this comprehensive perspective, regions that tend to have relatively large increases in electric rates tend to have relatively small increases in other goods.

The Congressional Budget Office addressed the issue of regional variation in a July 9th letter to Senator Inhofe. The letter cites two studies, one by the National Bureau of Economic Resources (NBER):

“The NBER study finds only small regional differences. In particular, the increase in households’ spending would range from 1.9 percent of annual income in the East South Central region to 1.5 percent in the West North Central region.”

And one by Resources for the Future (RFF):

“The RFF study also finds only small regional differences, although the differences are somewhat larger for low-income households. Specifically, the increase in households’ spending would range from 1.6 percent of annual income in the Ohio Valley to 1.3 percent in California, New York, and the Northwest. Effects on households in the bottom decile of the income distribution would range from 5.5 percent in the Ohio Valley to 4.0 percent in California.”

In an attachment to the letter the Congressional Budget office further summarizes the two studies and this quote about RFF’s analysis is particularly relevant:

“Yet, even after accounting for regional differences in increases in electricity prices, RFF’s analysis indicates relatively small regional effects (see Figure 2 and Table 1). In the analysis,

households in regions with larger increases in electricity prices tend to experience smaller increases in the costs of other goods and services that they consume. Increases in total expenditures range from 1.6 percent of households' income in the Ohio Valley region to 1.3 percent (19 percent lower) in several other places, such as California, New York, and the Northwest.”

We have attached the letter from the Congressional Budget Office and the study by Resources for the Future. Thank you for the opportunity to allow us to expand on our workshop comments. Please let us know if you have any further questions.

Sincerely,

David Osterberg
Executive Director
Iowa Policy Project

Teresa Galluzzo
Environmental Researcher
Iowa Policy Project