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Last Minute Deal Reveals the Lack of Residential Consumer Protections In House Climate Change Bill

According to analysis by the National Consumer Law Center¹ and the Consumer Federation of America,² the current House climate change bill (HR 2998, a substitute amendment to HR 2454) defers the job of protecting residential utility customers from energy cost increases to the electric and natural gas companies and their state utility regulators. The House “consumer protections” for residential electricity and natural gas customers in the current bill consist of free emission allowances given to electric and natural gas utilities to use, essentially at their own discretion, “for the benefit” of ratepayers. According to Olivia Wein, NCLC staff attorney, “One major problem with the House bill’s so-called consumer protections is that the term “benefit” lacks specificity, so the utilities will have great discretion in how they spend the free pollution allowances.”

Interestingly, a last minute deal was cut that “strengthens protections” for *industrial* utility customers against rate hikes that may result from measures that reduce carbon emissions. Essentially, if electric or natural gas costs go up due to compliance, the industrial customers will get their share of the value of the utility’s free allowances passed through onto their bills, thus shielding them from cost increases. According to Mark Cooper at Consumer Federation of America, “The deal for industrial ratepayers clearly shows the lack of consumer protections in the bill and it’s outrageous to fail to extend the same treatment to residential utility customers. Indeed, including a specific provision to protect industrial consumers, but not residential consumers usually makes it more difficult for residential consumers to receive similar treatment at the state level.”

As a starting point for the nation’s climate change policy, it is critical for a solid consumer protection foundation to be built into the framework of this legislation. The current House bill should be amended to give consumers the same protections that it gives industrial users - a direct pass-through of the value of the residential consumers’ share of the free emission allowances given to the electric and natural gas utilities, with up to a quarter of that value for cost-effective energy efficiency programs.

¹ The National Consumer Law Center (NCLC) is a non-profit Massachusetts corporation founded in 1969 specializing in low-income consumer utility and financial services issues on behalf of its low-income clients.

² Consumer Federation of America (CFA) is a non-profit association of 300 consumer groups, with a combined membership of more than 50 million people. CFA was founded in 1968 to advance the consumer’s interest through advocacy and education.