

October 23, 1997

Tom Austin
Regulatory Assistance Project ("RAP")
177 Water Street
Gardiner, ME 04345

Re: Comments on the National Council for Competition and the Electric Industry (NCCEI) Final Report

Dear Mr. Austin:

Thank you for the opportunity to submit written comments on the final report to the New England Utility Regulatory Commissions in regard to environmental disclosure. Attached please find a copy of my letter dated August 4, 1997 that was submitted to you in support of the "Tagging Approach" to environmental disclosure. We respectfully request that this communication, as well as the attached letter, be included in the appendix of the final report for review by the various utility regulatory commissions throughout New England. We also believe that the following specific comments should be on the record regarding the final report.

Section 4.2, "The Tagging Approach" (pages 24-25 of the final report), states that the flexibility of the tagging approach "creates the widely-shared concern that customers may see the approach as being fundamentally dishonest." Nowhere does the report identify, however, the standard or research used to determine "widely-shared concern" or to identify if and to what extent this is a broader concern not unique to the tagging approach. The report proceeds to give an example of how a customer who disdains nuclear power in favor of hydro and wind power may feel misled when her power supplier does not in fact own any hydro or wind plants and instead generates its electricity from coal and nuclear sources. The report ignores the fact that this customer would in all likelihood not select the straw supplier (or, having done so, stay with it). Nevertheless, since any price premium she did pay for her energy would go cost-effectively to a wind/hydro generator under a tagging approach, her purchase goals would be faithfully met.

In addition, the report states that under the tagging approach, when a customer purchases "X kWh of hydro power, we can assure [him/her] that somewhere in the region a hydro plant generated power for [him/her]. However, it is not at all clear that this explanation will be adequate." This reference to explanatory adequacy again implies that an objective standard or "burden of adequacy" has not been met. What such standard has been employed in reaching this conclusion? Have other approaches such as the settlement (ISO) or hybrid approaches been held to that same standard? This is "not at all clear."

Page 25, paragraph 3 of the report states that "Consumer acceptance may not be a long term barrier, but the risk of poor customer acceptance undermining disclosure is too high." Once again, through what measures and means has "consumer acceptance" been

objectively quantified and assessed for the various approaches? How did tagging's score compare to consumer acceptance scores for the other approaches? Alternatively, how do other approaches ensure against the risk that the report connotes is a singular shortcoming for tagging? Absent a rigorous, objective, and fair assessment, the customer acceptance issue has the appearance of a red herring. It is also unclear precisely what it is that makes consumer acceptance under a tagging approach a barrier now, but would not represent a barrier over the long term.

In sum, contrary to the report's conclusions, we believe that consumer acceptance concerns regarding tagging are not materially different than consumer acceptance concerns regarding other approaches. Certainly any analytical basis for the report's conclusion is lacking. It would be irresponsible to pursue environmental disclosure through routes that are more expensive, less effective, and less flexible than tagging on the basis of unsubstantiated fears that have not been critically evaluated.

Sincerely,

Kenneth A. Colburn
Director
Air Resources Division

cc: Michael Kenyon, EPA New England
Deborah Schachter, Governor's Office of Energy and Community Services
Thomas Frantz, Public Utilities Commission
Dan Allegretti, ENRON
David Nicholson, NEES
Mike Bradley, M.J. Bradley Associates
Marika Tatsutani, NESCAUM