



RENEWABLE ENERGY MANDATES: HOW DO THEY WORK AND WHO PAYS?

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REGULATION BY MANDATE

- STATES ARE ADOPTING MANDATES FOR RENEWABLE ENERGY, USAGE REDUCTIONS (EFFICIENCY), SMART METERS
- CONGRESS IS CONSIDERING MANDATES FOR GREENHOUSE GAS EMISSIONS AND RENEWABLES
- TREND CONTINUES APPROACH THAT BEGAN WITH RESTRUCTURING

IMPLICATIONS FOR MANDATES

- LACK OF ANALYSIS OF BILL IMPACTS ON LOW USE AND LOW INCOME CUSTOMERS
- LACK OF CONFIDENCE IN REGULATORY POLICIES, ESP. INTEGRATED RESOURCE PLANNING
- PROLIFERATION OF SURCHARGES AND SHIFTING OF RISK FROM UTILITIES TO RATEPAYERS
- DEFERENCE TO FEDERAL POLICIES, FERC-REGULATED WHOLESALE MARKETS

WHAT KIND OF ANALYSIS IS BEING DONE?

- 2009 PAPER EXAMINED CASE STUDIES OF COLORADO, MICHIGAN, AND MASSACHUSETTS RENEWABLE MANDATES
- ANALYSIS TYPICALLY DONE RE MACRO ECONOMIC IMPACTS ON STATE EMPLOYMENT, COST OF RENEWABLES VERSUS COAL OR OTHER PRIMARY GENERATION FUEL, INCLUDING IMPACTS OF EFFICIENCY INVESTMENTS

WHAT TYPE OF ANALYSIS WAS DONE TO JUSTIFY THIS MANDATE?

- RENEWABLES ARE NOT “COST EFFECTIVE” IN NEAR TERM, BUT PROJECTED TO BE SO BEYOND 10+ YEARS
- ASSUMPTIONS ABOUT EFFICIENCY INVESTMENTS IMPACTS QUESTIONABLE
- LOCAL ECONOMIC IMPACTS NOT LINKED TO RATES OR REGULATORY POLICIES
- NO BILL IMPACT ANALYSIS
- HOW MUCH WIND CAN WE BUILD AND HOW MANY TURBINE MANUFACTURERS WILL LOCATE IN THESE STATES?



CONCERNS AND QUESTIONS

- SOME STATES HAVE ADDED RATE CAPS, BUT THEY ARE DEFINED LOOSELY OR ALLOW EXCEPTIONS
- THERE IS NO REQUIREMENT THAT ACTUAL COAL OR OTHER GENERATION IS DISPLACED BY NEW RENEWABLES
- LACK OF ATTENTION TO IRP AND LONG TERM LEAST COST PRINCIPLES



CONCERNS AND QUESTIONS

- FAIL TO INCLUDE TRANSMISSION INVESTMENTS TO BRING RENEWABLES TO MARKET
- UTILITIES GET INCENTIVES JUST TO COMPLY WITH LAW!
- RECOVERY VIA SURCHARGE AND NOT BASE RATES
- NO LINKAGE TO GENERATION SUPPLY PORTFOLIO IN RESTRUCTURING STATES— IS THIS A DISTRIBUTION UTILITY MANDATE OR A SUPPLIER MANDATE?



CONCERNS AND QUESTIONS

- WHO ASSURES THAT PROMISED BENEFITS WILL OCCUR WHEN CONTRACTS AND PROJECTS ARE VIEWED ON A CASE BY CASE BASIS FOR RATE RECOVERY?
- WHO IS WATCHING FOR CUMULATIVE BILL IMPACTS ON LOW INCOME AND RESIDENTIALS FROM ALL THESE MANDATES ACTING TOGETHER?
- LINK THE IMPLEMENTATION OF MANDATES TO CREATION OF OR ROBUST FUNDING FOR LOW INCOME PROGRAMS

AN UPDATE ON WIND POWER CONTRACTS IN THE NORTHEAST

- In 2008 Delaware PSC Approved a 25-year offshore wind power contract for 200 MW at 11.7 CENTS/KWH and 2.5% annual increase: renegotiated; legislative approval of surcharge for cost recovery; cost estimated to exceed market value of RECs
- Rhode Island PUC rejected proposed long term power purchase agreement for offshore wind at 24.4 cents/kwh plus annual 3.5% increase

PENDING MASSACHUSETTS OFFSHORE WIND CONTRACT

- NATIONAL GRID HAS PROPOSED 15-YEAR PPA FOR OFFSHORE WIND FOR 50% OUTPUT (230 MW) AT 20.7 CENTS/KWH
 - Contract price will increase 3.5% annually, but ratepayer impact analysis assumes that federal tax incentives will increase by same amount
 - In 2013 estimated above market costs of \$66.5 million
 - Increase in 500kwh monthly residential bill of \$1.59 in 2013 (2.2% increase in total bill), which is based on future projections of market prices of generation supply [1,000 kwh usage customer would see almost \$40 increase per year]
 - National Grid seeks 4% of total payments incentive allowed by law plus recovery of all costs and determination of prudence

MAINE SUBSIDIES FOR OFFSHORE WIND

- P.L. c. 615 (2009) states that “renewable ocean energy holds enormous promise to address our state and regional energy goals, including energy independence and security and limiting exposure to fossil fuels’ price and supply volatility; to ensure attainment of our greenhouse gas emissions reduction goals; and to provide significant economic opportunities for our citizens;”
- Wind energy state goal established of 2,000 MW by 2015, 3,000 MW by 2020 with 300MW + from offshore wind, and 8,000 MW by 2030 with 5,000 MW from offshore wind.
- Authorizes PUC to approve long term contract for up to 30 MW as demonstration project, but rate impact is limited to the amount of assessment for energy efficiency mandate (thus, doubling the assessment)
- Establishes Renewable Ocean Energy Trust composed of 80% of submerged lands leasing rental payments and state share of federal leasing revenues, but fund directed to mitigation of harm to wildlife and biology