

# State Renewable Energy News

## A Compilation of Utility-Oriented Renewable Energy Activities in the States

Prepared by the NARUC Subcommittee on Renewable Energy

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### Thoughts on the Madison Renewables Conference

We emerge from the recent NARUC/DOE Renewables Conference in Madison with the sense that, despite current market indications, renewable energy is alive and well, with intriguing new potential as the electric power industry begins its transition toward more competition.

Although there continues to be those who argue for electricity as a low-cost commodity, conference speakers reviewed all the reasons why the electric energy sector will continue to be affected with the public interest environmental considerations, customer value perceptions, various forms of market failure, and our species' need to get on with creating a sustainable future for the generations that follow.

Perhaps most encouraging was our panel of utility company representatives who talked about their renewables models of success: New England Power, with their "green RFP"; the Sacramento Municipal Utility District, with its customer-oriented solar programs; Niagara Mohawk, which sees the need to think "outside the box" about renewables as a customer-oriented business strategy; and particularly Ontario Hydro, North America's largest utility, where despite 10,000 MW of excess capacity, nuclear plant cost overruns, and a precarious financial position, the utility is making a \$110 million commitment over the next 5 years to position renewables as a real option to achieve long-term sustainability.

Conference attendees agreed on a three-point conclusion: (1) Sustainability and diversity are important long-term goals for the electricity sector, and renewables have an important role to play in achieving these goals; (2) A market transition is under way that threatens continued progress on renewables by foreclosing domestic market opportunities; and (3) Renewables should be explicitly addressed during the transition period.

There is a lot of work ahead of us. This work includes achieving PURPA reform which allows states to determine when markets are competitive; developing new methods of planning that emphasize resource portfolio management; preserving sustainable energy budgets in DOE, which help NARUC and state commissions do their work; building new coalitions with consumers and the natural gas industry; and most fundamental, understanding and making the case for a sustainable, long-term future for the electric power industry which provides the right balance of customer equity, environmental quality, renewable resources, and competitive economic efficiency. - **Renz Jennings**

## **State Activities**

### **Arizona**

#### **Staff Issues Renewables Report**

The Arizona Renewables Working Group (RWG) recently presented its report on the relative risks and benefits of gas-fired and renewable power plants to the ACC. The RWG, composed of utility and ACC staff and other parties to the IRP process, was an outgrowth of a 1994 Commission order committing the state's electric utilities to greater involvement with renewables (SREN, Summer 1994).

The report explores the use of decision analysis (DA) as a tool for illuminating the relative risks of different energy resources. It is noted that decision analysis can provide a structured approach to defining and using risk values to measure the benefits derived from competing resource alternatives. But while decision analysis can serve as a tool for equitably identifying, defining, and organizing stakeholder objectives, the report notes that "stable, long-term strategies depend on the clear identification of fundamental and enduring objectives" that reflect basic stakeholder values. For this reason, the RWG recommends that "all future IRP filings explicitly address the utility's management commitment to long run renewables goals."

#### **ACC Contact:**

**David Berry, (602) 542-5517**

### **California**

#### **PUC Encourages Renewables Settlements**

To avoid lengthy litigation, the CPUC has decided to encourage settlements in the BRPU case requiring the state's IOUs to sign long-term power contracts with both renewables- and fossil-based qualifying facilities. Earlier this year, the FERC overturned the CPUC's bidding process as a violation of PURPA (SREN, Winter 1995). FERC recently upheld its original order.

The commission ordered the utilities to submit settlement packages "as long as ratepayer interests are advanced and protected by the settlements." The settlements must also meet the following goals and objectives: (1) achieve the resource procurement statutory mandates, including mandates for diversity provided by renewable resources; (2) add capacity that lowers the operating cost of the system; and (3) add capacity that meets reliability needs, if necessary.

#### **CPUC Contact:**

**Tom Thompson, (415) 703-2881**

### **Iowa**

#### **Utilities Fight Alternate Energy Law**

Following on the heels of other PURPA-related utility challenges, Midwest Power Systems has filed a petition with the FERC seeking to invalidate the state's "Alternate Energy Production" (AEP)

statute. The law, passed in 1992, requires the state's utilities to purchase a total of 105 MW from AEPs. Because the power purchase rate established by the IUB, at 6.01¢/kWh, is above the utility's claimed avoided costs, the utility argues that the rate, and thus the state statute, is in violation of PURPA. The utility is asking that the law be declared void for all prospective power purchase requirements.

The Midwest Power challenge jeopardizes the development of a 60-MW wind project for which contract negotiations were ongoing. The developer, Midwest Wind Developers, recently filed a motion with the IUB to compel the utility to sign a power purchase contract. The FERC filing follows an unsuccessful attempt by utilities earlier this year to change the law in the Iowa General Assembly.

**IUB Contact:**

**John Pearce, (515) 281-5679**

## **Minnesota**

### **Legislature Adopts Wind Bills**

The Minnesota Legislature passed two bills that will have financial impacts on wind development in the state. The first bill provides loans and financial incentives to family farms and cooperatives for wind energy resource development. The law provides funds for a 10-year production incentive of 1.5¢/kWh, up to a statewide total of 100 MW of capacity.

The second bill removes a blanket property tax exemption for wind plants greater than 2 MW, establishing a new tax on certain wind turbine components.

**PUC Contact:**

**Betsy Engelking, (612) 296-1337**

## **Nebraska**

### **Legislation Supports Renewables**

The Nebraska Legislature passed a bill instituting an IRP requirement for the state's public utilities and establishing renewables as preferred energy sources. The Act states "that it is in the public interest to encourage energy efficiency and the use of indigenous energy sources" and allows utilities to give priority to energy efficiency and renewable resources in least-cost planning, to the extent practicable.

**NE Contact:**

**Larry Pearce, (402) 471-2867**

## **New York**

### **Renewables Agreement in Jeopardy**

In response to a PSC order approving a Settlement Agreement on a plan to acquire up to 387 MW of renewables (SREN, Fall 1994), six of the state's seven electric utilities have notified the commission of their withdrawal from the agreement because they believe that the order substantively changes the

terms of the settlement. The utilities argue that these changes would require them to purchase "unneeded" capacity. Four of these same six utilities have also filed a petition with the PSC to terminate the state's renewable resources proceeding. A decision on both matters is expected in August or September.

**PSC Contact:**  
**Fred Ulrich, (518) 486-5211**

## **Wyoming**

### **Renewables Demos Selected**

The State of Wyoming chose four projects from its 1994 RFP for renewable energy demonstration projects. The projects include three off-grid applications: a PV system for heating, electricity, and water pumping at the Cheyenne Botanical Gardens; a hybrid wind and PV system for remote water pumping and stock watering at the University of Wyoming; and a working cattle ranch, which will be run entirely on renewable energy, including PV, wind, and passive and active solar energy.

The fourth project, also at the University of Wyoming, will consist of a 10-kW PV roof array and a 60-kW parking lot array, both of which will be connected to the PacifiCorp grid.

**Wyoming Dept. of Commerce Contact:**  
**Dale Hoffman, (307) 777-7284**

## **Other Activities**

### **Report Updates Renewables Information**

A new study by the Investor Responsibility Research Center (IRRC) profiles 100 renewable electricity developers that have brought on line or acquired the equivalent of 16 utility-scale coal plants through 1994.

Although these companies report major cost reductions for renewables projects, IRRC identifies several factors severely hindering renewable electricity development, including low fossil fuel prices, the short-term cost focus of today's electricity market, and the uncertainty associated with electric power industry restructuring.

IRRC concludes that the less hospitable market environment is taking its toll on renewable electricity developers, reporting that "construction of renewable power plants, which already has slowed during the 1990s, appears likely to dwindle even further during the remainder of the decade."

**IRRC Contact:**  
**Susan Williams, (603) 675-9274**

### **BPA to Market Green Power Product**

The Bonneville Power Administration (BPA) is developing a green power product consisting of a portfolio of four renewable projects (two wind and two geothermal) to market to its wholesale customers. In an initial polling, more than 20 utilities expressed interest in considering such an

option. Among the key selling points of the package are a 20-year guaranteed price stream, the provision of transmission and load "shaping" services, and the ability to buy as much or as little of the product as desired. BPA expects to be able to market all four projects; however, a final determination on the projects to be pursued awaits utility commitments.

**BPA Contact:**

**George Darr, (503) 230-4386**

**SMUD Sticks with Renewables**

The Board of Directors of the Sacramento Municipal Utility District (SMUD) recently approved an updated IRP that calls for a continued commitment to the development and deployment of renewable energy sources for the district's customers. The IRP includes acquisition of 50 MW of new renewable capacity over 5 years, starting in 1998, as well as a continuation of the utility's programs to provide customer-oriented solar power such as the nationally acclaimed PV Pioneer rooftop photovoltaic program. In addition, the board formally committed the utility to spend at least 1% of its annual revenues on the demonstration and development of renewables and other advanced energy technologies.

The utility notes that its commitment to renewables remains strong at the same time that capital spending will be cut by \$250 million through the year 2000. The resource plan will lead to a 30% reduction in greenhouse gas emissions, allowing SMUD to meet the U.S. Department of Energy's Global Climate Challenge. In addition, as many as 18,000 local jobs will be created through implementation of the IRP.

**SMUD Contact:**

**Bob Wichert, (916) 732-6222**

**NSP Announces Wind Bid Winner**

Northern States Power (NSP) announced the selection of Zond Systems, Inc., to supply 100 MW of wind energy in Phase II of the utility's plan to build or purchase up to 425 MW of wind capacity by 2002 (SREN, Winter 1995). The project will deliver wind energy to NSP for roughly 3¢/kWh, averaged over the 30-year term of the power purchase agreement. The price accounts for the impacts of the federal production tax credit and a recently enacted state property tax levy (see related article on page 2). Zond plans to use Minnesota labor, when possible, to install the wind turbines.

**NSP Contact:**

**Glynis Hirschberger, (612) 330-7684**

**Austin Signs Up for Wind**

The Austin Electric Utility Department signed a 25-year agreement with the Lower Colorado River Authority (LCRA) to purchase a 10-MW share of a 35-MW wind energy project currently under development by LCRA and expected to commence operation in late-1995. The contract calls for a fixed price of 4.99¢/kWh, plus 1.0¢/kWh for transmission from the West Texas site. The utility notes that the project will help further commercialize wind as a viable renewable energy source and will help diversify Austin's resource base. A small portion of the project revenue will benefit the children of Texas through contributions to the Permanent School Fund.

**AEUD Contact:**  
**John Hoffner, (512) 322-6284**

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