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NCSL Testimony on State Renewable Electricity Standards **House Standing Committee on Energy and Environment**

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Mr. Chairman and members of the committee, NCSL thanks you for the invitation to present during this discussion of renewable portfolio standards. I will be providing an overview of recent state activities to reduce or repeal renewable electricity standards along with some state activities on RPS costs, which have been a leading concern in these discussions.

In the past year, at least 13 states have introduced bills aimed at delaying or reducing state renewable electricity mandates. Although none of the bills have yet passed, a number are still pending, and new bills are likely to be proposed soon. Following is a quick summary of various approaches states have taken:

Repeal of the Standard

At least five states have introduced legislation to repeal their renewable energy requirements, including Colorado (2011), Michigan (2012), Minnesota (2010), Montana (2011) and Ohio (2011). Virginia may propose one soon as well.

In Montana, House Bill 244 was introduced due to concerns that incentive distorted the free market. The bill was tabled in committee due to concerns presented by Montana's major energy utilities, who were opposed to rolling back the standard due to the large investments they had made to comply with the 2005 standard.

Freezing the Standard

In 2012, Delaware discussed legislation to freeze its mandate at 8 percent due to concerns that the mandate may be increasing electricity prices in the state, which has rates that are 1.8 cents per kilowatt-hour above the national average. North Carolina's chair of the public utilities committee has stated he is drafting a bill to freeze the state's 12.5% renewable mandate at 3 percent.

Reducing the Standard

Connecticut discussed cutting their requirement from 20 to 10 percent renewable by 2020. The legislation was driven by concerns that renewable energy was mainly imported from outside the state since land for large renewable development was scarce. The money utilities would have spent would be put into loans to achieve in-state development.

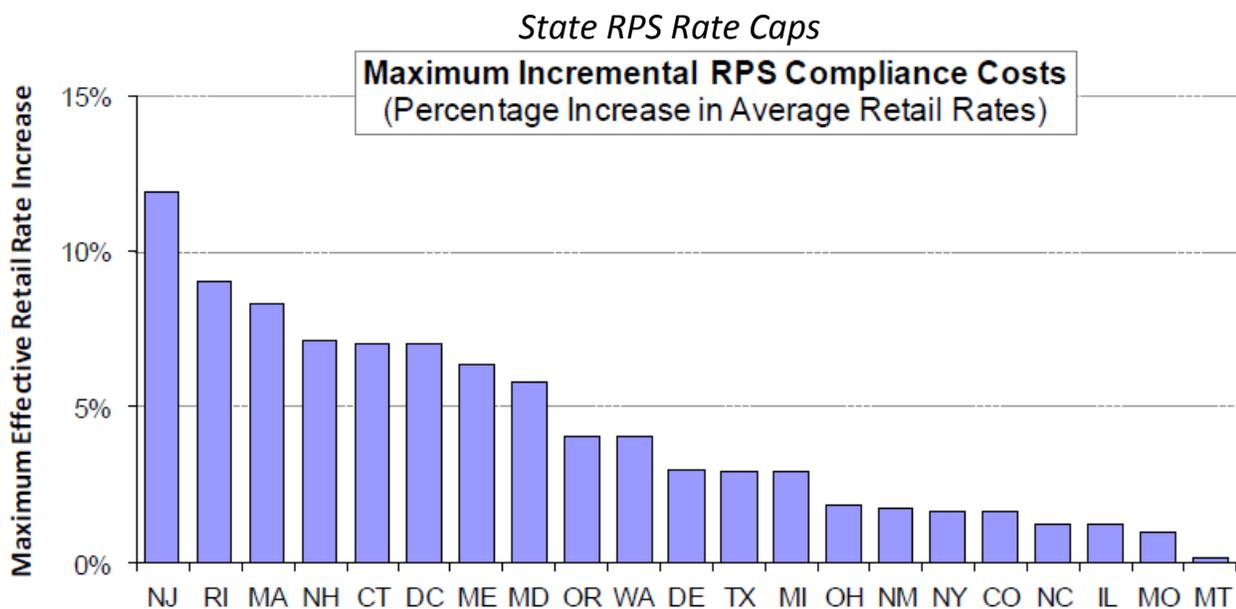
Expanding the RPS to Include Large Hydroelectric Sources

Montana and Missouri introduced bills this year to allow large hydroelectric facilities or hydro expansions to count towards renewable energy mandates. For many states, including existing large hydro would significantly reduce or eliminate the RPS incentive to build new renewable energy. In 2011 and 2012, 3 states introduced legislation to include large hydro as part of their RPS: Minnesota (2012, failed), Oregon (2011 and 2012, failed) and Wisconsin (2011, failed).

Although not a legislative action, in late January, 2013, the Arizona Corporation Commission eliminated commercial solar incentives for Arizona Public Service and Tucson Electric Power customers. The Commission also voted to drastically reduce residential solar incentives. The end result is likely to be a significant decline in RPS compliance.

Cost Controls

Most states included cost caps in their RPS bills to limit increases in ratepayers' bills. Twenty-one states have capped incremental compliance costs of their RPS below 10%, with 13 capping impacts below 5%. Kansas caps gross RPS procurement costs, which is equivalent to a rate cap. If there is a 1% or greater rate increase on retail rates, the Kansas Corporation Commission may waive penalties for non-compliance.



Source: Lawrence Berkeley National Laboratory, (2012).

A number of states have looked at gathering more detail on their RPS costs. In May, 2011, Minnesota enacted Senate Bill 1197, requiring utilities to report on the rate impacts of the Minnesota RPS. Of the fourteen major utilities that reported toward the end of 2011, eight stated that complying with the standard resulted in little or no additional costs, while 6 found the policy was leading to increased costs for customers.¹

Minnkota, the utility the reported the highest costs, stated that RPS compliance contributed to a nearly 16 percent increase in its average wholesale power rate in 2010. On the other end of the spectrum,

Xcel Energy reported that compliance was cost-effective and held prices 0.7 percent lower in 2008-2009, likely due to hedging against natural gas prices. Xcel projects that over the next 15 years, customers will pay approximately 1.4 percent more for energy due to the larger percentage of renewable energy that will be added. The Dairyland Power co-op reported that wholesale rates were driven up 6 percent by the RPS. Minnesota Power said the state's "exceptional access to high quality wind resources" meant they did not expect a cost increase.

Illinois enacted the Power Agency Act in 2013, requiring a comparison of the costs of acquiring renewable energy resources with traditional energy sources.

Electricity Prices

According to the Energy Information Administration, the average electricity cost for residential customers across the U.S. is 11.7 cents/kWh, with Kansas averaging 10.9 cents/kWh.²

The three states with the largest total amount of wind generation; Texas (approximately 10 percent of its energy from wind); California (gets 5% of its energy from wind); and Iowa (20% of its energy comes from wind); have electric rates of 11.1, 15.1, and 10.4 cents/kWh, respectively.

Top 10 wind generating states and Electricity Prices

Ranking	Wind Capacity	Residential Electricity Price (cents/kWh)
1. Texas	12,212 MW	11.1
2. California	5,549 MW	15.1
3. Iowa	5,137 MW	10.4
4. Illinois	3,568 MW	11.34
5. Oregon	3,153 MW	9.84
6. Minnesota	2,717 MW	11
7. Washington	2,699 MW	8.61
8. Oklahoma	2,400 MW	9.48
9. Kansas	1,877 MW	10.9
10. Colorado	1,805 MW	11.32

Source: Energy Information Administration (2012)³ and National Renewable Energy Laboratories.⁴

¹ Dan Haugen, "Mixed rate impact from MN renewable standard," *Midwest Energy News* (11/02/2011) www.midwestenergynews.com/2011/11/02/minnesota-utilities-report-mixed-rate-impact-from-renewable-standard

² "Average Retail Price of Electricity to Ultimate Customers by End-Use Sector, by State, November 2012 and 2011," *Electric Power Monthly*, (January 23, 2013). www.eia.gov/electricity/monthly/epm_table_grapher.cfm?t=epmt_5_6_a

³ Ibid.

⁴ 2011 Wind Technologies Market Report, National Renewable Energy Laboratory, (August, 2012) http://www1.eere.energy.gov/wind/pdfs/2011_wind_technologies_market_report.pdf