

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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Second NARUC Renewables Conference Announced

Registration is now open for the NARUC-DOE Conference on Renewable and Sustainable Energy Strategies in a Competitive Market, which will be held at The Madison Concourse Hotel located in downtown Madison, Wisconsin, on May 7-10, 1995.

The conference will build on the success of the October 1993 NARUC-DOE Conference on Renewable Energy and will put special emphasis on how renewables fit into a more competitive electric utility industry. In addition to examining renewable energy's potential role in sustainable energy strategies, the conference will focus on the development, delivery of, and demand for renewable energy technologies. The conference will also highlight regulatory, legislative, and other policy issues associated with renewable energy. For additional information, contact Ann Thompson of NARUC at (202) 898-2210.

State Activities

California

PUC Reaffirms BRPU decision

In December, the CPUC reaffirmed an earlier decision that requires the state's investor-owned utilities (IOUs) to sign long-term power contracts with both renewables- and fossil-based qualifying facilities (SREN, Summer 1994). The order is an outgrowth of the state's Biennial Resource Plan Update (BRPU) process that defines long-term utility resource needs. Two of the state's three IOUs, Southern California Edison and San Diego Gas & Electric have appealed this decision to the FERC, citing violation of PURPA by requiring power purchases at rates that exceed avoided cost (see related article on page 3).

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Hawaii

PUC Holds Renewables Sessions

The PUC has begun a series of discussion sessions to explore issues related to the development of renewable energy resources in the state. The meetings are a component of the commission's recently opened docket on renewable energy resources.

Upon completion of the discussion sessions, it is expected that the parties to the docket will participate in collaborative meetings to assist the PUC in formulating strategies to facilitate the commercial deployment of renewables in the state. The collaborative's recommendations will be included in a commission report to the state legislature.

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Massachusetts

Court Vacates Externalities Rule

The Massachusetts Supreme Court vacated a DPU rule that requires utilities to apply monetized environmental externalities in the selection of new resources. While noting that "our decision should not be construed as a disapproval of the department's underlying purpose to make environmental considerations, in the broadest sense, appropriate factors in the selection of electric generating sources," the court stated that the Legislature must grant the regulatory authority "to use such considerations directly." The court challenge had been filed by the Massachusetts Electric Company and the National Coal Association.

In vacating the externalities rule, the court remanded the matter back to the DPU "for such further consideration as it deems appropriate." In a recent utility case, the DPU stated that although it will no longer impose monetized externality values on resource procurement decisions, it "will continue to insist that reasonably foreseeable environmental control requirements with cost implications for ratepayers be considered by utilities in weighing resource procurement alternatives."

On a related issue, the court declined to rule that state externalities considerations are void because PURPA bars an electric utility from paying more than its avoided cost to a qualifying facility (QF) providing power to the utility. The court noted that state courts have divided on this issue and that the matter remained unresolved at the FERC (see related article on page 3).

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Montana

Renewables Workshop Set

The PSC will conduct a two-day symposium on renewable energy issues on April 12-13 in Helena. The symposium is a component of the PSC's investigation of renewable energy issues (SREN, Summer 1994).

Topics likely to be addressed include the status of renewable energy technologies, barriers to utility acquisition of cost-effective renewable resources, regulatory initiatives, distributed utility concepts,

and renewable resource availability and opportunities in Montana.

The goal of the symposium is to develop a better understanding about the role of renewable energy in Montana and to promote the exchange of information and ideas among interested parties in a nonadversarial setting.

PSC Contact:

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Rhode Island

PUC Approves NEES Contracts

After one rejection, the PUC approved the seven renewables-based power purchase contracts signed by the New England Electric System (NEES) as a result of its "Green RFP" (SREN, Summer 1994).

The PUC had originally balked at utility payments that were above avoided cost. In response to the commission's rejection, NEES renegotiated the contracts to reflect current avoided costs. Narragansett Electric Company, the NEES retail affiliate, also assured the commission that the utility would not seek to include the contracts in any future calculation of stranded investments.

The PUC staff supported the utility proposal, noting that the projects represent a regulatory "insurance policy" because they add valuable diversity to the mix, avoid more expensive fossil fuels, hedge against fuel price increases and more stringent environmental restrictions, and help assure that future renewables applications are cost-effective. The staff also noted that, even in a restructured utility industry, these "green" electric sources would have value both for environmentally conscious customers and for those seeking diversity.

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FERC Rulings Challenge Renewables Efforts

Nearly seventeen years after the passage of PURPA, FERC has ruled in two cases that call into question the law's fundamental role in promoting energy production from alternate sources.

In the first case, FERC ruled that Connecticut Light & Power (CL&P) cannot be forced to purchase power from a resource recovery facility at a rate above its prevailing avoided cost. CL&P had challenged a state law requiring utilities to purchase electricity generated by a resource recovery facility owned or operated by a municipality at the same rate that an electric utility charges the municipality. In a declaratory order issued in January, FERC determined that the Connecticut law violated PURPA by mandating avoided costs that exceeded a utility's incremental costs of either generating or purchasing power.

FERC declared that "for states to mandate rates above avoided cost for a particular class of power suppliers runs counter to Congress' and (FERC's) current policies which strongly favor competition among all bulk power suppliers. . . . Imposing a rate in excess of avoided cost would subsidize QFs and burden ratepayers.

In February, FERC ruled on petitions from Southern California Edison and San Diego Gas & Electric seeking to overturn a PUC order requiring the utilities to purchase several hundred megawatts of power from qualifying facilities (see related article on page 1). The utilities argued that the power is unneeded and that because a portion of the bidding solicitation was reserved for renewables, the power prices from the winning bidders exceed the utilities' avoided cost from other potential suppliers, thus violating PURPA.

FERC ruled that the CPUC's BRPU process does indeed violate PURPA by requiring the utilities to purchase power from QFs at rates that exceed avoided cost. In addition, FERC noted that since the bidding solicitation was limited to QF sources, the process for determining avoided cost also violated PURPA.

Noting conflicting mandates between PURPA, which seeks to promote alternative technologies, and the Energy Policy Act of 1992, which seeks to promote competition in bulk power markets, FERC commissioners called for a fundamental reexamination of the role of PURPA in a competitive power supply industry.

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CMP Signs Wind Contract

Central Maine Power (CMP) signed a three-year contract, with options, to purchase 10 MW of power from a proposed Kenetech wind plant development in the Boundary Mountains of Maine. The New England Electric System has already signed a contract with Kenetech to purchase 20 MW of power from the project under its "Green RFP" (see related article on page 2). The first phase of the project is expected to be on line by the end of 1996.

The wind energy from this project will replace more expensive resources on cold winter days. The wind energy closely matches the utility's load during the winter season. Although CMP has been working to reduce its level of expensive QF purchases, the price that the utility will pay for the wind energy will be considerably lower than the average of its current QF contracts.

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Utility Initiates Green Marketing Pilots

Portland General Electric (PGE) initiated two green marketing pilot programs to help fund renewable energy power purchases resulting from the utility's recent renewables solicitation (SREN, Fall 1994). The programs, named Share the Wind and Penny Jar, have been designed to provide no or low cost avenues for customers to support renewables development.

Share the Wind offers three different affinity financial products, developed with U.S. Bank, consisting of credit and debit cards, and a certificate of deposit. Under the CD program, 1% of opening balances are donated to the fund; under the credit card program, the bank contributes 1% of transferred balances and 1% of credit card purchases; and under the debit card program, one-half of 1% of every purchase is contributed to the fund.

Finally, the Penny Jar option automatically "rounds-up" a customer's monthly bill to the nearest dollar, with the extra pennies going directly into the Share the Wind Fund. The funds raised by these programs will help offset that portion of the wind costs that are above the utility's avoided cost.

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Texas Utility Commits to Wind

In its 1995 Integrated Resource Plan (IRP), Texas Utilities Electric (TU Electric) plans to add a total of 340 MW of wind energy generation, representing 7% of total resource additions over a 10-year period. The commitment to wind energy was made "in anticipation of decreasing renewable energy costs in that time frame and as a hedge against potential future fuel price escalation and the possibility of changing environmental standards." A 40-MW wind project is already under contract, with start-up expected in late 1996 (SREN, Fall 1994).

The IRP development involved considerable input from a 30-member Service Area Advisory Group (SAAG), a geographically diverse cross section of customer constituencies. Regulatory hearings on the IRP will begin in March 1995.

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NSP Issues Second Wind RFP

Northern States Power Company (NSP) issued a request for proposals (RFP) for up to 100 MW of energy and capacity from wind generation. The solicitation is the second phase in the utility's plan to build or purchase power for up to 425 MW of wind capacity in exchange for approval to construct a spent nuclear fuel storage facility (SREN, Summer 1994).

Potential developers will benefit from several supporting utility actions. NSP is securing land rights in the vicinity of the 25-MW, Phase I Buffalo Ridge project, and will convey sufficient land rights to the successful bidder to facilitate financing, construction, and operation of the wind generating facility. NSP will also expand its substation capabilities to provide a generation outlet for the project.

Only projects located within the state of Minnesota are being considered. Seventeen bids for a total capacity of 1375 MW have been received. NSP expects to announce the winning project(s) by the second quarter of 1995. At the same time, NSP has announced that it will soon pursue a 50-MW biomass RFP, which is also tied to the nuclear storage agreement.

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