

New law aims to promote renewable energy for North Carolina consumers

Energy Facilities Can Benefit Rural Regions

By Andrew Meehan

The North Carolina General Assembly this summer passed legislation that could funnel millions of dollars to rural areas for renewable energy development over the next 10 years.

The new measure requires utilities to generate more electricity from renewable energy resources, such as wind, solar and biomass. The state's Renewable Energy and Energy Efficiency Portfolio Standard (REPS) mandates that by the year 2018, 10 percent of the electricity that cooperatives deliver to consumers must be generated by renewable resources or offset by energy efficiency and conservation programs. The law requires investor-owned utilities (Duke Power, Progress Energy, Dominion Power) to acquire 12.5 percent of their electricity from renewable resources by 2021.

The new law is meant to bring more renewable energy to North Carolina at a time when the demand for power is expected to grow dramatically. Projections show that over the next 30 years, North Carolina's electric utilities must supply energy to approximately 3.5 million more consumers than they already serve. The growing demand will require major new power generation facilities, as well as expanded energy efficiency programs such as incentives for efficient appliances, more efficient buildings and energy-saving programs.

Because renewable energy resources are located within rural areas, rural North Carolina could supply much of the fuel for the next generation of renewable power plants. Wind energy in the mountains and on the coast can power turbines. Electricity generated by processing hog and poultry waste can also provide some farmers with an alternative for waste disposal. Solar power advocates see potential in North Carolina. But each type of renewable energy bears its own technical, engineering, environmental and political challenges. Wind power, for example, is difficult to site in the mountains because of laws that prevent structures on top of ridges. Some in the environmental community oppose the use of hog and poultry waste to generate power.

Others, however, view energy from biomass as a positive focal point for

renewable energy development. Many hog and poultry operations capable of producing power from waste are in areas served by electric cooperatives.

Who pays for renewable energy?

It is well documented that power generated from renewable resources costs more than power generated from traditional fuels such as coal, nuclear energy and natural gas. The costs of developing renewable energy will be passed on to consumers. Cooperatives supported the new REPS because the costs can be contained through regulatory measures by the North Carolina Utilities Commission for a more balanced approach with possible economic and environmental benefits to rural areas. Utilities will not be permitted to charge consumers more than a phased-in cost cap found in the authorizing legislation. [See the table on this page.]

North Carolina utilities point out that the state cannot meet all of its future power needs with renewable resources and energy efficiency measures alone. To meet the demand of their consumer-members, North Carolina's 27 electric cooperatives own electric power plants and purchase wholesale electric power from major power producers. As large purchasers of electricity, cooperatives also support the construction of new, efficient power plants that use traditional fuels.


"Most legislators recognized that we can't meet future power needs of the state on wind, solar and hog waste alone," said Nelle Hotchkiss, vice president of corporate relations for the North Carolina Association of Electric Cooperatives. "Senate Bill 3 was intended to stimulate renewable energy production in North Carolina and provide a



more diverse energy portfolio for our citizens. The legislation also ensures that state policy does not shut out coal, nuclear or natural gas power plants that are built using the best available environmental *and* safety standards at the most reasonable cost. These elements are necessary to ensure a successful economic future for North Carolina."

The new legislation also considers the cost of constructing new power plants to meet growing demand. The N.C. Utilities Commission will allow investor-owned utilities to pass along to ratepayers construction and financing costs while construction is in progress. Previously, costs could not be passed to consumers until a plant was operational. As a result, the change will lower overall financing costs for power plants, and these savings will benefit consumers. The new law also will reduce consumers' "sticker shock" for a new power plant by distributing rate increases over a longer period of time.

In addition, all power plants built in the state provide an economic boost to the communities that host them.

"Power generation is just one of many issues that we face," Hotchkiss said. "We also must expand and improve our infrastructure, such as poles, wires and substations. Without a solid infrastructure, all the power in the world won't make it to the consumer at the end of the line." 

Andrew Meehan is the government affairs manager for the North Carolina Association of Electric Cooperatives.

Maximum renewable energy rate impact on consumers

North Carolina's renewable energy legislation sets a retail cost cap for renewable energy production. Under the legislation, consumers will not be charged beyond the following rates (per year) for the renewable energy portions of their bills:

Customer Class	2008–2011 Maximum	2012–2014 Maximum	2015 and after Maximum
Residential per account	\$10/yr	\$12/yr	\$34/yr
Commercial per account	\$50/yr	\$150/yr	\$150/yr
Industrial per account	\$500/yr	\$1,000/yr	\$1,000/yr