

SB 838: POWERING OREGON'S FUTURE

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A Cost Cap Protects Oregon Electricity Consumers

In the 21 states that have a Renewable Energy Standard, there are no reports of the policy significantly raising electricity rates.¹ In fact, utilities are increasingly reporting savings from investments in renewable energy.² A cost cap guarantees that electricity rates will not rise above a certain percentage as a result of utilities investing in renewable energy. Customers have no similar mechanism protecting them from utilities investing in fossil fuels.

What is the Cost Cap?

SB 838, the Oregon Renewable Energy Act, contains a smart provision to protect customers should the price of renewable energy unexpectedly rise. If a utility finds that the cost of complying with the Act exceeds 4% of their annual retail revenue requirement, their obligation to meet the standard is suspended. This prevents utilities from having to meet the standard "at all costs." In no other states are there any examples of renewable resources raising customers' bills by this amount.

How does the Cost Cap work?

For investor-owned utilities, the Public Utility Commission will calculate the cost cap. For smaller consumer-owned utilities, the locally-elected governing body will oversee the calculations. When a utility plans to acquire a new renewable energy resource to comply with the Act, they will compare the cost of renewable and non-renewable resources. If the difference between the cost of renewable and non-renewable resources is greater than 4% of the utility's total retail revenue (total rates for customers), the standard is suspended for that utility until prices come down.

Who supports the Cost Cap?

The inclusion of a cost cap in SB 838 is the result of a long stakeholder process involving utilities, consumer protection advocates, the Oregon Public Utility Commission, members of the business community and many more. Many of these stakeholders have testified in support of the cost cap in the Senate Environment and Natural Resources Committee. The cost cap was settled on as the best provision to protect customers from rate increases should they be tied to renewable energy. Several other states also include a cost cap in their Renewable Energy Standard.

"Between the cost cap and the alternative compliance payment mechanism, we are quite confident that the consumer is protected from any market variances, and overall, the customer is most protected in the long term, because the resource mix of a utility is made much more diverse by this bill."

-Jason Eisdorfer, Citizens Utility Board of Oregon, on SB 838

1. "The Costs and Benefits of State RPS Policies: Cost-Impact Studies, Actual Costs, and Cost Containment." Lawrence Berkeley National Laboratory (May 2006). Presented at Oregon Renewable Energy Working Group. See slide 27.

2. "2005 Annual Report." Puget Sound Energy (March, 2006); "Xcel Reports Huge Savings from Wind." Windpower Monthly, Vol 22, No. 5 (May 2006).

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