

Advancing Wind Power in Michigan: Prescription for a Successful RPS

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AGENDA

- A Wind Power Fable
- Why an RPS Matters
- States' Experience with an RPS (the good, the not-so-good and the ugly)
- Guiding Principles
- Overcoming Political Hurdles



A Wind Power Fable

Once upon a time,...



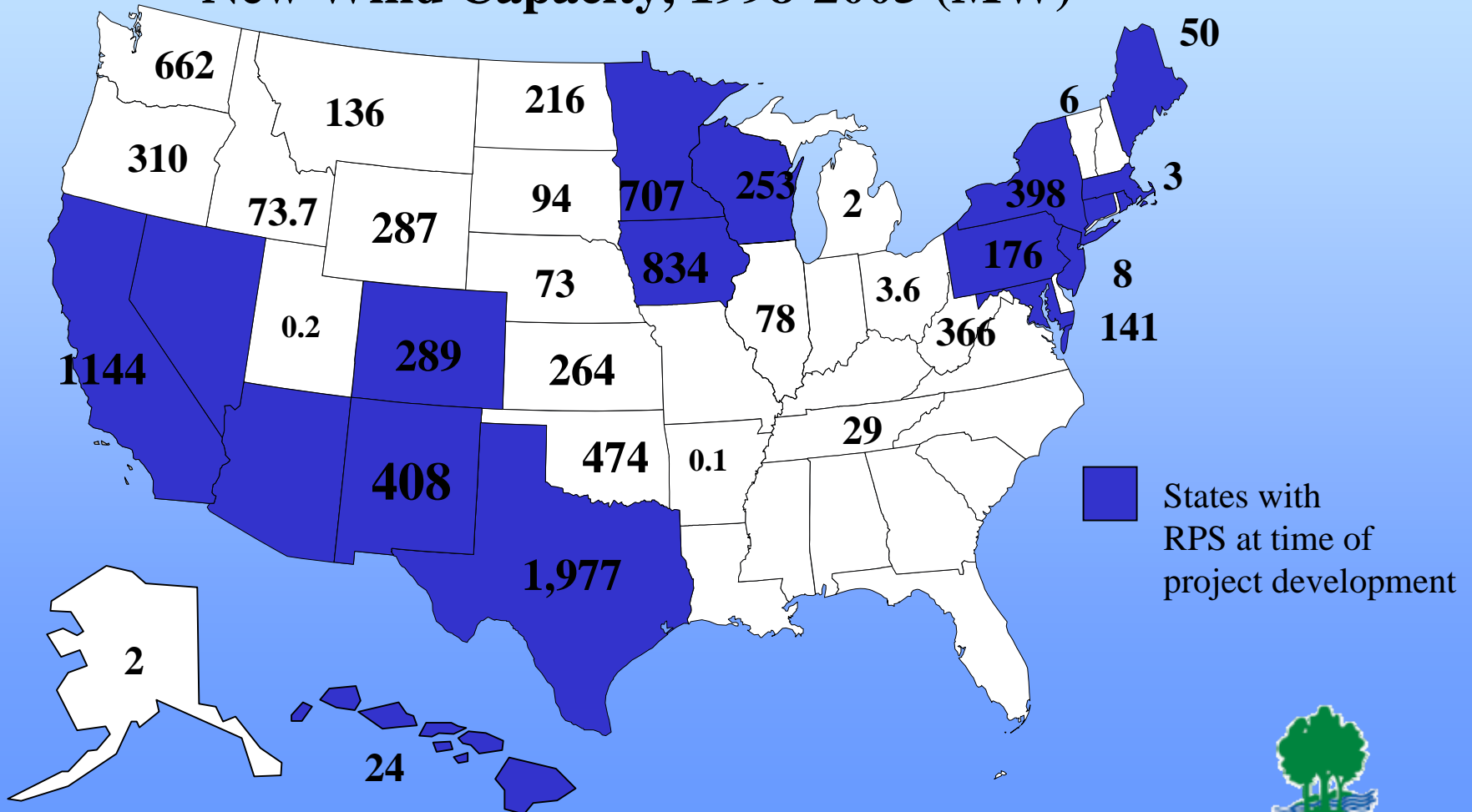
Why an RPS Matters

- Federal PTC is necessary but not sufficient
- RPS drives renewable energy development to states with Tier II renewable energy resources
- RPS drives a known quantity of renewable energy over a finite number of years
- RPS encourages development of lowest cost resources

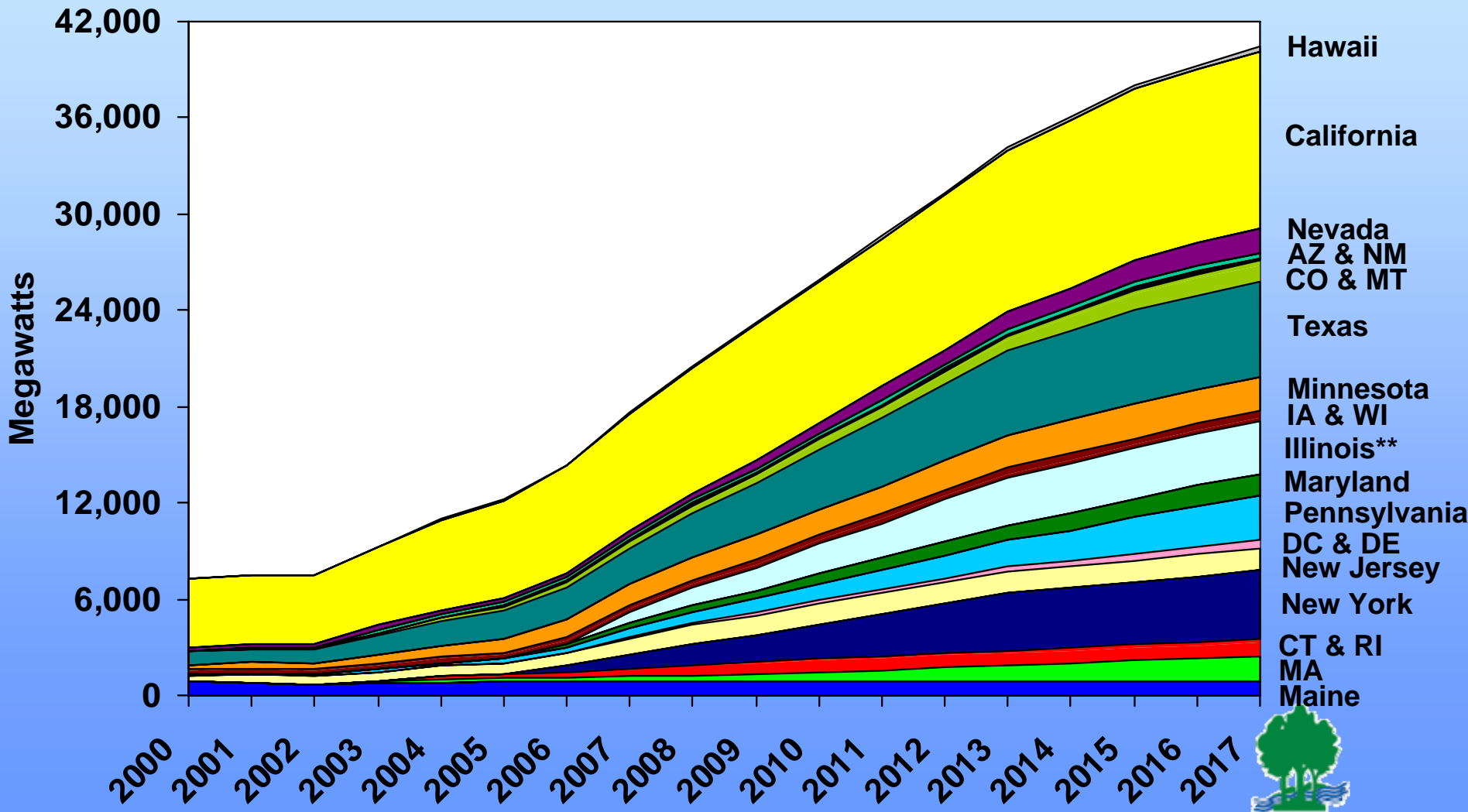


Most Wind Developments in States with an RPS

New Wind Capacity, 1998-2005 (MW)



Projected Renewable Energy Development in RPS States



21 States with RPS Requirements

Nevada: 20% by 2015,
solar 5% of annual

Minnesota: 19% by 2015*

New York:
24% by 2013

Maine: 30%
by 2000

Iowa: 2% by 1999

Wisconsin:
2.2% by 2011

MA: 4%
by 2009

Montana:
15% by 2015

Illinois: 8%
by 2013**

RI: 16%
by 2019

CT: 10% by 2010

NJ: 6.5% by 2008

DE: 10% by 2019

Maryland:
7.5% by 2019

Washington D.C.:
11% by 2022

Pennsylvania:
8% by 2020

California:
20% by 2017

Arizona: 1.1% by
2007, 60% solar

New Mexico:
10% by 2011

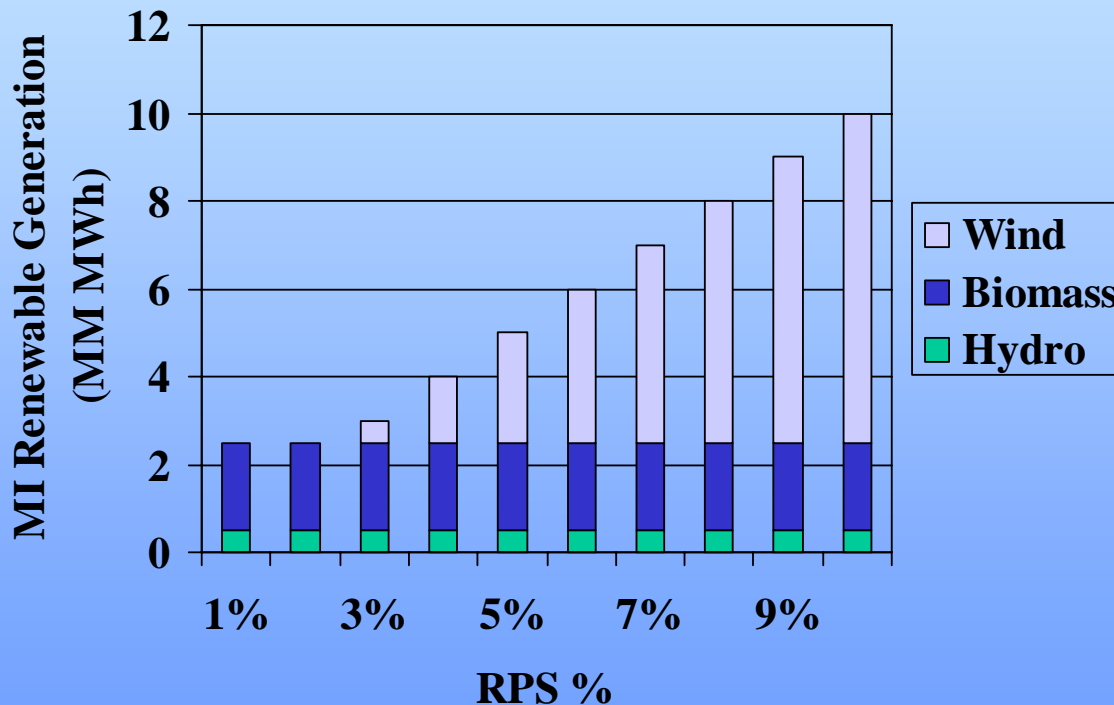
Texas: 5,880 MW
(~4.2%) by 2015

Colorado:
10% by 2015

Hawaii: 20% by 2020



How Much New Wind Capacity would an RPS Generate?



A 10% RPS with no Increase in existing biomass or hydro would represent close to 3,000 MW of nameplate wind capacity



“Good” vs. “Bad” RPS’

Good: Texas, Colorado, Minnesota, New England

Bad: Pennsylvania, Maine

TBD: Montana, Illinois, New York



Guiding Principles



Clear Goals and Objectives

- Clean air?
- Economic development?
- Reduced energy dollar leakage?
- Stable electric rates?



Broad Applicability

- All IOU's
- Include Munis and Co-ops?
- All customer classes



Resource Clarity

- Carve-Outs for solar, LFG, hydro, community wind
- In-state vs. out-of-state eligibility
- Existing vs. new resources
- Power delivery vs. RECs
- Credit “banking”



Reasonable Timeline and Duration

- Timeline should spur, but not overwhelm development of renewable resources
- Targets should match available resources
- Long-term commitment needed to support long-term investments



Cost Recovery

- How high can the premium be?
- How to avoid non-competitive procurement
- Short-term impact vs. long-term benefit
 - Hedge against rising fuel costs



Tracking and Enforcement

- Need credible tracking and enforcement mechanism
- Need adequate compliance flexibility
- Penalties should exceed cost of compliance

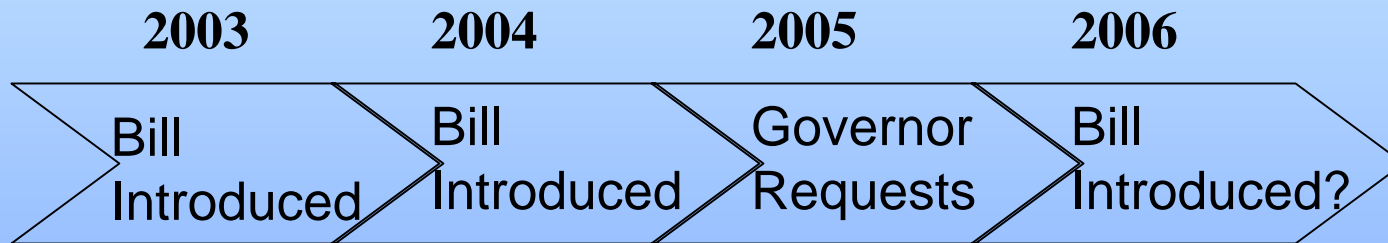


Overcoming Political Hurdles

- Develop broad coalition of supporters
 - Farmers, labor unions, economic development officials, public health organizations
- Be inclusive without compromising goals
 - Existing resources, out of state facilities
 - More “credit” for more desirable projects
- Work with utilities and regulators, not against them
- Clarify consumer benefits and potential rate impacts



The Illinois RPS: A Cautionary Tale



Stalled over Percentages, Compliance, Illinois Power merger

Stalled over Lt Gov's objection to Proposed rate increase

ICC Hearings and staff recommendations. Stalled over Governor's refusal to support post-2006 plan



Other State Policy Options

- Green Power Tariffs
- State Tax Credits (Iowa)
- Sales Tax Exemptions for Equipment
- State Purchase of Green Tags (universities)
- Grants for Feasibility Studies
- Uniform zoning and siting rules



For Further Information

- Ryan Wiser, et. al. “Evaluating Experience with Renewable Portfolio Standards in the United States”, Lawrence Berkeley Labs, May 2004. <http://eetd.lbl.gov/ea/ems/re-pubs.html>
- Jeff Deyette and Steve Clemmer, Union of Concerned Scientists

