

Analyst: Bills Rising Due To Overpriced Renewables

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SAN FRANCISCO (AP) — Dozens of renewable energy plants being built to meet California's tough global warming laws, including a major Spanish-owned solar plant in the Mojave Desert, are so overpriced they will increase consumers' energy bills for decades, according to the independent watchdog arm of the state's utility regulator.

California's 2006 landmark climate law has driven demand for solar and wind power and spurred renewable energy development both in-state and in neighboring states. The law seeks to reduce California's release of greenhouse gases to 1990 levels by 2020, and the state has set goals to have one-third of its electricity derived from renewable sources by then.

The push for renewable energy has created huge financial incentives for utilities — including both federal loan guarantees and state subsidies — and power companies have rushed to sew up power generation contracts needed to meet California's new, tough standards.

The California Public Utilities Commission on Thursday approved a request to build the Abengoa solar thermal project in the vast expanses of the Mojave, despite one commissioner's objections that the project was at least \$1.25 billion over market price. When completed, the plant would generate enough power for about 54,000 homes.

Yet the commission's internal consumer advocacy unit, the Division of Ratepayer Advocates, said the deal is one of dozens of overpriced contracts rubber-stamped by the commission in recent years, giving away too much to utilities and hurting consumers.

"We're in good shape for supporting renewables. It's not like we have to take every high-priced contract that comes in the door," said Joe Como, the division's acting director. "In the long run, this harms the state's efforts to achieve greenhouse gas reductions because it will result in unnecessarily higher rates and people are going to get rate shock."

Earlier this year, the watchdog unit estimated that 59 percent of the renewable energy contracts that the commission approved in recent years were above market value, according to the commission's own pricing benchmark for when the contracts were signed. The contracts involved a variety of utilities and developers.

Commission President Michael Peevey, who pushed to approve the Abengoa contract with no modifications, said the Mojave solar plant's benefits could not be

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measured by cost alone. Peevey said the project would help the state meet its 33 percent mandate by 2020.

The project's decades-old technology — use of mirrors to capture the sun's heat and power steam turbines to generate electricity — is still efficient and effective, Peevey said.

"The West Mojave region has been identified as a prime location for renewable energy," Peevey said in the commission's meeting Thursday. "Forcing PG&E and Mojave Solar to modify their signed contract puts in jeopardy Mojave's \$1.2 billion (U.S. Department of Energy) loan guarantee."

DOE completed Abengoa's loan guarantee in a rush of approvals before the Sept. 30 deadline for the controversial loan program that has come under scrutiny after the bankruptcy of solar panel manufacturer Solyndra, which received a half-billion dollars in federal loans.

Under a power purchase agreement with Abengoa, Northern California's largest utility Pacific Gas & Electric Co. will buy 250 megawatts worth of solar thermal power generated by the Spanish-owned plant over 25 years.

The exact amount PG&E will pay Abengoa and the costs directly passed on to customers remain confidential.

Commission energy staff estimated in 2009 that by 2020 consumers' rates statewide would go up by 28 percent overall. They attributed about one-third of that price hike as being due to renewables being phased in to meet the state's requirements.

Mike Florio, the lone CPUC commissioner who voted against the contract, said the new plant was not needed to meet the state's renewable energy goals, and would squander ratepayers' money on an outdated project that would not generate enough solar energy for the price. He also said it will saddle ratepayers with \$1.25 billion in above market costs, which will be passed on to PG&E customers.

"I cannot in good conscience vote for such an expensive — really expensive — renewable project," Florio said. "Frankly, I think we would be better off if we simply paid the developer the \$70 million that they've invested and put an end to this project."

A PG&E spokeswoman said Friday the company considered the project highly viable, given the federal loan guarantee.

"We're really committed to trying to achieve the state's goals in a cost effective way," said PG&E spokeswoman Lynsey Paulo. "If we were to cancel all previous contracts because prices have now come down, there is a likelihood that we would miss these statutory and regulatory deadlines."

Abengoa representatives did not directly address the concerns about rate hikes.

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"We fully support the professional work carried out by PG&E, the DOE and the CPUC to ensure that California and the USA are at the forefront of non-polluting energies and are not reliant on external energy sources," company spokeswoman Patricia Malodemolina said in a statement Friday.

The watchdog unit also raised concerns that another PG&E power purchase agreement approved last month was overpriced. That solar panel plant, being built for an undisclosed price by North Star Solar LLC near the farming town of Mendota in Fresno County, is planned to generate enough electricity for about 12,000 homes.

Company officials disagreed that the North Star project is overpriced. The contract the company signed with PG&E was written when solar panel prices were higher, leading to a higher contract price, but has since been adjusted to reflect falling costs, the company said.

"There has been a significant drop in (solar) module prices since North Star entered into the (contract) with PG&E," said Dana Zentz, managing director of NorthLight Power, LLC, the project's developer.

"This is the primary reason we went back to PG&E and renegotiated a more than 20-percent drop in the price of our original contract price. North Star Solar provides a strong economic value to ratepayers as well as preserving the economics of the project," he said.

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