

## **That's Right, I Said A Texas Wind Boom**

Russel Smith

For some it's a hard pill to swallow--Texas as the national leader in renewable, green energy. The Texan oil-drilling lever has left the state looking like a giant pin cushion. Texans drive more miles in more pickup trucks and SUVs than folks in any other state. Grandfathered power plants and industrial facilities spew tons of nasty stuff into the air every day. Houston battles L.A. over air-pollution bragging rights.

In Texas, like everywhere else, there are hard cases on both sides of the fence--smokers and anti-smokers. Neither can separate rhetoric from reality. Through the years they have backed themselves into some pretty distant corners and thrown up brick walls, plus a few walls of eco-correct adobe. These walls define the rules of engagement.

The media plays to these hardened positions. Texas populist philosopher Jim Hightower built a career based on his precept that "There's nothing in the middle of the road but yellow stripes and dead armadillos." For Texan ultra-conservatives, all "moderates" are spineless. We've become quite comfortable with a "them and us" world. Lord help anyone who tries to break that mold.

US: If we could just overcome the agents of darkness, renewable energy could power the world in short order.

THEM: Renewable energy is a joke and its proponents are dunces. There is plenty of fossil fuel remaining if industry is allowed to go after it. And there is no reason why we shouldn't burn all of it.

US: This new fuel-cell-powered scooter will revolutionize our transportation system.

THEM: They just want to take away our trucks!

US: The energy industry is populated by greed-heads who don't care a whit about the future of the Earth.

THEM: If the environmentalists and renewable energy nuts hadn't held sway the past several years, California wouldn't be in the mess it is in.

US: Shut up and open wide!

THEM: You can't make me take my medicine!

In Texas, the renewable energy community has tried to walk a different path. Let's get to some basic principles. Reasonable folks can disagree. Our aim in the Texas Renewable Energy Industries Association (TREIA) is to seek the goodness in people, expect the best, be prepared for less, and always engage, always try to develop personal relationships across those walls.

Many of the right things happen for many of the wrong reasons. "Meeting market demand" is why narco-lords in Colombia got rich. Passive solar water heaters do not a revolution make. It will be very hard work just to meet the growth in energy demand with renewables, much less meet the vast existing demand. In the near term, renewables are likely to remain a small though critical piece of the energy pie. Renewables will not replace fossil-based energy this year or next year, but with enough good seeds planted, renewables could become the kudzu of the energy world.

TREIA was formed in 1984 to unify all the renewable energy sectors (solar, wind, biomass, geothermal, and hydro). We wanted to avoid the "balkanization" of the green effort. TREIA was spun out of the Texas Solar Energy Society, an educational group formed in 1976. TREIA was born in the midst of an alternative energy movement that was hostile toward large centralized power production, utility companies, and industry in general. TREIA was different.

TREIA was a broad-based renewable energy trade group that actively recruited utilities for membership. We encouraged utilities to compete in renewable energy development. Photovoltaic use in the oil patch sparked the industry. A Houston oil rig company--Skytop Brewster--was the first to cross over and build wind towers in the 1980s. One by one, members like Austin Energy, the Lower Colorado River Authority, TU Electric, Houston Light & Power, Enron, and City Public Service developed renewable energy components.

TREIA fostered the proposition that oil companies--yes, oil companies--will ultimately become broad-based energy companies. We offered them the prospect of a ready-made path to large-scale adoption of renewable energy technologies.

TREIA accepted that centralized, large-scale facilities pushing renewable electrons through the national grid are absolutely required. Small-scale renewable energy measures are a reality, and a desirable and necessary part of our energy future, but we need to think Texas-sized if we expect to have a significant impact on the environment within our own lifetimes.

TREIA brought environmental groups, consumer groups, and governmental agencies into its membership and to the same table with utilities.

TREIA knew that Texas had made a transition from being an energy-producing state to its current sorry status as a net energy importer. We pointed out that fact at every opportunity.

During the mid-90s, the state of Texas developed and implemented a utility process called a Deliberative Poll[TM]. This was part of the state's Integrated Resource Planning, and it involved polling by the Public Utility Commission (PUC) of Texas. This poll required the state's utilities to find out what their ratepayers actually wanted when it came to adding electrical capacity to the system. Furthermore, it required the utilities to actively respond to those public desires in their growth plans.

These polls had astounding positive effect. They showed overwhelming customer support for the addition of renewable energy sources. Not only did folks from all regions of the state of Texas say they wanted clean, renewable power on the system, they indicated their willingness to pay more for it (mostly from \$1 to \$5 a month). There was also a preference for the cost to be shared by all users. This was a significant underpinning for the decisions yet to come. It resulted in the development of 188 megawatts of wind-generation projects.

It is important to note that this PUC was appointed by then-Governor George W. Bush. The generally conservative state legislature, and the governor himself, took note and took to heart the clearly expressed and documented "will of the people."

Opponents of any large-scale use of wind and other renewables chanted their usual mantra-- "costs too much, costs too much." And yes, it does cost something. Many "green pricing" programs required individuals to buy blocks of renewable power, costing them from five to fifty extra dollars a month. But when the cost of green projects was spread across the rate base (with every user paying), as much as 2,000 megawatts of renewable power could be added to the Texas utility system for less than twenty cents per ratepayer per month.

TREIA supported a strong green pricing rule that was, indeed, implemented by the state's utility commission. But we focused on pressing for policies aimed at spreading the cost. A green pricing option is best suited to municipal utility services that choose not to opt in to competition.

It seemed to us that Integrated Resource Planning was advancing renewables successfully throughout the state's regulated utilities. Then utility deregulation came ripping through like a wild stallion. For years, TREIA was no supporter of utility deregulation. But when it appeared that resource planning was going the way of the mastodon, and that deregulation would be pushed through the legislature in 1999, TREIA helped shape a Renewables Portfolio Standard. This required the development of 2,000 megawatts of new, renewable power in Texas by 2009.

We joined as a stakeholder, helping to write the related public utility rules. That cooperative effort was the result of over twenty years of industry relationships and bureaucratic groundwork. And it's most definitely working. A short five years ago, the grid-connected network of Texas had virtually zero renewable power. Over the last several months, almost a thousand megawatts of new renewable energy projects have sprung up. They're mostly wind, plus a little landfill methane. All are projected for completion by the end of 2001.

As is often the case, Texas had the considerable benefit of watching a policy unfold first in the great state of California. During the shaping of Texas' Electric Utility Restructuring Act, a conscious effort was made to avoid a few problems we Texans perceived in the Californian approach.

Some especially innovative ideas were developed to give the Renewable Portfolio Standards a real chance to succeed. The RPS was designed as a "market-based" approach. Renewable energy resources compete to win bids, as utilities move to fulfill their required allotments of renewable power. There are no set-asides for specific renewable resources, no green scheme that gets mandated regardless of cost. This avoids political infighting over a pool of money.

The Texas Renewable Portfolio Standard has been worked out in quite some detail.

ESPs have to prove they have met their renewable requirements by using Renewable Energy Credits (RECs). That REC represents one megawatt-hour of renewable energy, produced somewhere by a green generator. The REC must list the source of the energy, and is an authentic proof of its claim to greenness. But the megawatt-hour of electricity and the REC that it creates are not associated--a generator of renewable power may sell them separately, or together.

ESPs who fail to have these credits properly placed in their portfolio will be penalized \$50 per megawatt-hour. This is quite a bit higher than the cost of buying RECs.

Due to the recent flood of renewable power bids, with the economies of scale being realized, some utilities in Texas are realizing the genuine benefits of wind power. It's been hard to miss the recent upswing in the price of natural gas, while wind offers a stable and increasingly competitive price, available in long-term wind power contracts. Even though municipal utilities are not required to join in market competition, and are not covered by the Renewables Portfolio Standard, some are buying in rather heavily to meet demand for their own green programs. Austin Energy bought seventy-seven megawatts, while the City Public Service of San Antonio pitched in for twenty-five. The official benchmark for Texan green power at the start of 2003 was four hundred megawatts; contracts already announced more than double that sum. The whole concept of deregulating electric utilities may ultimately prove to be folly. There are certainly a number of compelling arguments to support that possibility. I've made many of them myself. But we have cast our lot in Texas. It is our hope and expectation that regardless of what happens in the longer run, the renewable energy activity spurred by that choice will make renewable technologies fully competitive in Texas, and beyond. We'll be ready to catch that bronco and ride it as far as we can.

Texas will ultimately become the leading state in renewable energy development. With its blistering sun, howling winds, and plenty of open space, Texas simply has the greatest physical potential for green energy. The state's economy understands and relishes energy production. The collective psyche of Texas hankers for leadership. State independence and individual self-reliance are touchstones of Texan society. We will never forget those famous words from The Life and Times of Judge Roy Bean (though maybe he never said them) --"For Texas and Miss Lily!"

#### UNDER THE TEXAS LAW:

- \* The PUC took steps to assure that plenty of generating capacity was built in, before the deregulation.
- \* Long-term wholesale contracts are encouraged.
- \* "Postage stamp" transmission rates facilitate long-distance wheeling of power.
- \* Significant curbs are in place to keep incumbents from dominating the market.
- \* When it seems necessary, the cost of building transmission for renewable energy projects can be spread across the rate base.
- \* Utility companies are broken up into generating companies, transmission-and-distribution companies, and Electric Service Providers (ESPs).

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