



“Rate Impact of a Renewable Electricity Standard (RES) for Indiana”: A Brief

Background on Study

- Author of the Study
 - Purdue-educated PhD economist Peter Boerger
 - Principal, Engineering Economic Associates of Indianapolis
 - Former Director, Electric Division - Indiana Office of the Utility Consumer Counselor.
- Outside Reviewers:
 - Dr. Ryan Wiser, a nationally respected economist at the Lawrence Berkeley National Labs, did two formal reviews of the study.
 - Two wind industry officials, who have analyzed Indiana wind resource data and are veterans of the wind industry, reviewed assumptions of the study.

Core Findings

The study finds that the RES will have a cumulative impact of 2.00% in 2017 (i.e. rates would be 2% higher than they would be in the absence of an RES), assuming a 6 year extension of the federal production tax credit—a scenario considered most likely by ICREED.

- Therefore, in real-dollar terms an \$80 monthly residential electricity bill in 2009 would mean an \$81.60 monthly bill in 2017.
- Dr. Boerger modeled several additional scenarios to understand the responsiveness of rates to different scenarios in the future. Most other scenarios *reduce* the rate impact.
 - 10 year extension of the Production Tax Credit for wind
 - Carbon tax
 - Increased coal O & M costs
 - Technological innovation
 - Note: Hedging benefits were not modeled; economic benefits of an RES were not modeled; health effects were not modeled.

Perspective

1. Relative to other states:
 - 28 studies have been conducted nationwide, showing a similarly modest increase
 - The best mark of success is that states are upping their renewable electricity standards: 8 out of the 20 states that have an RES in place have raised their requirements.
 - If a renewable electricity standard was viewed as a “punitive measure”, there wouldn’t be an additional 15 states (on top of the 20 states) seeking to pass this legislation.
2. Relative to a different energy mix.
 - Duke Energy customers face a 17.5% rate increase for retrofitting existing plants with equipment to control sulfur dioxide, nitrogen oxide and mercury emissions.



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- Duke and Vectren have filed for a certificate of need of up to \$1.6 billion for a 625 MW coal gasification plant proposed at the company's Edwardsport generating station—a cost of about \$2,500 per kilowatt of capacity. Dr. Boerger's study used a cost of displaced coal capacity of only \$1,374 in 2008 dollars. Wind power looks even more attractive than reported in this study if the cost of coal capacity is as expensive as proposed by Duke and Vectren.