

Austin Consumers Avoid Pricey Renewable Power

By Penny Rodriguez

Austin Energy, a publicly owned power company and a city department of Austin, Texas, has found itself stuck with surplus renewable power as city residents have declined to sign up for higher rates under the city's voluntary GreenChoice program.

Contracting with renewable power providers and offering the service to customers sounded like a good idea to city officials until the price tag came in at up to three times the cost of conventional power. City residents aren't buying.

Ninety-Nine Percent Unsold

In one of America's most liberal cities and one that prides itself on its environmental awareness, the latest allotment of renewable power is 99 percent unsold after seven months on the market.

The GreenChoice program sells renewable power in "batches." When Austin Energy decides to buy power from a renewable energy source, such as a West Texas wind farm, it then offers customers the option of buying power exclusively from that source for 10 years. With each new contract, Austin Energy offers a new batch of GreenChoice to customers.

The idea was that customers would be attracted to the program not just because of the environmental friendliness, but also because an affordable cost would be locked in for 10 years. Renewable power proponents have asserted it can be delivered at a more reasonable and stable long-term price than coal.

When energy prices spiked in summer 2008, that seemed plausible. When

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prices stabilized in 2009, however, consumers realized purchasing renewable power for 160 percent to 300 percent of the price of conventional power makes little economic sense.

Higher Prices Soon Mandatory

Ultimately, Austin consumers will be required to pay much higher prices for their electrical power whether they like it or not. The Austin City Council, which oversees Austin Energy, has mandated Austin Energy generate 30 percent of its electricity from renewable sources by 2020.

David Guenther, director of media and government relations for the Texas Public Policy Foundation, says the 30 percent mandate is an unattainable goal on a volunteer purchase basis. "It's not surprising that the vast majority of customers have opted for traditional energy given that GreenChoice costs 60 percent more," Guenther said.

Despite ongoing problems selling its existing renewable power allotment, the city continues to purchase more renewable power and compel Austin Energy to



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Preview of National Mandate

Guenther predicts the city may consider making the program mandatory in order to attain the city's energy goals and sell the already-purchased energy.

"As old contracts are replaced to attain the city's goals and all Austin Energy's rate payers come in on this, it will have a dramatic effect on the cost of electricity. It will go way, way up," said Guenther.

Austin's inability to provide renewable power at rates even remotely com-

parable to conventional power illustrates the higher prices that will occur across the nation as Congress restricts conventional power generation in favor of renewables, says Institute for Energy Research analyst Dan Simmons.

"Austin's GreenChoice is a good program because it allows people to voluntarily purchase electricity from renewable sources. Unfortunately, there are many in Washington, DC and state governments who want to force all Americans to pay higher prices for electricity from renewable sources. Austin's GreenChoice program shows how few people really want to pay more for their electricity," said Simmons.

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Energy Independence = Wealth Reduction

Energy independence is bad economics and bad public policy.

Energy supply, as viewed in economics, is ordered according to cost, with the least-costly energy produced first, and the more-costly supply added later from a variety of sources. The total supply is determined where the cost of the last unit produced is just equal to what the last consumer is willing to pay.

To restrict U.S. supply to domestic

sources raises prices at home and lowers the prices to consumers abroad, as supplies are diverted overseas that would have come to the United States. Energy independence is simply another protectionist policy that reduces the overall wealth of the nation.

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