**WIND ON THE WIRES:** **Responses to Questions posted to Michigan Energy Forum Website**

## 16. How has Michigan, and how have other jurisdictions limited the rate impact of renewable energy mandates on the residential, commercial, and industrial sector, if at all? What effect have such rate limitations had on other areas?

Rate cap restrictions take many different forms. The unfortunate consequence is that it can prevent a utility or state from reaching the standard or requirement if the procurement is mismanaged – including terms in the RFP that increase risk and the bid price – and inflating the cost of renewable energy products so as to prematurely hit a cost cap. Another factor that is unaccounted for is inflation. If we hit a spurt of inflation that will likely impact the cost of new generation, thereby increasing the cost of new renewable energy and the likelihood of hitting a cost cap. Therefore, the cost cap has to have some feature that accounts for inflation.

Retail competition has impacted the renewable portfolio standard in Illinois, therefore, the cost cap should be structured so as to not be impacted by load migration. The cost cap for the utility is 2.015% of the retail cost in 2007 multiplied by the existing load. In November 2010, Ameren and ComEd was the electricity supplier to approximately 42% to 44% of the load in its service territory. Due to changes in retail competition ComEd now serves approximately 11% and Ameren serves approximately 3% of the load in their service territory – a significant drop in 18 months. The drop in load impacts the cost cap and therefore has caused the utilities to have to curtail 20 year power purchase agreements entered into in 2010. To prevent contract curtailment, a cost cap should be structured so it is not affected by load migration.

Sean Brady, Wind on the Wires