

Costs of clean energy plans worry rural areas

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PHOENIX — Duncan Mayor M.C. Holiday has nothing against renewable energy. But as the state and federal governments look toward reducing greenhouse–gas emissions, he hopes officials will keep in mind that his remote town has a high unemployment rate and many residents on fixed incomes.

If government requirements boost electric bills significantly, he said, it would be tough for the 800 residents of Duncan, in far eastern Arizona.

"We as a town we have a hard time paying our utility bills now," Holiday said. "I don't know what we'd do. We'd have go back to burning wood."

Concerns about the costs to rural Arizona contributed to U.S. Rep. Ann Kirkpatrick's vote against legislation dubbed the American Clean Energy and Security Act, which would require large utilities to obtain 6 percent of their power from renewable sources by 2012 and 20 percent by 2020. The bill also would establish a cap–and–trade program through which companies could buy and sell permits to emit greenhouse gases.

Kirkpatrick, a Democrat, said the standards in the bill would have a disproportionately large impact on rural residents because they are served by smaller utilities that rely more on coal–fired plants and have smaller customer bases across which to spread costs. She also said she is worried about job losses in her district, where four coal power plants employ around 12,000.

"I think we have to address climate change but also be very sensitive right now to the economic recession," Kirkpatrick said in a telephone interview.

The bill passed the House in June and is under consideration by the Senate.

The legislation's renewable-energy requirements would apply to utilities that sell at least 4 million megawatt hours of electricity annually, which excludes most electric cooperatives such as those serving Duncan and rural communities. However, all utilities would participate in the cap-and-trade program, and it's this provision that has rural officials worried, said Tom Jones, CEO of the Grand Canyon State Electric Cooperative Association Inc., which represents six electric cooperatives in Arizona.

"The concern is that Wall Street would get involved, and people would buy up emission credits and hold them until price goes up and then those of us having to buy them would be competing in that marketplace," Jones said.

"Larger utilities, while it's still costly, are able to blend those costs into other resources, and the impact is not as great as it would be for a smaller utility like an electric cooperative," he added.

Companies regulated by the Arizona Corporation Commission already are bound by that body's requirement that utilities obtain 15 percent of their energy from renewable sources by 2025. But small cooperatives won't be penalized under the rule if they show good-faith efforts to comply.

Kristin Mayes, chairwoman of the Arizona Corporation Commission, said she is optimistic about rural cooperatives meeting the renewable standard.

"I think we are fast approaching a time when it's going to be more expensive to produce electricity from coal than from the sun or wind, and that day will come when Congress passes a cap-and-trade or carbon tax," Mayes said. "So the more we invest in renewable energy now the more we protect the consumer."

State Rep. Chad Campbell, D-Phoenix, who was recently selected to work with the White House in advancing federal clean energy legislation in Congress, said the cost to rural areas is a major priority for lawmakers at the federal and state levels.

"Finding a way to offset those costs for consumers — that is a critical piece of legislation for us as we move forward," Campbell said. "Any time there is the implementation of new technology and additional costs there will be a burden passed onto the consumer, and we've done plenty of things to offset those costs."

Campbell said that income- and property-tax breaks and incentives helped lower the cost of renewable energy for consumers and that any revenue generated from a cap-and-trade program would have to be used to offset the cost of renewable energy for rural and low-income communities. However, he said the country needs to move forward on clean energy to rebuild its economy around that market..

"If we don't get in front of this we will fall behind in the long run, and that will be a much greater economic hit," he said.

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