ENERGY

"A BILLION HERE, A BILLION THERE ...

... Pretty soon, you're talking real money"

By Rick Phelps

Senator Everett Dirsken's (Republican from Illinois 1950-1969, was a leader in passing the Civil Rights Act of 1964 and I was honored to see him debate that bill on the floor of the United States Senate) words have a lot to do with energy policy in California. The Senator probably didn't think so when he uttered them long ago on the Tonight Show, but, after reading a Sept. 20 article in the Los Angeles Times entitled "Taxpayers, ratepayers will fund California solar plants," I couldn't help but make a connection.

The article summarized the tens of billions that taxpayers have poured into solar projects and noted that many are reaping outsized returns, including Warren Buffet's Berkshire Hathaway Inc., General Electric, JP-Morgan Chase & Co., Morgan Stanley and Google, Inc.

Much of this development is driven by the legislation signed last year by Governor Jerry Brown requiring that renewable sources provide 33% of the state's power by 2020. While laudable as a goal, one quote from the Times article was very sobering:

"Stanford University economist Frank Wolak, an expert in the California electricity market, said the state's renewable energy strategy could boost electricity rates 10% to 20%, depending on a number of of factors. Potentially, consumer's bills could go up by 50%. 'It's easily in the billions of dollars,' he said."

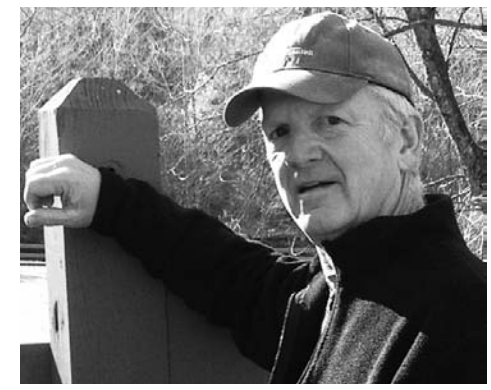
Wow! What bothers me is not the amount or purpose but the fact that electricity consumers probably don't realize what's going on. And, while consumers generally want "green" power, they are not willing to pay for it, as evidenced, by a statistically valid survey the High Sierra Energy Foundation conducted in 2006 with a grant from the California Energy Commission. In that survey more than 80% of those surveyed by telephone supported receiving heat from a renewable geothermal source, but that percentage fell to under 20% if the price were not "lower or competitive." This is significant because we want to have a sustainable approach to renewables, both economically and environmentally, not one driven by secretive policies that could foster start-stop renewable policy development driven by the politics of unexpected, high utility bills – think 2001 and the Davis recall.

There is a way out of this trap. That would be for California to truly embrace the "all of the above" energy policy articulated by the President, among others. However, for all of the above to work we'll need a way to evaluate and rank the power provided by renewables, fossil sources and nuclear. Much of that analytical framework is in place by incorporating "externalities" into the energy economics, but we also need to look at opportunity costs and transparency.

Externalities are economic consequences that are not reflected in the cost or price of a good or service. Energy produced from carbon sources, such as oil, natural gas, or coal, also has external consequences on air and water quality and an economic "cost" of that impact on air and water quality has an estimated value. Solar and wind also have significant externalities in terms of the extensive land required and the need for more transmission lines, but assigning costs to those externalities is less robust.

Opportunity costs relate to the economic costs of not doing something, and should be considered along with externalities. Natural gas development in California is a good example. The environmental concerns have to be weighed against the fact that California will import the gas from somewhere at more cost and generate fewer California jobs. I don't know what the answer is, but I'd like to see a rational discussion.

Transparency means that we Californians know what our renewable strategy is costing. Regulators, and private companies, tell us that this has to be secret as it's competitive information that could harm the producing companies. Hogwash! If Californians are to be partners in our renewable strategy, we have to know what's going on. Otherwise, we are beholden to Sacramento to determine our energy future and its impact on household budgets, which is not a good thing.



HSEF Executive Director Rick Phelps

The words in this article will inflame some and others will nod in agreement. That is not the purpose in sharing these thoughts. Rather, the purpose is to get people thinking about the personal economic consequences of California's energy policy and to ask questions and get involved.

Rick Phelps is Executive Director of the High Sierra Energy Foundation. The views expressed in this column are those of the author and not necessarily those of his employer.

LIVING GREEN WITH TAMMY HOOPER

EXPLAINING ORGANIC

During one recent family get together, I announced that we were going to be having a 'natural organic' meal. Quickly, it was brought to my attention that I used two words that do not mean the same thing … natural and organic. Admittedly, an easy mistake that most Americans make because they are confused by the difference. As I am sure you can imagine it sparked quite a debate.

One might think it would be easy to explain exactly what is and isn't organic food. But it's not that straightforward. Hundreds of organizations around the world give certificates to say that products are organic, and each has slightly different criteria by which it makes its judgments.

In the U.S, farmers have to meet the USDA definition of organic through the National Organic Program. Basically, the program says that in growing crops and raising animals the organic way, natural substances are allowed while synthetic substances are not.

More specifically, it means:

1. Crops are grown without the use of most chemically-based pesticides or petroleum or sewage-based fertilizers.

2. Animals are raised without antibiotics or growth hormones.

3. Genetic engineering and ionizing radiation aren't allowed at any stage of the food creation process.

It's interesting to compare the types of ingredients in organically produced food compared to a nonorganic equivalent product. For basic principles, our family chose to compare peanut butter. Some of our family differs on preference, so we have both organic and non-organic in our pantry.

The ingredients were quite different. The ingredients in the organically produced peanut butter were 100 percent organically grown peanuts with sea salt, and the nonorganic peanut butter was a product of imported and local peanuts, corn syrup, salt, sugar, and partially hydrogenated oils.

As I've learned from a younger generation the innocent use of words "organic" and "natural" are not interchangeable. To be sure, I reached for my trusty reference guide, 'Green Living' for Dummies®, pg. 204, the USDA explains, "Organic products have been created (or grown) using natural methods and ingredients and have not come into contact with chemicals. A product that says it's natural, however, means that it doesn't contain artificial ingredients – it doesn't mean that the production process has been organic."

From our house to yours, "the more we know, the more we grow."

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