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THE WALL STREET JOURNAL

WSJ.com

REVIEW & OUTLOOK | March 29, 2013, 6:46 p.m. ET

California's Coming Green-Outs

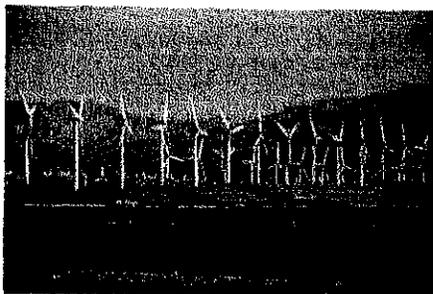
The wind and solar mandate means future power shortages.

Regulate first, think later. That seems to be the guiding principle of California policy makers. Take the state's renewable energy standard, which will soon cause a surge in electricity prices and could even lead to rolling blackouts when the weather heats up.

Californians can thank former Republican Governor Arnold Schwarzenegger and Democratic legislators for the fun to come. In 2006, the state passed a law requiring utilities to derive 20% of their power from renewables by 2010. The mandate has since been increased to 33% by 2020, but the real kicker is that not all renewables are equal under the law.

About three-quarters must come from California even though other states can produce renewables at lower cost due to natural resource advantages (e.g., wind in Wyoming). Democrats say this is important to foster energy independence. You never know when Utah will bomb Wyoming. Large hydroelectric plants—which contribute about 13% of California's power—also don't count toward the target because the state wanted to boost its infant solar and wind industries.

California and its municipalities offer more than 60 incentives to stimulate solar and wind development. Although solar accounted for a mere 0.6% of the state's power supply and 3% of renewables in 2011, about two-thirds of the projects under review last October were for photovoltaic solar plants. By 2020, the state expects to generate 13,600 megawatts of solar and wind, up from 800 megawatts in 2011.



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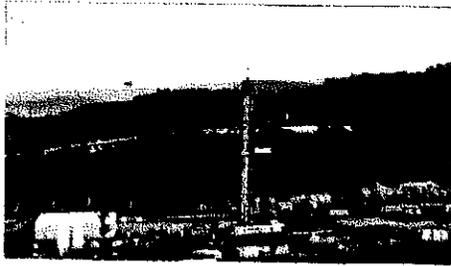
Wind turbines and solar panels on March 27, 2013 in Palm Springs, California.

Utilities have been in such a rush to bring new wind and solar projects online that they've been locking in long-term rates with developers that are often two to four times higher than what they pay for nonrenewables. The Division of Ratepayer Advocates reported in 2011 that the California Public Utilities Commission has "approved nearly every renewable contract filed by the utilities, even when they rate poorly on least-cost, best-fit criteria."

Note: California residents and businesses already pay rates that are 25% to 60% higher than the national average. Excessive energy costs have helped to obliterate

the state's manufacturing base. Hence, the obsession to chase green jobs.

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Assistant OpinionJournal.com editor Alyisia Finley on a new study that finds that tapping the Monterey Shale Formation could create 2.8 million new jobs in California. Photo: Associated Press

Meanwhile, the state's cap-and-trade program, which took effect last year, will further jack up rates and is causing some plants to scale back operations. This is impeccable timing since state and federal water regulations also require 17 coastal generators that provide about 12,000 megawatts of electricity—enough to power nine million households—to shut down or be retrofitted over the next decade.

The upshot is that millions of Californians could soon experience power outages. As the state derives more of its electricity from renewables, it needs more "peak" gas-fired plants that can ramp up to meet demand when the sun isn't shining and wind isn't blowing—namely during

dawn and dusk. Otherwise, rolling blackouts could ensue.

Nobody knows exactly how much flexible power is needed to ensure a reliable electric supply. The California Independent System Operator's best guesstimate is about 3,100 megawatts by 2017—and more thereafter as more wind and solar come online.

However, energy companies don't want to build new generators or refurbish older ones unless they're guaranteed a return on their investments—especially since peak plants are about 25% more expensive to operate and build than conventional turbines. Utilities also don't want to pay for back-up power they don't know they'll need.

The Independent System Operator says that plant investment decisions need to be made soon to ensure a reliable electric supply, though a spokesman tells us that they don't anticipate rolling blackouts and that they've got everything under control. That's a huge relief since regulators did such a great job predicting the rolling blackouts a decade ago.

The Little Hoover Commission, the state's oversight agency, pointed out in December that an unexpected outage at the San Onofre nuclear plant, which almost left 1.4 million households without power last summer, illustrated how "supply risks can escalate quickly because of constraints imposed by a combination of uncertainty, aging infrastructure and regulations." And "should energy costs unexpectedly escalate or energy become unreliable," California could jeopardize support for renewables across the country. At least there's a bright side.

When these green-power outages occur, the politicians will blame the utilities. But this is an avoidable crisis caused entirely by politicians and green-energy lobbies who pretend they can defy the laws of energy supply and demand. Californians are going to pay for their wind and solar power indulgences.

A version of this article appeared March 30, 2013, on page A12 in the U.S. edition of The Wall Street Journal, with the headline: California's Coming Green-Outs.

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