

4. REGARDING THE PUBLIC UTILITIES REGULATORY POLICY ACT OF 1978 PUBLIC LAW 95-617

Background

Cogeneration, a system which produces electrical and mechanical thermal energy simultaneously from a single fuel source, has a potentially beneficial role in our nation's energy future. It can be an effective means of conserving fuel and can reduce the nation's dependence on imported oil. However, conflicting federal laws have limited the effectiveness and viability of the cogeneration option. In particular, the Public Utilities Regulatory Policy Act of 1978, governing the development and utilization of cogenerated power, fails to adequately address several important factors, including: reliability of power, balanced energy mix, efficient fuel use, and the individual characteristics of regional economies.

Recommendation

The Southern Legislative Conference encourages electric utilities to support cogeneration projects that are economical and enable industries to remain competitive and financially sound. The Southern Legislative Conference believes that the price of power purchased by electric utilities from cogenerators should be fair and competitive. PURPA established that electric utilities must pay avoided cost to cogenerators for purchased power. It is within the individual states' public utility commission's purview to determine how this concept is applied and the specific methodology employed. Considering the state-specific conditions of power generation capability, the determination of competitive prices for purchased power from qualified cogeneration facilities must remain a state right and responsibility. The decision to purchase cogenerated power must be based on the utility's service needs as determined in proceedings before the state public utility commission.

For qualified cogeneration facilities, back-up electric service is needed as a standby to the facilities' source of electric power. Back-up power must be provided by the electric utility to replace energy or capacity ordinarily provided by a qualified facility during an outage of the cogenerator's power. Rates for back-up service should be cost-based rates as determined by the state and local regulatory authorities in a manner that does not discriminate against cogenerators or the utilities' full service customers.

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Further, the Southern Legislative Conference believes that the concept of cogeneration, as intended by Congress, should be encouraged and that "purpa machines" should be discouraged. This will preserve the cogenerators' right to produce power for their internal requirements while alleviating the electric utilities' burden of purchasing unneeded power.

Adopted by the Southern Legislative Conference on July 16, 1986.

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