



Alternative energy providers must stand on own two feet

By: Mike Kimmitt- August 11, 2013

Although it has taken much longer than might have been expected, it is worth noting that the Tennessee Valley Authority belatedly has realized that doing what feels good, more often than not, can be terribly painful.

For years, the TVA promoted greater use of electricity generated by solar and wind sources by essentially waving a tin cup in the faces of its customers in hopes they would feel sufficiently guilty to pony up the tens of millions of dollars needed to prevent the giant government utility from going belly-up as a result of its clean-energy business plan.

In its Green Power Switch program, the TVA pays its corporate and individual alternative energy suppliers a price three times the amount paid for conventional sources. But how long can any business survive when it buys a product for 21 cents a unit and sells it for 9 cents? It doesn't require an advanced Harvard Business School degree to figure out that one.

To date, TVA has counted on government subsidies and the waning generosity of its ratepayers to cover a portion of these losses. More than 11,000 residential and 500 business customers have agreed to pay extra to help out through Green Power Switch, but TVA board members have finally realized that panhandling might not be the most attractive long-term career decision.

While the program covers the cost of almost 4.7 million kilowatt hours of solar-sourced electricity annually, it is a minuscule 0.0000283 percent of TVA's total electricity output. Throw in Green Power Switch wind support, and we're up to 0.0002562 percent. When asked about their willingness to pay more for green, renewable energy, more than 90 percent of respondents will respond favorably. But when it comes to actually picking up the tab, consumers very quickly lose that lovin' feelin'.

Belatedly, the TVA has come to realize the folly of this warm and fuzzy way of doing business. The 12-cents-per-kilowatt-hour handout to the solar corporations has been reduced to 9 cents this year, and it will be lowered to 6 cents next year and 3 cents in 2015. In 2016 (heaven help us!), they actually will have to compete with other energy providers on a more equal basis.

For this, the TVA received a double kidney punch from The Tennessean and the Southern Alliance for Clean Energy. Stephen Smith, SACE executive director, alerts us that "sunlight is free, a fuel without cost." In that context, petroleum, natural gas, coal and uranium are every bit as free. Converting each to useful fuels, however, very definitely has a cost — in the case of sunlight, a very high one indeed.

What is democratic in faceless, omnipotent federal bureaucracies strong-arming those industries they dislike while propping up the politically favored ones? Draconian mandates force corporations and utilities to purchase ever-increasing portions of costly alternative energy, while dictating cuts in the consumption of more-affordable and dependable fossil fuels.

Cato Institute trade policy analyst William Watson described how government largesse has distorted the incentives to invest in alternative energy and, in so doing, has created an industry that requires never-ending subsidies.

“The troubling consequence of this paradigm is that the targeted industries develop a culture of rent-seeking,” Watson wrote. “Firms respond to the availability of government favors by devoting time, money and effort to acquire privilege. The more they do it, the better they get at it.

“Success in the wind and solar industries doesn’t depend on a company’s ability to deliver high-quality products at a competitive price; it depends on the quality of the company’s lawyers and lobbyists.”

For decades, the renewable energy industry has languished in a state of perpetual infancy, needing to be spoon-fed by an ever-attentive nanny state. Eventually it must walk on its own to survive. Weaning it from the breast of the TVA is a good first step.