

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN**

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**Investigation on the Commission's Own Motion  
Regarding Advanced Renewable Tariff Development      Docket No. 05-EI-148**

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**COMMENTS OF THE  
WISCONSIN CAST METALS ASSOCIATION (WCMA) AND  
WISCONSIN INDUSTRIAL ENERGY GROUP (WIEG)**

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The Wisconsin Cast Metals Association (“WCMA”) and Industrial Energy Group, Inc. (“WIEG”) (hereafter, the “Industrial Customers”) appreciate the opportunity to provide comments in the above-referenced docket. The Industrial Customers understand that the objective of this investigation is the examination of whether and how to expand the availability and use of advanced renewable tariffs (“ART”) in Wisconsin and promote greater uniformity in the ARTs offered by Wisconsin electric utilities. This investigation is a result of recommendations from the Governor’s Task Force on Global Warming.

WCMA is a trade association that represents some of the state’s largest energy consumers and one of the most energy intensive industries. It has 40 member foundries in an industry employing more than 19,000 persons, with an annual payroll of \$745 million and approximately \$3 billion in sales.

WIEG is a non-profit association of many of Wisconsin’s largest energy consumers and advocates for policies supporting affordable and reliable energy. Since the early 1970s, WIEG has been a leading voice of Wisconsin ratepayers and an engine for

business retention and expansion. WIEG's member companies spend over \$200 million annually on electricity and, collectively, employ more than 50,000 Wisconsin residents, who are themselves state taxpayers and utility customers. WIEG members represent most major Wisconsin manufacturing industries, including paper, food processing, metal casting and fabricating.

Industrial Customers' comments in this proceeding focus primarily on policy questions and, to a lesser extent, design—that is, first, on whether to expand the availability and use of ARTs and second, if ARTs are expanded, the manner in which ARTs costs should be allocated. Our member companies recognize that in the coming years state policy (and very likely federal policy) will press for expanded renewable portfolio standards (“RPS”). However, even assuming for present purposes that utilities will need to acquire increasing amounts of renewable energy, it is apparent that using ARTs to meet a future RPS can not be justified economically. We know that today, renewable energy comes at a premium price over traditional, carbon-based generation. ARTs, though, are very likely to be even more expensive, carrying a premium on top of the already high premiums that accompany large renewable energy projects—a double hit for ratepayers. And, significantly, ARTs do not themselves “directly lead to any greenhouse gas (“GHG”) emission reductions.” *See WISCONSIN'S STRATEGY FOR REDUCING GLOBAL WARMING*, p. 120, Governor's Task Force on Global Warming Final Report, July 2008. They are, instead, more costly renewable energy. At bottom, Industrial Customers have considerable concern about expanding ARTs at a time when Wisconsin can ill afford to incur unnecessary costs. Despite Industrial Customers'

caution here, should the Commission expand ARTs, they believe that the costs should be borne by those ratepayers who affirmatively agree to pay such premiums.

Industrial Customers believe that in evaluating ART, the primary objective should be to ascertain if such tariffs would result in Wisconsin meeting RPS obligations in a least-cost manner. Making cost the focus of this evaluation is crucial given the current local, regional, national and global economic slowdown. The current economic recession is hitting Wisconsin particularly hard. In just the last year for example, WIEG's member companies have shuttered several manufacturing plants and lost 1,500 well-paying jobs. From both a practical and policy perspective, the Commission should work to meet RPS obligations in a least-cost manner. Note also that 2005 Act 141 [Wis. Stat. 196.378 (2) (e)] contains "off ramps" which can be triggered for unreasonable rate impacts derived from the RPS statute. In ART's case, Industrial Customers fear that the "must-have" objective of meeting RPS with least-cost options would instead be trumped by encouragement of renewable technologies and therefore, higher premiums.

Instead of embarking on expensive initiatives like ARTs, Industrial Customers believe that other avenues should be explored and implemented to develop least-cost outcomes, such as competitive bidding. In our view, utility customers should not bear the risk/costs for introducing new/high cost technologies. Options such as competitive bidding will enable third parties to take the risk instead of customers.

From our perspective, the purpose that ARTs are intended to serve is unnecessary in Wisconsin. Where used widely—in Europe, for instance—ARTs have predominantly been used in lieu of a mandatory RPS standard. Closer to home—in California, for instance—it was felt that ARTs could play a role to meet RPS obligations that were unlikely to be met absent their use. Wisconsin, though, has mandatory RPS obligations (and thus, we need not use ARTs as a substitute for an RPS) and those RPS obligations are being met quite satisfactorily (and thus, we need not use ARTs to meet our RPS obligations). The Public Service Commission of Wisconsin (PSCW) recently announced that all 118 Wisconsin electric providers have met their renewable portfolio standards for 2007 and that 111 providers have exceeded the requirements for the year. In 2007, Wisconsin utilities generated 114% of the 2007 requirement and as a result have excess renewable energy credits to use in the future. In 2008, 426 MW of additional wind capacity was added. This data would suggest that Wisconsin utilities are on track in meeting the statutory requirements for RPS standards as stated in 2005 Wisconsin Act 141. *See* news release dated January 22, 2009, “*PSC Report Shows Wisconsin Electric Providers Meeting or Exceeding Renewable Energy Standards*” and docket 5-GF-173). Since utilities do not appear to be having a problem in meeting their RPS requirements, it is not clear that ARTs are required in any meaningful way.

Industrial customers believe that ARTs need to adhere to traditional regulatory and rate making principles. For example, in a recent docket on cost allocation (05-UI-113), all three Commissioners voiced concerns regarding cost causation, equity and facility of implementation. Consideration of ARTs should not run counter to those desired goals.

Traditional principles of cost, need and reliability should not be trumped in the political push to promote renewables and greenhouse gas reductions.

Industrial Customers suggest that if the Commission considers broadening uniform ARTs, costs should be allocated to the customers participating in utility voluntary renewable energy rates. For example, WPL's Schedule Pgs-ART is an approved experimental tariff where the related costs and premiums are run through the Second Nature Program. Second Nature is WPL's green pricing program where customers who are willing to pay more, pay for the higher costs associated with this "green" tariff. Under this program, the higher costs are voluntarily borne by participating customers and thus the rate impact is not socialized among the all ratepayers. ART should only be designed to meet the demand of the subset of customers that is willing to pay a premium for the renewable attribute associated with its power use. Under such a design, costs are not shifted from one customer to another. Such an outcome is a fair and equitable way of introducing additional ARTs should the Commission decide to do so.

Thank you for providing us the opportunity to comment on this important Investigation. We look forward to actively participating and providing additional comments as this docket investigation progresses.

Dated February 17, 2009

Sincerely,

**Wisconsin Cast Metals Association**

By: /s/

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