

we energies

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February 17, 2009

Mr. John Shenot, Policy Advisor
Commissioners' Office
Public Service Commission of Wisconsin
610 North Whitney Way
Madison, WI 53705-2729

Re: We Energies Response to Request for Comments in Docket No. 05-EI-148

Dear Mr. Shenot:

Attached please find Wisconsin Electric Power Company, (d/b/a We Energies), response to Question 1 of the Public Service Commission of Wisconsin's Request for Comments in Docket No. 5-EI-148. The responses to Questions 2 through 16 are being filed separately as a joint utilities' response by the Wisconsin Utilities Association.

Sincerely,

A handwritten signature in black ink, appearing to read 'Roman A. Draba'.

Roman A. Draba
Vice President – Regulatory Affairs and Policy

Enclosures

**Wisconsin Electric Power Company's Comments on
Investigation on the Commission's Own Motion Regarding
Advanced Renewable Tariff Development
05-EI-148**

Request for Comments #1

Q1: Wisconsin utilities for whom the Commission has previously approved an experimental ART are asked to respond to Questions 1.a. through 1.e.

Q1a: How did the utility decide upon the design and price of each ART?

A1:

Solar Buy-Back Tariff (CGS PV)

The solar buy-back rate was set based upon input from Focus on Energy staff and Wisconsin based PV installers. With this input, We Energies selected a rate that was attractive enough to motivate customers to participate.

Biogas Buy-Back Tariff (CGS5)

We Energies, working with the We Energies Renewable Energy Collaborative (WEREC), developed the biogas buy-back rate. The biogas buy-back rate, CGS5, was set at a price level that encouraged on peak generation, is attractive for customers and would result in new and existing electric generation using anaerobic digestion. The rate provided a ceiling on capacity for each installation of 1000 kW, and a total capacity enrolled in the tariff of 10 MW.

Expanded Wind Net Metering Tariff (CGS4)

We Energies, working with the We Energies Renewable Energy Collaborative (WEREC), developed an expanded wind net metering tariff allowing customers with wind generation between 20kW and 100kW to net meter. This tariff is limited to the first 25 customers that enroll in the tariff. The details of this tariff were determined through various discussions and consensus among the participants of WEREC.

Q1b: What effect did each ART have in terms of number of participating customers, enrolled capacity, and actual generation?

A1b:

Solar Buy-Back Tariff (CGS PV)

As of February 10, 2009, 146 customers have enrolled for the solar buy-back rate for a total of 987 kW. A total of 737 kW have been interconnected. Generation from customer owned solar generation in 2008 was over 650 MWh.

Biogas Buy-Back Tariff (CGS5)

The biogas buy-back tariff as of February 10, 2009 has 3 customers enrolled in the tariff with a total capacity of 830 kW. The total amount of electric generation from these 3 generators in 2008 was 5199 MWh.

Expanded Wind Net Metering Tariff (CGS4)

The expanded wind-net metering tariff as of February 10, 2009 has 2 customers enrolled in the tariff with a total capacity of 125 kW. The total amount of electric generation in 2008 from these two wind generators was 94 MWh.

Q1c: To date, how would the total cost to the utility of each ART compare to market rates for electricity and market rates for electricity generated from renewable resources?

A1c: Currently, ARTs are intentionally priced higher than utility scale renewable generation as a means by which to motivate participation in the tariff and encourage the development of renewable generation. However participation limits are set to cap the impact on electricity prices. By design the price of renewable electricity from ARTs is above the market price of renewable electricity.

Q1d: What effect, if any, have ARTs had on utility rates, voluntary "green power" prices, and utility returns?

A1d:

The solar buy-back rate has some impact on Energy for Tomorrow customers, and has no rate impact on non-participating customers. The solar buy-back rate impact on the Energy for Tomorrow premium is minimized due to solar buy-back program caps. At the current level of participation, solar electricity supplies about 0.3% of the energy and is about 2% of the cost of the renewable energy used in the Energy for Tomorrow program.

In general the ARTs would provide higher priced renewable energy than that of larger utility scale renewable energy sources. Thus ARTs put upward pressure on electric rates as well as put upward pressure on the market price for renewable energy. ARTs will also put upward pressure on utility administrative costs as there would be added personnel and infrastructure costs that would result from the management of a large number of small electric production accounts. In addition, the cost to modify the utility billing systems to handle more than a deminimis number of customers that sell electricity to the utility would be significant.

Q1e: What contribution has each ART made toward utility compliance with renewable portfolio standard obligations?

A1e:

Renewable electricity generated from customers participating in the solar buy-back rate is not counted towards We Energies RPS obligation. This energy supplies the voluntary Energy for Tomorrow Program.

It is believed that using ARTs to make a significant contribution toward compliance with We Energies renewable portfolio obligation would add significant cost to the fulfillment of this obligation over that of more centralized larger renewable generation.