



Madison Gas and Electric Company
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Public Service Commission of Wisconsin
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your community energy company

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February 17, 2009

Via Electronic Regulatory Filing

Mr. John Shenot, Policy Advisor
Commissioners' Office
Public Service Commission of Wisconsin
Post Office Box 7854
Madison, Wisconsin 53707-7854

Subject: MGE's Response to Notice of Investigation - Docket 5-EI-148

Dear Mr. Shenot:

Please find attached Madison Gas and Electric Company's (MGE) response to Question 1 from the Notice of Investigation dated January 16, 2009, in Docket 5-EI-148, Investigation on the Commission's Own Motion Regarding Advanced Renewable Tariff Development. MGE joins in the responses of the Wisconsin Utilities Association to the remainder of the questions contained in the notice.

If you have any questions about our response, please feel free to contact me directly at either gbollom@mge.com or 608-252-4748.

Sincerely,

A handwritten signature in black ink, appearing to read 'Gregory A. Bollom', written in a cursive style.

Assistant Vice President - Energy Planning

GAB/kjl

Attachment

**Madison Gas and Electric Company
Response to Notice of Investigation
Docket 5-EI-148**

- 1. Wisconsin utilities for whom the Commission has previously approved an experimental ART are asked to respond to Questions 1.a. through 1.e.**
 - a. How did the utility decide upon the design and price of each ART?**
 - b. What effect did each ART have in terms of number of participating customers, enrolled capacity, and actual generation?**
 - c. 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 sources?**
 - d. What effect, if any, have ARTs had on utility rates, voluntary "green power" prices, and utility returns?**
 - e. What contribution has each ART made toward compliance with renewable portfolio standard obligations?**

Response: MGE's ART is its Pg-4 Experimental Photovoltaic Parallel Generation tariff marketed as Clean Power Partners (CPP). The program was designed as an incentive tariff to attract customers with small customer-owned PV systems to sell their production to MGE. The solar energy purchased by MGE is used to supply renewable energy to MGE's Green Power Tomorrow (GPT) program. MGE reviewed similar programs offered by other utilities, discussed economic requirements with local solar advocates, and reviewed past customer research and field staff experience in setting the program design. The price was set at a level the Company felt would be just high enough to attract customer participation. Because each customer-owned installation is unique, there was no average or typical installation upon which to develop a cost-based price.

MGE's program has been very successful. The original program was initiated in January 2008 and capped at a participation level of 150 kW of installed capacity. Program participation grew quickly and the cap was raised to 300 kW in May 2008. Participation is again at the expanded cap. There are currently 61 total projects committed to the program with an installed capacity of 305 kW. There are 39 residential customer-owned installations and 23 nonresidential. 42 of the

projects are already installed and generating electricity. The project sizes vary from 1.2 kW to 10 kW. Since the program inception, all new customer-owned solar installations that MGE is aware of in its service territory have enrolled in CPP.

MGE pays 25 cents/kWh (\$250/MWh) for the energy purchased under the program. This compares to the 2008 average on-peak LMP of a little under \$70/MWh for the Madison load zone at which MGE's customers are served. The cost of MGE's other renewable energy sources (landfill gas generation and a variety of wind sources) vary in a range of 4 to 6 cents/kWh.

All of the energy purchased by MGE from customers participating in CPP is rolled into the energy used to supply GPT. The incremental cost of the CPP purchases is averaged with the incremental cost of MGE's other renewable supplies in GPT to arrive at the premium in that program. While CPP is the highest cost supply in GPT, it represents a relatively small amount of the total supply and has not had a material effect on the premium calculation for that program. Because MGE purchases the energy directly from customer-owned installations, MGE has no investment in any of the installations and as such CPP has no affect on MGE's utility return. Further, MGE makes a clear separation between energy used to meet RPS requirements and energy used to supply GPT. There is no "double counting." Therefore, CPP makes no contribution toward MGE's RPS compliance.