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Public Service Commission of Wisconsin
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February 16, 2009

Mr. John Shenot, Policy Advisor
Commissioner's Office
Public Service Commission of Wisconsin
P.O. Box 7854
Madison, WI 53707-7854

Hand-Delivered

RE: Advanced Renewable Tariff Development Docket 5-EI-148

Dear Mr. Shenot:

The Cooperative Network submits the following comments in response to Docket No. 5-EI-148, the *Investigation on the Commissioner's Own Motion Regarding Advanced Renewable Tariff Development*.

Cooperative Network is the statewide trade association for cooperative businesses. Our more than 650 cooperative business members are owned by more than 2.9 million citizens of this state and include grocery and consumer; healthcare; housing; agriculture processing; dairy; grain, farm supply and fuel, electric and telecommunications utility, mutual insurance, and secondary education cooperatives (CESA's).

First, Wisconsin's extensive cooperative system is a strong proponent of renewable energy. Our members have engaged in many efforts to produce energy from such renewable sources as wind, hydroelectric, biomass, and manure digesters. The state's cooperative system intends to play a continued significant role in achieving the state's renewable energy goals.

Second, the Cooperative Network, consistent with the Agriculture and Forestry Working Group's templates of the Governor's Task Force on Global Warming (Task Force), supports a process by which renewable energy development would be enhanced through financial support from the state General Fund rather than through mandated tariffs by the PSC.

I served as co-chair of the Agriculture and Forestry Working Group (Working Group) of the Task Force and as Chair of the Agriculture Subcommittee (Subcommittee) of the Working Group. We discussed the potential for a mandated advanced renewable tariff during three separate meetings of the Subcommittee and during at least one meeting of the full Working Group. Following our extensive discussions, Committee and Working Group members came to the following conclusion as expressed on page 32 of the Task Force Report:

Production, capture and use of animal methane

This policy recommendation seeks to increase the capture and use of animal methane for electricity or heat and to reduce current methane emissions. Several policy options are suggested: (vi) create a state fund for incentives for utilities to pay a higher rate for electricity or biogas supplied from manure digesters . . .

In addition, in the “Production, Capture and Use of Animal Methane” Template on page 173, the following language is included:

B. State Payments

Create a state fund for incentives for utilities to pay a higher rate for electricity or biogas supplied from manure digesters.

Working Group and Subcommittee members adopted this recommendation because of concerns requiring an advanced renewable tariff of utilities might require a payment rate that is above the rate the utility might pay for a similar amount of power from a different renewable source, and as a result, would constitute a biased subsidy to the producer.

The majority of Working Group and Committee members recognized, for example, that while electric utility cooperatives are not subject to the PSC’s jurisdiction – and there was no interest to change this in state law -- the subsidy issue could best be demonstrated by the fact that a cooperative could have a disproportionate number of manure digesters in its service territory. Consequently, the cooperative’s members could be asked to pay higher rates to subsidize the energy being produced by a member with a manure digester. This would lead to price discrimination among cooperative members and run counter to the cooperative principle of treating members similarly.

From an investor-owned utility context, this concern might not be viewed the same, but Working Group and Committee members agreed the subsidization principle remained the same. Therefore, the Working Group and Committee members adopted a position that to the extent the advanced renewable tariff payment is higher than the utility’s avoided cost, it is a public good and should be paid from state funds rather than from the utility. In other words, the Agriculture and Forestry Working of the Governor’s Task Force on Global Warming did not support mandated tariffs on methane digestors.

The Agriculture and Forestry Working Group’s *Production, Capture and Use of Animal Methane* template was presented to the full Governor’s Task Force on two separate occasions and was adopted by the full Governor’s Task Force. However, it should be noted that our *Production, Capture and Use of Animal Methane* template, and the related Governor’s Task Force language on page 173, could be read to conflict with the Task Force Report language on page 26 which states that the PSC should “establish tariffs to stimulate the deployment of renewable generation projects smaller than 15MW.”

Once again, the Cooperative Network, consistent with the Agriculture and Forestry Working Group’s templates, supports a process by which renewable energy development would be enhanced through financial support from the state General Fund rather than through mandated tariffs by the PSC.

Thank you for providing the Cooperative Network with the opportunity to present its views on this issue. We reserve the right to provide additional comments at a later date if the docket remains open.

Sincerely yours,



William L. Oemichen, President & CEO
Former Member, Governor’s Task Force on Global Warming &
Co-Chair, Agriculture and Forestry Working Group

Cc: Todd Holschbach, Agriculture & Forestry Working Group Co-Chair