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Public Service Commission of Wisconsin
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June 12, 2009

Mr. Robert Norcross, Administrator
Gas and Energy Division
Public Service Commission of Wisconsin
610 N Whitney Way
Madison, WI 53705

Re: Response to Advanced Renewable Tariff Questions. 5-EI-148

Dear Mr. Norcross and Commissioners:

The Wisconsin Dairy Business Association thanks you for providing this opportunity to comment on issues raised in the Commission's document titled "Investigation on the Commission's Motion Regarding Advanced Renewable Tariff Development" (ARTs) dated May 20th, 2009.

Dairy Business Association (DBA) is an industry organization comprised of dairy producers, corporate and allied industry supporters. DBA promotes the growth and success of all dairy farms in Wisconsin by fostering a positive business and political environment.

Our members have a vested interest in the future of renewable energy and, as you know, Wisconsin's dairy farms have been at the forefront of the development of anaerobic digestion technology. Our State continues to lead the nation in the number of manure digesters producing biogas generated energy and environmentally friendly byproducts. The most recent data shows that 42 anaerobic digester are operating in Wisconsin; 22 of those digesters are located on Dairy Business Association member farms.

Anaerobic production of biogas for energy production has significant advantages over current fossil fuel power generation. Coal-fired electric generation is capital intensive due to the cost of transportation, mitigation of emissions and disposal of byproducts. Natural gas and other fossil fuel generation rely on off shore resources, tenuous Middle East relationships, considerable infrastructure tied to ocean shipping, pipeline and truck transportation. Greenhouse gas emission resulting from these energy sources are a

major problem. Steam produced by nuclear fission is a cost-effective form of energy production, but the long-term safe disposal of waste generated by these plants has yet to be resolved. Energy produced by water-powered turbines operating in dams erected in the past, both as flood controls and energy generation, are very efficient -- but the environmental community has expressed issues with habitat loss, silting of rivers and blocking of important spawning grounds for many species of fish and other aquatic life.

Valid concerns about global warming have resulted in a move toward reduction of greenhouse gases. Alternative energy projects have emerged to replace fossil fuels. As our country transitions to renewable energy generation, biogas, solar and wind generation technologies are the primary technologies we have turned to. While the energy sources are readily available and carry few of the drawbacks associated with accessing carbon-based fuels, harnessing their energy output often requires substantial monetary expense and, for some, siting of these systems has become contentious.

Biogas energy generation is the only renewable energy generator that produces renewable energy and provides a solution to the management of manure waste from dairy operations including odor reduction. As Wisconsin increases regulations aimed at protecting and improving our environment, advanced manure management techniques become vital. Anaerobic digestion of manure is an ideal solution to help dairy farmers limit storage capacity, manage nutrient management plans, as well as significantly reducing the amount of waste applied to their land, thereby reducing runoff. For many larger farms, anaerobic digestion can be cost efficient if they can be assured of a fair price for the energy they generate, regardless of their location or the utility that serves their business. Biogas energy production provides solutions to existing environmental concerns, creates jobs, infuses capital into local businesses and can help guarantee the future of one of Wisconsin's cornerstone industries.

As requested, we respectfully offer the following comments on your May 20, 2009 document titled "Investigation on the Commission's Own Motion Regarding Advanced Renewable Tariff Development.

Issue 1 – Should the Commission expand the availability and use of ARTs in Wisconsin?

Yes, a dairy's location should not be a limiting factor in determining the revenue it will generate from anaerobic digester energy generation or any other alternative energy project.

ARTs do not duplicate a Renewable Portfolio Standard (RPS) and are as economical as that of an RPS. They are a good way of ensuring that a portion of the RPS is fulfilled with in-state power as the anticipated National RPS will make sourcing out-of state

renewable power more difficult. This issue needs to be on the table and a primary component of this discussion.

DBA does not believe ARTs will not dramatically increase a residential or business cost of energy. Other states have seen the modest increases distributed over the broad consumer base. ARTs will, in effect, encourage investment in technology, thereby increasing related economic activity. The American Clean Energy & Security Act of 2009 is expected to become law and will result in a national RPS and cap-and-trade scheme. The argument that Wisconsin “can ill afford to incur unnecessary costs” is misleading as the carbon costs incurred by failing to move early to aggressively procure renewable energy will be far more expensive.

We encourage the Commission to move forward using Alternatives 4 and 5. Both alternatives are fair for producers who wish to transform environmental challenges into environmental benefits.

Issue 2 – Should the commission require uniformity in the ARTs offered by WI electric utilities?

DBA finds that Alternative 4 is the most fair of the alternatives offered.

Issue 3 – If the Commission chooses to require uniformity in ART prices, what prices might be appropriate?

The fixed price contracts are agreeable, but we would like to see a portion 20-25% of the contract price be increased based on an inflation index as a percentage of O&M will increase with inflation. Other utility regulators include this inflation scenario.

ART’s should be established for no less than 20 years such as Vermont’s feed-in tariff program. Lenders have become comfortable with this term.

DBA agrees that environmental attribute ownership must be plainly outlined in any ART contracts. In the case of carbon credits, the portion of credits which offsets the production of traditional electricity (Renewable Energy Credits) should become the property of the utility. Any credits resulting from the destruction and mitigation of methane or other greenhouse gases through a process other than electricity generation (carbon credits) must remain the property of the proponent.

Project caps should be in the range of at least 15MW. A 5MW cap would artificially limit the opportunity established in the biogas market.

We support an incentive for peak power producers; we believe it is in the best interests of the ratepayers to avoid purchasing power from out of state during peak hours.

The rates proposed in Table 2 are not competitive with ART rates paid or proposed in other places where ARTs exist. Please follow the web-link below. The proposed rates for biogas in Ontario as of June 2009 See slide 78):

http://www.powerauthority.on.ca/FIT/Storage/10/10219_May_12_-_pricing_slides_update_and_rule_changes.pdf

This schedule indicates a price of \$0.145 for projects less than 500kW, \$0.133 for projects 500kW to 10MW, \$0.095 for projects over 10MW (all tariffs converted at C\$1.00 = US\$0.9085). An ART with less competitive pricing than neighbouring jurisdictions will not meet targets.

The Wisconsin Bio-industry Alliance could provide more substantive data on biomass rates. We would encourage the PSC to contact them for relevant information

Overall, we believe the PSC has done well at understanding and summarizing the key points of this question and has a good grasp on the features of an ART required for the program's success.

DBA could support Alternative 2, if prices are competitively set similar to other jurisdictions offering ARTs.

Issue 4: Should utilities recover the costs associated with ARTs through ordinary rates or through voluntary Green Pricing rates.

We would favour that the utilities apply ART costs across the rate base. Customers should be able to share in the benefits of using renewable energy. Voluntary programs have significant costs related to them which could be avoided.

We agree that any customer who is not paying for the costs of the ART should not be eligible to generate under the ART.

We believe that Alternative 2 best reflects the interests of the state.

Issue 5: Should the Commission limit the total program size for ARTs offered by utilities, and if so, on what basis should limits be established?

DBA believes it is in the best interest of the state and ratepayers for the PSC, and not the utilities, to determine program size.

If there are to be limits on the ARTS then the target should be the RPS target established by the state.

We believe the program caps in the table on Pg 27 are too small and would discourage investment. We therefore strongly support Alternative 2.

Issue 6: What are the next steps the Commission should take on ART policy?

Consultation with interested parties and other stakeholders has increased interest by project supporters. DBA encourages the PSC to move the process forward as soon as is diligent and practicable.

In light of the positive impact sound ARTs will have on the agricultural and manufacturing sectors in Wisconsin, we believe that Alternative 3 is the most prudent choice in light of the economic hardships and increased unemployment rates the State is facing.

Alternative 2 would be acceptable if the process was completed in an expeditious manner. The sooner the state establishes an ART, the better.

Alternative 4 is time-consuming and repetitive. This forum will no doubt give the PSC a strong sense of what the stakeholders believe to be the most prudent action.

Thank you for providing this opportunity to comment on this very important topic.

Sincerely,

Laurie Fischer

Laurie Fischer, Executive Director
Dairy Business Association