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Public Service Commission of Wisconsin
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June 15, 2009

Ms. Sandra Paske
Public Service Commission
610 N. Whitney Way
P.O. Box 7854
Madison, WI 53707-7854

RE: **Docket 5-EI-148 - Investigation on the Commission's Own Motion Regarding Advanced Renewable Tariff Development**

Dear Ms. Paske:

Attached are Comments of WPPI Energy on Staff Briefing Memorandum for docket 5-EI-148. Please note that Municipal Electric Utilities of Wisconsin (MEUW) joins the comments.

Very truly yours,

A handwritten signature in black ink that reads "Mike Stuart".

Mike Stuart
Executive Vice President

Attachment

BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN

Investigation on the Commission's Own Motion Regarding
Advanced Renewable Tariff Development

Docket No. 5-EI-148

**COMMENTS OF WPPI ENERGY ON
STAFF BRIEFING MEMORANDUM**

WPPI Energy (WPPI) appreciates the opportunity to comment on the Commission's Advanced Renewable Tariff (ART) proceeding and acknowledges the important policy questions raised in this proceeding. WPPI is authorized to state that Municipal Electric Utilities of Wisconsin (MEUW) reviewed and joins these comments.

While it was somewhat unclear what information was sought in the Commission's original notice, we appreciate the clear Briefing Memorandum provided by Commission staff. We now better understand the intent of the questions and therefore provide the following brief comments to make sure that the Commission understands WPPI's existing programs and positions on the policy issues set forth in the Briefing Memorandum.

It is clear that a number of related policy objectives lie at the heart of the questions posed by staff in this proceeding. We urge the Commission to take a holistic approach and consider the ARTs within the context of the broader policy challenges and opportunities facing Wisconsin utilities and ratepayers.

In the last five years, Wisconsin has experienced significant changes to environmental (SO_x, NO_x, and mercury regulation) and renewable energy (a 10% Renewable Portfolio Standard) policies.

It also has seen an increase emphasis on energy efficiency as a primary tool in managing energy consumption, the emergence of a regional wholesale energy market, and significant new investment in our generation and transmission infrastructure. In addition, we have seen the emergence of a strong national consensus that action on climate change is required. We know that any federal policy solution will come at a cost for our ratepayers, with significant upward rate pressure at least in the short term.

Taken together, these policy changes have improved the reliability of our electric system, addressed environmental concerns, and promoted a more balanced and sustainable energy policy for our state. The recommendations of the GWTF present an opportunity to make further fundamental changes in our state's energy policy framework. WPPI and its 41 Wisconsin members have supported this policy shift in our state and already taken specific steps and devoted significant resources to meeting the policy. And we strongly support the GWTF's recommendations as a viable means to meet the challenges of climate change.

In implementing these policy goals, however, Wisconsin faces significant rate and economic pressures. The pressures will require policymakers and utilities to be strategic in our efforts and meet policy goals as cost effectively as possible. The tension between policy objectives and rate sustainability is the signature challenge for policymakers and utilities over the next several years.

The tension is palpable in determining an ARTs policy. WPPI acknowledges that ARTs could and should play a role in advancing policy goals and empowering customers to better manage their energy use and costs. But we urge the Commission to carefully consider the extent to which policy goals support full scale implementation of ARTs at this time and ensure that any ARTs policy balances policy goals and the need to be strategic and minimize ratepayer impacts in the pursuit of those goals.

WPPI and its members strongly support the RPS enhancements and a major increase in conservation and energy efficiency efforts. We believe that over the long term, these policies will help manage impacts to ratepayers while meeting our energy needs in a sustainable fashion into the future. While we understand there are a variety of opinions on the role of ARTs as they relate to a RPS policy, we believe that in context of the state's existing 10% RPS (and potential increase to 25%), an ARTs policy must be viewed first through the lens of the RPS requirement. We then can best consider how an expansion of any ART would complement the RPS and other policy objectives of the Commission and this state.

To the extent the policy goal is development of more renewable energy, we believe that the Commission should rely largely upon the RPS to achieve this policy objective. While some may suggest that the potential increase in the state's RPS to 25% will justify the acceleration of ART expansion, the Commission should recognize that increased reliance on ARTs to achieve an RPS goal will create even more upward pressures on rates, given that small customer-owned renewable projects are not cost competitive with commercially-scaled projects.

If the goal is to promote economic development (and there is a legitimate policy question whether utility revenues are an appropriate source of funding economic development policy objectives), then WPPI believes any policy should be narrowly focused on that objective and deployed on a pilot basis with careful measurement and evaluation.

In addition to foregoing background comments on the Commission's policy choices, WPPI also desires to complete the partial information contained in the Briefing Memorandum on the current service offerings of WPPI's members:

- Net Metering – WPPI member utilities in Wisconsin abide by the net metering rules established by the Commission for customer-owned generation rated at 20kW or less.
- Standard Buyback Rates – WPPI member utilities in Wisconsin also make available the standard buyback rates established by the Commission, by offering an avoided cost rate for energy from customer-owned generation in excess of 20kW. In addition, special projects interconnected to member utility distribution systems may result in the sale of output at negotiated rates directly to WPPI.
- Advanced Renewable Tariff – WPPI guarantees a payment for customer-owned solar projects at a fixed rate that is higher than standard buyback rates and guarantees to pay the customer the fixed rate for a period of ten years. The costs associated with these payments are borne by customers who participate in WPPI members' green pricing programs. The service is limited to a fixed quantity across the entire WPPI system. WPPI receives all renewable energy credits and attributes associated with the energy generated from the solar PV projects. While the Briefing Memorandum indicates the solar ART is available in River Falls, for completeness, the offering is now in fourteen member tariffs and added to all WPPI members' tariffs as they reach their rate case cycles or receive service requests.

One further comment is necessary to explain the ART for solar that members make available. WPPI provides the service as a means of encouraging small solar projects in member communities. It has placed a cap on the amount of capacity that it will acquire through the program as a cost mitigation strategy. While we encourage small solar projects, WPPI notes that such projects already are eligible for federal tax credits and Focus on Energy payments. Given these existing funding sources, WPPI finds it difficult to ask its members and their retail customers pay significant additional subsidies for such projects without mitigation, particularly given that WPPI is already meeting the RPS.

Issue One: Should the Commission expand the availability and use of ARTs in Wisconsin?

While WPPI does not oppose expanding the use of ARTs, we believe that circumstances matter in this situation. WPPI is already meeting its 2015 RPS requirements and will be required to meet any mandatory RPS or carbon emissions standard in the future. As noted above, the utility industry is facing unprecedented rate pressure from all directions. Given these pressures, WPPI believes we must view any expansion of ARTs through an RPS prism, i.e., only expand ARTs where we can cost effectively complement our state’s primary renewable energy promotion policy – the RPS -- with targeted ART expansion. We also believe that ratepayers will fare better in the long run if utilities have flexibility to meet renewable, environmental and carbon futures as cost effectively possible. If small customer-owned renewable projects were even close to competitive with utility-owned commercially scaled projects, WPPI might view the ART issue differently.

Issue Two: Should the Commission require uniformity in the ARTs offered by Wisconsin electric utilities?

WPPI does not believe uniformity is necessary to meet policymakers’ goals in this area. While there may be some merit in harmonizing ART offerings in the state, the case for standardization would be more compelling if there were evidence of a clear “best” approach. There is not. In the absence of this evidence, we believe flexibility is warranted. Different utilities may select different strategies and with good reason. From the policymakers’ perspective, there will be a benefit from an early diversity of efforts. One benefit will be a proliferation of different plans and implicit competition created among utilities with different plans. The PSCW will be able to observe which utilities and programs perform most cost effectively and determine why. The answer may be that one utility implemented a strategy that worked particularly well for it, with possible implications for other utilities subject to the PSCW regulations. Or the answer might relate to particular technology developments or differences between various utility’s retail customer profiles.

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

Again, there may be some merit in pursuing uniformity. However, for the same reasons set forth above, WPPI does not favor uniformity. Having said that, WPPI notes that the rate available under its ART program to its members for the customer-owned solar projects in their service areas is the highest in the State of Wisconsin.

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

WPPI structured its ART so that the costs associated with it are recovered through its members' retail Green Pricing programs. It believes this approach is appropriate, at least until ARTs are cost competitive with other renewable options available to WPPI.

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

Because these projects are not yet cost competitive with other commercially-scaled renewable projects, WPPI has limited the eligibility for its program to a fixed kW size aggregated for all member utilities. The decision to structure the program in this way was made by members as a means of making sure that WPPI was spending most of its renewable dollars on the commercially-scaled projects that are most cost effective. It was a mitigation strategy.