

**BEFORE THE
PUBLIC SERVICE COMMISSION OF WISCONSIN**

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

Docket No. 05-EI-148

**INDUSTRIAL CUSTOMERS' (WISCONSIN CAST METALS
ASSOCIATION AND WISCONSIN INDUSTRIAL ENERGY GROUP) RESPONSE
TO STAFF'S BRIEFING MEMORANDUM**

Industrial Customers ("IC") submit the following response to the Public Service Commission of Wisconsin (the "Commission") Staff's May 20, 2009 Briefing Memorandum ("Briefing Memo") in the above-referenced docket. IC welcomes the opportunity to comment on the Briefing Memo and focuses primarily on the Staff's characterization of IC positions regarding issues and alternatives related to Advanced Renewable Tariffs ("ARTs"). IC's silence as to the manner in which the Briefing Memo describes the positions of other parties should not be understood as the IC's agreement with those positions or that the positions are accurately portrayed. In addition, IC addresses the ART alternatives that Commission Staff present. Finally, IC addresses certain observations and alternatives to ARTs that are presented in Issue Six of the Briefing Memo but that were not identified as a topic of consideration in the Commission's Notice of Investigation.

ISSUE ONE: SHOULD THE COMMISSION EXPAND THE AVAILABILITY AND USE OF ARTS IN WISCONSIN?

The Briefing Memo accurately portrays IC's comments regarding expanding the availability of ARTs—*i.e.*, that the primary objective should be economics driven and, since ARTs come with high premiums and are more costly than much renewable energy, they should

not be expanded. However, the Briefing Memo did not include certain key points that would provide fuller context and rationale for IC's observation:

- ARTs need to adhere to traditional regulatory and rate making principles and not run counter to the Commission's desired goals to allocate cost with a view toward cost causation, equity and facility of implementation. Traditional principles of cost, need and reliability should not be trumped in the political push to promote renewables and greenhouse gas reductions.
- ARTs should not now be expanded because Wisconsin cannot afford to incur the associated costs given the current economic slowdown.
- In Europe ARTs have predominantly been used in lieu of an RPS.
- ARTs are not necessary because Wisconsin utilities are already on track to meet their RPS requirements; some utilities have already exceeded their individual requirements.

IC also commented that meeting RPS obligations in a least-cost manner is critical given current demand destruction. IC believes that in order to provide the Commission with sufficient information as to whether ARTs should be expanded, the Briefing Memo should include an economic analysis of such expansion. The Commission must ask whether ARTs result in meeting RPS standards in a least-cost manner. Commission staff has already conducted analysis to ascertain prices for certain renewable technologies varied by size, and presented the information at pages 13 through 20 of the Briefing Memo. This information could be used to conduct the economic analysis and compare ARTs with other alternatives. The issue of evaluating whether to limit expanding ARTs to utilities of a certain size or ownership structure should be addressed separately from the more fundamental question of whether ARTs should be expanded in the first place. Thus, IC recommends that before the Commission turn to the alternatives the Briefing Memo identifies for Issue One, it first determine whether ARTs should be expanded in any way, with the following two alternatives:

Alternative One: ARTs should not be expanded because the economics do not justify the expansion and run counter to traditional ratemaking principles previously endorsed by the Commission.

Alternative Two: ARTs should be expanded because the economics justify the expansion and do not run counter to traditional ratemaking principles previously endorsed by the Commission.

Only if the Commission chooses Alternative Two would it then turn to the specific alternatives for Issue One, as currently set forth in the Briefing Memo.

ISSUE FOUR: SHOULD UTILITIES RECOVER THE COSTS ASSOCIATED WITH ARTS THROUGH ORDINARY RATES OR THROUGH VOLUNTARY GREEN PRICING PROGRAMS?

IC believes that the Briefing Memo is inconsistent in one very important respect. On the one hand, the Briefing Memo appears to suggest that this Investigation addresses ARTs and is not the proper forum to address whether utilities should be ordered to offer Green Pricing programs. This view of the Investigation is the basis for the Briefing Memo's assertion that utilities' recovery of ART costs may not be mandated through Green Pricing rates—that is, that the Commission is without authority to order the utilities to offer Green Pricing programs. On the other hand, it is clear that the Briefing Memo contemplates the Commission ordering regulated utilities to offer ARTs. In IC's view, if the Commission can order utilities to offer ARTs, certainly it has the authority to order Green Pricing programs (and the recovery of ARTs costs through Green Pricing programs). In addition, since cost recovery is important in this Investigation, it is relevant and necessary to include Green Pricing programs as part of the discussion. Therefore, IC recommends that with respect to cost recovery, the following Alternative be added:

Alternative Four: All ARTs costs may be recovered only from customers that participate in Green Pricing programs.

ISSUE FIVE: SHOULD THE COMMISSION LIMIT THE TOTAL PROGRAM SIZE FOR ARTS OFFERED BY UTILITIES AND IF SO, ON WHAT BASIS SHOULD THE LIMITS BE ESTABLISHED?

IC believes that the Briefing Memo should include cost impacts in terms of actual dollars, in addition to the percentage impacts, for the hypothetical example described at pages 27-28 of the Briefing Memo.

IC also recommends an additional Alternative in connection with Issue Five:

Alternative Five: Each utility's ART offerings are capped based on cost recovery from its Green Pricing rates.

ISSUE SIX: WHAT ARE THE NEXT STEPS THE COMMISSION SHOULD TAKE ON ART POLICY?

As noted in the Briefing Memo, the Commission's Notice of Investigation did not request parties to propose next steps. Therefore, IC did not offer next steps at that time. However, since the Briefing Memo expressly contemplates such discussion, IC offers the following comments on the issue.

The Briefing Memo provides at page 29 that

[a]fter the Commission has expressed its preference on Issues One through Five, it should be a relatively simple matter to establish appropriate ART prices and to complete a thorough analysis and modeling of the potential cost and rate impacts.

IC disagrees with this statement and is convinced that the cost and rate impacts must be addressed before the Commission makes any policy decisions on ARTs. Since one of the primary objectives of this Investigation is to determine whether ARTs should be expanded, it is fundamental to ascertain first the cost and rate impacts of ARTS and, with that information in hand, then reach a conclusion. Therefore, IC recommends the following additional Alternative to Issue Six:

Alternative Five: Conduct cost and rate impact analyses to determine first whether ARTs should be expanded in any way, before turning to Issues One through Five.

IC appreciates the opportunity to comment on Commission Staff's Briefing Memo and looks forward to actively participating and providing additional comments as this docket investigation progresses.

Dated June 15, 2009.

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