

**BEFORE THE  
PUBLIC SERVICE COMMISSION OF WISCONSIN**

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

5-EI-148

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**COMMENTS OF DAIRYLAND POWER COOPERATIVE  
ON STAFF BRIEFING MEMORANDUM**

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Pursuant to the Commission's Request for Comments on the Staff's Briefing Memorandum, dated May 22, 2009, in the above matter, Dairyland Power Cooperative ("Dairyland") hereby submits the following comments:

Dairyland believes the Briefing Memorandum summarizes issues relating to Advanced Renewable Tariff ("ART") development, as far as it goes. However, there are other issues associated with ARTs that were not fully explored in this proceeding. Dairyland believes it would be premature for the Commission to direct the development of tariff sheets (Issue 6, Alternatives Two through Four). Likewise, Dairyland does not believe Alternative One ("Take no further action related to ART policy.") is an appropriate outcome for this investigation. Dairyland suggests that rather than directing Staff to develop tariff sheets, the utilities be given the opportunity to proposed ARTs to address their individual circumstances.

The Commission recognized it does not have authority to expand the availability of ARTs to electric cooperatives. Briefing Memorandum, at 6. The Commission does not regulate Dairyland's rates or the rates of the distribution cooperatives. Dairyland is a not-for-profit generation and transmission ("G&T") electric cooperative headquartered in La Crosse, Wisconsin. Dairyland is

owned by and provides the wholesale power requirements for 25 separate distribution cooperatives in southern Minnesota, western Wisconsin, northern Iowa, and northern Illinois. Dairyland's rates are set by its Board of Directors, whose members are elected by its member distribution cooperatives. The Board of Directors of the distribution cooperatives, whose members are elected by the retail customers of the distribution cooperatives, set their own rates.

In the December 3, 2008 Public Service Commission of Wisconsin Memorandum (Docket 5-GF-173), the Commission reviewed how each electric utility in Wisconsin was performing in reference to its renewable portfolio standard ("RPS") requirement. Dairyland's 2,898,915 MWh of 2004-2006 average retail sales represents 4.2% of the state average. Dairyland's 209,832 MWh of 2007 renewable energy represents 7.6% of the state total. This is a clear indication that Dairyland's approach to renewable energy is working.

Even though the Commission does not regulate the rates of Dairyland or the distribution cooperatives, as the Briefing Memorandum recognizes, Dairyland and its distribution cooperatives have already implemented renewable tariffs. Briefing Memorandum, at 4, Table 1. Unregulated by the Commission and without a statutory requirement, Dairyland has established renewable tariffs to encourage small renewable generation projects. Dairyland's renewable tariffs address wind-powered, biogas, and other renewable electric generation with a nameplate capacity up to 2 MW. Currently, Dairyland pays a higher rate than its "avoided costs" for qualifying renewable generation.

Dairyland's renewable tariffs are available to renewable generation between 40kW and 2 MW (nameplate). The renewable tariff rates that Dairyland's elected Board of Directors has established for wind-powered generation is presently \$0.065 per kWh. For all other renewable generation, the rate is \$0.105 per kWh generated on-peak, and \$0.054 per kWh generated off-peak. Dairyland's renewable tariffs allow the seller the option of a five-year contract and afford the seller more flexibility than the

standard ten-year agreement offered by many regulated utilities in their tariffs. In addition, the seller may opt for either a fixed price through the term of the contract or adjustable pricing which is reviewed and adjusted on an annual basis so as to keep pace with the current value of the energy and the fair market value of the associated renewable attributes. Dairyland currently purchases energy from a 600 kW “cow power” digester and a 450 kW wind turbine under the renewable tariffs. Dairyland continues to coordinate with the owners of a number of other customer-owned biogas, wind, biomass, and solar projects that would be considered under the renewable tariffs and are presently under various stages of development.

With these renewable tariff rates, Dairyland has helped to incent 38 wind turbines, 30 photovoltaic installations and one mini-hydro unit in 2008 alone. A 600 kW “cow power” digester is also under Dairyland’s renewable tariffs. Dairyland’s Board is also in the process of addressing and establishing a separate renewable tariff rate for solar-power generation.

Dairyland has also implemented a net metering option equal to the average retail rate for renewable generation smaller than 40 kW (nameplate). Dairyland’s 40 kW ceiling for net metering is higher than the 20 kW ceiling for regulated utilities.

The Briefing Memorandum describes many of the reasons that justify implementing ARTs on a utility by utility basis. These reasons include:

- the need to treat large utilities differently than small utilities (Briefing Memorandum, at 7)
- the benefits associated with tailoring ARTs to specific circumstances (Briefing Memorandum, at 10)
- experimentation in offering ARTs would be encouraged (Briefing Memorandum, at 11)

Another consideration is the potential impact of ARTs on a utility's compliance with the RPS. Dairyland believes most utilities have aggressive plans to meet or surpass the RPS. Under the RPS, market forces drive the selection of renewable resource selection to projects that are most cost effective. ARTs, however, remove competitive market forces by guaranteeing all projects cost recovery, plus a rate of return, provided they accept the ART rates. Moreover, as the Briefing Memorandum (at 26) states in discussing the advantages and disadvantages of implementing a cap on the number of customers under an ART:

as a practical matter neither the utility nor the Commission would know in advance how much capacity will be installed, how much electricity will be generated, or how much it will cost. If all of the customers have large systems, program costs could end up higher than desired. If all of the customers have small systems, the amount of renewable electricity generated could be very small.

The Briefing Memorandum (at 26) lists only two disadvantages to allowing utilities to decide for themselves the appropriate size of their ART programs: this approach would not lead to uniformity among the utility programs and would allow utilities to severely restrict what they offer. On the other hand,

This approach allows the utilities to make decisions taking into consideration their RPS compliance strategy, customer demand for Green Pricing programs, and other information of which the Commission may not be fully aware.

Briefing Memorandum, at 26.

Dairyland believes that the advantages of allowing utilities to tailor their ARTs to their individual circumstances far outweigh the disadvantages. Dairyland believes the Commission should encourage the utilities to prepare ARTs that address their individual circumstances.

Dated this 15<sup>th</sup> day of June, 2009.

Respectfully submitted,

DAIRYLAND POWER COOPERATIVE

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*/s/ Jeffrey L. Landsman*

By: \_\_\_\_\_

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