

Public Service Commission of Wisconsin

Phil Montgomery, Chairperson Eric Callisto, Commissioner Ellen Nowak, Commissioner 610 North Whitney Way P.O. Box 7854 Madison, WI 53707-7854

Assembly and Senate

JOINT PUBLIC HEARING

Assembly Committee on Energy and Utilities
Senate Committee on Government Operations, Public Works, and Telecommunications
January 9, 2014

Testimony of R.J. Pirlot
Executive Assistant to Chairperson Montgomery
Public Service Commission of Wisconsin

Chairpersons Farrow and Kuglitsch, and members of the Senate Committee on Government Operations, Public Works, and Telecommunication and Assembly Committee on Energy and Utilities, good morning and thank you for allowing me to testify on behalf of Public Service Commission (PSC) Chairperson Phil Montgomery in support of AB 595, AB 596 and AB 594 and their Senate companions.

I've had the opportunity to meet with almost all of you over the last month, but for those who I have not yet met, my name is R.J. Pirlot. I serve as Chairperson Montgomery's Executive Assistant at the agency and oversee many of the day-to-day functions of the staff, as well as provide advice to Chairperson Montgomery to aid him in his decision making. I'm here to testify on his behalf today. With me is Attorney John Lorence, who serves in the office of General Counsel at the PSC and consulted on the drafting of these bills, as well as Andrew Kell, a policy analyst with expertise on renewable resources in Wisconsin. John and Andrews should be able to help answer any of the more technical questions.

As many of you will recall, when Chairperson Montgomery arrived at the agency in 2011, he asked staff how we could serve more effectively and operate more efficiently. Their suggestions comprised 2011 Wisconsin Act 155, last session's set of proposals to improve agency operations. I sit before you today with a second round of collaborative proposals -- from both PSC staff and stakeholders -- that seek to streamline our processes while at the same time ensuring that the Commission has the tools to ensure we can get our job done. You'll find that some of these ideas are technical follow-ups to Act 155.

Admittedly, many of the issues we address at the PSC are highly technical, and understanding those issues requires an investment of time. We appreciate legislators on both sides of the aisle being willing to make that investment in developing these bills—especially legislative authors. We originally presented them a list of ideas, and they were able to pick and choose and break apart and repackage the proposals as they deemed appropriate. What became are the three bills that have brought us here today.

First, AB 594- in short, this bill aims to relieve small utilities that have a baseline renewable percentage at or above 12 percent, and have elevated RPS percentage requirements of

Telephone: (608) 266-5481 Fax: (608) 266-3957 TTY/TextNet: In Wisconsin (800) 251-8345, Elsewhere (608) 267-1479

14 percent or higher between the compliance years of 2010 and 2014. This idea came from one of the four utilities who would be effected by this change, Consolidated Water and Power Company which is a subsidiary of New Page. When I've explained this piece to committee members and their staff, more than one have realized that Consolidated, along with Centuria Municipal Electric, North Central Power, and Northwestern Wisconsin Electric, have been "good actors" and voluntarily had a portfolio comparatively strong in renewables when the RPS baseline was set in 2006. AB 594 would relieve them, and their ratepayers, of the additional costs associated with their visibly disproportionate 2015 RPS requirements.

If Centuria, Consolidated, North Central, and Northwestern were allowed to sustain their 2010 percentage requirements at 2015 and beyond, the following impacts are likely to be observed. The aggregated statewide 2015 RPS percentage requirement across Wisconsin electric providers will be reduced from 9.57 percent to 9.50 percent, a difference of seven one-hundredths of one percent. The long-term effect would reduce the RPS requirement for about 50,000 MWh of renewable energy annually. This is equivalent to the output of about 16 MW of wind turbines operating with an average 35% capacity factor.

The reality, though, is that providing a small break from the RPS requirement for these four small utilities and their customers will likely be more than offset by other, larger utilities selling more renewable energy than the state RPS requires.

For example, Dairyland Power Cooperative's members passed a resolution to work towards a goal of 25% of renewable energy by 2025, dependent upon reliability and cost-sensitivity. This goal is well beyond their RPS requirement of 8.44% in 2015 and beyond. In 2012, Dairyland achieved 12.47% of energy sales from renewable energy and will likely increase this percentage based on their 25% goal. If we assume Dairyland will at minimum hold constant their 12.47% renewable energy level in the future, this will represent an annual overachievement of about 120,000 MWh annually over their 2015 RPS requirements.

A second example is Northern States Power Company (NSP). NSP has a federally-approved "Interchange Agreement" to allocate their Wisconsin-Minnesota system costs to both their Wisconsin and Minnesota retail customers via the electric providers of NSP Wisconsin and NSP Minnesota. This allows NSPW to manage Wisconsin and Minnesota RPS costs from a system perspective across borders. Minnesota's RPS requirements are much higher than Wisconsin's. In 2020, NSP Minnesota will be required by the Minnesota RPS to achieve 30% renewable energy levels, while NSP Wisconsin will be required to achieve 12.89%. In 2012, NSP Wisconsin achieved 16.21% of energy sales from renewable energy, and will likely increase this percentage based on the Interchange Agreement and the elevated Minnesota RPS requirements. If we assume NSP Wisconsin will at minimum hold constant their 16.21% renewable energy level in the future, this will represent an annual overachievement of about 200,000 MWh annually over their 2015 RPS requirements.

Taken together, these two examples of external drivers are causing Dairyland and NSP Wisconsin to annually procure renewable resources that are at least 320,000 MWh beyond their

combined 2015 Wisconsin RPS requirements. This is more than six times the approximate 50,000 MWh RPS requirement reduction that Centuria, Consolidated, North Central, and Northwestern electric providers will experience if their 2015 RPS requirements are frozen at 2010 levels (see figure).

Next, AB 596 does three things. First, you'll remember that Act 155 clarified that utilities do not have to seek PSC approval for customer-requested electric or steam lateral service drops. It was an unnecessary use of staff time to sign-off on these requested drops. AB 596 adds customer-requested natural gas service drops to that list of exemptions.

Second, AB 596 also removes statutory language that displacement technologies be eligible for Renewable Resource Credits (RRC) creation only if put into operation after June 3, 2010, allowing all renewable facilities, regardless of age of facility, to create RRCs. 2009 Wisconsin Act 406 required the PSC to promulgate new, expanded rules for RRCs. Act 406 took effect on June 3, 2010, and we determined we could only go forward prospectively from that date for the creation of the credits. But during a recent rulemaking proceeding, the Paper Council and Wisconsin Industrial Energy Group requested that the PSC, again through rulemaking, remove this date. Legal counsel at the PSC advised it would make more sense to go about this change statutorily. The rationale here is similar to the RPS change -- early adopters of renewable facilities should be able to create RRCs, own them and trade them.

Third, AB 596 allows for small territorial exchanges to go forward with a customer switch without an otherwise required Certificate of Authority from the PSC. The key here is that both utilities and the customer must all agree on the exchange. Again, this suggestion came from PSC staff, who spends time each year on cases like these when all parties agree that a neighboring utility should service a particular customer or small group of customers. PSC will promulgate rules, with stakeholder input, to define just how large that pool of customers may be. But again, both utilities involved must agree with the territorial exchange, otherwise the request will receive scrutiny under the agency's Certificate of Authority process.

The final bill, AB 595, is more technical in nature. Once again, our goal here is to streamline and to focus the resources we have at the PSC on the things that are most important to ratepayers. The bill allows the Chairperson to extend the Certificate of Public Convenience and Necessity timeline by 180 days rather than going to court for approval, as required by current law. Dane County circuit court has never denied this type of request, but there is a small filing fee involved, and a bit of work by both PSC and circuit court staff. Similarly, as you might note, Act 155 granted the PSC Chair the ability to extend the CA timeline. These projects, by statutory definition, are large enough that most all CPCN applications take the entire 360 days allotted, so utilities and applicants usually already expect this additional extension.

It also repeals an obsolete telecommunications definition of "transmission" facility with no functional use. Added to statutes in the 1980s, this idea was ripe for a Reviser of Statues bill, but staff pointed it out, so we included it.

Telephone: (608) 266-5481 Fax: (608) 266-3957 TTY/TextNet: In Wisconsin (800) 251-8345, Elsewhere (608) 267-1479 Act 155 placed in the statutes cost thresholds for the requirement that a public utility obtain a CA before beginning a new construction project. After the Act became law, we decided the reference may be too broad and could be read to apply, for example, to the requirement to obtain a CA before a utility expands its service territory. This bill corrects the cross reference so that the cost thresholds only apply to a *construction* CA, as originally intended.

Also within AB 595 is an effort to bring statutes into the 21st Century when it comes to utility filings by adding language with other means reasonably likely to reach the public, like posting on a utility website or in an electronic bill.

Another Act 155 clean-up relates to line tampering. Act 155 revised language that made tampering with an electric or telecommunications lines a misdemeanor. This bill follows up on those changes by using consistent language throughout the provision when referring to the owners of electric and telecommunications lines and deletes language which, inadvertently, allows the owner of the underlying property to grant another person permission to disturb an electric or telecommunications line. This most certainly was not the intent of Act 155.

Lastly, AB 595 contains three minor telecommunications provisions. The first extends the groundwork laid by 2011 Wisconsin Act 22, the last major telecommunications modernization bill, to level the playing field between ILECs and CLECs when it comes to accident reporting. The second and third both reclassify certain entities, which the PSC has either minimal or no regulatory jurisdiction over, as alternative telecommunications utilities, ATUs. With little or no authority over both the pay telephone service providers and cable television telecommunications service providers, the more general classification makes sense.

As you can see, these bills are quite comprehensive, but, we hope, not controversial. Again, thank you for your time and your consideration of these suggested reforms. John, Andrew and I are available to answer any questions you may have.

Home Page: http://psc.wi.gov

E-mail: PSCRecordsMail@wisconsin.gov

RPS PERCENTAGE REQUIREMENTS Status Quo					
Electric Provider or Aggregator*	Baseline RPS (%)	2010 RPS (%)	2015 RPS (%)		
Adams-Columbia Electric Coop	2.92	4.92	8.92		
Bangor Municipal Utility	6.62	8.62	12.62		
Barron Light & Water Utility	6.85	8.85	12.85		
Belmont Mun Water & Elect Util	2.76	4.76	8.76		
Benton Mun Elec & Water Util	2.86	4.86	8.86		
Black Earth Electric Utility	3.23	5.23	9.23		
Bloomer Electric Utilty	6.47	8.47	12.47		
Cadott Light & Water Mun Util	6.72	8.72	12.72		
Central Wisconsin Elec Coop	2.94	4.94	8.94		
Centuria Municipal Electric Util	12.37	14.37	18.37		
Clintonville Water & Electric Util	1.44	3.44	7.44		
Consolidated Water Power Co	16.47	18.47	22.47		
Cornell Mun Water & Elec Util	6.65	8.65	12.65		
Dahlberg Light & Power Co	1.37	3.37	7.37		
Dairyland Power Cooperative*	2.44	4.44	8.44		
East Central Energy	0.64	2.64	6.64		
Elkhorn Light & Water	3.43	5.43	9.43		
Gresham Mun Light & Pwr Util	2.43	4.43	8.43		
Hazel Green Municipal Utility	2.87	4.87	8.87		
Kiel (City of) Utilities	3.07	5.07	9.07		
Madison Gas & Electric Co	1.73	3.73	7.73		
Manitowoc Public Utilities	3.19	5.19	9.19		
Marshfield Elec & Water Dept	2.91	4.91	8.91		
Mazomanie Electric Utility	2.45	4.45	8.45		
Medford Electric Utility	6.41	8.41	12.41		
North Central Power Co Inc	33.11	35.11	39.11		
Northern States Power Co WI	6.89	8.89	12.89		
Northwestern WI Elec Co	12.48	14.48	18.48		
Oconto Electric Coop	4.71	6.71			
Pardeeville (Village of) Elec Util	2.44	4.44	10.71 8.44		
Pioneer Power & Light Co	2.71	4.71	8.71		
Princeton Mun Wtr & Elec Util	2.21	4.71	_		
Rice Lake Mun Wtr & Elec Util	6.53	8.53	8.21		
Rock Energy Coop	2.93	4.93	12.53		
Sauk City Mun Wtr & Light Util	2.82	4.93	8.93		
Shawano Municipal Utilities	1.34		8.82		
Sheboygan Falls Utilities	2.77	3.34	7.34		
Shullsburg Electric Utility		4.77	8.77		
Spooner Municipal Utilities	6.55	4.82	8.82		
Stratford Mun Wtr & Elec Utility		8.55	12.55		
Superior Wtr Light & Pwr Co	3.31	5.31	9.31		
rempealeau Mun Elc & Wtr Util	2.53	4.53	8.53		
Vashington Island Cooperative	6.78 3.35	8.78	12.78		
Vestfield Milling & Elec Co	2.81	5.35	9.35		
Visconsin Dells Mun Elec Util		4.81	8.81		
Visconsin Electric Power Co	2.89	4.89	8.89		
Visconsin Power & Light		4.27	8.27		
VPPI Energy*	3.28	5.28	9.28		
Visconsin Public Service Corp	4.24	6.24	10.24		
Visconsin Public Service Corp Visconsin Rapids WW & Light	3.74	5.74	9.74		
	2.73	4.73	8.73		
Vonewoc Electric & Water Util	2.69	4.69	8.69		
VISCONSIN TOTAL	3.55	5.55	9.57		

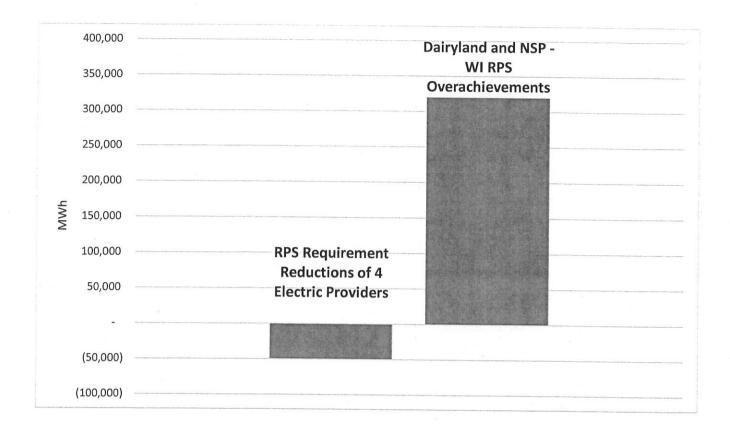
RPS PERCENTAGE REQUIREMENTS Alternative with Proposed Legislation					
	Baseli	2010	2015		
Electric Provider or Aggregator*	ne	RPS	RPS		
Adams-Columbia Electric Coop	2.92	4.92	8.92		
Bangor Municipal Utility	6.62	8.62	12.62		
Barron Light & Water Utility	6.85	8.85	12.85		
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North Central Power Co Inc	33.11	35.11	35.11		
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Washington Island Cooperative	3.35	5.35	9.35		
Westfield Milling & Elec Co	2.81	4.81	8.81		
Wisconsin Dells Mun Elec Util	2.89	4.89	8.89		
Wisconsin Belis Multi-Elec Otti	2.09	4.27	8.27		
Wisconsin Power & Light	3.28	5.28	9.28		
WPPI Energy*	4.24	6.24			
Wisconsin Public Service Corp		5.74	10.24		
Wisconsin Public Service Corp Wisconsin Rapids WW & Light	3.74 2.73		9.74		
Wonewoc Electric & Water Util	THE RESERVE THE PERSON NAMED IN COLUMN TWO IS NOT THE PERSON NAMED IN COLUMN TWO IS NAMED IN COLUMN TWIND TWO IS NAMED IN COLUMN TWO IS NAMED IN COLUMN TWO IS NAMED IN	4.73	8.73		
WISCONSIN TOTAL	2.69	4.69	8.69		
Aggregator	3.55	5.55	9.50		

^{*} Aggregator

"WISCONSIN TOTAL" is not a requirement for the state, but an aggregate percentage based on total electric provider requirements divided by projected statewide total retail sales.

In the status quo scenario, based on the most recent data available an aggregate requirement projection of 6,648,953 MWh in 2015 is divided by a projected total statewide retail sales level of 69,477,047 MWh to yield a 9.57 aggregate percentage.

In the alternative scenario, requirement projection reductions for 4 electric providers reduces aggregate requirements by 49,257 MWh. Based on the most recent data available an aggregate requirement projection of 6,599,696 MWh in 2015 is divided by a projected total statewide retail sales level of 69,477,047 MWh to yield a 9.50 aggregate percentage.





JULIE LASSA STATE SENATOR

Senate Committee on Government Operations, Public Works and Telecommunications and Assembly Committee on Energy and Utilities

January 9, 2014

10:00am.

412 East

Dear Chairmen Farrow, Kuglitsch, and Committee members,

Thank you for holding a public hearing today on Senate Bill 474 and Assembly Bill 594. This legislation would help small utilities remain competitive, such as Consolidated Water Power Company (CWPC), a subsidiary of NewPage in the 24th Senate District.

Under current law, an electric provider is required to provide a certain percentage of its electric energy from renewable resources in order to comply with the renewable portfolio standard (RPS). Each electric provider is required to calculate its baseline, based on its 2006 portfolio, and then must increase its output of renewables by 6 percent by 2015. These bills require that if an electric provider has a baseline renewable energy percentage that exceeds 12.0 percent and a renewable energy percentage that exceeds 14.0 percent in 2014, the electric provider is not required to exceed its baseline percentage by 6 percent in 2015. Rather, the electric provider is required to continue to exceed its baseline renewable energy percentage by at least 2.0 percent in 2015 and thereafter.

Unfortunately, compliance with the renewable mandate will cause financial harm for Consolidated Water Power Company and other small utilities around the state in addition to their ratepayers. Current law requires CWPC to increase its renewable energy percentage to 22.47% which is more than double the 10 percent requirement for other electric providers in the state. This is due to the fact that the company was at a much high renewable energy percentage when the 2005 law when into effect. Without this law change the resulting cost increase for CWPC's owner and largest energy customer, NewPage, could potentially cost \$400,000 each year for the purchase of Renewable Resource Credits. It may also mean as much as tens of millions of dollars if new infrastructure has to be installed. These increased costs would directly impact 1,700 high paying paper mill jobs in my district.

Senate Bill 474 and Assembly Bill 594 will help these small utilities that already exceed the minimum renewable generation requirements remain competitive. This legislation would essentially have zero impact on the total amount of utility renewable generation in Wisconsin. Most of the largest utilities are currently on track to either meet or exceed the 10% renewable mandate by the end of 2015.

I hope that you will join me in supporting passage of Senate Bill 474 and Assembly Bill 594 as a means for small utilities to contribute to economic development and job retention in our state. Please feel free to contact me directly if you have any questions regarding this matter.



Katrina Shankland

71st ASSEMBLY DISTRICT

Testimony in Support of Assembly Bill 594 January 9, 2014

Chairmen Farrow and Kuglitsch and members of the committees, I appreciate this opportunity to testify on Assembly Bill 594, which would relieve from further renewable generation requirements the good-acting, small utilities that have already met the 14 percent RPS in 2010 or have reached a 12 percent or higher baseline. I support this bill because of the economic benefits it would bring to my district and region, and I appreciate the diligent work that NewPage, the Wisconsin Paper Council, and the Wisconsin Industrial Energy Group did in bringing this important issue to my and other Central Wisconsin legislators' attention.

This bill directly affects a high quality company and its well-paying, family-supporting jobs in Central Wisconsin. NewPage, which has one paper mill in my district and several in Central Wisconsin, is a leading producer of printing and specialty papers in North America with \$3.1 billion in net sales in 2012. They employ 6,500 employees nationally with 1,700 employees in Central Wisconsin. For every mill job, six are externally required to support the mills, like suppliers and contractors. NewPage is served by the wholly-owned utility Consolidated Water Power Company, and energy is one of their top four costs to manufacture, along with wood, labor, and chemicals. NewPage has taken great strides to reduce energy consumption. From 2001 to 2006, they have reduced energy per ton of paper produced by 16%, saving \$40 million/year. Their next goal is another 10% reduction in consumption over the next three years.

Consolidated Water Power Company's baseline RPS was 16.47%, their 2010 RPS was 18.47%, and their 2015 RPS would be 22.47% under current law. This bill would allow Consolidated Water Power Company's investment in renewables to stay the same, saving at least \$400,000 annually. It is notable that this small utility is already investing in 80% more renewables than major utilities on average. Given that NewPage was acquired by Verso Paper Company this week and the NewPage mill in Whiting in my district has shut down, it is incumbent that we help the company stay competitive in the paper industry in order to retain and grow these good-paying jobs: 1,700 mill jobs and 10,200 ancillary jobs in Central Wisconsin.

I'm a strong advocate for renewable energy generation. NewPage has made significant investments in renewables, and it's impressive that they are out-performing other utilities. This bill would provide a significant financial savings for them at a time when it's especially necessary.

I support Wisconsin's Renewable Portfolio Standard and think this bill is a reasonable accommodation to small utilities that invested in renewable generation early and strongly. It's important to note that under this bill, the state's total renewable energy investment would decrease by five hundredths of a percent, from 9.55% to 9.5%, without accounting for the larger utilities going above and beyond their RPS – which could amount to six times the total reduction of generation under this bill. I believe these small utilities are doing their part by increasing renewable generation over time while also decreasing energy consumption – in fact, it's an important part of their bottom line and within their economic interest to do so.

I welcome the opportunity to discuss Wisconsin's RPS and hope to have future conversations about it with the Energy and Utilities Committee, especially considering every utility is on track to meet or exceed the standards by 2015. Finally, above all I support New Page/Verso, and I understand how important this bill will be to their ability to compete and thrive in the paper industry and to support the local economy of Central Wisconsin. Thank you for your consideration of this bill and I welcome any questions at this time.





7



Assembly and Senate Joint Public Hearing
Assembly Committee on Energy and Utilities
Senate Committee on Government Operations, Public Works, and Telecommunications
January 9, 2014

Panel of Industrial Customers:

Todd Stuart, Executive Director, Wisconsin Industrial Energy Group Scott Suder, Vice President Government Relations, Wisconsin Paper Council Tom Scharff, Director of Energy Services, NewPage and President, CWPCo Dennis Meyer, Buyer - Energy/Fiber, Expera Specialty Solutions

Testimony in Support of AB 594/SB 474, AB 595/SB 470 and AB 596/SB 473

We would like to respectfully ask for your support for the three bills scheduled for a joint hearing today. The three bills are designed to help mitigate energy prices for the state's largest job creators.

AB 594/SB 474 protects the ratepayers of a couple very small utilities from additional renewable energy generation requirements (RPS obligations) that have already reached a 14 percent RPS or greater in 2010. These early actors had a very high baseline relative to other state utilities. This bill would eliminate a financial and competitive burden on their customers and would effectively have zero impact on the total amount of renewable power generated in the state.

AB 595/SB 470 is a technical bill that has a number of provisions. It is meant to repeal outdated statutory language and streamline some of the procedures at the PSC. The PSC is funded through rates and therefore the proposed changes should provide a little more "bang for the buck."

AB 596/SB 473 promotes energy displacement technologies at industrial facilities (such as steam and biomass) by deleting the 2010 date for PSC 118.03(2)(b). We believe this language, developed by PSC staff in a previous rule-making, runs counter to the Legislative intent of 2011 Act 155 (commonly referred to at the "PSC Reform Act"). This correction could not be addressed through the rule making process due to scope issues.

As you may know, Wisconsin currently has among the highest electricity rates in the Midwest. Our industries support thousands of good paying jobs, compete regionally, locally and globally. Wisconsin's manufacturers are energy-intensive and, as a result, must balance energy costs in order to remain competitive. Energy costs are one of the primary factors considered for retention, relocation or expansion for manufacturers throughout our great state.

These common-sense reforms will help to mitigate this cost pressure and will go a long way toward helping ensure Wisconsin's manufacturing sectors will be able to remain competitive.

Thank you in advance for your consideration. Please feel free to contact our organizations with any questions or concerns regarding these important legislative initiatives.



To:

Wisconsin Legislature

From:

Bill Skewes, Executive Director Wisconsin Utilities Association

Re:

Support for AB 594, AB 595, AB 596, SB 470, SB 473, SB 474

Date:

January 9, 2014

On behalf of Wisconsin's investor-owned gas and electric utilities, the Wisconsin Utilities Association (WUA) supports AB 594, AB 595, & AB 596, and their companion bills, SB 470. SB 473 & SB 474.

As you may know, these bills are being proposed at the request of the Public Service Commission of Wisconsin, the agency that regulates the utility industry.

Generally, the bills are an attempt to streamline agency operations and clarify the interactions between the regulators and the regulated community. The bills also make minor, technical changes by updating the statutes to more accurately reflect current practices. Finally, they make a minor adjustment to the RPS requirements for certain small utilities to ensure they are not penalized for early action.

As such, these bills have the potential to benefit all parties to the regulatory compact, including customers, the agency and the regulated community.

WUA supports these bills and we respectfully urge the Legislature adopt these reasonable proposals to streamline and update the statutes.